



STUDENT EDUCATION NUMBER									

Samoa Secondary Leaving Certificate

ECONOMICS

2021

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 paper to write your answers, ask the Supervisor. Write your SEN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

STRANDS		Page	Time (min)	Weighting
STRAND 1	PRODUCTION	2	45	27
STRAND 2	CONSUMPTION	9	54	35
STRAND 3	MARKET	16	81	38
	TOTAL		180	100

Check that this booklet contains pages 2-24 in the correct order.

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

PART A: MULTIPLE CHOICE QUESTIONS**(4 MARKS)****INSTRUCTION: Choose the BEST answer and write the correct letter in the box provided.**

1. Economics is an aspect of social science that:

- A. studies how man makes machines.
- B. analyses how a government maintains power.
- C. discusses how people solve the problem of poverty.
- D. analyses people's behaviour with regards to scarcity.

SL 1

2. Opportunity cost means:

- A. wasted opportunities.
- B. alternatives foregone.
- C. the costs of production.
- D. cost for purchasing goods and services.

SL 1

3. Economic growth can be seen as:

- A. an increase in government revenue.
- B. higher imports of capital goods.
- C. increased savings by the population.
- D. an increase in the quantity of goods and services produced.

SL 1

4. An increase in budget deficit is evidence that government is:

- A. expanding the economy.
- B. contracting the economy.
- C. losing control of the economy.
- D. raising taxes.

SL 1

Production Possibilities

Pita lives with his family on a small island where he raises chickens and grows pumpkins. He has estimated his annual production possibility schedule as follows.

Use Figure 1 to answer Questions 5 and 6.

Figure 1

Products	Combinations					
	A	B	C	D	E	F
Chicken (units)	100	80	70	50	30	0
Pumpkins (units)	0	20	40	60	80	100

5. Describe the significance of Pita's production possibilities at point **C**.

SL 2

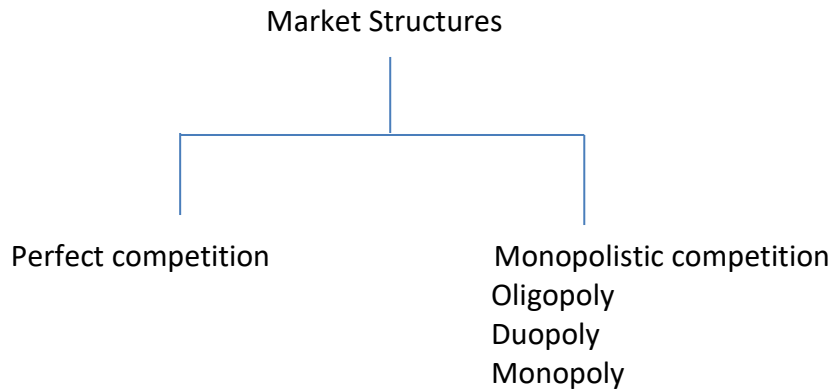
6. Assume that Pita is currently producing at point **D**.
Explain the opportunity cost of moving to point **E** on his **PPC**.

SL 3

Market Structures

Use Figure 2 to answer Questions 7 and 8.

Figure 2



7. List TWO types of market structures from Figure 2 which have the following features.

- Have strong barriers to entry
- Imperfectly competitive in nature
- Sells similar but differentiated products

SL 2

8. A perfectly competitive firm produces and sells a homogenous product and has no barriers to entry. Briefly describe this statement.

SL 2

Terms of Trade

The figure below shows the terms of trade for a hypothetical economy.

Figure 3

Year	Terms of Trade (TOT)
1	1391
2	1205
3	1250

9. Explain the change in terms of trade from Year 2 to Year 3.

SL 3

PART A:

MULTIPLE CHOICE QUESTIONS

(4 MARKS)

INSTRUCTION: Choose the BEST answer and write the correct letter in the box provided.

13. Consumption Possibilities represent the possible:

- A. outcomes of firms.
- B. outcomes of consumers.
- C. combination of outputs given limited inputs.
- D. combination of goods given limited income.

