

STUDENT EDUCATION NUMBER									



## Sāmoa School Certificate

# ECONOMICS 2016

## QUESTION and ANSWER BOOKLET

**Time Allowed: 3 Hours & 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 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.

STRANDS	Page number	Time (minutes)	Weighting
1. PRODUCTION	2	54	30
2. CONSUMPTION	8	45	25
3. MARKET	12	81	45
<b>TOTAL</b>		<b>180</b>	<b>100</b>

**CHECK!** This booklet contains pages 2-22 in the right order.

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

**Service Industries**

*Samoa Stationeries and Books (SSAB) is interdependent with a range of service industries such as insurance firms, accounting firms, and marketing firms etc.*

- 1a. Identify the service industry from the list above which may assist SSAB to Attract more potential customers.

<b>Skill level 1</b>

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- 1b. List the examples of insurance companies (local or international) which may assist SSAB to provide financial protection for its business.

<b>Skill level 2</b>

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*Accounting services provide invaluable information for firms like SSAB and most government organisations.*

- 1c. List two examples in which accounting services provide information for SSAB.

<b>Skill level 2</b>

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2. Explain the difference between a firm and an industry. Give an example each term.

<b>Skill level 3</b>

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3. Complete the following table

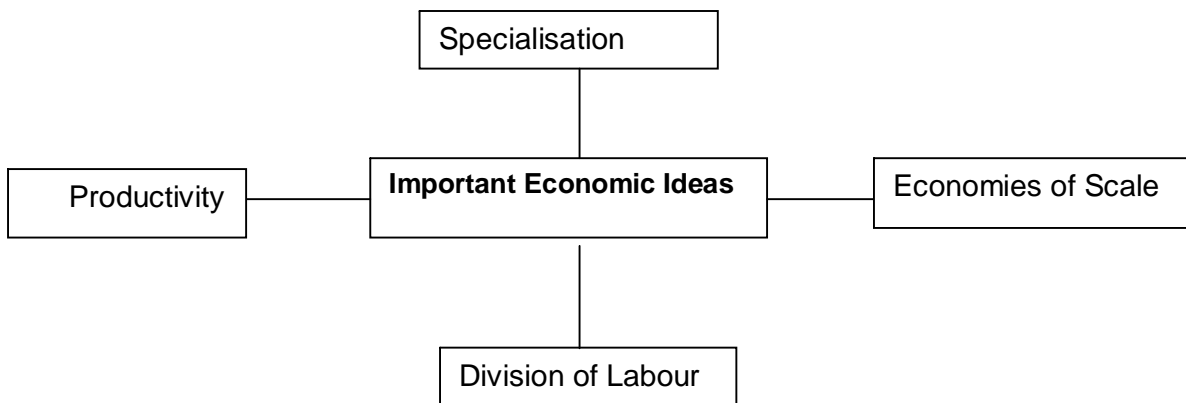
Skill level 3

Compare the different structures of the three main types of producers in the Samoan economy.

Producer Type	Number of Owners	Advantage	Disadvantage
Sole trader			
Partnership			
Company			

Productivity

The diagram below indicates important concepts in economics.



4a. Define the term *Division of Labour*.

Skill level 1

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4b. Define the term *Economies of Scale*.

Skill level 1

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Supply

**SUPPLY SCHEDULE FOR BANANAS**

Price (SAT\$/kg)	Quantity Supply (00kg)
.50	1
1.0	4
2.0	6
4.0	8
5.0	10
6.0	12

Study the supply schedule above and answer the following:

6a. How many bananas would be supplied if the price was SAT\$3.50?

\_\_\_\_\_

<b>Skill level 1</b>

*A change in price (Ceteris Paribus) will result in a change in quantity supplied and a movement along the supply curve.*

6b. Define the term *Ceteris Paribus*.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

<b>Skill level 1</b>

6c. Describe the law of supply with reference to the information given in the table above.

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\_\_\_\_\_  
\_\_\_\_\_

<b>Skill level 2</b>

6d. Define the term *supply*.

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\_\_\_\_\_  
\_\_\_\_\_

<b>Skill level 1</b>

6e. Identify ONE factor which would shift the supply curve to the right.

