



MARKER CODE			

STUDENT ENROLMENT NUMBER									



# Sāmoa School Certificate

## ECONOMICS

### 2015

### QUESTION and ANSWER BOOKLET

Time allowed: 3 Hours and 10 Minutes

**INSTRUCTIONS:**

1. You have 10 minutes to read **before** you start writing.
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 for answers, 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.

STRANDS	Pages	Time (Minutes)	Weighting
<b>STRAND 1: PRODUCTION</b>	2	54	30
<b>STRAND 2: CONSUMPTION</b>	9	45	25
<b>STRAND 3: MARKET</b>	15	81	45
<b>TOTAL</b>		<b>180</b>	<b>100</b>

Check that this booklet contains pages 2-26 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

**A. SERVICE INDUSTRIES**

Study the diagrams below to answer the following questions.

<p style="text-align: center;"><b>Firm A</b></p>  <p style="text-align: center;">Janet's Samoa Shop, Faleolo, Upolu</p>	<p style="text-align: center;"><b>Firm B</b></p> <p style="text-align: center;"><b>Betham &amp; Co</b> Certified Public Accountants</p> <p>Cnr Vaitele St and Togafu'afu'a Rd, Vaitele St, Apia P.O. Box 859, Apia, Samoa Tel: +(685)24-337 Fax: +(685) 24-336 Email: <a href="mailto:info@bethamco.com">info@bethamco.com</a></p>
<p style="text-align: center;"><b>Firm C</b></p> 	<p style="text-align: center;"><b>Firm D</b></p> 

a. Identify a way through which Firm B can finance its operations.

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Skill level 1	
1	
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- b. Identify a service from the other three above and explain how it would assist **Ah Liki Wholesale** in providing better service to their regular customers.

Service Industry: \_\_\_\_\_

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Skill level 3	
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- c. Discuss ONE advantage of the service industries to the Samoan economy.

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Skill level 4	
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## B. PRODUCTIVITY

- a. Define productivity.

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Skill level 1	
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- b. Complete the table below by calculating the value(s) for Marginal Product and Productivity columns.

Worker	Total Product	Marginal Product	Productivity
0	0	0	0
1	100	100	
2	250	150	
3	400	150	
4	500	100	
5	450		

Skill level 4	
4	
3	
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c. From the table above, at what point in the employment of workers do the following occur?

- (i) Increasing returns \_\_\_\_\_
- (ii) Constant returns \_\_\_\_\_
- (iii) Diminishing returns \_\_\_\_\_

Skill level 1	
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d. Distinguish between increasing returns and constant returns

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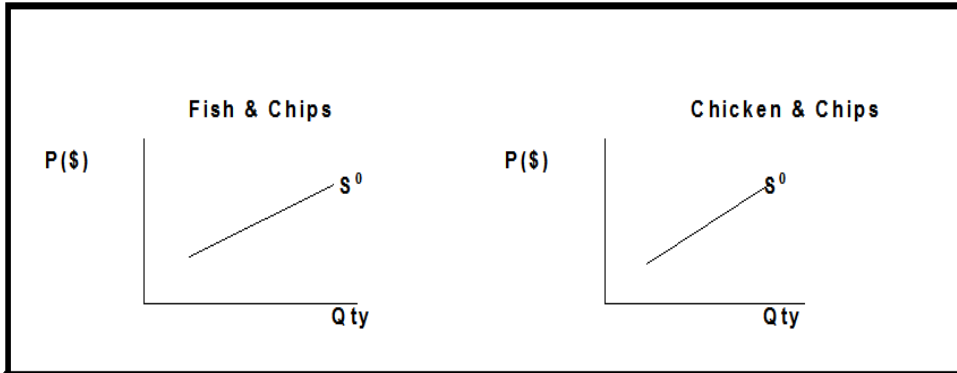
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Skill level 3	
3	
2	
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**C: SUPPLY**

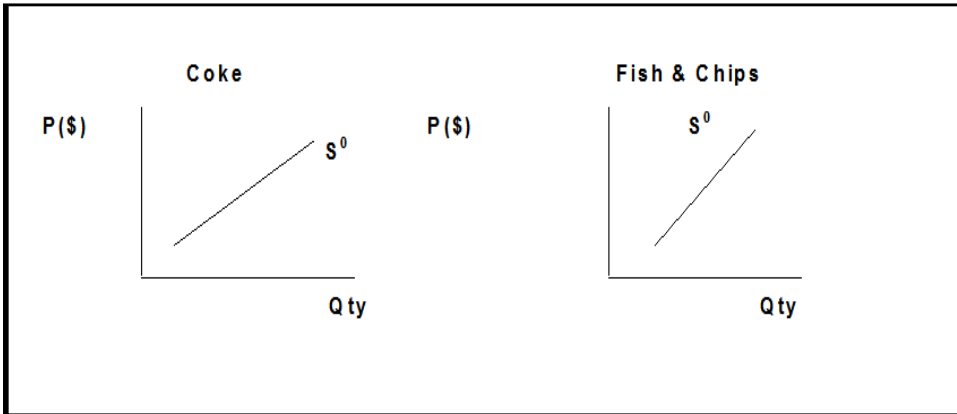
Nella's Fast Food produces and sells fish & chips and chicken & chips. Illustrate on the graphs below the **EFFECT** on the supply curves if:

