

CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD
General Certificate of Education Examination

0725 ECONOMICS 1**JUNE 2019****ADVANCED LEVEL**

Centre Number	
Centre Name	
Candidate Identification Number	
Candidate Name	

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:

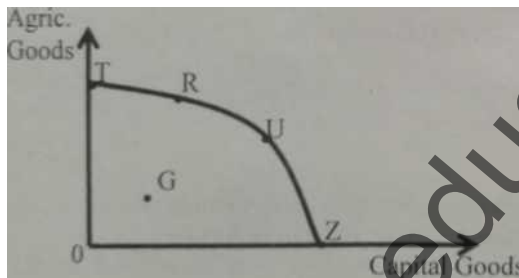
3. Check that this question booklet is headed "Advanced Level - 0725 Economics 1"
4. Fill in the information required in the spaces above.
5. Fill in the information required in the spaces provided on the answer sheet using your HB pencil:
Candidate Name, Exam Session, Subject Code and Candidate Identification 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. Calculators are allowed.
8. 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]
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 the blank spaces in the question booklet.
12. At the end of the examination, the invigilator shall collect the answer sheet first and then the question booklet. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.

1. Which of the following is a normative statement?
 A Government spending reduces poverty.
 B Higher taxes lead to less desire to work.
 C Cameroon is more developed than other CEMAC economies
 D The Cameroon government ought to reduce unemployment.
2. An economic system in which the government regulates private sector economic activities is called:
 A mixed economy.
 B planned economy.
 C centralized economy.
 D command economy.
3. This question is based on figure 1 below showing the PPC of a given economy.

Figure I



Letter Z represents which of the following alternatives?

- A Minimum production of Agricultural goods.
- B Maximum production of Capital goods.
- C Minimum Production of Capital goods.
- D Maximum production of Agricultural goods.

Which of the following is an example of horizontal integration?

- A A restaurant chain merges with a mushroom farm.
- B A wholesaler merges with retail outlets.
- C Two restaurant chains merge.
- D An oil company merges with a petrol station.

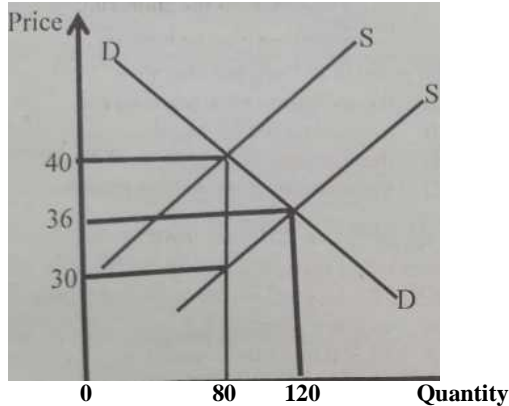
A firm is said to be at its most efficient size when:

- A diminishing return set in.
- B increasing returns set in.
- C average output equals marginal product,
- D average output is less than marginal output.

6. In which type of business organization are profits shared according to how members promote the business?
 A Cooperative Societies.
 B Private Limited Companies.
 C Public Limited Companies.
 D Partnerships.
7. Economies of scale are associated with falling:
 A average costs in the short run.
 B average costs in the long run.
 C marginal costs in the short run.
 D marginal costs in the long run.
8. The term "population explosion" refers to:
 A sudden dispersion of population.
 B mass population movement.
 C sudden population increase.
 D overpopulation.
9. According to the Malthusian theory of population, population and food production grow, for example, respectively at:
 A 5, 15, 20, 25, and 3, 6, 12, 24.
 B 3, 6, 12, 24 and 5, 15, 20, 25.
 C 2, 4, 8, 16 and 1, 2, 3, 4.
 D 1, 2, 3, 4 and 1, 2, 4, 6.
10. The quantity demanded of coffins will be affected by the:
 A death rate.
 B advertisement of coffins.
 C income of mourners.
 D price of coffins.
11. When price elasticity of demand is unity, any change in price:
 A leaves TR unchanged.
 B increases TR.
 C decreases TR.
 D keeps TR fluctuating.
12. A decrease in supply will lead to a rise in price and:
 A a fall in quantity demanded.
 B a fall in quantity supplied.
 C a fall in demand.
 D an extension in supply.

