



Sāmoa Secondary Leaving Certificate

ECONOMICS 2016

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, 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	9	45	25
3. MARKET	14	81	45
TOTAL		180	100

CHECK! This booklet contains pages 2-24 in the right order.

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

BASIC ECONOMIC CONCEPTS

1. Define the following terms as they are used in economics.

a. *Scarcity*

Skill Level 1

b. *Choice*

Skill Level 1

c. *Opportunity cost*

Skill Level 1

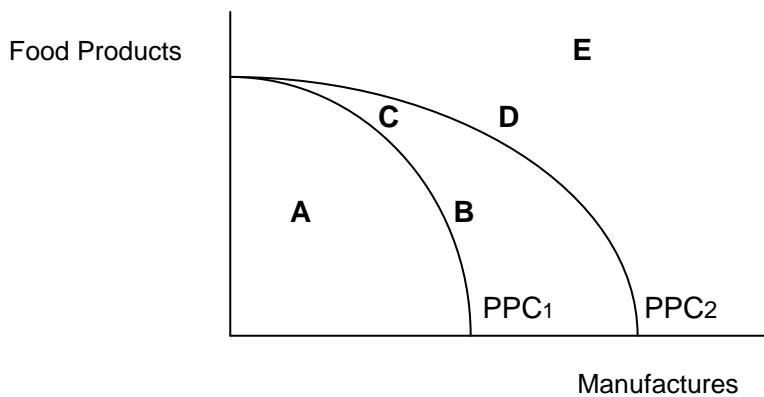
2. Explain the relationship or the linkage between the concepts that you have defined in (a) to (c) above.

Skill Level 3

PRODUCTION POSSIBILITIES

Study the production possibility curve and answer the questions that follow.

PPC for Food and Manufactures



3. Describe what points C and B represent?

Skill Level 2

4. Describe what the point A indicates.

Skill Level 2

5. Explain why point D is preferable than point C.

Skill Level 3

GAINS FROM TRADE

Study the information given in the table below for Highland and Lowland to answer the questions that follow.

	Highland	Lowland
Absolute Advantage in :		Fish and Clothing production
Comparative advantage:	Clothing	
Will specialize in and export:	Clothing	Fish

6. Define the term '*comparative advantage*'.

Skill Level 1

7. Explain why Highland will export clothing and Lowland will export fish.

Skill Level 3

Countries that trade with each other often receive gains from trade.

8. Define the term 'gains from trade'.

Skill Level 1

9. State ONE way to improve a country's terms of trade

Skill Level 1

ECONOMIC FUNCTION

10. Identify an economic function of government.

Skill Level 1

11. List two examples of non-economic functions of government.

Skill Level 2

One of the most important aims of government is to "promote full employment of resources".

12. Discuss the economic aim of **promoting full employment of resources**. Include the following in your discussion:
- i. description of the aim
 - ii. the importance of the aim with reference to the economy
 - iii. identify and describe **any two measures** that are used by the government to ensure full employment of resources

Skill Level 4

ECONOMIC ISSUES

13. Discuss how the following measures will foster growth and development in an economy.

You should include the following in your discussion:

- Good governance and a stable political environment.
- Promote foreign investment
- Promote development in the tourism industry

Skill Level 4

THE GOVERNMENT BUDGET

Use the information below to answer the questions that follow.

Country A's National Budget 2015	\$million
Expenditures	2497.3
Revenue	2480.7

14. Identify a major source of government revenue **other than** taxation and loans.

Skill Level 1

15. VAGST is another source of finance to fund government spending. What does VAGST stands for?

Skill Level 1

16. Identify ONE major area of government expenditure **other than health and education.**

Skill Level 1

17. Calculate the balance in Country A's budget to indicate whether it is a surplus or deficit balance.

Skill Level 2

18. Describe the budget balance calculated in (17) above.

Skill Level 2

19. Explain the effect of the type of budget balance you identified above (18) on Country A's economy.

Skill Level 3

20. Describe what a government can do with the surplus revenue when it runs a budget surplus.

Skill Level 2

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CONSUMPTION POSSIBILITIES

Study the information provided below to answer the questions that follow.