- a. i. The price for chicken and chips increases



Skill level 3	
3	
2	
1	
0	
NR	

- ii. The price of coke increases



b. The two goods in part (a) (i) above are:

Complement goods

**OR**

Substitute goods  
(Tick the correct box)

Skill level 1	
1	
0	
NR	

c. The two goods in part (a) (ii) above are:

Complement goods

**OR**

Substitute goods  
(Tick the correct box)

Skill level 1	
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d. Describe the law of supply

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Skill level 2	
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e. What is meant by Ceteris paribus?

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Skill level 1	
1	
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**The main resources used for the production of ice-cream are imported from New Zealand.**

- f. (i) If you are an Ice-cream producer and the price of imported materials decreased, describe your likely reaction:

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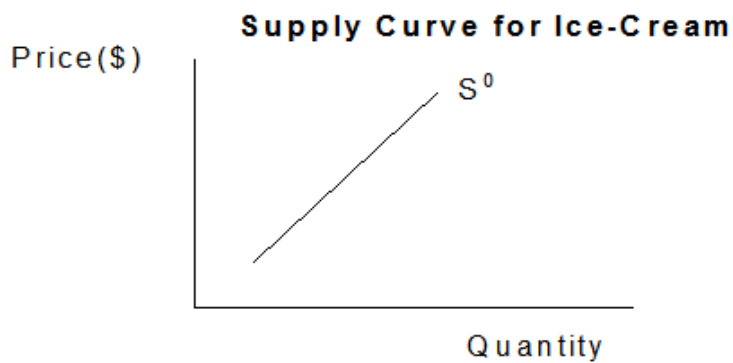
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Skill level 2	
2	
1	
0	
NR	

- (ii) Illustrate the effect of your decision in (i) above on the graph below. Label it  $S^1$ .



Skill level 2	
2	
1	
0	
NR	

- g. What causes the '**movement along**' the supply curve?

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Skill level 1	
1	
0	
NR	



**STRAND 2:**

**CONSUMPTION**

**WEIGHTING 25**

**Question 1: DEMAND**

Assuming there are THREE consumers in the market, study the table below and answer the following questions.

Price (\$)	Consumer A	Consumer B	Consumer C
4	5	10	9
6	4	9	7
8	3	8	5
10	2	7	3

(a) Construct a market demand schedule from the table above.

Price (\$)	Quantity Demanded
4	
6	
8	
10	

Skill level 2	
2	
1	
0	
NR	

(b) From the schedule in (a) above construct a market demand curve and label it **D<sup>1</sup>**.


Skill Level 4	
4	
3	
2	
1	
0	
NR	

- c. Illustrate on the graph in (b) above if price increases from \$4.00 to \$8.00

Skill level 3	
3	
2	
1	
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NR	

- d. State whether this is **change in demand** or **change in quantity demanded**.

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Skill level 1	
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- e. List TWO (2) possible reasons that will shift the demand curve to the left.

**Reason 1**

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Skill level 2	
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NR	

**Reason 2**

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f. Define *individual demand*.

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Skill level 1	
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0	
NR	

g. Describe the *law of demand*.

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Skill level 2	
2	
1	
0	
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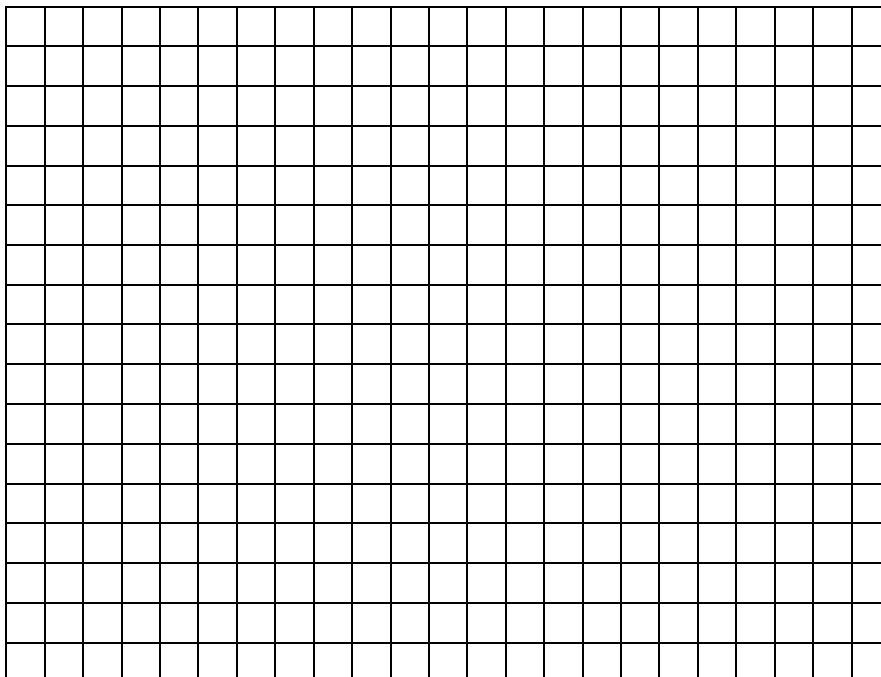
**Question 2: CONSUMPTION POSSIBILITIES**

