GOVERNMENT OF SAMOA
MINISTRY OF EDUCATION, SPORTS AND CULTURE

Samoa School 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.

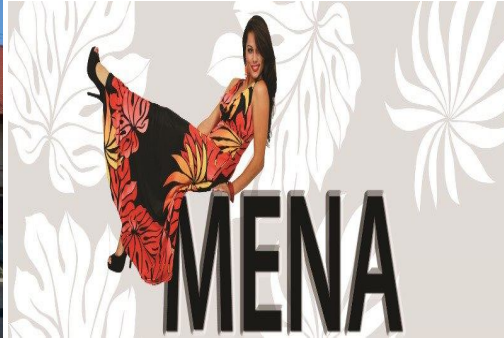| CURRICULUM STRANDS		Page	Time (min)	Weighting
STRAND 1:	PRODUCTION	2	54	30
STRAND 2:	CONSUMPTION	8	45	25
STRAND 3:	MARKET	12	81	45
TOTAL			**180**	**100**

Check that this booklet contains pages 2-22 in the correct order and that none of these pages are blank.
HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION

A1. SERVICE INDUSTRIES

FIRM A

FIRM B

FIRM C

FIRM D

Use the resources above to answer the following:

(a)   Identify a local service which is provided by Firm A.

SL 1

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(b)   Define the service which is provided by the vehicles shown in Firm C.

SL 1

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(c)   Give an example of a communication service which could be assisting MENA (Firm B) in its daily operations.

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SL 1

(d)   Name ONE more service industry. Describe the interdependence of this service for Samoa Stationeries' and Books (SSAB).

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SL 2

A2.   PRODUCTIVITY

(a)   Define *economies of scale*.

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SL 1

(b)   What is *productivity*?

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SL 1

(c)   Evaluate the impacts of the following concepts on the
      productivity of an industry.

Specialization_____ | SL 4 |

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Investment_____

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Diseconomies of scale_____

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A3.   SUPPLY

(a)   Define the term *market supply*.

_____ | SL 1 |

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Price ($)	Quantity Supplied (Firm A)	Quantity Supplied (Firm B)	Quantity Supplied (Firm C)	Market Supply
1	2	3	4	
2	4	6	5	
3	6	9	6	
4	8	12	8	
5	10	15	10	
6	12	18	14	

Study the Table above to answer the following:

(b) Complete the column for the market supply schedule.

(c) Draw the market supply curve. Make sure your graph is fully labeled.
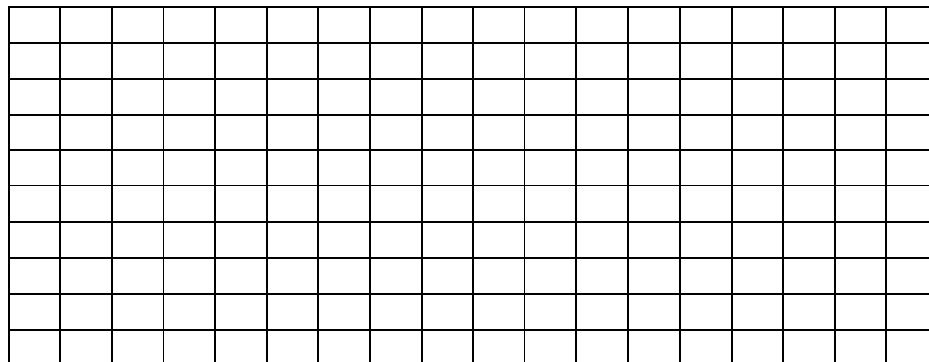
(d) Explain the law of supply using information provided in your graph above.

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(e) Illustrate on the graph the effect of an **increase in the price of imported raw materials**. Label your new curve as **S2**.

(f)   List the causes of an **increase in supply.**

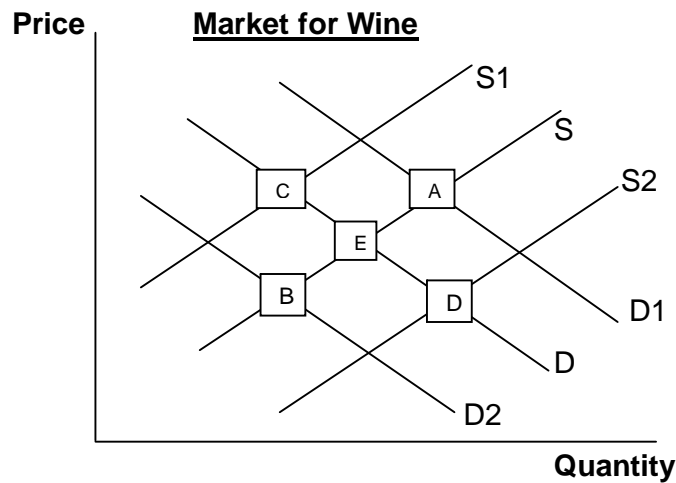   (i)   _____

              _____

     (ii)   _____

              _____

Economists rely on ceteris paribus to build and test economic models.

