CANDIDATE – PLEASE NOTE!

PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

FORM TP 2026–062

TEST CODE **01216010**

MAY–JUNE 2026

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

ECONOMICS

Paper 01 – General Proficiency

1 hour 15 minutes

25 MAY 2026 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 1 hour and 15 minutes to answer them.

2. In addition to this test booklet, you should have an answer sheet.

3. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

4. You may use a silent, non-programmable calculator to answer questions.

5. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

   Sample Item

   Economics may be described as a 'social science' because it deals with

   (A) the economy
   (B) the environment
   (C) human behaviour
   (D) production and consumption

   Sample Answer

   The best answer to this item is "human behaviour", so (C) has been shaded.

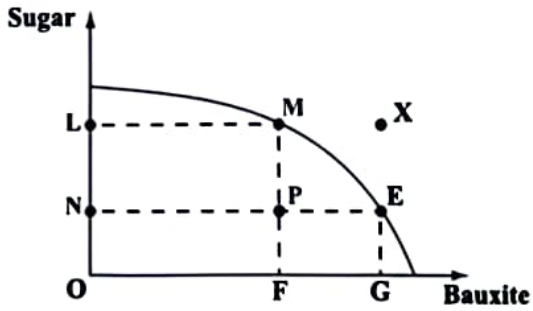
6. If you want to change your answer, erase it completely before you fill in your new choice.

7. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.

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

Copyright © 2023 Caribbean Examinations Council
All rights reserved.

Item 1 refers to the following diagram which illustrates the production possibility frontier for an economy that is capable of producing bauxite and sugar in different combinations.



788

1. Point X on the diagram above represents

(A) economic growth
(B) unemployed resources
(C) an efficient combination
(D) an unattainable combination

2. Which of the following actions is LEAST likely to be among a government's potential economic decisions for businesses?

(A) Increasing retirement benefits
(B) Passing minimum wage legislation
(C) Regulating the emission of toxic waste
(D) Identifying areas where businesses should be located

A003

3. The Government of Country P decides to move resources from manufacturing to crop production. The opportunity cost of this decision is the

(A) profit earned by farmers
(B) wages earned by farm workers
(C) profit earned from manufacturing
(D) rent for the land on which crops are grown

4. An 'economy' is BEST described as

(A) a system whereby all the goods and services used by citizens of a country are provided by the government
(B) the utilization of resources by manufacturers to produce goods and maximize profits
(C) a system where suppliers produce all the goods and services needed by consumers
(D) a system of production, distribution and consumption

5. The difference between microeconomics and macroeconomics is that

(A) microeconomics focuses on the decisions made by individuals in the allocation of resources, while macroeconomics focuses on the decisions made by businesses in the allocation of resources
(B) microeconomics involves the decisions of businesses and governments in the allocation of resources, while macroeconomics involves the allocation of resources by individuals
(C) microeconomics involves the decisions of businesses and individuals relating to the demand for goods, while macroeconomics involves the decisions of governments in the supply of public goods
(D) microeconomics focuses on decision-making by individuals and businesses in the allocation of resources, while macroeconomics focuses on decision-making in the allocation of resources by the government

6. ABC Ltd produces fabric from raw cotton. XYZ Ltd buys fabric from ABC Ltd and makes T-shirts which it markets directly to clothing stores.

In which of the following sectors are BOTH firms engaged?

(A) Primary
(B) Tertiary
(C) Secondary
(D) Quaternary

Item 7 refers to the following table which shows units of labour and total output.

Units of Labour	Total Output
6	372
7	455
8	496
9	531

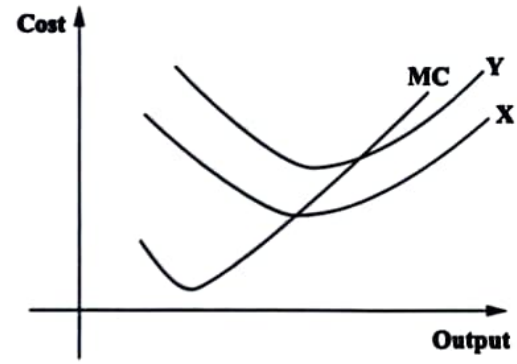
7. How many units of labour produce the HIGHEST average product of labour?

(A) 6
(B) 7
(C) 8
(D) 9

8. Which of the following is a reward to a factor of production?

(A) Taxes paid to government
(B) Promotion to a higher grade in the workplace
(C) Profits declared by a company in its annual report
(D) Managerial skills of the managers of a business

Item 9 refers to the following graph which shows perfect competition.



