

1. When the economic principles are developed from factual evidence, this method of economic reasoning is called
 - A. Descriptive economics
 - B. Deduction
 - C. Hypothesis testing
 - D. Induction
2. Question 2 is based on table 1, showing the production possibility situation of a country.

Table 1

| Types of goods | A | B | C | D | E |
|----------------|----|----|----|----|---|
| Capital goods | 0 | 1 | 2 | 3 | 4 |
| Consumer goods | 25 | 23 | 19 | 13 | 0 |

If this economy chooses the combination of goods at point A,

- A. Only capital goods are being produced
 - B. All resources in the economy are used in the production of capital goods
 - C. All resources in the economy are used in the production of consumer goods
 - D. No capital goods are used as factors of production
3. A market economy can result in
 - A. Production ignoring externalities
 - B. Production not satisfying consumer's real wants
 - C. Shortages and surpluses of products
 - D. Reduced incentives lowering individual efforts
4. Which of the following will likely trigger a move from a command economy to a market economy?
 - A. Inequitable redistribution of income
 - B. Inflation resulting from removal of price controls

- C. Low quality goods leading to low living standards
 - D. Industrial unrest with frequent conflicts between workers and employers
5. A security whose market price is the same as its nominal value is said to be
 - A. At par
 - B. In equilibrium
 - C. At zero rate
 - D. At premium
6. If the quantity of all factors used in a production process increased by 10% and production rose by 15%, there are
 - A. Decreasing returns to scale
 - B. Increasing returns to scale
 - C. Decreasing returns to a variable factor
 - D. Increasing returns to a variable factor
7. Providence and Son's Enterprise has a Capital Structure composed of:

Debentures = 40millionFCFA

Preference shares = 80millionFCFA

If the company is lowly geared, the figure for its ordinary share capital might be;

 - A. 20 million FCFA
 - B. 400 million FCFA
 - C. 40 million FCFA
 - D. 120 million FCFA
8. If an industry remains in an area long after the factors that attracted it have disappeared, this is known as
 - A. Industrial Location
 - B. Natural Location Advantage
 - C. Industrial inertia.
 - D. Regional location advantages
9. Consider the following statistics as data for question 9:

Total population = 100million people,

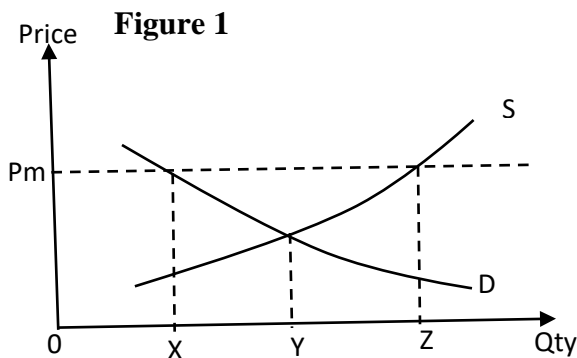
Birth rate = 5 per thousand,

Natural growth rate = 2 per thousand.

The number of deaths in this population is

 - A. 200,000 people
 - B. 3,000,000 people
 - C. 2,000,000 people

- D. 300,000 people
10. An ageing population will result in
- An increase in labour mobility
 - A reduction in transfer payments
 - An increase in the dependent population
 - A constant pattern of consumption
11. Under which of the following circumstances would an increase in the price of good X result in the fall in demand of good Y?
- Good X and good Y are substitutes
 - Good X and good Y are compliments
 - Good X and good Y are both inelastic
 - Good X is a normal good and good Y is an inferior good
- Question 12 is based on figure 1 below



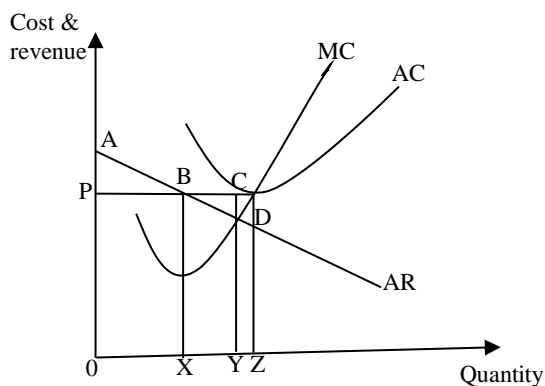
12. If the government of a country fixes a guaranteed minimum price of P_m , the effect would be that
- Government would have to purchase quantity XZ at price P_m
 - Price would be forced down towards the equilibrium
 - There would be excess supply of YZ
 - There would be a shortage of XZ
13. A given industry supplies 3,000 units of a good per month at a price of 40 FCFA per unit. If the price elasticity of supply is 4,

how many units will this firm supply if the price rises to 50 FCFA?

