GOVERNMENT BILINGUAL HIGH SCHOOL YAOUNDE

MOCK EXAMS ECONOMICS PAPER I A/LEVEL

Time: $1^1/_2$ hour

*Introductions: Candidates are expected to attempt all the questions using their HB pencils*

1. A woman bought a car for 7 million but would like a new model car costing 8.2 million. She could obtain 5.9 million. If she sold her current car. What is the opportunity cost of her current car?
   A) 8.2 million
   B) 1.2 million
   C) 5.5 million
   D) 1.1 million

2. Which of the following is a normative statement?
   A) The price of pear is
   B) The price of pear should be
   C) The price of pear at times is
   D) The price of pear may be

3. Which of the following would shift a production possibility curve to the right
   A) A more even distribution of wealth
   B) An increase in the stock of capital
   C) An increase in the number of people dependent on the working population
   D) An improvement in the efficiency with which factors of production are combined

4. Social cost may be taken as
   i) Negative externality   congestion
   ii) Negative externality   private cost
   iii) Negative externality when private cost is zero

   The right answer is

   A) 1 only   B) 1 and 3 only   C) 2 and 3 only   D) 3 only

5. In order , a convex and concave production curve show
   A) Decreasing opportunity cost and increasing opportunity cost
   B) Increasing opportunity cost and decreasing opportunity cost
   C) Both decreasing opportunity cost
   D) Both increasing opportunity cost

6. Economics is considered science because of all of the following reasons except one which is the exception?
   A) The scientific method used in economics
   B) The use of mathematics (algebra) in economics
   C) Both decreasing opportunity cost
   D) Both increasing opportunity cost
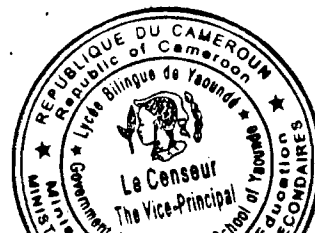
7. What is implied by the shape of the production possibility curve
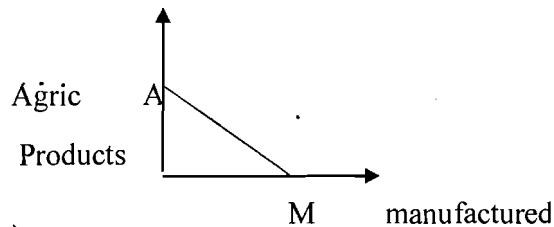
A) The economy will operate at full
B) The output of manufactured products will be greater than output of agricultural products
C) There is a constant rate of opportunity cost involved in transferring resources from production of agricultural manufactured good
D) Resources are not equally good at producing both good

Question 8 and 9 are based on the diagram below
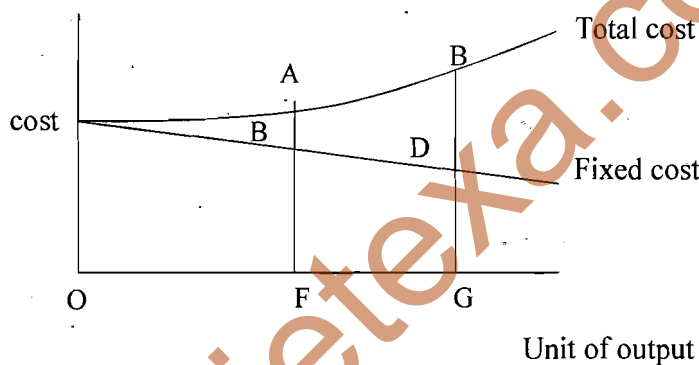
8. The gap AC on the diagram represents
   A) Average variable cost
   B) Total cost
   C) Total fixed cost
   D) Total variable cost
9. BD/OG represents
   A) Average variable cost
   B) Average costs
   C) Total variable cost
   D) Average fixed cost
10. MRTS measures:
   A) The rate of substituting X for Y to have the same satisfaction
   B) The rate of substituting y for X have the same output
   C) The rate of substituting one factor for the other to have same output
   D) The rate of substituting one factor for the other to have same satisfaction
11. An investor considers a stable income more important than part/ownership and prospect of capital gains. In which order of preference would he rank the following securities