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<b>Skill level 1</b>

6f. Distinguish between individual supply and market supply.

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<b>Skill level 3</b>

6g. Complete the table to predict how the determinants of supply will affect the supply curve for Big Mac burgers at Mac Donald's Restaurant.

Skill level 4

State the appropriate effect to each situation in the middle column and then illustrate these effects.

An example has been done for you.

SITUATIONS	EFFECTS	ILLUSTRATION
<u>Example:</u> i. Cost of ingredients rise	Decrease in Supply	
ii. Productivity of employees improves.		
iii. Workers demand an increase in wages.		
iv. Improved technology in the kitchen.		
v. Rise in the price of Happy Meals		

**STRAND 2**

**Consumption**

**Weighting 25**

Demand

**The demand for bread per week in three local bakeries.**

Price (SAT \$)	Quantity Demanded Bakery Numbers			Market Demand (a)
	1	2	3	
1.00	40	35	50	
1.20	35	30	45	
1.40	30	25	40	
1.60	20	20	30	
1.80	10	15	20	
2.00	5	5	10	

Study the demand schedule and answer the following:

7a. Complete the table to show the Market Demand (a).

Skill level 2

7b. Define the term *Market Demand*.

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Skill level 1

7c. Use the information provided to explain how it demonstrates the law of demand.

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Skill level 3



7d. State what will happen to the quantity demanded if there is a general price increase.

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Skill level 1

7e. List TWO possible causes or reasons for the differences in the demand for bread in each bakery.

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Skill level 2

7f. State whether the following statement is **True or False**.

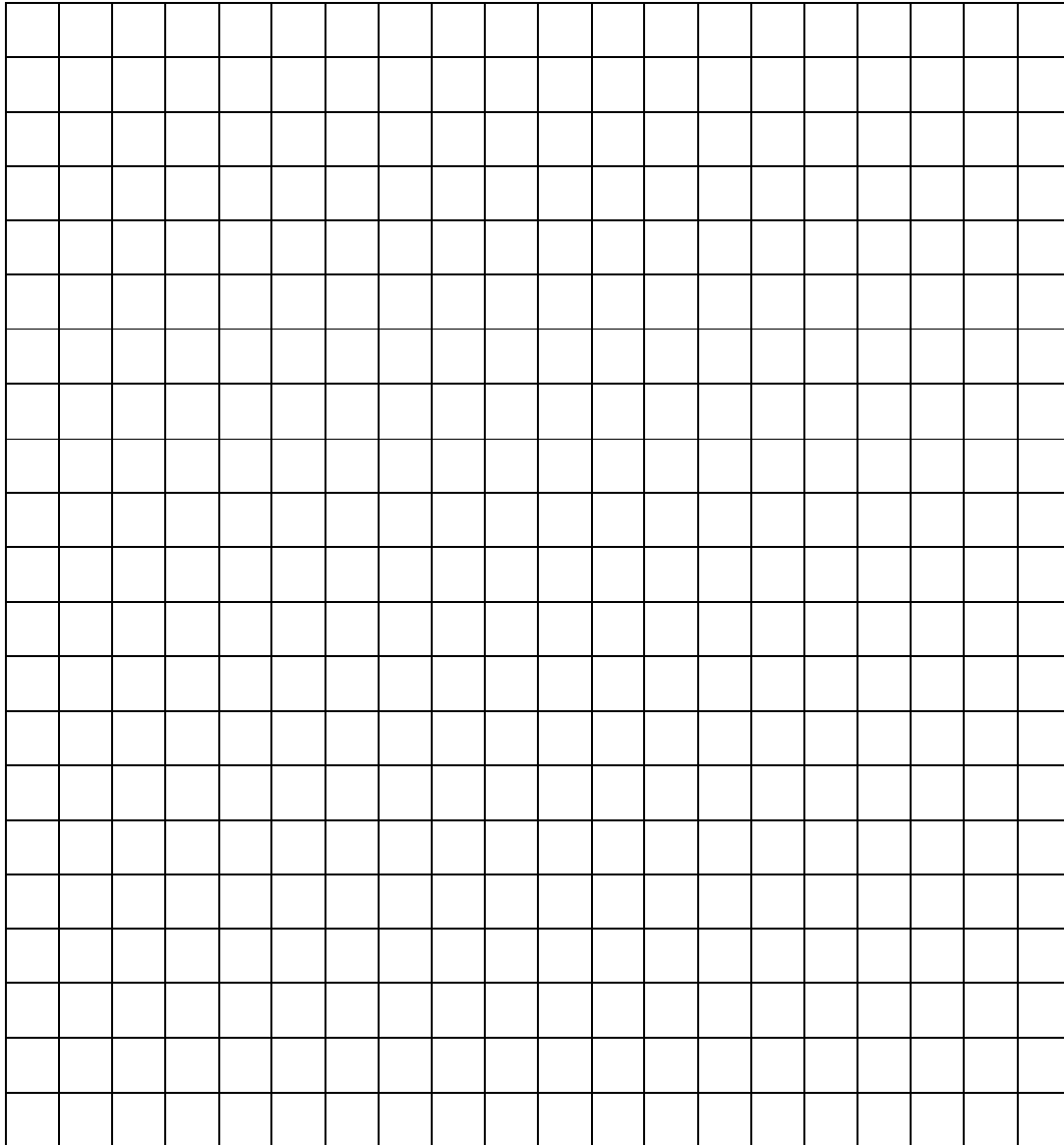
*A change in a determinant of demand will result in a change in quantity demanded.*