9. Line Y in the diagram represents

(A) total cost
(B) average total cost
(C) average fixed cost
(D) average variable cost

10. CableMe is a large Caribbean firm that has increasing costs due to a lack of communication systems across islands. CableMe is experiencing

(A) economies of scale
(B) diseconomies of scale
(C) financial economies of scale
(D) technical economies of scale

11. A large firm that makes pens reduces production costs by using more efficient machinery. This firm is experiencing

(A) managerial economies of scale
(B) marketing economies of scale
(C) technical economies of scale
(D) financial economies of scale

12. Which of the following is LEAST likely to affect the efficiency of labour?

(A) Profitability of the firm
(B) Motivation of workers
(C) Education and training
(D) Level of technology

13. Prices of goods in market economies fluctuate while prices of goods in planned economies tend to be fixed. The MOST likely reason for this difference is that in the market economy

(A) profits are lower
(B) producers are never efficient
(C) buyers and sellers determine prices
(D) there are higher unemployment levels

Item 14 refers to the following information which relates to a manufacturing company.

Total fixed cost	$10 000
Total cost	$50 000
Output	100 units

14. The average variable cost is

(A) $ 100
(B) $ 400
(C) $1000
(D) $4000

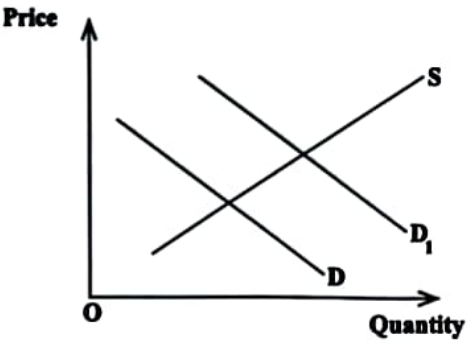
15. When Bargain Supermarket increased the price of tissue by 65%, tissue sales fell by 115%. Therefore, the price elasticity of demand for Bargain's tissue is

(A) elastic
(B) inelastic
(C) perfectly elastic
(D) perfectly inelastic

16. The price elasticity of supply for rice is zero and the price elasticity of supply for chicken is two. This means that with an increase in price, suppliers

(A) reduce the supply of rice but increase the supply of chicken
(B) do not change the supply of rice but increase the supply of chicken
(C) reduce the quantity of rice supplied but increase the quantity of chicken supplied
(D) do not change the quantity of rice supplied but increase the quantity of chicken supplied

Item 17 refers to the following diagram which shows the price of Good X and the quantity of Good X demanded.



17. The movement of the demand curve for Good X, from D to D_1, results from an increase in the

(A) price of Good X
(B) income of consumers
(C) price of a complement
(D) cost of inputs used to produce Good X

18. All things being equal, an increase in the supply of a good will result in

(A) an increase in both price and quantity traded
(B) a decrease in both price and quantity traded
(C) an increase in price and a decrease in quantity traded
(D) a decrease in price and an increase in quantity traded

19. Which of the following would MOST likely have a price inelastic demand?

(A) Water
(B) Ice cream
(C) White cars
(D) Newspapers

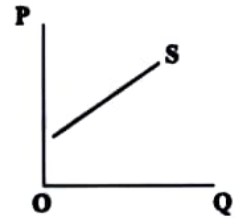
20. Seta sells a pen for $5 when the equilibrium price is $2. In this market, there will be

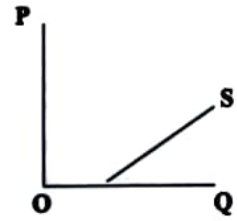
(A) a surplus and the market price of pens will decrease
(B) a shortage and the market price of pens will increase
(C) a shortage and the market price of pens will decrease
(D) a surplus and the market price of pens will increase

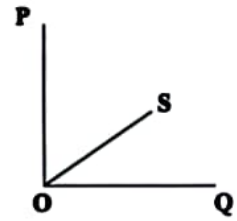
21. A normal supply curve for farm produce will slope upwards from left to right if farmers

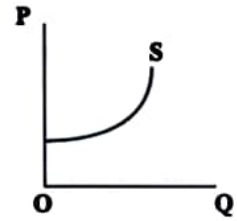
(A) pass on increased costs to customers
(B) are willing to produce more as price increases
(C) increase their profit margins as price increases
(D) are willing to increase supply as demand increases

