

QUESTION 2 SHORT ANSWER QUESTION [16 MARKS]

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

	F\$ millions
Gross fixed capital formation	30
Gross operating surplus	32
Net exports	-2
Net indirect taxes	26
Physical increase in stock	3
Private consumption expenditure	45
Government consumption expenditure	6
Consumption of fixed capital	12
Statistical discrepancy	22
Compensation to employees	46

- (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)

[b] Use the data given below and your knowledge to answer the questions that follow.

Interest Rate %	Money Demand (\$m)
6	30
5	40
4	50
3	60
2	70

The Money Supply is \$40m

Required:

- (i) Draw the money demand and supply curves. (2 marks)
- (ii) Determine the interest rate from the graph. (1 mark)

- (iii) Which institution in Fiji controls the money supply? (1 mark)
 - (iv) Give one possible cause of the money supply curve shifting to the right. (1 mark)
 - (v) Explain the **speculatory demand** motive of holding money. (1 mark)
 - (vi) State one reason why the money supply curve is vertical. (1 mark)
 - (vii) How is money market equilibrium achieved? (1 mark)
- (c) An economist named Irving Fisher devised the Quantity Theory of Money Equation as shown below.

$MV = PQ$

- (i) State what V stands for in the equation above. (1 mark)
- (ii) Describe the relationship between price and money supply in the equation. (1 mark)
- (d) Use the information given below to answer the question that follows.

Money Aggregates	\$ million
Notes and coins in circulation	15
EFTPOS deposit balances	26
All fixed term deposits	59
Inter financial institutional funding	25

Calculate M3 from the information in the table. (1 mark)

QUESTION 3 ESSAY WRITING [OPTIONAL] 10 MARKS

Money market, like any other market, has both demand and supply side.

With reference to the above statement, discuss:

- **three reasons for money demand exists(3 marks)**
- **two factors affecting money demand(3 marks)**
- **The money market equilibrium.[illustrate using graphs] (3 marks)**

STRAND 4 INTERNATIONAL ECONOMICS [14 MARKS]

QUESTION 1 MULTIPLE CHOICE [3 MARKS]

1. 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
2. **Unrequited Transfers** is a component of
A. visible trade . B. invisible trade . C. capital inflows. D. capital outflows
3. Which of the following is a **major export** commodity of Fiji?
A. Sugar B. Copra C. Gold D. Tourism

QUESTION 2 SHORT ANSWER QUESTION [11 MARKS]

- (a) Define the following concepts:
- (i) **Balance of Payment (1 mark)**
- (ii) **Capital Account (1 mark)**
- (iii) **Multinational Corporations (1 mark)**
- (b) Classify the following international transactions (i) to (iii) of Fiji as **one** of the following:

visible export	visible import	invisible export
invisible import	capital inflow	capital outflow

- (i) Fiji exports sugar to UK worth \$ 25,000.
- (ii) Australians spend their vacation in Fiji costing \$ 5000.
- (iii) Purchase of shares worth \$ 2million by a New Zealand citizen in the Fiji Stock Market. (3 marks)
- (c) Define the economic term **domestic trade**. (1 mark)
- (d) Describe capital account as a component of balance of payment account. (1 mark)
- (e) Study the data given below for a hypothetical economy and answer questions (i) and (ii).

Balance of Payment for Beqa Economy (extract)

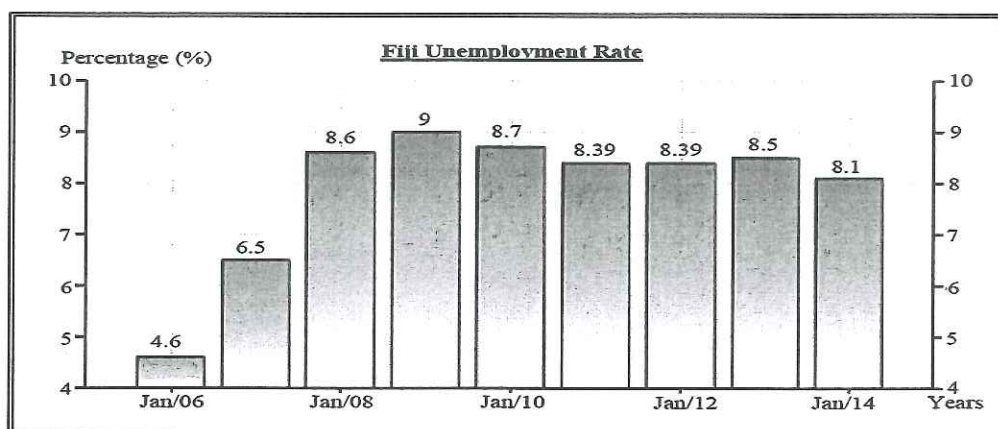
Details	\$ million
Net exports of goods	850
Net invisibles	700
Balance of capital account	1250

- (i) Identify one development issue as shown in the cartoon above. (1 mark)
- (ii) State one government policy which is aimed at addressing the development issue mentioned above. (1 mark)
- (c) Read the article given below and answer questions (i) to (iii).

There has been more rapid economic growth through robust investment in Fiji, according to the United Nations Economic and Social Survey of Asia and the Pacific 2014. It said solid investment helped the economy achieve a faster growth rate of 3.6 per cent in 2013 compared with 1.7 per cent in 2012. Gross Domestic Product (GDP) is \$4 billion and the nation's population is estimated to be a million.

Source: *Fiji Times*, 2014

- (i) Identify the source of economic growth stated in the article above. (1 mark)
- (ii) Compute the change in economic growth rate from 2012 to 2013. (1 mark)
- (iii) Calculate the Gross Domestic Product (GDP) per capita of Fiji with the estimated population given. (1 marks)
- (d) Study the graph given below and answer questions (i) and (ii).



(Source: www.tradingeconomics.com/world)

- (i) What does the graph above illustrate? (1 mark)
- (ii) Calculate the average rate of unemployment in Fiji over the 9 year period from the diagram above. (1 mark)

QUESTION 3 ESSAY WRITING -10 MARKS [OPTIONAL]

Economic development leads to economic growth and vice versa.
With reference to the above statement, discuss:

- three indicators of economic development (3 marks)
- three positive effects of economic development (3 marks)
- three economic policies to promote economic development in Fiji (3 marks)

THE END :BEST OF LUCK : PP, 2020