13. When the cross elasticity of demand is negative, it means that the two goods are:
 A complements.
 B derived.
 C independent.
 D substitutes.

14. This question is based on figure 2 below.
 Figure 2



If the government removes the tax on the product and as a result, supply increases from S to S1, by how much will government tax revenue fall?

- A 480.
 B 320.
 C 800.
 D 120.

15. This question is based on table 1. .

Table 1

Price(FCFA)	Quantity Demanded(kg)	Quantity Supplied(kg)
500	1,000	4,000
450	1,200	3,000
400	1,500	1,500
350	2,000	1,200
300	3,000	800
250	3,500	400

The price of 350 FCFA per kg could be considered as: -

- A black market price.
 B floor price.
 C minimum price.
 D maximum price.

16. In pure monopoly, price is:
 A greater than marginal revenue.
 B less than marginal revenue.
 C greater than average revenue.
 D . less than average revenue.

17. This question is based on table 2.

Table 2

Output	Average Variable Cost(FCFA)	Price (FCFA)
1	25	40
2	20	30
3	18	25
4	16	20
5	18	18
6	16	20

In a perfectly competitive market, what short run decision will you advise this firm to take at output 6?

- A Increase output price.
 B Reduce output price
 C Continue production.
 D Stop production.

18. The main feature of firms in the monopolistic market is:
 A collusion.
 B interdependence.
 C product differentiation.
 D price discrimination.

- 19 If the marginal revenue is equal to zero in the monopoly market, the value of price elasticity of demand will be:

- A One.
 B Zero.
 C less than one.
 D greater than one.

20. A nationalized industry aiming at financial autonomy will charge the price where:

- A $MC=MR$.
 B $AR=MC$.
 C $AR=AC$.
 D $AC=MC$.

- 21 If price is less than MC, a firm in perfect competition could increase profit by:

- A increasing output.
 B decreasing output.
 C decreasing inputs.
 D increasing the inputs.

22. The minimum payment required to maintain a factor of production in the same line of production is called:

- A quasi rent.
 B transfer earning.
 C transfer payment.
 D economic rent.

- 23.
- A of differences in profitability.
 - B experience is considered for payment.
 - C of differences in bargaining strength of trade unions.
 - D of occupational immobility.
24. This question is based on table 3 which shows the rate of interest and idle balances in a given economy in a certain year. The supply of money is 1,000.

Table 3

Rate of interest	10%	8%	6%	4%	2%
Idle balance	500	600	700	800	900

What amount of active balance will give rise to an 8 % equilibrium rate of interest?

