

SOUTH WEST REGIONAL MOCK 2025

MARK GUIDE

ADVANCED LEVEL ECONOMICS (0725)

PAPER ONE (MCQs)

| | |
|----|---|
| 1 | D |
| 2 | C |
| 3 | C |
| 4 | A |
| 5 | C |
| 6 | D |
| 7 | B |
| 8 | C |
| 9 | B |
| 10 | C |
| 11 | D |
| 12 | B |
| 13 | C |
| 14 | A |
| 15 | C |
| 16 | C |
| 17 | B |
| 18 | B |
| 19 | A |
| 20 | D |
| 21 | C |
| 22 | B |
| 23 | B |
| 24 | C |
| 25 | B |

| | |
|----|---|
| 26 | A |
| 27 | A |
| 28 | D |
| 29 | C |
| 30 | A |
| 31 | C |
| 32 | C |
| 33 | B |
| 34 | C |
| 35 | B |
| 36 | C |
| 37 | B |
| 38 | B |
| 39 | A |
| 40 | B |
| 41 | C |
| 42 | A |
| 43 | C |
| 44 | D |
| 45 | A |
| 46 | B |
| 47 | D |
| 48 | A |
| 49 | C |
| 50 | A |

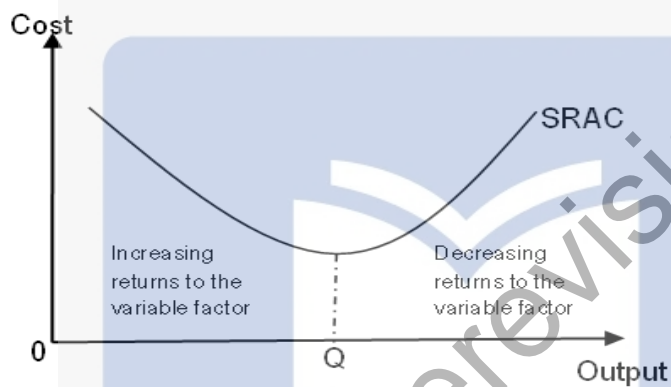
PAPER TWO

SECTION A

QUESTION 1

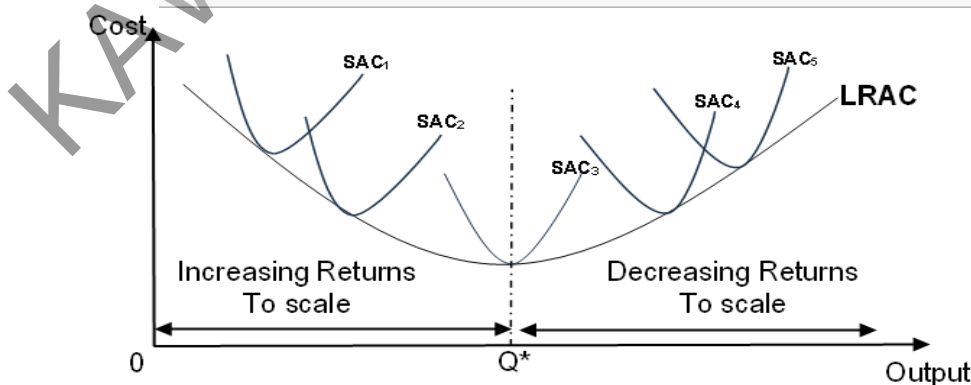
a) Candidates are expected to distinguish with diagrams, between the short run average cost curve and long run average cost curve.

The Short-Run Average Cost (SRAC) curve is a graphical representation of the per unit cost of producing a good or service when some and not all inputs are adjustable (variable). It represents a firm which is operating a fixed plant size. The SRAC curve is typically U-shaped- a reflection of the law of diminishing returns. The falling section illustrates increasing returns to the variable factor while the rising section illustrates diminishing or decreasing returns to the variable factor as illustrated below:



The output Q is known as the technical optimum output

On the other hand, the Long-Run Average Cost (LRAC) curve is a graphical representation of the average cost of producing a good or service when a firm can adjust its plant size and all inputs are variable. The LRAC curve is therefore an Envelop curve to the series of SRAC curves, each representing a different plant size operated by a firm. Each point on the curve represents the lowest cost attainable for producing any given output as the firm expands its scale of operation. The LRAC curve is typically U-shaped and this shape is explained by the law of returns to scale.



