

GENERAL CERTIFICATE OF EDUCATION BOARD

General Certificate of Education Examination

ECONOMICS 3

0725

JUNE 2023

ADVANCED LEVEL

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

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.

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Turn Over

0725/3

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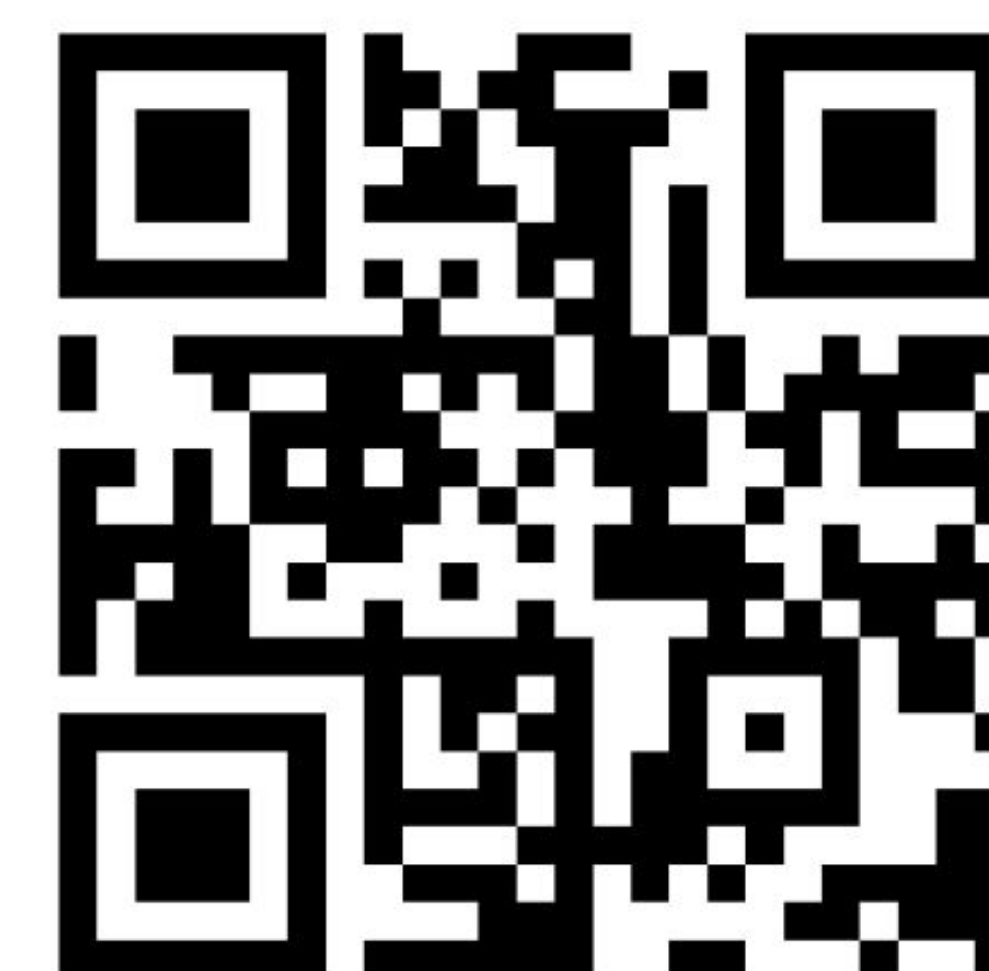
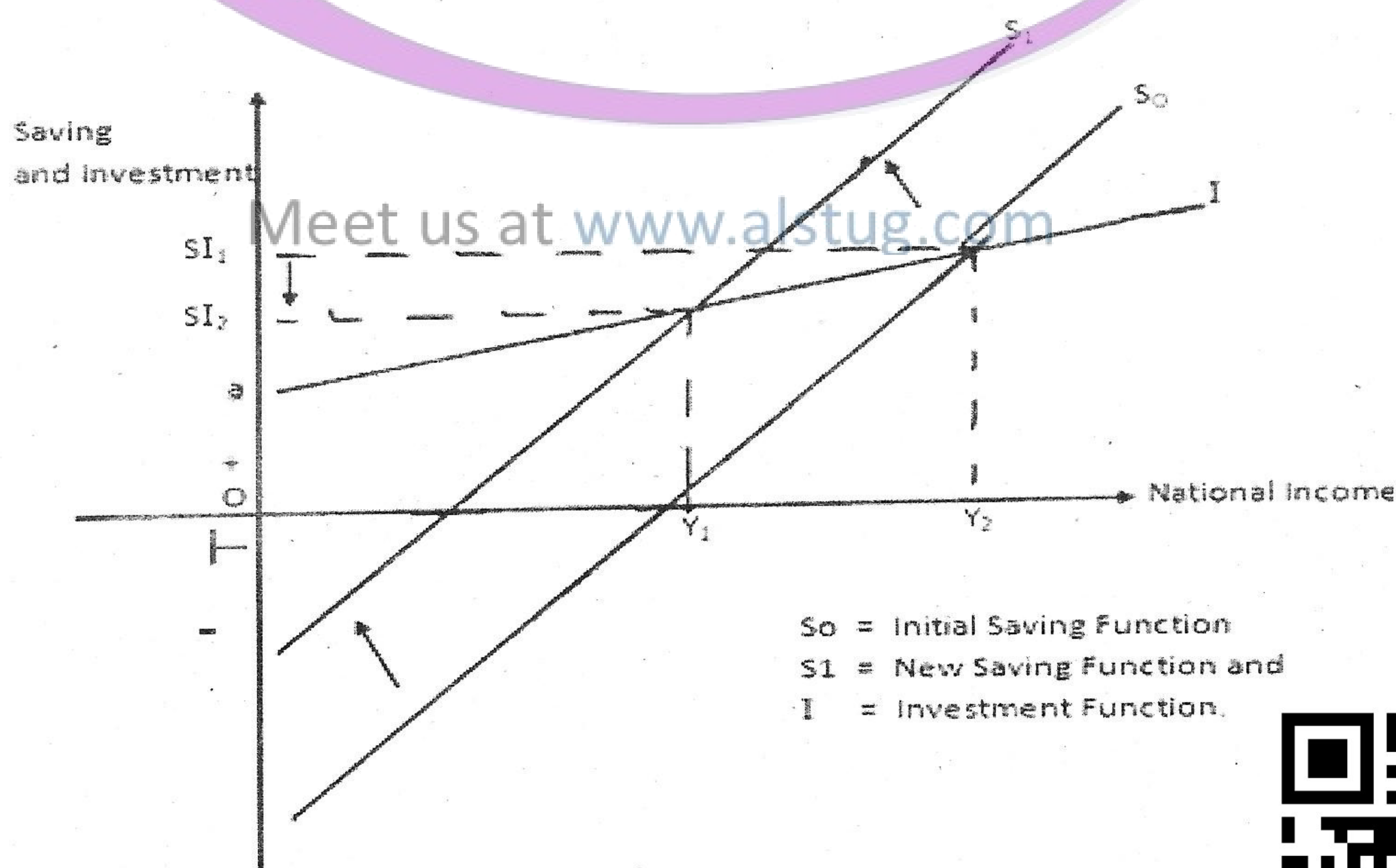
1. Table 1 below shows the demand and supply schedules for cocoa before and after the introduction of fertilizer by cocoa farmers in their farms.

