JASPER WILLIAMS HIGH SCHOOL

ANNUAL EXAMINATION 2020

YEAR 12

ECONOMICS

Time allowed: 3 hours

(An extra 10 minutes is allowed for reading this paper.)

INSTRUCTIONS

1. Write your **Index Number** on the front page of the **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 pen or ink pen. Do **not** use red ink. 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	14 minutes
B	Microeconomics	26	47 minutes
C	Macroeconomics	21	38 minutes
D	International Economics	14	25 minutes
E	Development Economics	11	20 minutes
Essay Writing	Essay Writing (Choose any 2 questions from Section A to E)	20	36 minutes
TOTAL		100	180 minutes

SECTION A   INTRODUCTION TO ECONOMICS   (8 marks)

QUESTION 1   MULTIPLE CHOICE QUESTIONS   (2 marks)

1. Which of the following statements is true about the Production possibility curve?

   A.   It is based on the assumption that only two goods can be produced.

   B.   It shows that production of both goods can be increased simultaneously.

   C.   It shows that unlimited quantities of two can be produced with given level of resources.

   D.   It shows the maximum output combination of two goods that an economy would like to produce.

2. In a PPF, the production of one good can only be increased by having to reduce the production of the other commodity. This illustrates the concept of

   A.   Scarcity and choice

   B.   Opportunity cost and choice

   C.   Scarcity and opportunity cost.

   D.   Opportunity cost and allocative efficiency

QUESTION 2   SHORT ANSWERS AND PROBLEM SOLVING

Use the information given below and your knowledge to answer questions a-d.

Posibilities	A	B	C	D	E	F
Capital goods (000's)	0	5	8	12	17	23
Consumer goods (000's)	45	40	34	27	12	0

a. Draw and fully label the production possibility curve for capital goods on Y axis and consumer goods on X axis.   (2 marks)

b. Explain why the production possibility curve is concave to the origin.   (1 mark)

c. Calculate the opportunity cost per unit if production is shifted from point D to point C.   (1 mark)

d. Calculate the MRT of increasing production of consumer goods from 12000 to 34000.   (1 mark)

e. State the maximum output of consumer good and capital goods.   (1 mark)

QUESTION 3   **ESSAY WRITING**   **(10 marks)**

Firms' smart decisions about trade off and opportunity cost is reflected on Production Possibility Frontier (PPF).

With reference to the above statement, discuss:

- the definition of Production Possibility Frontier, law of increasing opportunity cost and law of constant opportunity cost **(3 marks)**
- three assumptions of PPF **(3 marks)**
- effects of technological change, unemployment of resources and economic growth on PPF. **(3 marks)**

SECTION B   **MICROECONOMICS**   **(26 marks)**

QUESTION 1   **MULTIPLE CHOICE**   **(7 marks)**

1. Productivity of labour can be increased through the following factors except

    A.   Specialization

    B.   Division of labour

    C.   Hiring more workers

    D.   Training and education

2. An increase in per unit cost of production as a firm increases its scale of production is termed as

    A.   Economies of scale

    B.   Diseconomies of scale

    C.   Increasing return to scale

    D.   Decreasing return to scale

3. A decline in the price of a commodity causes total revenue to rise. From this, one can conclude that the price elasticity of demand for that commodity is

    A.   unitary elastic.

    B.   relatively elastic.

    C.   perfectly inelastic.

    D.   relatively inelastic.

4. Which of the following product would have an inelastic demand?

    A.   Sugar

    B.   Vehicles

    C.   Computers

    D.   Mobile phones

5. A market that sells product with no close substitute.

    A.   Oligopoly

    B.   Monopoly

    C.   Perfect competition

    D.   Monopolistic competition

6. Which of the following market structure achieves production at the socially desirable level of output?

    A.   Oligopoly

    B.   Monopoly

    C.   Perfect competition

    D.   Monopolistic competition

7. The breakeven is a point where

    A.   A firm is not able to meet its fixed costs

    B.   A firm is not able to meet its variable costs

    C.   A firm is not able to meet both its variable cost and fixed costs.

    D.   A firm's total revenue is equals to its total variable and fixed costs.

QUESTION 2   SHORT ANSWERS AND PROBLEM SOLVING   (19 marks)