The falling section is associated with increasing returns to scales or economies of scale while the rising section is associated with decreasing returns to scale or diseconomies of scale. The minimum possible LRAC is observed when a firm chooses $SACC_3$ and produce an output of Q^* units. This is the optimum output and size of the firm.

(Up to 12 marks for a well explained difference with conjunction and diagrams.)

NB: Without conjunction mark on 10 and without diagrams mark on 6

b. Effects of labor immobility in an economy

- ✓ It leads to frictional unemployment
- ✓ It leads to a fall in productivity
- ✓ it slows down the rate of economic growth
- ✓ it leads to intra industrial and inter industrial wage differentials
- ✓ increase in regional disparity
- ✓ Fall in economic efficiency due to mismatch between labour demand and supply
- ✓ Reduces chances of innovation

(Up to 8 marks for any 4 well explained points)

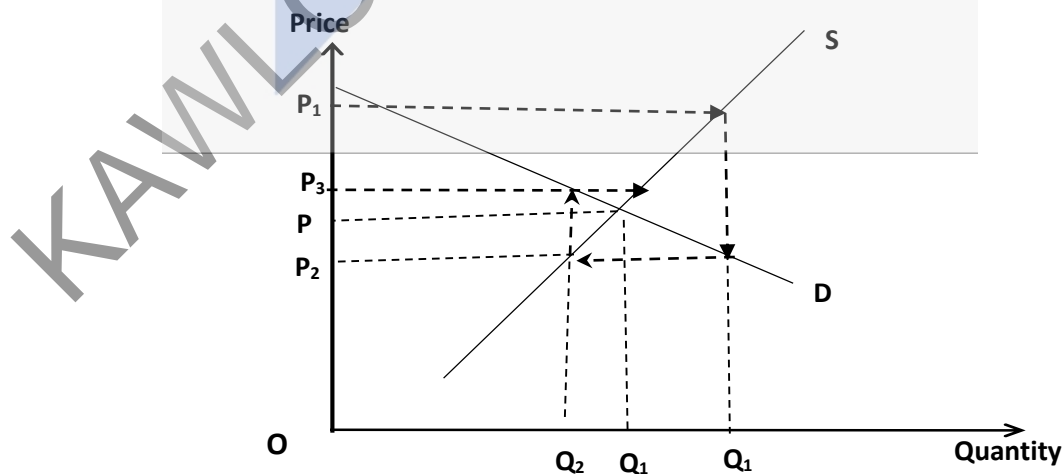
Listing: max of 2 marks for 4 points

QUESTION 2

a) Candidates are expected to explain with diagrams a converging and diverging cobweb.

i. A converging cobweb: ($ED > ES$)

A converging cobweb is one in which, following a shock, price and output oscillate in a decreasing series of fluctuations until the original equilibrium is eventually restored. This occurs when demand is more elastic than supply is illustrated as follows:

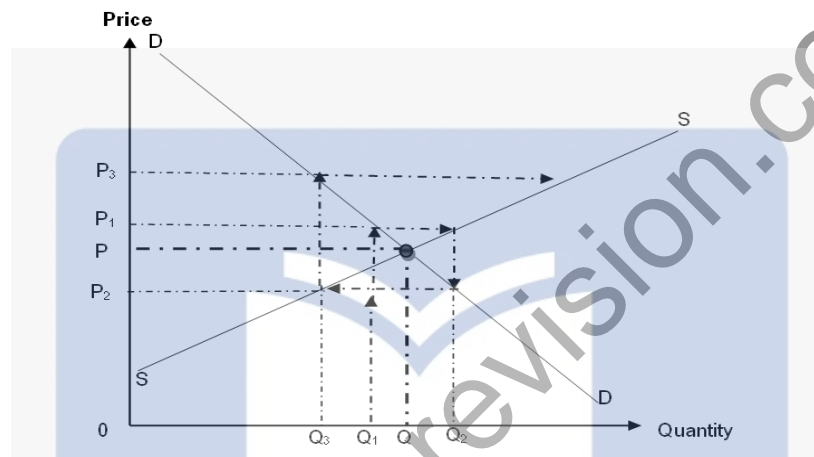


With an initial price of P , if a shock such as an unexpected poor harvest occurs then price will rise to P_1 . Farmers expect P_1 in the next period and therefore supply Q_1 . However, consumers are only prepared to pay P_2 to buy up Q_1 . Farmers then expect the next market price to be P_2 and so produce only Q_2 . This situation will go on till the long run equilibrium price P is restored.

