

STUDENT EDUCATION NUMBER



GOVERNMENT OF SAMOA
MINISTRY OF EDUCATION, SPORTS AND CULTURE

Samoa Secondary Leaving Certificate

ECONOMICS

2019

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	7	45	35
STRAND 3:	MARKET	14	81	38
TOTAL			180	100

Check that this booklet contains pages 2-23 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

Basic Economic Concepts

1. Complete the table below with examples from the Fishing Industry.

Table 1

Resources	Examples
Entrepreneurial resources	
Man-made resources	
Non-renewable resources	

SL 2

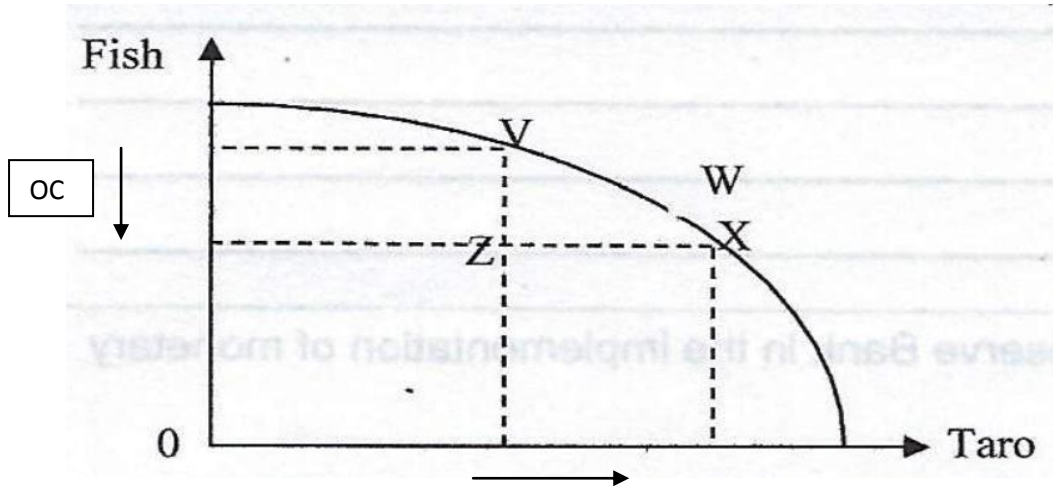
2. With reference to the basic economic concepts of **scarcity** and **opportunity cost**, evaluate their significance to everyday living.

SL 4

Production Possibilities

Study the diagram below to answer Numbers 3 to 6.

Figure 1: The Production Possibilities Curve for an economy producing Fish and Taro.



Economists use models in trying to explain economic behaviour.

3. State ONE purpose of the Production Possibilities Model.

SL 1

4. Identify a point that indicates under-utilization of resources.

SL 1

5. List TWO basic assumptions associated with a Production Possibilities Model.

- (i) _____
- (ii) _____

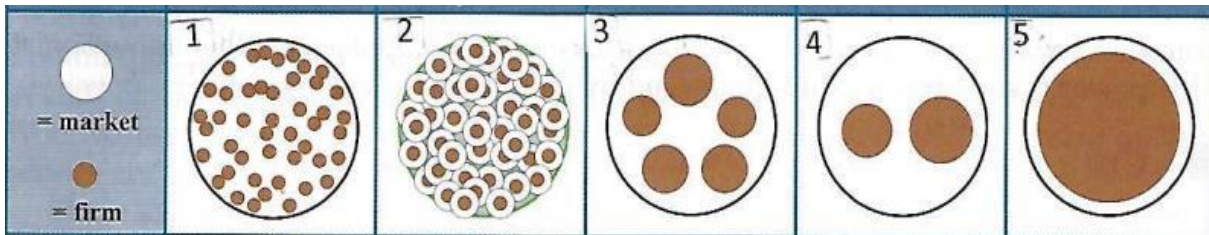
SL 2

6. On Figure 1, clearly indicate with an arrow the opportunity cost of changing production choices from combination V to combination X. Label the arrow, OC.

SL 1

Market Structures

Study the diagram below and answer Number 7.