Table 1

Price per ton (in 000s FCFA)	Quantity demanded in tons	Quantity supplied in tons (before the use of fertilizer)	Quantity supplied in tons(after the use of fertilizer)
90	100	440	630
80	140	420	620
70	180	340	600
60	240	240	480
50	300	140	430
40	340	100	340
30	360	70	270
20	380	50	240

- a) What is the market price for cocoa and why?
- i) Before the application of fertilizer? (3 marks)
- ii) After the application of fertilizer? (3 marks)
- b) List four other factors apart from the application of fertilizer that can cause the supply of cocoa to increase. (4 marks)
- c) Suppose farmers, through their cooperative union, decide to operate a buffer stock scheme in order to stabilize the price of cocoa as in a (i) above.
- i) Briefly explain how such a scheme functions to stabilize prices. (3 marks)
- ii) How many tons of cocoa must the union buy after the application of fertilizer as in (a i) above? (3 marks)
- d) State two reasons why the price of cocoa is likely to fluctuate if it is not controlled. (2 marks)
- e) List two limitations to the scheme mentioned in (c) above. (2 marks)

2. The diagram below illustrates a given economic concept. Study it carefully and answer the questions that follow.



- a) Identify and state the concept depicted by the above diagram. (3 marks)
- b) Using the diagram, briefly explain the concept identified in (a) above. (5 marks)
- c) (i) State two assumptions of the concept identified in (a) above. (2 marks)
(ii) Besides saving, list the other two leakages in an economy. (2 marks)
- d) How can you conclude from the diagram that investment is both autonomous and induced? (4 marks)
- e) State any four factors that can increase household savings in Cameroon. (4 marks)

3. Read the passage below and answer the questions that follow:

“..... Economic growth has allowed successive generations to have more and better goods and services than their parents. Long-term increases in real GDP allow an entire society to improve its quality of life, especially its standard of living.....

A hundred years ago, most families would have been able to own an icebox, a wood-burning stove and a horse or bicycle. For most of us today, those necessities of life have turned into a refrigerator-freezer, a microwave oven, and a car or two. Think about the differences between these two sets of products.

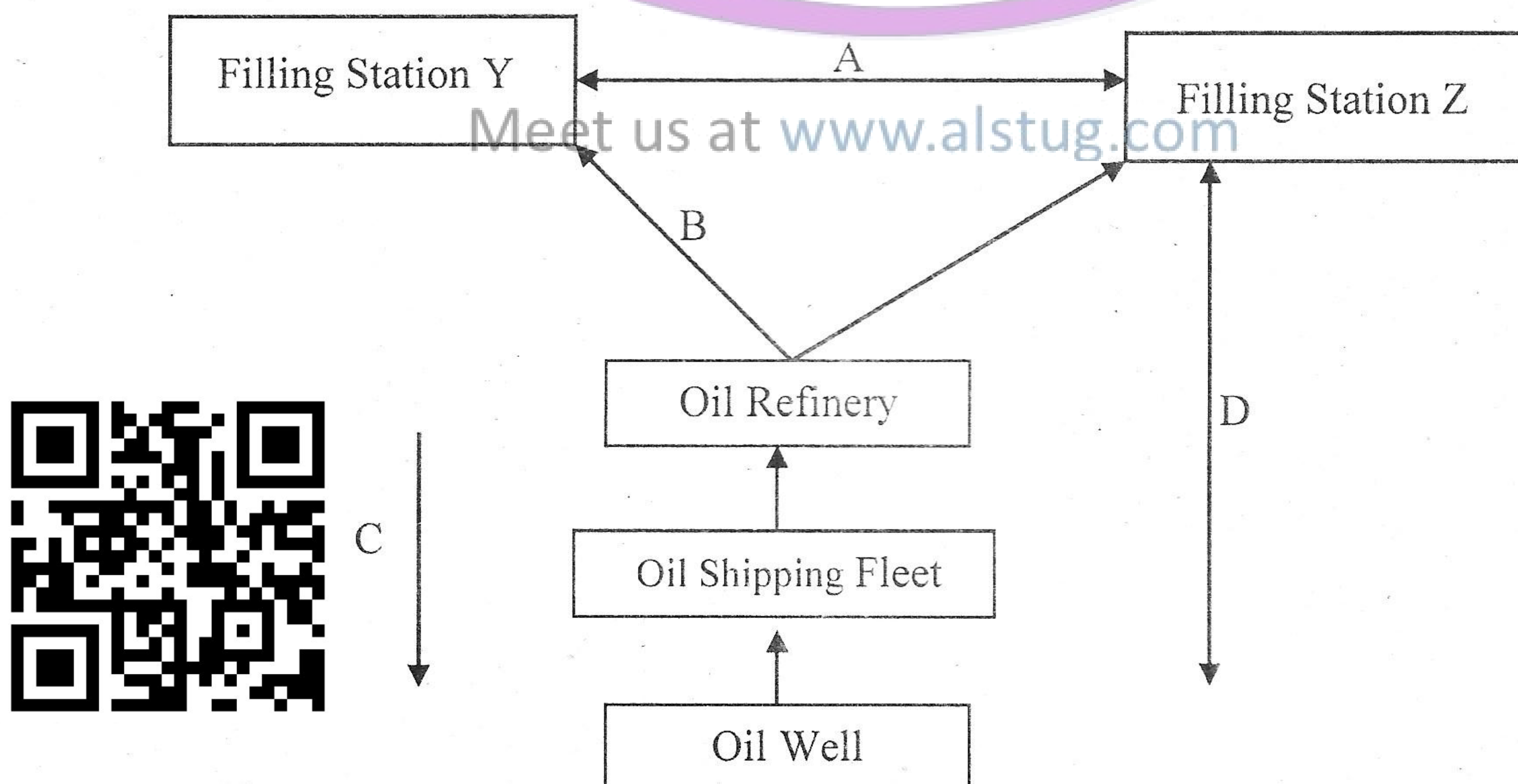
With a labour force of a given size, more physical output will lead to more output – in other words, to economic growth. This process of called capital deepening, is one of the most important sources of growth. Human capital also contributes to output. As most economies move toward service oriented economies, human capital becomes another vital source of economic growth