(Up to 6 marks for explanation with diagram)

ii. **Diverging Cobweb. ($ED < ES$)**

A diverging cobweb is one in which, following a shock, price and output oscillate in an increasing series of fluctuations further and further away from the original equilibrium. This occurs when supply is more elastic than demand as illustrated below:



The equilibrium price and quantity are P and Q respectively until a sudden supply shock such as a crop failure reduces the crop availability to Q_1 causing an increase in the market price to P_1 . Farmers expect P_1 in the next period and therefore supply Q_2 . However, consumers are only prepared to pay P_2 to buy up Q_2 . Farmers then expect the next market price to be P_2 and so produce only Q_3 . This situation will go on such that price oscillates in an increasing series further and further away from the original equilibrium.

(Up to 6 marks for explanation with diagram)

b) **Reasons why the government intervenes in the agricultural sector:**

- ✓ Due to price instability (volatile prices) and volatile supply of agricultural produce.
- ✓ To ameliorate the low income for farmers to help them survive difficult times
- ✓ To control monopsony power of food purchasers (protect farmers from exploitation).
- ✓ Agriculture is a key component of rural life (Positive externality of farming).
- ✓ To reduce environmental costs of intensive farming (negative externality of farming)
- ✓ To curb unfair competition from abroad and high dependency ratio.
- ✓ To boost exports from the agricultural sector
- ✓ To guarantee food security and self-sufficiency.

(Up to 8 marks for any 4 well explained points)

Max of 2 marks for listing of 4 points.

QUESTION 3

a) **Candidates are expected to explain the similarities between monopolistic competition and oligopoly:**

- ✓ Product differentiation: In both monopolistic competition and imperfect oligopoly markets, firms practice product differentiation by creating and promoting unique features such as branding and other characteristics to distinguish from competitors and attract customers.
- ✓ Downward-sloping demand curve: Firms in both monopolistic competition and oligopoly face a downward-sloping demand curve as price takers such that they are compelled to reduce price to make more sales.
- ✓ Advertising and marketing: In both markets firms engage in extensive advertising and marketing efforts with the aim of attracting customers and increasing market share.
- ✓ Imperfect competition: Both market structures are found in the imperfect market, where firms have some degree of market power and can influence prices.
- ✓ Interdependence: Both markets are characterised by interdependence among firms as the pricing and output decisions of firms affect those of other in the markets
- ✓ Excess capacity: Both markets are such that firms operate with excess capacity because they produce below optimum output.
- ✓ Non-price competition: Both monopolistic competition and oligopoly markets engage in non-price competitive practices like advertising, product differentiation, and other forms to increase market share. There is absence of cut throat price competition, etc.

(Up to 10 marks for any 5 well explained points)

b) **How the government regulates monopoly activities in the economy:**

- ✓ By charging High or punitive taxes on excessive monopoly profits.
- ✓ Deregulation to encourage competition.
- ✓ Nationalisation of private monopolies
- ✓ Institution of maximum price control.
- ✓ Reduction in tariffs on substitutes from abroad.
- ✓ Restriction of mergers.
- ✓ Complete ban on monopolistic practices.
- ✓ Quality control on monopoly products.
- ✓ Encourage the creation and growth of consumer protection associations.
- ✓ Subsidize other firms

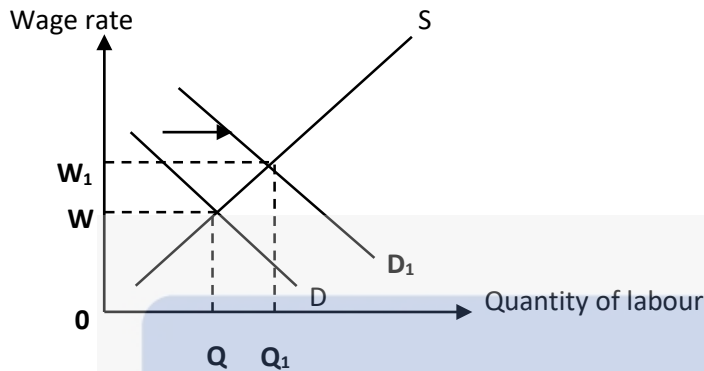
(Up to 10 marks for any 5 well explained points)

Listing: Max of 2 marks for 5 points.