A. Define the following terms:

   a. Diversification

   b. Labour intensive production

   c. Import resource-based industry

   d. Price-maker   **(4 marks)**

B. Questions i to v are based on the following production data for a firm which uses only two inputs, land and labour.

Units of Labour	Land (acre)	Total Output	Marginal output
1	2	40	40
2	2	90	50
3	2	150	A.
4	2	220	70
5	2	B.	80
6	2	380	C.
7	2	440	60
8	2	D.	40

   i.   Calculate the missing values, A-D.   **(2 marks)**

   ii.   Define the **law of diminishing return**.   **(1 mark)**

   iii.   After which unit of input does the law of diminishing return sets in?   **(1 mark)**

   iv.   State the term that describe the marginal output on the employment of the fifth and sixth unit of labour.   **(1 mark)**

   v.   Calculate the productivity of labour for the 380 units of output.   **(1 mark)**

C. Use the information below and your knowledge to answer the questions that follow.

> A number of things happen when the price of Good X changes from $6.80 to $7.30. The quantity demanded of Good Z decreases from 60 units to 55 units, while the quantity demanded of Good Y increases from 80 units to 90 units

    a. Calculate the Cross elasticity of demand of Good Z in relation to changes in price of Good X. **(1 mark)**

    b. Interpret the coefficient you have calculated in (a) above. **(1 mark)**

    c. Differentiate between **price elasticity of demand** and **cross elasticity of demand**.

(2 marks)

D. With your knowledge of the different market structure, answer the following questions.
    a. Draw a graphical illustration of the shut-down point for perfect competition. **(2 marks)**

    b. List **one** characteristic of an oligopoly market. **(1 mark)**

    c. Define **price discrimination** as used by monopolies. **(1 mark)**

    d. Complete the table below.

Market	Perfect competition	Monopolistic Competition
Product Type		

(1 mark)

QUESTION 3　　　　　　　**ESSAY WRITING**　　　　　　　**(10 marks)**

Manufacturing sectors have immensely contributed towards the growth of primary industries in Fiji.
With reference to the above statement, discuss:

    • three features of the manufacturing industries in Fiji **(3 marks)**

    • three contributions of the manufacturing industries to the Fijian economy **(3 marks)**

    • three problems faced by the manufacturing industries in Fiji **(3 marks)**

SECTION C **MACROECONOMICS** **(21 marks)**

QUESTION 1 **MULTIPLE CHOICE** **(5 marks)**

1. Holding money for investment purposes is known as

   A. Asset demand

   B. Transaction demand

   C. Emergency demand

   D. Precautionary demand

2. Which of the following is an immediate form of money?

   A. Fixed term deposits

   B. Saving account deposits

   C. Cheque account deposits

   D. Account accessible by EFTPOS.

3. Which of the following would not be included in the national income?

   A. Income earned by local exporters.

   B. Wages earned by construction workers.

   C. Income earned by vendors in municipal markets.

   D. Income earned by fishermen selling fish at the road side.

4. An increase in money supply could be due to

   A. increase general price level
   B. selling of government bonds
   C. increase required reserve ratio
   D. purchase of government bonds.

5. GDP at factor cost does not include

   A. exports
   B. rental income
   C. Surpluses from trading
   D. Employees' compensation

QUESTION 2   SHORT ANSWERS AND PROBLEM SOLVING   (16 marks)

A. Define the following terms:

    a.   Precautionary demand

    b.   Real Income   **(2 marks)**

B. Use the information given in the table below and use your knowledge to answer the questions that follow.

	F$millions
Personal consumption	3657
Consumption of fixed capital	400
Wages	3254
Indirect tax	500
Interest	530
Domestic investment	741
Government expenditure	1098
Rental income	237
Corporate profits	341
Exports	673
Proprietors income	403
Imports	704
Subsidies	200

    a.   Calculate the Gross Domestic Product (GDP) using the **Income approach.**   **(2 marks)**

    b.   Calculate **GDP at factor cost**.   **(1 mark)**

    c.   List **two** major components of GDP under the expenditure approach.   **(1 mark)**

    d.   State **two** reasons GDP is not a good measure of economic welfare.   **(2 marks)**