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Skill level 1

7g. Construct a fully-labelled Market Demand curve using the information provided in the table.

<b>Skill level 4</b>



Consumption Possibilities

**Harry's Budget SAT\$8.00**

**Bottle of Water SAT\$2.00**

**Tuna Sandwiches SAT\$1.00**

Study the information above and use it to answer the following.

8a. Complete the table below for Harry's consumption possibility schedule

Skill level 3

Consumption Possibilities for Harry

Possibility	Bottle of Water (375ml) (quantity per day)	Tuna Sandwiches (quantity per day)
A		0
B		
C		
D		
E	0	

8b. Define the term *consumption possibilities*.

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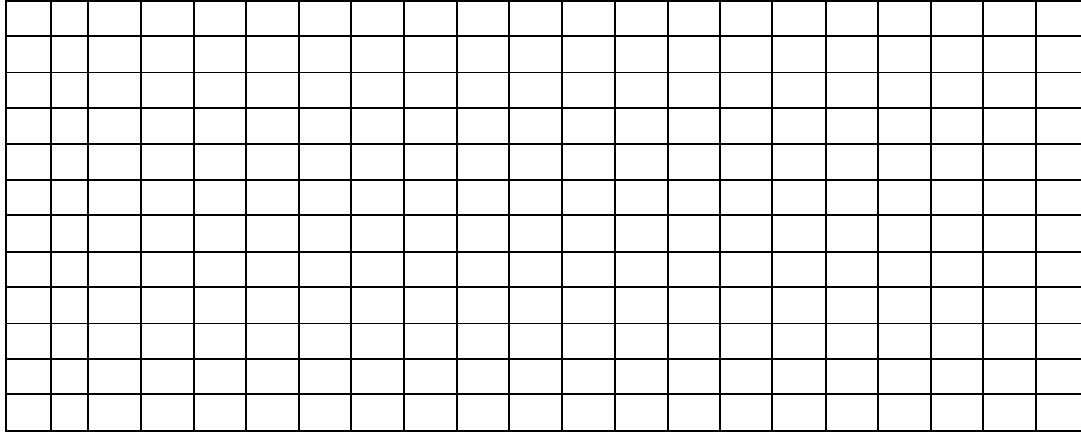
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Skill level 1

8c. Using the grid, construct a fully-labelled Consumption Possibility Curve for Harry. Put sandwiches on the vertical axis.

Skill level 3



8d. **Mark** a point inside the consumption possibility curve at the combination of 1 bottle of water and 4 sandwiches and **label** it **Z**.

Skill level 1

8e. State the significance of point Z.

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Skill level 1

8f. Describe how an increase in income will affect the Consumption Possibility Curve.