- A 600.
 - B 300.
 - C 400.
 - D 200.
25. Normal profit is:
- A the supply price of entrepreneurship.
 - B profit earned where $MR=MC$.
 - C the positive difference between TR and TC.
 - D profit earned where TR is greater than TC.
26. Double counting can be avoided by:
- A adding transfer payments.
 - B including the value of second hand goods.
 - C including the value of intermediate expenses.
 - D considering only the value added at each stage of production.
27. The problem of using other countries' resources when measuring national income can be solved by:
- A reducing imports and adding exports.
 - B using net property income from abroad.
 - C adding subsidies and subtracting taxes.
 - D adding taxes and subtracting subsidies.
28. This question is based on the statistics below:
- Gross National product at market prices = 2,000 million FCFA
- Net property income from abroad = -20 million FCFA
- Indirect taxes = 160 million FCFA
- Subsidies = 100 million FCFA
- Capital stock = 8,000 million FCFA
- Depreciation = 10% of capital stock
- The value of national income is:
- A 1,940 million FCFA.
 - B 1,260 million FCFA.
 - C 1,180 million FCFA.
 - D 1,140 million FCFA.
30. The paradox of thrift assumes that:
- A money borrowed is reinvested.
 - B money laundering exists.
 - C there is unemployment.
 - D the economy is expanding rapidly.
31. If the MPS in a particular economy is 0.2 and the government increases investment by 2,000 million FCFA, the national income will increase by:
- A 10,000 million FCFA.
 - B 16,000 million FCFA.
 - C 8,000 million FCFA.
 - D 1,600 million FCFA.
32. An increase in investment of 400 million FCFA leads to the following chain of increases in total spending: 400 million FCFA + 320 million FCFA + 256 million FCFA + .. What is the value of the MPS?
- A 0.8.
 - B 0.2.
 - C 0.2%.
 - D 0.8%.
33. The Net Present Value(NPV) method used in taking investment decisions allows for investment to take place when:
- A NPV is falling.
 - B NPV is equal to 0.
 - C NPV is less than 0.
 - D NPV is greater than 0.
34. If 200 machines can produce 1,000 units of output, what is the value of the accelerator?
- A 5.
 - B 2.
 - C 0.2.
 - D 0.5.
35. Which of the following will the central bank use to encourage credit creation in an economy?
- A Buy securities in the Open Market.
 - B Funding.
 - C Moral Suasion.
 - D Increase Special Deposits.

36. The function of money which solved the problem of trade by barter is:
 A standard for deferred payment.
 B unit of account.
 C store of value .
 D medium of exchange.

37. Table 4 below shows changes in the rate of inflation in a country over three years.

Table 4

Year	1	2	3
Rate of inflation (%)	2	1.5	1

From the table we can deduce that:

- A cost of living is falling
 B standard of Living is falling
 C the value of money is falling
 D purchasing power is falling
38. Following the Quantity Theory of Money, if $M=30,000$ FCFA, $V=5$, $T=25,000$ FCFA, the values of P and total expenditure will respectively be:
 A 5,000 FCFA and 50,000 FCFA.
 B 6 and 125,000 FCFA.
 C 6 and 150,000 FCFA.
 D 5,000 FCFA and 125,000 FCFA.
39. The principle that taxes should be designed to achieve its objectives but with minimal effect on peoples' behaviour towards work is:
 A efficiency.
 B economy.
 C convenience.
 D flexibility.
40. The government of Cameroon contracts a loan of 50 million FCFA to finance the following activities:
 20 million FCFA to finance provision of electricity.
 10 million FCFA to repair transport infrastructure.
 20 million FCFA to provide war armaments.
 Which of the following is correct?
 A 20% is reproductive debt and 60% deadweight debt.
 B 60% is reproductive and 40% deadweight debt.
 C 100% is deadweight debt.
 D 100% is reproductive debt.
41. If income increases from 20,000 FCFA to 40,000 FCFA and income tax increases from 1,000 FCFA to 1,400 FCFA, the tax system would be termed:
 A pay as you earn.
 B proportionate.
 C progressive.
 D regressive.

42. What term is used to describe a situation where money incomes rise and tax payers enter higher tax brackets?
 A Indexation.
 B Crowding out.
 C Fiscal drag.
 D Fiscal boost.

43. Which of the following is a form of expenditure switching measure?
 A Increasing tariffs.
 B Increasing government spending.
 C Reducing direct taxes.
 D Devaluing the domestic currency.

44. This question is based on table 5 below.

Table 5

Country	Output of rice(tons)	Output of cars(units)
Japan	140	60
Cameroon	100	50

If Cameroon specializes completely in the good for which it has a comparative advantage, what is the maximum output it will produce?

