



LITTORAL ECONOMICS TEACHERS ASSOCIATION (LETA)



General Certificate of Education Regional Mock Examination

APRIL 2021

ADVANCED LEVEL

Centre Number	
Centre Name	
Candidate Identification number	
Candidate Name	

Mobile phones are NOT allowed in the examination room.

MULTIPLE CHOICE QUESTIONS PAPER

One and a half hours

INSTRUCTIONS TO CANDIDATES

Read the following instructions carefully before you start answering the questions in this paper. Make sure you have a soft HB pencil and an eraser for this examination.

- 1. USE A SOFT HB PENCIL THROUGHOUT EXAMINATION**
- 2. DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO.**

Before the examination begins:

- 3. Check that this question booklet is headed “Advanced Level 0725 Economics 1”**
- 4. Fill in the information required in the spaces above**
- 5. Fill in the information required in the spaces provided on the answer sheet using your HB pencil:
Candidate Name, Exam Session, Subject Code and Candidate Identification Number.**

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

How to answer questions in the examination:

- 6. Answer ALL questions.**
- 7. Mathematical tables (Formulae booklets) and calculators are not allowed.**
- 8. Each question has FOUR suggested answers: A, B, C and D. Decide on which answer is correct. Find the number of the question on the answer sheet and draw horizontal line across the letter to join the square bracket to the answer you have chosen.
For example, if C is your correct answer, mark C as shown here.
[A] [B] [~~C~~] [D]**
- 9. Mark only one answer for each question. If you mark more than one answer you will score a zero for that question. If you change your mind about an answer, erase the first mark carefully then mark your new answer.**
- 10. Avoid spending too much time on any one question. If you find a question difficult, move on to the next question. You can come back to this question later.**
- 11. Do all rough work in this booklet, using, where necessary, the blank spaces in the question booklet.**
- 12. At the end of the examination, the invigilator shall collect the answer sheet first then the question booklet. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT**

1. What is the economic implication of a straight line Production Possibility Frontier (P.P.F)?
 - A. Increasing opportunity cost in the substitution of both goods.
 - B. Decreasing opportunity cost in the substitution of both goods
 - C. Constant opportunity cost in the substitution of both goods
 - D. The opportunity cost in the substitution of both goods cannot be determined
2. One reason why Economist disagree is due to the fact that ;
 - A. They are different from one another.
 - B. They studied in different schools.
 - C. They are different schools of thought.
 - D. They argue unnecessarily to any debate.
3. What is the most important feature of a pure laissez faire Economic System
 - A. Freedom of choice and enterprise
 - B. A complete reliance on market forces
 - C. Self-interest among the stakeholders
 - D. Competition that exist among firms
4. One country in which communism is practiced is
 - A. United states of America
 - B. United Arab Emirate
 - C. North Korea
 - D. South Korea
5. A production process has three separate machines with different capacities, the output of one machine is the input of another, machine A has the capacity of 10 tons per hour B has a capacity of 20 tons per hour and C a capacity of 30 tons per hour , what is the maximum output that can be produced in one go , given that only one machine of each type is employed .
 - A. 10 tons
 - B. 20 tons
 - C. 30 tons
 - D. 60 tons

6. You are given the following table showing changes in the total output with Population of a country

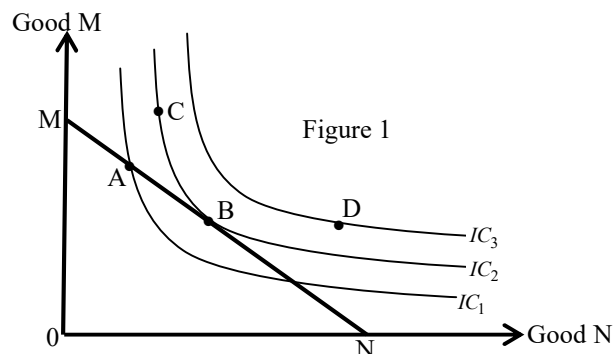
Total output in millions units	Total population in millions of people
2	200
4	600
6	1200
8	1440
10	1700
12	1800

At what output will the country experience the highest standard living

- A. 8 million units
 - B. 6 million units
 - C. 12 millions
 - D. 10 millions
7. Which of the following is example of a preventive check suggested by Reverend Thomas Malthus, to control population growth?
 - A. Natural disasters
 - B. Cannibalism
 - C. Infanticide
 - D. Celibacy