(g)   Define *Ceteris Paribus*.

_____

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(h)   Carefully study the diagram below and use it to predict how the determinants of supply will affect the supply curve.

Price   **Market for Wine**

Quantity

The original demand curve is D and the original supply curve is the one labeled S and the equilibrium is the point E. For each of the following situations you must begin at E and identify the point which represents the new equilibrium position.

(i)   A recent Health ministry study suggests that wine is good for lowering blood pressure and reducing the risks of heart disease.

_____

(ii)   There is unseasonal heavy rain at grape harvest time.

_____

(iii)   A major wine producer scores a multimillion dollar export deal for this year.

_____

(iv)   Government increases the tax on wine to the same rate as for beer.

_____

B1: DEMAND

(a) Define *demand schedule*.

SL 1

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(b) Name the cause of a change in quantity demanded.

SL 1

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(c) State ONE cause of a change in demand.

SL 1

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(d) Distinguish between individual demand and market demand.

SL 3

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INDIVIDUAL DEMAND FOR CHOCOLATE COOKIES

Price ($)	Sina	Sione	Ioana	Iosua	Total	New Total
1.50	8	6	10	E	28	
2.00	A	7	8	3	24	
2.50	4	C	6	2	18	
3.00	3	3	D	1	12	
3.50	B	1	3	0	6	

Study the table above to answer the following.

(e)   What are the missing values for: **A, B, C, D, E?**

   A._____

   B._____

   C._____

   D._____

   E._____

(f)   Explain the law of demand using the information provided in the table above.

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> *Sina was diagnosed with diabetes and decided to reduce her consumption by 50% at each price.*

(g)   Use the above statement to calculate the **"New Total"** column in the above table.

> *Assume that consumers buy cooked fish from a fast food take away, they buy it with chips. If the price of cooked fish goes up, people buy fewer chips.*

(h)   Use the information given to construct fully labeled graphs illustrating the relationship between the demand for cooked fish and chips.

Cooked Fish   Chips
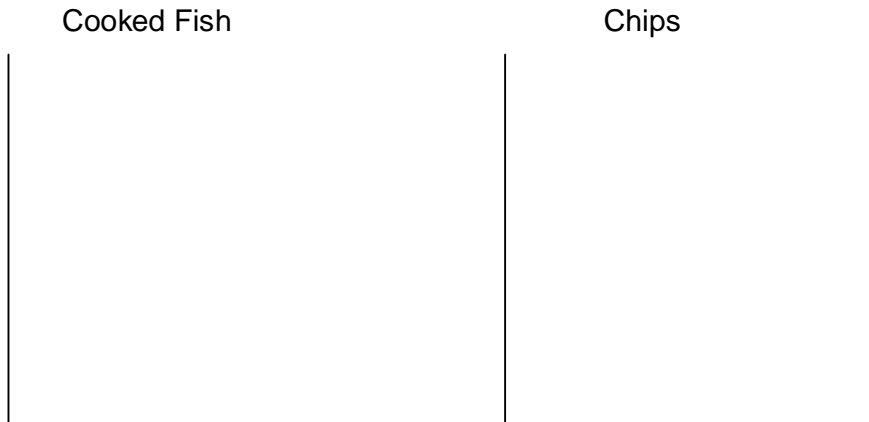
B2.   CONSUMPTION POSSIBILITIES
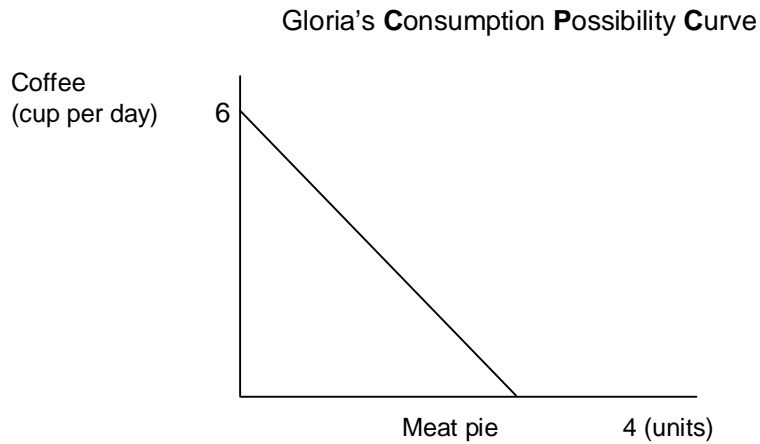
(a)   Define *consumption possibilities*.

