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Q.	Ans	Reason
1	A	Descriptive Economics focuses on describing and understanding economic phenomenon as they are using data and analysis. (This makes it factual)
2	C	At combination A 0 (zero) capital goods is produced implies all resources are used in the production of consumer goods (i.e 25units).
3	A	Since the objective is profit maximization and there is no government intervention, externalities like pollution is not taken care of.
4	C	Due to the absence of competition in the command economy low quality goods are produced.
5	A	By definition
6	B	Because % change in output is greater that % change in input.
7	B	Because for a company to be lowly geared, equity capital must be greater than loan capital (i.e preference share and debenture) 400M>120M
8	C	By definition
9	D	$NGR = \frac{BR-DR}{1000}\frac{*1000}{1}$ $2 = \frac{5-DR}{1000}\frac{*1000}{1}$ $2000 = (5-\text{DR})*1000$ $5-DR = \frac{2000}{1000}$ DR =5 – 2 = 3‰ $DR = \frac{Deaths}{Total\ pop}*1000$ $3 = \frac{Deaths}{100{,}000{,}000}\frac{*1000}{1}$ $1000Deaths = 300{,}000{,}000$ $Deaths = \frac{300{,}000{,}000}{1000} = 300{,}000\text{people}$ N:B NGR is expressed as a % not Per thousand as the case in this question. It was wrongly used here and should not be considered as the norm.
10	C	Because the old pop does not constitute part of the working pop and thus depend on the adult.
11	B	Complementary goods are goods which must be used together like car and petrol. An increase in the price of car will reduce the demand for cars and thus less petrol will be bought as well.
12	A	The surplus created by this price legislation is XZ and must be purchased by the government at the guaranteed price (Pm) for the pricing policy to be successful
13	D	$PES = \frac{Q1-Q0}{Q0}\frac{*P0}{P1-P0}$ $4 = \frac{Q1-3000}{3000}*\frac{40}{50-40}$ $4 = \frac{Q1-3000}{3000}*\frac{40}{10}$ $4 = \frac{Q1-3000}{3000}*\frac{40}{10}$ $4 = \frac{Q1-3000}{3000}*\frac{4}{1}$ $4 * 3000 = (Q1-3000)*4$ 12000 = 4Q1-12000 $Q1 = \frac{12000+12000}{4}$ = 6000units
14	A	At equilibrium Qd = Qs ⇨ 120 – 2P = 4P substituting price in the ⇨ 4P+2P = 120 supply equation to solve ⇨ 6P = 120 for price ⇨ P=20frs Qs = 4P Qs = 4(20) = 80units
15	B	A fall in the price of a good (e.g fish) will lead to a decrease in the demand for it substitute (meat) since consumers of meat will switch to the consumption of fish.
16	C	Mc-pricing is when an industry set its price at an output level where MC=AR. In this case since AR>AC , the firm is making profit.
17	C	By definition sales are maximized where AR=AC or TR = TC
18	D	Since consumers are charged the highest possible price they can pay.
19	B	By definition
20	C	By definition
21	C	$Profit\ as\ a\ gross\ margin\ \% = \frac{SP-CP}{CP}\frac{*100}{1}$ $= \frac{(15M*2)-(10M*2)}{(10M*2)}\frac{*100}{1}$ $= \frac{30M-20M}{20M}*\frac{100}{1}$ $= \frac{10M}{20M}*\frac{100}{1}$ = 50% M = millionFCFA
22	C	AR=AC is breakeven point which signifies normal profit or TR=TC.
23	B	Interest = interest rate * market price 18000 = $\frac{15}{100}$ * MP 18000 * 100 = 15MP MP= $\frac{1800000}{15}$ = 120,000frs
24	B	GNP by definition
25	C	By definition
26	A	Real GDP = $\frac{Money\ or\ nominal\ GDP}{current\ price\ index}$ * 100 (base year price index) RGDP = $\frac{480Billion}{120}$ * 100 RGDP per capita = $\frac{RGDP}{Total\ population}$ $\frac{400{,}000{,}000{,}000}{250{,}000{,}000}$ = 1600FCFA per head

27	C	Because A and B will result to double counting and D is a transfer payment which is subtracted.
28	B	K= $\frac{change\ in\ Income}{change\ in\ government\ spending}$ But K= $\frac{1}{1-MPC} = \frac{1}{1-0.5} = \frac{1}{0.5} = 2$ Change in income = K* Change in gov't spending = 2* 1000M = 2000M
29	D	At equilibrium in a 2- sector economy Y = C+I Y = (1500M + 0.8Y) + 500M Y = 0.8Y + 2000M Y - 0.8Y = 2000M 0.2Y = 2000M Ye = $\frac{2000M}{0.2} = 10{,}000M$
30	A	Households supply firms with factors of production like land, labour, capital.
31	C	A is a subset of C and B and D are outrightly wrong
32	A	An increase in the denominator will reduce the magnitude of the quotient.
33	D	Max. deposit = $\frac{1}{cash\ ratio} * initial\ deposit$ But cash ratio = $\frac{cash}{total\ asset} * 100 = \frac{100M}{1000M} * 100$ = 10% Max. deposit = $\frac{1}{0.1} * 1000M$ = 10,000MFCFA
34	D	By Definition
35	C	<table><tr><th>Commodity</th><th>Expenditure 2005 (FCFA)</th><th>Price Index 2005</th><th>Price Index 2007</th><th>Weighted price index of 2007</th></tr><tr><td>Drinks</td><td>200</td><td>100</td><td>150</td><td>30,000</td></tr><tr><td>Housing</td><td>300</td><td>100</td><td>80</td><td>24,000</td></tr><tr><td>Food</td><td>500</td><td>100</td><td>120</td><td>60,000</td></tr><tr><td>Total</td><td></td><td></td><td></td><td>114,000</td></tr></table> RPI = = $\frac{sum\ of\ weighted\ price\ index}{sum\ of\ weights} = \frac{114000}{1000}$ = 114 % increase in GPL = 114- 100 = 14%
36	B	Since low-income earners pay a greater proportion of their income as tax
37	B	% Real burden = $\frac{External\ Debt}{Total\ debt} * 100 = \frac{560m}{1400m} * 100$ = 40% N:B: The repayment of national debt reduces the N.I of the country thus constitute a real burdern
38	A	By definition
39	B	BOT = VISIBLE EXPORT – VISIBLE IMPORT Year 1 500B =VX – 1000B VX = 500B + 1000B = 1500B Year 2 VM = $\frac{100-4}{100} * 1000B$ = 960B BOT = 1500B – 960B = 540BFCFA NB. B = billion
40	D	Since Cameroon exports become cheaper
41	C	Since the denominator is greater than the numerator making TOT to be less than 100 thus unfavourable.
42	D	By definition
43	A	By definition
44	C	By definition
45	D	Unsold stocks indicate a fall in aggregate demand
46	A	By definition
47	B	By definition
48	B	By definition
49	C	To avoid spoilage since perishable goods easily get bad.
50	B	NPV = ∑PV – initial cost ∑PV = $\frac{R1}{(1+r)^1} + \frac{R2}{(1+r)^2}$ = 121,000 /$(1.1)^1$ + 121,000/$(1.1)^2$ = 110,000 + 100,000 = 210,000 NPV = 210,000 – 200,000 = 10,000FCFA