7. Provide a local example of market structures, 1, 3 and 5 in your village, island or country.

- 1. _____
- 3. _____
- 5. _____

SL 3

Terms of Trade

8. Define Terms of Trade and give the formula for calculating it.

- _____
- _____

SL 1

9. Explain any TWO policies or measures that the Samoan economy can undertake to improve on its deteriorating terms of trade.

- _____
- _____
- _____
- _____
- _____
- _____

SL 3

11. Complete the table below to identify the type of policy and explain the likely effect (hinder or achieve) of the given policies on **Full Employment of Resources**.

Table 2

SL 3

Policies	Monetary or Fiscal	Effect on Full Employment
(i) Increasing the budget for reconstruction of schools in Savaii.		
(ii) Increase income tax rate.		
(iii) Devaluation of the local exchange rate.		

<p>The Government of Samoa through the Samoa National Provident Fund (SNPF) manages a pension scheme for senior citizens aged 65 years and above.</p>

12. Describe the Government of Samoa’s objective for paying a pension to senior citizens.

SL 2

The Government Budget

Carefully read the extract below and answer Numbers 13 – 19.

Extract 1: Samoa Parliament Passed SAT\$913.6 million budget for 2019/2020.

The Minister of Finance has tabled in Parliament a SAT\$913.6 million spending budget for the 2019/2020 financial year. The budget totals SAT\$913.6m which is an increase of SAT\$64.1m from the previous year of SAT\$849.5m. Local revenues would bring in SAT\$646.4m while SAT\$180.2m would come from external grants. SAT \$583.7m has been allocated to expenditure programs while statutory expenditure is SAT\$145.6m. SAT\$17.5m has been allocated to unforeseen expenditures with SAT\$166.8m to development expenditures.

A deficit of SAT\$87m would be financed by Soft Term Financing, SAT\$26.1m. The budget would have Cash Deficit after borrowing of SAT\$60.9m.

The biggest winners were the Ministries of Health (SAT\$112.1m), Education Sports & Culture (SAT\$109.5m) and Works Transport & Infrastructure (SAT\$98.5m). Expectations are also high for the current fiscal year as Government’s investments divert to preparations to host the Pacific Games in July as well as the construction and completion of Apia’s waterfront development and much needed road works.

Source: Samoa Observer June 19, 2019

13. One of the objectives of the budget is to use the national income wisely. State TWO other objectives of the 2019/2020 Budget as indicated in the passage above.

SL 2

14. Give ONE example of Local Revenue as a source of income to the government.

SL 1

15. Describe the likely effect of increasing government spending on the aim of Price Stability.

SL 2

16. From the extract in page 7, calculate the **percentage increase** in the budget from 2018/2019 to 2019/2020. (*Show all your working*)

SL 2

17. Define the term **Budget Deficit**.

SL 1

Consumption Possibilities

Carefully study the information provided below and answer Number 20 – 27.

