

STUDENT EDUCATION NUMBER

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GOVERNMENT OF SAMOA
MINISTRY OF EDUCATION, SPORTS AND CULTURE

Samoa Secondary Leaving Certificate

ECONOMICS

2017

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 left 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.

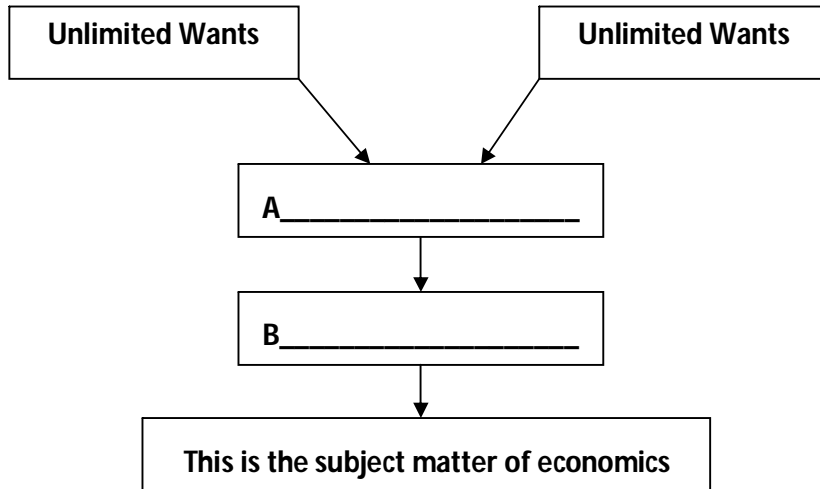
CURRICULUM STRANDS		Page	Time (min)	Weighting
STRAND 1:	PRODUCTION	2	54	30
STRAND 2:	CONSUMPTION	8	45	25
STRAND 3:	MARKET	12	81	45
TOTAL			180	100

Check that this booklet contains pages 2-22 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

1. **Economic Concepts**

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



(a) Name the term which is labeled **A**.

SL 1

(b) Name the term which is labeled **B**.

SL 1

(c) What is the *opportunity cost* of a student staying up watching a late-night movie?

SL 1

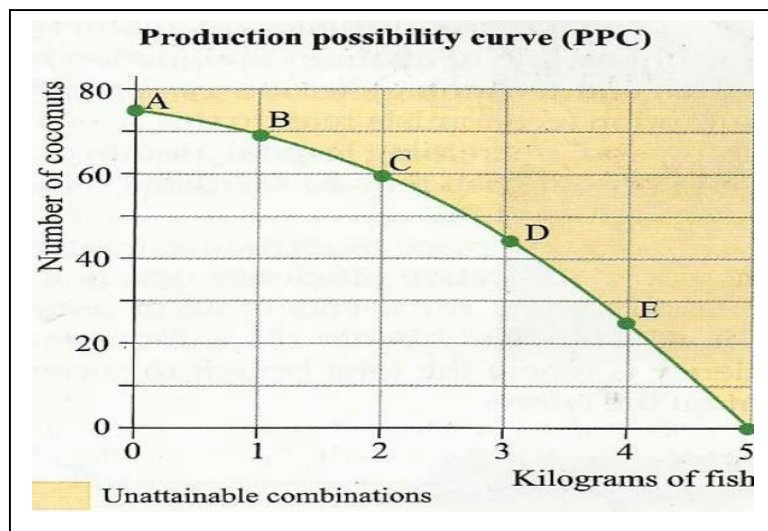
- (d) Explain the relationship or linkage between the concepts of *scarcity*, *choice* and *opportunity cost* using your own examples.

SL 3

2. Production Possibilities

Imagine the choices available to Tala, a shipwrecked sailor on a deserted island. We assume that Tala can either collect coconuts or go fishing. On any particular day he can spend all his time fishing, or all his time collecting coconuts or he can spend some time on each.

Use the diagram and your knowledge of Production Possibilities to answer the questions that follow.



