

LITTORAL ECONOMICS TEACHERS' ASSOCIATION (LETA)

REGIONAL MOCK

General Certificate of Education Examination



0725 ECONOMICS 1

MARCH 2022

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ADVANCED LEVEL

Centre Number	
Centre Name	
Candidate Identification No.	
Candidate Names	

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:

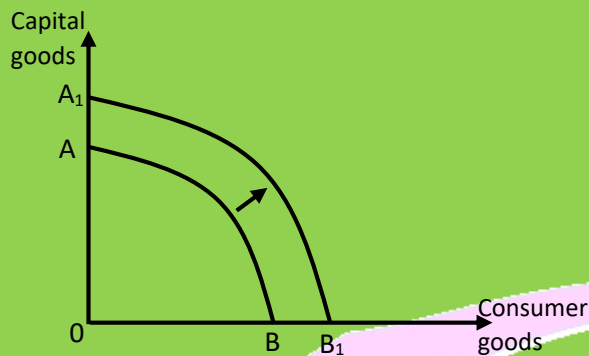
3. Check that this question booklet is headed "Advanced Level – 0725 Economics 1"
4. Fill in the information required in the spaces above
5. Fill in the information required in the spaces provided on the answer sheet using your HB pencil: Candidate Name, Exam Session, Subject Code, Centre Number and Candidate 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. Each question has FOUR suggested answers: A, B, C and D: decide which answer is appropriate. 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)
8. 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 carefully, then mark your new answer.
9. 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.
10. Do all rough work in this booklet using the blank spaces in the question booklet
11. **At the end of the examination, the invigilator will collect the answer sheet first and then the question booklet. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.**

TURN OVER

Question 1 is based on the diagram below, show the production possibility curve.



1. The production possibility curve moves outwards from AB to A₁B₁. What can cause the outwards movement?
 - [A] A better educated workforce
 - [B] The discovery of new resources
 - [C] Increased wages of workers
 - [D] An improvement in technology
2. Under a planned economic system
 - [A] Firms are privately owned but closely regulated by the state
 - [B] Resources are allocated by the central planning committee
 - [C] All the individuals have the same income and economic power
 - [D] Resources are efficiently allocated by the government
3. The statement "There is no such thing as free as lunch implies the concept of"
 - [A] Scarcity
 - [B] Choice
 - [C] Opportunity cost
 - [D] Scale of preference
4. Consumer sovereignty means
 - [A] Consumers are free to choose a variety of goods
 - [B] Consumers determine the price of a good
 - [C] Consumers have greater economic power than producers
 - [D] Consumers' ability to determine what is produced by means of their purchases
5. According to Thomas Malthus, the positive checks on the increase in the world's population is/are
 - (i) Famine
 - (ii) Celibacy
 - (iii) Birth control
 - (iv) Wars
 - [A] (i) and (ii) only
 - [B] (ii) and (iii) only
 - [C] (i) and (iv) only
 - [D] (iii) and (iv) only



6. A firm is experiencing decreasing returns to scale if it increases its input by say 18% and output increases by
 - [A] 10%
 - [B] 21%
 - [C] 18%
 - [D] 36%

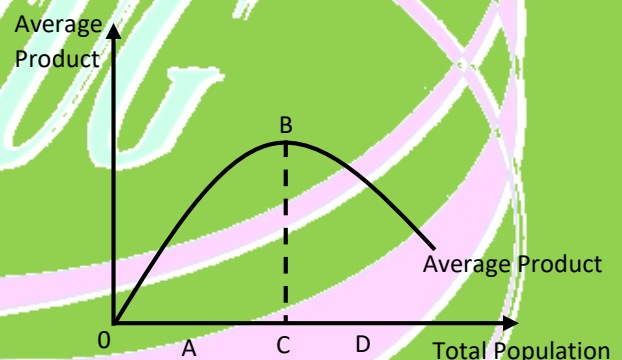
Question 7 is based on the information below in table 1. In its production process, a firm uses a sequence of four specialized machines A, B, C and D each carrying out a different operation. The respective hourly output of each machine are as follows:

Table 1

Machines	A	B	C	D
Output (unit per hour)	10	20	15	12

7. Which the minimum hourly output required to operate all the machines at full capacity?
 - [A] 20
 - [B] 30
 - [C] 60
 - [D] 90

Question 8 is based on the diagram below relating population and resources.



