

Economics 2
0525

GENERAL CERTIFICATE OF EDUCATION BOARD
General Certificate of Education Examination

JUNE 2025

ORDINARY LEVEL

Subject Title	Economics
Subject Code No.	0525
Paper No.	Paper 2

Duration: Two and a Half Hours

You are required to answer ANY FIVE questions. ONLY THE FIRST FIVE QUESTIONS ANSWERED WILL BE MARKED.

All the questions carry equal marks.

Calculators are Allowed

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

Turn Over

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1. (a) Define the following terms:
- (i) Integration of firms, (2 marks)
 - (ii) External economies of scale, (2 marks)
 - (iii) Efficiency of labour, (2 marks)
 - (iv) Indirect production, (2 marks)
- (b) The following are examples of internal and external economies of scale:
- Marketing economies,
 - Organised market,
 - Financial economies,
 - Ancillary services,
 - Risk bearing economies,
 - Technical economies,
- Classify the following examples into internal and external economies of scale, (6 marks)
- (c) State and explain **THREE (3)** advantages of horizontal integration. (6 marks)
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2. (a) Define the following
- (i) Exports, (2 marks)
 - (ii) Exchange rate, (2 marks)
 - (iii) Currency appreciation, (2 marks)
 - (iv) Terms of trade, (2 marks)
- (b) The following are examples of tangible and intangible items of the current account:
- Timber
 - Dividends
 - Insurance
 - Interest
 - Aviation
 - Cotton
 - Banana
 - Cocoa
- Attempt a classification of the above into visible and invisible items. (4 marks)
- (c) State and explain **FOUR (4)** reasons for trade restriction. (8 marks)
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3. (a) Define the following :
- (i) Budget surplus, (2 marks)
 - (ii) Debt servicing, (2 marks)
 - (iii) Tax base, (2 marks)
 - (iv) Regressive tax, (2 marks)
- (b) Distinguish between the following concepts:
- (i) Tax impact and tax incidence, (4 marks)
 - (ii) Dead weight debt and reproductive debt, (4 marks)
- (c) State and explain **TWO (2)** effects of taxation to the economy. (4 marks)

4. (a) Given the economy of your Country, what will be the nature of price elasticity of demand in relation to the following goods?
- (i) Electricity, (2 marks)
 - (ii) Biscuit, (2 marks)
 - (iii) Pipe born water, (2 marks)
 - (iv) Salt. (2 marks)
- (b) State the corresponding words to the following:
- (i) Price set below the equilibrium price. (2 marks)
 - (ii) Price set above the equilibrium price. (2 marks)
 - (iii) A condition in which quantity demanded is equal to quantity supplied. (2 marks)
- (c) State and explain THREE (3) uses of price elasticity of demand to the producer (businessman). (6 marks)

5. (a) Define the following:
- (i) Privatisation, (2 marks)
 - (ii) Limited liability, (2 marks)
 - (iii) Deed of partnership, (2 marks)
 - (iv) Prospectus, (2 marks)
- (b) "ALPHA and OMEGA" is a company created to produce animal feed, The capital raised through the sale of securities is as follows:
- 100 5% preference shares at 1000frs each,
 - 50 10% debentures at 5000frs each,
 - 200 ordinary shares at 2000frs each,
- (i) Calculate the total capital raised through the sale of the above mentioned securities. (6 marks)
 - (ii) Explain THREE (3) differences between debentures and shares. (6 marks)

6. (a) Define the following:
- (i) Mode, (2 marks)
 - (ii) Scarcity, (2 marks)
 - (iii) Utility, (2 marks)
 - (iv) Consumer sovereignty. (2 marks)
- (b) (i) State and explain THREE (3) advantages of a market economy (6 marks)
- (ii) State and explain THREE (3) Characteristics of a public good. (6 marks)

7. (a) Define the following:

(i) Barter system of trade,

(2 marks)

(ii) Inflation,

(2 marks)

(iii) Price index,

(2 marks)

(iv) Credit creation.

(2 marks)

(b) Below are some functions of financial institutions in our economy.

(i) Lending to members of the public.

(ii) Lending to commercial banks.

(iii) Agent of payment to customers.

(iv) Agent of payment to the state.

Which of these functions best explain the activity of commercial and central banks in your Country?

(4 marks)

(c) State and explain **FOUR (4)** limitations of commercial banks to create credit.

(8 marks)

8. (a) Distinguish between the following:

(i) Youthful and aging population,

(4 marks)

(ii) Dependency ratio and working population,

(4 marks)

(iii) Immigration and emigration.

(4 marks)

(b) State and explain **FOUR (4)** reasons for the rapid decline in infant mortality rates in our Country.

(8 marks)