- (a) Describe the shape of the production possibility curve for coconuts and fish.

SL 2

- (b) Describe the significance of the combinations of 2 kilograms of fish and 40 coconuts.

SL 2

- (c) Describe the significance of a movement from point C to D.

SL 2

- (d) Create a production possibility schedule using Tala's Production Possibility Curve for Coconuts and Fish.

SL 4

3. **Markets**

(a) Define the term market.

SL 1

(b) Compare the goods market and factor market in the table below by identifying the buyers and sellers in each market.

Type of Market	Buyers	Sellers
Factor Market		
Goods Market		

SL 3

(c) Distinguish between final demand and derived demand. Write **final demand** or **derived demand** next to its appropriate example.

- (i) Demand for stationeries sold at SSAB_____
- (ii) Demand for economic teachers_____
- (iii) Demand for bus rides_____

SL 3

4. The Basis of Trade and Terms of Trade

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

	Absolute Advantage	Comparative Advantage	Will specialize in:
Summer Island	<i>Cars AND Mountain Bikes</i>	<i>Cars</i>	<i>Cars</i>
Winter Island		<i>Mountain Bikes</i>	<i>Mountain Bikes</i>

Summer Island has the absolute advantage in both Cars and Mountain Bikes.

(a) Define the term *Absolute Advantage*.

SL 1

Winter Island has a comparative advantage in mountain bikes.

(b) Define the term *Comparative Advantage*.

SL 1

(c) What does the *Terms of Trade* measure?

SL 1

5. Government Aims and Policies

Government may use fiscal and monetary policies to achieve its economic goals. These policies can have an expansionary effect and/or a contractionary effect on the economy.

How can a government improve the economic welfare of its nation? Discuss by answering the following:

- (a) Give an example of a fiscal policy that can be used to promote economic welfare.

SL 4

- (b) Explain the expansionary effect of the fiscal policy in (a) above on economic welfare.

- (c) Give an example of a monetary policy that will improve economic welfare.

- (d) Explain the expansionary effect of the monetary policy in (c) above on economic welfare.

6. The Government Budget

Study the table below of the Government Expenditures and Revenues for Highland Economy and answer the questions that follow.

Government Expenditures and Revenues for Highland Economy ending 30 th June 2014		
Items	2013 (\$millions)	2014 (\$millions)
Administration	516	584
Education	1205	1285
Health	994	1137
Transport	981	1084
Communication	753	866
Social Services	1296	1755
Foreign Relations	498	563
Total Expenditures	6243	7274
Income Taxes	1580	3735
Sales Taxes	1478	2491
Profit/Interest	862	731
Internal Borrowing	700	630
External Borrowing	665	718
Total Revenue	5285	8305

- (a) List the three largest categories of government revenues in 2014.

SL 2

- (b) Name **ONE** international source of revenue.

SL 1

(c) Identify the **LEAST** source of government spending in 2013.

SL 1

(d) A government **budget deficit** puts more burdens on the future generations.

Define the meaning of *budget deficit*.

SL 1

(e) A contractionary fiscal policy often results in a **budget surplus**.

Define the term *budget surplus*.

SL 1

(f) Calculate the operating balance for both 2013 and 2014.

SL 2

(g) Describe the results of your calculations in (f) above.

SL 2

(h) Explain the effect of a government budget surplus.

SL 3

7. **Consumption Possibilities**

(a) Define *consumption possibilities*.