SL 1

14. Which of the following states the significance of a point inside a budget constraint?

- A. Maximum consumption.
- B. Minimum consumption.
- C. Underutilized incomes.
- D. Underutilized resources.

SL 1

15. A major source of revenue for most economies would be from:

- A. income and sales taxes.
- B. internal borrowing.
- C. profits and interest.
- D. external borrowing.

SL 1

16. A budget surplus is also known as:

- A. an expansionary fiscal policy.
- B. a contractionary fiscal policy.
- C. an expansionary monetary policy.
- D. a contractionary monetary policy.

SL 1

The Government Budget

Use the information below to answer Questions 17 – 19.

Figure 4

Country A's National Budget 2020	\$ million
Total Expenditure	8476.5
Total Revenue	7959.3

17. Calculate the balance in Country A's 2020 budget, indicating whether it is a surplus or deficit balance.

SL 2

18. Describe the effect of the type of budget balance you identified above in Country A's economy.

SL 2

21. Briefly describe whether increased government subsidies to businesses would achieve or hinder the aim of price stability.

SL 2

Country A can finance its budget deficit by borrowing from the public or borrowing from abroad.

22. Discuss ways Country A can finance its budget deficit considering the following:

- Meaning of borrowing from the public.
- Effects of borrowing from abroad under a fixed-exchange rate on Country A's rate of inflation.

SL 4

Consumption Possibilities

Study the information provided below and answer Questions 23 – 27.

Nina’s coffee and sandwiches budget is SAT\$8.00 a day. The price for a cup of coffee is SAT\$2.00 and the sandwiches cost SAT\$1.00.

23. Complete the table below.

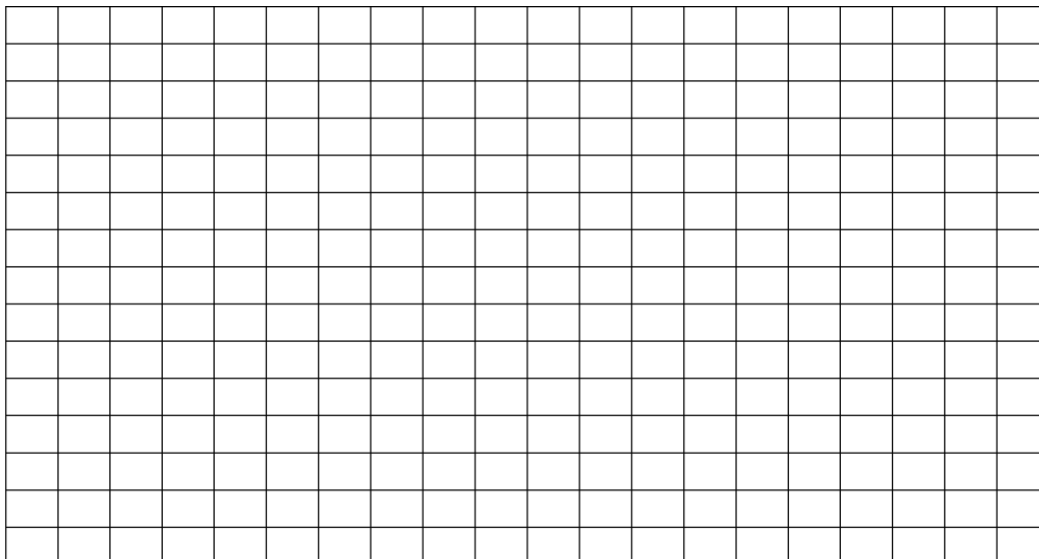
Figure 5

Nina’s Consumption Possibilities for Coffee and Sandwiches					
Possibilities	A	B	C	D	E
Coffee (cups)	0				4
Sandwiches (units)	8				0

SL 3

24. Draw a fully labelled graph of Nina’s budget line on the grid below with coffee on the vertical axis. Label this budget line (BL₀).