*Sione's water and sandwich budget is \$12.00 a week. The price for a bottle of water is \$2.00 and the price of a sandwich is \$4.00.*

**Below is Sione's consumption possibility schedule.**

Possibility	Water (bottles per week)	Sandwich (quantity per week)
<b>A</b>	<b>0</b>	<b>3</b>
<b>B</b>	<b>2</b>	<b>2</b>
<b>C</b>	<b>4</b>	<b>1</b>
<b>D</b>	<b>6</b>	<b>0</b>

(a) Draw a graph of Sione's budget line with the quantity of sandwich plotted on the x-axis. Label this line **Budget Line (BL<sup>0</sup>)**.



Skill Level 3	
3	
2	
1	
0	
NR	

b. On your graph in (a) above, mark and label the following consumption possibilities.

- (i) Possibility E (1 bottle of water, 3 sandwiches)
- (ii) Possibility F (3 bottles of water, 7 sandwiches)

Skill level 1	
1	
0	
NR	

c. State the significance of Possibility E and Possibility F.

i. Possibility E:

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Skill level 1	
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0	
NR	

ii. Possibility F:

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Skill level 1	
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**STRAND 3: MARKET**

**WEIGHTING 45**

**Question 1: CIRCULAR FLOW**

Anna works at Samoa Beverage Company as a Sales Manager. She earns \$1000 a fortnight of which she spends \$350 on groceries, pays \$100 taxes in return for benefits of \$100 and saves the rest at Bank South Pacific for a return of \$50 a fortnight. On the other hand, Samoa Beverage Company borrows \$5000 from Bank South Pacific for investment, pays \$3000 worth of imported goods such as yeast and lids for their beer from overseas, pay \$200 taxes through GST and income tax to the government fortnightly. Samoa Beverage also exports \$3000 worth of crates of Sama and Taula to its trading partners overseas fortnightly. On the other hand, Government provides goods and services which benefit both Anna and Samoa Beverage Company such as roads, hospitals and etc.

(a) Use the information given in the passage above to draw a fully-labelled 4 sector circular flow diagram. An example has been done for you.



Skill level 3	
3	
2	
1	
0	
NR	







c. Describe ONE quality of money.

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Skill level 2	
2	
1	
0	
NR	

Use the information in the Table below to answer question (d)

Credit Card	\$15,000
Savings Account	\$1,000
Term Deposit	\$900
Notes	\$100
Coins	\$0.20

d. Calculate (*Show all your working*):

(i) M1:

Skill level 2	
2	
1	
0	
NR	

(ii) M3:

Skill level 2	
2	
1	
0	
NR	

e. In Fisher's Equation  $MV = PQ$ , what does each of the letters represent?

M = \_\_\_\_\_

V = \_\_\_\_\_

P = \_\_\_\_\_

Q = \_\_\_\_\_

Skill level 1	i	ii.	iii	iv
1				
0				
NR				

**Question 3: MARKET EQUILIBRIUM**

Study the passage below and answer the following questions.

Samoa Breweries Limited produces vailima beer and soft drinks such as coke, fanta and sprite. Samoa Beverage Company produces taula, sama and taxi soft drinks. Both companies use non-price competition and price competition to compete with each other.

a. Describe ONE non-price competition method used by the two companies to compete against each other.

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Skill level 2	
2	
1	
0	
NR	

b. State ONE advantage of price competition to consumers.

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Skill level 1	
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0	
NR	

c. State ONE disadvantage of non-price competition for producers.

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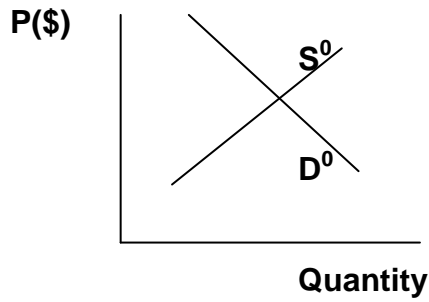
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Skill level 1	
1	
0	
NR	

Using the demand and supply analysis, draw the changes in demand and supply curve and determine the changes in equilibrium price and quantity, whether it is increasing, decreasing or no change.