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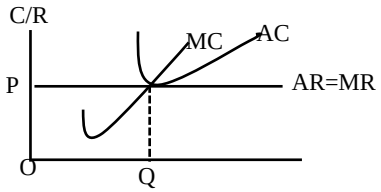
No	ANS	EXPLANATION
1	B	By definition
2	C	By definition
3	D	By definition
4	A	Since the government is interested in the well being of its citizens and does not produce for profit motive
5	C	= $MP = \frac{change\ in\ TP}{change\ in\ labour} = \frac{30-10}{2-1}$ = 20 (Highest Mp when 2 workers are employed)
6	A	Since they are creditors to the company
7	A	Conglomerates is the coming together of firms producing unrelated goods
8	A	By definition
9	B	Due long life expectancy and good medical facilities
10	C	Dep ratio = $\frac{dependent\ pop}{independent\ pop} = \frac{30M-7.5M}{7.5M}$ = Ans = 3:1
11	D	PED= $\frac{New\ Qd-old\ Qd}{old\ Qd} * \frac{old\ p}{new\ p-old\ P}$ = $\frac{70-60}{60} * \frac{5}{4-5}$ = 0.83 < 1 thus elastic
12	B	A fall in the price of raw materials will increase supply while an increase in the price of a substitute will increase the demand for the good in question.
13	D	This area indicates the money value of the total satisfaction obtained by the consumer at ox though he is paying OS.
14	B	<table><tr><th>Price (FCFA)</th><th>Quantity Supplied (bags)</th><th>New ss</th><th>Quantity demanded (bags)</th></tr><tr><td>120</td><td>20</td><td>8</td><td>4</td></tr><tr><td>110</td><td>18</td><td>10</td><td>6</td></tr><tr><td>100</td><td>16</td><td>12</td><td>8</td></tr><tr><td>90</td><td>14</td><td>14</td><td>10</td></tr><tr><td>80</td><td>12</td><td>-</td><td>12</td></tr><tr><td>70</td><td>10</td><td>-</td><td>14</td></tr></table> Cost to the gov't = Amount of subsidy * New Eqm Qty SSied

		= 20frs * 14 bags = 280FCFA
15	D	Since it deals with cash
16	C	The long run equilibrium of a perfectly competitive market occurs where firms are making normal profits. i.e where P=AC (optimum output). The point coincides with the profit maximizing point where MC=MR. Thus in the long run profit maximizing output and optimum output are the same in a perfectly competitive market. 
17	**C**	Since customers develop a brand loyalty
18	**A**	Since TR > TVC
19	**A**	Since it can make abnormal profit
20	**A**	AFC= $\frac{TFC}{Q}$ => Q = $\frac{TFC}{AFC}$ = $\frac{100,000}{100}$ = 1,000
21	**B**	By definition
22	**D**	Simple interest = $\frac{P*R*T}{100}$ => R = $\frac{SI*100}{P*T}$ = $\frac{36000*1200}{1,000,000*3}$ = 14.4%
23	**B**	By definition
24	**C**	GNPmp = GDPmp + NPIA
25	**D**	Yd = Y – Tx – NSIF + transfer payment = 6000M – 500M – 600M + 200M = 5100M
26	**A**	By definition
27	**B**	By formula
28	**A**	Because imports represent spending on foreign goods and services which does not contribute to domestic income.
29	**C**	Because at full employment AS >AD
30	**D**	At eqm S=I C= 50 + 0.8Y => S = -50 +(1-0.85)Y -50 + 0.15Y = 60+0.05Y 0.15Y -0.05Y = 60 + 50 Ye = 1,100
31		S +T + M = I + G+ M 0.2Yd + 0.2 +0.1 = 100 + 150 + 50 0.2(Y- 0.2Y) + 0.2 + 0.1 = 300 0.2(0.8Y) +0.3 =300 0.16Y+ 0.3Y = 300 Ye = 300/0.46 = 652.17 M = 652.17 * 0.1 = 65.22. (ans not among alternatives. You may have 600 if you use mps (0.2Y) without incorporating taxes but this approach is not correct i.e 0.2Yd + 0.2Y +0.1Y = 100 + 150 + 50)
32	**A**	Acc = capital / output = 50/100 = 0.5
33	**B**	By definition
34	**D**	By definition
35	**A**	Change in quality leads to price fluctuations
36	**C**	Equity
37	**C**	By definition
38	**D**	By definition
39	**B**	By definition
40	**C**	BOT = Visible export – Visible import = 2560M – 2620M = -60M
41	**A**	Since supply cannot be easily increased to meet an increase in demand following a devaluation
42	**B**	So as to render exports more expensive and reduce its demand
43	**B**	Because it leads to mismanagement of resources
44	**B**	Because more capital goods will be produced at the expense of consumer goods
45	**B**	By definition
46	**D**	Since this will increase labour's productivity
47	**A**	By definition
48	**C**	By definition
49	**C**	By definition
50	**D**	By definition

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No	Ans	Explanation
1	**A**	By definition
2	**B**	DOCR of good y in Ctry A = 5/5 : 20/5 =1:4
3	**B**	In capitalist economy goods are distributed according to consumers ability to pay through the price mechanism.
4	**B**	This is the governing body under the command economic system instead.
5	**C**	More skills are acquired and workers become more efficient.
6	**A**	If ½ of authorized capital = 100M Then Authorized capital = 100M x 2 = 200M
7	**C**	Small capital prevent them from expanding in size
8	**A**	The factors are heterogenous and cannot be equally substituted for one another.
9	**A**	Because the present youthful pop constitute the future working pop (labour force)
10	**C**	By definition
11	**B**	A fall in the price of good X will lead to an increase in the quantity demanded for good X.
12	**D**	A greater fall in price will lead to a less than proportionate increase in quantity demanded leading to an overall fall in total revenue.
13	**B**	Because for a normal good quantity demanded increases as income increases and the demand curve is downward sloping.
14	**C**	An increase in financial aid will increase supply from S1 to S2 and an increase in the price of complement will reduce demand from D1 to D3. The new demand and supply curves are D3 and S2 with the new equilibrium price and quantity being 50FCFA and 20kg respectively.
15	**C**	These are goods demanded for prestigious reasons thus more will be demanded at higher prices to show off wealth.
16	**D**	<table><tr><th>Sales</th><th>Total revenue (million FCFA)</th><th>Average Revenue</th></tr></table>

		1 | 20 | 20 2 | 40 | 20 3 | 60 | 20 4 | 80 | 20 5 | 100 | 20 6 | 120 | 20 Since AR is constant
17	**A**	The minimum price per unit in the short run must be equal to the AVC. AVC = TVC/Q = 2000/10 = 200FCFA
18	**B**	By definition
19	**C**	By definition
20	**B**	Equilibrium output is the output where MC=MR i.e Q1.

