

YEAR 12 TRIAL EXAMINATION 2020

ECONOMICS

Time Allowed: 3 hours

INSTRUCTIONS

1. Write your **Index Number** on the front page **Answer Booklet**.
2. Write **all** your answers in the **Answer Booklet** provided.
3. If you use extra sheets of paper, be sure to show clearly the question number(s) being answered and to tie each sheet in your **Answer Booklet** at the appropriate places. Ensure that your **Index Number** is written on the extra sheets.
4. Answer **all** the questions with a blue or black ballpoint or ink pen. Do **not** use red ink pen. You may use a pencil **only** for drawing.
5. You may use a calculator, provided it is silent, battery-operated and non-programmable.
6. There are **five** sections in this paper. Note the options in **Question 3** of each **Section**.

SUMMARY OF QUESTIONS

SECTION	GUIDELINES	MARK	SUGGESTED TIME
A	Introduction to Economics	8	15 minutes
B	Microeconomics	26	47 minutes
C	Macroeconomics	21	38 minutes
D	International Economics	14	26 minutes
E	Development Economics	11	20 minutes
Essay Writing	Essay Writing (Choose any 2 questions from Sections A to E)	20	36 minutes
TOTAL		100	180 minutes

2.

SECTION A

INTRODUCTION TO ECONOMICS

[8 marks]

QUESTION 1

MULTIPLE CHOICE QUESTIONS

(2 marks)

Circle the letter of the best answer in the Answer Booklet.

1. Scarcity in economics describes a situation where there is insufficient
 - A. time to study and play sports in school.
 - B. food to keep people above the poverty line.
 - C. money to buy goods and services from firms.
 - D. productive resources to fully satisfy all wants of life.
2. On the Production Possibility Frontier, a change from economic inefficiency to economic efficiency is represented by
 - A. movement along the frontier.
 - B. a change in the slope of the frontier.
 - C. movement from a point inside the frontier to a point on the frontier.
 - D. movement from a point inside the frontier to a point outside the frontier.

QUESTION 2

SHORT ANSWER QUESTIONS

(6 marks)

- (i) Define **underutilisation**. (1 mark)
- (ii) Describe the relationship between **choice** and **opportunity cost**. (1 mark)
- (iii) State **one** way how the point outside the production possibility curve can be achieved. (1 mark)
- (iv) Calculate:
 - a) **Opportunity cost** of increasing production of Apples from 12 (00s) to 16 (00s) when production of Pear to the same on the Production possibility curve diminishes from 19 (00s) to 11 (00s) tonnes. (1 mark)
 - b) **Marginal rate of transformation** from Apples to Pear. (1 mark)
- (v) Illustrate in the new PPC in your **answer book**, a shift in the PPC of apple production to pears due to economic growth. (1 mark)

QUESTION 3

ESSAY WRITING

(10 marks)

Production Possibility Curve (PPC) is a simple model illustrating the economic problem and allocative efficiency. With reference to the above statement, discuss:

- **three** assumptions of constructing a PPC (3 marks)
- **three** concepts illustrated by a PPC (3 marks)
- **three** important points of a PPC illustrating full employment, underutilisation and unattainable level of production (3 marks)

SECTION B

MICROECONOMICS

(26 marks)

QUESTION 1

MULTIPLE CHOICE QUESTIONS

(7 marks)

- Mining in Fiji as compared to agriculture is more
 - productive.
 - widespread.
 - capital intensive.
 - labour intensive.
- For total utility to be at its maximum, marginal utility has to be
 - zero.
 - increasing.
 - at its minimum.
 - at its maximum.
- Marginal cost is the
 - cost forgone.
 - additional cost per unit.
 - total cost minus fixed cost.
 - total cost divided by quantity.
- The market structure which has only one seller is
 - duopoly.
 - oligopoly.
 - monopoly.
 - perfect competition.
- The point at which firms can only cover average variable cost in a perfect competition market is known as the _____ point.
 - minimal
 - shutdown
 - breakeven
 - equilibrium
- If income elasticity of demand for a good is **negative**, then the good is a/an _____ good.
 - luxury
 - normal
 - necessity
 - inferior
- Which market structure has a **horizontal** demand curve?
 - Oligopoly
 - Monopoly
 - Monopolistic competition
 - Perfect competition

QUESTION 2

SHORT ANSWER QUESTIONS

(19 marks)

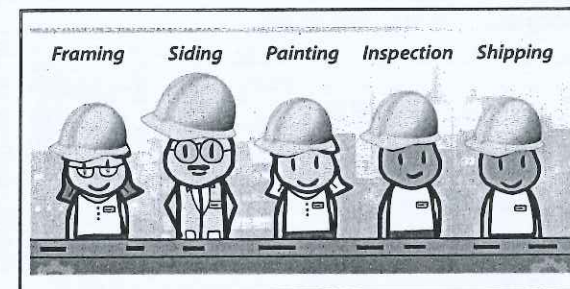
- a. Read the article below on the manufacturing sector and with your own knowledge answer questions (i) to (iv).

