## 2025 LETA 0525 ECONOMICS MARKING GUIDE.P1 &P2.

| 1.B | 11.D | 21.A | 31.C | 41.B |
|-----|------|------|------|------|
| 2.B | 12.A | 22.C | 32.B | 42.D |
| 3.A | 13.C | 23.B | 33.C | 43.B |
| 4.C | 14.C | 24.C | 34.D | 44.A |
| 5.A | 15.A | 25.D | 35.C | 45.C |
| 6.D | 16.B | 26.B | 36.C | 46.C |
| 7.A | 17.C | 27.B | 37.D | 47.A |
| 8.D | 18.D | 28.A | 38.B | 48.D |
| 9.C | 19.C | 29.B | 39.B | 49.D |
| 10.A | 20.A | 30.D | 40.C | 50.B |

Q.1 ai **Rural exodus** is the movement of people from rural to urban centers. (2mks)

ii) **Optimum Population** is that population size which combined with the available existing economic resources (Land, Labour and technical knowledge) gives the maximum output per head(2 mks)

iii) **Natural Growth rate** is the rate which the population is growing through births and deaths(1 mk)

NGR= (BR-DR)X100  (1 mk)

iv) **Dependency ratio** is the relationship between the inactive and the working population (1 mk)

DR=Young +Old : Working Population(1 mk)

b) Effects of a large scale emigration of Cameroonians of age18 to 60 on the economy of Cameroon are:

 Fall in the labour force, Fall in the government revenue from taxes, Underutilization of resources, Decline in the rate  of development, High dependency ratio, Fall in the level of GDP, Increase in job opportunities, Decline in agriculture and industries etc . 2 mks each with explanation. ANY 4 (4x2= 8mks)

c) Ways by which the government can reduce death rates in a country:

Improve health and medical facilities, Increase the literacy level, Increase the standards of living, Prevent the outbreak of epidemic, Reduce man-made disasters like wars, Careful management of natural disasters etc. 1 mk each (4x1= 4 mks)

QUESTION 2.

ai) **Efficiency of labour** is the ability of labour to increase output within a shorter time without a fall in the quality of output.(2 mks)

ii) **Supply of labour** is the total number of labour hours offered in production at a given wage rate over a given period of time or the number of people and the number of hours they are willing to work at a given wage rate over a given period of time. (2 mks)

iii) **Non Specific capital** is one which can easily be used for another function other than the original function for which it was made e.g factory buildings .(2 mks)

iv) **Marginal cost** is the cost incurred in producing one more or an additional unit of a commodity. MC= Change in total cost divided by change in output.(2 mks),

b) Limitation to division of labour:

Small size of labour force, Small market size, Inadequate capital , Technological impossibility(Nature of the product),Poor transport facilities, Technological advancement, Desire for self-reliance(Need to be independent). Any 4 with correct stating and explanation (4x2=8 mks).

c)Reasons why firms integrate vertically:

To achieve economies of scale, the wish to acquire fame in the society, the wish to secure the source of raw materials, the desire to make full use of by-products, the desire o absorb intermediate profit margin, to reduce advertising cost ETC. Any 4 (4x1=4 mks)

Question3

1

a) Individual demand schedule is a table that shows the various quantities of a commodity that a consumer will buy at given prices over a period of time while market demand schedule is a table that shows quantities of a commodity that all the consumers will buy at given prices over a period of time. (With Conjunction 4 mks).

b)

| Price(frs) | Market demand | Market supply |
|---|---|---|
| 40 | 5 | 29 |
| 30 | 7 | 20 |
| 20 | 10 | 10 |
| 10 | 12 | 0 |

(4 mks) ½ mk per correct value.

c) Factors that can cause an increase in demand for a commodity;
Increase in population, Increase taste and fashion, an increase in the price of substitute goods, A fall in the price of a complementary good, An increase in income, Successful advertisement, Expectation of future increase in price, Favourable season for the commodity, Reduction in taxes ETC. 2mks per well explained point. *Note: Answer must be one sided.*
Any 3 points (3x2= 6mks)

d) **Inferior goods** are goods that are cheap and mostly consumed by the poor. If price falls ,their quantity demanded falls and a rise in price will increase their quantity demanded.
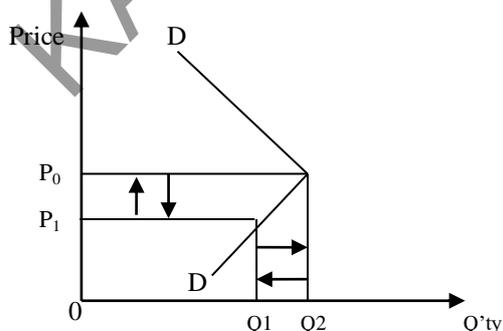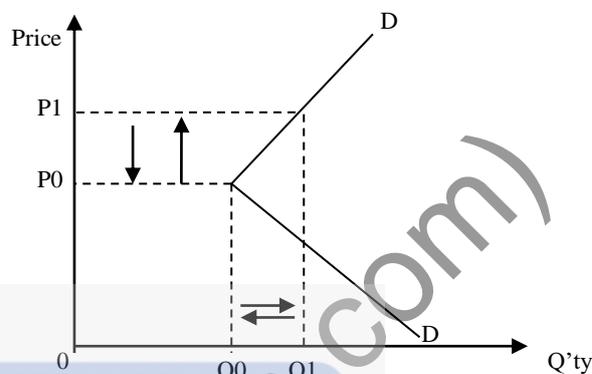


Definition of Inferior goods =1 mk

Diagram =1 mk

Explanation of diagram= 1 mk

ii) **Veblen goods** are goods bought for prestigious reason. When the price of such goods falls, their quantity demanded also falls and vice versa.