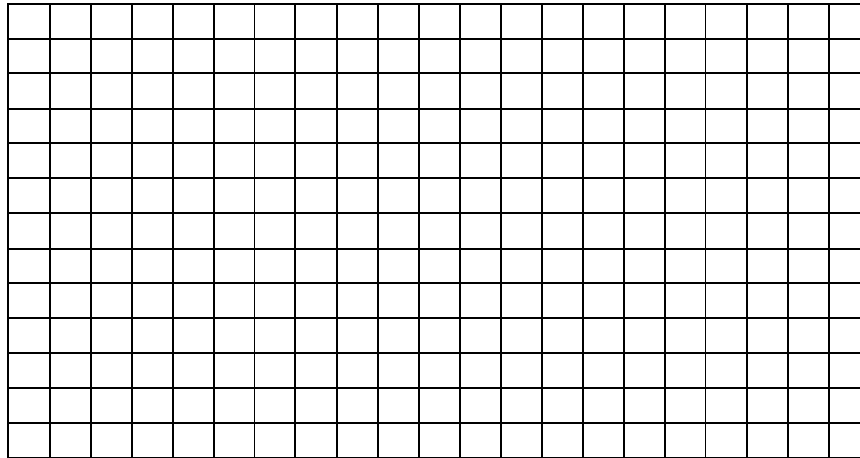
SL 1

Harry's meat pie and a bottle of water budget is \$15 a week. The price of a meat pie is \$5.00 and the price of a bottle of water is \$2.50.

Use the consumption possibility schedule below to answer the questions that follow.

Possibility	Meat Pie (Quality per week)	Water Bottle (quantity per week)
A	0	6
B	1	4
C	2	2
D	3	0

- (b) Draw a **fully labeled graph of Harry's Budget Line** on the grid below with the quantity of meat pies plotted on the x-axis. Label **Harry's Budget Line, BL₀**.



SL 3

Use the information below to help you answer the questions which follow.

Mark the following combinations of consumption possibilities on your graph on page 9.

- (i) Possibility X (1 meat pie and 3 water bottles)
- (ii) Possibility Z (2 meat pies and 5 water bottles)

- (c) State the significance of **Possibility Z**.

SL 1

- (d) Illustrate on your graph above, how the budget line, **BL₀**, will change given the following changes assuming other things remain unchanged.

- (i) The price of meat pies increases. Label it **BL₁**.
- (ii) Harry's budget for meat pies and water bottles increases. Label it **BL₂**.

SL 4

- (e) Using your graph in (b), explain the relationship between scarcity, choice and opportunity cost when moving from C to D.

SL 3

STRAND 3: THE MARKET Weighting 45

8. Demand and Supply

Table A shows the market supply and demand for milk in Zumaland for May 2016.

Study the table and answer the questions that follow.

Table A: Market Supply and Demand for Milk for Zumaland

Price (\$)	Quantity Demanded (000 litres)	Quantity Supplied (000 litres)
1.00	20	0
1.20	16	5
2.00	13	6
2.50	8	8
3.00	3	11
3.50	0	16

- (a) Identify the equilibrium price for milk during May 2016.

Equilibrium Price _____

SL 1

- (b) Identify the equilibrium quantity for milk during May 2016.

Equilibrium Quantity _____

SL 1

(c) Identify a price level that enables Zumaland to achieve a surplus.

SL 1

(d) Calculate consumer spending at the market equilibrium. Show all working.

SL 2

(e) Suppose the government decides to set the price of milk at \$1.50. Describe the effect of this government policy on the market for milk in Zumaland.

SL 2

(f) Explain the statement, "Market equilibrium will not be re-established if government sets a **minimum price** for milk."

SL 3

9. **Role of Money**

(a) Define **standard of value** as a function of money.

SL 1

Money needs to be relatively scarce.

(b) Define **stable in value** as a characteristic of money.

