

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.

s	TRANDS	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.

STRAND 1:	PRODUCTION	WEIGHTING 27		
PART A:	MULTIPLE CHOICE QUESTIONS	(4 MARKS)		
INSTRUCTIO	NSTRUCTION: Choose the BEST answer and write the correct letter in the box provided.			
1. Econ	omics is an aspect of social science that:			
A.	studies how man makes machines.			
В.	analyses how a government maintains power.	SL 1		
C.	discusses how people solve the problem of poverty.			
D.	analyses people's behaviour with regards to scarcity.			
2. Oppo	ortunity cost means:			
A.	wasted opportunities.			
В.	alternatives foregone.	SL 1		
C.	the costs of production.			
D.	cost for purchasing goods and services.			
3. Econ	omic growth can be seen as:			
A.	an increase in government revenue.	SL 1		
В.	higher imports of capital goods.			
C.	increased savings by the population.			
D.	an increase in the quantity of goods and services produced.			
4. An in	crease in budget deficit is evidence that government is:			
A.	expanding the economy.	61.4		
В.	contracting the economy.	SL 1		
C.	losing control of the economy.			
D.	raising taxes.			

PART B: **SHORT ANSWERS (23 MARKS)** 

## **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

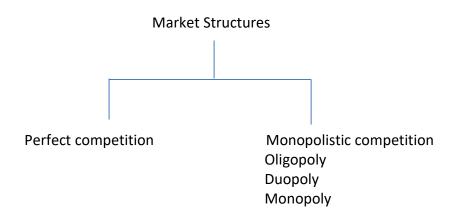
Products	Combinations							
	Α	В	С	D	E	F		
Chicken (units)	100	80	70	50	30	0		
Pumpkins (units)	0	20	40	60	80	100		

	Describe the significance of Pita's production possibilities at point <b>C</b> .	
	- coord and or grown and or have a production of positions are points or	
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ļ	Assume that Pita is currently producing at point <b>D</b> .	
E	Explain the opportunity cost of moving to point <b>E</b> on his <b>PPC</b> .	
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#### **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
<del></del>	

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

## 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 t	rade from	Year 2 to	Year 3.
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SL 3

Roles	of G	iove	rnm	ent
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	(i)	Stabilization role.	
	(ii)	Regulatory role.	
	(iii)	Allocative role.	
	(iv)	Distributive role.	
10.		ny ONE of the four roles of government above, and explain how it ensures an ent allocation of resources. Provide examples to support.	
			SL 3

## **Economic Issues and Policy Tools**

The Samoan government can reduce inequality through laws designed to promote equality of opportunity or to protect the incomes of workers.

Discuss how the Samoan government promotes equality of opportunity with regard to education. Use examples to support your answer.	
	SL 4
	324
·	

The Government has announced that it will be reviewing its policies in an attempt to reduce inequality in Samoa.

12.	Evaluate how increased benefits could be used to reduce income inequality in Samoa. Consider how increased benefits to people on low incomes may not be effective in reducing inequality.	
		_
		SL 4

STRAND 2:		CONSUMPTION	WEIGHTING 35
PART A:		MULTIPLE CHOICE QUESTIONS	(4 MARKS)
INST	RUCTIC	ON: Choose the BEST answer and write the correct letter in the bo	ox provided.
13.	Cons	umption Possibilities represent the possible:	
	A.	outcomes of firms.	SL 1
	B.	outcomes of consumers.	511
	C.	combination of outputs given limited inputs.	
	D.	combination of goods given limited income.	
14.	Whic	h of the following states the significance of a point inside a budget co	onstraint?
	A.	Maximum consumption.	
	В.	Minimum consumption.	SL 1
	C.	Underutilized incomes.	
	D.	Underutilized resources.	
15.	A ma	jor source of revenue for most economies would be from:	
	A.	income and sales taxes.	
	В.	internal borrowing.	SL 1
	C.	profits and interest.	
	D.	external borrowing.	
16.	A bu	dget surplus is also known as:	
	A.	an expansionary fiscal policy.	
	В.	a contractionary fiscal policy.	SL 1
	C.	an expansionary monetary policy.	
	D.	a contractionary monetary policy.	