21		**No of workers** | **Total production (tons)** | **Price of output (FCFA)** | **TRP** | **MRP** 1 | 10 | 10,000 | 100,000 | 100,000 2 | 22 | 10,000 | 220,000 | 120,000 3 | 36 | 10,000 | 360,000 | 140,000 4 | 44 | 10,000 | 440,000 | 80,000 5 | 50 | 10,000 | 500,000 | 60,000 TRP = TP X Price MRP = Change in TRP/Change in workers
22	**C**	Profit is a residual income and so always fluctuates.
23	**D**	When interest rates increase bond holders reduce the market value of their bonds to attract buyers.
24	**C**	Since direct taxes have not been deducted to make it personal disposable income.
25	**D**	Real GDP = Nominal GDP X $\frac{Base\ year\ price\ index}{current\ year\ price\ index}$ Real GDP for 1996 = 6250B X $\frac{100}{125}$ = 5000B
26	**A**	NI = GNPmp + S – T -Dep = 2000M + 20M – 80M – 800M = 1140M
27	**D**	GDP = C + I + G +X -M
28	B	By definition
29	A	Change in Y = change in G x K But K = 1/1-MPC K = 1/0.2 = 5 Change in G = $\frac{change\ in\ Y}{K}$ = $\frac{1000}{5}$ = 200M
30	A	By definition
31	C	S= -a +bY2 -a = 600, MPC = $\frac{change\ in\ consumption}{change\ in\ income}$ MPC = $\frac{2000-1300}{2000-1000}$ MPS = 1-0.7 S = -600 + 0.3Y
32	**B**	K = $\frac{1}{MPS}$ but MPS = $\frac{change\ in\ s}{change\ in\ Y}$ MPS = $\frac{6000-5200}{13,000-11,000}$ = 0.4 K = $\frac{1}{0.4}$ = 2.5
33	**B**	By definition
34	A	Since AD>AS investors will increase production

35	C	The bank will lend out 80% of 100,000M = 80,000M
36	C	By definition
37	B	By definition
38	C	Taxable income = total income – tax free allowance = 50,000 – 6000 = 44,000F Total tax paid = (25% of 20,000) +(50% of 24,000) = 17,000FCFA
39	D	By definition
40	B	By definition
41	A	A fall in import prices with export prices remaining constant will lead a favourable TOT

42	B	By definition
43	B	By definition
44	B	Because economic activities slow down
45	D	Due to geographical and occupational immobility of labour
46	A	By definition
47	D	VAT has a broad base since it is levied on goods and services
48	D	Since the supply of loanable funds will exceed demand for leading to a fall in interest rates
49	A	By definition
50	D	By definition

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No	**Ans**	**Explanation**
1	**C**	By definition
2	**B**	An outward shift of the curve on the Y axis indicates an increase in the quantity produced of good Y.
3	**A**	Consumer's spending indicates their preferences and thus indicate what producers should produce (consumer's sovereignty)
4	**D**	The realized output in this economy is distributed equally.
5	**A**	By definition
6	**B**	By definition
7	**A**	Since the raw material is heavier than finished products
8	**B**	Number of workers | Total product | MP 1 | 10 | 10 2 | 30 | 20 3 | 50 | 20 4 | 65 | 15 5 | 70 | 5 6 | 72 | 2 7 | 68 | -10 Since MP starts falling from the 4th worker
9	**A**	By definition
10	**B**	$PED = \frac{Qd1-Qd0}{Qd0} * \frac{P0}{P1-P0}$ $PED = \frac{2500-2000}{2000} * \frac{300}{200-300}$

		PED = 0.75
11	**B**	Consumer's share $= \frac{PES}{PES+PED} * \frac{Tax\ amount}{1}$ C.S $= \frac{3.5}{3.5+1.5} * \frac{(650-570)}{1}$ = 56FCFA
12	**C**	When supply exceeds demand there is a surplus in the market causing a downward pressure in prices.
13	**C**	Since the goods are unrelated
14	**A**	$AFC = \frac{TFC}{Q}$ $AFC = \frac{200M}{40}$ = 5M
15	**A**	This prevents the good from being produced or imported
16	**B**	Poor weather discourages people from taking holidays and therefore will not book for hotels.
17	**D**	Because AC=AR
18	**B**	Because AR curve is above MR curve
19	**B**	Because each company has its own brand
20	**A**	By definition
21		$AVC = \frac{TVC}{Q} = \frac{600-200}{8} = \frac{400}{8} = 50$
22	**C**	By definition
23	**D**	$Yield = \frac{Dividend}{market\ price} * 100$ $Dividend = \frac{rate\ of\ interest}{100} * nominal\ value$ $Dividend = \frac{6}{100} * 800{,}000$ $Yield = \frac{48{,}000}{600{,}000} * 100$ = 8%
24	**D**	NNP = GNPfc - Dep = 322M – 50M = 272M
25	**C**	All the other options are synonyms of underground economy which are illegal activities not registered in the NI.
26	**C**	By definition
27	**D**	Because the slope is a change in consumption divided by a change in income.
28	**B**	In this sector the economic agents are households, firms and the government.
29	**D**	MPC = 480M/600M = 0.8 $k = \frac{1}{1-MPC}$ $K = \frac{1}{0.8}$ = 5
30	**A**	By definition
31	**B**	C = a + byd $MPC = \frac{2000-1300}{2000-1000} = \frac{700}{1000}$ = 0.7 C =600M + 0.7Yd S = - 600M +(1-0.7)Yd S = -600M +0.3Yd
32	**D**	C = 50M + 0.6Y C = 50M + 0.6(500) = 350M APC = C/Y = 350/500 = 0.7
33	**D**	Because BEAC is the central bank
34	**C**	Max Dep = $\frac{1}{cash\ ratio} * initial\ deposit$ $= \frac{1}{0.25} * 100{,}000$ = 400,000FCFA
35	**A**	One does not have an influence on the other.
36	**C**	<table><tr><th>Income</th><th>Tax Paid</th><th>Tax rate</th></tr><tr><td>0</td><td>10,000</td><td>-</td></tr><tr><td>100,000</td><td>10,000</td><td>10,000/100,000*100= 10%</td></tr><tr><td>200,000</td><td>10,000</td><td>10,000/200,000 *100 = 5%</td></tr><tr><td>300,000</td><td>10,000</td><td>10,000/300,000*100= 3.3%</td></tr></table> Because tax rate is decreasing as income rises
37	**A**	By definition
38	**B**	Taxable income = income – tax allowance = 200,000 – 40,000 = 160,000 Tax paid = $\frac{20}{100} * 160{,}000$ = 32,000 $ATR = \frac{Tax\ paid}{Total\ income} * 100 = \frac{32{,}000}{200{,}000} * 100$ = 16%
39	**C**	Export promotion would fetch more foreign earnings curing the deficit.
40	**D**	Because the FCFA is pegged to the Euro
41	**C**	BOT = Vi X -Vi M Vi X = BOT + VM = 750M + 550M = 1300M
42	**D**	<table><tr><th>Country</th><th>Clothing (tons)</th><th>Food (tons)</th><th>DOCR for clothing</th><th>DOCR for food</th></tr><tr><td>X</td><td>200</td><td>400</td><td>$\frac{200}{200}:\frac{400}{200}$ 1:2</td><td>$\frac{400}{400}:\frac{200}{400}$ 1:0.5</td></tr><tr><td>Y</td><td>100</td><td>300</td><td>$\frac{100}{100}:\frac{300}{100}$ 1: 3</td><td>$\frac{300}{300}:\frac{100}{300}$ 1:0.33</td></tr></table> Country X is producing more of both goods than country Y (Absolute advantage) and clothing at a lower opportunity cost (comparative advantage)
43	**A**	During a boom there is an increase in income and an increase in consumption
44	**C**	i) Will encourage more people to open bank accounts while iii) will increase consumer's income thus increasing savings
45	**B**	Such training will provide the unemployed with skills that can enable them get employed or create jobs.
46	**A**	Because the balance budget multiplier is always equal to 1. i.e $\Delta Y = \Delta G = \Delta T$
47	**B**	An increase in taste and fashion will shift the demand curve to the right.
48	**A**	Because it is the Central bank which is the only financial institution in charge of controlling the supply of money in the economy.
49	**C**	By definition
50	**A**	By definition