QUESTION 4

- a) **Candidates are expected to explain the ways through which a trade union can increase the wages of its members.**

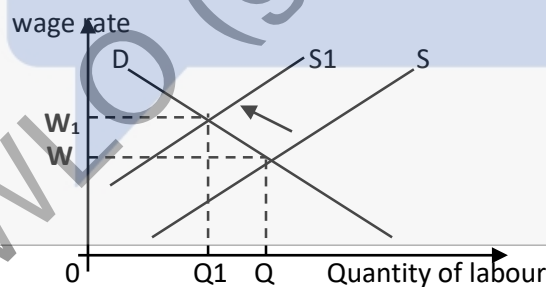
By Increasing the demand for labour: one of the most desirable techniques of raising wages is by increasing the demand for labour. If successful, wages will increase and more jobs will be created. This can be illustrated graphically as shown below:



The initial equilibrium wage rate is w and Q workers are employed. The union increases the wage rate from W to W_1 by increasing the demand from D to D_1 . This increase in the demand for labour can be brought about through the following ways:

(Up to 2mks for method and 2marks for diagram with explanation)

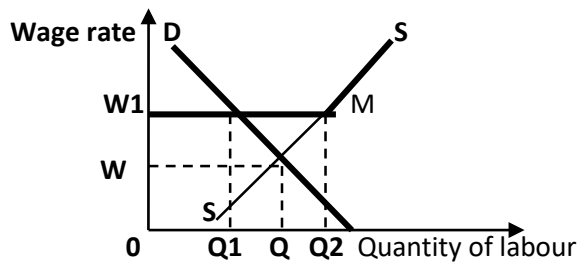
- 1. Reducing the supply of labour:** unions may prefer to achieve an increase in the wage rate by reducing the supply of labour. It is described as craft or exclusive unionism. The following graph helps to explain better;



By reducing labour supply from S to S_1 , the union succeeds to obtain wage increase from W to W_1 . This is, however, done at the expense of jobs as quantity of labour demanded and supplied falls from Q to Q_1 . This is done through the following means:

(Up to 2mks for method and 2marks for diagram with explanation)

Imposing wage above the market rate (minimum wage): the union may decide to go in for a minimum wage above the equilibrium wage rate. This can be shown on the graph below:



The union can impose a wage rate of W_1 above the equilibrium wage rate of W . The effect is that the labour supply curve will change from SS to SMW_1 . At this wage rate, employers will have no choice than to reduce the number of workers from Q to Q_1 (to avoid a strike) even when quantity supplied is Q_2 .

(Up to 2mks for method and 2marks for diagram with explanation)

b) Negative effects of trade union activities in an economy

- ✓ Trade unions may resist technological changes especially labour-saving machinery thereby limiting economic growth.
- ✓ Trade unions may interrupt production through their frequent strike actions.
- ✓ Collective bargaining may be a source of inflation (cost-push) especially when trade unions successfully increase members' wages without a corresponding increase in productivity.
- ✓ With trade union influence in the labour market, wages no longer reflect demand and supply conditions of labour, thereby leading to resource misallocation.
- ✓ Trade unions introduce a monopoly element in to the labor market which might raise the price of labour.
- ✓ Discourage efficiency by protecting unskilled and less productive members.
- ✓ May cause wage differential in different occupations.
- ✓ May increase the rate of unemployment due to their restrictive practices, etc.

(Up to 8 marks for any 4 well explained points)

Listing: Max. of 2 marks for four points.

QUESTION 5

- a) A change in consumption is a movement along the same consumption curve either upward or downward caused by changes in income only while holding other determinants of consumption constant. Movements along a consumption function do not affect the propensity to consume.

On the other hand

A change in the propensity to consume is a complete shift of the consumption curve either upward or downward caused by factors that determine consumption other than income such as general price level, income distribution, population etc. Favourable factors will cause an outward shift while unfavourable factors will cause an inward shift. Shifts in the consumption function affect the propensity to consume.