22. Which of the following market supply curves shows that the price elasticity of supply is unitary?

(A)


(B)


(C)


(D)


23. Travis and his friend sell candies to their classmates during lunch time at school. This scenario is an example of a

(A) union
(B) market
(C) supply schedule
(D) demand schedule

24. The cross elasticity of demand for car tyres and rims is −2. If the price of car tyres increases by 50%, the quantity of rims is MOST likely to

(A) decrease by 25%
(B) increase by 25%
(C) decrease by 100%
(D) increase by 100%

25. Governments often put measures in place to control monopolies because monopolies

(A) set fair prices
(B) restrict supply
(C) earn normal profit
(D) promote consumer sovereignty

26. Smartphone brands offer similar devices but differentiate themselves through features, design, branding and marketing, ensuring their products differ despite serving the same essential function.

This is an example of which of the following types of market structure?

(A) Oligopoly
(B) Monopoly
(C) Perfect competition
(D) Monopolistic competition

27. A pure public good can be described as

(A) complimentary
(B) diminishable
(C) zero-priced
(D) excludable

28. Which of the following economic concepts is defined as the benefits received by a third party as a result of an economic transaction?

(A) Imperfect information
(B) Negative externality
(C) Positive externality
(D) Perfect information

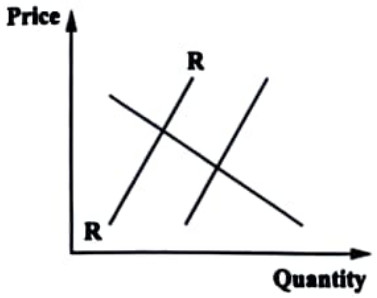
29. Which of the following is LEAST likely to occur when there is market failure?

(A) An increase in poverty throughout the economy.
(B) The provision of the right amount of goods and services for consumers.
(C) The production of goods and services creates benefits for third parties.
(D) An increase in the level of unemployment among skilled and unskilled labour.

788

A003

Item 30 refers to the following diagram which illustrates a negative externality.



30. Which of the following represents the curve labelled R?

(A) Marginal social cost
(B) Marginal private cost
(C) External benefit to society
(D) Marginal benefit to society

Items 31 and 32 refer to the following financial institutions.

(A) World Bank
(B) Central Bank
(C) International Monetary Fund
(D) Caribbean Development Bank

Match each institution with the correct numbered statement. The relevant institution may be used once, more than once, or not at all.

31. This institution provides a fair and balanced distribution of funds to countries in the subregion for the financing of development projects.

32. The institution with an objective to monitor, record, analyse and provide information about the social and economic development of every country.

33. Ravi's neighbour pays him $100 for washing his car. In this scenario, money is functioning as a

(A) store of value
(B) measure of value
(C) medium of exchange
(D) standard of deferred payments

34. Robin has a debt security that matures in six months. Her sister, Seeta, also has a debt security but it matures in 25 years.

Which of the following is true?

(A) Robin has a treasury note and Seeta has a treasury bill.
(B) Robin has a treasury bill and Seeta has a treasury bond.
(C) Robin has a treasury note and Seeta has a treasury bond.
(D) Robin has a treasury bond and Seeta has a treasury bill.

35. Which of the following is NOT a function of the financial sector?

(A) Making credit available to households and firms
(B) Facilitating payments for goods and services
(C) Preventing liquidity within the economy
(D) Providing a safe place for saving

36. The organization responsible for the regulation and control of the financial sector is the

(A) development bank
(B) commercial bank
(C) central bank
(D) treasury

37. Which of the following are ways of calculating national income?

I. Income method
II. Elasticity method
III. Expenditure method

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

38. Which of the following factors is the cause of cyclical unemployment?

(A) High wages in a country
(B) Fluctuations in economic activity
(C) Workers searching for suitable jobs
(D) Technological changes displacing workers

Item 39 refers to the following economic measures.

I. Reducing bank rates
II. Increasing interest rates
III. Decreasing money supply

39. Which of the measures above can be used to reduce inflation?

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

40. Which of the following is an example of frictional unemployment?

(A) Ben is a seasonal worker in the tourism industry.
(B) Ralph is currently attending college full time and sells fruits while on campus.
(C) Laura resides at the local penal institution after being convicted for selling drugs.
(D) Maria lost her job two months ago and is currently searching for a new job.