- 5,400 units
 - 3,600units
 - 3,000units
 - 6,000units
14. Given the market demand curve $Q = 120 - 2P$ and supply curve $Q = 4P$, where P represents price, the equilibrium quantity and price are:
- 80 and 20
 - 120 and 30
 - 240 and 60
 - 60 and 40
15. A shift of the demand curve to the left could be caused by
- The imposition of a tax on the good by the government
 - A change of consumers' tastes in favour of a substitute
 - A fall in the price of a complementary good
 - A reduction in the price of the good
16. If a nationalized industry adopts the marginal costs pricing policy for its services when its average cost is declining, it will likely
- Make a loss
 - Break even
 - Make a profit
 - Not require state subvention
17. A firm which aims at growth maximization should produce at the output level where
- $AR = MC$
 - $MR = MC$
 - $AR = AC$
 - $MR = \text{zero}$

Question 18 is based on figure 2 below, illustrating perfect price discrimination situation.

Figure 2



18. The triangle PAB describes

- A. Consumer surplus
- B. Community surplus
- C. Extra cost incurred
- D. Extra revenue gained

19. When consumers buy in the cheaper markets and sell in more expensive markets, this is known as

- A. Resale price maintenance
- B. Seepage
- C. Price discrimination
- D. Penetrating pricing

20. Firms in oligopoly are interdependent because

- A. They produce differentiated products
- B. Each firm is a price marker
- C. The behavior of one firm will be influenced by the behavior of its rivals
- D. The behavior of one firm depends on its ability to use non price competition

21. The following statistics relates to an automobile firm that has sold two cars (Figures are in millions FCFA)

| | |
|--------------------------|------|
| Cost price per car | = 10 |
| Selling price per car | = 15 |
| Total sales revenue | = 30 |
| Cost of capital employed | = 12 |
| Amount of profit per car | = 5 |

If the firm declares a rate of profit of 50%, which method of measuring profit has been used?

- A. Profit as a percentage on turnover
- B. Profit as a capital employed
- C. Profit as a gross margin percentage
- D. Profit as a percentage of total cost

22. Normal profit is

- A. A positive difference between total revenue and total cost
- B. The level of reward where $MR = MC$
- C. The level of reward where $AR = AC$
- D. The average reward made by the firm

23. Given that the market rate of interest is 15%. What is the market price of a bond that pays 18,000FCFA interest?

- A. 150,000 FCFA
- B. 120,000 FCFA
- C. 80,000 FCFA
- D. 100,000 FCFA

24. The market value of all goods and services produced by a country's resources regardless of where the resources are located is

- A. Net national product
- B. Gross national product
- C. National income
- D. Gross domestic product

25. Why are adjustments made for financial services in the output method of measuring national income?

- A. To eliminate the effect of stock appreciation
- B. To record all the interest paid by financial institutions
- C. To avoid double counting of interest paid and received by financial institutions
- D. To make adjustments for residual error

Question 26 is based on table 2, which shows information about a country in 2008 and 2009

Table 2

| Year | Population (millions) | GDP (billions FCFA) | GDP Deflator (2005 index = 100) |
|------|-----------------------|---------------------|---------------------------------|
| 2008 | 200 | 400 | 110 |
| 2009 | 250 | 480 | 120 |

26. The real GDP per capita in 2009 is

- A. 1,600 FCFA
- B. 4,000 FCFA
- C. 2,000 FCFA
- D. 1,920 FCFA

27. Which of the following would most likely be included in the measurement of Gross Domestic Product?

- A. The output of second-hand goods
- B. Intermediate sales
- C. Legal services
- D. Social security benefits

28. If the MPC in a particular economy is 0.5 and the government increases its expenditure by 1,000million FCFA, by how much will national income change?