(Up to 4 marks with the use of a conjunction). Without a conjunction, mark on 2Marks)

NB: Candidates can as well do so with the use of diagrams)

Private sector investment can be encouraged through:

- ✓ A reduction in Interest rate to ease obtention of investment funds
- ✓ Improved investment code to ensure a favourable business climate to attract both domestic and foreign investors
- ✓ Promoting public private partnerships (PPP) where both the state and private sector operate joint projects
- ✓ Reducing corruption and embezzlement of state funds
- ✓ Improving on infrastructure such as roads, energy and communication
- ✓ Ensuring a politically stable atmosphere
- ✓ Reduction in corporation Taxes to encourage investors (tax incentives)
- ✓ Increase in the level of national income to boost demand
- ✓ Encouraging technological advancement to make new technologies available to investors
- ✓ Encouraging the spirit of entrepreneurship to promote private initiative
- ✓ Emphasising on technical and vocational education

(Up to 10 marks for any 5 points well explained points)

Listing: Max of 2 marks for 5 points

b) Individuals, businesses and even the state save in Cameroon for the following reasons:

- ✓ For investment or need to expand existing investment projects
- ✓ Saving is a habit/custom among particular communities
- ✓ To purchase major or expensive consumer goods (consumer durables)
- ✓ Government policy
- ✓ For precautionary motive or to prepare for rainy days such as loss of employment.
- ✓ To prepare for Retirement (e.g. National Social Insurance Contributions of workers in Cameroon)
- ✓ To Pool funds for debt repayment, etc.

(Up to 6 marks for any 3 points well explained points)

Listing: Max of 2 marks for 3 points

QUESTION 6

a) Candidates are expected to define demand-pull inflation and explain its causes:

Demand pull inflation is an increase in the general price level resulting from persistent excess aggregate demand over aggregate supply at the current price level. Or inflation which is initiated and sustained by excess aggregate demand over aggregate supply at current price level.

Causes:

- ✓ Budget deficit or expansion of government spending financed from borrowing from the banking sector.
- ✓ An increase in money supply (expansionary monetary policy) in excess of real output of goods and services.
- ✓ Desire to achieve export surplus at full employment given that exports are an injection coupled with the fact that they reduce domestic supply.
- ✓ War time period characterised reduced production of consumer goods followed by rising demand.
- ✓ Attempts at achieving a fast rate of economic growth at full employment may divert more resources to capital goods at the expense of consumer goods, etc.

(Up to 8 marks for any 4 well explained points)

(Listing: Maximum of 2 marks for 4 pts)

b) Ways to control cost-push inflation

- ✓ Implementing Wage and price freeze policies to curb increases in production cost
- ✓ Reduction in bank rates to reduce the cost of investment funds for firms
- ✓ Indexation with the aim of maintaining the purchasing power of the public during or after inflation
- ✓ Reducing trade union bargaining powers to control wage rise
- ✓ A reduction in indirect taxes to reduce production cost to firms
- ✓ Increase in subsidies to producers to reduce production cost
- ✓ Currency revaluation to reduce cost of imported raw material
- ✓ Increase labour productivity to match rising labour cost, etc.

(Up to 12 marks for any 6 points well explained points)

Listing: Max. of 3 marks for 6 points

QUESTION 7

a) Candidates are expected to explain the following attributes of a good tax:

- ✓ Equality or Equity: The tax should be fair and take into consideration the tax payer's ability to pay vertically and horizontally.
- ✓ Economy: The cost of collection and administration of the tax should be less than the amount collected or the tax yield.
- ✓ Convenience: The time and method of payment should be appropriate and comfortable to the tax payers and government.
- ✓ Certainty: The tax payer should be well informed about the amount, time and method of payment of the tax such that the tax is not arbitrary.
- ✓ Efficiency: The tax should achieve its desired objectives without significant negative effects.
- ✓ Flexibility: The tax should be capable of being altered in line with changing economic conditions and government objectives.
- ✓ Simplicity: The tax tables and schedules should be such that they can be easily understood by the tax collector and payers.
- ✓ Neutrality: The tax should not influence or distort the economic decisions of the tax payer, etc.

(Up to 8 marks for any 4 well explained points)

Listing: Max of 2 marks for 2 points

b) Government expenditure refers to spending by the public sector and is divided into the following components:

- ✓ Current or recurrent expenditure or consumption or purchase price spending: spending on the day to day running of the government and provision of essential public services.
- ✓ Transfer payments or grants expenditure: Payments to e.g. pensioners, unemployed and subsidies aimed at providing income to the vulnerable groups or boosting output.
- ✓ Capital or investment or non-recurrent expenditure: spending on social infrastructure like roads.
- ✓ Special policy expenditure: These include spending in the form of foreign aid, fight against drugs and environmental degradation, etc.
- ✓ Debt Interest or servicing which are payments to holders of government debt be they at home or abroad.