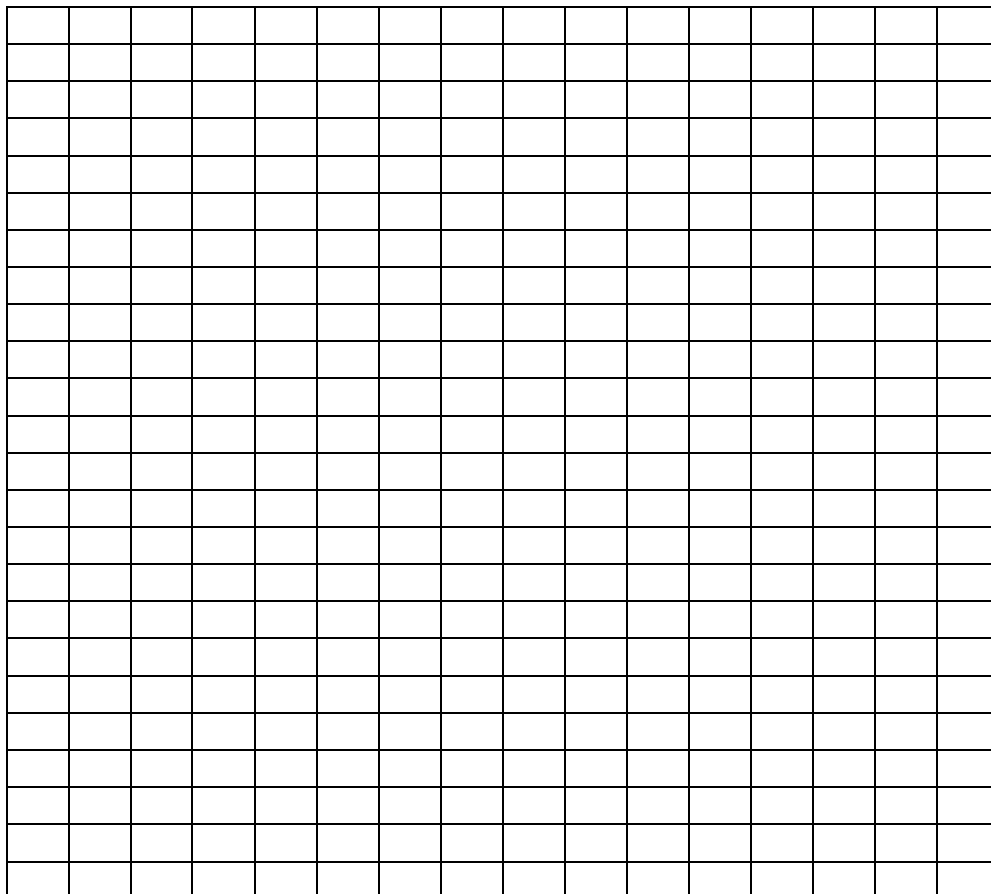
Assume that Howie is given a budget of SAT\$50 to spend on his choices between Coffee and Pizzas. The price of pizza is twice as expensive as a cup of coffee.

Table 3

Howie’s Consumption Possibilities for Coffee and Pizzas				
Possibilities	A	B	C	D
Coffee (cups)	10	4	2	0
Pizza (units)	0	3	4	5

20. From the data above, construct a **fully-labeled Consumption Possibilities Curve (CPC)** for Howie in the grid below.

Label the curve as **BL₀**. Put coffee on the vertical axis.



SL 3

21. If the price of a cup of coffee is SAT\$5, calculate the price of one unit of pizza?

SL 1

22. Use the information provided in page 10 to calculate the opportunity cost of:
Consuming the first three units of pizza?

Consuming the last six cups of coffee?

SL 2

23. Describe the significance of the **budget line (BL₀)** on page 10.

SL 2

24. Letter **X** represents a situation where Howie will NOT be able to afford any combination of pizzas and coffee given his budget.

Label **X** on your CPC on page 10.

SL 1

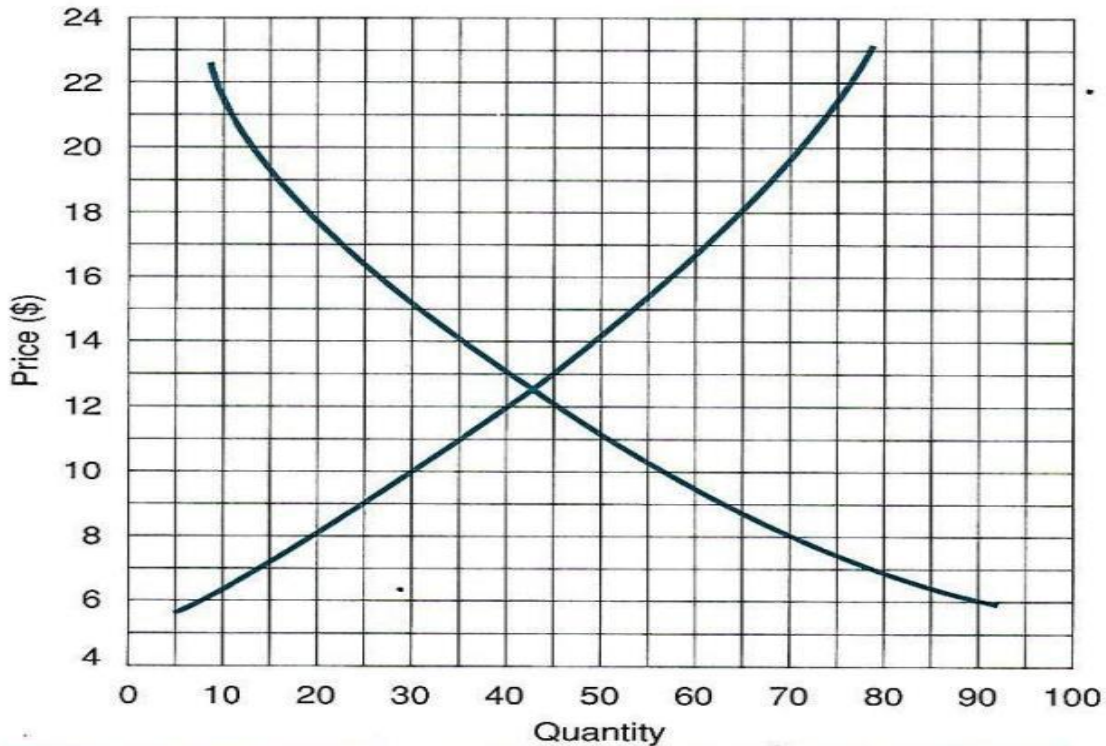
27. Clearly illustrate and label the effect discussed in Number 26 (page 12) on your Consumption Possibilities Curve in page 10.