June 2019

No	Ans	Explanation
1	D	By definition
2	A	Because in a mixed economy there are two sectors i.e the private and public sector
3	B	At that point all the resources are used in the production of capital goods with no agricultural good produced.
4	C	Since they are both operating at the same stage of production.
5	C	Because at that point AC is at its lowest
6	A	By definition
7	B	Because in the long run all cost becomes variable leading to a change in the scale of production.
8	C	By definition
9	C	According to Malthus population grows at a geometric progression (figures doubles) while food supply grows at an arithmetic progression (figures adding by 1)
10	D	Because quantity demanded is affected only by the price of the good in question.
11	A	Because a percentage change in price leads to the same percentage change in quantity demanded
12	A	Price and quantity demanded are inversely related
13	A	Because an increase in the price of a good (car) will lead to a fall in the quantity demanded of its complement (petrol)
14	B	Tax per unit = 40-36 =4frs Former total tax collected = 4 * 80 = 320frs
15	D	Because 350frs is less than 400frs which is the equilibrium price.
16	A	Because the MR curve lies below the AR curve
17	C	Because AR or price (20frs) is greater than AVC (16frs)
18	C	By definition
19	A	Because when MR is Zero, TR is maximum and PED is unit elastic. Thus a change in price leads to an equal percentage change in quantity demanded, hence TR remains constant.
20	B	Because the MC- pricing policy will permit the firm to make an abnormal profit and thus will not rely on state subsidies.
21	B	This implies the firm is already making a loss and can only reduce it by reducing output because the reduction in cost will be greater than the reduction in revenue.
22	B	By definition. (transfer earning is the same like supply price)
23	B	Experience comes with longevity. C is not correct because workers of the same occupation will belong to the same trade union.
24	C	At equilibrium the supply of money must be equal to the demand for money. Supply of money = 1000 Active Demand for money at 8% = 1000 – 600 = 400
25	A	By definition
26	D	This prevents summing values more than once
27	B	Because NPIA is the difference between returns from abroad by our nationals and returns paid abroad to foreigners in our country.
28	D	NI = GNPmp +S -T-Dep NI = 2000M +100M -160M – (10% * 8000M) NI = 1140M
29	D	By definition
30	C	Because at full employment the available resources are fully utilized and any increase in savings will only relax the inflationary tendency.
31	A	$\Delta Y = K * \Delta G$ K = 1/MPS = 1/0.2 = 5 ➔ΔY = 5 * 2000M = 10,000M
32	B	MPC = 320/400 = 0.8 ⇨ MPS =1-MPC = 0.2
33	D	Because the investment will be profitable i.e make abnormal profit
34	C	ACC = Capital / output = 200/1000 = 0.2
35	A	This will increase bank deposits increasing bank's ability to create more credit
36	D	The main problem of barter was lack of double coincidence of wants and was solved by money acting as a medium of exchange.
37	A	Because a continuous decrease in inflation rates indicates that the general price level has been falling thus reducing consumer's cost of living.
38	C	MV = PT ➔ (30,000 * 5) = P* 25000 P = 150000 /25000 = 6 Total Exp = PT = 6 * 25000 = 150,000frs
39	A	By definition
40	B	Rate of reproductive debt=(20M+10M)/50M*100 = 60% Rate of deadweight debt=20M/50M*100= 40%
41	D	<table><tr><td>Income</td><td>Tax paid</td><td>ATR %</td></tr><tr><td>20,000</td><td>1,000</td><td>1000/20000* 100 = 5</td></tr><tr><td>40,000</td><td>1,400</td><td>1400/40000* 100 = 3.5</td></tr></table>Since ATR is reducing with an increase in income, it is a regressive tax.
42	C	By definition
43	A	Because an increase in tariff will increase the price of imports causing consumers to switch to home produced goods.
44	D	<table><tr><td>Country</td><td>Output rice (tons)</td><td>Output of cars (units)</td><td>DOCR for rice</td><td>DOCR for cars</td></tr><tr><td>Japan</td><td>140</td><td>60</td><td>$\frac{140}{140}:\frac{60}{140}$ = 1: 0.43</td><td>$\frac{60}{60}:\frac{140}{60}$ = 1: 2.3</td></tr><tr><td>Cameroon</td><td>100</td><td>50</td><td>$\frac{100}{100}:\frac{50}{100}$ = 1: 0.5</td><td>$\frac{50}{50}:\frac{100}{50}$ = 1: 2</td></tr></table>Cameroon has a comparative advantage in the production of cars thus its total output will be 50 * 2 = 100cars

45	**B**	By definition
46	**A**	It buys when there is excess to prevent the rate from falling and sells when there is shortage to prevent the exchange rate from rising.
47	**B**	By definition
48	**A**	Because less consumer goods will be produced in the short run with more capital goods produced.
49	**C**	By definition
50	**B**	Unemployment rate = $\frac{no\ unemployed}{independent\ pop} * 100$ $\frac{40{,}000}{40{,}000 + 460{,}000} * 100 = 8\%$

June 2020

No	Ans	Explanation
1	B	By definition
2	A	Because in a subsistence economy production is carried out mainly for home consumption and they to produce only what they need.
3	D	Since resources are owned by both private individuals and the government.
4	C	Land consists of natural resources only.
5	D	Since division of labour is the splitting up of the production process into smaller tasks.
6	D	Only the public company requires a certificate of trading to commence business.
7	D	Forward vertical integration happens when a firm in the primary stages of production merges with a firm in the secondary stage or a firm at the secondary stage merging with its market outlet.
8	C	Standard of living is measured using the per capita income which is calculated as Total output/ total population.
9	B	Positive checks comes as a result of natural disasters like famine. The other options are preventive checks which are man made
10	A	Because consumers will replace expensive products with their cheaper substitutes thus buying more at a lower price.
11	B	The numerical value for a fairly inelastic demand is greater than zero but less than one (0<PED<1)
12	C	Because after target wage rate (a), MU of leisure becomes greater than MU of work.
13	B	Because a large change in price leads to a less than proportionate change in quantity demanded. Thus a large decrease in price will lead to a small increase in quantity demanded. hence a fall in TR.
14	A	PED = $\frac{Q1-Q0}{Q0} * = \frac{P0}{P1-P0}$ $0.8 = \frac{Q1-50}{50} * = \frac{8}{12-8}$ $0.8 = \frac{8Q1 - 400}{200}$ 160= 8Q1 – 400 Q1 =70 ⇨ ΔQ = Q1 -Q0 = 70 – 50 = 20units
15	A	Since price fluctuation moves the economy towards equilibrium.
16	A	Productive efficiency occurs when the firm is producing at the lowest AC while allocative efficiency occurs when the firm produces where p or AR = MC. In the longrun, firms in perfectly competitive markets breakeven and both points coincide.
17	B	By definition
18	C	Because firms are uncertain about rivals reaction to a price change, this prevents them from engaging in price competition hence leading to price stability at op.
19	B	TC >TR indicates losses.
20	A	<table><tr><td>Output</td><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td>Total cost (FCFA)</td><td>100</td><td>200</td><td>250</td><td>290</td><td>300</td></tr><tr><td>Total Revenue</td><td>0</td><td>175</td><td>350</td><td>525</td><td>700</td></tr><tr><td>AR</td><td>-</td><td>175</td><td>175</td><td>175</td><td>175</td></tr></table> Because AR or price is constant
21	C	Firms offer products that are similar but not identical thus allowing them to have some degree of monopoly power over their brand.
22	C	The greater the proportion of labour cost to total cost, the lower the demand for labour and vice versa
23	B	Total earnings - earnings = Economic rents represented by Y
24	D	By definition
25	C	Profit provides funds for research and development thus leading to innovation and invention.
26	C	By definition
27	B	By definition
28	B	By formula
29	B	GDP considers only the value of goods produced using resources found within the economy
30	B	Dissaving is negative saving represented by oa on the diagram.
31	C	Because when demand falls there will no need to acquire new capital, thus replacement investment will be zero.
32	D	By formula
33	C	S = Y-C C= 70M + 0.7Y ⇨ S= -70M +0.3Y
34	C	Autonomous consumption is consumption which does not depend on income level. The source can be from gifts or dissaving.
35	B	This is the formula of the multiplier for a 2 sector economy.
36	A	A fall in price index, indicates a fall in inflation rate thus leading to and increase in living standards.
37	C	Certificates of deposits are issued to customers with long term deposit accounts.
38	B	Cash = $\frac{rate}{100}$ * Deposit 20,000 =$\frac{rate}{100}$ * 200,000 Rate = $\frac{20{,}000*100}{200{,}000} * \frac{2000{,}000}{200{,}000}$ = 10%