Adapted from ECONOMICS Principles in Action by Arthur O'Sullivan and Steven M. Sheffrin, Pages 318 and 320.

a) Define:

- (i) capital deepening. (2+2 = 4 marks)
- (ii) human capital. (2 marks)
- b) (i) Enumerate two advantages of capital deepening. (2 marks)
(ii) Give two ways by which human capital can be achieved. (2 marks)
- c) Besides the factors mentioned in the passage, state four other factors that are a source of actual economic growth. (4 marks)
- d) List four characteristics of developing countries. (4 marks)
- e) Enumerate four obstacles Cameroon is facing in achieving rapid economic growth. (4 marks)

4. Study the diagram below on the integration of firms and answer the questions that follow:



- a) Identify the specific forms of integration represented by Letters A, B, C and D in the diagram above. (4 marks)
- b) Give three reasons why A above may occur. (3 marks)
- c) Differentiate between mergers and take-overs. (4 marks)
- d) Besides mergers (integration), state three other ways by which firms grow larger. (3 marks)
- e) If the oil refinery were to rather merge with a mobile telephone company, how will this type of integration be called? (2 marks)
- f) Despite the advantages of growth, give four reasons why some firms remain perpetually small. (4 marks)

5. "If the average cost curve stops falling and starts to rise when the firm is producing only a small fraction of the total industry sales, there is no cost advantage in being a giant and many competitors enter the industry. This situation sounds like perfect competition, but it is not if the firms are producing a differentiated product. In this case, the result is monopolistic competition. Because each firm is selling a somewhat different product, each has some control over price; if it raises its price slightly, it won't lose all its customers. Thus it does not face the perfect competitor's perfectly horizontal demand curve. Instead, its demand curve slopes downward to the right. But because of the existence of many competitors, its control over price is not great".
- Source: Economics by Wonnacott 2nd Edition p.557

- a) Sketch the long-run equilibrium price and output diagrams of:
 - i) the monopolistic competitor. (4 marks)
 - ii) the perfect competitor. (4 marks)
- b) Give three differences between a perfect competitor and a monopolistic competitor. (6 marks)
- c) What economic term explains the underlined phrase? (2 marks)
- d) State one condition for a perfect competitive firm to operate at a loss in the short run. (2 marks)
- e) Enumerate any two ways in which a product can be differentiated. (2 marks)

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