

STUDENT EDUCATION NUMBER



GOVERNMENT OF SAMOA  
MINISTRY OF EDUCATION, SPORTS AND CULTURE

# Samoa School Certificate

# ECONOMICS

## 2018

## QUESTION and ANSWER BOOKLET

Time allowed: 3 Hours & 10 minutes

### INSTRUCTIONS

1. You have 10 minutes to read **before** you start the exam.
2. Write your **Student Education Number (SEN)** in the space provided on the top right hand corner of this page.
3. **Answer ALL QUESTIONS.** Write your answers in the spaces provided in this booklet.
4. If you need more space, ask the Supervisor for extra paper. Write your SEN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

CURRICULUM STRANDS		Page	Time (min)	Weighting
<b>STRAND 1:</b>	PRODUCTION	2	54	27
<b>STRAND 2:</b>	CONSUMPTION	7	45	35
<b>STRAND 3:</b>	MARKET	13	81	38
<b>TOTAL</b>			<b>180</b>	<b>100</b>

Check that this booklet contains pages 2-21 in the correct order and that none of these pages are blank.

**HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION**

**SERVICE INDUSTRIES**

Study the resource materials below and refer to when answering the questions that follow.

**Resource 1**



1. Identify ONE organization from the resource directly involved with transport.

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SL 1

2. Name ONE organization from the resource that is involved in communication.

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SL 1

3. Select ONE organization that is owned and operated by the Government.

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SL 1

4. Give an example of a marketing service that is provided by SSAB.

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SL 1

5. Describe the interdependence between Western Union money transfer and households.

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SL 2

6. “Modern Technology is changing the nature of communications within and between businesses.” Discuss in paragraph.

You should include the following in your paragraph:

- Methods of communication within and between businesses
- Impact of modern technology on the output of the business sector.

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SL 4

**PRODUCTIVITY**

Read the text below and answer the questions that follow.

Simi and Siaki run their own small lawn mowing business . Siaki mows the lawn and Simi follows behind trimming edges with hand clippers. They have been asked to mow more lawns but have had to turn the jobs down as they do not have enough time.

7. Explain how Simi and Siaki could use **specialization, investment** and **technology** to increase productivity of their lawn mowing business and hence take on more jobs and increase the revenue of their firm.

SL 4

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8. Economies of Scale also imply increased productivity for Siaki and Simi’s lawn mowing business. Explain two factors which can lead to economies of scale.

SL 3

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**SUPPLY**

9. Distinguish between a movement along a supply curve and a shift of a supply curve. You may draw graphs to help with your description.

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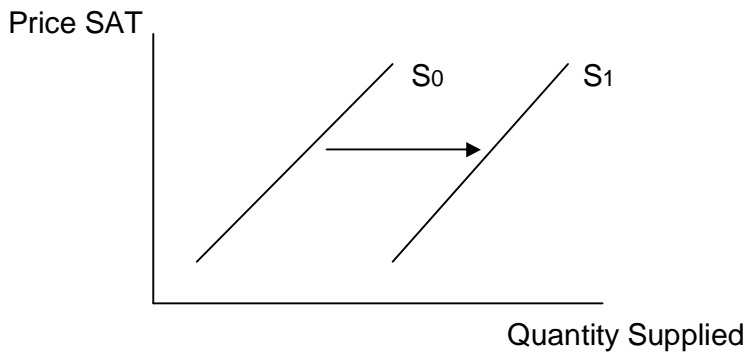
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SL 3

Study Figure 1 below and use it to answer the questions which follow.

**Figure 1**

**Supply of Wooden Chairs**



10. Describe the situation shown in Figure 1.

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SL 2

11. Explain why the supply curve slopes upward.

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SL 3

12. List the factors that would shift the supply of wooden chairs to the **left**.

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SL 2

**DEMAND**

Study the demand schedule below and answer the questions that follow.

