

STUDENT EDUCATION NUMBER

GOVERNMENT OF SAMOA
MINISTRY OF EDUCATION, SPORTS AND CULTURE

Samoa Secondary Leaving Certificate

ECONOMICS

2018

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 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.

CURRICULUM STRANDS		Page	Time (min)	Weighting
STRAND 1:	PRODUCTION	2	54	27
STRAND 2:	CONSUMPTION	8	45	35
STRAND 3:	MARKET	13	81	38
TOTAL			180	100

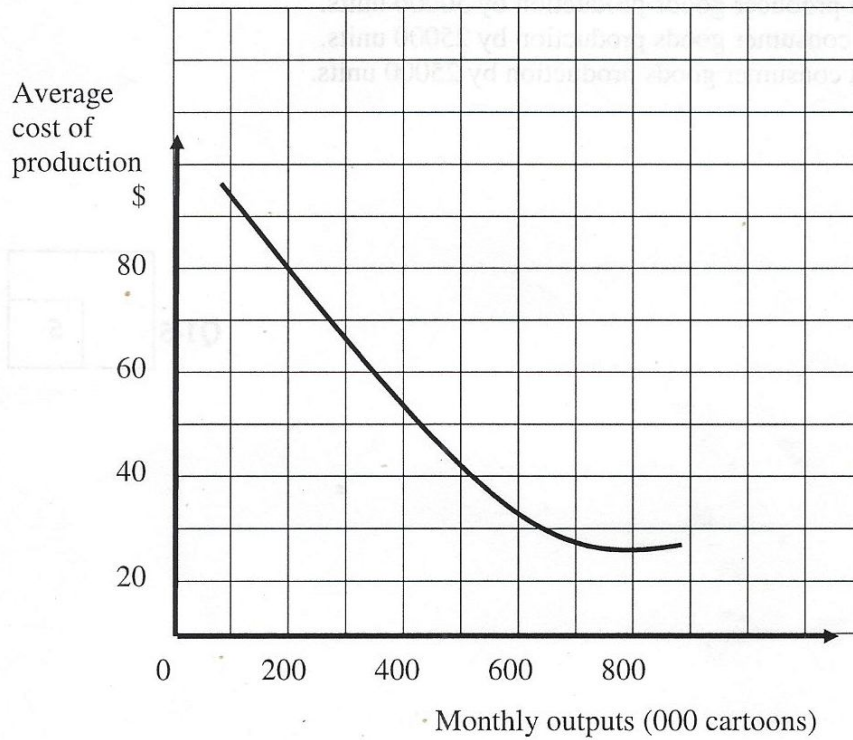
Check that this booklet contains pages 2-19 in the correct order and that none of these pages is blank.

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

Economic Concepts

The graph below shows information released by Mana Island Tin Fish Ltd, one of the major producers on the island.

Figure 1: Mana Island Tin Fish Ltd Average Cost for 2017



1. Describe the relationship that exists between the average cost of production and the monthly output.

SL 2

2. Name the economic term that describes the situation in page 2 graph.

SL 1

In one of the firm's reports, the following statement was written:

“Over the past year, the company increased all inputs by 5%, this brought a 7% increase in outputs”

3. Identify the economic term that is referred to in this situation.

SL 1

Simi is one of the three hundred people employed at Mana Island Tin Fish Ltd.