## **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

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surplus.				
				SI
A	-			
	et deficit puts more burder	ns on future generations	<b>5.</b>	
A government budg  Explain the meaning		ns on future generations	<b>3.</b>	
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or hinder the aim of price stability.	
	SI
Country A can finance its budget deficit by borrowing from the public or borrowing from abroad.	
Discuss ways Country A can finance its budget deficit considering the following:	
<ul> <li>Meaning of borrowing from the public.</li> <li>Effects of borrowing from abroad under a fixed-exchange rate on Country A's rate of inflation.</li> </ul>	
·	
	SI

#### **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.

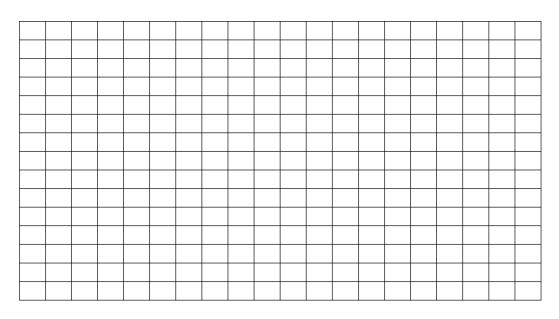
## Figure 5

Nina's Consumption Possibilities for Coffee and Sandwiches					
Possibilities	Α	В	С	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 (BL<sub>0</sub>).

#### Figure 6



	S
rate on Figure 6 <i>(page 13)</i> the effect of a 20% increase in Nina's income on the Label this new budget line BL1. Make sure to carefully label your graph.	S
uate the effect of Nina's tradeoff between the two goods if there is a 50% ction in the price of coffee. Clearly illustrate this new Budget line on Figure 6 e 13) and label it BL2.	
	S
	Label this new budget line BL1. Make sure to carefully label your graph.  uate the effect of Nina's tradeoff between the two goods if there is a 50% ction in the price of coffee. Clearly illustrate this new Budget line on Figure 6

STRA	ND 3:	MARKET	W	EIGHTING 38
PART	A:	MULTIPLE CHOICES		(5 MARKS)
INSTR	RUCTION	N: Choose the BEST answer and write the correct letter in the box pro	ovided.	
28.		ourchased a new microwave on hire purchase. This transaction reflects ton of money as a standard of:	he	
	A.	account.		CI 4
	B.	value.		SL 1
	C.	exchange.		
	D.	deferred payments.		
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.		SL 1
	C.	Promoting monetary stability.		
	D.	Lending to individuals.		
30.	A cour	ntry's exchange rate is the:		
	A.	bank charge for a bank draft for imports.		
	B.	rate of calculation of money within the economy.		SL 1
	C.	price of that country's currency in terms of another currency.		
	D.	charge incurred for discounting a bill of exchange for an importer.		
31.	Which	of the following is <b>NOT</b> a feature of developed countries?		
	A.	High employment rate.		
	В.	High expectancy rate.		SL 1
	C.	High growth rate.		
	D.	High birth rate.		

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.		SL 1
	B.	private sector development projects.		011
	C.	social and economic development.		
	D.	social development.		

32.

#### PART B:

#### **SHORT ANSWERS**

#### **33 MARKS**

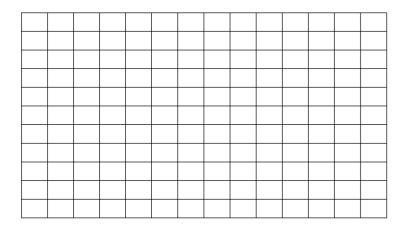
#### **Supply and Demand.**

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.


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

	SL
If the price of taro was set at \$4.00 per unit, explain what you would expect to occur.	
	SL
Distinguish between a change in supply and a change in quantity supplied for	
Highland economy.	
	SL
<del></del>	

## **National Income**

The following economic indicators are available for economic assessors to measure the standard of living and wellbeing of an economy.

GDP a Current Price GDP at Constant Price Real GDP per Capita

Other indexes such as the Consumer Price Index and the Rate of Inflation are somehow linked to the above.

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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
СРІ	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			
СРІ	1082	1144			

SL 2	

## **Impacts of Inflation**

During times of inflation, different groups in the economy are affected in different ways. Some come out as winners, others losers.

41.	Discuss the impacts of inflation on:						
	<ul> <li>Investment and growth.</li> </ul>						

• Level of competitiveness of a country's exports.


## **Exchange Rates**

Summer Island's exchange rate is a fixed exchange rate. The exchange rate for Summer Island dollars (\$) and Winter Island dollars (W) is: **\$\$1 = W\$1.10.** 

Calculata h	ou much Summer Island importors will now in Summer Island dellars. Shaw	
	ow much Summer Island importers will pay in Summer Island dollars. Show rant working.	
an the relev	unt working.	
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Explain the	effect of revaluation of the Summer Island dollars on its balance of trade	
(BOT).		
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#### **Economic Development Indicators**

The following indicators are some of the most common features in Less Developed Countries (LDCs).

- Low life expectancy
- Low GDP per Capita
- Ratio of capital resources to labour force is low
- 44. Discuss the economic development of Samoa with reference to the characteristics of developing economies stated above. Your response should include the following:
  - Identify and explain one reason why each of the indicators is common in LDC's and give relevant examples from Samoa's economy.
  - Apart from the indicators given in the list above, identify two other social or economic indicators of economic development.


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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			