Definition of Veblen goods =1 mk

Diagram =1 mk

Explanation of diagram= 1 mk

QUESTION 4.

ai ) **Cash ratio** is the proportion of the banks` asset held in cash. (1 mk)

Cash ratio= Cash reserve divided total asset multiply by 100. (1 mk)

a ii)**Bank rate** is the rate of interest at which the central bank lends money to the commercial banks and other financial institutions including rediscounting treasury bills and other bills. ( 2mks)

b) Functions of BEAC to its member states;

Issue of currency, Banker to the Government, Adviser to the government, Bankers` Bank, Lender of last resort, carries out the country`s monetary policy Carries out foreign dealings and manages the exchange equalization account, Promotes economic development. (2 mks per well explained point.4x2 = 8 mks.)

2

c) Measures to control cost push inflation;

Reduce cost of imports e.g. tariffs, Subsidise cost of production, Slow down wages increases, Raise productivity, Lower bank rates, Price control on prices of raw materials  Reduction on indirect taxes .etc (2 mks per well explained point.4x2 = 8 mks.)

QUESTION 5.

ai )**Currency devaluation** is the deliberate reduction of the official rate at which one currency exchanges for another while **currency revaluation** is a deliberate increase of the official rate at which one currency exchanges for another or other currencies. (4 marks with conjunction)

aii )– Tariffs are taxes imposed on imported goods while quotas are quantitative limits on the quantity of a good that are to be imported into a country.

- Tariffs bring in revenue to the state while quotas do not
- Quotas are more effective in restricting trade than tariffs (6 mks for 3 differences with the use of conjunction.ie 3x2 =6 mks

b)Accounts of the BOP.

*The Current account

*The Capital account (Investment and capital flows.

* The Official financing account

Any 2 well explained (2X2=4 mks)
**ALTERNATIVELY,**

- The Current  account  and
- Transactions in external assets and liability. (2x2=4 mks).

C) Measures to correct a BOP deficit:

Borrowing, Selling of the country`s external assets or investment, Receive gifts and grants from friendly countries, Recall foreign loans, importing on credits, Running down reserves such as foreign currency reserves, Deflationary policy measures, Trade barriers, Increasing production at home , Diversification of exports, Raising interest rate etc. Any 3 (3x2=6 mks

QUESTION 6

ai )**Gross  national product**  is the money value of goods and services produced by factors of production owned by a country`s citizens regardless of where in the world these factors of production are located (2 mks)

ii)  **Transfer payments** are payments for which no corresponding good or service is produced e.g Gifts  (2 mks)

iii) **Consumption** is the using up of goods and services by individuals , firms and government or total spending on goods and services to satisfy current wants. (2 mks)

b) Problems encountered in measuring national income:

Double counting, Inadequate information, Black economy, Problem of public services, Problem of second handed goods, Problem of price changes , Problem of self employment, Problem of market prices and factor cost, Problem of depreciation, Inadequate national income statisticians etc

(Stating 1mk,expl 1mk , 4x2= 8 mks)

c) Methods of measuring  national income:

The expenditure method,  the Output method and the Income method. (Brief explanation 3x2 = 6mks)

QUESTION 7.

3

a)**Memorandum of association** is a document that contains the external regulations governing the company while **Article of association** is a document that contains the internal rules and regulations that governs the company.(4 mks).

b)   John receives 10/50 x 9= 1.8 Million FCFA

Peter receives  15/50 x 9 =2.7 Million FCFA

Paul receives 25/50 x 9 =4.5 Million FCFA

(2+2+2 = 6 mks)

c) External sources of finance available to Public limited company;

Borrowing, Obtention of trade credit, Gifts from friends and relatives, Grants and subsidies, Hire- purchase facilities, Factoring, Leasing, Shares and debenture etc .  (Any 5, 5x 2 = 10 marks)

QUESTION 8

ai ) **Recurrent revenue** is revenue the government receives from year to year such as taxes, royalties while **recurrent expenditure** is expenditure which the government must make every year such as salary payments, office stationeries.( with conjunction 4 mks)

ii) **Progressive tax system** is a tax system whereby the tax rate increases as income increase while **regressive tax system** is a tax system whereby the tax rate reduces as income increase. ( with conjunction 4 mks)

b)  Canons of taxation;

Equity,  Convenience,  Certainty,  Economy.( 2 mks per well explained canon , 4x2 =8 mks)

c) To raise revenue, to redistribute income, to discourage the consumption of harmful goods, to achieve price stability, to protect infant industries, to correct  unfavourable BOP.( 1 mk each  4x 1=4 mks.)