


CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD
General Certificate of Education Examination

725 ECONOMICS 1

JUNE 2015

ADVANCED LEVEL

Centre Number	
Centre Name	
Candidate 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 – 725 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 Number and Name, Centre Number and Name.
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 on which answer is correct. 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, where necessary, the blank spaces in the question booklet.
13. At the end of the examination, the invigilator shall collect the answer sheet first and then the question booklet after. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.

Turn Over

1. When 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 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 consumers' real wants.
 - C shortages and surpluses of products.
 - D reduced incentives lowering individual effort.
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 the 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 = 40 millions FCFA
 Preference shares = 80 million FCFA
- 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.

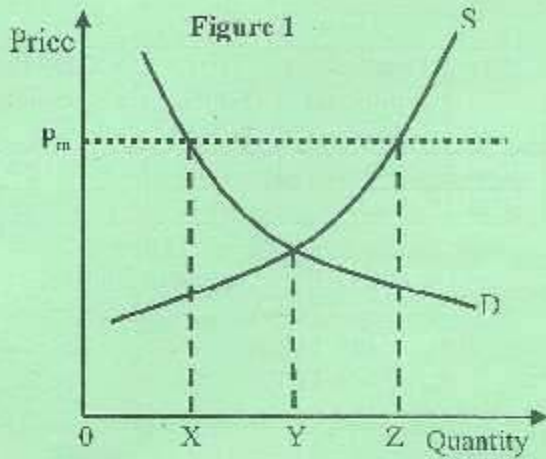
8. If an industry remains in an area long after the factors that attracted it have disappeared, this is known as
- A industrial location.
 - B natural location advantage.
 - C industrial inertia.
 - D regional location advantages.

Consider the following statistics as data for question 9:

Total population = 100 million people
 Birth rate = 5 per thousand
 Natural growth rate = 2 per thousand

9. 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
- A an increase in labour mobility.
 - B a reduction in transfer payments.
 - C an increase in the dependent population.
 - D a constant pattern of consumption.
11. Under which of the following circumstances would an increase in the price of good X result in a fall in the demand for good Y?
- A Good X and good Y are substitutes.
 - B Good X and good Y are complements.
 - C Good X and good Y are both income inelastic.
 - D 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
- A government would have to purchase quantity XZ at price P_m .
 - B price would be forced down towards the equilibrium.
 - C there would be excess supply of YZ .
 - D 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?
- A 5,400 units.
 - B 3,600 units.
 - C 3,000 units.
 - D 6,000 units.

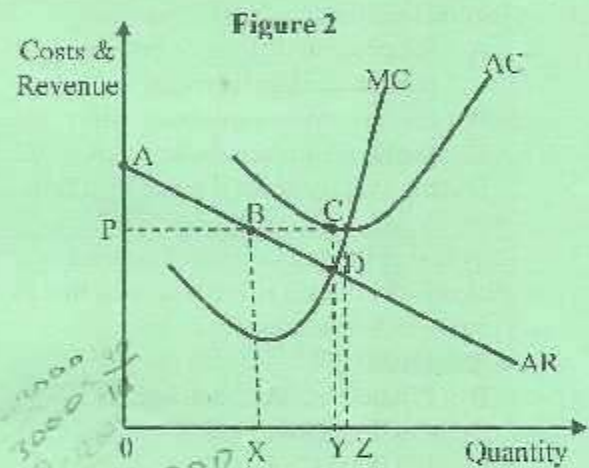
14. Given a market demand curve $Q = 120 - 2P$ and supply curve $Q = 4P$, where P represents price, the equilibrium quantity and price are
- A 80 and 20
 - B 120 and 30
 - C 240 and 60
 - D 60 and 40

15. A shift of a demand curve to the left could be caused by
- A the imposition of a tax on the good by the government.
 - B a change of consumers' tastes in favour of a substitute.
 - C a fall in the price of a complementary good.
 - D a reduction in the price of the good.

16. If a nationalised industry adopts the marginal costs pricing policy for its services when its average cost is declining, it will likely
- A make a loss.
 - B break even.
 - C make a profit.
 - D not require state subvention.

17. A firm which aims at growth maximisation should produce at the output level where
- A $AR=MC$
 - B $MR=MC$
 - C $AR=AC$
 - D $MR=Zero$

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



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 maker.
 - C the behaviour of one firm will be influenced by the behaviour of its rivals.
 - D the behaviour of one firm depends on its ability to use non price competition.

21. The following statistics relate 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 return on capital employed.
 C Profit as a gross margin percentage.
 D Profit as a percentage of total cost.
-
22. Normal profit is
- A the 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 a firm.
-
23. Given that the market rate of interest is 15%. What is the market price of a bond that pays 18,000 FCFA 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 1,000 million FCFA, by how much will national income increase?
- 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 500 million 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 the marginal propensity to import.
 - B a fall in the 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 recognised.
 - B portable.
 - C durable.
 - D generally acceptable.

Question 35 is based on table 4 below.

Table 4

Commodity	Expenditure	Price index	Price index
	2005 (FCFA)	2005	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 best 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 totalled 1,000 billion FCFA and its balance of trade was 500 billion FCFA. In year 2, its visible imports fell in value by 4 per cent. 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 would be pleased by a 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 movement in the terms of trade means that
- A the volume of exports has fallen relative to the volume of imports.
 - 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 centre 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 called
- A capital consumption.
 - B capital accumulation.
 - C capital deepening.
 - D capital widening.
-
45. A recession as a phase of a business cycle is characterised 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 the 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
- A purchasing control.
 - B stock control.
 - C production control.
 - D quality control.
-
49. The best channel of distribution of a perishable good is:
- A wholesalers to consumers.
 - B wholesalers to retailers then to consumers.
 - C direct sales to consumers.
 - D retailers to consumers.
-
50. A machine which has a life span of 2 years yields an annual income of 121,000 FCFA. If it costs 200,000 FCFA to buy it and the current rate of interest is 10 %, what is the net present value?
- A 20,000 FCFA.
 - B 10,000 FCFA.
 - C 79,000 FCFA.
 - D 42,000 FCFA.
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- STOP**
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- NOW GO BACK AND CHECK YOUR WORK**