FORM TP 2011062

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C A R I B B E A N E X A M I N A T I O N S C O U N C I L

SECONDARY EDUCATION CERTIFICATE EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

01 JUNE 2011 (a.m.)

INSTRUCTIONS TO CANDIDATES

1. There are two sections in this paper: Section I consists of four questions and Section II consists of four questions.
2. Answer ALL FOUR questions in Section I and TWO questions in Section II.
3. Number each answer in your booklet correctly.
4. Begin each answer on a new page.
5. Use the blank form(s) supplied to prepare answers where necessary.
6. 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) Define the term 'sole trader'. **(2 marks)**

(b) List THREE advantages of being a sole trader. **(3 marks)**

(c) Using a diagram, explain the circular flow of income. **(6 marks)**

(d) Describe TWO demerits of a centrally planned economy. **(4 marks)**

Total 15 marks

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

(i) Income elasticity of demand

(ii) Cross elasticity of demand **(4 marks)**

(b) Identify ONE factor that affects income elasticity of demand. **(1 mark)**

(c) Explain TWO factors that affect price elasticity of demand. **(6 marks)**

(d) Table 1 below presents a demand schedule for Product X.

TABLE 1: DEMAND SCHEDULE FOR PRODUCT X

Price (US$)	Quantity (units)
5	20
3	40

(i) Using the information in the table, calculate the price elasticity of demand for Product X when the price changes from US $5 to US $3. **(3 marks)**

(ii) Interpret the result obtained in (d) (i) above. **(1 mark)**

Total 15 marks

3. (a) Define the term 'disposable income'. **(2 marks)**

(b) Identify THREE major causes of inflation. **(3 marks)**

(c) Explain THREE ways in which a trade union in your country may seek to improve the working conditions of its members. **(6 marks)**

(d) Discuss TWO measures that a government may adopt to stabilise the economy after a recession. **(4 marks)**

Total 15 marks

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4. (a) Define the term 'tariff'. **(2 marks)**

(b) List THREE factors that influence imports to a country. **(3 marks)**

(c) Explain TWO factors that can affect the value of a floating exchange rate. **(6 marks)**

(d) Distinguish between a 'managed exchange rate' and a 'fixed exchange rate'. **(4 marks)**

Total 15 marks

SECTION II

Answer any TWO of the following questions in Section II. EACH question is worth 20 marks.

5. (a) Define the term 'gross domestic product'. **(2 marks)**

(b) Identify the FIVE items used in calculating gross domestic product when using the expenditure approach. **(5 marks)**

(c) Explain FOUR ways in which a recession can affect the gross domestic product in your country. **(8 marks)**

(d) Using a numerical example, show how "nominal output" and "real output" differ. **(5 marks)**

Total 20 marks

6. (a) List THREE factors that can cause a change in demand. **(3 marks)**

(b) Distinguish between a 'change in quantity supplied' and a 'change in supply'. **(4 marks)**

(c) (i) State TWO benefits to be gained from a country's membership of the World Trade Organization (WTO). **(2 marks)**

(ii) For EACH of the benefits stated in (c) (i) above, explain how it can be helpful to the economy of your country. **(6 marks)**

(d) Discuss TWO negative effects on Caribbean economies which can result from a loss of preferential trading arrangements. **(5 marks)**

Total 20 marks

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7. (a) Differentiate between a "treasury bill" and a "treasury bond". **(4 marks)**

(b) List THREE characteristics of money. **(3 marks)**

(c) Explain TWO benefits of moving from a barter system to one which uses money as legal tender. **(8 marks)**

(d) Discuss TWO ways in which the use of electronic payments impacts consumers and businesses. **(5 marks)**

Total 20 marks

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

(i) Economic integration

(ii) Debt burden **(4 marks)**

(b) List THREE benefits of large-scale production. **(3 marks)**

(c) (i) Identify TWO characteristics of a mixed economic system. **(2 marks)**

(ii) Explain TWO disadvantages of a mixed economic system. **(6 marks)**

(d) Discuss TWO benefits that your country may gain from its membership of the CARICOM Single Market and Economy (CSME). **(5 marks)**

Total 20 marks

END OF TEST