

A LEVEL ECONOMICS PAPER 1 2013 MEETLEARN.COM

*Advanced Level
Economics*

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1. The Yaounde – Douala highway can best be described as:
 A Free good
 B Merit good
 C Collective good
 D Durable consumer good
2. The price system will be most efficient to allocate resources in the event of
 A Externalities
 B Shortage of resources
 C Mobility of factors
 D Natural monopolies
3. Which of the following business organisations operate in the public sector of the Cameroon economy?
 1. Multinational firms
 2. Public corporations
 3. Public companies
 4. Cooperative societies
 A 1 and 2
 B 2 only
 C 3 only
 D 2 and 3
4. A merger occurs when
 A Two or more firms carry out a joint venture
 B Two or more firms agree to carry out production
 C Two or more firms collaborate to produce the same commodity.
 D Two or more firms combine to carry out production
5. The birth rate of a given country is twenty per thousand. How many births will likely occur in this country if its population is 15,000,000 people?
 A 300,000 children
 B 200,000 children
 C 2,000,000 children
 D 3,000,000 children

6. This question is based on table 1 below showing the various categories of firms involved in the production of furniture for a given year. (Figures are in millions of francs CFA)

Table 1

Firms at various stages of production	Purchases	Sales	Value Added
Forest owners	0	100	100
Timber firms	100	300	200
Furniture firms	300	500	250
TOTAL	400		

If the national income accountant mistakenly added all the sales as final output, what will be the value of the double counted output?

- A 400 million FCFA
 B 450 million FCFA
 C 550 million FCFA
 D 950 million FCFA

7. The Gross Domestic Product at market price of a country is 450 billions FCFA. Given that subsidies are 60 billions FCFA and indirect taxes are 70 billions FCFA. Calculate the Gross Domestic Product at factor cost.
- A 450 billion FCFA
 B 440 billion FCFA
 C 460 billion FCFA
 D 390 billion FCFA

8. Which of the following fiscal measures can encourage firms to move to certain areas of Cameroon?
- A General tax concessions
 B Higher income tax allowances
 C Lower income tax allowances
 D Regional tax concessions.

9. This question relates to the size and stages of a production unit as in table 2 below.

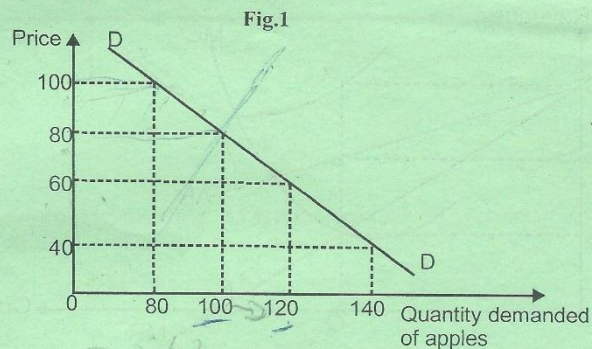
Table 2

Stages	% change in inputs	Output (tons)
I	-	20
II	50	30
III	80	40
IV	60	50

Which type of returns is this production unit experiencing between stages II and III?

- A Increasing returns to the variable factor
 B Increasing returns to scale
 C Decreasing returns to scale
 D Decreasing returns to the variable factor.

10. This question is based on Fig 1 below showing the quantity demanded of apples.



Determine the increase in consumer's surplus if the consumer decides to raise his quantity demanded from 100 apples to 120 apples.