8. Identify the letter that corresponds to the optimum size of the population.
 - [A] A
 - [B] B
 - [C] C
 - [D] D
9. A joint stock company issues half of its registered capital worth 100 million Franc CFA and only requires 75 million Franc CFA to be paid up. How much is the authorized capital of this company?
 - [A] 200 million Franc FCA
 - [B] 75 million Franc CFA
 - [C] 125 million Franc CFA
 - [D] 100 million Franc CFA
10. An offer to existing shareholders of a company to buy their shares on preferential terms is known as:
 - [A] The right issue
 - [B] Issue by tender
 - [C] The public issue
 - [D] Offer for sale

11. Occupational immobility of labour occurs if,
 [A] People do not have the right skills
 [B] People do not want to interrupt children's education
 [C] People cannot afford to move to a new location
 [D] People do not want to miss family members

Question 12 is based on the demand and supply functions given as:

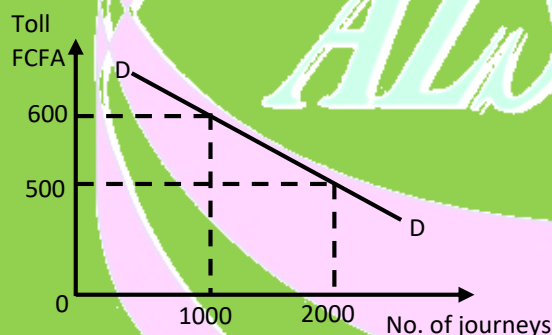
$$Q_s = 30 + 3P \text{ where } Q_s = \text{quantity supplied}$$

$$Q_d = 60 - 5P \text{ where } Q_d = \text{quantity demanded}$$

12. The quantity demanded at the equilibrium price is
 [A] 20 units
 [B] 26 units
 [C] 35 units
 [D] 38 units

13. The value of tax imposed by the government is 120 FCFA. The elasticity of supply is 1.5. If the consumers pay a tax amount of 30 FCFA, what is the price elasticity of demand?
 [A] 1.5
 [B] 3
 [C] 6
 [D] 4.5

Question 14 is based on the diagram below which shows the demand for journeys over a toll bridge



14. If the toll is reduced from 600 FCFA to 500 FCFA, by how much will consumer surplus increase?
 [A] 110,000 units
 [B] 150,000 units
 [C] 600,000 units
 [D] 75,000 units

15. A shift of the demand curve to the left could be caused by
 [A] The imposition of a tax on the good by the government
 [B] A change of consumer's taste in favour of a substitute
 [C] A fall in the price of a complementary good
 [D] A reduction in the price of the good

16. When the cross elasticity of demand for two goods is positive, then the goods are in,
 [A] Joint demand
 [B] Composite demand
 [C] Competitive demand
 [D] Derived demand

Question 17 is based on the table 2 below, which shows the sales and total revenue of a firm.

Table 2

Sales	Total Revenue (millions of FCFA)
1	20
2	40
3	60
4	80
5	100
6	120

17. In which market is this firm?
 [A] Monopoly market
 [B] Monopolistically competitive firm
 [C] Oligopolistic market
 [D] Perfect market
18. A profit maximizing firm has an output of 10 units per period. The total fixed costs are 1000 FCFA and total variable costs are 2000 FCFA. What is the minimum price per unit it should accept in the short run?
 [A] 200 FCFA
 [B] 50 FCFA
 [C] 100 FCFA
 [D] 300 FCFA
19. At a given time, a monopolist can control
 [A] Output only
 [B] Price only
 [C] Price or output but not both
 [D] Both price and output

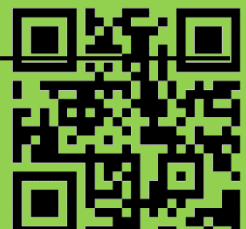
20. Table 3 below shows the short run situation of a firm.

