

BA PROVINCIAL FREE BIRD INSTITUTE

ANNUAL EXAMINATION 2020

YEAR 12 ECONOMICS

QUESTION PAPER

Time Allowed: Three hours

(An extra ten minutes is allowed for reading this paper)

Instructions:

1. Write all your answers in the appropriate places provided in the Answer Book.
2. Answer all questions as all are compulsory. **Note the choices for Essay Writing.**
3. Answer any 2 Essay Writing questions in the space allocated. Clearly indicate the essay question answered.
4. If you use extra sheets of paper, be sure to show clearly the number of the question(s) being answered and to tie each sheet securely in the Answer Book at the appropriate place.

You may use a calculator, provided it is silent, battery-operated and non-programmable

SUMMARY OF QUESTION

STRAND	<u>Types of question</u>	<u>Total marks</u>	
STRAND ONE INTRODUCTION TO ECONOMICS	Section A- Multiple choice (compulsory)	2	8
	Section B- Short answers (compulsory)	6	
	Section C- Essay(optional)	10	
STRAND TWO- MICROECONOMI CS	Section A- Multiple choice (compulsory)	7	26
	Section B- Short answers (compulsory)	19	
	Essay(optional)	10	
STRAND 3MACROECONO MICS	Section A- Multiple choice (compulsory)	5	21
	Section B- Short answers (compulsory)	16	
	Section C- Essay(optional)	10	
STRAND 4 INTERNATIONAL ECONOMICS	Section A- Multiple choice (compulsory)	3	14
	Section B- Short answers (compulsory)	11	
	Section C- Essay(optional)	10	
<u>STRAND 5</u> DEVELOPMENT ECONOMICS	Section A- Multiple choice (compulsory)	3	11
	Section B- Short answers (compulsory)	8	
	Section C- Essay(optional)	10	
<u>TOTAL</u>			100

STRAND 1 INTRODUCTION TO ECONOMICS [8 MARKS]

QUESTION 1 MULTIPLE CHOICE [2 MARKS] [COMPULSORY]

1. Scarcity of resources exists because people
 - A. have to make choices.
 - B. have insatiable wants.
 - C. lack the skills to produce more.
 - D. lack the technology to produce more.

2. The fact that resources are scarce implies that the Production Possibility Frontier will
 - A. be a straight line.
 - B. shift out over time.
 - C. have a negative slope.
 - D. bow out from the origin.

QUESTION 2 SHORT ANSWER QUESTIONS [6 MARKS] [COMPULSORY]

(a) Define the following concepts: [2 MARKS]

(i) Allocative Efficiency (1 mark)

(ii) Opportunity Cost (1 mark)

(b) Study the table given below and use your own knowledge to answer questions (i) – (iii).

Possibility	A	B	C	D	E	F
Food (tonnes)	0	2	4	6	8	10
Machine (000)	24	22	18	13	7	0

(i) Draw and fully label the production possibility curve for food on Y axis and machine on X axis. (2 marks)

(ii) How can an economy achieve a point outside the production possibility curve? (1 mark)

(iii) State the formula for calculating the opportunity cost of food. (1 mark)

QUESTION 3 ESSAY WRITING [10 MARKS] [OPTIONAL]

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)

STRAND 2 MICROECONOMICS (26 MARKS)

QUESTION ONE MULTIPLE CHOICE [7 MARKS] [COMPULSORY]

1. Workers specialising in their area of production results from
 - A. Automation.
 - B. Mechanisation.
 - C. Division of labour.
 - D. Economies of scale
2. What is the level of output obtained at minimal production cost?
 - A. Highest
 - B. average
 - C. optimal
 - D. marginal
3. When the average product and marginal product are declining, then the
 - A. marginal product is greater than average product.
 - B. average product is greater than marginal product.
 - C. average product is greater than total physical product.
 - D. marginal product is greater than total physical product
4. The kinked demand curve is usually illustrated by the _____ market.
 - A. Oligopoly
 - B. monopoly
 - C. perfect competition
 - D. monopolistic competition
5. An increase in the price causes an increase in total revenue when price elasticity of demand is
 - A. Elastic
 - B. Inelastic
 - C. Unit elastic
 - D. all of the above are possible.
6. The income elasticity of demand measures how much
 - A. Quantity demanded responds to a change in price
 - B. Quantity demanded responds to change in income
 - C. Price responds to change in demand
 - D. Demand responds to change in supply.
7. Which of the following challenges is associated with the manufacturing industries in Fiji?
 - A. Decrease in Fiji's exports
 - B. Less contribution to GDP
 - C. Less employment opportunity
 - D. Fluctuations in world market price

QUESTION 2 SHORT ANSWER QUESTIONS [19 MARKS] [COMPULSORY]

(a) DEFINITIONS (3 MARKS)

- (i) Perfect Competition
- (ii) Inter-dependence
- (iii) Division of labour
- (b) State 2 ways of increasing productivity (2 marks)
- (c) Study the graph given below and with your own knowledge answer questions (i) and (v).

