

ECONOMICS 3

0725



LITTORAL ECONOMICS TEACHERS ASSOCIATION

(LETA)



General Certificate of Education Regional Mock Examination

MARCH 2022

ADVANCED LEVEL

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

ONE AND THREE-QUARTER HOURS (1H3/4)

INSTRUCTIONS:

1. You are required to answer **THREE QUESTIONS**. All questions carry equal marks)
2. You are reminded of the necessity of good English and orderly presentation in your answers.
3. You advised to spend the first fifteen minutes reading over this paper.

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1. The question is based on the following table which shows the costs and revenues relating to possible weekly outputs of firm X. The product is a consumer good.

Output (000's) Units	Total costs (000's) FCFA	Total revenue (000's) FCFA
4	47	76
5	57	90
6	66	102
7	74	112
8	80	120
9	85	126
10	91	130
11	99	132
12	110	132

- a) Is this firm operating under perfect or imperfect market competition? Give one reason for your choice. (5 marks)
- b) What is the most profitable output and the level of profits? (5 marks)
- c) Below what price should this firm cease production in the long run? (4 marks)
- d) If this firm were an oligopolist list four, list four ways that it could use to increase her market share. (4 marks)
- e) At what output will the total sales revenue be maximize. (2 marks)
2. "As result of severe drought conditions in 1975, the volume of potato market was twenty (20) percent down. In the previous year so price rose nearly by forty (40) percent in that year.
(Adapted from Introductory Economics by G.F Stanlake, Page 41).
- a) Using supply and demand diagrams, explain the relationship described in the paragraph above (5 marks)
- b) What is the price elasticity of demand for potatoes in the year in question? (3 marks)
- c) List five reasons why the prices of potatoes tend to fluctuate. (5 marks)
- d) If there are alternating years of large harvests, how will a buffer stock scheme stabilize of potatoes? (5 marks)
- e) List two factors that can lead to an increase in the supply of potatoes. (2 marks)
3. Even though trade unions have a great role to play in the economy, so many governments all over the world do not like their presence. Teachers associations have brought a lot of problem to bear to the government. Right now government secondary school teachers have called a sit-in strike in the various schools.
- a) Define the term trade union. (2 marks)
- b) List four functions of a trade union movement. (4 marks)
- c) What strategies can employers use to fight trade union movements? (4 marks)
- d) Distinguish between a closed shop union and an open shop union. (3 marks)
- e) (i) Identify three reasons why some employers discriminate against women. (3 marks)
- (ii) Why might two teachers earn different wages (Four reasons)? (4 marks)
4. In an economy the following values occur:
- Consumption 0.8Yd
- Net investment 260
- Government spending 400
- Exports 300
- Imports 0.2Y
- Income tax 0.5Y (there are no indirect taxes)
- Y = national income

- a) At what level of national income will equilibrium occur? (4 marks)
b) Because of unemployment the government wishes to increase total spending by 600. By how much must it increase its own spending to achieve this? (4 marks)
c) What will this do to:
i) The budgetary position. (3 marks)
ii) The balance of payment. (3 marks)
d) Explain with the aid of a diagram, the meaning of the term deflationary gap. (6 marks)

5. "Speaking to journalists on 09/12/97 at a press conference in Douala, GICAM President harped the need for economic operators, opinion leaders and pressure groups to bring pressure to bear on their respective governments to promote economic integration in the region. He regretted contrary to what obtains in other regions, there was no free movement of people and goods in Central Africa. Taking the livestock sector as an example, he regretted that Cameroonian meat will sell more expensively in Gabon than meat from South Africa, situated thousands of kilometres away".

(Adapted from "The Herald" № 547 of December 15, 1997)

- a) Distinguish between a free trade area and a customs union. (3 marks)
b) (i) To which of the above does "CEMAC" belong to? (1 mark)
(ii) List five reasons why there is no free movement of people and goods in the CEMAC zone. (5 marks)
c) Give two reasons why Cameroon meat will sell dearer than South African meat. (4 marks)
d) (i) Give two differences between "quotas" and "tariffs" as method of protecting international trade. (4 marks)
(ii) List three disadvantages of tariffs. (3 marks)

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