- A 200 tons of rice.
 B 100 tons of rice.
 C 500 cars.
 D 100 cars.
45. Which of the following international organizations aims at reducing barriers against world trade?
 A IBRD.
 B WTO.
 C IMF.
 D GATT.
46. To operate a managed exchange rate, government:
 A buys and sells its currency.
 B sets the exchange rate directly.
 C backs its currency with gold.
 D does not intervene in the free market.
47. An increase in real GDP accompanied by structural changes in an economy is :
 A economic growth. .
 B economic development.
 C economic expansion..
 D economic transformation.
48. The short-run opportunity cost of economic growth will most likely be a reduction:
 A in the quantity of consumer goods produced.
 B in the quantity of capital goods produced.
 C in future production of consumer good.
 D in future production of capital goods.

36. The function of money which solved the problem of trade by barter is:
A standard for deferred payment.
B unit of account.
C store of value .
D medium of exchange.

37. Table 4 below shows changes in the rate of inflation in a country over three years.

Table 4

Year	1	2	3
Rate of inflation (%)	2	1.5	1

From the table we can deduce that:

- A cost of living is falling
B standard of living is falling
C the value of money is falling
D purchasing power is falling
38. Following the Quantity Theory of Money, if $M=30,000$ FCFA, $V=5$, $T=25,000$ FCFA, the values of P and total expenditure will respectively be:
A 5,000 FCFA and 50,000 FCFA.
B 6 and 125,000 FCFA.
C 6 and 150,000 FCFA.
D 5,000 FCFA and 125,000 FCFA.
39. The principle that taxes should be designed to achieve its objectives but with minimal effect on peoples' behaviour towards work is: -
A efficiency.
B economy.
C convenience.
D flexibility.
40. The government of Cameroon contracts a loan of 50 million FCFA to finance the following activities:
20 million FCFA to finance provision of electricity.
10 million FCFA to repair transport infrastructure. 20 million FCFA to provide war armaments.
Which of the following is correct?
A 20% is reproductive debt and 60% deadweight debt.
B 60% is reproductive and 40% deadweight debt.
C 100% is deadweight debt.
D 100% is reproductive debt.
41. If income increases from 20,000 FCFA to 40,000 FCFA and income tax increases from 1,000 FCFA to 1,400 FCFA, the tax system would be termed:
A pay as you earn.
B proportionate.
C progressive.
D regressive.

42. What term is used to describe a situation where money incomes rise and tax payers enter higher tax brackets?
A Indexation.
B Crowding out.
C Fiscal drag.
D Fiscal boost.

43. Which of the following is a form of expenditure switching measure?
A Increasing tariffs.
B Increasing government spending.
C Reducing direct taxes.
D Devaluing the domestic currency.

44. This question is based on table 5 below.

Table 5

Country	Output of rice(tons)	Output of cars(units)
Japan	140	60
Cameroon	100	50

If Cameroon specializes completely in the good for which it has a comparative advantage, what is the maximum output it will produce?

- A 200 tons of rice.
B 100 tons of rice.
C 500 cars.
D 100 cars.
45. Which of the following international organizations aims at reducing barriers against world trade?
A IBRD.
B WTO.
C IMF.
D GATT.
46. To operate a managed exchange rate, government:
A buys and sells its currency.
B sets the exchange rate directly.
C backs its currency with gold.
D does not intervene in the free market.
47. An increase in real GDP accompanied by structural changes in an economy is:
A economic growth. .
B economic development.
C economic expansion..
D economic transformation.
48. The short-run opportunity cost of economic growth will most likely be a reduction:
A in the quantity of consumer goods produced.
B in the quantity of capital goods produced.
C in future production of consumer good.
D in future production of capital goods.

The fluctuations in economic activities in an economy overtime is referred to as:

- A growth cycle.
- B product cycle.
- C business cycle..
- D development cycle.

If the number of people declared unemployed is 40,000, the number employed is 460,000 and those in the dependent age group is 100,000. What is the unemployment rate?

- A 6.67%.
- B 8%.
- C 83.3%.
- D 76.6%.

STOP

GO BACK AND CHECK YOUR WORK