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CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD
General Certificate of Education Examination

0725 ECONOMICS 1

JUNE 2018 ADVANCED LEVEL

Centre Number	
Centre Name	Alpha Study Group
Candidate Identification Number	01
Candidate Name	www.alstug.com

Mobile phones are NOT allowed in the examination room.

MULTIPLE CHOICE QUESTION PAPER

One and a half hours

INSTRUCTIONS TO CANDIDATES

Read the following instructions carefully before you start answering the questions in this paper. Make sure you have a soft HB pencil and an eraser for this examination.

1. USE A SOFT HB PENCIL THROUGHOUT THE EXAMINATION.
2. DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

Before the examination begins:

3. Check that this question booklet is headed "Advanced Level – 0725 Economics 1"
4. Fill in the information required in the spaces above.
5. Fill in the information required in the spaces provided on the answer sheet using your HB pencil: **Candidate Name, Examination Session, Subject Code and Candidate Identification Number.** Take care that you do not crease or fold the answer sheet or make any marks on it other than those asked for in these instructions.

How to answer the questions in this examination

6. Answer ALL the 50 questions in this Examination. All questions carry equal marks.
7. Calculators are allowed
8. Each question has FOUR suggested answers: A, B, C and D. Decide on which answer is correct. Find the number of the question on the Answer Sheet and draw a horizontal line across the letter to join the square brackets for the answer you have chosen.
   For example, if C is your correct answer, mark C as shown below:
   [A] [B] [C] [D]

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9. Mark only one answer for each question. If you mark more than one answer, you will score a zero for that question. If you change your mind about an answer, erase the first mark carefully, then mark your new answer.
10. Avoid spending too much time on any one question. If you find a question difficult, move on to the next question. You can come back to this question later.
11. Do all rough work in this booklet, using, where necessary, the blank spaces in the question booklet.
12. **At the end of the examination, the invigilator shall collect the answer sheet first and then the question booklet. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.**

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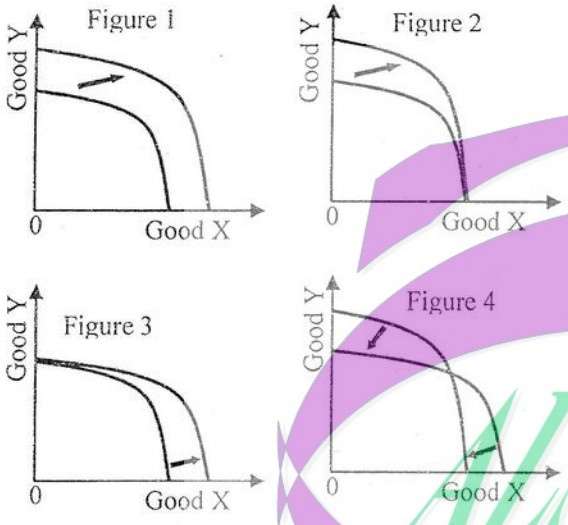
1. An economic good is one:
   A whose supply is unlimited.
   B that is taxed at a higher rate because of negative externalities.
   C that involves an opportunity cost when consumed.
   D whose consumption has a lot of positive extenalities.

2. Figures 1 to 4 below show shifts in the production possibilities curve for a given country.



Which of the figures (1,2,3 and 4) indicates that the economy is more efficient in the production of good Y?
   A Figure 1
   B Figure 2
   C Figure 3
   D Figure 4

3. The basis for determining the allocation of factors of production in a market economy is:
   A the pattern of consumer spending.
   B the market share of companies.
   C the wealth of entrepreneurs.
   D the needs of the country.

4. Income is more evenly distributed in:
   A a laissez-faire economy.
   B a mixed economy.
   C a capitalist economy.
   D a command economy.

5. An offer of new shares to existing shareholders as a means of raising funds internally is called:
   A rights issue.
   B public issue.
   C placings.
   D issue by tender.

