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Paix-Travail-Patrie

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TEACHERS' RESOURCE UNIT TRU-RIP-STA MOCK EXAMS NORTH WEST REGION

GCE AL
TVE AL

REPUBLIC OF CAMEROON
Peace-Work-Fatherland

MINISTRY OF SECONDARY EDUCATION

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MARCH 2025

The Teachers' Resource Unit and the Regional Inspectorate of Pedagogy, in collaboration with NOWETA	SUBJECT CODE NUMBER **0725**	PAPER NUMBER **3**
GENERAL CERTIFICATE OF EDUCATION AND TECHNICAL VOCATIONAL EDUCATION ADVANCED LEVEL REGIONAL MOCK EXAMINATION	SUBJECT TITLE **ECONOMICS**	
ADVANCED LEVEL		

Time Allowed: **One and three quarter hours**

INSTRUCTIONS TO CANDIDATES

Mobile phones are **NOT ALLOWED** in the examination room.

Answer any THREE questions. All questions carry equal marks.

You are advised to spend the first fifteen minutes reading the paper.

In calculations you are advised to show all the steps in your working.

You are reminded of the necessity for good English and orderly presentation in your answers.

Calculators are allowed.

TURN OVER

1. If resources were not limited, no action would be at the expense of any other-all could be undertaken – and the opportunity cost of any single action, the value of the "next best" alternative, would be zero… …The opportunity cost implied by our every choice can be illustrated by the notion of production possibilities. In order to facilitate such illustration, we assume that all the factors of production in an economy are directed to the production of consumer and producer goods.

Source: Adapted from Mastering Modern Economics, (All in One Micro and Macro), Third Edition, by Nsom Joseph, Page 3.

a) Besides opportunity cost, identify and define the other main economic concept implied in the first paragraph. **(4 marks)**
b) Suggest two characteristics of an economic good. **(4 marks)**
c) Why is choice necessary in Economics? **(2 marks)**
d) i) Define a production possibilities curve. **(2 marks)**
ii) List three other assumptions of production possibilities curve not mentioned in the text. **(3 marks)**
e) Sketch a production possibilities curve where resources are equally good at producing both types of good. **(5 marks)**

2. Suppose a firm can produce 1,000 bags of cement by combining labour, land, capital and entrepreneurial ability in three different ways. Equally, suppose it can hire labour at 2,000 FCFA per unit, land at 3,000 FCFA per unit, capital at 5,000 FCFA per unit and entrepreneurship at 1,000 FCFA, per entrepreneur. The amounts of resources required by three methods, (A, B and C) of producing the 1,000 bags of cement are indicated in table 1 below.

Table 1

RESOURCES	METHODS		
	A	B	C
Labour	8	13	10
Land	4	3	3
Capital	4	2	4
Entrepreneurship	1	1	1

a) Which method will a profit-maximizing firm choose? Justify your answer. **(6 marks)**
b) If a bag of cement sells at 5,000 FCFA, calculate the profit earned by this firm. **(4 marks)**
c) Briefly distinguish between increasing returns to scale and increasing returns to a variable factor. **(3 marks)**
d) Enumerate three ways through which firms can grow internally. **(3 marks)**
e) State four advantages of small firms. **(4 marks)**

3. Table 2 below shows hypothetical figures for complete specialization by countries A and B based on absolute advantage in the production of computers and yams.

Table 2.

	Country A	Country B
Computers(000 units)	/	80
Yams(tons)	400	/

a) Define absolute advantage. **(2 marks)**
b) List four assumptions of the theory of absolute advantage. **(4 marks)**
c) Establish the production possibilities for each country assuming that the domestic opportunity cost of one ton of yams in country A is 0.15 computers and for producing a computer in country B is 2.5 tons of yams. **(4 marks)**
d) i) If a ton of yams exchanges for 0.2 computer, how many computers will country A receive if it exchanges all yams produced? **(2 marks)**
ii) Sketch the production possibilities curve and the trading possibilities curve for country A after specialization and trade. **(6 marks)**
e) What type of trade exists between countries A and B? **(2 marks)**

4. Table 3 shows nominal gross domestic product (GDP) figures for three years and the price index for each of the years.

Table 3

	Nominal GDP (billion FCFA)	Price Index
2021	104	121
2022	56	91
2023	91	100

a) Which year can best be considered as the base year and why? **(2 marks)**

b) Calculate the real GDP for the three years. **(6 marks)**

c) What has happened to the cost of living and standard of living between 2022 and 2023? **(4 marks)**

d) Identify four difficulties encountered in constructing a retail price index. **(4 marks)**

e) State two main causes of demand pull inflation. **(2 marks)**

f) Apart from index numbers, which other method can be used to measure the value of money? **(2 marks)**

5. "Many environmentalists see economic development in the third world as the worst case scenario. Industrial development with new roads, automobiles and pollution, is seen as adding to the world's economic and environmental problems.
However, there are hundreds of millions of people in the third world suffering from malnutrition and substandard living conditions. For now, economic development is the only way out. In order to provide their people with the most basic services-clean water, sewage treatment, food, decent housing and so forth, underdeveloped third world countries will need to make their economies grow.
Economic expansion cannot possibly solve all of the third world's problems, but without it, the future will be bleak indeed."

Source: Randy Charles Epping, 1995, A Beginner's Guide to the World Economy.

a) Briefly distinguish between economic growth and economic development. **(4 marks)**

b) State four obstacles to economic growth in developing countries. **(4 marks)**

c) List four policy instruments that the government can implement in order to achieve its macroeconomic objectives. **(4 marks)**

d) With the aid of a diagram, distinguish between potential and real economic growth. **(5 marks)**

e) Identify three indicators of economic development apart from those mentioned in the passage. **(3 marks)**

END