

MARKER CODE

STUDENT ENROLMENT NUMBER



Samoa Secondary Leaving 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 Enrolment 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.

STRANDS	Page Number	Time (minutes)	Weighting
STRAND 1: PRODUCTION	2	54	30
STRAND 2: CONSUMPTION	12	45	25
STRAND 3: MARKET	19	81	45
TOTAL		180	100

Check that this booklet contains pages 2- 32 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.

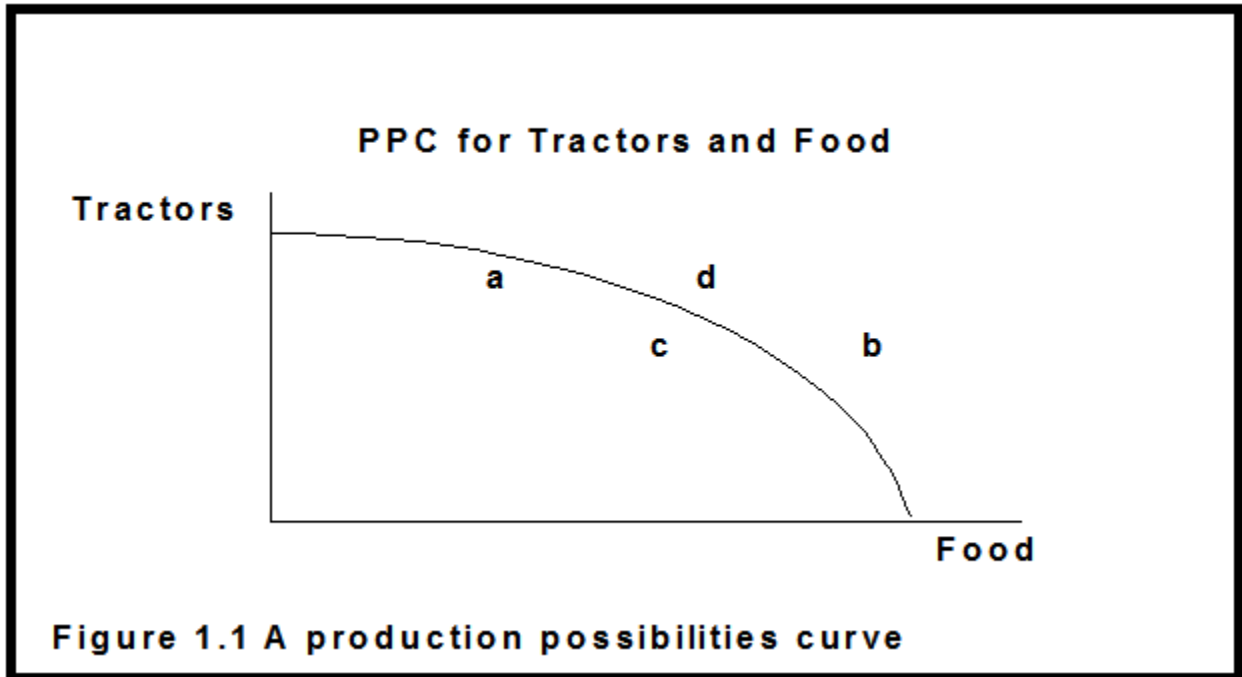
STRAND 1 PRODUCTION

WEIGHTING 30

BASIC ECONOMIC CONCEPTS:

1A. PRODUCTION POSSIBILITIES

Study Figure 1.1 to answer 1A.1 and 1A.2



1A.1 Define *production possibility curve*.

Skill Level 1	
1	
0	
NR	

B. MARKET STRUCTURES

1B.1 Describe the features of a monopolistic competitive market.

Skill Level 2	
2	
1	
0	
NR	

1B.2 Explain the impacts of perfect competition to consumers.

Skill Level 3	
3	
2	
1	
0	
NR	

INTERNATIONAL TRADE

C. ABSOLUTE AND COMPARATIVE ADVANTAGE

Table A shows the number of units of wine or cheese that could be produced by one worker in a month.