Table 3

Output (units)	Average cost (Fcfa)	Price per unit (Fcfa)
1	25	40
2	20	30
4	18	25
6	16	20
8	18	18
10	20	15

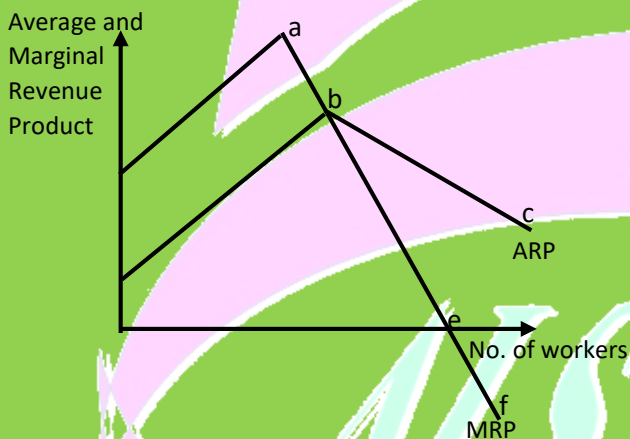
The break-even price and output are

- [A] Output of 8 units and price of 18 Fcfa
 [B] Output of 4 units and price of 25 Fcfa
 [C] Output of 8 units and price of 8 Fcfa
 [D] Output of 6 units and price of 20 Fcfa
21. The lack of markets to trade in various future and contingent goods is called
 [A] Contestable markets
 [B] Missing markets
 [C] Future markets
 [D] Spot markets



22. What do economists mean by “Rent of Ability”?
- [A] High rents earned by land in city centres
- [B] Temporary surplus caused by short run inelasticity in the supply of a particular factor service
- [C] Earnings of individuals who possess unique abilities and cannot be reproduced in response to an increase in demand
- [D] Earnings of any factor of production over and above the minimum necessary to keep the factor in its present use

Question 23 is based on the diagram below showing the average revenue product (ARP) and marginal revenue product (MRP) for labour.



23. Which portion represents the demand curve for labour?
- [A] ab
- [B] be
- [C] bc
- [D] ef
24. Interest and profit are different in that
- [A] Interest is a reward to share capital while profit is a reward to loan capital
- [B] Interest may be negative while profit may not
- [C] Interest is always positive while profit fluctuates
- [D] Interest fluctuates while profit is positive

Question 25 is based on table 4 below. The table shows the idle balances at various interest rates. Assume that demand for active balance stands at 3000 FCFA. The supply of money is autonomous and stands at 7000 FCFA.

Table 4

Rate of interest	Speculative demand
8%	3000 Fcfa
7%	4000 Fcfa
6%	6000 Fcfa
5%	7000 Fcfa
4%	8000 Fcfa

25. The market equilibrium rate of interest is
- [A] 7%
- [B] 6%
- [C] 4%
- [D] 5%



26. Retailers bought bread from bakers for 150,000 FCFA and sold it to the public at 210,000 FCFA. The bakers bought the flour from the millers for 90,000 FCFA and the millers paid the farmers 70,000 FCFA for the wheat. What is the total contribution of these activities to national income?
- [A] 210,000 FCFA
- [B] 310,000 FCFA
- [C] 70,000 FCFA
- [D] 150,000 FCFA

27. Question 27 is based on the following information.

	Year 1	Year 2
National Income (millions FCFA)	120,000	200,000
Price index	100	125
Population (millions)	2.5	4

The percentage change in real national income over two years period is:

- [A] 25%
- [B] 33.3%
- [C] 50%
- [D] 20%

28. From the following information calculate the gross national product for this country.

i) Wages	10,000 MFCFA
ii) Salaries	6,000 MFCFA
iii) Government pension	2,000 MFCFA
iv) Unemployment and other social benefits	1,000 MFCFA
v) Profits	1,000 MFCFA
vi) Rents and interest	1,000 MFCFA

The gross national income is

- [A] 20,000 MFCFA
- [B] 18,000 MFCFA
- [C] 22,000 MFCFA
- [D] 23,000 MFCFA

29. Which of the following represents a leakage from the circular flow?

- [A] Distributed profits
- [B] National social insurance contribution
- [C] Interest paid on bank loans
- [D] Export of goods and services

30. Table 5 below shows a country's consumption schedule

Table 5

Income MFCFA	Consumption MFCFA
0	600
1,000	1,300
2,000	2,000
3,000	2,700
4,000	3,400

C is consumption and Y is national income.