Figure 6



SL 3

PART A:

MULTIPLE CHOICES

(5 MARKS)

INSTRUCTION: Choose the **BEST** answer and write the correct letter in the box provided.

28. Brian purchased a new microwave on hire purchase. This transaction reflects the function of money as a standard of:

- A. account.
- B. value.
- C. exchange.
- D. deferred payments.

SL 1

29. Which of the following is a function of commercial banks?

- A. Managing a country's external reserves.
- B. Acting as a banker for the government.
- C. Promoting monetary stability.
- D. Lending to individuals.

SL 1

30. A country's exchange rate is the:

- A. bank charge for a bank draft for imports.
- B. rate of calculation of money within the economy.
- C. price of that country's currency in terms of another currency.
- D. charge incurred for discounting a bill of exchange for an importer.

SL 1

31. Which of the following is **NOT** a feature of developed countries?

- A. High employment rate.
- B. High expectancy rate.
- C. High growth rate.
- D. High birth rate.

SL 1

32. The Asian Development Bank (ADB) is another significant international organization in Pacific development. The ADB's traditional role in the Pacific was to provide loans to member countries for:

- A. public sector development projects.
- B. private sector development projects.
- C. social and economic development.
- D. social development.

SL 1

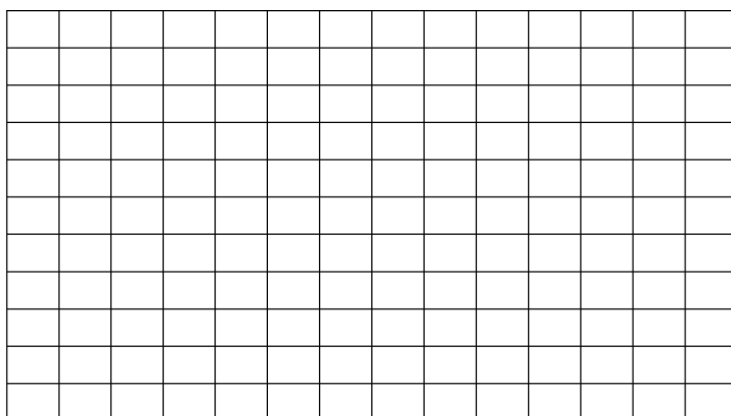
Supply and Demand.

Use the information given below to answer Questions 33 – 37.

Figure 7: Market Supply and Demand for Taro in Highland Economy per month.

Price (\$)	Quantity Supplied (000kg)	Quantity Demanded (000kg)
2	0	100
4	10	80
6	30	60
8	60	30
10	80	20
12	100	10

33. Draw the Market Supply and Demand curves for taro. Label your graph carefully.



SL 3

34. Calculate the total consumer spending at the equilibrium price. Show all the relevant working.

SL 2

Suppose the Government announces a new tax policy where income tax decreases.

35. Describe what will happen to the demand for taro if Government were to decrease income tax.

SL 2

36. If the price of taro was set at \$4.00 per unit, explain what you would expect to occur.

SL 3

37. Distinguish between a change in supply and a change in quantity supplied for Highland economy.

SL 3

39. Use the information below to calculate how much the GDP has increased or decreased in real terms. Show your working.

	Year 1	Year 2
Nominal GDP	\$140m	\$180m
CPI	1 000	1 125
Real GDP in Year 1 prices		

SL 2

The Consumer Price Index (CPI) is the basis for the calculation of the annual rate of inflation.

40. Use the values in the table below to calculate the annual inflation rate for a hypothetical Country A.

Figure 8

CPI Table for Country A		
Year	1 January 2020	31 December 2020
CPI	1082	1144

SL 2

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ECONOMICS

2021

(For Scorer only)

STRANDS		Weighting	Scores	Check Scorer	AED (Check)
STRAND 1	PRODUCTION	27			
STRAND 2	CONSUMPTION	35			
STRAND 3	MARKET	38			
TOTAL		100			