

GENERAL CERTIFICATE OF EDUCATION BOARD
General Certificate of Education Examination

JUNE 2025

ADVANCED LEVEL

Subject Title	ECONOMICS
Paper No.	Paper 3
Subject Code No.	0725

Duration: One and Three Quarter Hours

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. Carefully read the excerpt below and answer the questions that follow:

The people and institutions that combine together to convert resources into finished products and distribute them to users collectively form the economic system or the economy.

.....a modern economy is a complex system. While no two economies are exactly the same, it is possible to identify three types of economic systems or economies.

Each type of economic system is characterised by the role played by its government in taking decisions and influencing the operation of the economy.

Source: Success in Economics; Chris Nuttall, Derek Loble; 4th Edition Page 21.

- Which economic term best describes the underlined phrase in the excerpt? (2 marks)
- Apart from the traditional economy, identify two other economic systems. (2 marks)
- What type of economic system exists in Cameroon? Give one reason. (4 marks)
- (i) State two advantages of the economic system identified in (c) above. (4 marks)
(ii) Distinguish an economy from an economic system. (4 marks)
- State two roles played by the government in the economy of Cameroon. (4 marks)

2. Study the following information about the market for rice produced by a non-governmental organisation (NGO) and answer the questions that follow.

Price FCFA	Quantity demanded (000s kg) per week	Quantity supplied (000s kg) per week
900	300	620
800	350	600
700	440	570
600	450	530
500	490	490
400	530	450
300	570	410

- What is the equilibrium or market price and why? (3 marks)
- If the government imposes a minimum price of 600 FCFA per kg of rice,
 - How many kilograms of rice will she have to buy to make sure that this policy works? (2 marks)
 - Calculate the total cost of the quantity implied in (b) (i) above to the government. (3 marks)
- List four negative consequences of the minimum price legislation. (4 marks)
- State four factors that could lead to an increase in the demand for rice. (4 marks)
- Enumerate four factors that will make the supply of rice more elastic. (4 marks)

- 3 A modern economy produces a large output of capital goods which are continually wearing out or becoming **obsolete**. Repairs and replacements are required as capital depreciates. In any one year, some proportion of the total output of producer goods is required for replacement. It could happen that the rate of **depreciation** exceeds the total output so that net investment is negative.

Source: **Introductory Economics by F.J. Grants and Stanlake pages 36-37.**

- a) (i) Define the underlined terms. (4 marks)
 (ii) Differentiate between capital widening and capital deepening. (4 marks)
 b) Given that the amount of capital goods produced in the economy in 2011 was worth 400 Million FCFA, with a rate of depreciation of 20%.
 (i) What was the value of depreciation? (4 marks)
 (ii) State two factors that cause depreciation of capital. (4 marks)
 c) Outline four importance of capital in an economy. (4 marks)

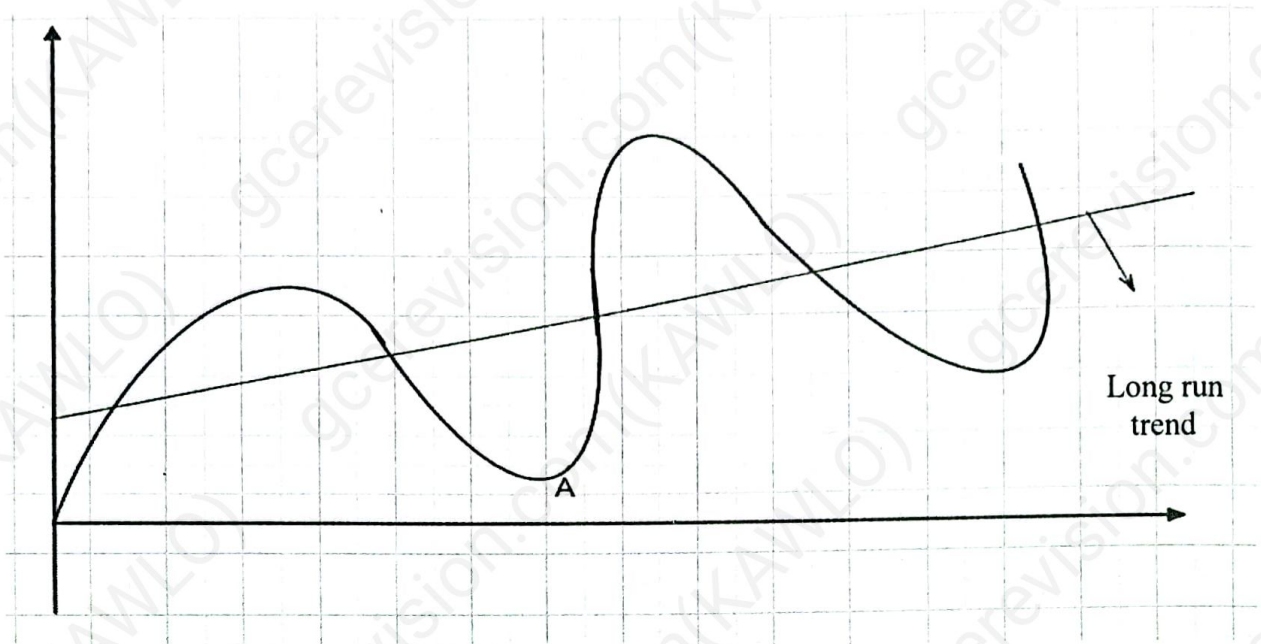
4. Consider the following information for an imaginary country to be as shown on the following table:

ITEMS	AMOUNT (Million FCFA)
Population.	40
National income.	80
Undistributed profit.	2
Taxes on company profits.	1
National social insurance contribution.	1.5
Transfer payments received.	3
Current price index.	160

Calculate the value of:

- a) (i) personal income. (4 marks)
 (ii) per capita income. (4 marks)
 (iii) real per capita income. (4 marks)
 b) How is personal income different from personal disposable income? (4 marks)
 c) List four factors that will lead to an increase in living standards of an economy. (4 marks)

5. The figure below illustrates the various phases of a trade cycle of an imaginary economy.



- a) (i) From the above diagram, identify phase A. (3 marks)
- (ii) State any two characteristics of phase A. (4 marks)
- b) (i) Complete the diagram above by labelling the other phases of the trade cycle and axes. (5 marks)
- (ii) Briefly outline two measures that a government can adopt to rescue the economy at point A. (4 marks)
- c) List two causes of fluctuation in the business cycle. (4 marks)