

STUDENT EDUCATION NUMBER

GOVERNMENT OF SAMOA
MINISTRY OF EDUCATION, SPORTS AND CULTURE

Samoa Secondary Leaving Certificate

ECONOMICS

2020

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	49	27
STRAND 2:	CONSUMPTION	7	63	35
STRAND 3:	MARKET	13	68	38
TOTAL			180	100

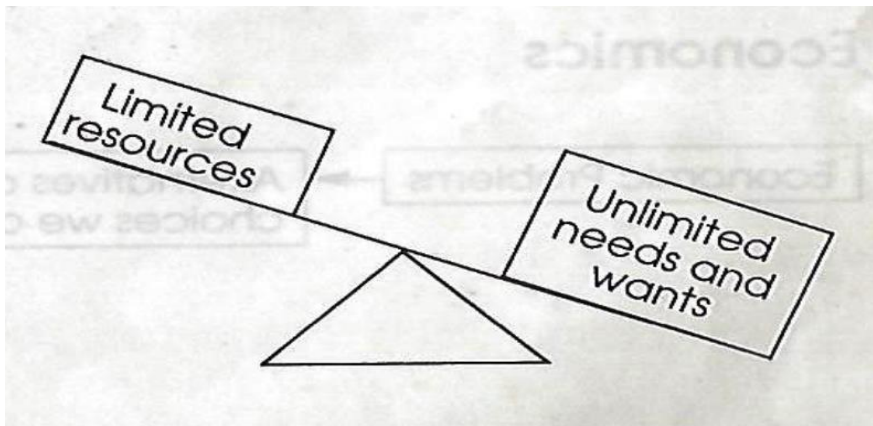
Check that this booklet contains pages 2-22 in the correct order and that none of these pages is blank.

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

Basic Economic Concepts

Study Diagram 1 below and answer Question 1.

Diagram 1



1. Define the basic economic concept that is best illustrated in Diagram 1 above.

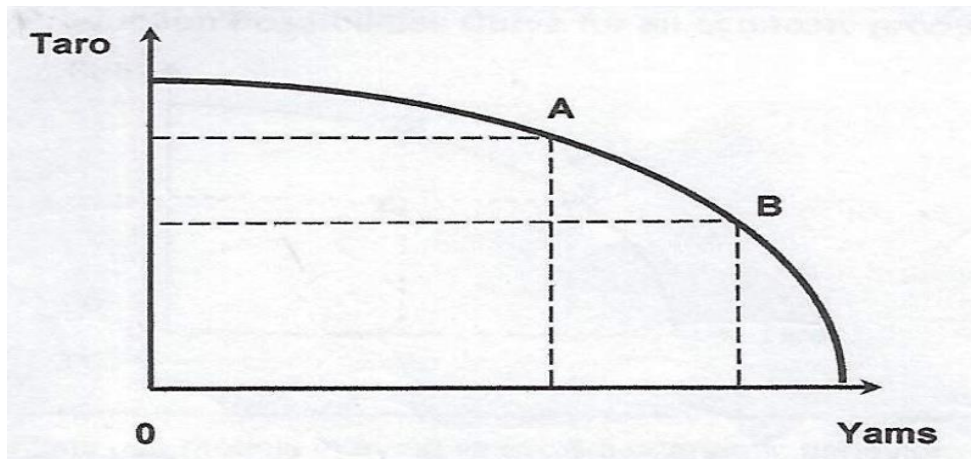
SL 1

2. Describe the features of a Monopolistic market structure.

SL 2

Use Graph 1 below to answer Questions 3 and 4.

Graph 1: The Production Possibilities of Fertile Soils



3. Use the terms scarcity, choice and opportunity cost to explain the significance of going from Point A to Point B on the graph.

SL 3

4. Suggest what will have caused the whole Production Possibility Curve (PPC) to shift outwards.

SL 2

Terms of Trade shows the relationship between export prices and import prices.

5. What is meant by an unfavourable terms of trade?

SL 1

6. Suggest TWO ways by which the Samoa government can improve its unfavourable terms of trade.

SL 2

The following table shows the hypothetical number of Personal computers and Video cameras produced by countries A and B, using 2 units of labour in a year.

Study the table to answer Questions 7 and 8.

Table 1

Country	Output per worker	
	Personal Computers	Video Cameras
A	100	50
B	20	30

7. Name the country that has the absolute advantage in the production of Video cameras.

Country _____

SL 1

8. Recommend the best production option (who to export or import) based on absolute and comparative advantage figures. Show the relevant calculation to assist with your answer.

SL 4

Economic Functions and Issues

Study the abstract below to answer Questions 9 to 12.

The Government wants to achieve economic growth because producing more goods and services can raise people's standard of living. Economic growth can indeed transform people's lives and enable them to live longer because of better nutrition, housing and health care.