SL 4

Demand and Supply

Study the diagram below and answer Numbers 28 – 30.

Figure 2: Demand and Supply for a Commodity



28. Label the curves on the diagram above with **D** for Demand and **S** for Supply curves.

SL 1

29. Identify and label the equilibrium price and quantity on the diagram above.

Equilibrium price _____

Equilibrium quantity _____

SL 2

30. If price was set at \$20, explain the effect this price would have on the market and illustrate this effect on the same diagram.

SL 3

Money Supply

31. Clearly explain the effect of the following event on the level of money supply in the Samoan economy.

Recognized Seasonal Workers (RSE) in New Zealand has increased this year by 10%.

SL 3

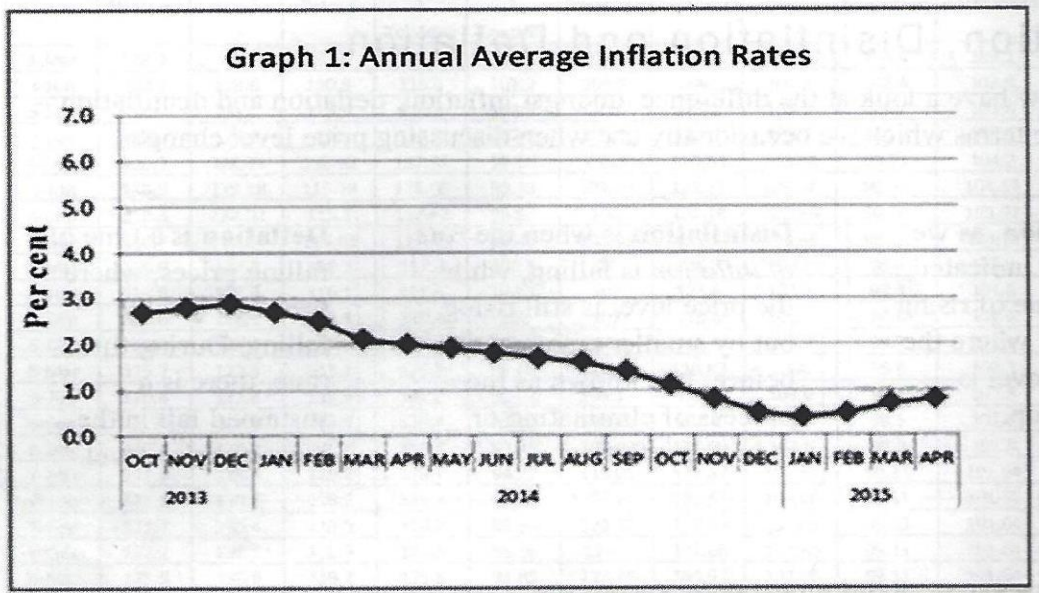
32. How does the government borrow from the public?

SL 1

CPI and the Inflation Rate

Study the graph below and answer Numbers 33 – 35.

