

**SOUTH WEST REGIONAL MOCK EXAMINATION  
GENERAL EDUCATION**

**THE TEACHERS' RESOURCE UNIT (TRU)**  
Cellule d'appui à l'action Pédagogique

**IN COLLABORATION WITH**  
En collaboration avec

**THE REGIONAL INSPECTORATES OF PEDAGOGY AND  
THE SUBJECT TEACHERS' ASSOCIATIONS (STA)**

MONDAY 28/03/2022 (Afternoon Session)

ADVANCED LEVEL

Subject Title	Economics
Paper Number	Paper 3
Subject Code Number	0725

**ONE AND THREE QUARTER HOURS**

**INSTRUCTIONS TO CANDIDATES:**

*Answer any THREE questions. All questions carry EQUAL marks.*

*You are advised to spend the first fifteen minutes reading the paper.*

*In calculations, you are advised to show all the steps in your working, giving your answer at each stage.*

*You are reminded of the necessity for good English and orderly presentation in your answers.*

*Calculators are allowed.*

1. Contrary to Keynesian economics the economy does not change from price stability and unemployment to full employment and inflation. It changes slowly from one to the other. The relation between price changes and the volume of unemployment can be shown... The greater the unemployment the lower the rate of inflation.

Coined from Basic Economics by G.L. Thirkettle, 3<sup>rd</sup> Edition, Page 150.

- a) Illustrate with a diagram the relationship between price changes and the volume of unemployment as implied in the passage. (4 marks)
- b) What name is given to the diagram drawn in a) above. (2 marks)
- c) State the nature of the relationship implied by the underlined phrase. (2 marks)
- d) State two types of:
- i. Inflation (2 marks)
  - ii. Unemployment (2 marks)
- e) When can inflation be:
- i. Desirable (4 marks)
  - ii. Highly undesirable (4 marks)

2. Firms operating under conditions of monopolistic competition, oligopoly or monopoly are price makers. Unlike price takers, changes in their output influences price. To sell more the price maker has to lower price... A number of features about the relationship between output and revenue in the case of a price maker can be gleaned. A price maker's total revenue has a different shape from that of a perfectly competitive firm and a firm with market power will usually seek to produce where demand is elastic.

Adapted from Stanlake's Introductory Economics by S.J Grant, 7<sup>th</sup> Edition, Page 354-355.

- a) Define each of the following as used in the passage:
- i. Price maker (2 marks)
  - ii. Price taker (2 marks)
- b) Illustrate with a diagram the relationship between Average and Marginal revenues for:
- i. A price maker (4 marks)
  - ii. A price taker (4 marks)
- c) State the nature of price elasticity of demand for a monopolist when:
- i. Total revenue is rising (2 marks)
  - ii. Total revenue is maximized (2 marks)
  - iii. Total revenue is falling (2 marks)
- d) Briefly explain the underlined phrase. (2 marks)

3. Use the population data of a village in Cameroon on the 1<sup>st</sup> January 1984 below to answer the questions that follow.

Total population	-----	12 000 000
Number of births	-----	500 000
Number of deaths	-----	250 000
Immigrants	-----	50 000
Net migration	-----	50 000

- a) Calculate the number of emigrants registered in this village in 1984. (3 marks)
- b) Calculate the following:
- i. The natural increase in population (3 marks)
  - ii. The natural growth rate (3 marks)
  - iii. The net migration rate (3 marks)
- c) What was the annual population growth rate of this village? (4 marks)
- d) What factors influence birth rates in a country? (4 marks)

4. Carefully read the following excerpt and answer the questions that follow.

...The government's main source of income is taxation. Taxes may be classified into direct and indirect taxes.

When an employee is assessed for income tax for example, the employee must bear the burden. But when excise duty is levied on a whisky distiller the distiller is able to recoup the tax by increasing prices so that the final consumer pays the additional tax.

When Adam Smith first discussed the principles of taxation in "The Wealth of Nations", he said that taxes should be levied on people according to their ability to pay. Since there was no income tax at the time, he was probably thinking of proportional taxes on property. Today however, fairness is usually taken to mean that the tax system overall must be progressive.

Source: **Success in Economics by Chris Nuttal and Derek Loble, 4<sup>th</sup> Edition, Page 335.**

- a) Identify four other sources of government's revenue apart from taxation. (4 marks)
- b) Apart from those identified in the extract give:
  - i) Three other examples of direct tax. (3 marks)
  - ii) Three other examples of indirect tax. (3 marks)
- c) Which term best describes the underlined statement in the extract? (2 marks)
- d) What is meant by a progressive tax system? (4 marks)
- e) State four other principles of a good tax system apart from the one mentioned in the passage. (4 marks)

5. The table below provides information on the national income of a hypothetical country in 1967. Values are in Millions of FCFA.

Depreciation allowance	120
Import of goods and services	760
Taxes on expenditure	75
Consumers' expenditure	1250
Final government consumption	900
Value of stocks (01/01/1967)	260
Export of goods and services	680
Value of stocks (31/12/1967)	300
Subsidies	85
Property income paid abroad	500
Gross domestic fixed capital formation	700
Property income from abroad	400

- a) Calculate
  - i. The total domestic expenditure at market prices. (2 marks)
  - ii. The gross domestic product at market prices (3 marks)
  - iii. The gross national product at factor cost (3 marks)
  - iv. The national income (2 marks)
- b) What do you understand by gross domestic fixed capital formation? (4 marks)
- c) List
  - i. Two uses of national income statistics to this country. (2 marks)
  - ii. Two difficulties that may be encountered in the measurement of the country's national income using this method. (2 marks)
- d) What is the Balance of Trade situation of this country? (2 marks)