FORM TP 2024063

TEST CODE 01216020

MAY/JUNE 2024

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

016

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of FIVE 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.**

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

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Answer ALL questions.

1. (a) List THREE factors of production.

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(3 marks)

(b) List THREE rewards associated with factors of production.

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(3 marks)

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(c) Describe the characteristics of EACH economic system given below, in relation to the ownership of the factors of production **and** the role of the government.

(i) Traditional

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(4 marks)

(ii) Planned

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(4 marks)

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(d) Indicate the effect on the demand and supply curves in EACH of the following scenarios.

(i) The price of gasoline increases.

Effect on demand curve

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Effect on supply curve

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(2 marks)

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(ii) Consumers' preference for coconuts has increased.

Effect on demand curve

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Effect on supply curve

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(2 marks)

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(iii) Drought has affected the production of bread.

Effect on demand curve

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Effect on supply curve

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(2 marks)

Total 20 marks

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2. (a) State TWO main branches of economics.

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(2 marks)

(b) Complete the table below by listing the characteristic of the goods sold by EACH market structure.

Market Structure	Characteristic of Goods Sold
Monopoly	
Monopolistic competition	
Oligopoly	
Perfect competition	

(4 marks)

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(c) With the use of an example, explain how EACH of the following affects the shape of the production possibility frontier.

(i) Increasing opportunity costs

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(4 marks)

(ii) Constant opportunity costs

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(4 marks)

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(d) A perfectly competitive firm sold 50 pens at a price of $10 EACH. It cost the firm $6 to make each pen.

(i) Calculate the firm's profit or loss. **Show all working.**

(2 marks)

(ii) Recently, the firm learned that the cost of ink will drastically decrease next week. This would result in a decrease in the cost of production. Using a demand–supply diagram, show the effect of the decrease in the cost of production.

(4 marks)

Total 20 marks

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3. (a) Study Table 1 below which shows a list of terms and definitions and answer the question that follows.

TABLE 1: ECONOMIC TERMS AND DEFINITIONS

Term		Definition	
A	Ceteris paribus	1	The market price and quantity when supply and demand are equal
B	Cross-price elasticity of demand	2	Measures the change in the quantity purchased of a product when its price changes
C	Equilibrium	3	Economic resources being unable to meet unlimited wants
D	Scarcity	4	Measures the change in the quantity purchased of a product when income changes
E	Income elasticity of demand	5	All other things being equal
F	Price elasticity of demand	6	Measures the responsiveness in the quantity demanded of one good when the price of another good changes

Match EACH term with its definition by writing the correct number next to EACH of the letters given below.

(i) A .....

(ii) B .....

(iii) C .....

(iv) D .....

(v) E .....

(vi) F ..... **(6 marks)**

(b) With the use of an example, explain 'price elasticity of demand' in EACH of the following situations.

(i) It is greater than 1.

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(4 marks)

(ii) It is equal to infinity.

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(4 marks)

(c) Identify the type of elasticity indicated by the following scenarios.

(i) Jan experienced a 20% increase in income, so her quantity demanded for juice increased by 20%.

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(1 mark)

(ii) Joe's demand for jam increased when the price of jam decreased at his local supermarket.

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(1 mark)

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(iii) Jim started to sell more plums when the price increased by $20 last week.

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(1 mark)

(d) Identify the value of demand elasticity given in the following scenarios.

(i) Rob purchased 10% more coffee when the price fell by 10%.

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(1 mark)

(ii) Ron's purchase of painkillers fell by less than 20% when the price increased by 20%.

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(1 mark)

(iii) Roy continues to purchase the same number of life-saving drugs he needs even though the price keeps increasing.

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(1 mark)

Total 20 marks

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4. Study the list of economic concepts given below and answer the questions that follow.

ECONOMIC CONCEPTS	
Balance of trade	Exchange rate regime
Balance of payments	Net international reserves
Common external tariff	Quota

(a) Read EACH of the following and insert the correct economic concept from the list provided above.

(i) All transactions of a country with the rest of the world

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(ii) A system used by the central bank to set up and manage the country's currency in relation to other currencies

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(iii) A country's insurance against unfavourable changes in the economy

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(iv) A limit placed on the import and export of a specific product for a given time period

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(v) A common set of charges imposed by a group of countries on imports from non-member countries

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(vi) The difference between the value of exports and the value of imports of a country for a given time period

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(6 marks)

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(b) Explain how EACH of the following remedies can reduce balance of payments deficits in a country.

(i) Currency devaluation

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(2 marks)

(ii) Trade barriers

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(2 marks)

(iii) Import substitution

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(2 marks)

(iv) Export promotion

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(2 marks)

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(c) Study Table 2 which shows the balance of payments activities for Country A and answer the questions that follow.

TABLE 2: BALANCE OF PAYMENTS FOR COUNTRY A

Item	$
Investment by local residents sent overseas	100
Export of goods and services	30
Imports of goods and services	90
Local investments by non-nationals	20

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(i) Calculate the value for the capital account.

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(2 marks)

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(ii) Calculate the value for the current account.

(2 marks)

(iii) Determine whether there is a balance of payments deficit or surplus.

(2 marks)

Total 20 marks

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

(i) Fiscal policy

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(2 marks)

(ii) Recession

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(2 marks)

(iii) Developed economy

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(2 marks)

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(b) Explain how EACH of the following factors may cause a recession.

(i) A rise in the exchange rate

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(2 marks)

(ii) An increase in debt

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(2 marks)

(iii) High interest rates

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(2 marks)

(iv) A reduction in real wages

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(2 marks)

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(c) Pennyville's labour market often experiences different types of unemployment. Identify the type of unemployment described by EACH of the following scenarios.

(i) Kim lost her job as a cashier because the company implemented self-checkout for customers.

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(1 mark)

(ii) Patrick was laid off as a tourism worker due to the economic recession caused by the COVID-19 pandemic.

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(1 mark)

(iii) Martin quits his job as a nurse and is looking for a new position.

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(1 mark)

(iv) Ravi is not working since his job of picking oranges was finished when the summer ended.

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(1 mark)

(v) Nina is not working since she is unwilling to accept less than $1000 from a restaurant that wants to pay her $900 to be a chef.

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(1 mark)

(vi) Kai just graduated and is looking for a job to match his new qualifications.

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(1 mark)

Total 20 marks

END OF TEST

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

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