

Economics 1
0725



LITTORAL ECONOMICS TEACHERS ASSOCIATION
(LETA)



General Certificate of Education Regional Mock Examination

MARCH 2024

ADVANCED LEVEL

Centre Number	
Centre Name	
Candidate Identification Number	
Candidate Name	

~~Mobile phones~~ are NOT allowed in the examination room.

MULTIPLE CHOICE QUESTIONS 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 EXAMINATION
2. DO NOT OPEN THIS QUESTION PAPER 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 and Candidate Identification Number.

Take care that you do not crease or fold the answer sheet or make any mark on it other than those asked for in these instructions.

How to answer questions in the examination:

6. Answer ALL questions.
7. Mathematical tables (Formulae booklets) and calculators are not 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 horizontal line across the letter to join the square bracket to the answer you have chosen.

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For example, if C is your correct answer, mark C as shown here.

[A] [B] ☒ [C] [D]

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 then the question booklet. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT

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Turn Over

SCAN TO VISIT THE WEBSITE

- De jure population census is preferred to De facto population census because;
 - It is more accurate since it enumerates everyone where they are at the time of census irrespective of their permanent residence.
 - It ignores persons who are travelling in the night.
 - It provides a wide variety of information relating to sex, age, occupation and language.
 - It is not time consuming since it is done in one night
- This question is based on table 1 below.

Land	Labour	Total product	Output per worker
1	0		
1	1	16	16
1	2	48	24
1	3	108	36
1	4	168	42
1	5	190	38

What level of employment will give constant returns to this firm?

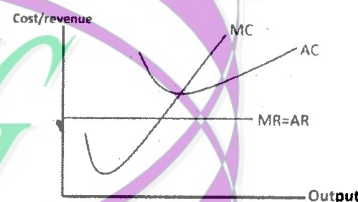
- 2nd worker
 - 4th worker
 - 5th worker
 - 3rd worker
- If a given change in price leads to a more than proportionate change in quantity supplied it implies,
 - Demand is fairly elastic
 - Demand is perfectly elastic
 - Supply is fairly inelastic
 - Supply is fairly elastic
 - Reasoning that commences from general to specific situations is known as....?
 - Normative economics
 - Deductive method
 - Positive economics
 - Inductive method
 - Which of the following distinguishes a socialist economy from a capitalist economy?
 - Adequate provision of public goods
 - Fierce competition
 - Under provision of merit goods
 - Inequality in income and wealth
 - If average product increases with an increase in population size it is referred to as
 - Increasing population
 - Over population
 - Under population
 - Optimum population
 - Car manufacturing can be classified under which stage of production
 - Quinary
 - Quaternary
 - Tertiary
 - Secondary

- "Mr. Paul who refuses to pay his tax cannot be prevented from travelling on the highway!" which of the following features best describes this phrase?
 - Non-rejectability
 - Non-rivalry
 - Non-excludability
 - Non-diminishability

- If the price of sachet water reduces from 25frs to 20frs but the consumers keep buying the same quantity as before, it implies that the demand for water is
 - Perfectly elastic
 - Perfectly inelastic
 - Fairly elastic
 - Fairly inelastic

- Given the following demand and supply functions $QD = 50 - 3P$ and $Qs = 30 + 2P$. The market price and quantity respectively are _____ and _____.
 - 4 and 5
 - 5 and 80
 - 5 and 4
 - 80 and 5

- This question is based on figure 1 below



Identify the type of firm in terms of cost

- Break-even firm
 - High cost firm
 - Low cost firm
 - Marginal firm
- The injection-withdrawal condition for equilibrium level of national income for an open economy with no government sector is ____
 - $S + M = I + X$
 - $S + T + M = I + G + X$
 - $Y = C + I + X - M$
 - $Y = C + I + G + X - M$
 - Adjustment for stock appreciation and stock depreciation are made in which of the following methods of calculating National Income.
 - The expenditure method
 - Income method
 - Output
 - Accounting method



14. Table 2 below shows the cost schedule of a firm

Output (Tons)	Total Cost (FCFA)
0	10,000
1	15,000
2	22,000
3	28,000

The Average Fixed Cost (AFC) for the 2nd output level is

- A. 10,000FCFA
- B. 5,000FCFA
- C. 11,000FCFA
- D. 32,000FCFA

15. An imaginary economy's consumption function is $C = 10,000 + 3/5 Y^d$ and its income after tax is equal to 50,000FCFA. The value of total savings in this economy is

- A. 10,000FCFA
- B. 0FCFA
- C. 50,000FCFA
- D. 20,000FCFA

16. The difference between Gross National product and Gross Domestic product both at factor is

- A. Tax and subsidies
- B. Capital consumption
- C. Net property income from abroad
- D. Property income from abroad

17. Money held to entertain unexpected visitors only is known as

- A. Transaction balance
- B. Precautionary balance
- C. Active balance
- D. Speculative balance

18. The balance sheet of an imaginary commercial bank is as follows

Liabilities (MFCFA)	Assets (MFCFA)
Sight deposit 60	Cash in till 23
Other liabilities X	Balances at the Central Bank
	Investment 20
	Loan 30

The value of?