Figure 3: Samoa’s Average Inflation Rate (%)



(Source: CBS Bulletin 2015)

33. Identify periods of inflation, disinflation and deflation.

Inflation _____

Deflation _____

Disinflation _____

SL 1

34. Suppose CPI was 121.2 in Year 1 and 143.5 in Year 2, calculate the rate of inflation between the two years.

SL 2

35. With reference to your understanding of the various sectors of the economy, discuss how the following groups of people would be affected during an inflationary period.

Savers

SL 4

Importers

National Income

Read the extract below and answer Numbers 36 – 37.

Extract 2:

As general economic performance (economic growth) improves in many of the countries surrounding the South Pacific nations such as New Zealand, Australia, the USA and many East Asian economies, the South Pacific economies will benefit from increasing demand for certain resources such as fish and services such as tourism. Spending on tourism earns approximately 10% of GDP for the average South Pacific economy and this is forecasted to increase as economic recovery continues in the Pacific Basin economies.

Samoa Observer, June 25, 2019

36. Define **Gross Domestic Product** (GDP).

SL 1

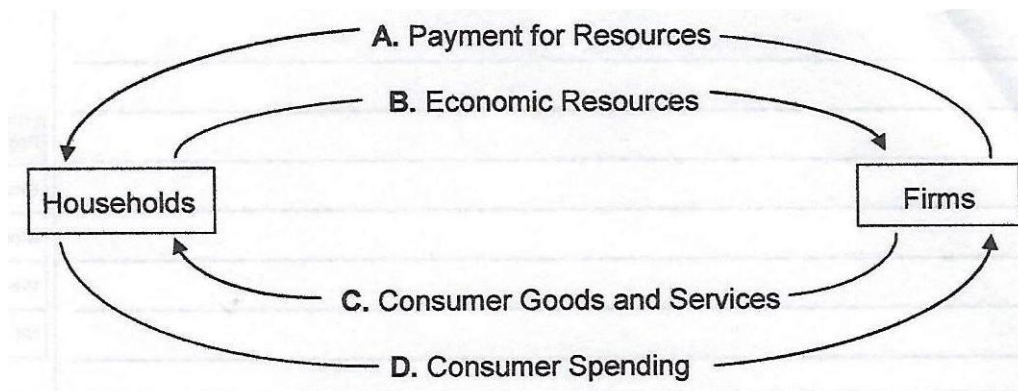
37. Distinguish between Real GDP and Nominal GDP and explain why real figures are preferred by economists when measuring economic growth.

SL 3

Circular Flows

Use the diagram below to answer Numbers 38 – 39.

Figure 4: A Simple Circular Flow



38. In Figure 4, which of the four flows (A,B,C,D) represents:

Expenditure measure of GDP? Letter _____

Real Flows? Letter _____ and _____

SL 2

$AD = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$

39. Explain which components of Aggregate Demand (AD) in the standard notation above will be directly affected by an **increase in international tourism** into the Samoan economy.

SL 3

Foreign Exchange Market

Study the information below and answer Numbers 40 – 42.

In May 2018, the price of 1 SAT = 0.5531 USD. In June 2018, the government deliberately sets the exchange rate at 1 SAT = 0.6342 USD.

40. State the exchange rate system used in the information above.

SL 1

41. Use the information above to calculate how much SAT is needed to buy a second hand car from the US costing USD10,000 in June 2018. (*Show your working*).

SL 2

42. Explain how a depreciation of the exchange rate would affect a Balance of Trade Deficit.

SL 3

Trade in the Pacific region is supported by various trade agreements and marketing boards and agencies.

43. Identify an example of a Trade Agreement and briefly describe how this trade agreement would benefit the exporting sector in the economy of Samoa.

Example of a Trade Agreement

Description

SL 2

Economic Development

Read the Extract below and answer Number 44.

Investing in Human Capital if done right provides the firmest foundation for lasting economic development.

44. Discuss the importance of investment in human capital on the economic development of the Samoan Economy.

Include the following in your discussion.

- Define and give TWO examples of Investing in human capital
- Explain clearly the effect of investment in human capital on economic development

SL 4

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ECONOMICS

2019

(For Scorers only)

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STRAND 2: CONSUMPTION	35		
STRAND 3: MARKET	38		
TOTAL	100		