		Max Deposit = $\frac{1}{r}$ * Initial Deposit = $\frac{1}{0.1}$ * 200,000 = 10 * 200,000 = 2000,000FCFA Additional deposit = max. dep – initial dep = 2000,000 – 200,000 = 1800,000FCFA
39	C	By formula
40		<table><tr><td></td><td></td><td>Year 1</td><td>Year 2</td><td>Year 3</td></tr><tr><td>Ctry</td><td>Income</td><td>50,000</td><td>100,000</td><td>200,000</td></tr><tr><td>X</td><td>Tax paid</td><td>5,000</td><td>10,000</td><td>20,000</td></tr><tr><td></td><td>Tax rate</td><td>10%</td><td>10%</td><td>10%</td></tr><tr><td>W</td><td>Tax paid</td><td>10,000</td><td>20,000</td><td>25,000</td></tr><tr><td></td><td>Tax rate</td><td>20%</td><td>20%</td><td>12.5%</td></tr><tr><td>Y</td><td>Tax paid</td><td>5,000</td><td>5,000</td><td>5,000</td></tr><tr><td></td><td>Tax rate</td><td>10%</td><td>5%</td><td>2.5%</td></tr><tr><td>Z</td><td>Tax paid</td><td>5,000</td><td>15,000</td><td>40,000</td></tr><tr><td></td><td>Tax paid</td><td>10%</td><td>15%</td><td>20%</td></tr></table> Tax rate= $\frac{Tax\ amount}{total\ income} * \frac{100}{1}$
41	A	When demand is fairly elastic, the producer shoulder's a greater proportion of the tax and transfers a smaller proportion to the consumer.
42	B	By definition
43	D	Because both trading partners will gain in exchange
44	A	Since the prices of exports fall with that of import remaining constant
45	A	An increase in the supply of exports everything being equal will lead to an inflow of funds in the long run that cure a BOP deficit.
46	C	This is because in the short run after devaluation, the same quantity is exported at a lower price and the same quantity is imported at a higher price given that PES of export and PED for import are both inelastic in the short run.
47	C	Economic growth is a pre-requisite for economic development
48	A	Since there is a downturn in economic activities during a slump or depression.
49	D	By definition
50	A	By definition

June 2021

No	Ans	Explanation
1	**C**	By definition
2	**D**	Since resources are scarce, we must make choices as to the output combination, production method and distribution.
3	**C**	By characteristic
4	**B**	Resources are scarce while wants are unlimited
5	**D**	By definition
6	**B**	Tip: calculate the LCM and divide by each capacity <table><tr><td>**5**</td><td>**10**</td><td>**15**</td><td>**25**</td></tr><tr><td>**5**</td><td>2</td><td>3</td><td>5</td></tr><tr><td>**3**</td><td>2</td><td>3</td><td>1</td></tr><tr><td>**2**</td><td>2</td><td>1</td><td>1</td></tr><tr><td></td><td>1</td><td>1</td><td>1</td></tr></table> LCM 5X5X3X2 = 150 A= 150/10 =15units B = 150/15 =10units C = 150/25 = 6units i.e 15A +10B +6C
7	**B**	Since division of labour encourages large scale production, inputs are bought in bulk thus gaining from discounts.
8	**D**	Because % change in inputs is greater than % change in output.
9	**C**	Because improvement in technology (e.g fertilizers) will increase output even when soil fertility is decreasing.
10	**D**	The point that corresponds to the highest AP
11	**C**	By definition
12	**A**	Low demand price elasticity means inelastic in demand. Thus, any change in price leads only to a small change in quantity demanded causing prices to be relatively stable.
13	**B**	Since the consumption of the good by one person does not reduce the quantity left for another.
14	**B**	By definition
15	**C**	Individual supply function= 2p No of suppliers = 100 Market supply function = 100 * 2p = 200P
16	**B**	Because a large increase in price will lead to a small decrease in quantity demanded leading to an increase in total revenue.
17	**D**	Fixed costs is also known as overhead costs or indirect costs.
18	**A**	TVC = TC-TFC At output Q TC= 2000 and TFC = 1000 thus TVC= 2000 – 1000 = 1000.
19	**C**	By definition (i.e the price (AR) which consumers are willing to pay for the last unit of output matches with the costs of producing that unit of output(MC))
20	**A**	Since profit is maximized where MC=MR output should be increased towards Q.
21	**B**	By definition
22	**D**	Only profit can be negative
23	**B**	By definition
24	**A**	Real int = nominal int – inflation rate Real int = 10% - 6% = 4%
25	**A**	Economic rent = actual earnings – transfer earnings NB: transfer earnings is also opportunity cost (and using the building as a night club is the next best forgone alternative) ⇨ Econ rent = 200,000 – 150,000 = 50,000FCFA
26	**B**	% of GDP from the tertiary sector = $\frac{service\ sector\ output}{total\ output\ from\ all\ sectors} * \frac{100}{1}$ = $\frac{50{,}000M}{4{,}100M+50{,}000M+35{,}900M} * \frac{100}{1}$ = 55.55%

27	**B**	By definition
28	**C**	GNP = GDP +NPIA When NPIA is negative GNP will be less than GDP
29	**A**	MPC + MPS = 1 ➔ MPC <1
30	**B**	A closed and governed economy has three economic agents i.e households (C), firms (I), and government (G)
31	**B**	<table><tr><th>Yr</th><th>Q</th><th>E.C</th><th>R. C</th><th>Rep inv</th><th>N.I</th><th>G.I</th></tr><tr><td>1</td><td>1000</td><td>5</td><td>5</td><td>1</td><td>0</td><td>1</td></tr><tr><td>2</td><td>1200</td><td>5</td><td>6</td><td>1</td><td>1</td><td>2</td></tr></table> E.C = existing capital ACC= accelerator = capital/Q R.C = required capital= ACC * output Q = output, Rep inv= replacement investment (dep) N.I = net investment = R.C – E.C G.I = gross investment = Rep inv + N.I
32	**D**	ΔY = ΔG * K K = ΔY/ΔG = (1200M – 1000M)/ 50M = 4
33	**B**	Since an increase in aggregate demand will lead to an increase in investment through the accelerator effect
34	**A**	BBM = expenditure multiplier + tax multiplier Exp multiplier = $\frac{1}{1-MPC}$ = $\frac{1}{1-0.8}$ = 5 Tax multiplier = $\frac{-MPC}{1-MPC}$ = $\frac{-0.8}{1-0.8}$ = -4 BBM = 5+(-4) = 1
35	**C**	Because the higher the price of bonds, the lower the demand for idle balance and vice versa since it will be less profitable holding money for speculation.
36	**C**	Cash ratio = $\frac{cash+operational\ balances}{total\ assets} * 100$ = $\frac{150M+50M}{1000M} * 100$ = 20%
37	**C**	By definition
38	**B**	By definition
39	**A**	By definition
40	**C**	Because high income earners pay a higher proportion of their income as tax than low income earners.
41	**A**	By definition. public sector is made up of the central government, local government and public corporations
42	**C**	By definition
43	**A**	By definition
44	**A**	Because it falls within the exchange range of a minimum of 5tons and a maximum of 15tons of apples exchanged for a (1) bale of blankets.
45	**C**	By definition
46	**B**	An overvalued currency is a currency whose exchange rate is too high for a sustainable equilibrium in the BOP.
47	**B**	This represents an outward shift of the ppc which is known as potential growth.
48	**D**	Such aids are usually tied to unfavourable conditions which slows down growth.
49	**D**	By definition
50	**A**	By definition