- A 800 FCFA
 B 2200 FCFA
 C 2000 FCFA
 D 1200 FCFA

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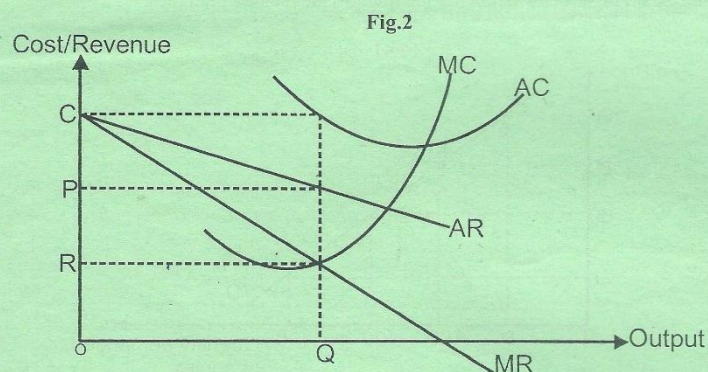
11. Which of the following will increase the elasticity of supply for mobile phones?
- A A fall in the prices of mobile phones.
 - B A fall in the cost of producing mobile phones.
 - ☒ C An increase in the mobility of factors used for the production of mobile phones.
 - D Improved technology in the production of mobile phones.
12. This question is based on table 3 below showing the national income and consumption statistics in a two-sector economy (Figures are in millions FCFA).

Table 3

Income	Consumption
0	1000
2000	1600
3000	2200
4000	2800
5000	3400

Which of the following represents the saving function for this economy?

- A $S = 0.4 Y - 1000$ million FCFA
 - ☒ B $S = 0.6 Y - 1000$ million FCFA
 - C $S = 0.4 Y + 1000$ million FCFA
 - D $S = 1000$ million FCFA $+ 0.6 Y$.
13. What is the main reason for the marginal cost curve not being considered as the supply curve for the pure monopolist?
- ☒ A Pure monopoly does not exist.
 - B Its marginal cost curve is U-shaped.
 - C There is no unique relationship between quantity supplied and price.
 - D There is no demand curve that intersects with the marginal cost curve.
14. This question is based on Fig 2 below.



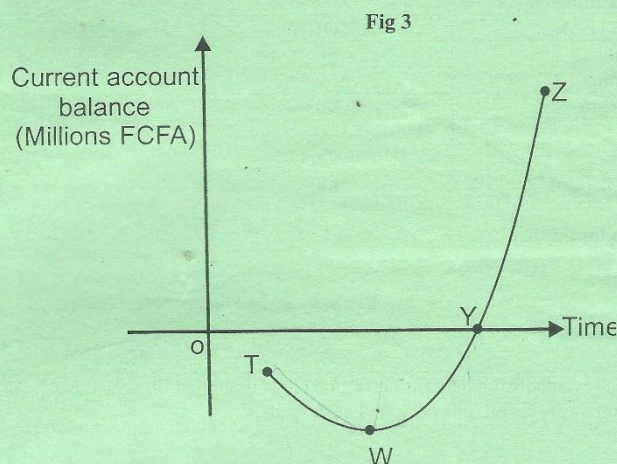
Which of the following statements best suits the condition of this firm under monopolistic competition?

- ☒ A The firm does not maximise profits since it is making a loss.
- B The firm is operating in the short-run and therefore making abnormal profit.
- C The firm should continue production though it is making a loss in the long run.
- D The firm is maximising profit although it is making a loss.

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15. On reaching 55 years, Mr Ngiri, a civil servant on an annual salary of 3,600,000 FCFA, decides to go on anticipated retirement. He is immediately absorbed by a non-governmental organisation (NGO) as a consultant on an annual salary of 4,800,000 FCFA, yet he receives an annual pension of 1,800,000 FCFA from the state. One of his assistants in the NGO, earning 4,050,000 FCFA a year loses his job and cannot be paid any benefits. What will be the effects of these on the national income?
- A National income falls by 2,850,000 FCFA
 B National income rises by 1,200,000 FCFA
 C National income rises by 750,000 FCFA
 D National income falls by 1,050,000 FCFA
16. Credit cards are identified as
- A Fiat money
 B Substitute money
 C Near money
 D Commodity money

17. This question is based on Fig 3 below showing the J – curve effect.



Which part of the J-curve shows the short-run effect of a devaluation in solving a balance of payment deficit?