(Up to 12 marks for any 4 well explained points with appropriate examples)

(Listing: Max. of 2 marks for 4 points)

QUESTION 8

a) Candidates are expected to identify the problems of a (persistent) BoP deficit:

- ✓ It causes a permanent outflow (leakage) of currency from the economy which reduces aggregate demand.
- ✓ Fall in aggregate demand discourages economic activities thereby leading to unemployment.
- ✓ Fall in living standard due to rising levels of unemployment and declining incomes.
- ✓ Causes the country to be indebted since it has to borrow to make-up for the deficit.
- ✓ It reduces the country's currency reserves as it struggles to cover the deficit by running down its holdings of foreign exchange reserves.
- ✓ Fall in living standards of the unemployed as their incomes fall.
- ✓ Fall in the country's economic prestige as it may reflect lack of export competitiveness.
- ✓ When the country is operating a fixed exchange rate regime a persistent deficit is problematic as only deliberate actions like devaluation can solve the deficit.

(Up to 8 marks for any 4 well explained points)

Listing: Max. of 2 marks for 4 pts

b) Measures to correct a persistent BoP deficit.

- ✓ Devaluation: To reduce imports and encourage exportation
- ✓ Encouraging exports: By reducing taxes and subsidising export producing industries.
- ✓ Increasing income taxes: with the aim of reducing disposable income and thus expenditure on imports.
- ✓ Lowering wages to reduce costs of production and improve competitiveness.
- ✓ Moral suasion: Campaigns aimed at encouraging consumption of home-made goods
- ✓ Restricting imports: With the use of tariffs and non-tariff barriers.
- ✓ Subsidisation: To reduce the cost of producing home goods
- ✓ Tight monetary policy such as will reduce money supply, credit and hence consumption

(Up to 12 marks for any 4 well explained points)

Listing: Max. of 2 marks for 4 points

PAPER THREE – DATA RESPONSE

QUESTION 1

a) Opportunity cost (Or real cost, true cost, alternative cost) **(2 marks for anyone)**

| | | |
|-------------------------------|-------------------|----------------------------------|
| b) Land or natural resources | Rent | |
| Labour or human resources | Wages or salaries | |
| Capital or man-made resources | Interest | |
| Enterprise or entrepreneur | Profit | (2 marks for each=8marks) |

c) Economic goods are limited in supply and possess an opportunity cost while free goods are not scarce and have no opportunity cost. **(4marks)**

d) **Reasons why opportunity cost is considered more important than cost measured in monetary terms:**

- While monetary cost is subject to inflationary changes, opportunity cost is not affected by inflationary trends.
- Opportunity cost enables people to make more economically accurate decisions that maximise the use of monetary resources.

• A commodity having the same monetary cost to different consumers may have different opportunity costs to them. **(4marks for any two points)**

e) **Reasons why economic agents make choices:** Because of scarcity of resources. Or because of limited resources faced with unlimited wants. Or because of they are free to do so coupled with limited resources. **(2marks for anyone)**

QUESTION 2

a)

Incomes

| | | |
|--|------|-----------|
| Gross Trading Surpluses of public Corporations | 15 | |
| Income from self-employment | 40 | |
| Rent | 43 | |
| Income from employment | 50 | |
| Gross trading profits of companies | 60 | |
| Stock appreciation | 8 | |
| Residual Error | - 15 | |
| Property income paid abroad | 25 | |
| Property income from abroad | 20 | |
| Capital consumption | 10 | (3 marks) |

Expenditures

| | | |
|--|----|-----------|
| Consumers' expenditure | 76 | |
| Gross fixed investment | 33 | |
| Value of Stocks (31 st December 1987) | 14 | |
| Value of Stocks (1 st January 1987) | 12 | |
| General Government final Consumption | 65 | |
| Exports of goods and services | 40 | |
| Imports of goods and services | 25 | |
| Taxes on expenditure | 36 | |
| Subsidies | 30 | |
| Property income paid abroad | 25 | |
| Property income from abroad | 20 | |
| Capital consumption | 10 | (3 marks) |