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SL 1

(b)   State the significance of a point **outside** the consumption possibilities curve.

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SL 1

(c)   Describe the consumption possibility curve.

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Gloria's **C**onsumption **P**ossibility **C**urve

Coffee
(cup per day)   6

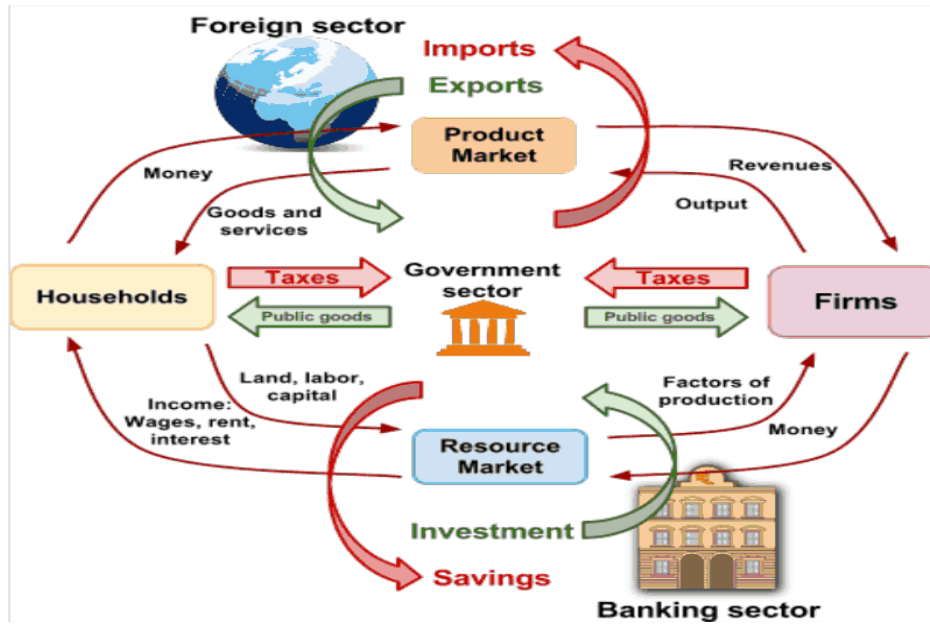Meat pie   4 (units)

Study the CPC and use it to answer the following:

(d)   Mark a point on the CPC to show that Gloria was not able to
        utilize all her given income. Label it point **X**.

(e)   Illustrate the following events on Gloria's Consumption
        Possibility curve.

        (i)   The price of meat pies increases. Label it ***BL1***.

        (ii)   Gloria's budget increases. Label it ***BL2***.

C1.   CIRCULAR FLOW MODEL

Study the Circular Flow Model to answer the following:

(a)   Identify from the Circular Flow Model the **type of market** that is trading factor inputs for factor incomes.

SL 1

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(b)   Identify the two primary player sectors in the Circular Flow Model.

SL 1

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(c)   Explain the relationship between the two primary player sectors mentioned in (b) above.

SL 3

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(d)   Name a sector of the economy that is also known as the Public Sector.

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(e)   Name ONE measure of the circular flow of economic activities.

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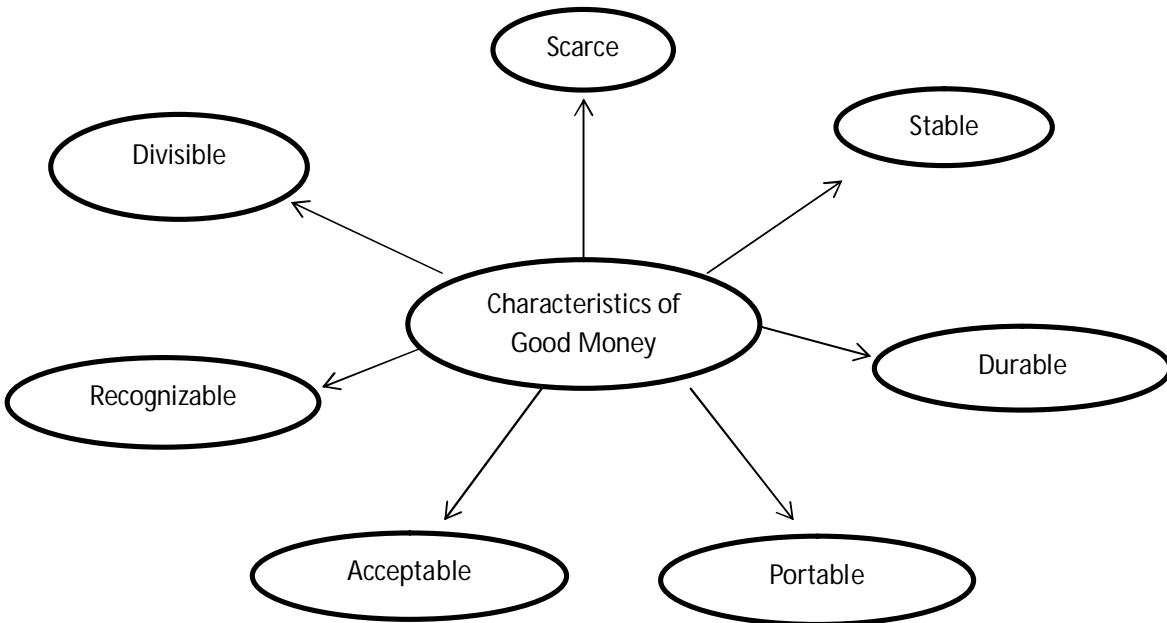(f)   Define the **measure** of the circular flow identified in (e).