**Table 1:** Individual demand schedules for a commodity

Price (SAT)	QD Consumer A	QD Consumer B	QD Consumer C	QD Consumer E	Market Demand
1	5	18	8	20	
2	4		7	17	45
3	3	11	6	14	
4		9	5	11	31
5	1	8	4	7	
6	0	7		4	14

13. Complete the table by filling in the missing figures.

SL 2

14. Define consumer demand.

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SL 1

15. Distinguish between individual demand and market demand.

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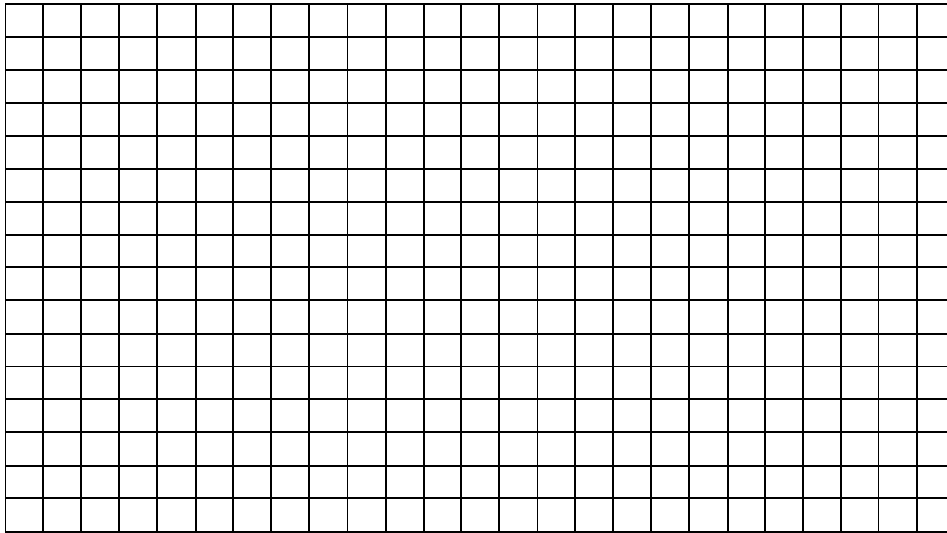
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SL 3

16. Construct a fully labeled Market Demand curve in the grid below using the information provided in Table 1.



SL 4

**Suppose Consumer A won a lotto jackpot which enabled her to increase purchases of the commodity by 100%.**

17. On the same graph above, draw a new market demand curve as a result of an increase in Consumer A's demand. Label it **MD<sub>2</sub>**.

SL 3

18. Suggest TWO other reasons for the market demand curve to shift to the right.

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SL 2

19. Describe the law of demand using an example from the graph above.

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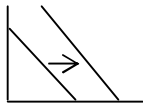
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SL 2



20. Complete the table below by **describing and illustrating the effects** of the given events on the **demand for oranges** at a roadside stall. An example has already been done for you.

SL 4

Events	Description of effect	Graph illustration
<b>Example:</b> Orange buyer's taxes are decreased.	A decrease in taxes will increase disposable income thus enable buyers to purchase more oranges.	
The price of oranges drops.		
The health department talks enthusiastically on TV about pure orange juice.		
Holiday traffic passing the stalls increases.		
A competitor sets up a stall across the road.		

## CONSUMPTION POSSIBILITIES

Faga has SAT10 he can spend. There are two goods which can be bought: ice cream or pies.

The following table shows the many possible combinations of the number of ice creams and pies that Faga can afford to buy with SAT10.

