FORM TP 2017054

TEST CODE **01216020**

MAY/JUNE 2017

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of SIX questions. Answer ALL questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. You may use a silent, non-programmable calculator to answer questions, but ALL necessary working should be clearly shown.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
6. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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1. (a) Define the term 'opportunity cost'.

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(2 marks)

(b) List THREE groups that make choices in an economy.

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(3 marks)

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(c) With the aid of a diagram, explain how a production possibility frontier shows increasing opportunity cost.

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(6 marks)

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(d) An individual's disposable income has increased. The choice for the individual arises from the equation Y = C + S. Explain these choices.

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(4 marks)

Total 15 marks

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2. (a) Distinguish between the terms 'economies of scale' and 'diseconomies of scale'.

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(4 marks)

(b) State ONE example of diseconomies of scale.

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(1 mark)

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(c) Discuss ONE advantage and ONE disadvantage of the division of labour.

Advantage: .....

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Disadvantage: .....

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(6 marks)

(d) Explain why, over time, industries tend to become more capital intensive.

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(4 marks)

Total 15 marks

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3. (a) Define EACH of the following terms:

(i) Exchange rate devaluation

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(2 marks)

(ii) Floating exchange rate

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(2 marks)

(b) List ONE protectionist measure used by countries to restrict trade.

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(1 mark)

(c) Discuss TWO factors that can influence the level of the exchange rate in a country.

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(6 marks)

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(d) Caribville has a fixed exchange rate and is currently facing a serious balance of payments problem. Caribville usually exports a variety of goods and services. However, a hurricane destroyed a major export crop resulting in a significant reduction in net exports, leading to disequilibrium in its balance of payments.

(i) State the name of the type of account in the balance of payments that shows the reduction in net exports.

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(1 mark)

(ii) Explain how devaluation can correct the disequilibrium in Caribville's balance of payments.

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(3 marks)

Total 15 marks

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4. (a) Define EACH of the following terms:

(i) Economic growth

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(2 marks)

(ii) Economic development

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(2 marks)

(b) State ONE measure of economic growth.

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(1 mark)

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(c) Discuss TWO factors that contribute to an economy's recession.

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(6 marks)

(d) Select ONE 'developed economy' and ONE 'developing economy' and describe ONE economic difference between these two economies.

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(4 marks)

Total 15 marks

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5. (a) Define the term 'unemployment'.

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(2 marks)

(b) List FIVE types of unemployment.

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(5 marks)

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(c) Explain how any FOUR types of unemployment listed in (b) occur.

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(8 marks)

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(d) Using the information given in Table 1, justify your choice of two persons who would be considered unemployed.

TABLE 1: LABOUR MARKET IN PLEASANTVILLE

Veronica was laid off and she has given up looking for work.	Stuart was fired as a teaching assistant and has applied for another job.
Walter only sells an illegal drug and does not care about getting a regular job.	Petra works one hour per week as a baby-sitter.
Althea just lost her job and is actively seeking work.	Denise is a university student with no outside employment.

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(5 marks)

Total 20 marks

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6. (a) Define EACH of the following terms:

(i) Market equilibrium

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(2 marks)

(ii) Ceteris paribus

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(2 marks)

(b) List THREE factors that affect the price elasticity of demand.

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(3 marks)

(c) Table 2 shows the market for tamarind balls.

TABLE 2: THE MARKET FOR TAMARIND BALLS

Price	Quantity Demanded	Quantity Supplied
$1	14 000	2 000
$2	12 000	4 000
$3	10 000	6 000
$4	8 000	8 000
$5	6 000	10 000

Using the information in Table 2:

(i) Identify the equilibrium price and quantity.

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(2 marks)

(ii) Explain the situation that would exist in the market if the price is $5.

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(3 marks)

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(iii) Explain the situation that would exist in the market if the price is $1.

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(3 marks)

(d) After ten years, the market for tamarind balls suddenly failed. Discuss TWO possible reasons for the failure.

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(5 marks)

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

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