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(g)   List the components of Aggregate Demand as it is illustrated on the circular flow diagram.

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(h)   Describe the role of the foreign exchange market.

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SL 2

C2:   MONEY AND INFLATION

Study the diagram to answer the following:

(a)   Define the term *money*.

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SL 1

(b)   What does the phrase *means of deferred payment* as a
        function of money describe?

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(c)   Define *Inflation*.

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(d)   In Fisher's equation of Exchange, MV=PQ, what do the letters
        M and P represent?

M_____P_____

Pacifica Economy Consumer Price Index, 2017	
Quarters	CPI
March 2016	1100
June 2016	1280
September 2016	1150
December 2016	990
March 2017	1210

Use the information in the table to answer the following:

(e)   Calculate the annual rate of inflation for Pacifica Economy's
        CPI.

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(f)   Explain the link between money and inflation.

SL 3

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(g)   Name **ONE** cause of demand pull inflation

SL 1

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(h)   Name **ONE** cause of cost push inflation.

SL 1

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(h)   Evaluate the impact of inflation on the households.
        Include the following in your discussion.

- Household Incomes
- Household patterns of Consumption (local and foreign demand)
- Household saving
- Household investment

SL 4

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C3: MARKET EQUILIBRIUM

Table 1 shows the Market Supply and Demand schedule for Milk on Sour Island for June 2016.

Table 1: Market Supply and Demand for Milk

Price ($)	Quantity Supplied (000 litres)	Quantity Demanded (000 litres)
1.00	0	20
1.50	5	16
2.00	6	13
2.50	8	8
3.00	11	3
3.50	16	0

Study the table to answer the following:

(a)   Define *market equilibrium*.

SL 1

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(b)   What is the equilibrium price for milk during June 2016?

SL 1

Equilibrium Price_____

(c)   What is the equilibrium quantity for milk?

SL 1

Equilibrium Quantity_____

(d)   What price level in the table will result in an excess supply?

SL 1

_____

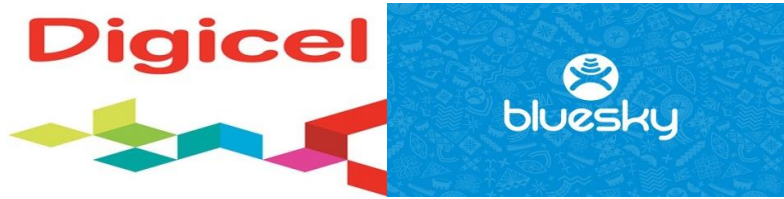e)   What price level from the table will result in an excess demand?

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(f)   Suppose government decides to set the price of milk at $1.50. Explain the effect of this government policy on the market for milk on Sour Island.

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(g)   Explain the effect of imposing a subsidy on the market for milk.

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Digicel and Bluesky are the most popular mobile network rivals in Samoa. Both firms use price competition and non-price competition to compete for their share of the market.

Study the passage to answer the following:

(h)   Define *non-price competition*.

SL 1

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(i)   Name a non-price strategy that is commonly used by both firms in order to increase their market share.

SL 1

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(j)   Discuss the effects of tax on the household sector. Include the following in your discussion.

      1.   Taxes on income (PAYE)
- Progressive income tax
- Proportional income tax

      2.   Taxes on spending or expenditure
- Regressive tax (GST)

SL 4

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STUDENT EDUCATION NUMBER								

ECONOMICS

2017

(For Scorers only)

CURRICULUM STRANDS	Weighting	Scores	Check Scorer
STRAND 1: PRODUCTION	30		
STRAND 2: CONSUMPTION	25		
STRAND 3: MARKET	45		
TOTAL	**100**		