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No	Ans	explanation
1	**B**	A free rider is someone who enjoys a good without contributing towards its production
2	**A**	By definition
3	**C**	Because one of its main objective is to ensure equitable distribution of income
4	**A**	By its characteristic
5	**A**	Land comprises of all natural resources not only the dry surface, labour is both physical and mental efforts and the manager is not necessarily the entrepreneur.
6	**A**	External economies of scale are the costs reducing advantages enjoyed by firms when they locate close to other similar firms.
7	**C**	<table><tr><th></th><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr><tr><td>No of workers</td><td>110,000</td><td>120,000</td><td>100,000</td></tr><tr><td>Output (tons)</td><td>13,000,000</td><td>15,000,000</td><td>14,000,000</td></tr><tr><td>AP</td><td>118.18</td><td>125</td><td>140</td></tr></table> AP =Total output/no of workers N:B: productivity of labour is lowest in year 1 since AP is lowest (118.18)
8	**C**	By definition
9	**B**	By definition
10	**A**	Because pop census data cannot reduce unemployment, false declaration nor ensure income inequality but rather will enable better economic policies to be formulated to take care of the above problems.
11	**?**	Dependency ratio = $\frac{youth+old}{adult\ pop}$ *100 Dep ratio for 1990 = $\frac{25+35}{40}$ * 100 = 150 Dep ratio for 1995 = $\frac{20+38}{42}$ * 100 = 138 %Δ -8%in dep ratio = $\frac{138-150}{150}$ * 100 = **- 8%**
12	**B**	When supply is fairly inelastic, a change in demand will have a lesser effect on supply since supply would change very little pushing the greater effect on price.
13	**B**	Because P1 is a price above equilibrium (minimum price) which discourages demand and encourages supply thus leading to a shortage.
14	**?**	For luxury goods, consumers income and quantity demanded have a direct relationship. i.e an increase in income leads to an increase in quantity demanded of luxury goods and vice versa.
15	**A**	This will avoid prices from falling too low and also provide stock that can be released in years of bad harvest
16	**A**	Since there is a direct relationship between price and quantity supplied
17	**C**	Since the quantity of raw materials bought will change as output changes.
18	**B**	By definition
19	**A**	Because TR (20M) is greater than TVC (18M)
20	**A**	When a nationalized industry adopts an mc-pricing policy where MC=AR the price is usually below that

		of a private monopoly with a greater output produced also.
21	**D**	By definition
22	**B**	By definition
23	**C**	High interest rates will motivate households to save thus reducing their liquidity preference.
24	**A**	Only profit can be negative
25	**B**	By definition
26	**C**	TDE = C+I+G and TFE = C+I+G ⇨ X = TFE -TDE ⇨ = 500M -460M = 40MFCFA
27	**C**	Because external costs reduces economic welfare and when it is not deducted it leads to an overestimation of standard of living.
28	**A**	Disposable income is income left after direct taxes have been deducted.
29	**A**	C= 100M +0.6Y ➔ S = -100M + 0.4Y ⇨ Autonomous dissaving = -100MFCFA
30	**D**	By definition
31	**B**	By assumption
32	**C**	The negative portion of the curve (dissaving) is autonomous while the positive portion is induced because saving changes with income level.
33	**C**	At this point, total consumption expenditure = total income (Y). the intersection point represents the break even point where there is no savings.
34	**D**	S = 1/4Yd = ¼ (Y-T), = ¼ (Y-1/5Y) = ¼ (4/5Y) = 1/5Y T = 1/5Y K = $\frac{1}{MPS+MRT}$ = $\frac{1}{\frac{1}{5}+\frac{1}{5}}$ = 2.535
35	**C**	An increase in the frequency of income payments will reduce the amount of money held for transaction and precautionary motives. Thus shifting the active money demand curve to the left.
36	**C**	Because if money is not stable in value (e.g affected by inflation) the seller will lose when payments are made.
37	**B**	Because in this case a price rise is backed by the increase in quality and thus cannot be considered as inflation.
38	**D**	By definition
39	**A**	By definition
40	**A**	Since a lesser quantity of goods will be sold to repay the debt
41	**D**	By definition
42	**B**	MRT = $\frac{\Delta\ in\ tax\ paid}{\Delta\ in\ income}$ * 100 = $\frac{40{,}000-25{,}000}{250{,}000-150{,}000}$ * 100 = 15%
43	**D**	Since both countries will benefit from trade.
44	**D**	Since prices of imported raw materials will increase.
45	**B**	By definition
46	**C**	Because in the short run almost the same amount is being exported at a lower price while the same amount is being imported at a higher price worsening the BOP deficit. (N:B PED being very low implies inelastic)
47	**A**	If the use of improved machinery is resisted it will reduce productivity thus slowing down economic growth.
48	**C**	This signifies a fall in the doctor-patient ratio and advancement in the health sector.
49	**A**	All the others are macro-economic objectives
50	**A**	By definition

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No.	Ans	Explanation
1	D	In carrying out economic analysis, all variables cannot be analysed at once, so only one is allowed to change and the others are assumed to remain constant
2	D	Because scarcity is a permanent problem that affects all societies of the world
3	B	By definition
4	A	Because the government through the central planning committee decides what, how and for whom to produce.
5	D	By definition
6	B	Because TP is increasing at an increasing rate
7	D	Company gets funds from the sale of shares
8	A	By definition
9	B	Since they are not profit oriented. These pricing policies permits them to produce more output and sell at a lower price than the private monopolist
10	A	Activity Rate =$\frac{No.gaingully\ employed}{Adult\ population}$ *100 75 = $\frac{No.gaingully\ employed}{8M}$ *100 Gainfully employed= $\frac{75*8m}{100}$ = 6M people
11	B	Is population with low average age is a population size with more youths.
12	B	Total budget = Pr * Qr + Ps*Qs + (Pf *Qf) 10,000q = (500*10) +(600*5) +(400*Y) 400Y = 10,000 – 5000 -3000 Y = 2000/400 = 5units Pr = price of rice Qr = Qty of rice Ps = price of sugar Qs = Qty of sugar Pf = price of rice Qf = Qty of flour
13	B	Consumers' tax share = $\frac{PES}{PES+PED}$ * Tax 14 =$\frac{3.5}{3.5+PED}$ * 20 14 (3.5 +PED) = 70 PED = $\frac{70-49}{14}$ = 1.5
14	B	Community Surplus = Producer surplus + consumer surplus Area of a triangle = 1/2base * height Producer's surplus = ½(200 -100) =500 Consumer's surplus = ½(300-200) = 500 Community surplus = 500 +500
15	C	Because Veblen goods are luxurious products which are demanded for prestige, thus their demand increase as price increases
16	A	Income consumption shows how consumer's purchasing power changes as income levels changes
17	D	TC = TFC +TVC TVC = TC-TFC =17, 000 – 11,500 = 5500F AVC = TVC/Q ➔ Q = TVC/AVC = 5500/110 = 50units Q = output