2

i. Ordinary shares   ii. Debentures   iii. Preference shares
A. ii , i and iii
B. i , ii and iii
C. iii , ii and i
D. ii , iii and i

12. Given a cost function that TC= 50 + 5Q + 2Q here fixed cost are :
   A) 5O
   B) 5Q
   C) 2Q
   D) 5O + 5Q + 2Q^2

13. A firm initially produces 20TVs at an average cost of 80.000frs it then increases production to 21TVs the production of the additional TV reduces average cost to 79000frs What is the marginal cost of this TV?
   A) 1000frs
   B) 59000frs
   C) 80000frs
   D) 79000frs

14. An industry that tends to enjoy no particular advantage for locating itself anywhere will be
   A) Weight-losing industry
   B) Foot loose industry
   C) Weight gain industry
   D) Sunrise industry

15. Industrial inertia would mean
   A) A firm moves an original factors that contributed for its location are depleted
   B) A firm remains in its original location long after the original factors for its location are depleted
   C) A firm quits the environment as soon as factors responsible for its location are depleted
   D) A firm remains in a location on long as it makes profit

16. Which of the following is not an institutional investor :
   A) Social insurance funds
   B) Insurance companies
   C) Unit trusts
   D) Public limited companies

17. Which of the following statements is incorrect under perfect competition?
   A) A firm may earn abnormal profits in the short run
   B) The market demand curve is downward sloping
   C) The firm can sell as much as it wishes at the ruling market price
   D) The individual firm aims to produce where average cost is at minimum

18. At any given point in time, an entrepreneur aiming to make profit should combine the factors where
   1) MPL/PL = MPK/PK

3
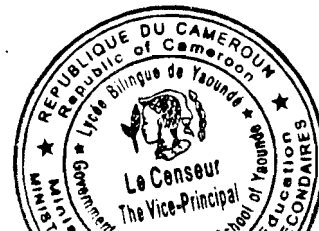
2) MPL = MPK
3) MPL/MPK= PL/PK

   The right answer is
   a) 1 only
   b) 3 only
   c) 1,2 and 3
   d) 1 and 3

19. The main features of a perfect market structure are given below, which is the exception
    A) Perfect knowledge of the market
    B) Heterogeneity of the product
    C) Perfect mobility of the factors of production
    D) No preferential treatment

20. An equilibrium condition for a discriminating monopoly is
    A) Marginal cost equals average cost
    B) MC = AC
    C) Marginal revenue must equal in all markets
    D) Marginal revenue should differ in different markets

21. An oligopolistic firm may be reluctant to reduce its price on its own initiative because
    A) It may encourage the entry of new firms into the market
    B) Other firms in the industry may decide to leave their prices unchanged
    C) It may lead to price reductions on the part of rival firms
    D) It demand curve is perfectly inelastic below the current price

22. Monopoly's profit maximizing output is always on
    a) Elastic section of demand curve
    b) Inelastic section of demand curve
    c) Unity section of demand curve
    d) Both elastic and inelastic section