**Table 2: Consumption Possibilities Schedule for Faga**

Possibility	A	B	C	D	E	F
Ice creams	10	8	6	4	2	0
Pies	0	1	2	3	4	5

21. Describe the purpose of Consumption Possibility with reference to the table above.

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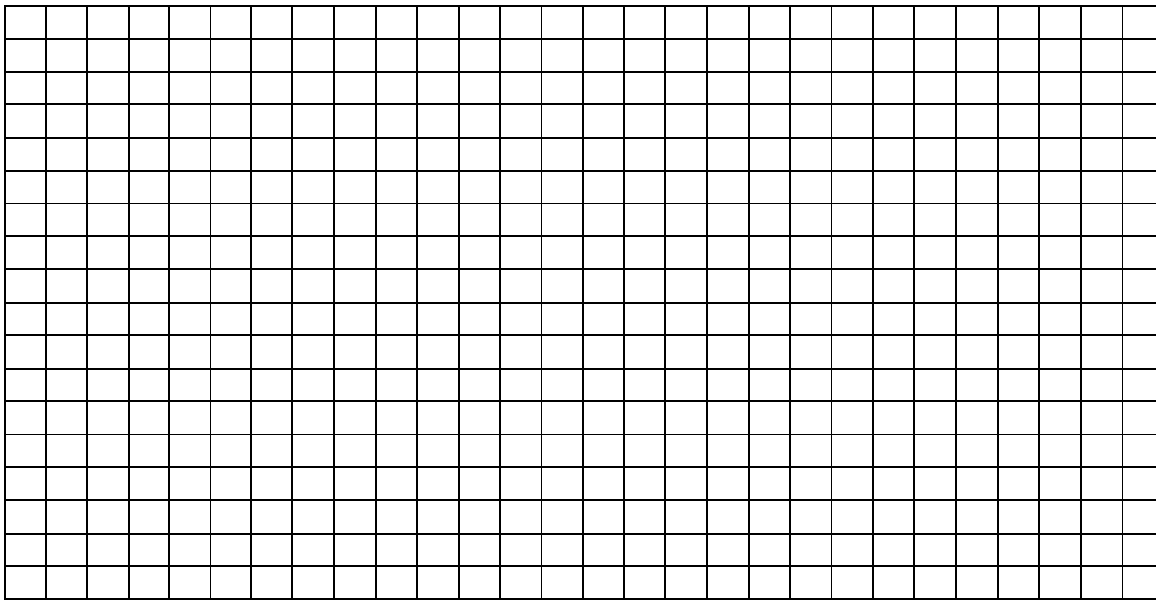
SL 2

22. Faga can have four ice creams and three pies. If he wants to have an extra pie, how many ice creams must he **give up**?

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SL 1

23. Construct a Consumption Possibilities Curve (CPC) for Faga in the grid below. Make sure to label your CPC correctly.



SL 3

24. State the significance of the points **on** the Consumption Possibilities curve.

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SL 1

25. **Mark a point** on your CPC above which shows that Faga is unable to purchase at that point due to insufficient income. Label it **A**.

SL 1

26. Describe how an increase in the price of pies will affect the CPC above.

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SL 2

27. **Explain and illustrate** on the graph on page 11 how an increase in Faga's income will affect the CPC. Label it **BL2**.

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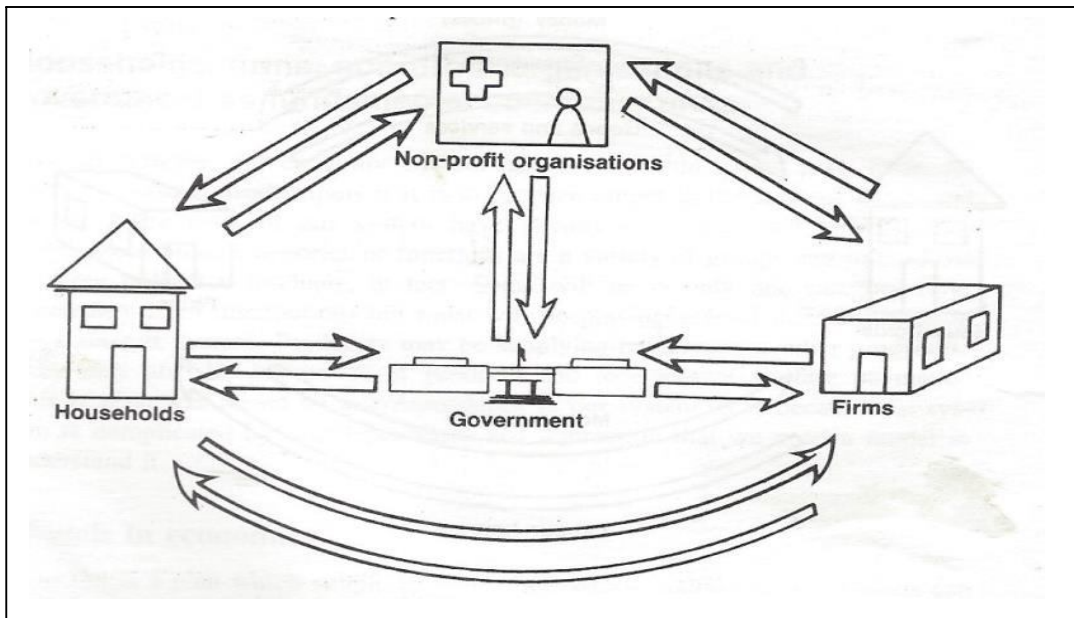
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SL4

**CIRCULAR FLOW**

Study the Circular Flow Diagram below and answer Number 28 – 31.