Which of the following represents the consumption function for this country?

- [A] $C = 600\text{MFCFA} + 0.3Y$
- [B] $C = 600\text{MFCFA} + 0.7Y$
- [C] $C = 600\text{MFCFA} - 0.7Y$
- [D] $C = 600\text{MFCFA} - 0.3Y$

31. The basic assumption underlying the accelerator principle is

- [A] Investment depends on the level of business confidence
- [B] Investment depends on the level of savings
- [C] Investment depends on the rate of change of interest
- [D] Investment depends on the rate of change of output

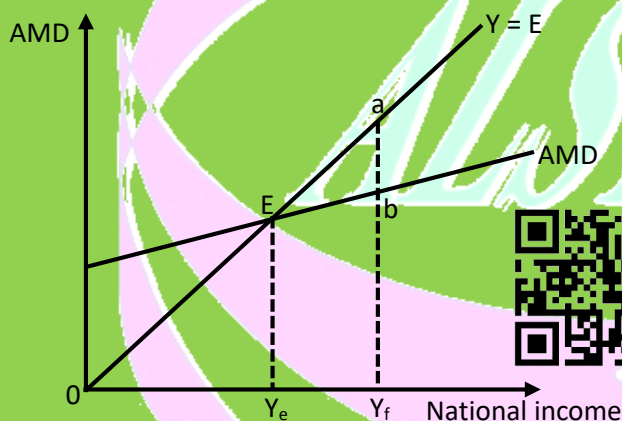
32. What is the present value of 200,000FCFA receivable three years from now, given that the discount rate is 6 percent?

- [A] 184,000 FCFA
- [B] 167,923 FCFA
- [C] 200,000 FCFA
- [D] 167,000 FCFA

33. What is the average propensity to save?

- [A] The proportion of additional income that is saved
- [B] The ratio of saving to national income
- [C] The ratio of additional savings with respect to additional income
- [D] The proportion of wealth that is saved

Question 34 is based on the diagram below.



34. Which of the following is an appropriate government policy for closing the gap “ab” on the figure above?

- [A] An increase in the rate of interest
- [B] An open market sale of bonds
- [C] An increase in government spending
- [D] An increase in income tax

Questions 35 and 36 are based on table 6 below which shows the assets of a commercial bank.

Assets of a commercial bank	Millions of FCFA
Cash	80
Money at call	50
Money at short notice	40
Bills discounted	30
Special deposits	40
Investments	160
Advances	400
Total	800

35. Calculate the illiquid asset ratio for this bank.

- [A] 8%
- [B] 75%
- [C] 25%
- [D] 20%

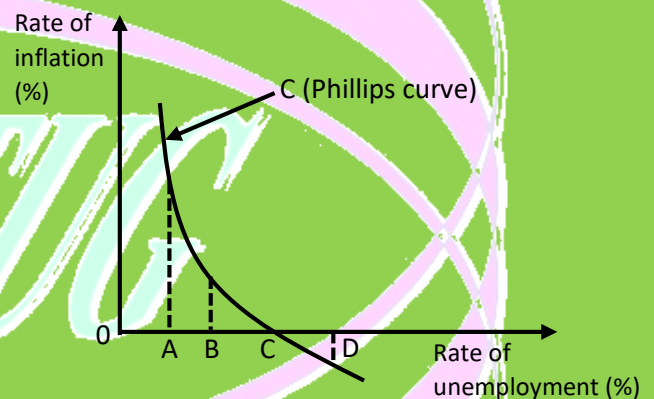
36. The most profitable asset for this commercial bank is

- [A] Investments
- [B] Advances
- [C] Special deposits
- [D] Bills discounted

37. The special characteristic of money that makes it a unique print, with important security signs difficult to imitate is

- [A] General acceptability
- [B] Divisibility
- [C] Cognoscibility
- [D] Malleability

Question 38 is based on the diagram below that shows the Phillips curve.