- A. 1,000 million FCFA
- B. 2, 000 million FCFA
- C. 3, 000 million FCFA
- D. 500 million FCFA

29. If $C=1,500$ million FCFA $+0,8Y$ (where C=consumption and Y=income) and intended investment is 500million FCFA, then the equilibrium level of national income is

- A. 20,000 million FCFA
- B. 24,000 million FCFA
- C. 15,000 million FCFA
- D. 10,000 million FCFA

30. Which of the following statements concerning the circular flow of income is true?

- A. The factors of production are owned by households

- B. The factors of production are owned by firms
- C. Only interactions in the product market reflect the value of national income
- D. Only interactions in the factor market reflect the value of national income

31. Saving in an economy is equal to

- A. Saving by firms + saving by households
- B. GDP – government purchases
- C. Private saving + public saving
- D. Total final expenditure – consumption expenditure

32. The value of the multiplier can fall because of

- A. An increase in marginal propensity to import
- B. A fall in marginal propensity to save
- C. An increase in export
- D. An increase in government spending on goods and services

Question 33 is based on table 3, showing the T-account for a hypothetical commercial bank. The figures are in million FCFA

Table 3

| Liabilities | Assets |
|---------------|-----------------------|
| Deposit 1,000 | Cash 100 Loans 900 |
| 1,000 | 1,000 |

33. What is the maximum amount of deposit this bank can make?

- A. 800 million FCFA
- B. 1,000 million FCFA
- C. 9,000 million FCFA
- D. 10,000 million FCFA

34. In choosing a commodity to serve as money, the most important characteristic must be that it is

- A. Easily recognized
- B. Portable

- C. Durable
- D. Generally acceptable

Question 35 is based on table 4 below

Table 4

| Commodity | Expenditure 2005 (FCFA) | Price Index 2005 | Price Index 2007 |
|-----------|-------------------------------|------------------------|------------------------|
| Drinks | 200 | 100 | 150 |
| Housing | 300 | 100 | 80 |
| Food | 500 | 100 | 120 |

35. The calculation of the weighted price index shows that between 2005 and 2007 the general price level rose by;

- A. 50%
- B. 16.6%
- C. 14%
- D. 5%

36. A regressive tax can be described as one which

- A. Increases with income
- B. Imposes a greater burden on the poor
- C. Redistributes income in favour of the poor
- D. Decreases proportionately with income

37. The hypothetical figures of a country's national debt are as follows:

National debt = 1,400 million FCFA

External debt = 560 million FCFA

Internal debt = 840 million FCFA,

what percentage of the national debt constitutes a real burden?

- A. 60%
- B. 40%
- C. 66%
- D. 66.6%

38. What expression is used to describe a situation where a new loan is contracted to pay off the existing one to reduce interest rate?

- A. Refinancing a debt
- B. Redeeming a debt
- C. Re-marketing a debt

D. Replacing a debt

39. In year 1, a country's visible imports totaled 1,000 billion FCFA and its balance of trade was 500 billion FCFA. In year 2, its visible imports fell in value by 4 percent. The balance of trade in year 2 was

- A. 1,500 billion FCFA
- B. 540 billion FCFA
- C. 2,500 billion FCFA
- D. 960 billion FCFA

40. Which of the following people will be pleased by the devaluation of the FCFA, everything being equal?

- A. A Cameroonian tourist travelling to Europe
- B. A Cameroonian importer of Japanese cars
- C. A Spanish exporter of wine to Cameroon
- D. A German importer of Cameroon wood

41. The adverse movements in the terms of trade means that

- A. The volume of exports has fallen relative to the volume of import
- B. The total value of exports has fallen relative to the total value of imports
- C. The average price of exports has fallen relative to the average price of imports
- D. The average price of imports has fallen relative to the average price of exports

42. Arbitrage is the process where

- A. Exchange rates throughout the world are in equilibrium
- B. Bills of exchange are discounted
- C. The central bank intervenes in the exchange market
- D. Currencies are bought in one center and immediately sold in another at a profit

43. The movement from any point inside to a point on the production possibilities curve is termed
- A. Actual growth
 - B. Potential growth
 - C. Economic development
 - D. Economic growth
44. When a country increases the stock of capital per worker, increasing labour productivity, this is described as
- A. Capital consumption
 - B. Capital accumulation
 - C. Capital deepening
 - D. Capital widening
45. A recession as a phase of a business cycle is characterized by
- A. An increase in investment
 - B. Falling government expenditure on benefits
 - C. Increasing inflationary pressures
 - D. Increasing stocks of unsold goods
46. When the real source of money which may be from illegal sources, is hidden, this is described as
- A. Money laundering
 - B. Hot money
 - C. Capital flight
 - D. Black money market
47. When production is carried out on the basis of the order placed by customers, this is known as
- A. Batch production
 - B. Job production
 - C. Flow production
 - D. Flow-line production
48. The systematic procedure laid down by management concerning ordering, receiving, recording, issuing and accounting for stocks is known as