Schedule of Production Cost and Revenue for a Pine-apple Producing Company

Output (Pine-apple in tonne)	Average Total Cost	Average Revenue
1	720	800
2	500	610
3	409	530
4	350	410
5	300	340
6	316	320

Note: the fixed cost of production is \$200

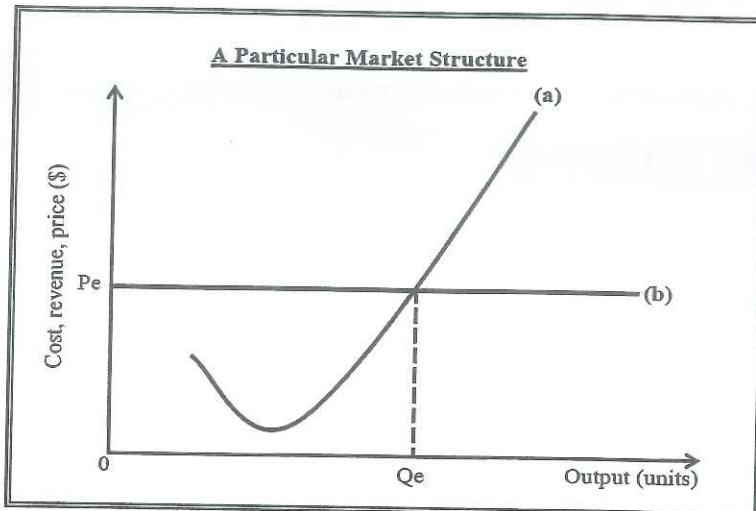
Calculate the short-run:

- i) Marginal cost at 4 units of Pine-apples.
 - ii) Total variable cost at 6 units of Pine-apples.
 - iii) Total revenue at 5 units of Pine-apples.
 - iv) Total cost at 3 units of Pine-apple. **(2 marks)**
 - v) Indicate the profit maximising output of this firm. Show your working. **(1 mark)**
- (d) Use the information given in the table below and use your own knowledge to answer questions (i) and (ii).

The price of **Chardin Gel** rises from \$2 to \$2.50 and the quantity demanded for **Hair Wax** increases from 150 ml to 200 ml.

- (i) Define **cross elasticity of demand**. **(2 mark)**
- (ii) Calculate **cross elasticity of demand** from the information given above. **(2 marks)**

(e) Study the graph given below and answer questions (i) to (iii).



(i) Identify the market structure given above. (1 mark)

(ii) Label the curves (a) and (b). (2 marks)

(iii) Draw the average cost curve to illustrate a **supernormal profit**. (1 mark)
(Label the average cost curve as AC.)

(f) Use the article below and your knowledge to answer the questions from (i) to (iii).

A Domestic Resource Based Industry

Exciting times are ahead for Government's **Pacific Fishing Company Limited** as it begins to recover from its once ailing status. \$25 million will be invested in the Levuka-based facility in the long term. This is a commitment which is jointly supported by Government and PAFCO's strategic partner US-based Bumble Bee Foods.

PAFCO chairman Ikbal Jannif said: "It is an indication of not only PAFCO's commitment to Levuka, but also Bumble Bee's commitment to PAFCO and Government's commitment to PAFCO."

Of this, \$13.5 million will be allocated to build a 4000 metric-tonne freezer at its headquarters in Levuka. The new freezer is to be located on the footprint of the previous freezer building which was built in 1963 and which burnt down in 2008. The investment is being made through loan agreements between Government at \$9 million announced during the 2015 National Budget announcements and the remainder by Bumble Bee.

PAFCO chairman Ikbal Jannif said the investment is required to meet the demand and supply of fish throughout the year as well as replace its aging facilities.

"For some years now, PAFCO has noticed a decline in tuna in certain seasons of the year. The **new freezer facility** will allow PAFCO to purchase tuna when it is available and store it".

Source: <http://www.fijisunonline.com.fj>. 21st May, 2015

(i) Define Domestic Resource Based Industry. (1 mark)

(ii) State how the installation of a new freezer contributes to productivity. (1 mark)

(iii) Identify a problem which has been rectified by this investment. (1 mark)

QUESTION 3 ESSAY WRITING [OPTIONAL]

I do believe that as the country becomes more attractive in the manufacturing sector, salaries can improve, and opportunities can expand - Ildefonso Guajardo Villarreal.

With reference to the above statement, discuss;

difference between domestic and import resource based industries with reference to local examples (3 marks)

three problems associated with manufacturing industry in Fiji (3 marks)

three solutions to the problems discussed above. (3 marks)

STRAND 3 MACROECONOMICS (21 MARKS)

QUESTION 1 MULTIPLE CHOICE [5 MARKS]

1. When talking about Gross Domestic Product (GDP), which of the following statements is correct?

A. GDP measures the quality of life.

B. Inflation has an effect on real GDP, but not on nominal GDP.

C. Measuring by the income and expenditure methods should result in the same amount.

D. Measuring by the production method means adding up the value of all goods and services produced.

2. 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.

3. Keeping money aside in case of a bargain is an example of _____ demand for money.

A. asset

B. transaction

C. speculative

D. precautionary

4. Which of the following events will most likely cause an increase in the money supply?

A. An increase in interest rate.

B. An increase in real income.

C. A decrease in required reserve.

D. An increase in general price level.

5. Which of the following is a limitation of GDP?

A. Include illegal market activities

B. Does not include non-market activities

C. Include economic activities with negative values

D. Does not include goods and services traded on formal market