- A. 25Million
- B. 40Million
- C. 35Million
- D. 65Million

19. If income elasticity is greater than 0 but less than one (1), the good in question is a _____?

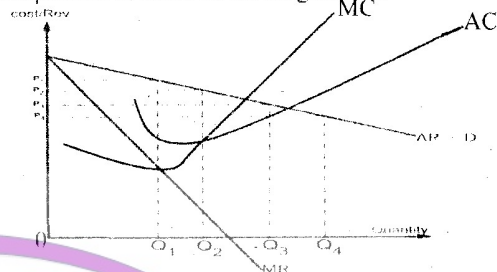
- A. A luxury good
- B. A sticky good
- C. A necessity
- D. An inferior good

20. A pricing policy where a firm charges prices that

prevent the entry of new firms into the industry, lowers profit or even make a loss in the short run so as to secure other long run objectives is called

- A. Predatory pricing
- B. Market penetration
- C. Skimming pricing
- D. Limit pricing

21. This question is based on the diagram below



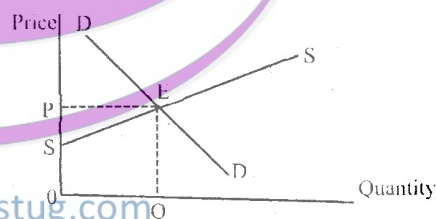
Which of the outputs illustrates allocative efficiency of the firm?

- A. Q1
- B. Q2
- C. Q3
- D. Q4

22. Under which of the following conditions would you expect the supply of labour to be relatively elastic?

- A. When there is high level of unemployment
- B. When labour is geographically immobile
- C. When it takes a longer time to train labour
- D. When special skills and talents are needed.

23. This question is based on the diagram below which shows the earning of a factor of production with an elastic supply.



The area PSE represents the factor's

- A. Transfer earnings
- B. Supply price
- C. Economic rent
- D. Opportunity cost

24. Which of the following formulae is used to calculate Total Investment?

- A. Gross investment + Value of physical change in stocks and work in progress.
- B. Net investment - depreciation + value of physical change in stocks and work in progress
- C. Gross investment - net investment
- D. Gross investment - value of physical change in stocks and work in progress.



25. The data below relates to hypothetical three sector open economy;

Investment = 260

Consumption = $\frac{3}{5}$ of disposable income

Government spending = 400MFCFA

Income Tax = 30%

Indirect taxes = 0

Export expenditure = 300MFCFA

Import = $\frac{2}{5}$ of income

What is the value of the tax multiplier?

- A. -0.54
- B. -1.67
- C. 0.86
- D. -0.75

26. Which of the following measures can be used to close an inflationary gap?

- A. reducing income taxes
- B. Adopting a deflationary fiscal policy
- C. Devaluing the domestic currency
- D. Reducing interest rates

27. Which of the following will impede the effectiveness of monetary policy in most developing countries?

- A. The proliferation of many non-financial institutions in the economy.
- B. Proper coordination between monetary and fiscal policies.
- C. The existence of a small non-monetized sector.
- D. The increase use of banking services by the public.

28. Where do commercial banks and other financial institutions settle their inter bank indebtedness?

- A. In the money market
- B. In a discount house
- C. In a clearing house
- D. In a capital market

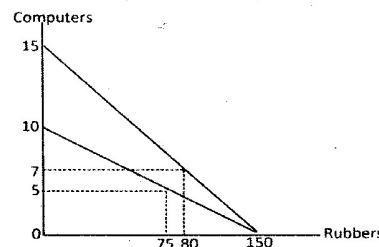
29. Value added tax is a good example of

- A. A flat rate tax
- B. A specific tax
- C. A progressive tax
- D. An Ad valorem tax

30. Suppose the government operates a tax structure where all individuals who earn between 0 and 100,000frs pay $\frac{1}{5}$ of their income as tax and all incomes above 100,000frs pay $\frac{2}{5}$ of their income as tax. Given that there is a tax free allowance of 20,000frs, if an individual's income increases from 75,000frs to 130,000frs what is the additional amount paid as tax due to this increase?

- A. 11,000FCFA
- B. 33,000FCFA
- C. 13,000FCFA
- D. 44,000FCFA

31. This question is based on the following diagram



The values of export and import respectively are

- A. 150 rubbers and 80computers
- B. 70 rubbers and 7 computers
- C. 7 rubbers and 70 computers
- D. 80 rubbers and 7 computers

32. For devaluation to successfully improve on the Balance of payment deficit, the sum of price elasticity of demand for export and import must be

- A. Greater than one
- B. Less than one
- C. Equal to one
- D. Negative.

