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MINISTRY OF SECONDARY EDUCATION

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MARCH 2023

The Teachers' Resource Unit and the Regional Inspectorate of Pedagogy, in collaboration with the North West Economics Teachers' Association (NOWETA)	SUBJECT CODE NUMBER 0725	PAPER NUMBER 1
GENERAL CERTIFICATE OF EDUCATION AND ADVANCED TECHNICAL AND VOCATIONAL EDUCATION REGIONAL MOCK EXAMINATION		
CANDIDATE NAME: CANDIDATE NUMBER: CENTRE NUMBER:		SUBJECT TITLE ECONOMICS
ADVANCED LEVEL		

Time Allowed: One and a half hours
INSTRUCTIONS TO CANDIDATES:

Mobile phones are **NOT ALLOWED** in the examination room.

1. USE A SOFT HB PENCIL THROUGHOUT THIS 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 -0725code and subject title—Economics Paper 1".
4. Insert the information required in the spaces above.
5. Without opening the booklet, pull out the answer sheet carefully from inside the front cover of this booklet. 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.
6. Insert the information required in the spaces provided on the answer sheet using your HB pencil:

Candidate Name, Centre Number, Candidate Number, Subject Code Number, and Paper number

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7. Answer ALL the 50 questions in this examination. All questions carry equal marks.
8. Non-programmable calculators are allowed.
9. For each question there are four suggested answers, A, B, C and D. Decide 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]
10. Mark only one answer for each question. If you mark more than one answer, you will score zero for that question. If you change your mind about an answer, erase the first mark carefully, and then mark your new answer.
11. Avoid spending much time on any question. If you find a question difficult, move to the next question. You can come back to this question later.
12. Do all rough work in this booklet using, where necessary, the blank spaces in the question booklet.
13. You must not take this booklet and answer sheet out of the examination room. All question booklets and answer sheets will be collected at the end of the examination.

- Which of the following represents a positive statement?
A) Unemployment ought to be low in Cameroon.
B) Salaries should be increased in Cameroon.
C) Taxes have to be reduced given the high cost of living.
D) Government spending is very low in Africa.
- In which economic system is consumer sovereignty a characteristic?
A) Laissez faire economic system.
B) Planned economic system.
C) Communist economic system.
D) Mixed economic system.
- A divergent cobweb occurs when the price elasticity of demand for the good is:
A) greater than the price elasticity of supply.
B) less than the price elasticity of supply.
C) equal to the price elasticity of supply.
D) less than or equal to the price elasticity of supply.
- Given that the demand and supply functions are $Q_d=60-5P$, where Q_d is quantity demanded and $Q_s=20+3P$, where Q_s is the quantity supplied. What is the quantity demanded at the equilibrium price?
A) 20 units.
B) 35 units.
C) 26 units.
D) 38 units.
- Which of the following is a characteristic of a Customs Union but not that of a Free Trade Area?
A) Common external tariff.
B) Common currency.
C) Abolition of tariffs among member states.
D) Abolition of import quotas among member states.
- The average price of a basket of goods in an economy increased from 8,000 FCFA in 2022 to 12,000 FCFA in 2023. What is the value of the Retail Price Index in 2023?
A) 600.
B) 400.
C) 150.
D) 100.
- Which of the following is an example of a preventive check to control population growth as proposed by Rev. Thomas Malthus?
A) Earth quakes.
B) Drought.
C) Flood.
D) Chastity.

Question 8 is based on Table 1 that gives information about the population and output of an imaginary economy.

Table 1

Population(Millions)	Output per head(Millions of tons)
50	6.4
70	4.42
90	3.61
100	3.75

- What is the total output produced at the optimum population level?
A) 375 million tons.
B) 325 million tons.
C) 310 million tons.
D) 320 million tons.

- An increase in investment of 400 billion FCFA results in the following chain of increases in spending: 400 billion FCFA + 320 billion FCFA + 256 billion FCFA +... What is the value of the marginal propensity to save?
A) 0.2.
B) 0.8.
C) 0.4.
D) 0.5.

Question 10 is based on Table 2. (Figures are in million FCFA)

Table 2

Gross Domestic Product at Market Prices	2,000
Property income paid abroad	60
Property income from abroad	40
Indirect taxes	80
Subsidies	20
Capital stock	800

- If depreciation is at a rate of 10% per annum, what is the value of depreciation?
A) 1,940 million FCFA.
B) 1,140 million FCFA.
C) 80 million FCFA.
D) 200 million FCFA.
- Consumer surplus is equal to total utility minus:
A) price.
B) total expenditure.
C) marginal utility.
D) average utility.
- According to the Quantity Theory of money equation, if the velocity of circulation and output are constant, an increase in money supply will lead to a
A) less than proportionate increase in price.
B) greater proportionate increase in price.
C) less than proportionate decrease in price.
D) proportionate increase in price.