- A TW
 B TY
 C WY
 D YZ
18. An increase in the price level from 200frs in year 5 to 210frs in year 6 indicates a
- A 10% rate of inflation between years 5 and 6.
 B 110% rate of inflation between years 5 and 6.
 C 5 % rate of inflation between years 5 and 6.
 D 105% rate of inflation between years 5 and 6.
19. A systemic and objective process of getting information about customers or potential customers to guide marketing decisions is termed:
- A Marketing research
 B Marketing mix
 C Market segmentation
 D Market research.

Turn over

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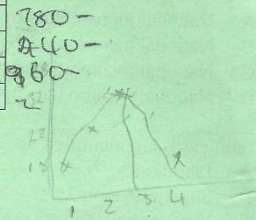
20. The information in table 4 below relates to the evolution of output as the population of a given country increases.

Table 4

Total Population (Million people)	Marginal Product (FCFA)
1	18000
2	22000
3	32000
4	28000

Identify the optimum population size for this country.

- ☒ A 1,000,000 people
☐ B 2,000,000 people
☐ C 3,000,000 people
☐ D 4,000,000 people



21. This question is based on table 5 below showing items of the balance sheet of a Commercial bank (values are in millions FCFA).

Table 5

ITEM	AMOUNT
Money at call	50
Bills discounted	60
Special deposits	40
Cash	X
Advances	100
Customers' deposits	300

What is the liquidity ratio for this bank?

- ☐ A 50%
☐ B 53.3%
☐ C 16.6%
☒ D 33.3%
22. When a person cannot be prevented from benefitting from a collective good for which he/she does not participate in its production or provision, this person is described as
- ☐ A A rational consumer
☒ B A free rider
☐ C An irrational consumer
☐ D A collective good consumer.
23. Which of the following is an example of plant/economies of scale?
- ☐ A Marketing economies
☒ B Welfare economies
☐ C Ancillary services
☐ D Increased specialisation
24. Which of the following may act as a barrier to entry into an industry?
- ☐ A Little amount of capital required to start production.
☐ B High supply of labour.
☒ C High advertising expenses.
☐ D High labour mobility.
25. In an economy if capital consumption is greater than gross investment, then:
- ☐ A Net investment must be negative
☐ B Replacement investment must be rising.
☐ C Gross investment must be negative.
☐ D Gross investment must be declining.

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26. This question is based on table 6 below showing the output per factor input in two products in countries X and Y.

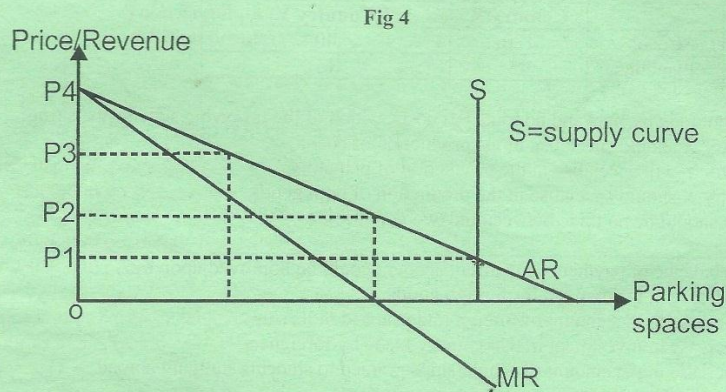
Table 6

	Country X	Country Y
Cocoa	120	40
Plantains	45	15

If there are no trade barriers and no transport costs, which of the following statements is true?