38. Indicate which of the points labelled A to D represents the Phillips curve

- [A] A
- [B] B
- [C] C
- [D] D

39. A regressive tax can best be described as one which

- [A] Imposes a greater burden on the poor than on the rich
- [B] Increases proportionately as income increases
- [C] Decreases proportionately with income
- [D] Imposes a greater burden on the rich than on the poor

40. The tendency for an increase in Public Sector Borrowing and Spending to increase private sector investment is known as

- [A] The “crowding-out” effect
- [B] The “crowding-in” effect
- [C] The balanced budget multiplier
- [D] The budget deficit

41. An example of non-marketable security will be

- [A] The sale of treasury bills
- [B] The sale of short term government bonds
- [C] Premium bonds
- [D] Funding

42. A country has a progressive income tax system. The first 6,000 FCFA of earned income is free. Thereafter, the next 20,000 FCFA of income earned is taxed 25% and all taxable income above that is taxed at 50%. If a person earns 50,000 FCFA. How much tax will he pay
- [A] 5,000 FCFA
[B] 12,000 FCFA
[C] 17,000 FCFA
[D] 25,000 FCFA

Question 43 is based on table 6 below which shows the terms of trade for a country.

Year	Index of export prices	Index of import prices
1	80	75
2	100	100
3	75	80
4	150	160

43. In which year will the term of trade be favourable?
- [A] Year 1
[B] Year 2
[C] Year 3
[D] Year 4
44. Which of the following policy measures will solve a persistent balance of payment (B.O.P) deficit in a pegged exchanged rate system?
- [A] Currency appreciation
[B] Currency depreciation
[C] Currency devaluation
[D] Currency revaluation
45. In which trade bloc do member states trade freely among themselves, but each member state has the latitude to impose individual tariffs against non-members?
- [A] Custom union
[B] Free trade area
[C] Common market
[D] Economic community

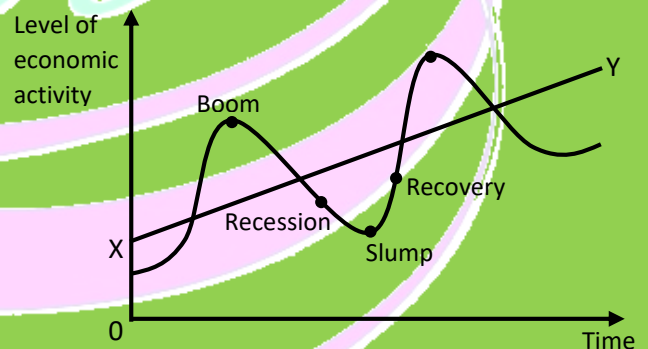
46. The international organization that lends its resources to the poorest member countries for long term development projects is known as:
- [A] I.B.R.D (International Bank for Reconstruction and Development)
[B] I.D.A (International Development Association)
[C] I.F.C (International Finance Corporation)
[D] I.M.F (International Monetary Fund)

47. A situation where an unemployed person receiving social security benefits is not encouraged to look for work is termed
- [A] Unemployment trap
[B] Poverty trap
[C] Relative poverty
[D] Unemployment gap

48. When a country increases the stock per worker, increasing labour productivity, this is called
- [A] Capital accumulation
[B] Capital consumption
[C] Capital deepening
[D] Capital widening

49. The illegal way to acquire money is known as
- [A] Money laundering
[B] Money laundry
[C] Capital flight
[D] Black economy

50. This question is based on the figure below which shows the fluctuations in economic activity.



Which economic term is given to the line XY?

- [A] Income expenditure line
[B] Trade cycle line
[C] Business cycle line
[D] Long term growth trend



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