Question 23 is based on the following figures

Population (million)	10	20	30	40
Output of food million	30	70	120	140

23. What is the optimum population?
    A) 10 million   B) 20 million   C) 30 million   D) 40 million

Given the following information for questions 24 and 25

Population at the end of year ……………………………….. 10M

Estimated: crude birth rate ………………………………. 20.000

Crude death rate   ………………………………. 10%

Net migration   ………………………………. 20.000

4

Percentage in working age group ……………………….. 70%

Activity Rate   ………………………. 70%

24. What is the natural growth rate for this country
    A) 2%   B) 1%   C) 10%   D) 20%
25. What is the number of people in the working age group
    A) 70%   B) 70.000   C) 700.000   D) 7.000.000
26. If the price of a product rises by 10% and total revenue remains constant, price elasticity of demand (PED)is
    A) Unity   B) Elastic   C) Inelastic   D) perfectly Inelastic
27. The diagram below shows supply curves which of the following statements relating to these supply curves is correct
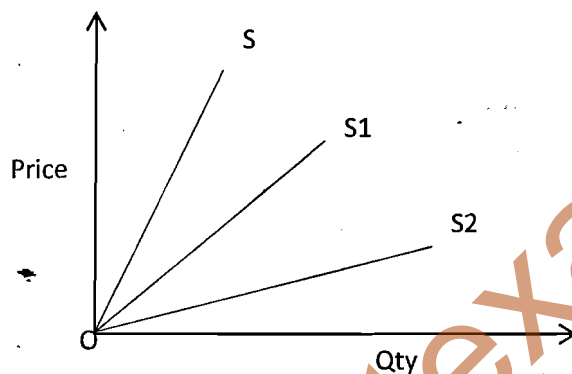
    A) Supply curve S_2 is more elastic than supply curve S
    B) Supply curve S_1 is more elastic than supply curve S_2
    C) All three illustrate unit elasticity of SS
    D) All the three illustrate unit elasticity of supply
28. In a diverging cobweb
    A) Demand is fairly inelastic while SS is fairly inelastic
    B) Demand is fairly elastic while SS is fairly inelastic
    C) Demand is perfectly inelastic while supply is perfectly elastic
    D) Demand is perfectly elastic while SS is perfectly inelastic
29. The marginal rate of substitution MRS between two goods X and Y may be measured
    1) Mux/Muy   2) Px/ Py   3) Δ in y / Δ in x
    The right answer is
    A) 1 only   B) 1, 2 and 3   C) 3 only   D) 1 and 2 only
30. The amount of quasi rent earned by a factor will be determined by the:
    A) Short and long- run elasticities of the factor
    B) Short and long run elasticities of demand for a factor
    C) Short run elasticities of SS
    D) Long run elasticities of demand

5

Questions 31 and 32 are based on the diagram below
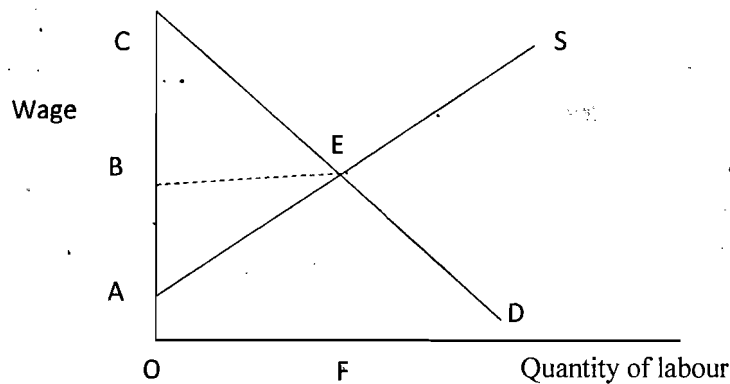
31. Which area represent the amount of transfer earning?
    A) ABE   B) ACE   C) OBEF   D) OAEF
32. The amount of economic rent is given by
    A) ABE   B) ACE   C) OBEF   D) OAEF
33. Why is profitability and liquidity conflicting objectives of a bank
    A) The most liquid assets are most profitable assets and vice versa
    B) Deposits come only from willing depositors
    C) illiquid assets make the least gains for the bank
    D) The most illiquid assets are the most profitable and vice versa