- A Country X should specialise in the production of cocoa.
 B Country Y will specialise in the production of plantains.
 C Country X should specialise in the production of both goods.
 D There should be no trade between the two countries.
-
27. A country's balance of payments on current account could be improved upon by:
 A An increase in the demand for foreign goods.
 B An increase in the amount of foreign trade carried in its ships.
 C An increase in investment in that country made by foreigners.
 D An increase in the amount of scholarships granted to students studying abroad.
-
28. In the short run, economic growth may:
 A Result in an increase in the standard of living.
 B Result in a decline in non-renewable resources.
 C Involve an opportunity cost of forgone consumer goods.
 D Result in an increase in negative externalities.
-
29. In a Socialist Economy, the problems of production and distribution are solved by:
 A The price mechanism and the government.
 B The prices of economic resources.
 C The appointed central planners.
 D The market forces and the needs of the people.
-
30. The figures below correspond to the returns in an enterprise to which each of the four different types of machines; W, X, Y and Z, are used. The capacity of each machine is as follows:
 W = 10units; X = 50units; Y = 20units and Z = 40units. In order to use all the machines at full capacity, which of the following output should be produced, assuming that no fractions of output are produced?
- | | | | | | |
|-------------|---|----|----|----|----|
| A 200 units | 2 | 10 | 50 | 20 | 40 |
| B 300 units | 2 | 5 | 25 | 10 | 20 |
| C 100 units | 2 | 5 | 25 | 5 | 10 |
| D 500 units | 5 | 5 | 25 | 5 | 5 |
-
31. If a firm produces at an output level where Average Revenue equals Marginal Cost, this is described as:
- A Productive efficiency
 B Technical efficiency
 C X - efficiency
 D Allocative efficiency
- $AR = MC$

32. This question is based on Fig 4 below which shows the supply, demand and marginal revenue curves for parking spaces in a car park.



- At which price would the owner of the car park obtain maximum revenue?
- A P_1
 B P_2
 C P_3
 D P_4
-
33. Which of the following regulates financial institutions in Cameroon, Chad, Central African Republic, Congo, Gabon and Equatorial Guinea?
- A I.M.F
 B COBAC
 C I.B.R.D
 D CEMAC
-
34. When no value – added tax (VAT) is charged on output, yet a firm is authorised to claim back VAT already paid on inputs, this is known as:
- A Exclusion from VAT
 B Exoneration from VAT
 C Zero rating of VAT
 D Exemption from VAT
-
35. Which of the following is a benefit of division of labour?
- A A decrease in average costs of production
 B A decrease in the use of machinery
 C An increase in job satisfaction for workers
 D Increased flexibility of workers.
-
36. The practice by a Multinational Corporation to transfer profits made in one country and declare the profits in another country to avoid high taxes may be referred to as:
- A Transfer earnings
 B Transfer satisficing
 C Transfer profits
 D Transfer pricing

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43. One of the reasons for the existence of many rates of interest is
A The attitude of borrowers
B The attitude of lenders
~~C~~ The credit worthiness of the borrowers
D The instructions from the Central bank.
44. If the population of Cameroon grows at 4.5% and income grows at 2.5% then
A Per capita income is increasing
B Per capita income is constant
C Per capita income is positive
~~D~~ Per capita income is declining.
45. Which of the following would you recommend to a brewery company as a strategy to increase sales?
A Relax control on patent rights
B Increase the alcoholic content of its drinks
C Reduce control on distributors.
~~D~~ Improve quality of its drinks.
46. Cyclical unemployment may be the outcome of:
A The economy suffering from a recession
B The job seekers lacking the required qualification
C Job seekers lacking sufficient time to look for new jobs
~~D~~ A persistent fall in the demand for a particular product.
47. Which of the following statements is true about the multiplier?
~~A~~ The multiplier in a four-sector economy is bigger than in all other economies
B The multiplier in a two-sector economy is bigger than that in a three-sector economy.
C The value of the multiplier is directly related to the size of leakages.
D The value of the multiplier is inversely related to the value of the MPC.
48. Given the following consumption function: $C = a + bY$
Identify the component b.
A MPS
B Induced consumption
~~C~~ MPC
D Autonomous consumption.
49. When people mistake nominal income for real income, this is known as:
A The paradox of value
B Money laundering
C Inflationary spiral
~~D~~ Money illusion.
50. "Rents are price determined not price determining".
Who of the following economists propounded this?
~~A~~ David Ricardo
B Adam Smith
C Alfred Marshall
D Lionel Robbins

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