18	D	By explanation
19	D	The number of workers employed varies as output changes and given that wages is the reward to labour it varies also.
20	D	By definition. Also known as first degree price discrimination
21	B	By definition
22	B	By definition
23	D	Since employers will always pay labour less than what labour contributes to sales revenue in order to maximize profit.
24	C	By definition and It happens when TR >TVC
25	A	By definition
26	B	By definition
27	A	By formula. GNP deflator (price index of base year/ price index of current year) takes care of inflation thus converting market prices to constant prices.
28	C	NNP = GNPfc -Dep GNPfc = NNP + Dep = 750M +150M = 7650M GNPmp = GNPfc -s + T = 7650M – 75M +1500M = 9075M
29	A	Since all income is shared between consumption and savings.
30	D	By definition
31	A	Multiplier in a two sector economy k = 1/MPS and MPS = ΔS/ΔY
32	B	Since an increase in savings from S to S1 instead lead to a fall in National income from Y to Y1 resulting to a fall in total savings from I to U.
33	A	Since leakages or withdrawals are more than injections
34	D	Scrap value refers to the value of an asset after its life span
35	C	The supply of money is perfectly inelastic
36	A	Cash is the most liquid and advances the least liquid.
37	C	At equilibrium, the demand for money is equal to the supply of money = 6000MFCFA
38	C	By definition
39	C	By definition
40	B	Definition
41	D	By definition
42	A	Total income = 200,000 Taxable income = total income – tax free allowance = 200,000 – 20,000 = 180,000 Tax paid = 15% of 180,000 = 27,000 ART = $\frac{Tax\ paid}{total\ income}$ * 100 $ART = \frac{27,000}{200,000}$ * 100 = 13.5%
43	D	Because it's the only curve that explains the j-curve effect. i.e the BOP worsens before improving.
44	B	By definition
45	C	Falling exports prices accompanied by rising import prices will reduce the value of the TOT
46	A	CAB = BOT + Invisible balance BOT = Vx – Vm = 500M – 350M = 150M Invisible bal = Inv x – Inv M = (200M + 180M) – (70M +150) = 160M CAB = 150M + 160M = 310M
47	A	Growth rate = $\frac{115-110}{110}$ * 100 = 4.55%
48	D	By definition
49	C	An increase in economic activities will reduce the rate of unemployment thus automatically reducing the amount to be paid as unemployment benefits and vice versa
50	B	By definition

June 2024

No.	Ans	Explanation
1	**C**	Since resources are limited in supply and wants are unlimited we are forced to make choices.
2	**B**	Opp. Cost of 1 unit of food = $\frac{45F}{45F}$: $\frac{15C}{45F}$= 1F: 1C
3	**C**	By definition
4	**B**	Market failure occurs where there is either underproduction or overproduction.
5	**C**	<table><tr><th>Land</th><th>Lab.</th><th>Cap.</th><th>Output</th><th>%Δin input</th><th>%Δ output</th></tr><tr><td>40</td><td>80</td><td>120</td><td>10,000</td><td>-</td><td>-</td></tr><tr><td>70</td><td>140</td><td>210</td><td>17,000</td><td>75</td><td>70</td></tr></table> % Δ **in Land** = $\frac{70-40}{40}$ * 100 = 75% NB: The result is the same for labour and capital. % Δ **in output** = $\frac{17000-10000}{10,000}$ * 100 = 70% % Δ in input (75%) is greater % Δ in output (70%) indicating that the firm is experiencing decreasing returns to scale. Thus the firm faces diseconomies due to the increase in cost per unit.
6	**D**	Because individuals who lack certain natural abilities cannot work in certain occupations. E.g only talented people can be become footballers or boxers
7	**B**	Also known as ploughed back profit
8	**D**	Due to large scale production leading to economies of scale.
9	**A**	Because they do not have a fixed rate of dividend
10	**B**	Positive checks are brought about by natural disasters.
11	**A**	By definition
12	**D**	The shortage created by a maximum price legislation cause suppliers to increase price above the initial equilibrium.
13	**B**	These are goods demanded by low income earners. As such when income rises less is demanded to be able to buy other rare delicacies.
14	**D**	Price and quantity supply have a direct relationship
15	**A**	This implies demand is inelastic while supply is elastic. As such consumers are less responsive to price changes.
16	**A**	This point represents the equilibrium point of the consumer. i.e the point of tangency between the budget line and the indifference curve.

17	**B**	Because a fall in demand reduces price just like an increase in supply.
18	**A**	<table><tr><td>Q</td><td>AC</td><td>AFC</td><td>TFC</td><td>AVC</td></tr><tr><td>1</td><td>145</td><td>120</td><td>120</td><td>25</td></tr><tr><td>2</td><td>75</td><td>60</td><td>120</td><td>15</td></tr><tr><td>3</td><td>55</td><td>40</td><td>120</td><td>15</td></tr><tr><td>4</td><td>50</td><td>30</td><td>120</td><td>20</td></tr><tr><td>5</td><td>54</td><td>24</td><td>120</td><td>30</td></tr></table> AFC = TFC/Q AVC = AC - AFC At Q1, AFC = 120 ➔ TFC =120
19	**B**	Firms are uncertain about the reaction of their rivals and thus will not carry out price competition.
20	**A**	By definition
21	**C**	It makes abnormal profit to be competed away in the long run by the new firms in the industry. As such only normal profits (break-even profit) are earned.
22	**D**	Supply price is also known as transfer earnings or normal profits which is the minimum amount required to maintain a factor in its normal occupation.
23	**D**	Wage determination involves the demand and supply of labour but the information given relates only to the supply of pilots which is inadequate.
24	**A**	By definition
25	**A**	<table><tr><th>Rate of Int (%)</th><th>DD for active balance</th><th>DD for idle balance</th><th>Total DD for money</th><th>SS of money</th></tr><tr><td>8</td><td>20,000</td><td>30,000</td><td>50.000</td><td>50,000</td></tr><tr><td>6</td><td>20,000</td><td>40,000</td><td>60,000</td><td>50,000</td></tr><tr><td>5</td><td>20,000</td><td>50,000</td><td>70,000</td><td>50,000</td></tr><tr><td>4</td><td>20,000</td><td>60,000</td><td>80,000</td><td>50,000</td></tr></table> Total DD for money = Active bal + idle bal Equili. Interest is where Total DD for money=SS of money
26	**A**	**Real GDP per capita =** $\frac{Real\ GDP}{Total\ population}$ Real GDP = $\frac{Nominal\ GDP}{Price\ index\ of\ current\ year}$ *100 % Δ RGDP per capita b/n 2010 & 2015 = $\frac{\text{Real GDP per capita } 2015 - Real\ GDP\ per\ capita\ 2010}{Real\ GDP\ per\ capita\ 2010}$ * 100 = Real GDP$_{2010}$ = $100M * \frac{100M}{100M}$ = 100M = Real GDP$_{2015}$ = $200M * \frac{100M}{100M}$ = 133,333,333.3 = Real GDP per capita $_{2010}$ = $\frac{100M}{100M}$ = 1 = Real GDP per capita $_{2015}$ = $\frac{133,333,333.33}{120,000,000}$ = 1.11 % Δ RGDP per capita b/n 2010 & 2015 = $\frac{1.11-1}{1}$ * 100 = 11.11%
27	**A**	Net indirect tax is indirect taxes minus subsidies
28	**C**	If considered their value will be counted twice
29	**D**	By definition
30	**C**	K= $\frac{1}{1-MPC}$ MPC =$\frac{320}{400}$ = 0.8 K = $\frac{1}{1-0.8}$ = 5
31	**A**	New investment = ACC * ΔY = 2* (500M-400M) = 200M
32	**A**	By definition
33	**A**	It economic agents are households, firms and ROW and its equilibrium income is attained when S + M = I +X
34	**A**	Since MPS + MPS = 1
35	**D**	By definition
36	**C**	It brings the highest profit to the bank in terms of the interest paid on it.
37	**D**	Loan = Deposit – cash = 100,000 – 10,000 = 90,000 Cash = 10% of 100,000 = 10,000
38	**C&D**	Debtors repay less than what was borrowed in real terms given the fall in the value money. Businessmen witness an increase in profits due to increase in prices.
39	**C**	Tax paid = 5% of 70,400 = 3,520F
40	**B**	By definition
41	**B**	The real burden of a national debt is measured in terms of the sacrifices made in order to repay the debt.
42	**D**	Because a reduction in the rate of unemployment will automatically lead to a fall in unemployment benefits and vice versa.
43	**A**	By definition
44	**D**	TOT = $\frac{index\ of\ export\ prices}{index\ of\ import\ prices}$ * 100 TOT 2018 = $\frac{75}{60}$ * 100 = 125
45	**A**	Since it is a form of an indirect tax
46	**B**	Income tax reduces disposable income thus reducing consumer's purchasing power. As such their spending on imports reduces.
47	**A**	Resources are fully utilized when it is producing along the ppc
48	**B**	By definition
49	**D**	Since there is a fall in aggregate demand
50	**C**	The absence of tariff on imported goods will reduce their prices.