**Diagram 1: Three Sector Model Circular Flow Diagram**



28. Identify which **sector** the **National Bank of Samoa (NBS)** would fit into.

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SL 1

29. Use a different colour to shade or circle the arrow which represents the flow of Income tax (PAYE).

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SL 1

30. Describe the role of a Non-Profit organization.

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SL 2

31. Explain the relationship between Households and Firms.

SL 3

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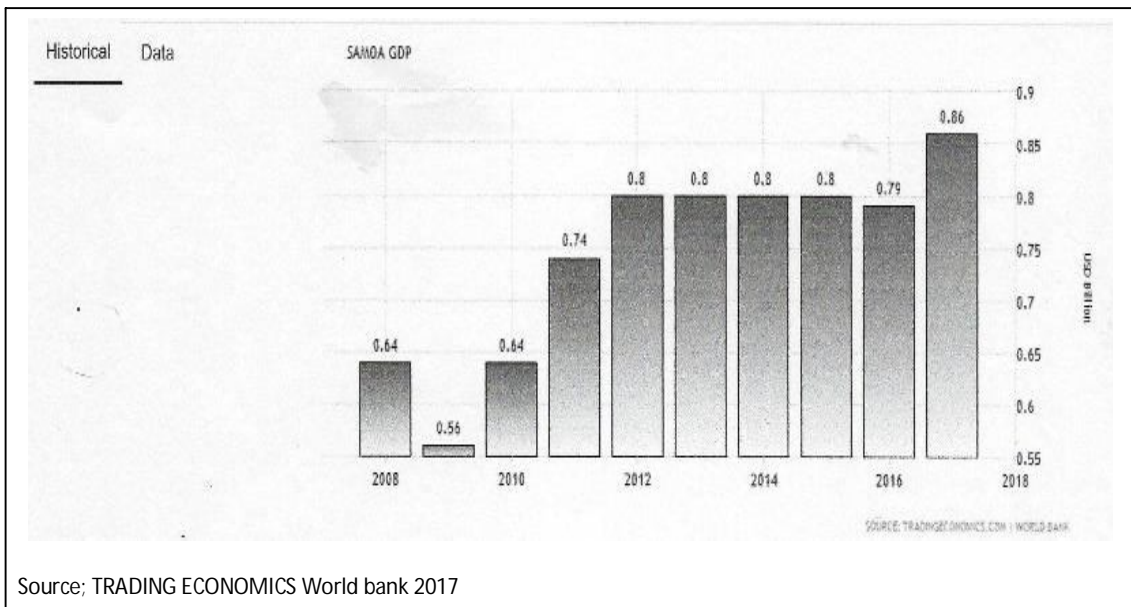
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**Graph 1**

**Samoa's GDP (2008 – 2018)**



32. Study the graph above and discuss the movements in Samoa's GDP over the last 10 years.

Include the following in your discussion:

- Define GDP. What does it measure?
- Describe the trends shown in the graph above since 2008.
- Give one reason why government would encourage an increase in GDP.

SL 4

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**MONEY AND INFLATION**

33. For each description below, write the correct **function** or **characteristic** of money next to its most appropriate description.

**Table 3: Functions and Characteristics of Money**

Description	Function or Characteristic of money
Hina purchased a car at Sai Motors valued at \$10,000	
The Central Bank controls the amount of money in circulation.	
Money must be able to resist wear and physical deterioration.	
Mili bought a new washing machine using her ATM credit card.	

SL 2

**High rates of inflation have undesirable or negative effects.**

34. List the THREE main causes of inflation.

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SL 2

35. Explain why people need more money during inflation.

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SL 3

**A high rate of inflation has many far-reaching effects.**

36. Explain **the negative impacts of social and economic effects** of inflation and comment on how each impact can be resolved or improved upon.

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SL 4



Credit increases the Money supply. More money creates extra demand in the economy because consumers have the ability to buy more. Its' distinctive monetary aggregates are M1, M2 and M3.

37. Describe the difference between M1 and M2.

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SL 2

The Quantity Theory of Money ( $MV=PQ$ ) simply states that as Money Supply increases the Price Level will also increase where V and Q are constant.