Agriculture contributed around 10% of the country's GDP and employed almost 2,000 Fijians in (2010). The **Fijian agriculture sector** is a mix of commercial and subsistence **farming**, although commercial farming predominates. This industry was once the backbone of the Fiji's economy with sugarcane as the main crop.

Adapted from: <http://www.investmentfiji.org.fj>

- Define **commercial farming**. (1 mark)
- Identify one importance of agricultural sector in Fiji's economy. (1 mark)
- State one example of agriculture sector stated in the article above. (1 mark)
- Calculate the percentage (%) of workers in the agriculture sector of the total labour force if total labour force in Fiji is 371,187 people. (1 mark)

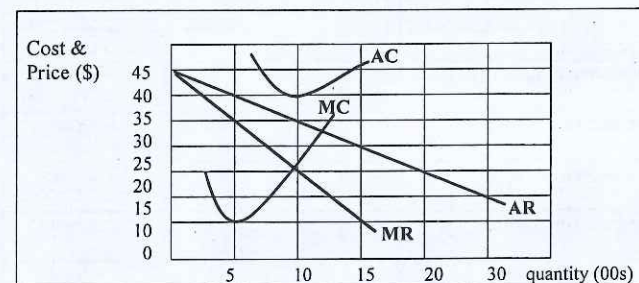
- b. Study the cartoon below and with your own knowledge answer questions (i) and (ii).



Source: <http://clic.cengage.com>

- Define the key concept illustrated in the cartoon above which is **division of labour**. (1 mark)
- Explain the significance **division of labour** in a garment industry. (2 marks)

- c. Study the graph below and answer questions (i) to (iv).



- Identify the market structure. (1 mark)
- State **two** features of the above market structure. (2 marks)
- Describe the shape of the demand curve. (1 mark)
- Calculate:
 - total revenue
 - total cost
 - profit
 (3 marks)

5.

d. Use the information given in the table below and with your own knowledge answer questions (i) - (iii)

Price (\$)	Quantity of cars
7	3
19	8
25	11
31	17

- (i) Differentiate between **Price Elasticity of Demand** and **Income Elasticity of demand**. (2 marks)
- (ii) Calculate the price elasticity of demand when price changes from \$7 to \$19. (2 marks)
- (iii) State the significance of price elasticity of demand on government decisions. (1 mark)

QUESTION 3

ESSAY WRITING

(10 marks)

Agriculture has always been a primary source of income generation in Fiji.

Discuss the above statement with reference to:

- **three** features of the agriculture industry in Fiji; (3 marks)
- **three** contributions of the agriculture industry to the Fijian economy; and (3 marks)
- **three** problems faced by the agricultural industry in Fiji. (3 marks)

SECTION C

MACROECONOMICS

(21 marks)

QUESTION 1

MULTIPLE CHOICE QUESTIONS

(5 marks)

1. A situation where money is derived from the purchase of goods and service is known as
- A. Final demand. B. Assets demand.
- C. Derived demand. D. Transaction demand.
2. An increase in interest rate will
- A. reduce the demand for money.
- B. increase the demand for money.
- C. have no effect on the demand for money.
- D. increase both income and the demand for money.

6.

3. Which of the following is a component of Gross Domestic Product (GDP) using the **expenditure approach**?
- A. Depreciation B. Factor income
- C. Net indirect tax D. Investment spending
4. The measure of gross domestic product at constant price is known as
- A. real gross domestic product. B. nominal gross domestic product.
- C. aggregate gross domestic product. D. gross domestic product per capita.
5. The **main** source of a central government's revenue is
- A. rates. B. taxation.
- C. gifts and aid. D. profits from public enterprises.

QUESTION 2

SHORT ANSWER QUESTIONS

(16 marks)

- a. Use the table given below on monetary aggregates and your own knowledge to answer the question that follows.

Money Aggregates	\$m
Notes and coins held by the public	66 545
Investment accounts	15 570
Accounts operable by EFTPOS	20 463
Transaction accounts operable by cheques	25 240
Travellers cheques	10 524
Term deposits	11 957

- (i) Define M2 as a measure of money supply. (1 mark)
- (ii) Identify the **broadest** form of money supply above. (1 mark)
- (iii) Calculate:
- a. M1 (1 mark)
- b. M3 (1 mark)

- b. Use the equation $MV = PQ$ to answer this question.

- (i) If $GDP = \$1\ 000m$ and $V = 5$, calculate the value of M. (2 marks)
- (ii) Define the **quantity theory of money**. (1 mark)
- (iii) Which component of Fisher's Equation will be adjusted to balance the equation if there is an increase in price level (P)? (1 mark)
- (iv) State **one** factor affecting Money Demand. (1 mark)
- (v) Which institution in Fiji controls the money supply? (1 mark)

7.

- c. Use the information given below on the national accounts of a hypothetical economy and your knowledge to answer questions (i) - (iv).