We assume that Lina's budget is SAT\$8, in which she purchases the various combinations of two goods for her daily lunch. A tuna sandwich costs SAT\$2.00 and a can of coke costs SAT\$1.00.

21. Complete the table below for Lina's consumption possibility schedule.

Skill Level 3

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Possibility	Tuna sandwich (per day)	Can of coke (cans per day)
A	4	0
B		
C		
D		
E	0	8

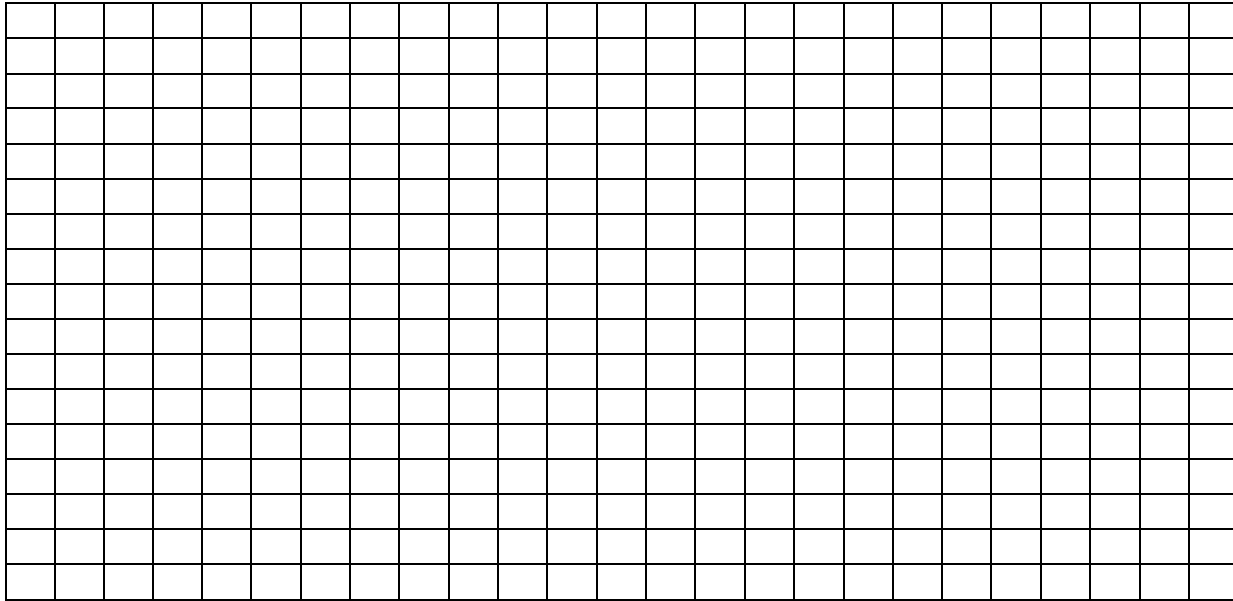
22. Define '*Consumption possibility schedule*'.

Skill Level 1

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23. Use the information in the table above to construct a fully labeled Consumption Possibility Curve for Lina in the grid below. Put Coke on the vertical axis.

Skill Level 3



24. State the significance of the **points inside** the CPC.

Skill Level 1

25. State the significance of the **points outside** the CPC.

Skill Level 1

26. Illustrate the following conditions on your graph on page 12.
- i. Lina's income increases by 50%. Label this curve BL1 (Budget Line1).
 - ii. The price of the sandwich drops. Label this curve BL2.

Skill Level 4



DEMAND AND SUPPLY EQUILIBRIUM

Study the table below and answer the questions that follow.

Supply and Demand Schedule for Cookies in a Hypothetical Economy.

