FORM TP 2013062

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MAY/JUNE 2013

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

05 JUNE 2013 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number EACH answer in your booklet correctly.
3. Begin EACH answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
5. Silent, electronic calculators may be used, but ALL necessary working should be clearly shown.

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SECTION I

Answer ALL FOUR questions in Section I.

EACH question is worth 15 marks.

1. (a) Name ONE type of economic system. **(1 mark)**

(b) Copy Table 1 below in your answer booklet and complete it by writing the factors of production and the rewards that are missing.

TABLE 1: FACTORS OF PRODUCTION AND THEIR REWARDS

Factors of Production	Rewards
Land	
	wages
	interest
Entrepreneurship	

(4 marks)

(c) Explain TWO **disadvantages** of division of labour. **(6 marks)**

(d) Using ONE example, distinguish between production and productivity. **(4 marks)**

Total 15 marks

2. (a) Define the term 'market structure'. **(2 marks)**

(b) List THREE types of market structures. **(3 marks)**

(c) With the aid of a diagram, explain what happens in the market when a surplus exists. **(6 marks)**

(d) Using THREE characteristics, explain the type of market structure that would be associated with manufacturers of cellular phones. **(4 marks)**

Total 15 marks

3. (a) Write the following acronyms in full:

(i) EU

(ii) CDB

(iii) FTAA

(iv) CARICOM **(4 marks)**

(b) State the name of the international organization that was established to provide member countries with short-term financing. **(1 mark)**

(c) Discuss TWO problems that may arise for a consumer when shopping on the Internet. **(6 marks)**

(d) Explain TWO problems that may arise for a small island trying to significantly expand its production of bananas. **(4 marks)**

Total 15 marks

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

(i) Barter

(ii) Legal tender **(4 marks)**

(b) State the MAIN **disadvantage** of barter. **(1 mark)**

(c) Explain THREE functions of a Central Bank. **(6 marks)**

(d) To which function of money does each of the following scenarios apply?

(i) Mark compares the price of a Lacoste polo shirt to the price of a pair of Ralph Lauren shorts.

(ii) Margaret joins a meeting turn (sou-sou or box hand or partner or sindicato).

(iii) Odette takes a loan to pursue a Masters degree.

(iv) Peter buys a Mercedes Benz car for US $120,000. **(4 marks)**

Total 15 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer any TWO of the following questions in Section II.

EACH question is worth 20 marks.

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

(i) Deflation

(ii) Unemployment **(4 marks)**

(b) List THREE withdrawals from the circular flow of income. **(3 marks)**

(c) Explain TWO measures that may be used to reduce seasonal unemployment in a country. **(8 marks)**

(d) Discuss TWO problems that may arise for trade unions in attempting to fulfil their role, when a country is in recession. **(5 marks)**

Total 20 marks

6. (a) Define EACH of the following terms as it relates to international trade:

(i) Comparative advantage

(ii) Absolute advantage **(4 marks)**

(b) List THREE types of exchange rate systems. **(3 marks)**

(c) Explain TWO gains from trade for EACH of the following:

(i) Consumers

(ii) Producers **(8 marks)**

(d) Discuss TWO factors that give rise to balance of payment deficits. **(5 marks)**

Total 20 marks

7. (a) Figure 1 represents the unit costs of Firm X. Identify what EACH cost curve, A to D, represents. **(Choose from: Average Fixed Cost [AFC]; Marginal Cost [MC]; Average Variable Cost [AVC]; Average Total Cost [ATC]).**

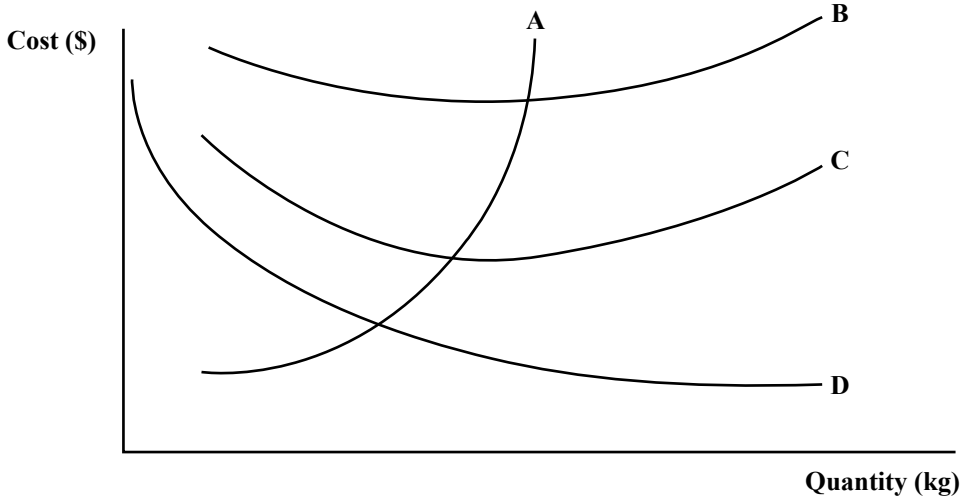


Figure 1: Cost curves of Firm X

(4 marks)

(b) List THREE examples of services. **(3 marks)**

(c) Describe TWO benefits of being a sole trader. **(8 marks)**

(d) Explain TWO examples of fixed costs that would accrue to an owner of a small supermarket. **(5 marks)**

Total 20 marks

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

(i) Efficiency

(ii) Wants **(4 marks)**

(b) List THREE examples of the needs of society. **(3 marks)**

(c) With the aid of diagrams, explain the impact of the following situations on the production possibility curve of a country that produces bananas and sugar cane.

(i) The economy is experiencing heavy unemployment.

(ii) The government invests in a new fertilizer that improves the yield for banana farmers only. **(8 marks)**

(d) A university graduate receives his first pay cheque. Discuss how scarcity, choice and opportunity costs arise for the graduate on his first shopping trip to the city. **(5 marks)**

Total 20 marks

END OF TEST

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