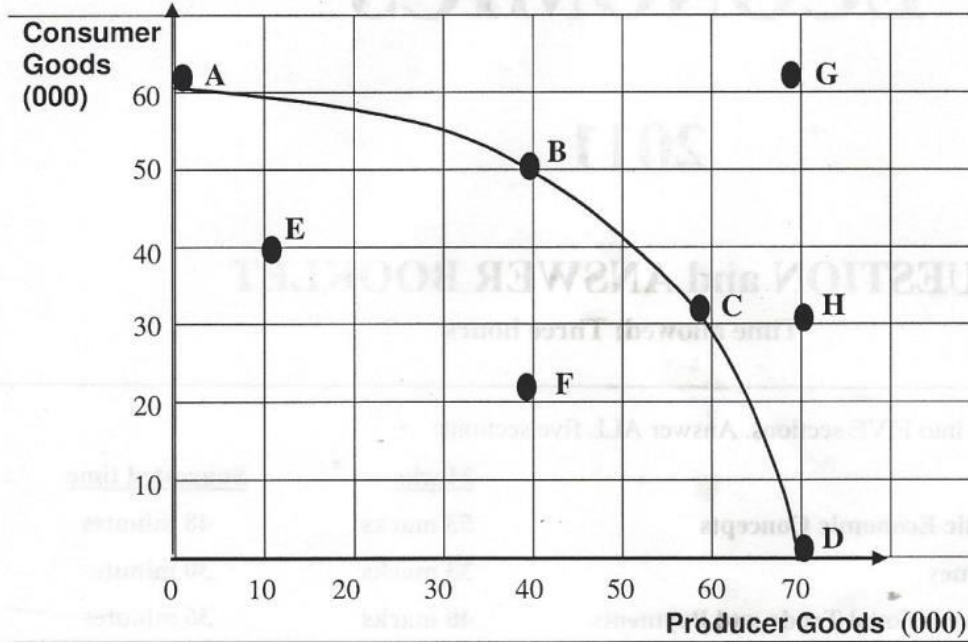
4. Explain the interdependent relationship between Simi and Mana Island Tin Fish Ltd.

SL 3

Production Possibilities

Use the Production Possibilities Curve below.

Figure 2: Mana Island's Production Possibility Curve (PPC)



5. When drawing a production possibility curve, we assume that

SL 1

6. Describe the shape of Mana's Production Possibility Curve.

SL 2

“The demand for fish by Mana Tin Fish Ltd is a Derived Demand.”

7. Clearly explain the meaning of the statement above.

SL 2

8. Explain why **markets** are important for Mana Tin Fish Ltd.

SL 3

Basis of Trade and Gains from Trade

Two economies, Highland and Lowland, with the same resource endowment, producing taro and banana, are considering trading with each other. They need your advice on what they should produce for export.

The table below shows their level of production if they specialize in either taro or banana. Use the information provided to answer the questions that follow.

Table 1

Products	Highland Economy		Lowland Economy
Taro (kg)	500	OR	200
Banana (kg)	1000	OR	800

9. Recommend the best production option based on absolute and comparative advantage figures. (Must show working).

Conclude by explaining what each country should produce for export.

SL 4

Country Y's Terms of Trade is the ratio of its export price index to its import price index.

10. State ONE way that will improve Country Y's Terms of Trade.

SL 1

11. Explain a positive impact of an improvement in Country Y's Terms of Trade on the economy's Balance of Payments.

SL 3

Income Inequality is a reason for Government intervention and it uses a number of policies or tools to reduce such inequalities, thus achieving Fair Distribution of Income and Wealth.

12. Discuss the paragraph above and include the following in your discussion.

- Identify any TWO government policies or tools that are used to reduce income inequalities.
- Explain the impact of the TWO tools or policies of government mentioned above to achieve a Fair Distribution of Income and Wealth.

SL 4

The Government Budget

Study the tabulated data for Newland and answer the questions that follow.

Table 2

Forecast Statement of financial Performance 2015 – 2017 year ending 30th June 2016			
Items	2015 Actual (\$millions)	2016 Actual (\$millions)	2017 Forecast (\$millions)
<u>Revenue:</u>			
Direct Taxation	17585	19753	21193
Indirect Taxation	10120	10342	10738
Other Revenue	2478	3261	2674
Total Revenue	30183	33356	34605
<u>Expenses:</u>			
Social Security and welfare	11479	11438	11897
Education	4627	4812	4967
Health	4602	4889	5137
Core Government Services	1723	1367	1556
Law and Order	1150	1199	1217
Defense	1049	1042	978
Transport and Communication	815	759	785
Economic and Industrial Services	711	750	723
Finance Costs	3788	3658	3547
Other	(305)	384	828
Total Expenses	29639	30298	31635
Other Adjustments	211	(455)	317
Operating balance	755	2603	3287

13. Identify the area of government spending that is forecasted to have the highest increase in dollar terms between 2015 and 2017.