- d. ***Income increases by 10% and cost of ingredients to produce taro chips increases by 30%.***

**Demand and Supply Curve for Taro Chips**



**Changes in equilibrium:**

Price: \_\_\_\_\_

Quantity traded: \_\_\_\_\_

Skill Level 3	
3	
2	
1	
0	
NR	

e. This question is designed to help you recognize how activity in one market affects what happens in other markets. In the blanks provided, indicate whether demand, supply, equilibrium price, and equilibrium quantity increase (+), decrease (-), or do not change (0). If the effect cannot be determined from the information given, use (U). You should use a supply and demand diagram to help you derive the answers to the questions. **The first one is done for you.**

Market	Event	Demand	Supply	Equilibrium Price	Equilibrium Quantity
Second-hand clothing	A decrease in consumer's income	+	0	+	+
Tomato	An increase in the price of fertilizer				
Taro Chips	Breadfruit is found to be a cheap substitute for taro in the manufacturing of local chips				
Hamburger buns	The price of hamburger decreases because of an increase in the supply of beef				

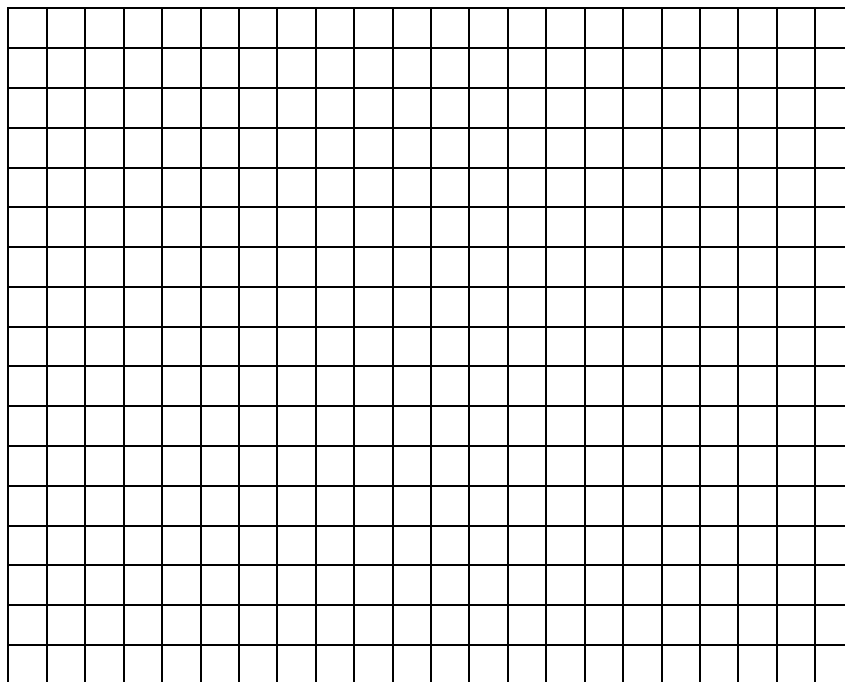
Skill level 4	
4	
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2	
1	
0	
NR	

Study the table below and answer the questions that follow.

**Supply and Demand Schedule for Chicken and Chips**

Price (\$)	Quantity demanded (per week)	Quantity supplied (per week)
1	40	10
2	30	15
3	20	20
4	10	25
5	5	30

f. Draw a fully labeled demand and supply curve on the set of axes provided.



Skill level 4	
4	
3	
2	
1	
0	
NR	



g. Identify the:

i. Equilibrium price \_\_\_\_\_

Skill level 1	
1	
0	
NR	

ii. Equilibrium quantity \_\_\_\_\_

Skill level 1	
1	
0	
NR	

h. Suppose a \$1 tax is imposed on this good. Show the effect of this tax on the diagram above. Label it Stax.

Skill level 1	
1	
0	
NR	

i. After the tax is imposed, identify:

Equilibrium price \_\_\_\_\_

Skill level 1	
1	
0	
NR	

Equilibrium quantity \_\_\_\_\_

Skill level 1	
1	
0	
NR	

j. State an effect of the tax imposed on the household sector.

\_\_\_\_\_

\_\_\_\_\_

Skill level 1	
1	
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NR	

Student Education Number

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## ECONOMICS

2015

(For Markers only)

<b>STRANDS</b>	<b>Weighting</b>	<b>Marks</b>	<b>Check Marking</b>
<b>STRAND 1: PRODUCTION</b>	30		
<b>STRAND 2: CONSUMPTION</b>	25		
<b>STRAND 3: MARKET</b>	45		
<b>TOTAL</b>	<b>100</b>		