C. Study the resource below and answer question

> The central bank measures the money supply using three monetary aggregates: M1, M2, and M3

    i.   Define **Broad money.**   **(1 mark)**

    ii.   Which monetary aggregate is classified as Near money?   **(1 mark)**

    iii.   List **two** components of M1.   **(1 mark)**

D. Read the resource given below and with your own knowledge answer questions (i) to (iii).

> Assume that in 2019, the Cleveland Economy has a money supply of $3 billion, Velocity = 3, Volume of transactions = $2.5 billion

    i.   Define **velocity**.   **(1 mark)**

    ii.   Suppose the volume of goods (Q) in 2019 was 312.5 million units. Use the equation of exchange to determine the price (P).   **(1 mark)**

    iii.   State the relationship between money supply (M) and price (P).   **(1mark)**

E. Study the graph below and use your knowledge to answer question i and ii.
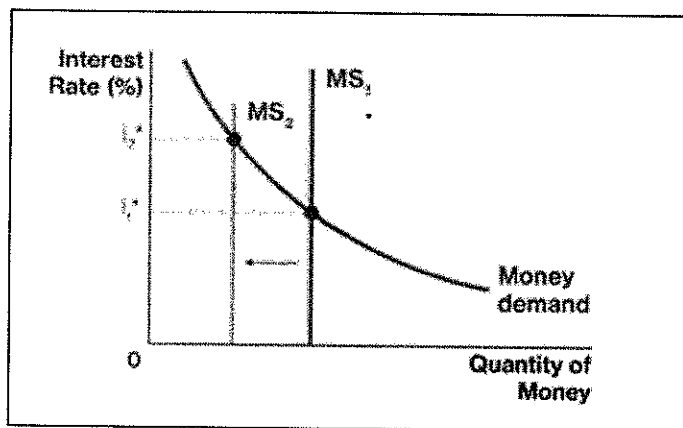
    i.   State the reason for the downward sloping demand curve.   **(1 mark)**

    ii.   State **one** factor that would shift the money supply from MS_1 to MS_2.   **(1 mark)**

QUESTION 3   **ESSAY WRITING**   **(10 marks)**

The total stock of money circulating the economy involves the currency, printed notes, money in deposit accounts and in the form of other liquid assets.

With reference to the above statement discuss:

- the **three** monetary aggregates.   **(3marks)**
- **three** factors that would increase the money supply.   **(3 marks)**
- **three** factors that would increase money demand.   **(3 marks)**

SECTION D   INTERNATIONAL ECONOMICS   (14 marks)

QUESTION 1   MULTIPLE CHOICE QUESTIONS   (3 marks)

1. Balance of trade does not include

    A.   Exports of fish

    B.   Exports of sugar

    C.   Imports of wheat

    D.   Tourism earnings

2. Which of the following is not a component of balance of invisible?

    A.   Balance of trade

    B.   Balance of services

    C.   Balance of income   .

    D.   Balance of transfers

3. An example of official capital transactions is

    A.   Direct investments in Fiji by foreigners

    B.   Borrowing by local residents overseas

    C.   Borrowing by the government from FNPF.

    D.   Borrowing by the government from the World Bank

QUESTION 2   SHORT ANSWERS AND PROBLEM SOLVING   (11 marks)

A. Define the following terms:
    i.   Balance of trade
    ii.   Foreign reserve   (2 marks)

B. Given below is hypothetical Balance of payment account for Maryland. Study the table and use your knowledge to answer question (a) - (g).

	$m	$m	$m
CURRENT ACCOUNT			
Merchandise exported	290.1		
Merchandise imported	162.3		
I.		127.8	
Services exported	25.3		
Services imported	82.6		
Balance on services		**II.**	
Balance on goods and services			70.5
Unilateral transfers		5.3	
Balance on current account			75.8
CAPITAL ACCOUNT			
Domestic government investment	-24.7		
Domestic private investment	-91.3		
Domestic investment in foreign assets		-116.0	
Foreign government investment	8.1		
Foreign private investment	33.8		
Foreign investment in domestic assets		41.9	
Balance on Capital account			-74.1
Balance on current and capital account			1.7
Statistical discrepancy			**III.**
OVERAL BALANCE			0.0

a) Name the missing term labelled **(I)**. **(1 mark)**

b) Calculate the missing values **(II)** and **(III)**. **(2 marks)**

c) Why are domestic government investment and domestic private investment under the Capital account written as negatives? **(1 mark)**

d) Give **two** examples of unilateral transfers. **(2 marks)**

e) State **one** government policy that would improve Fiji's current account balance. **(1 mark)**

f) Name a component of the current account missing in Maryland's BOP? **(1 mark)**

g) State a transaction in the Capital account that would be classified as official capital transaction. **(1 mark)**

QUESTION 3 **ESSAY WRITING** **(10 marks)**

Sustainability of the current account is highly challenging.