Question 13 is based on Table 3. Figures are in million FCFA

Table 3

Disposable income	1,500
Direct taxes	150
Social Insurance contributions	100
Savings	400
Undistributed profits	50

- What is the value of Gross National Product?
A) 1,800 million FCFA.
B) 2,200 million FCFA.
C) 1,400 million FCFA.
D) 1,900 million FCFA.
- What does the slope of a consumption function measure?
A) Average propensity to consume.
B) Change in consumption.
C) Change in the rate of consumption.
D) Marginal propensity to consume.
- Which of the following functions shows what households do with their disposable incomes (Y^d)?
A) $Y^d = C+I$.
B) $Y^d = C+I+G$.
C) $Y^d = C+I+M$.
D) $Y^d = C+S$.

Question 16 is based on Table 4

Table 4

Year	Money NI (million FCFA)	Price Index	Real NI (million FCFA)	Population (million)	Real NI per capita (FCFA)
1	-Z	100	6,000	5	1,200
2	7,875	105	R	6	1250

16. What is the value of Z in Table 4?

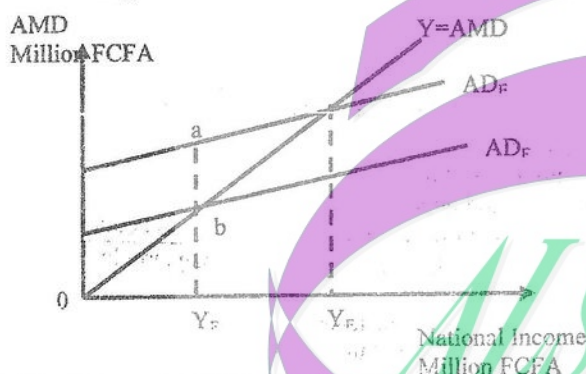
- A) 4,800 million FCFA.
- B) 6,000 million FCFA.
- C) 826,875 million FCFA.
- D) 30,000 million FCFA.

17. A National Income Statistician can convert Gross Domestic Product at market prices to Total Domestic Expenditure at market prices by adding:

- A) imports and subtracting exports.
- B) exports and subtracting imports.
- C) indirect taxes and subtracting subsidies.
- D) subsidies and subtracting indirect taxes.

Question 18 is based on Figure 1.

Figure 1



18. The distance ab on Figure 1 represents the

- A) aggregate demand gap.
- B) inflationary gap.
- C) saving gap.
- D) deflationary gap.

19. A change in national income generated by a change in investment is known as

- A) investment multiplier.
- B) income multiplier.
- C) marginal propensity to invest.
- D) induced investment.

20. Which of the following curves is NOT subject to the law of diminishing returns?

- A) MC curve.
- B) AC curve.
- C) AFC curve.
- D) AVC curve.

21. Rising MC results from:

- A) falling marginal product.
- B) rising total product.
- C) rising total cost.
- D) falling fixed cost.

22. When a firm operates with excess capacity

- A) it must be a competitive firm.
- B) it must be a monopolistically competitive firm.
- C) additional production will raise the ATC.
- D) additional production will lower the AFC.

23. The average fixed costs of producing 2 units of a good is 4,800 FCFA and the total cost is 19,600 FCFA. What is the total variable cost of producing 2 units?

- A) 14,800 FCFA.
- B) 10,000 FCFA.
- C) 9,600 FCFA.
- D) 9,800 FCFA.

24. A perfectly competitive firm is producing where marginal cost equals marginal revenue. What should it do to maximize profit?

OPTION	PRICE	OUTPUT
A	Reduce	Keep unchanged
B	Keep unchanged	Keep unchanged
C	Increase	Increase
D	Reduce	Increase

25. Which of the following assets of a commercial bank is used to settle interbank debts?

- A) Money at call and short notice.
- B) Balances at the central bank.
- C) Advances to customers.
- D) Special deposits.

26. If reserve requirements are decreased, what will happen to the money multiplier and the supply of money?

OPTION	Money multiplier	Supply of money
A	Decrease	Increase
B	Decrease	Decrease
C	Increase	Increase
D	Increase	decrease

27. What is the basis of demand in Economics?

- A) Price.
- B) Income.
- C) Utility.
- D) Quality.

28. Unemployment caused by physical and mental disability is known as

- A) frictional unemployment.
- B) open unemployment.
- C) residual unemployment.
- D) seasonal unemployment.

29. When total physical product is at a maximum, marginal physical product is

- A) constant.
- B) zero.
- C) increasing.
- D) negative.