SL 1

14. List the TWO major sources of revenue for Newland.

SL 2

15. List TWO **other** sources of government revenue which are not given in Table 2 on page 8.

SL 2

16. Describe ONE valid reason for the expected increase in tax revenues between 2015 and 2017.

SL 2

17. Law, Order and Health come under Social Services. Name TWO **other** areas that come under Social Services.

SL 2

18. Name the type of budget Newland had in 2016.

SL 1

19. Explain the **effect** of the type of budget balance identified in Number 18 above.

SL 3

20. Explain the **aims** of a government budget.

SL 3

Government Budget expenditure is made up of capital expenditure and current expenditure. According to the Finance Minister, the budget's current expenditure represented a 10% increase on the previous year's expenditure. This was due to an increase in interest, grants and subsidies.

21. Discuss how the provision of government subsidies to businesses could decrease unemployment and increase growth.

SL 4

22. Describe the term Budget Deficit.

SL 2

Consumption Possibilities

23. Define **Consumption Possibilities**.

SL 1

Andrew has \$10 he can spend. There are many possible combinations for Andrew if he spends his \$10.

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

Table 3: Andrew’s Consumption Possibility Schedule

Possibility	A	B	C	D	E	F
Apples	10	8	6	4	2	0
Oranges	0	1	2	3	4	5

24. Construct a fully labeled CPC for Andrew’s Budget Line on the grid below with the quantity of oranges plotted on the x-axis. Label this Budget Line, **BL₀**.

SL 3

25. State the significance of a point that is located inside the CPC.

SL 1

26. Illustrate on your graph page 11, how the budget line, BL_0 will change if the following events occur, assuming other things remain the same.

(i) The price of oranges decreases. Label it BL_1 .

(ii) Andrew's budget for oranges and apples increases. Label it BL_2 .

SL 4

27. Discuss the importance of the concept of Consumption Possibilities with reference to Consumer Choices in their purchases given money income, knowledge of the prices of the products and the Budget Line.

SL 4

Market Demand and Supply

The following table shows the Market Supply and Demand for Milk in Zumbaland.

Table 4: Market Supply and Demand for Milk

Price (\$)	Demand (Quantity)	Supply (Quantity)
26	6	20
22	9	18
18	13	13
14	18	6
10	21	4
6	24	1

28. Identify the equilibrium price from the table above.

SL 1

29. Identify the price level to achieve a surplus.

SL 1

30. Calculate consumer spending at the market equilibrium. Show workings.

SL 2

The Government decides to impose a minimum price of \$22 on the market.

31. Will there be a shortfall or surplus **and** by how much?

SL 2

Black markets may result from the imposition of minimum and maximum prices.

32. Briefly explain how a black market works.

SL 3

Assume demand increases by 5 units at every price.

33. List TWO factors that could have caused this increase in demand.

SL 2

Money Supply and Inflation

34. Identify the **function** of money that allows for a “system of credit to be accepted”.

SL 1

35. Identify the **characteristic** of money that applies to the “putting of a metal strip into a bank note to deter forgery”.

SL 1

36. Calculate the following where notes and coins = 12m; cheque account balances = 100m; savings accounts accessible via EFTPOS = 250m and other deposits = 200m.

M1 _____

SL 2

M3 _____

M1 as percentage of M3 _____

37. Distinguish between demand pull and cost push inflation.

SL 3

38. Explain how the following will affect the level of money supply.

Government borrows from the Reserve Bank or the Central Bank.

SL 3

The exchange rate for Newland dollars (N\$) and Zumbaland dollars (Z\$) are shown below.

August 2017	N\$1.00 = Z\$1.20
September 2017	N\$1.00 = Z\$1.10

39. Is the Newland dollar appreciating or depreciating over the period shown?

SL 1

40. Explain the effects of the situation identified in Number 39 above on the price of Newland's exports and imports.

SL 3

Free trade and Trade Agreements

Regional Trade Agreements are increasingly becoming an important aspect of trade in the Pacific.

41. State ONE example of a Regional Trade Agreement in the Pacific and describe its importance to the Pacific Island economies.

SL 2

42. Explain the benefits of foreign investment in an economy.

SL 3

43. Discuss the effects of appreciation on the Balance of Payments.

SL 4

STUDENT EDUCATION NUMBER									

ECONOMICS

2018

(For Scorers only)

CURRICULUM STRANDS	Weighting	Scores	Chief Scorer
STRAND 1: PRODUCTION	27		
STRAND 2: CONSUMPTION	35		
STRAND 3: MARKET	38		
TOTAL	100		