6. The total amount of capital that a company decides to float for public subscription is:
   A the authorized capital.
   B the issued capital.
   C the paid up capital.
   D the capital structure.

7. A weight-loss industry would most likely locate close to:
   A its source of raw materials.
   B the market for its product.
   C the source of power.
   D the source of labour supply.

8. Table 1 shows different output levels produced by different workers.

Table 1

Number of workers	Total product
1	10
2	30
3	50
4	65
5	70
6	72
7	68

At what employment level will diminishing returns occur?
   A 3 workers.
   B 4 workers.
   C 6 workers.
   D 7 workers.

9. The average number of daughters that would be born to a female if she passed through her lifetime is described as the:
   A net reproductive rate.
   B gross reproductive rate.
   C total fertility rate.
   D fecundity rate.

10. If a supermarket reduces the price of its soap from 300 FCFA to 200 FCFA and buyers decide to increase their demand from 2,000 cubes to 2,500 cubes, the price elasticity of demand would be:
   A 0.25
   B 0.75
   C 1.0
   D 1.33

11. The price of petroleum products is raised from 570 FCFA to 650 FCFA per litre with the price elasticity of demand and price elasticity of supply being 1.5 and 3.5 respectively. How much additional tax per unit will a consumer pay per litre of petrol?
   A 24 FCFA.
   B 56 FCFA.
   C 80 FCFA.
   D 120 FCFA.

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12. In a normal situation of supply, an increase in the supply of a commodity in the market will lead to:
A an increase in price and an increase in quantity demanded.
B an increase in price and a fall in quantity demanded.
C a fall in price and an increase in quantity demanded.
D a fall in price and a fall in quantity demanded.

13. If the cross-price elasticity of demand between goods A and B is zero, then these goods are:
A substitutes.
B complements.
C independent.
D competitive.

14. Table 2 refers to the costs of a firm at various levels of output.

Table 2

Output(tons)	Total cost (million FCFA)
0	200
10	220
20	260
30	320
40	400

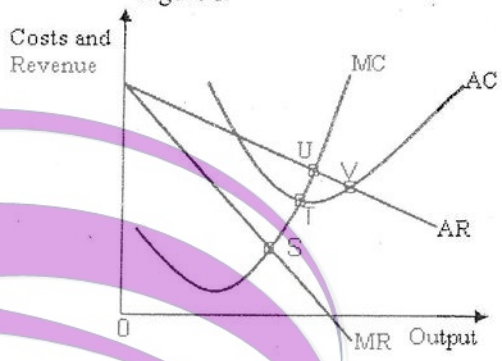
What is the average fixed cost of producing 40 tons of output?
A 5 million FCFA.
B 10 million FCFA.
C 20 million FCFA.
D 40 million FCFA.

15. Which of the following options will a government use to best control the consumption of harmful goods?
A Ban.
B Minimum price control.
C Maximum price control.
D Taxes.

16. What will cause the demand for holiday accommodation to shift to the left?
A Conducive weather.
B Poor weather.
C Removal of sales tax on holiday accommodation.
D Relaxation in planning controls on hotel construction.

17. Figure 5 represents the costs and revenue situations of a firm under imperfect competition.

Figure 5



Which of the following is the break-even point?
A S
B T
C U
D V

18. In the monopoly market, the downward sloping demand curve implies that:
A P< MR.
B P > MR.
C P = MR.
D P = AC.

19. The mobile telephone market in Cameroon is dominated by four firms. This is an example of:
A collusive oligopoly.
B imperfect oligopoly market.
C perfect oligopoly.
D natural oligopoly.

20. The oligopolistic demand curve that is both elastic and inelastic to price rises and price falls respectively is known as a:
A kinked demand curve.
B demand curve with regression at the top.
C demand curve with regression at the bottom.
D backward bending demand curve.