30. A firm is said to be experiencing increasing returns to scale if for example it increases its input by 20 % and its output increases by

- A) 30 %.
- B) 15 %.
- C) 20 %.
- D) 40 %.

31. When income elasticity of demand for a good is greater than 1, such a good is said to be

- A) luxurious
- B) giffen.
- C) normal.
- D) inferior.

32. The government grants a subsidy of 1,200 FCFA per bag of rice and as a result, the price of rice falls by 300 FCFA. If the price elasticity of supply for rice is 1.5, what is the price elasticity of demand for rice?

- A) 1.5.
- B) 3.
- C) 6.
- D) 4.5.

33. Tax burden refers to:

- A) who finally pays the tax.
- B) the amount paid as tax.
- C) the object that is taxed.
- D) the amount of tax paid by the producer.

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34. A progressive tax is one that:
 A) redistributes income in favour of the rich.
 B) decreases progressively as income increases.
 C) imposes a greater burden on the rich than the poor.
 D) the tax rate increases as income falls.

Question 35 is based on the following National Debt figures of country X: National debt= 64 million FCFA
 External debt=28 million FCFA
 Internal debt =36 million FCFA

35. What fraction of the National debt constitutes a real burden to this country?
 A) 28 %.
 B) 56.25 %.
 C) 77.78 %.
 D) 43.75 %.

Question 36 is based on Table 5.

Table 5

Transaction	Million FCFA
Net transactions	-200
Services	90
Visible imports	2620
Interest and profits	2560
Transfers	50
Visible exports	2830

36. What is the value of the balance of trade?
 A) 210 million FCFA.
 B) 50 million FCFA.
 C) 60 million FCFA.
 D) 150 million FCFA.
37. A rise in the price of one currency in terms of another currency is referred to as:
 A) deteriorating terms of trade.
 B) appreciation of the currency.
 C) revaluation of the currency.
 D) favourable terms of trade.
38. If the exchange rate between the U.S dollar and the FCFA is 1 dollar=475 FCFA, how much FCFA will a Cameroonian need to buy a phone from the U.S that costs 15 dollars?
 A) 4,900 FCFA.
 B) 4,600 FCFA.
 C) 7,125 FCFA.
 D) 4,725 FCFA.

Question 39 is based on Table 6. Study the table and answer the question that follows.

Table 6

Country	Coffee(units)	Wine
A	100	50
B	200	40
Total	300	90

39. What is the domestic opportunity cost of producing one unit of coffee in country B?
 A) 0.5 unit of wine.
 B) 2 units of wine.
 C) 5 units of wine.
 D) 0.2 unit of wine.
- 40) A continuing reduction in the share of manufacturing in national output is called:
 A) negative economic growth.
 B) balance of payments deficit.
 C) deindustrialization
 D) industrial inertia.

- 41) Income does not fall to zero when an economy is in recession because:

- A) the deflationary gap reduces.
 B) demand is still sustained at low levels.
 C) there is a rise in national debt.
 D) there is a rise in foreign aid.

42. When all resources in an economy are used in the production of goods and services, this is known as:

- A) economic growth.
 B) equilibrium income situation.
 C) economic development.
 D) full employment.

43. Potential growth takes place in an economy when:

- A) there is an increase in production
 B) tax rates are generally reduced on basic necessities.
 C) there is an increase in the productive capacity.
 D) there is adequate distribution of output to citizens.

44. An industrial action wherein workers carry out only task specifically mentioned in their job descriptions is called

- A) lockout.
 B) picketing.
 C) overtime ban.
 D) working to rule.

45. The demand for labour is described as derived because:

- A) labour can only be hired.
 B) labour is a human factor of production.
 C) its demand depends on the demand for its output.
 D) the demand for its output depends on its demand.

46. High interest is usually charged for long term loans because of the:

- A) marketability of the loans.
 B) credit worthiness of the borrower.
 C) lengthy and complicated processing procedures.
 D) greater risk of default by the borrower.

47. The mixed economic system is considered as a bridge between the capitalist and the command economies because

- A) there is private and public ownership of some resources in both.
 B) the profit motive exists in both economic systems.
 C) the role of government is limited in both.
 D) merit goods in both are provided by the state.

48. The branch of Economics which studies the behaviour of individual economic agents is called:

- A) macroeconomics.
 B) microeconomics.
 C) positive economics.
 D) normative economics.

49 If a company raises more of its capital from ordinary shares than from debentures and preferences shares; then the company's capital structure

- A) shows that it will make profit.
 B) shows that it is likely to make losses.
 C) is lowly geared.
 D) is highly geared.

50. Which of the following groups has the first claim on the assets of a company in the event of liquidation?

- A) Voting shareholders
 B) Debenture holders.
 C) Participating shareholders.
 D) Non-voting ordinary shareholders.

END