Table A. Production of Cheese and Wine

	Output per Worker	
	Cheese (units)	Wine (units)
New Zealand	10	30
Australia	40	40

One of the countries in Table A has the absolute advantage in the production of both products.

1C.1 Define the term *absolute advantage*.

Skill Level 1	
1	
0	
NR	

1C.2 Describe the features of comparative advantage with reference to the information provided in Table A above.

Skill Level 2	
2	
1	
0	
NR	

D. TERMS OF TRADE

Study the table below and use it to answer the questions that follow.

Year	Export Price Index	Import Price Index
1	85	90
2	100	100
3	105	103

1D.1 Calculate the terms of trade for Year 1 and Year 3.

Skill Level 2	
2	
1	
0	
NR	

1D.2 Identify whether the terms of trade calculated for Year 1 was favorable or unfavorable.

Skill Level 1	
1	
0	
NR	

ECONOMIC FUNCTION OF GOVERNMENT

E. GOVERNMENT ROLES

1E.1 Identify the appropriate role of Government from the box below.
Write your answer in the space provided.

Government Role	
1. <i>Regulatory</i>	3. <i>Allocative</i>
2. <i>Distributive</i>	4. <i>Stabilization</i>

Skill Level 1	
1	
0	
NR	

The government will increase its income tax next year in a bid to control the increase in the price level due to high spending of consumers.

1E.2 Name an official category of the structure of the Samoan government.

Skill Level 1	
1	
0	
NR	

ECONOMIC ISSUES

G. ISSUES AND POLICY TOOLS

Unemployment is one of the major issues that government needs to address because of the consequences of its social and economic impacts.

1G.1 Define the term *Unemployment*.

Skill Level 1	
1	
0	
NR	

1G.2 State ONE social impact of unemployment on the unemployed.

Skill Level 1	
1	
0	
NR	

STRAND 2: CONSUMPTION

WEIGHTING 25

A. THE GOVERNMENT BUDGET

A budget is a plan on revenue and expenditure of the government in the next fiscal year.

2A.1 Name ONE international source of government revenue.

Skill Level 1	
1	
0	
NR	

2A.2 Define *budget deficit*.

Skill Level 1	
1	
0	
NR	

**Direct and indirect taxation is one of the major sources of government revenue.
Excise tax is an example of an indirect tax.**

2A.3 Define the term *excise tax*.

Skill Level 1	
1	
0	
NR	

2A.4 Give an example of a direct tax other than PAYE.

Skill Level 1	
1	
0	
NR	

A government budget deficit puts more burden on the future generation.

2A.5 Explain the meaning of this statement.

Skill Level 3	
3	
2	
1	
0	
NR	

Health and Education come under Social Services which make up a large portion of the government expenditures.

2A.6 Describe the features of Social Services.

Skill Level 2	
2	
1	
0	
NR	

B. CONSUMPTION POSSIBILITIES

2B.1 Assume that Helen is given \$10 for her daily lunch.

Use the information provided in the table below to construct a fully-labeled Consumption Possibilities Curve (CPC) for Helen. Put hotdogs on the vertical axis.

Helen's Consumption Possibility Schedule for Twisty and Hotdog

Combination	A	B	C	D	E
Twisty (packets)	8	6	4	2	0
Hotdog (units)	0	1	2	3	4



Skill Level 3	
3	
2	
1	
0	
NR	

2B.2 Define *Consumption Possibility Curve*.

Skill Level 1	
1	
0	
NR	

2B.3 Describe the significance of a point that lies on the Consumption Possibility Curve.

Skill Level 2	
2	
1	
0	
NR	

2B.4 List TWO effects of a 50% increase in Helen's income, on her CPC.

Skill Level 2	
2	
1	
0	
NR	

2B.5 Illustrate the following situation on your CPC. Label your new curve as CPC2.

The price of a hotdog falls while the price of a packet of twisty remains unchanged.

