

ECONOMICS 3

0725

**SOUTH WEST REGIONAL MOCK EXAMINATION
GENERAL/TECHNICAL/VOCATIONAL EDUCATION EXAMINATION**

THE TEACHERS' RESOURCE UNIT (TRU)
Cellule d'appui à l'action Pédagogique

IN COLLABORATION WITH
En collaboration avec

**THE REGIONAL INSPECTORATES OF PEDAGOGY AND THE SUBJECT
TEACHER'S ASSOCIATION (STA)**

Thursday 19/03/2026(Afternoon Session)

ADVANCED LEVEL

Subject Title	ECONOMICS
Paper Number	Paper 3
Subject Code Number	0725

Mobile phones NOT allowed in the examination room.

Duration: One- and three-quarter hours

INSTRUCTIONS TO CANDIDATES:

*Answer any **THREE** questions. All questions carry 20 marks each. For your guidance, the approximate mark for each part of a question is indicated in brackets.*

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

In calculations, you are advised to show all the steps in your working, giving your answer at each stage.

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

Calculators are allowed.

- 1) In a certain market of fairly used Mercedes Benz cars, there are 75 buyers each having an identical individual demand function given as: $Q_d=52-2P$ and 10 sellers each with an identical individual supply function given as $Q_s=15+10P$ where Q_d is quantity demanded, Q_s is quantity supplied and P is price.

- a) Determine the market demand and supply functions for fairly used Mercedes cars. **(4 Marks)**
 b) Complete the market demand and supply schedule of fairly used Mercedes cars below. **(4 Marks)**

Price (FCFA)	5	10	15	20
Quantity demanded(units)				
Quantity supplied(units)				

- c) Using the market demand and supply functions obtained in a) above, determine:
 i) The equilibrium price **(2 Marks)**
 ii) The equilibrium quantity **(2 Marks)**
 d) If the government fixes a minimum price of 20 FCFA for these cars, how much will it cost her to maintain the Price? **(4 Marks)**
 e) Calculate the elasticity of demand as price changes from equilibrium to the minimum price. **(4 Marks)**

- 2) Read the following passage carefully and answer the questions that follow:

...the opening up of trade between countries leads to a greater production of traded goods and economic welfare. Conversely, any measure which inhibits trade between nations may be expected to reduce the volume of output and the level of economic welfare.

Despite this, every government takes steps to control the volume of imports entering its country. This is done for a variety of reasons and invites retaliation from its trading partners. There are a number of ways of protecting the home economy from overseas competition.

Source: Success in Economics; Chris Nuttall and Derek Loble, 4th edition page 388.

- a) Apart from those mentioned in the passage, list four other benefits a country gets from trade with other countries. **(4 Marks)**
 b) Enumerate four disadvantages a country may suffer from trade with other nations. **(4 Marks)**
 c) List four reasons why a government controls the volume of imports into its country. **(4 Marks)**
 d) Give four ways a government can protect the home economy from foreign competition. **(4 Marks)**
 e) State four bases of international trade. **(4 Marks)**
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- 3) A civil servant upon retirement decides to invest in a taxi business. The Market price of the taxi is estimated at 2,600,000FCFA. Conducting a proper market research, he found that this taxi would yield him an annual net return of 1,320,00FCFA in the first year, 968,000FCFA in the second year and 532,400 in the third year. The taxi is estimated to last for 3 years and there are no other related costs with a market rate of interest of 10%.
- a. Calculate the net present value of the project and state whether it is worthwhile investing in this project. Justify your answer. **(8 Marks)**
 b. If at the end of the final year, the taxi had a scrap value of 465,850FCFA. Explain how this will affect your answer in a) above. **(6 Marks)**
 c. State the nature of the relationship between Net Present Value (NPV) and the discount rate. **(2 Marks)**

- d. Define the term scrap value. (2 Marks)
- e. Apart from the method used in this question, state one other approaches of investment appraisal. (2 Marks)

4) Carefully read the following passage and answer the questions below.

Under perfect competition, each firm faces a perfectly elastic demand curve. On a graph, the firm's demand curve is a horizontal line. That is, the firm's entire supply can be sold at the market determined price. Profit is the difference between the average total cost of production and the selling price, multiplied by the number of units sold. Since firms are in business to make a profit, each firm will try to produce the number of units that will yield the greatest profit when sold.

Source: Basic Economics; Mastrianna and Hailstones, 11th edition page 102.

- a) Briefly explain the implication of the underlined phrase? (4 Marks)
 - b) Give four features of a perfect market. (4 Marks)
 - c) What type of profit would an efficient firm operating in a perfect market earn in the:
 - i. Short run? (2 Marks)
 - ii. Long run? (2 Marks)
 - d) State the condition under which a firm in perfect competition:
 - i. Shuts down in the short run (2 Marks)
 - ii. Shuts down in the long run. (2 Marks)
 - iii. Attains equilibrium (2 Marks)
 - e) State two forms of imperfect competition (2 Marks)
- 5) Cameroon's public national debt is a significant concern, with the country's debt to GDP ratio expected to reach 40% by the end of 2025 and projected to trend around 38% in 2026. The government plans to borrow CFA 3,104.2 billion in 2026 to cover the financial gap within a total budget of CFA 8,316.4 billion. The country's domestic debt stood at CFA 4,246 billion as of September 30, 2025, while external debt reached CFA 8,568.2 billion on the same date. The government is prioritizing external debt repayment to protect its credit standing with the African Development Bank and the IMF, classifying Cameroon as a high-risk debt country.

Source: World Bank (IBRD) / IMF reports (2024/2025)

- a) Give the full meaning of IBRD and IMF. (2 marks)
- b) Differentiate the following:
 - i) Domestic debt and external debt. (4 marks)
 - ii) Deadweight debt and reproductive debt (4 marks)
- c) List **TWO** reasons why the government contracts a national debt (2 marks)
- d) State **ONE** reason not included in the passage why the government is prioritizing external debt repayment than internal debt (2 marks)
- e) i) Define the burden of a national debt? (2 marks)
- ii) State **TWO** ways the government can manage the burden of the national debt. (2 marks)
- iii) Outline **TWO** negative effects of national debt servicing. (2 marks)