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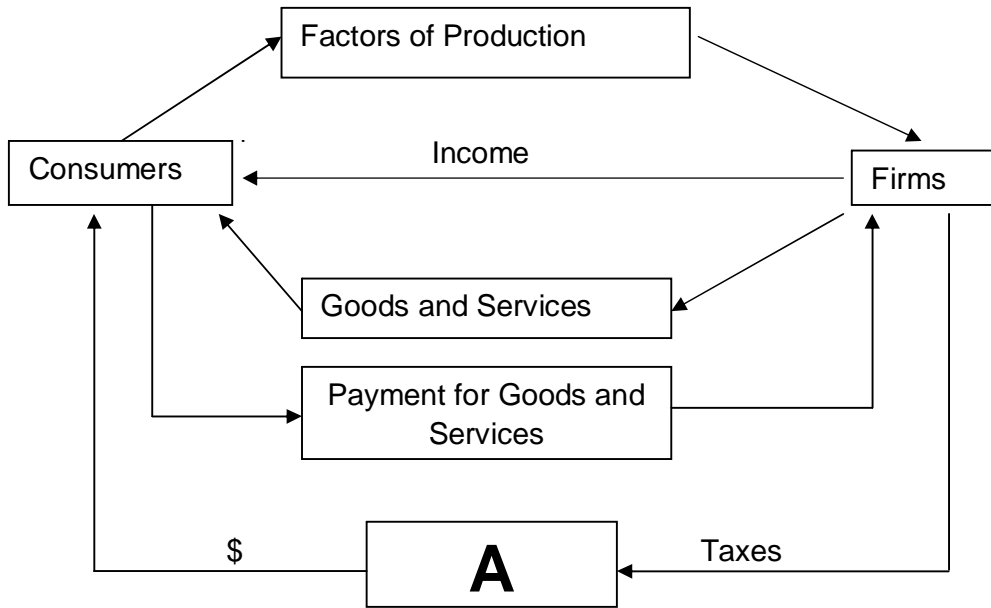
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Skill level 2

Circular Flow

Study the circular flow diagram below and answer the questions that follow.



9a. Name the missing sector represented by letter **A**.

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Skill level 1

9b. State the type of market represented by the trading of resources for incomes.

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Skill level 1

9c. Define the term *Gross National Income (GNI)* as a measure of economic performance.

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<b>Skill level 1</b>

9d. *Aggregate demand can be expressed as  $AD = C + I + G + (X - M)$*   
Define the term *aggregate demand*.

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<b>Skill level 1</b>

9e. List the components for an aggregate demand.

C \_\_\_\_\_, I \_\_\_\_\_, G \_\_\_\_\_,  
X \_\_\_\_\_, M \_\_\_\_\_.

<b>Skill level 2</b>

9f. Describe the major roles of the government sector in an economy.

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<b>Skill level 2</b>

9g. Explain the economic relationship that exists between the business sector and the finance sector

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<b>Skill level 3</b>

9h. *Gross National Expenditure (GNE) and Gross Domestic Product (GDP) are approaches to the measure of economic performance of a country.*

<b>Skill level 3</b>

Explain the difference between GNE and GDP.

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### Money and Inflation

10a. Define the term *money*.

<b>Skill level 1</b>

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10b. Describe the phrase 'means of deferred payment' as a function of money.

<b>Skill level 2</b>

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*Before the development of money, people had to barter for the goods and services they wanted. This created many problems such as the double coincidence of want.*

10c. Explain other problems of the barter system.

<b>Skill level 3</b>

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*Inflation can have harmful effects on the different groups and sectors of the economy.*

11a. Define the term *inflation*.

<b>Skill level 1</b>

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*For each of the following possible sources of inflationary pressure, state whether it will lead to demand pull or cost push inflation.*

11b. Write your answers in the spaces provided.

<b>Skill level 1</b>

i) A decrease in the rate of income tax

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ii) An increase in the rate of import duty

<b>Skill level 1</b>

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**Equation of Money Supply**

<b><math>MV = PQ</math>; where <math>PQ = GDP</math></b>
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Use the equation to answer the following:

12a. State what the following letters stand for in the above equation.