Price (\$/kg)	Demand (000kg)	Supply (000kg)
2.50	1.0	4.0
2.00	1.5	3.0
1.50	2.0	2.0
1.00	2.5	2.5

27. State the equilibrium price.

Skill Level 1

28. State the equilibrium quantity.

Skill Level 1

29. Calculate the total consumer spending at the equilibrium price. Show all workings.

Skill Level 2

30. If the price of cookies is set at \$1 per kg, describe what you would expect to occur.

Skill Level 2

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31. Identify the price level at which cookies need to be sold in order to arrive at a surplus of 3000 kilograms.

Skill Level 1

32. Suppose that the supply for cookies shifts so that 500kg fewer cookies are supplied at each price. Identify the new equilibrium price.

Skill Level 1

33. Explain what causes a shortage.

Skill Level 3

MONEY AND INFLATION

34. Define the term '*store of value*' as a function of money.

Skill Level 1

35. Give ONE function of money that is most affected in times of inflation.

Skill Level 1

36. '*Since money is continually changing hands, it must be in a form which resists wear and physical deterioration*'.
Identify the characteristic of money as defined above.

Skill Level 1

37. Define the term '*Money Supply*'.

Skill Level 1

38 Explain how the money supply is impacted when:

A. *government borrows from the public:*

Skill Level 3

B. *trading banks raise the interest rate:*

Skill Level 3

“Causes of inflation can be classified into either Demand Pull or Cost Push.”

39. Define the term '*Demand Pull inflation*'.

Skill Level 1

The objective of the monetary policy is to control money supply so to combat inflation.

40. Name ONE tool of the monetary policy that is used to control inflation.

Skill Level 1

During times of inflation, different groups in the economy are affected in different ways. Some come out as winners and others as losers.

41. Name ONE group that is a winner in times of inflation.

Skill Level 1

42. Name ONE group that is a loser in times of inflation.

Skill Level 1

GNE, GNI, GDP

Use the schedule given below and your knowledge of the measures of growth to answer the questions that follow.

Schedule showing Economic Indicators for Tonga, Samoa, and Solomon Islands.

Country	Nominal GDP		POPULATION	
	\$US M	(000)	2012	2013
Tonga	140	160	101	102
Samoa	253	340	176	168
Solomon	240	250	443	430

Source: World Development Indicators database.

43. What does the term '*Nominal GDP*' mean?

Skill Level 1

44. Calculate the GDP per capita for Samoa for the year 2013.

Skill Level 2

GNI and GNE are approaches to the measure of economic performance of a country.

45. Define the term '*GNE - Gross National Expenditures*'.

Skill Level 1

INTERNATIONAL TRADE

*Moon Island's exchange rate is a fixed exchange rate. The exchange rate for Moon Island dollars and Sun Island dollars is: **Moon\$1 = Sun \$1.10***

46. Define the term '*fixed exchange rate*'.

Skill Level 1

47. Moon Island imports fish from Sun Island valued at \$90,000. Calculate how much Moon Island importers will pay in Moon Island dollars. Show all working.

Skill Level 2

The Reserve Bank of Moon Island decides to revalue the Moon Island dollar.

48. Define the term *revaluation*.

Skill Level 1

49. Explain the effects of the revaluation of the Moon Island dollar on its balance of trade.

Skill Level 3

50. Discuss the effects of appreciation of the currency on the Balance of Payments.

Skill Level 4

You should include the following in your discussion:

- Define the term appreciation.
- Illustrate the appreciation of a currency on a graph.
- State what causes the appreciation of currencies.
- Describe the impact of appreciation on the Balance of Payments.

ECONOMIC DEVELOPMENT

51. Define the term '*economic development*'.

Skill Level 1

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52. Discuss the development of Samoa's economy with reference to the characteristics of developing countries.

Skill Level 4

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- i) **Describe how each characteristic hinders or restrict economic development**
- ii) **Recommend or suggest a possible solution to minimize the problem.**

Use the following **characteristics of developing countries** in your discussion.

- *Dependence on a narrow range of exports*
- *Dependence on a narrow range of export markets*
- *Dependence on foreign-owned transport for shipping exports to markets.*