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No.	Ans	Explanation
1	**D**	Scarcity means resources are limited in supply relative to demand.
2	**A**	Positive Economics is based on facts. That is, what can be proven to be right or wrong.
3	**D**	Since production in the private sector is based on consumer's preferences.
4	**D**	By definition
5	**A**	Once a country is producing along the PPC it can only increase the production of one good by reducing the quantity produced of the other.
6	**A**	Insurance is a service categorize under the tertiary sector.

7 **A** Since they can practice division of labour leading to efficiency in the use of resources.

8 **B** By definition

9 **B** Education and health are the two broad examples of merit goods. They are provided by the state at lower rates and their social benefit exceeds private benefit.

10 **D** By definition

11 **C** NGR = $\frac{B-D}{Total\ pop} * \frac{100}{1}$
$= \frac{500{,}000-300{,}000}{20{,}000{,}000} * \frac{100}{1} = 1\%$

12 **C**

Loaves of bread	Marginal utility (in utils)	Tu
1	20	20
2	15	35
Ans 3	**10**	**45**
4	10	55
5	-5	50

13 **A** At point E demand is fairly inelastic . i.e 0<PED<1 and 0.25 lies within this range

14 **B** With such goods, given that a fall in price of giffen goods leads to a fall in quantity demanded, an increase in price will lead to an increase in quantity demanded.

15 **A** A minimum price is a price set above the equilibrium price to protect producers.

16 **D** Substituting Qs with 20 units,
P= 10 + 0.8 (20) = 26FCFA

17 **A** Explicit costs are all out of pocket expenses made in the process of production.

18 **C** By definition

19 **D**

Output (tonnes)	Total costs (MFCFA)	TFC (MFCA)	TVC (MFCFA	AVC (MFCFA)
0	120	120	0	-
10	180	120	60	6
20	200	120	80	4
30	210	120	90	3
40	225	120	105	2.625

TFC = TC at zero output
TVC= TC-TFC
AVC = TVC/Q

20 **C** At output of 100units, TR = 200,000 and
TC= 250,000 ➔ TR -TC = - 50,000FCFA(loss)

21 **A** By definition

22 **D**

Rate of interest	Speculative demand	Active balance	Total dd	Money ss
8%	3,000	3000	6000	10,000
7%	4,000	3000	7000	10,000
6%	6,000	3000	9000	10,000
5%	7,000	3000	10000	10,000
4%	8,000	3000	11000	10,000

23 **D** **MC** = $\frac{TC2-TC1}{L2-L1}$

TC1 = 100,000 * 10 = 1,000,000
L1 = 10
TC2 = 104,000 * 11 = 1,144,000
L2 = 11
MC = $\frac{1{,}144{,}000-1{,}000{,}000}{11-10}$ = 144,000FCFA

24 **B** Since the land has just one use

25 **C** Since TR-TC = 0 or TR-TC

26 **B** If A and C are considered, it will be double counting. D is a transfer payment which is usually excluded.

27 **D** Since GNP = GDP +NPIA

28 **D** Converting values from MP to FC we add subsidies and subtract indirect taxes.

29 **B** The agents of a four sector economy includes; households, firms and the ROW. Equilibrium national income is obtained at the point where S+T+M = I+G+X

30 **D** MPC = 1- MPS, MPS = ΔS/ΔY
$MPS = \frac{1{,}300-900}{27{,}000-25{,}000}$ = 0.2
MPC = 1-0.2 = 0.8

31 **D** A closed economy without government sector is made up of households and firms. Thus Y = C+S

32 **B** When individuals save more, they spend less leading to a fall in aggregate demand. This will consequently lead to a decrease in national income and a decrease in savings.

33 **C** MPC = 90/100
X = 0.9 * 72.9 = 65.61

34 **D** By definition

35 **B** All the other options indicates a deflationary situation which instead leads to a rise in the value of money.

36 **C**

Commodity	Expenditure 2005 (FCFA)	Price index 2005(FCFA)	Price Index 2007 (FCFA)	WPI (2005)	WPI (2007)
Drinks	200	100	150	20,000	30,000
Housing	300	100	80	30,000	24,000
Food	500	100	120	50,000	60,000
	1000			100,000	114,000

RPI = $\frac{\Sigma WPI}{\Sigma W}$
$RPI_{2005} = \frac{100{,}000}{1000}$ = 100

$RPI_{2007} = \frac{114{,}000}{1000}$ = 114
GPL rose by = $\frac{114-100}{100}$ * 100 = 14%

37 **B** By buying Treasury bills, the bank is lending money to the government which will be repaid with interest.

38 **B** Max. deposit = $\frac{1}{r}$ * initial dep

		$= \frac{1}{0.1}$ * 150M = 10 * 150M = 1500M
39	**B**	By definition (because it implies lower income earners instead pay a higher proportion of their income as tax.)
40	**B**	By definition
41	**A**	By definition
42	**B**	By definition
43	**C**	World DD without tariff = 500 World SS without tariff = 100 Qty imported = WDD without tarrif- WSS without tariff = 500 – 100 = 400tonnes.
44	**B**	The primary argument for protecting domestic industries is to safeguard jobs and promote national economic interest by shielding local businesses from unfair foreign competition.
45	**A**	DOCR for computers Country X = $\frac{10}{10} : \frac{100}{10}$ = 1: 10 Country Y = 1:80 This means country Y sacrifices 80 barrels of oil to produce one computer, while country X sacrifices only 10barrels to produce one computer.
46	**B**	A fall in the price of its exports will increase its demand thus reducing the deficit,
47	**C**	By definition
48	**C**	Since investment is the main determinant of growth
49	**A**	The Philips curve explains the trade-off situation between inflation and unemployment that every economy is faced with.
50	**D**	A more equitable distribution of income will instead increase standard of living, increase the general price level and consumption.