M: \_\_\_\_\_

P: \_\_\_\_\_

<b>Skill level 1</b>

12b. *If in the year 2015 the value of GDP = SAT\$100M and Velocity of circulation (V) = 5.*

Calculate the value of the Money supply. Show ALL working.

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<b>Skill level 2</b>



Market Equilibrium

**Supply and Demand for Schedule for Good X in Highland Economy.**

Price (SAT\$ per unit)	Quantity Demanded (Units of Good X)	Quantity Supplied (Units of Good X)
3	75	30
4	70	40
5	65	50
6	60	60
7	55	70
8	50	80

Study the information above and answer the following:

14a. State the equilibrium price.

\_\_\_\_\_

Skill level 1

14b. State the equilibrium quantity.

\_\_\_\_\_

Skill level 1

14c. Define the term *market equilibrium*.

\_\_\_\_\_

Skill level 1

14d. Identify a price where a situation of excess supply would occur.

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Skill level 1

14e. Identify a price where a situation of excess demand would occur.

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Skill level 1

15a. Name a feature of a monopsony.

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<b>Skill level 1</b>

15b. State ONE advantage of price competition on consumers.

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<b>Skill level 1</b>

15c. State ONE disadvantage of non-price competition to producers.

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<b>Skill level 1</b>

**Government decides to subsidise the production of milk.**

15d. Analyse and explain the effect of this decision of government on the market for milk.

<b>Skill level 3</b>

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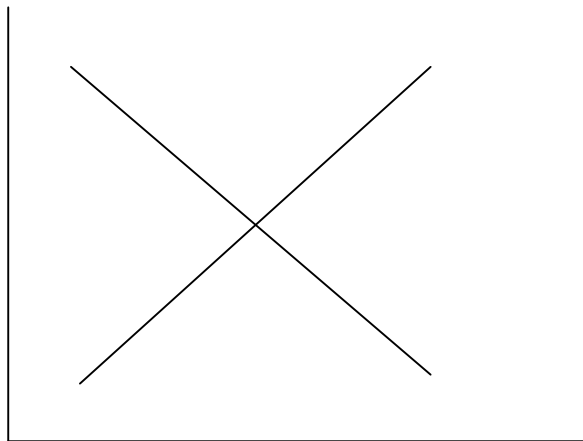
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Use the axis given below to draw a fully labelled diagram to illustrate the **effect of imposing a subsidy.**



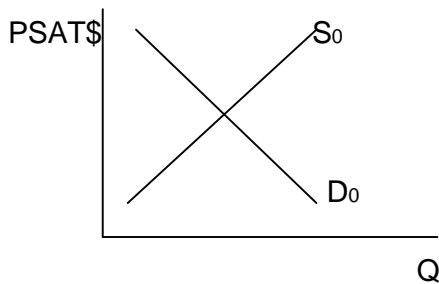
15e. Predicting changes in equilibrium price and quantity using supply and demand analysis.

- Draw the changes in demand and supply curve base on the situations given and
- Determine the changes in equilibrium price and quantity, whether it is increasing, decreasing or no change.

Skill level 4

**Situation 1: Both the demand and supply for Hairdressing services have increased by 50%.**

**Supply and Demand for Hairdressing Services**



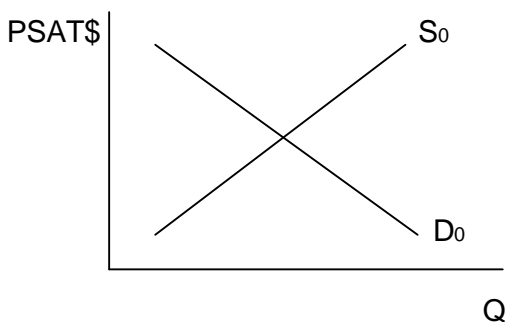
Changes in Equilibrium:

Price \_\_\_\_\_

Quantity \_\_\_\_\_

**Situation 2: Incomes have increased by 10% and the cost of dental services has increased by 30%.**

**Supply and Demand for Dental Service**



Changes in Equilibrium:

Price \_\_\_\_\_

Quantity \_\_\_\_\_