Outputs

| | | |
|------------------------------|------|-----------|
| Value added in agriculture | 65 | |
| Value added in manufacturing | 100 | |
| Value added in other sectors | 15 | |
| Ownership of dwellings | 20 | |
| Residual Error | - 15 | |
| Property income paid abroad | 25 | |
| Property income from abroad | 20 | |
| Capital consumption | 10 | (3 marks) |

NB: Candidates must not indicate the values of the items.

b)

i. National Output

| | |
|------------------------------|-------------------------|
| Value added in agriculture | 65 |
| Value added in other sectors | 15 |
| Value added in manufacturing | 100 |
| Ownership of dwellings | 20 |
| Residual error | - 15 |
| Property income from abroad | 20 |
| Property income paid abroad | - 25 |
| Capital consumption | -10 |
| National Output | 170 Billion FCFA |

(3 marks)

ii National Income

| | |
|--|-------------------------|
| Income from employment | 50 |
| Income from self-employment | 40 |
| Rent | 43 |
| Trading surpluses of public corporations | 15 |
| Gross trading profits of companies | 60 |
| Stock appreciation | - 8 |
| Residual error | - 15 |
| Property income from abroad | 20 |
| Property income paid abroad | -25 |
| Capital consumption | - 10 |
| National income | 170 billion FCFA |

(3 marks)

ii. National Expenditure

| | |
|--|------|
| Consumers' expenditure | 76 |
| General government final consumption | 65 |
| Value of stocks (31 st December 1987) | 14 |
| Value of stock (1 st January 1987) | - 12 |
| Gross fixed investment | 33 |
| Exports of goods and services | 40 |
| Imports of goods and services | - 25 |
| Property income from abroad | 20 |
| Property income paid abroad | -25 |
| Taxes on expenditure | - 36 |
| Subsidies | 30 |
| Capital consumption | - 10 |

| |
|----------------------|
| National Expenditure |
|----------------------|

| |
|------------------|
| 170 billion FCFA |
|------------------|

(3 marks)

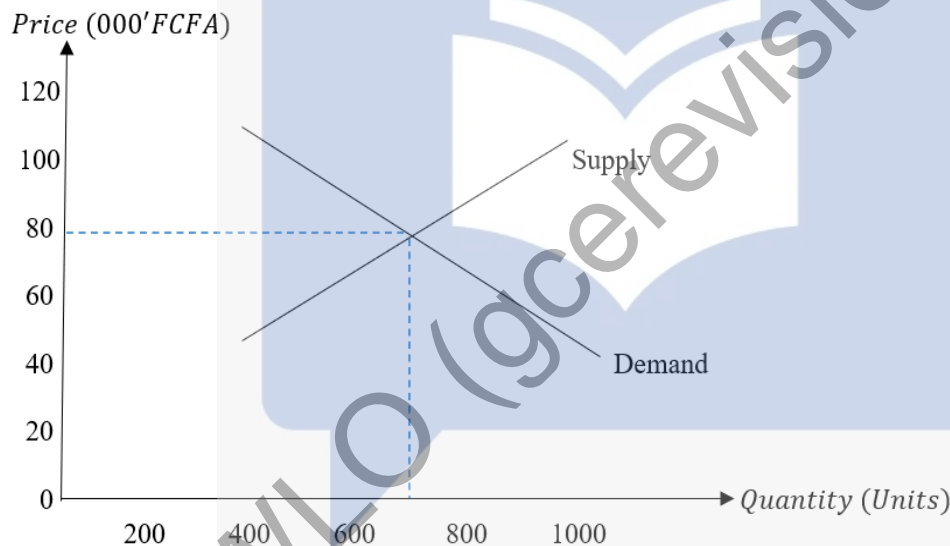
NB: Candidates could use formulae in each case and show answers at various stages.

c) **Uses of national income statistics**

- Useful for economic planning
- Useful for the classification of countries
- Useful in comparison of standard of living
- Useful in the determination of standard of living
- Useful for the determination of economic growth rate
- Useful for the measurement of efficiency in use of resources
- Forms the basis of granting aid to poor countries, etc. (2 marks for first 2 pts)

QUESTION 3

a) Figure 1: Demand and Supply of Rental Apartments:



(6 marks for correct labelling of axes sketching of graphs showing equilibrium values)

NB The equilibrium quantity 700 lies between 600 and 800 units or candidate can show it directly based on the choice of interval used.

