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CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

02 JUNE 2010 (a.m.)

INSTRUCTIONS TO CANDIDATES

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) Define the term '*ceteris paribus*'. **(2 marks)**

(b) List THREE determinants of the supply of a commodity, OTHER than its price. **(3 marks)**

(c) Explain THREE benefits that consumers may derive from the introduction of new service providers in the telecommunications industry. **(6 marks)**

(d) Using a demand and supply diagram, ILLUSTRATE the impact on equilibrium quantity of a telephone company moving from a monopoly situation to one with other competitors in the market. **(3 marks)**

(e) With reference to the diagram drawn at (d) above, what impact would the movement from a monopoly situation to a competitive market have on the equilibrium price? **(1 mark)**

Total 15 marks

2. (a) Define the term 'productivity'. **(2 marks)**

(b) Identify THREE rewards that can be gained by the factors of production. **(3 marks)**

(c) Discuss TWO reasons why a centrally-planned economy tends to be LESS efficient than a market-based economy. **(6 marks)**

(d) Explain TWO advantages that may be derived from the division of labour in the tourism industry. **(4 marks)**

Total 15 marks

3. (a) Define the term 'comparative advantage'. **(2 marks)**

(b) List THREE reasons why countries trade. **(3 marks)**

(c) Discuss TWO problems that can arise with the balance of payments of non-oil-producing Caribbean countries as a result of rising oil prices. **(6 marks)**

(d) Explain TWO ways in which devaluation can impact the small, open economies of the Caribbean. **(4 marks)**

Total 15 marks

GO ON TO THE NEXT PAGE

4. Table 1 below provides economic data on the Gross Domestic Product (GDP) of Country X.

TABLE 1: GROSS DOMESTIC PRODUCT OF COUNTRY X

Items	**Amount (US$M)**
Exports	40
Gross capital fixed formation	64
Imports	54
Net property income from abroad	–8
Consumption expenditure	120
Government final consumption	89

(a) Define EACH of the following terms:

(i) Gross capital fixed formation **(2 marks)**

(ii) Net property income from abroad **(2 marks)**

(b) State the information that is needed to calculate national income at market prices, apart from the information provided in Table 1 above. **(1 mark)**

(c) Discuss TWO factors that can cause the Gross National Product (GNP) of a country to be greater than the Gross Domestic Product (GDP). **(6 marks)**

(d) Calculate the Gross National Product for Country X using the information in Table 1 above. **(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 'market structure'. **(2 marks)**

(b) List TWO consequences of a market failure. **(2 marks)**

(c) State THREE characteristic features of a monopoly. **(3 marks)**

(d) (i) Discuss TWO factors that would affect the elasticity of demand for wheat. **(4 marks)**

(ii) With the aid of a diagram, identify TWO possible effects of a shift to the left of an original supply curve, with the demand curve remaining the same. **(4 marks)**

(e) Explain TWO consequences of having a cartel in the energy sector. **(5 marks)**

Total 20 marks

6. (a) Define the term 'economics'. **(2 marks)**

(b) Distinguish between the terms 'scarcity' and 'choice'. **(5 marks)**

(c) The diagram in Figure 1 below shows the production possibility frontier for petroleum and sugar.

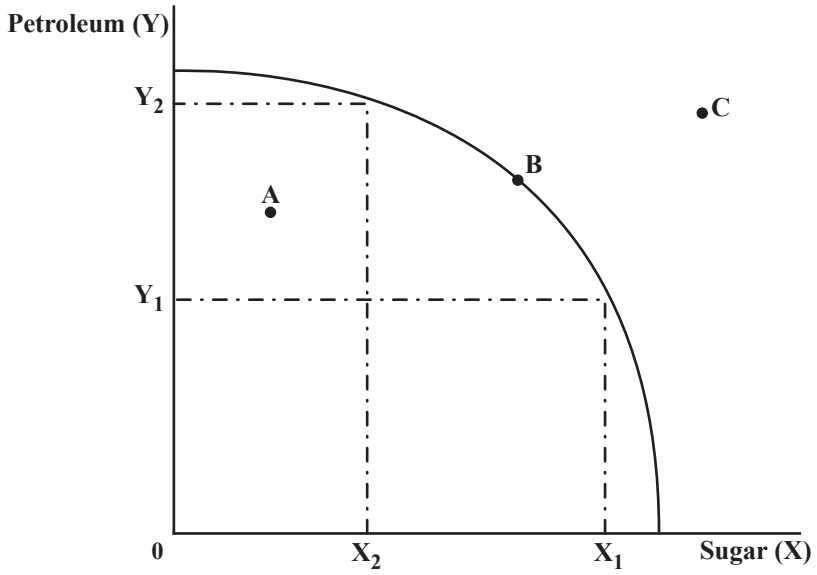


Figure 1: Production Possibility Frontier for Petroleum and Sugar

(i) Explain what is taking place at Point A in the diagram. **(4 marks)**

(ii) Outline TWO measures that a producer can take to attain the production level indicated at Point C in the diagram. **(4 marks)**

(d) Discuss TWO economic factors that may encourage a producer of bread to remain in bread production. **(5 marks)**

Total 20 marks

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

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

(c) Explain how inflation can affect ALL the functions of money. **(8 marks)**

(d) "The central bank is the lender of last resort".

Discuss this statement in relation to the central bank's role in managing the monetary sector in the economy. **(5 marks)**

Total 20 marks

8. (a) List THREE benefits that Caribbean economies can gain from e-commerce. **(3 marks)**

(b) Outline TWO challenges that Caribbean economies might face in developing e-commerce. **(4 marks)**

(c) Discuss TWO measures that can be employed by Caribbean governments in order to enhance e-commerce in the region. **(8 marks)**

(d) For a **named** Caribbean country, briefly discuss TWO reasons why that country may need to implement a structural adjustment programme (SAP). **(5 marks)**

Total 20 marks

END OF TEST