With reference to the above statement, discuss:

- **three** main components of current account. **(3 marks)**
- **three** factors influencing balance on current account. **(3 marks)**
- **three** ways government can correct current account deficit. **(3 marks)**

SECTION E **DEVELOPMENT ECONOMICS** **(11 marks)**

QUESTION 1 **MULTIPLE CHOICE** **(3 marks)**

1. Cultural economics refers to

    A. economic development in the country.
    B. sustainable development for industries.
    C. the traditions and culture of local people.
    D. utilizing local resources for better returns

2. Which of the following factors contributes to economic development?

    A. Adult literacy rate
    B. International trade
    C. Infant mortality rate
    D. Real GDP per capita

3. Economic growth differs from economic development in the sense that it is concerned with

    A. Social change
    B. Economic change
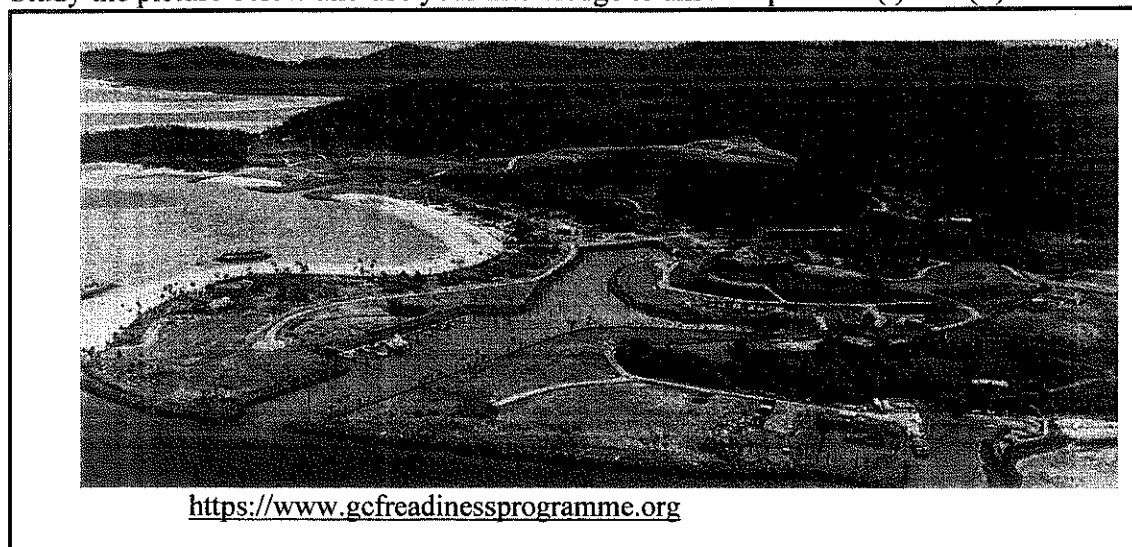   C. Qualitative change
    D. Quantitative change

QUESTION 2   **SHORT ANSWERS AND PROBLEM SOLVING**   **(8 marks)**

A.   Define the following terms.
      a.   Sustainable development
      b.   Copyright   **(2 marks)**

B.   Study the picture below and use your knowledge to answer question (i) and (ii).

https://www.gcfreadinessprogramme.org

   i.   State **one** of the negative effects of the kind of development shown.   **(1 mark)**

   ii.   State **one way** the nearby communities would benefit from this type of development.
                                                                               (1 mark)

C. Use the resource given below and your knowledge to answer the question that follows.

https://ourpacificways.wordpress.com/category/fiji/

a) State **one** way the Fijian government can promote the above industry. **(1 mark)**

b) State **one** of the major problems faced by the cultural sector in Fiji. **(1 mark)**

c) Explain **one** government policy that would resolve the problem you have stated above.

(2 marks)

QUESTION 3   **ESSAY WRITING**   **(10 marks)**

Economic development is the creation of wealth from which community benefits are realized.

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