8. Which of the following statements offers the best explanation of the existence of Economies of scale?
 - A. The demand for some product is greater than for others
 - B. Labour becomes more efficient when added to fixed capital
 - C. Large firms can obtain the benefits of monopoly
 - D. Some factors of production are not easily divisible.
9. Which of the following types of financial asset does not secure a loan?
 - A. A gilt- edged security
 - B. A debenture
 - C. A National Certificate
 - D. D) An Ordinary Share
10. Which of the following would be unlikely to reduce regional unemployment
 - A. Information about employment vacancies in job Centres
 - B. An increase in unemployment benefits as a ratio of average pay
 - C. A reduction in corporation tax paid by firm in assisted areas
 - D. The introduction of government sponsored retraining schemes
11. A public limited company gears its capital as follows
 1,000 ordinary shares of 100 frs each
 2,000 9% preference share of 1,000 frs each
 500 10% debentures of 1,000 frs each
 What is the value of its equity?
 - A. 2,000,000 frs CFA
 - B. 5,000,000 frs CFA
 - C. 1,000,000 frs CFA
 - D. 3,500,000 frs CFA

12. Figure 1 below shows a consumers budget line MN and an indifference curve IC_1 , IC_2 and IC_3



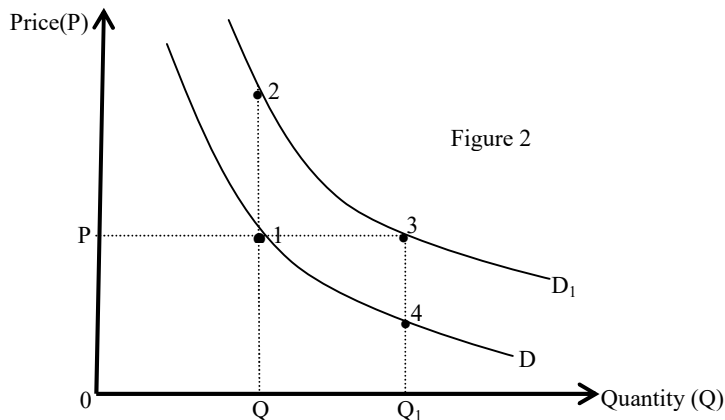
Which combination of both goods would a rational consumer prefer, if his disposable income is unlimited?

- A) Combination A
 - B) Combination B
 - C) Combination C
 - D) Combination D
13. If the price elasticity of demand for a product is 0.5 and the price elasticity of supply is 1.5 , how much tax per unit will consumers pay if the government levied a tax of 200 per unit?
 - A. 50 frs CFA
 - B. 100 frs CFA
 - C. 150 frs CFA
 - D. 300 frs CFA

14. The demand function is given by $Q_d = 12 - P$ and the supply function by $Q_s = 3P$,
Where Q_d equals quantity demanded, Q_s equals quantity supplied and P is the unit price. What is the equilibrium quantity demanded and supplied?
- 9 units
 - 3 units
 - 4 units
 - 12 units

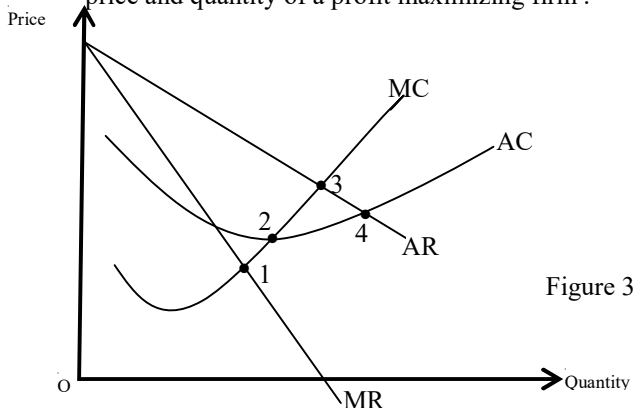
15. The demand functions for good B is given as $Q_d = 500 - 10P + 0.5Y$ where Q_d is quantity demanded, P is the price and Y is income. It can be concluded that good B is
- A superior good
 - An inferior good
 - A normal good
 - A Giffen good

16. Question 16 is based on the diagram below



How will you describe a movement from point 1 to point 4?

- A fall in quantity demanded
 - A fall in demand
 - An increase in quantity demanded
 - An increase in demand
17. A converging cobweb implies that
- Price elasticity of supply is greater than price elasticity of demand
 - Price elasticity of supply is smaller than price elasticity of demand
 - Price elasticity of supply equals price elasticity of demand
 - The sum of price elasticity of supply and price elasticity of demand must be equal to one
18. This question is based on figure 3 below which shows the price and quantity of a profit maximizing firm.