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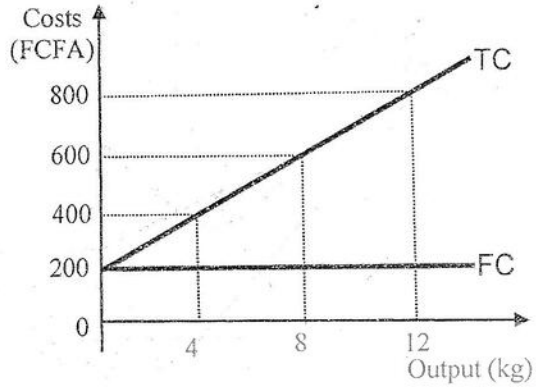
21. Figure 6 shows the costs situation of a given firm.

Figure 6



What is the average variable cost of producing 8 kilograms?
A 50 FCFA.
B 75 FCFA.
C 600 FCFA.
D 400 FCFA.

22. An employee works a few hours of overtime, increasing his earnings after tax by 20,000 FCFA. This is an example of:
A transfer earnings.
B transfer payments.
C wage drift.
D rent of ability.

23. What is the yield on an undated 6% government bond with a nominal value of 800,000 FCFA and a current market value of 600,000 FCFA?
A 0.45%
B 4.5%
C 6.0%
D 8.0%

24. The following values are extracted from the national income account of a country.

GDP at market price = 318 million FCFA
GNP at factor cost = 322 million FCFA
Net property income from abroad = 6 million FCFA
Capital consumption = 50 million FCFA

What is the value of the net national product?
A 328 million FCFA.
B 274 million FCFA.
C 278 million FCFA.
D 272 million FCFA.

25. The following describe economic activities which are not officially registered in government statistics EXCEPT:
A the hidden economy.
B the black economy.
C underdeveloped economy.
D the underground economy.

26. _____ is national income minus personal taxes plus transfer payments.
A Personal income
B Gross income
C Personal disposable income
D Net national income

27. What does the slope of the consumption curve represent?
A Induced consumption.
B Consumption level.
C Average propensity to consume.
D Marginal propensity to consume.

28. Which of the following is a condition for income to be in equilibrium in a closed and governed economy?
A $Y = C + S + I$.
B $Y = C + I + G$.
C $Y = C + S$.
D $Y = C + I$.

29. Due to a change in the rate of spending, the following series of cash flow is observed: 600 million + 480 million + 384 million + ... What is the value of the multiplier?
A 0.2
B 0.8
C 1.25
D 5

30. The principle which seeks to explain the relationship between increase in capital investment in the economy and change in total output is described as the:
A accelerator principle.
B marginal efficiency of capital principle.
C multiplier principle.
D accelerator-multiplier principle.

31. Table 3 shows a country's consumption at different levels of national income.

Table 3

National income (million FCFA)	Consumption (million FCFA)
0	600
1,000	1,300
2,000	2,000
3,000	2,700
4,000	3,400

What is the savings function?
A $S = 600 \text{ million} + 0.3Y$.
B $S = -600 \text{ million} + 0.3Y$.
C $S = -600 \text{ million} + 0.7Y$.
D $S = 600 \text{ million} + 0.7Y$.

32. In a closed economy without any government, the savings function is given by $S = -50 + 0.4Y$. If the national income is 500, calculate the average propensity to consumption.
A 0.1
B 0.3
C 0.5
D 0.7

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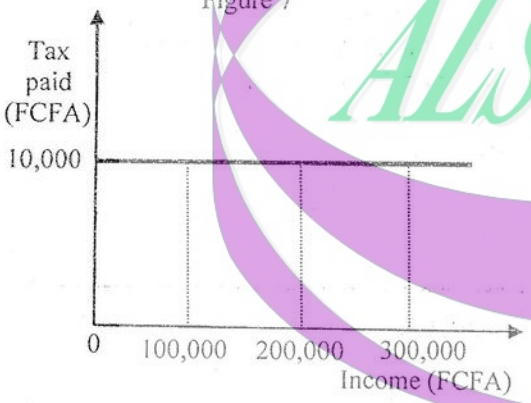
33. The power of issuing bank notes in Cameroon is confined to:
A BICEC.
B UBC.
C NFC.
D BEAC.

