FORM TP 2019057

TEST CODE **01216020**

MAY/JUNE 2019

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 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.**

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

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Sequential Bar Code

Answer ALL questions.

1. (a) (i) Define EACH of the following terms:

Economics

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(2 marks)

Economy

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(2 marks)

(ii) State TWO examples of an economic good.

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(2 marks)

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(b) (i) The market for electricity has a high cost, many buyers and only one seller. Identify this type of market structure and compare it to monopolistic competition.

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(4 marks)

(ii) Cable Me and Cable You are two firms that dominate the cable market. Identify this type of market structure and compare it to perfect competition.

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(4 marks)

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(c) Egbert is one of the few specially trained dentists in the Caribbean. Each time Egbert has a new patient he has to type all the basic information himself which often results in patients waiting for a long time to receive medical attention. To reduce his patients' wait time, Egbert could choose to hire a secretary but this will involve a trade-off. Use relevant economic concepts to discuss Egbert's decision.

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(6 marks)

Total 20 marks

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2. (a) (i) Define the term 'production'.

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(2 marks)

(ii) List the reward for EACH of the factors of production.

Land .....

Labour .....

Capital .....

Entrepreneurial talent .....

(4 marks)

(b) Outline TWO advantages of labour efficiency for EACH of the following:

(i) A company

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(4 marks)

(ii) A country

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(4 marks)

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(c) A new computer firm analysed its cost function for the past 12 months. The firm pays $1000 every month for rent and an annual fee of $1500 for insurance. Although the cost of raw materials changed constantly, the firm was surprised at the total amount of $300 to be paid to suppliers given its output for the year. Finally, for each additional worker that the firm employed, it incurred the following costs of $2, $2.25, $2.50, $2.75 and $3 to produce each additional unit of output.

From the data given for the computer firm, calculate EACH of the following costs:

(i) Fixed cost

(2 marks)

(ii) Total cost

(2 marks)

(iii) Marginal cost

(2 marks)

Total 20 marks

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3. (a) (i) Define the term 'demand curve'.

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(2 marks)

(ii) List FOUR factors that may cause a shift in the demand curve.

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(4 marks)

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(b) Assume there is a 20 per cent increase in the price of medicine and a 20 per cent increase in the price of soda.

(i) Discuss whether the percentage change in the quantity demanded will be greater for medicine or soda.

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(3 marks)

(ii) Before the change in price of soda, 300 bottles of soda were sold per week. After the 20 per cent price increase, only 150 bottles of soda were sold per week. Calculate the price elasticity of soda.

(3 marks)

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(c) Explain how EACH of the following changes affect the equilibrium price **and** quantity of cars:

(i) The price of public transportation decreases.

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(4 marks)

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(ii) The price of gasoline decreases and, at the same time, the number of companies selling cars also decreases.

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(4 marks)

Total 20 marks

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

Corporate bond

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(2 marks)

Treasury bond

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(2 marks)

(ii) State TWO qualities of money.

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(2 marks)

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(b) The informal sector of a country contributes positively to personal and national development. Discuss EACH of the following benefits of the informal sector.

(i) Economic buffering

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(4 marks)

(ii) Cost savings

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(4 marks)

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(c) Maggie and six of her friends are dissatisfied with their local community bank. They decided to try another method of saving. Maggie was appointed community leader and receives cash deposits from her six friends on a weekly basis. Every week, Maggie gives a different person a cash lump sum equal to the total amount she collects from everyone.

(i) State TWO names by which this informal method of saving is called.

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(2 marks)

(ii) Discuss the role of ONE of the informal methods of saving stated in (c) (i).

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(4 marks)

Total 20 marks

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

Trade liberalization

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(2 marks)

Preferential tariff

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(2 marks)

(ii) State the meaning of EACH of the following acronyms:

FTAA

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(1 mark)

CDB

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(1 mark)

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(b) Discuss TWO benefits of the CARICOM Single Market and Economy to Caribbean territories.

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(8 marks)

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(c) Country A has started to demand a large quantity of imports and has lost its focus on exporting its own goods. This has resulted in Country A using more foreign currency to pay for imports than it is earning through exports.

(i) Using a demand–supply diagram, show the impact of Country A's action on its currency supply curve.

(3 marks)

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(ii) Explain the impact of Country A's action on the value of its currency.

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(3 marks)

Total 20 marks

END OF TEST

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

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