Which of the points labelled 1 to 4 represents Allocative Efficiency?

- Point 1
- Point 2
- point 3
- point 4

19. Study the table below and answer the question that follow

Outputs (units)	Total Revenue Million FCFA	Total Cost Million FCFA
1	15	5
2	17	12
3	36	21
4	42	32
5	45	45

The firm described in this table is operating under conditions of

- Imperfect competition and decreasing marginal cost
- Imperfect competition and increasing marginal cost
- Perfect competition and increasing marginal cost
- Perfect competition and decreasing marginal cost

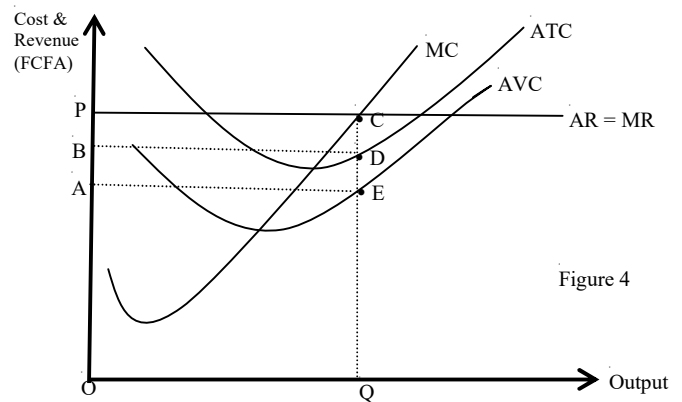
20. Which of the following statement is incorrect under perfect completion?

- The market demand curve is down sloping
- The individual firm aims to produce where Ac is at a minimum
- A firm may earn abnormal profit in the short run
- A firm can sell as much as it wishes at the ruling market price

21. Which of the following industries in Cameroon provides examples of an imperfect Oligopoly?

- Firms selling graded agricultural products
- Firms selling beer
- Firms selling petroleum products
- Firms selling shoes

22. Question 22 is based on figure 4 below

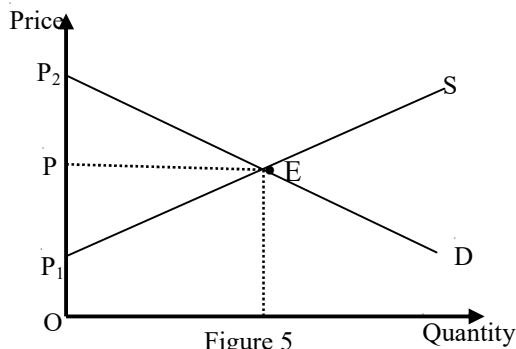


Which area represent total abnormal profits ?

- B P C D
- A B C E
- O P C D
- O A E Q

23. In which of the following occupations would you expect the supply of labour to be inelastic
- Surgeon
 - Surface engineer
 - Van driver
 - Railway porter

24. Consider the following diagram in figure 5



Which area represents the economic rent element for this factor of production?

- PP_2E
 - P_1PE
 - OP_1EQ
 - OP_2EQ
25. Profit as a factor of production is different from other factor incomes because
- It can be positive or negative
 - It is always positive
 - It can be prenegotiated before production begins
 - It is not a residual item
26. Which of the following is not included in estimates of national income?
- Salaries of civil servants
 - Undistributed profits
 - Investment grants
 - sales men commission
27. What makes the difference between Gross National Product at the factor cost? And Gross domestic product at factor cost
- Property income paid abroad
 - Property income from abroad
 - Net property income from abroad
 - Net Investment
28. Which of the following parameters is the most efficient in measuring the. Standard of living for a country?
- Real national income per capita
 - Real national income
 - National income per head
 - National income
29. A random figure used in the output and expenditure methods to adjust them to the expenditure method is known as
- Stock appreciation
 - Stock depreciation
 - Residual error
 - Adjustment for financial services
30. Given the consumption function $C = 50 \text{ millions} + 0.7Y$, where Y equals National

Income. What is the value of the Marginal Propensity To Save (MPS)?