b) Equilibrium price = 80,000 FCFA and Equilibrium quantity = 700 units (2 + 2 = 4 marks)

c)

i. There is a shortage of $800 - 600 = 200$ units (1 mk for working, 1 mk for Ans)

ii. **Consequences of maximum price:**

- Shortage or excess demand over supply of rental houses

- Possible emergence of a black market for rental houses
- It will likely lead to the rationing of houses
- Preferential treatment of tenants by landlords
- Fall in profits to landlords
- Discourages production/construction of houses
- Reduced quality of houses
- Formation of queues or scrambling of house seekers

(3 marks for first 3 points stated)

iii. Ceiling Price **(2 marks)**

d)

| Price per Month (000's FCFA) | Quantity Supplied (Units) | Quantity Demanded (Units) | Supply after tax (Units) |
|------------------------------|---------------------------|---------------------------|--------------------------|
| 100 | 900 | 500 | 700 |
| 90 | 800 | 600 | 600 |
| 80 | 700 | 700 | 500 |
| 70 | 600 | 800 | - |
| 60 | 500 | 900 | - |

(3 marks for working)

New equilibrium price = 90,000FCFA **(1 mark)**

New equilibrium quantity = 600 units **(1 mark)**

QUESTION 4

a) Comparative (cost) advantage

(2marks)

b) i)

- Wider market and greater scope for economies of scale
- An opportunity to consume goods a country cannot produce
- Spread of technology, management techniques and ideas
- Promotion of world peace and co-operation
- Optimal use of natural resources
- Increase Government Revenue through royalties paid by foreign firms
- Job Creation, etc.

(4 marks for first 4 points)

ii) By calculating domestic opportunity cost ratios or relative cost ratios **(2marks)**

c) i)

- Administrative Barriers such as lengthy paper work to be completed by importers
- Campaigns to encourage consumption of home-produced goods

- Embargoes
- Exchange controls
- Import deposit schemes
- Import monopolies established by the state
- Quotas
- Subsidies to domestic firms to render them more price competitive
- Tariffs or custom duties
- Voluntary Export Restraints (VERs)

(4 marks for first 4 points)

ii)

- For environmental protection
- For retaliation
- For strategic reasons
- To avoid overdependence (Over-specialization)
- To prevent dumping
- To raise revenue
- To solve BOP deficit
- To safeguard domestic employment

(2 marks for first 2 points)

d)

- Import restrictions
- Exchange Rate Variations (weakening external value of the FCFA)
- Fluctuations in Demand, Supply and Prices of Cameroon's exports in the world market.

- Risk in transit of goods faced by importers and exporters
- Transportation and communication problems due to poor infrastructure
- Formation Economic Unions across the globe
- Bureaucratic Difficulties faced by importers and exporters
- Risk of Fraud which business men are exposed to
- Foreign competition faced by young industries
- Delays in payment
- Language differences and difficulties associated
- Existence of different customs and tastes

(4 marks for first 4 points)

e)

- Differences in demand and supply
- Differences in cost of production
- Differences in level of technology
- Differences in climatic conditions
- The need for further expansion through access to a wider market
- The need to diversify risks by accessing foreign markets
- International trade may also arise from the fact that firms want to expand the lifespan of its product which is approaching saturation stage

(2 marks for first 2 points)

QUESTION 5

a) i. Monopoly market (**2 marks**)

ii. 50 kgs because at that output $MC=MR$ (**2 marks even if reason is not given**)

b)

i. Total cost = $AC \times Q$

$$50 \times 20,000 = 1,000,000 \text{FCFA}$$

(**3 marks i.e. 1mk each for formular, working and answer**)

ii. Total Revenue = $AR \times Q$

$$50 \times 80,000 = 4,000,000 \text{FCFA}$$

(**3 marks i.e. 1mk each for formular, working and answer**)

iii. Total Profit = $TR - TC$

$$4,000,000 - 1,000,000 = 3,000,000 \text{FCFA}$$

(**3 marks i.e. 1mk each for formular, working and answer**)

c)

- Growth maximization or sales maximisation
- Job creation
- Market domination
- Personal motive
- Profit satisficing
- Sales Revenue Maximization
- Social and Environmental objectives
- Survival

(**4 marks for first 4 points**)

d) As a price maker, the firm is obliged to reduce price in order to sell more. Consequently, its price line or marginal revenue curve must be downward sloping.

(**3 marks**)