Skill Level 3	
3	
2	
1	
0	
NR	

STRAND 3: THE MARKET

WEIGHTING 45

A. DEMAND AND SUPPLY, EQUILIBRIUM

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

Market Demand and Supply for Light Bulbs

Price \$	Quantity Demanded (000)	Quantity Supplied(000)
2.50	400	220
2.60	340	260
2.70	300	300
2.80	270	340
2.90	240	380
3.00	200	430

3A.1 Define the term *demand*.

Skill Level 1	
1	
0	
NR	

3A.2 Describe *market demand*, giving an example of a product.

Skill Level 2	
2	
1	
0	
NR	

3A.3 Identify the equilibrium price from the table above.

Skill Level 1	
1	
0	
NR	

MONEY AND INFLATION

B. FUNCTIONS AND CHARACTERISTICS OF MONEY

3B.1 Name the function of money that is described by the following phrase:

Enables the accumulation of wealth

Skill Level 1	
1	
0	
NR	

3B.2 Define *stable in value* as a characteristic of money.

Skill Level 1	
1	
0	
NR	

3B.3 Name the bank that is solely responsible for the issuing of currencies in an economy.

Skill Level 1	
1	
0	
NR	

C. THE MONEY SUPPLY

Use information in the table below to answer the TWO questions that follow.

Monetary Aggregates	\$million	M1, M2 or M3
(i). Currency (with households and firms)	68.1	
(ii). Demand deposits in banks	100.3	
(iii). Term deposits	297.4	
(iii). Savings deposits	154.5	

3C.1 Is Savings deposit M1, M2 or M3? *(Circle the correct Answer)*

M1 M2 M3

Skill Level 1	
1	
0	
NR	

3C.2 Use the information given in the table to calculate M3:

Skill Level 2	
2	
1	
0	
NR	

D. CONSUMER PRICE INDEX

The following is an extract from a Consumer Price Index.

Year	Food	Services	All Groups
2010	1000	1000	1000
2011	1000	1050	1020
2012	980	1100	1040
2013	1000	1120	1065
2014	1000	1110	1080

3D.1 Define *Consumer Price Index*.

Skill Level 1	
1	
0	
NR	

3D.2 Calculate the rate of inflation in the All Groups column between Year 2011 and 2012.

Skill Level 2	
2	
1	
0	
NR	

E. INFLATION

3E.1 Define *demand pull inflation*.

Skill Level 1	
1	
0	
NR	

3E.2 Name a monetary policy that is used to combat inflation.

Skill Level 1	
1	
0	
NR	

3E.3 Define the monetary policy given in (3E.2) above

Skill Level 1	
1	
0	
NR	

F. MEASURES OF ECONOMIC GROWTH

The following items are components of aggregate demand.

1. Consumption 2. Investment 3. Government spending 4. Net Exports

3F.1 Define the concept of *aggregate demand*.

Skill Level 1	
1	
0	
NR	

The Circular Flow can be used to measure economic activities using the flow of incomes OR the flow of payments OR the flow of expenses.

3F.2 Define any ONE measure of the circular flow given in the sentence above.

Skill Level 1	
1	
0	
NR	

3F.3 State ONE reason why the Official GDP figures often understates the economic performance of a country.

Skill Level 1	
1	
0	
NR	

Real GDP is considered to be a more representative indicator of growth than Nominal GDP.

3F.4 Give another term for *Real GDP*

Skill Level 1	
1	
0	
NR	

G. ECONOMIC DEVELOPMENT

3G.1 Name ONE characteristic of a developing country that is associated with the ability to read and write.

Skill Level 1	
1	
0	
NR	

3G.2 Name ONE characteristic of a developed country that is associated with the ability to live longer.

Skill Level 1	
1	
0	
NR	

Student Education Number									

ECONOMICS

2015

(For Markers only)

STRANDS	Weighting	Marker	Check Marker	Final Weighting
STRAND 1: PRODUCTION	30			
STRAND 2: CONSUMPTION	25			
STRAND 3: MARKET	45			
TOTAL	100			