Questions 34 and 35 are based on the following table

Notes and coin in circulation ……………………… 11531M

Private sector sight deposits …………………… 30616 M

Private sector time deposits …………………………… 55817M

Public sector deposits ………………………………….. 2485M

Cameroon resident's deposits in other countries …………….. 14688M

34. Money supply as defined by M_1 is
    A) 11531 million
    B) 42.147 million
    C) 97964 million
    D) 100449 million
35. Money supply as defined by M_3 is
    A) 42 147 million
    B) 97 964 million
    C) 100 449 million
    D) 115 137 million
36. A major criticism to the Philip curve is :
    A) Other macroeconomic objective also conflict
    B) Mr. Aw Philip refused to hold one thing constant·
    C) Stagflation exist

6

D) When inflation is zero, unemployment can vary infinitely without further changes in inflation

37. A bond with a nominal value of 100,000 FRS carries a fixed rate of interest of 8%. If the bond matures in one year time and has a current value of 96000 what is the market rate of interest
   A) 12.5%   B) 12%   C) 8.3%   D) 4.15%

38. A tax multiplier is given by
   A) 1/mps   B) mpc/mpt   C) mpc/mps   D) mpt/ 1- mpc

39. If the marginal propensity to consume of all members of a closed economy are equal, then a rise in taxation of 5000 million and government expenditure of 5000 million will cause national income to:
   A) Remain constant
   B) Rise by more than 5000 million
   C) Rise by less than 5000 million
   D) Rise by 5000 million

40. The balance budget multiplier may be given by
   A) $\frac{-mpc}{mps}$
   B) $\frac{1}{1-mpc}$
   C) $\frac{-mpc}{1-mpc} + \frac{1}{1-mpc}$
   D) $\frac{-mpc}{-mps} x \frac{1}{mps}$

41. Which of the following measures if used as a means of improving the balance on current account would be describe as expenditure switching measures?
   1) Subsidies to producers   2) Devaluation   3) Tariffs
   The right answer is :
   A) 1, 2 and 3
   B) 1 only
   C) 3 only
   D) 1 and 3 only

42. This question is based on the table below
   Changes in official reserves = +1000M
   Account with foreign central bank = -500M
   Account with foreign central bank = -300M
   Which of the following statements is/are correct?
   1) The country repaid foreign currency to IMF value 100M
   2) Foreign currency worth 500M was withdrawn from reserves
   3) Foreign currency worth 300M was repaid to foreign central banks
   A) 1, 2, and 3   B) 3 only   C) 1 only   D) 1 and 3 only

43. The marshall-lerner conditions for devaluation to succeed to solve a balance of payment(B.O.P) deficit position is
   A) ex + em = 1
   B) ex + em = <1
   C) ex + em = >1
   D) none of the above

44. A balance of payment surplus may cause

A) Employment and money supply to rise
B) The money supply to fall
C) Employment to rise and money ss to fall
D) Employment and money supply to fall

45. In 1999, the GDP of a country stood at 100.000frs and the price index was 100. By the year 2003 the GDP stood at 120750 and the price index was 105. By what percentage has real GDP increased from 1999 to 2003
A) 5%   B) 14.71%   C) 15%   D) 20.7%

46. Given that C= a + by the savings function is
A) $y - a(1-b)$
B) $-a + (1 - b) y$
C) $-a + (y - b)$
D) $y - a (1 - b)y$

47. All other things being equal, which of the following would increase the average standards of living of a country?
A) A fall in population and no change in national products
B) No change in population and a decrease in national products
C) A rise in population and a proportionately smaller increase in national products
D) A fall in population and proportionately greater decrease in national product

48. In an economy y= C+ I + F C= 50m + 0.75y and I = 80m and national income = 800m what is realized investment
A) 50m   B) 100m   C) 150m   D) 200m

49. A firm makes 10.000 goods using 20 machines. Each year two machines wear. If demand for good rises to 12.000, Gross investment will increase by
A) 50%   B) 100%   C) 200%   D) 300%

50. An economy has a saving function as follows S= -500 + 0.2y. If the level of income is 5000m, what is the average propensity to save
A) 0.1   B) 0.2   C) 0.8   D) 0.9