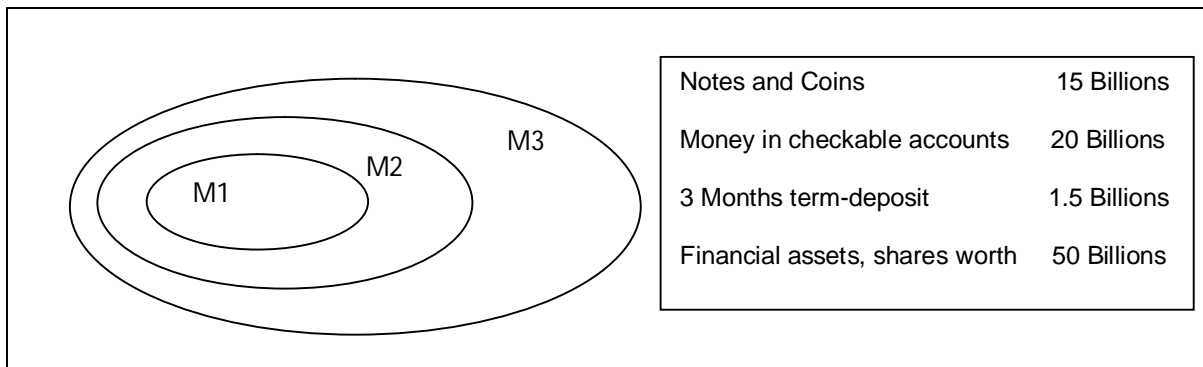
SL 1

(c) Name **ONE** function of the Central Bank of Samoa that **cannot** be administered by the trading banks or commercial banks which currently exist in Samoa.

SL 1

The diagram below shows further definitions of the money supply, M1, M2 and M3 and how they relate to each other.

Use the information provided in the diagrams to answer the questions that follow.



(d) Calculate M1.

SL 2

(e) Calculate M3.

SL 2

Inflation can have detrimental effects on different groups and sectors of the economy so governments use different policy measures such as monetary and fiscal policies to keep inflation down.

(f) Define the term ***inflation***.

SL 1

(g) Name **ONE** monetary policy that is often used by governments to control inflation.

SL 1

Explain the impact of the following events on the money supply and inflation.

(h) Government borrowing from the public.

SL 3

(i) Government borrowing from the trading banks.

SL 3

10. GNE, GNI and GDP

(a) Define *Gross National Income* as a measure of the circular flow.

SL 1

(b) Define *GDP* at current prices as a measure of economic performance.

SL 1

(c) Name the measure of the circular flow that takes into account the size of a country's total population.

SL 1

Define the following concepts as they are used in economics.

(d) *Managed exchange rate system.*

SL 1

(e) *Currency appreciation*

SL 1

(f) *Currency Revaluation*

SL 1

(g) Explain the effect of depreciation on Balance of Payments.

SL 3

Read the paragraph below and answer the questions that follow.

If trade is so beneficial, then why do nations impose barriers to trade?
The benefits of protectionism are mainly short term and are confined to individual countries and to specific industries within these countries.

(h) Use your knowledge of free trade and protectionism **to predict the effects of trade restrictions.**

You must include the following in your discussion.

- *Free trade and protectionism.*
- *Effects of trade restrictions. For example,*
 - *Tariff*
 - *Quota*
 - *Regulations*
 - *Embargoes*
- *Infant industry argument for protectionism.*
- *Objective of PICTA.*
- *Main functions of WTO (World Trading Organization).*

11. Economic Development

(a) Define *economic development*.

SL 1

(b) Identify a common characteristic of a developed country.

SL 1

(c) Name a feature of a developing country.

SL 1

- (d) **Discuss the development of Samoa's economy with reference to the Social and Economic indicators of development.**

Complete the table below by:

- Describing each indicator and
- Describing how each indicator can be used to indicate the levels of development.

SL 4

	Social or Economic Indicator	Descriptor of Indicator	How it indicates levels of development
Eg	<i>Access to education</i>	<i>Whether students can easily get to a school to get an education at primary, secondary or tertiary</i>	<i>The higher the level of education that student can get, the higher the level of development OR the higher the % of students who can go to primary or secondary school, the higher the level of development.</i>
(a)	Proportion of GDP saved each year		
(b)	Age structure of population		
(c)	Access to clean water		
(d)	Ratio of foreign aid to GDP		

STUDENT EDUCATION NUMBER									

ECONOMICS

2017

(For Scorers only)

CURRICULUM STRANDS	Weighting	Scores	Chief Marker
STRAND 1: PRODUCTION	30		
STRAND 2: CONSUMPTION	25		
STRAND 3: MARKET	45		
TOTAL	100		