	F\$ millions
Statistical discrepancy	22
Gross operating surplus	1089
Physical increase in stock	450
Consumption of fixed capital	890
Net exports	-678
Compensation to employees	780
Gross fixed capital formation	675
Net indirect taxes	783
Private consumption expenditure	456
Government consumption expenditure	834

- (i) State the formula to calculate GDP using **income approach**. (1 mark)
- (ii) Calculate GDP using **income approach**. (1 mark)
- (iii) Explain why **statistical discrepancy** is included in the calculation of GDP in national accounts. (2 marks)
- (iv) Give another term for **gross fixed capital formation**. (1 mark)
- (v) State the formula to calculate GDP using **expenditure approach**. (1 mark)

QUESTION 3

ESSAY WRITING

(10 marks)

Money market, like any other market, has both demand and supply side. With reference to the above statement, discuss:

- narrow money, near money and broad money (3 marks)
- three factors affecting money supply (3 marks)
- three factors affecting money demand. (3 marks)

SECTION D

INTERNATIONAL ECONOMICS

(14 marks)

QUESTION 1

MULTIPLE CHOICE QUESTIONS

(3 marks)

1. Unrequited Transfers is a component of
- A. visible trade B. invisible trade
- C. capital inflows D. capital outflows
2. The Balance of Trade is the
- A. ratio of export price index to import price index.
- B. ratio of import price index to export price index.
- C. difference between visible export and visible import.
- D. difference between invisible export and invisible import.

8.

3. Which of the following is a **major export commodity** of Fiji?

- A. Sugar B. Copra
- C. Gold D. Tourism

QUESTION 2

SHORT ANSWER QUESTIONS

(11 marks)

- a. Define the following concepts:
- (i) Domestic Trade (1 mark)
- (ii) Current Account (1 mark)
- (iii) Foreign Investment (1 mark)
- b. State one advantage and one disadvantage of multinational companies for a developing nation like Fiji. (2 marks)
- c. Describe capital account as a component of balance of payment account. (2 marks)
- d. Use the following hypothetical balance of payment data and your own knowledge to answer the questions (i) and (ii).

	\$million
Import of services	67
Import of goods	103
Export of services	409
Net income and transfers	55
Export of goods	208

- (i) Calculate **Balance on Current Account**. (2 marks)
- (ii) State **one** factor which influences the current account. (1 mark)
- (iii) Define the **Balance of Payments**. (1 mark)

QUESTION 3

ESSAY WRITING

(10 marks)

International investment is indispensable for sustainable industrial development.

(World Investment Report 2018)

In light of the above statement, discuss the following:

- three major reasons government supports foreign investment in Fiji. (3 marks)
- three examples with descriptions of foreign investment currently in existence in Fiji. (3 marks)
- three implications of these foreign investments to the economy. (3 marks)

SECTION E
QUESTION 1

DEVELOPMENT ECONOMICS
MULTIPLE-CHOICE QUESTIONS

(11 marks)
(3 marks)

1. A cultural industry in Fiji would be

A. sugar.	B. tourism
C. garment	D. construction.
2. Which of the following sections is responsible for creating policies relevant to the protection of cultural industries in Fiji?

A. Fiji Museum	B. Fiji Craft Society
C. Department of Heritage & Arts	D. Fiji Performing Rights Association
3. Cultural Economics involves

A. preservation of environment.	B. production of goods and services.
C. participation in international activities.	D. trade of traditional goods and services.

QUESTION 2

SHORT ANSWER QUESTIONS

(8 marks)

- a. Explain the term **sustainable development**. **(1 mark)**
- b. Name **one** cultural good/product which is now sold in the local market. **(1 mark)**
- c. State **one** government policy for Economic Development in Fiji. **(1 mark)**
- d. Use the resource given below and your knowledge to answer the question that follows.

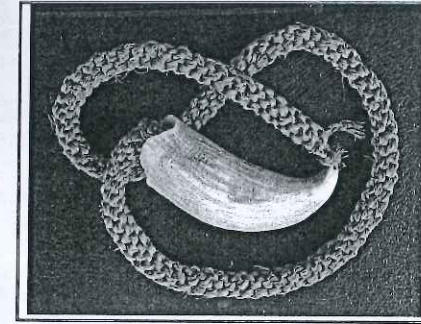


Source: <http://www.westindianarau.com>

In your own words, describe the activity shown in the resource above and how this activity benefits the people and the Fijian economy as a whole.

(3 marks)

- e. Study the picture given below and use your own knowledge to answer the question that follows.



Source: <https://www.google.com.au>

Identify the **cultural product** of Fiji and state its significance to the Fijian as shown in the picture above. **(2 marks)**

QUESTION 3

ESSAY WRITING

(10 marks)

Cultural industries are driving factors for local development.

In light of the above statement, discuss the following:

- **three** examples of cultural industries which are currently thriving in our economy. **(3 marks)**
- **three** challenges associated with the development of cultural industries. **(3 marks)**
- **three** ways in which cultural industries contribute positively to economic development in Fiji. **(3 marks)**

THE END.