34. The total amount of money the banking system can create with an initial deposit of 100,000 FCFA and a legal reserve ratio of 25% is:
A 125,000 FCFA.
B 300,000 FCFA.
C 400,000 FCFA.
D 500,000 FCFA.

35. What relationship exists between the speculative demand for money and the transactions demand for money?
A They are independent.
B They have a direct relationship.
C They have an indirect relationship.
D They are concerned with active balances.

36. Figure 7 relates to the amount of tax paid in relation to different levels of income.

Figure 7



Which tax system is represented by this diagram?
A Proportional system.
B Progressive system.
C Regressive system.
D Direct tax system.

37. _____ involves deliberate actions by the government to stabilize the economy by spending on goods and services and changing the rate of taxes.
A Discretionary fiscal policy
B Discretionary monetary policy
C Monetary policy
D Fiscal policy

38. An individual earns 200,000 FCFA and has a tax allowance of 40,000 FCFA. If he pays a tax of 20%, his average rate of tax would be:
A 10%.
B 16%.
C 20%.
D 40%.

39. Which of the following is a measure of solving a balance of payments deficit in the long run?
A Exporting gold.
B Selling foreign investment.
C Export promotion.
D Borrowing from the IMF.

40. The exchange rate system practised by the countries of the franc CFA zone and the European Union is known as:
A the floating exchange rate system.
B the managed exchange rate system.
C the adjustable peg system.
D the pegged exchange rate system.

41. You are given the following data on a country's trade transactions. Figures are in million FCFA.

Visible imports	550
Balance of trade	750
Invisible balance	1,000
Net transactions in assets and liabilities	400

What is the value of visible exports?
A 200 million FCFA.
B 250 million FCFA.
C 1,300 million FCFA.
D 1,750 million FCFA.

42. Table 4 shows the output per unit of input of two goods produced by two countries.

Table 4

Country	Clothing (tons)	Food (tons)
X	200	400
Y	100	300

It can be concluded that:
A country X has a comparative advantage in food.
B country Y has a comparative advantage in clothing.
C country Y has an absolute advantage in both goods.
D country X has an absolute advantage in both goods and a comparative advantage in clothing.

43. At what phase of the trade cycle would one expect the marginal propensity to consume in an economy be highest?
A Boom.
B Recession.
C Depression.
D Recovery.

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44. This question is based on the following:

(i) Reducing the minimum amount necessary to open a bank account.
(ii) Allowing political instability
(iii) Increasing incomes

How can savings be mobilised for growth to take place in an economy?

A (i) only.
B (i) and (ii) only.
C (i) and (iii) only.
D (i), (ii) and (iii).

45. Which of the following will reduce regional unemployment?

A Devaluing of the currency.
B Government sponsoring retraining schemes in affected area.
C Stimulating aggregate demand in the economy.
D Regulating trade union activities.

46. If government spends 900 billion FCFA and raises 900 billion FCFA from taxation. This would cause national income to:

A increase by 900 billion FCFA.
B remain unchanged.
C fall by 900 billion FCFA.
D increase by1,800 billion FCFA.

47. Which of the following will result in an increase in demand?

A A fall in the price of the good.
B An increase in household tastes.
C A change in income.
D An increase in the price of a substitute good.

48. Which of the following financial institutions controls the monetary policy in Cameroon?

A BEAC
B IMF
C BICEC.
D Bank of France

49. In perfect competition:

A a few firms dominate the industry.
B firms are price maker.
C there are many buyers and sellers.
D there are many buyers but few sellers.

50. In a regressive tax system:

A The average tax rate falls as income increases.
B The average tax rate is less than the marginal tax rate.
C The tax ratio paid increases as income increases.
D The tax ratio paid falls as income increases.

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