33. Policies which seek to promote industrialization and development by erecting high barriers on foreign goods in order to encourage domestic production is known as;

- A. Export promotion development strategy
- B. Foreign aid strategy
- C. Import substitution development strategy
- D. Export substitution development strategy

34. The data below relates to the population statistics of country X

Population at the end of year 1	= 10Million
Crude birth rate	= 10‰
Crude derate	= 5‰
Net migration	= 15000
% in working age group	= 60%
Activity rate	= 40%

What is the country's population at the end of year 2

- A. 10,050,000people
- B. 10,065,000people
- C. 10,015,000people
- D. 10,150,000people

35. What would prevent a firm from gaining the maximum benefit from division of labour.

- A. Limited market
- B. A high production cost
- C. Low productivity
- D. A high interest rate

36. A firm sells 250units of a commodity when the price was 300frs. What will be the sales revenue of this firm if the price increases to 400frs given that the PED for the good is perfectly elastic.

- A. 100,000FCFA
- B. 75,000FCFA
- C. Zero
- D. 25,000FCFA



37. If a product is subsidized whose demand is price elastic, what will be the likely consequence?

- A. producers benefit from the entire subsidy
- B. consumers benefit a greater amount of Subsidy.
- C. producers benefit a greater proportion of the Subsidy.
- D. consumers benefits the entire subsidy

38. Which of the following would increase a trade union's ability to gain a wage increase for its members?

- A. An inelastic demand for the workers' output.
- B. A high level of national unemployment.
- C. A low level of membership among workers
- D. A fall in the profit level of the company.

39. Which of the following will lead to an increase in the value of the multiplier.

- A. An increase in government spending on goods and services.
- B. An increase in private investment.
- C. A reduction in the marginal propensity to consume.
- D. A reduction in marginal propensity to import.

40. A three- sector closed economy has National Income of 13000 Million, a marginal propensity to save of 0.2, marginal propensity to tax of 0.5 and marginal propensity to import of 0.2. If the government wishes to achieve a full employment level of national income at 15000M, by what amount must she increase her expenditure

- A. 1600M
- B. 1,800M
- C. 800M
- D. 900M

41. In which of the following ways can a commercial bank add to the supply of money?

- A. By increasing its liquidity ratio
- B. By keeping precious objects for customers
- C. By making advances to customers.
- D. By responding to the Central banks call for special deposit

42. With respect to the following table, which of the following statements is correct?

Units of resources required to:	Country A	Country B
Produce one phone	15	30
Produce one computer	5	20

- A. Country B has an absolute advantage in the production of both goods
- B. Country B has an absolute advantage in the production of phones
- C. Country A has a comparative advantage in the production of computers.
- D. Country A has a comparative advantage in the production of both goods.

43. A production possibility boundary will shift to the right if there is:

- A. An increase in income distribution
- B. An increase in the stock of capital
- C. Resource allocation
- D. An increase in population size

44. Which of the following groups have the first claim on the assets of a company in the event of liquidation.

- A. Holders of voting ordinary shares
- B. Holders of participating preference shares
- C. Holders of debentures
- D. Holders of non-voting ordinary shares

45. Which of the following fiscal measures can encourage firms to move to certain areas of Cameroon?

- A. general tax concession
- B. higher income tax allowances
- C. lower income tax allowances
- D. regional tax concessions

46. Goods X and Y are substitutes. What will be the effect on the equilibrium price and quantity of good X of a decrease in the supply of good Y.

- A. decrease in price of X and decrease in quantity of X.
- B. Increase in price of X and increase in quantity of X.
- C. Increase in price of X and decrease in quantity of X.
- D. decrease in price of X and increase in quantity of X

47. The extra bonus received by the highest goal scorer in a football tournament is referred in Economics as;

- A. Quasi rent
- B. Monopoly rent
- C. rent of situation
- D. Rent of ability

48. The accelerator theory of investment states that the level of investment depends upon:

- A. The rate of interest
- B. The level of saving
- C. The size of changes in national income
- D. The level of national income.

49. The bank credit multiplier will be increased by;

- A. A reduction in the bank's liquidity ratio
- B. An increase in liquid assets
- C. An increase in the demand for loans
- D. An increase in cash deposited in the bank.

50. Which of the following indicates a demand for the Cameroonian FCFA?

- A. Imports of goods and services into Cameroon
- B. Investment abroad by citizens of Cameroon.
- C. Short-term financial outflows from Cameroon.
- D. dividends earned from investment abroad by Cameroonians

GO BACK AND CHECK YOUR WORK