38. Use the equation above to calculate the value for P, assuming  $M=10m$ ,  $V=2t$ ,  $Q=4m$ . Must show working.

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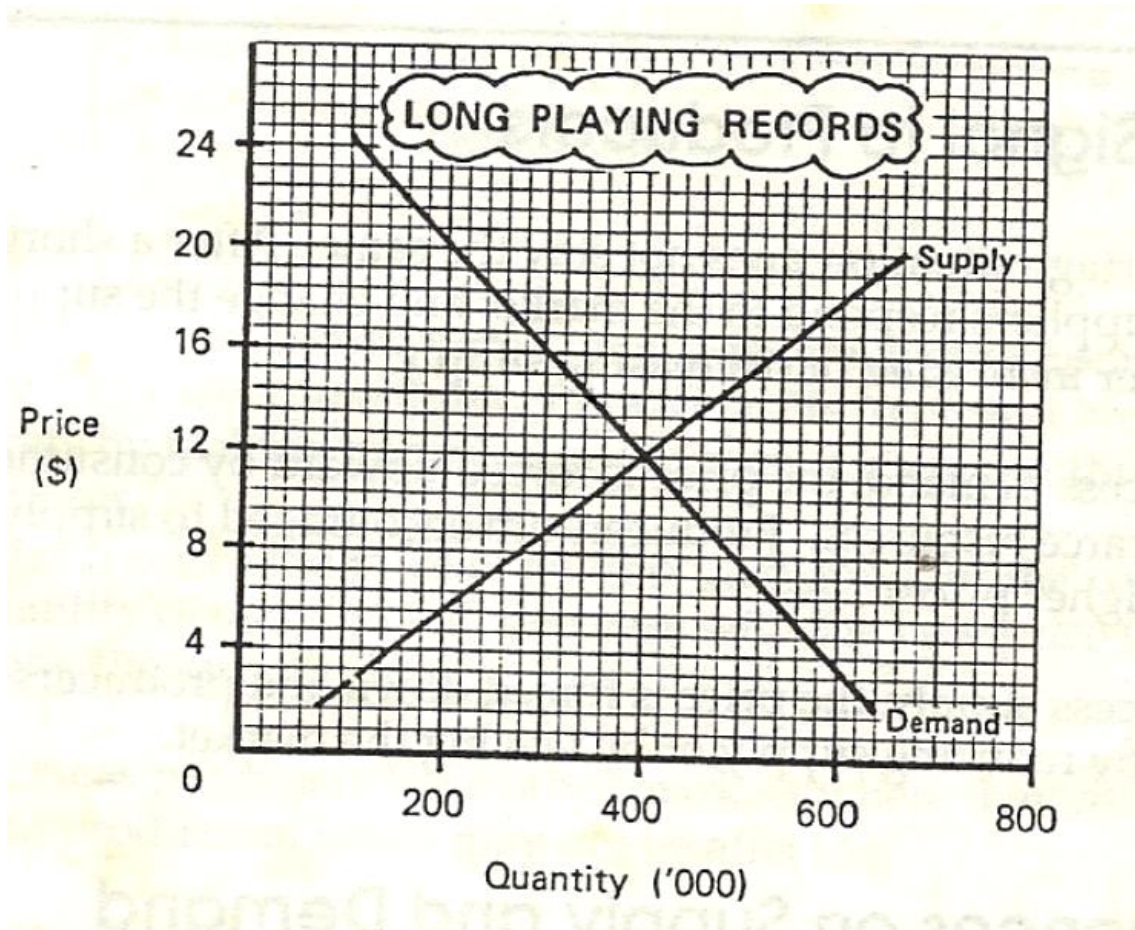
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SL 2

## MARKET EQUILIBRIUM

Study the graph below and answer Numbers 39 – 43.

Graph 2 : Supply and Demand for Cassette Records



39. At what **price and quantity** do both suppliers and consumers agree?

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SL 1

40. Identify a price from the graph that will result in **excess supply**.

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SL 1

41. Identify a price from the graph that will result in **excess demand**.

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SL 1

42. Suppose the government set a minimum price of SAT20. Illustrate this on the graph on page 18 and **explain** the impact it will have on the market. What would be likely to happen to price and quantity?

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SL 3

43. The government may tax the Records taking part of the price as a fee. **Illustrate** the effect of a tax imposed by the government on the graph on page 18 and **comment** on the market situation for the records.

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SL 3

44. Explain TWO non-price competition strategies or methods which are commonly used by the Samoa Airways Limited to promote its airline services in order to increase its market share.

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SL 3

STUDENT EDUCATION NUMBER									

## ECONOMICS

2018

(For Scorers only)

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