Source: <http://www.yourarticlelibrary.com/economics>

9. Identify an economic aim of Government from the abstract.

SL 1

10. Explain a different economic aim of Government other than the one already discussed in the abstract.

SL 3

11. Briefly explain with examples how the Government of Samoa tries to promote health care in Samoa.

SL 3

12. Discuss TWO ways in which the Government of Samoa can improve the growth of its economy.

SL 4

The Government Budget

Study the Government Budget estimate of Samoa for 2019/2020 provided in Table 2 below to answer Questions 13 to 19.

Table 2: Government Budget Estimate for 2019/2020 (SAT\$million).

Details	Budget Estimate (SAT\$million)	
Budget Revenue		826.60
<i>Ordinary Receipts</i>	646.40	
<i>External Grants</i>	180.20	
Budget Expenditures		913.60
<i>Statutory Expenditures</i>	145.60	
<i>Expenditure Programs</i>	583.70	
<i>Other Expenditures</i>	184.30	
Overall Budget Deficit		(A)
<i>Soft Term Financing</i>	26.10	
Cash Deficit		-60.90

Source: Parliamentary Paper 2019/2020 No.23

13. State ONE major source of revenue for the Government of Samoa.

SL 1

14. Name a major area of government expenditures for the Samoan economy.

SL 1

15. Explain how a decrease in the government's budget revenue will affect operating expenditures of the Government of Samoa.

SL 3

16. The two major expenditures in the Government budget are Statutory Expenditures and Expenditure Programs.

Give an example for each type of expenditures.

Statutory Expenditures_____

Programs Expenditure_____

SL 2

17. Use the information provided in Table 2 to calculate the value for the overall budget balance **(A)** before soft term financing.

SL 2

18. Table 2 shows that the Government has an overall deficit budget for 2019/2020. Explain why this type of budget balance is most desired by economies.

SL 3

19. Discuss the impacts of the following methods of financing a budget deficit on the Government.

- (i) Government borrows from the Central Bank.
- (ii) Government borrows from the Public.

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SL 4

20. Identify the effect (increase/decrease/no change) of the following situations on a budget surplus.

- (a) Ministry of Police recruiting more officers to the police force.

- (b) Decrease in the number of business registration compared to last year.

SL 2

Consumption Possibilities

21. Define Consumption Possibilities.

SL 1

Table 3 below shows the various possible choices for Ema if she spends SAT\$10.00. The price of a donut is twice as expensive as a meat pie.

Table 3

Ema's consumption Possibilities for Round Donuts and Meat Pies						
Possibilities	A	B	C	D	E	F
Round Donut (units)	10	8	6	4	2	0
Meat Pie (units)	0	1	2	3	4	5

22. Use the information in Table 3 to construct a **fully-labeled Consumption Possibilities Curve** for Ema in the grid below. Label the curve as BL_0 . Put Donuts on the vertical axis.

Graph 2

SL 3

23. State the significance of a point that is located below the Budget Line.

SL 1

24. Describe the significance of the budget line (BL_0).

SL 2

25. Use the data provided in Table 3 to describe the opportunity cost to Ema's consumption of her first meat pie.

SL 2

26. Explain and illustrate the effect of Ema's tradeoff between the two goods if there is a 100% increase in her budget. Show this effect on Graph 2 in page 10.

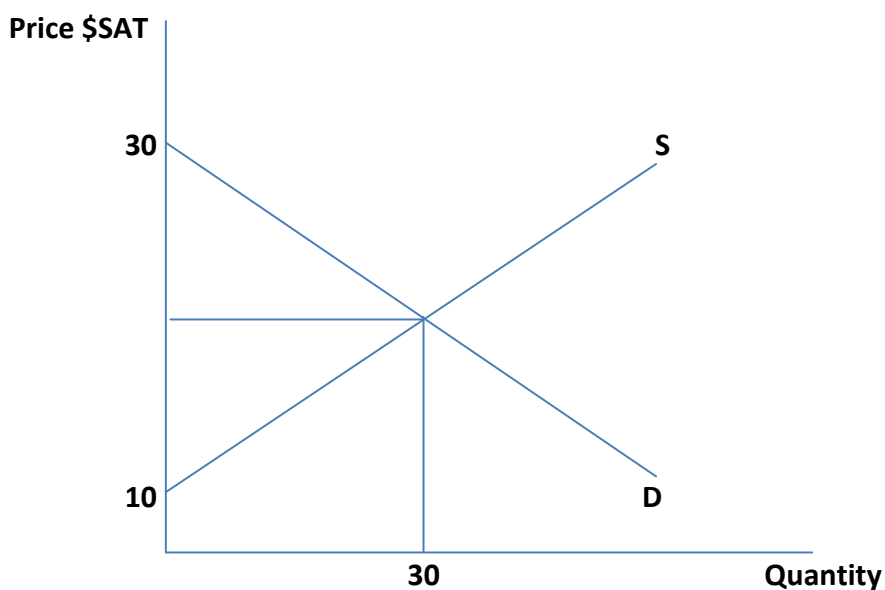
SL 4

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SL 4

Demand and Supply

Assume that the weekly market demand and supply of pumpkins at the Savalalo market in Apia is illustrated in the graph below.