- 0.7
 - $0.7Y$
 - 0.3
 - $0.3Y$
31. What is the basic assumption underlying the accelerator principle?
- Investment depends on the level of business confidence
 - Investment depends on the level of savings
 - Investment depends on the rate of change in interest rates
 - Investment depends on the rate of change of output
32. According to the Keynesian analysis, consumption is function of
- Permanent income
 - Estimated lifetime income
 - Current income
 - Previous income
33. The cash flow shown in the table below are generated from four investment projects(A B C or D) available to a firm. Assuming that any funds generated can be reinvested at the annual rate of interest, which is the most profitable project for the firm
- | Cash flow (millions of frs CFA) | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|
| | Project A | Project B | Project C | Project D |
| Year 1 | 0 | 20 | 5 | 80 |
| Year 2 | 0 | 20 | 20 | 15 |
| Year 3 | 5 | 20 | 50 | 5 |
| Year 4 | 15 | 20 | 20 | 0 |
| Year 5 | 80 | 20 | 5 | 0 |
- Project A
 - Project B
 - Project C
 - Project D
34. The paradox of thrift suggest that
- A decision by people to save more can in the longer term result in a decrease in savings
 - A decision by people to save more will in the short run reduce investment
 - While total savings rise with income, the average propensity to save falls
 - While total savings rise with income the marginal propensity to save tends to fall
35. Which one of the following financial institutions in Cameroon has a different status from the other three
- BICEC
 - BEAC
 - UBC
 - UBA
36. A discount house pays 9700frs for a bill of exchange whose value is 10000frs and which is due in 90days. Calculate the discount rate
- 12.37%
 - 12%
 - 10%
 - 5%

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37. Real interest rate are said to be negative when
- The demand for money is interest inelastic
 - The demand for money is interest elastic
 - The rate of inflation exceeds the nominal rate of interest
 - The rate of inflation is lower than the nominal rate of interest
-
38. An example of money substitute will be
- Building society deposits
 - Electronic money
 - Treasury bills
 - National Saving Certificates
-
39. A Budget surplus will likely
- Reduce the rate of inflation and increase the rate of unemployment
 - Reduce the rate of inflation and reduce the rate of unemployment
 - Increase the rate of inflation and increase the rate of unemployment
 - Increase the rate of inflation and decrease the rate of unemployment
-
40. Which taxation principle is respected in a situation where the total revenue received by the government exceeds the expenditure incurred by the government to recover the tax payment
- Efficiency
 - Equity
 - convenience
 - Economy
-
41. Mr Nguh a carpenter in Cameroon purchases plank worth 400.000frs and transforms, into Cushing chairs worth 750.000 FRS. If the tax officials request him to pay a tax only on 350.000 FRS, what name will this tax be called?
- Business licence tax
 - Company tax
 - Turn over tax
 - Value added tax
-
42. The term "Crowding in" implies that
- An increase in public sector investment increases private sector investment
 - An increase in public sector investment displaces private sector investments
 - An increase in public sector investment will be equal to an increase in private sector investment
 - An increase in public sector investment will leave private sector investment unchanged
-
43. A trade bloc in which member countries trade freely with each other but place a common external interest against non-members is called
- A free trade area
 - A common market
 - A custom union
 - An Economic union
-
44. If market forces move the exchange rate of the USA (S) from 1 US dollar = 5000frs CFA to 1 US dollar = 700frs CFA, then one can be rightly maintain that
- The U.S dollar has experienced currency appreciation
 - The U.S dollar has experienced currency depreciation
 - The U.S dollar has been devalued
 - The U.S has been revalued
-
45. A trade gap implies that
- The value of physical exports is greater than the value of physical imports
 - The value of physical exports is lesser than the value of physical imports
 - The value of intangible exports is greater than the value of intangible imports
 - The value of intangible exports is lesser than the value of intangible imports
-
46. Study the formula below and answer question
- $$46 \left[\frac{\text{Index of export price}}{\text{Index of import prices}} \times \frac{100}{1} \right] > 100$$
- , the formula depicts
- A Favourable Terms of trade
 - An unfavourable Terms of trade
 - A favourable balance of trade
 - An unfavourable balance of trade
-
47. When the growth rate of the population increase accompanied by a greater increase in the amount of capital acquired person we talk of
- Capital widening
 - Capital maintenance
 - Capital deepening
 - Capital increment
-
48. At what phase of the trade or business cycle will the marginal propensity to consume be the highest
- Boom
 - Recession
 - Depression
 - Recovery
-
49. Another name for disguised unemployment is
- Over manning
 - Residual unemployment
 - Casual unemployment
 - Structural unemployment
-
50. Which of the following is not true for a nationalized industry
- It is managed by a board appointed by the responsible Minister
 - The methods by which it raises funds for capital investment are subject to treasury control
 - It is not allowed to charged prices which exceed its average cost
 - It is expected to earn some target rate of return on its net assets
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END!