Graph 3: Demand and Supply of Pumpkins

28. From Graph 3, define the term supply.

SL 1

29. Identify the equilibrium price for pumpkins.

SL 1

- 30.** Describe the effect on the market for pumpkins if a new price is set below the equilibrium price.

SL 2

- 31.** Calculate the market revenue from Graph 3.

SL 2

- 32.** Apart from a change in price, explain TWO factors that will cause an increase in the supply of pumpkins.

SL 3

Money Supply

Use the hypothetical information in Table 4 below to calculate the value for M1 and M3.

Table 4: Hypothetical Money Supply for Country A

Money Supply	SAT\$ Millions
Notes and Coins	100
Demand Deposits	140
Short term investments	200
Bonds	500

33. Calculate the values for the following:

M1: _____

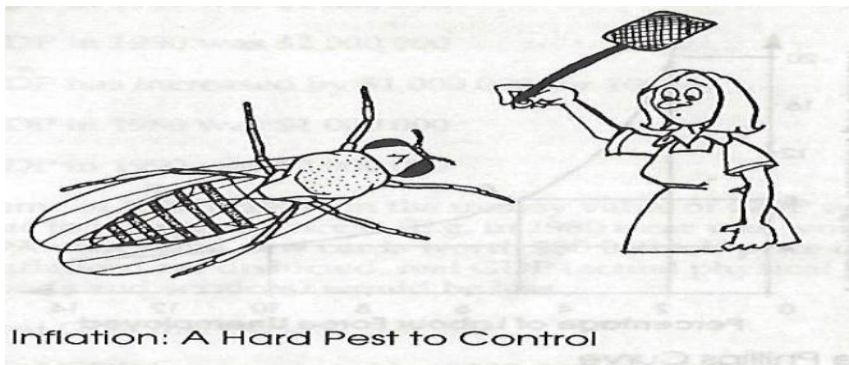
M2: _____

SL 2

34. Explain the effect of Open Market Operation (Sell) on the level of money supply.

SL 3

Diagram 2



35. Define Inflation.

SL 1

36. Name a monetary policy to combat inflation.

SL 1

37. Describe how the monetary policy you stated in Question 36 can combat inflation.

SL 2

38. Discuss the impacts of inflation on the sectors of the economy.

SL 4

Use the information given below to answer Questions 39 and 40.

CBS Exchange Rate for the months of May and June 2020

May 2020	SAT\$1=NZD1.45
June 2020	SAT\$1=NZD1.50

Source: CBS Bulletin June Quarter 2020

39. Define Floating Exchange Rate.

SL 1

- [illegible]

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Use the hypothetical values of GDP Deflator and Nominal GDP provided in the table below to calculate the Real GDP for the year 2019. Show the relevant working.

SL 2

42. Distinguish between Nominal GDP and Real GDP.

SL 3

Balance of Payments

43. Distinguish between the components of Current account and Capital account which make up the Balance of Payments account.

SL 3

Economic Development

Engaging the Pacific communities to prepare for COVID-19.

There are only a handful of places that have not reported cases of COVID-19. Many of them are in the Pacific and Samoa is one of the island economies that is virus-free. As early as January, the Pacific started to step up efforts to prepare for COVID-19 with support from World Health Organization (WHO). With Samoa on the cusp of declaring the end of its measles outbreak, the Government immediately started to inform the public on how to stop the spread of COVID-19.

Source: Abstract from Pacific News Update June 2020

- 44.** With reference to the abstract and your general understanding of COVID-19 as a natural and national disaster, discuss the impacts of the pandemic COVID-19 on the economic development of Samoa and the possible measures which have been put in place by the Government to safeguard its economy.

Include the following in your answer:

- Describe ONE social and ONE economic impact of the pandemic for the Samoan economy;
- For each impact, discuss possible solutions or the necessary precautionary measures to safeguard Samoa in achieving sustainable growth and development for everyone in the country.

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SL 4

STUDENT EDUCATION NUMBER									

ECONOMICS

2020

(For Scorers only)

CURRICULUM STRANDS	Weighting	Scores	Chief Scorer	Double Entry (AED)
STRAND 1: PRODUCTION	27			
STRAND 2: CONSUMPTION	35			
STRAND 3: MARKET	38			
TOTAL	100			