41. In seeking to stabilize the economy of a Caribbean territory, the role of the government should be to

(A) increase taxes, borrow more and forecast revenues
(B) encourage skilled labourers to stay within the territory
(C) review its policies on taxation, borrowing and expenditure
(D) import more consumer goods to satisfy the needs of the people

Item 42 refers to the following table which shows the rate of inflation and the average percentage increase in wages over a four-year period.

Year	Rate of Inflation (%)	Wage Increase (%)
2021	5	20
2022	10	20
2023	10	5
2024	15	5

42. In which year was the increase in real wages the GREATEST?

(A) 2021
(B) 2022
(C) 2023
(D) 2024

Item 43 refers to the following table which shows manufacturing output as a share of gross domestic product (GDP) for four countries: W, X, Y and Z.

Year	Country			
	W (%)	X (%)	Y (%)	Z (%)
2000	28	40	29	29
2010	23	34	26	28
2020	19	31	21	23

43. The table shows that ALL countries experienced

(A) a decline in gross domestic product
(B) a decline in the sale of manufactured products
(C) a decline in manufacturing output relative to gross domestic product
(D) an increase in employment in the manufacturing sector relative to gross domestic output

44. With all other things being equal, which of the following, when increased, will NOT lead to cost–push inflation?

(A) Price of oil
(B) Wages and salaries
(C) Disruptions in production
(D) Total demand in the economy

45. Free trade is based on the principle of

(A) comparative advantage
(B) substantive advantage
(C) production possibility
(D) export advantage

788

46. Jack, Jill and Jane live in Country A. Jack opens a business in Country B; Jill teaches students online in Country B and Jane buys clothes from Country B. Country A's foreign direct investment is from

(A) Jill
(B) Jack
(C) Jane and Jack
(D) Jack, Jill and Jane

47. A 'quota' is defined as a

(A) tax on the goods imported
(B) tax on the goods exported
(C) limit on the price charged for imports
(D) limit on the amount of goods imported

A003

48. An example of a transfer that is recorded in the balance of payments is

(A) a maternity benefit received from the local government agency
(B) an unemployment benefit received by citizens in their country from their government
(C) a subsidy for a local firm to encourage increased production for the export market
(D) a donation of relief supplies by a foreign government to a country following the passage of a hurricane

49. Which of the following situations would lead to an improvement in a country's terms of trade?

I. Export prices rise and import prices fall.
II. Export prices rise faster than import prices.
III. Import prices rise faster than export prices.

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

50. Country A is experiencing a balance of payments deficit. Which of the following measures would the government MOST likely use to reduce the deficit in the short term?

(A) Reduce the volume of exports to other countries.
(B) Engage in trade with other low-cost producers of goods.
(C) Increase the importation of goods from other countries.
(D) Impose restrictions on goods imported from other countries.

51. A country with a floating exchange rate regime and high interest rates will experience

(A) a revaluation of its currency
(B) a devaluation of its currency
(C) a depreciation of its currency
(D) an appreciation of its currency

52. Which of the following accounts is NOT included in the balance of payments statement?

(A) Asset
(B) Capital
(C) Current
(D) Official financing

53. Most Caribbean economies are characterized by

(A) a budget surplus
(B) high national debt
(C) strong economic growth
(D) resistance to external shocks

54. Import substitution is a development strategy aimed at

(A) increasing the number of imports
(B) increasing the number of exports
(C) replacing local goods with better quality imports
(D) replacing imports with locally produced goods

55. Country A, Country B, Country C and Country D discussed reducing tariffs for all goods traded among them. However, Country B and Country C do not see the benefit of reducing tariffs. Only Country A and Country D signed the agreement.

There is a bilateral agreement between

(A) Country A and Country D
(B) Country B and Country C
(C) Country A and Country B
(D) Country B and Country D

56. The acronym FDI, in economics, means

(A) foreign direct income
(B) foreign direct investment
(C) fixed domestic investment
(D) floating domestic investment

57. 'Globalization' may be MOST accurately defined as the

(A) movement of technology and financial markets regionally
(B) movement of tangible and intangible goods among countries
(C) international trade of goods and services including skilled workers
(D) integration of financial services, technology and commodity markets worldwide

58. One benefit CARICOM countries enjoy from preferential trade agreements is

(A) financial freedom
(B) improved market access
(C) setting market rules for neighbouring countries
(D) greater protection of local markets from price shocks

59. One important objective of CARICOM is to

(A) encourage the economic development of its members
(B) improve the standards of living of only the smallest countries in the Caribbean community
(C) provide strategic guidance to countries to ensure the financial security of state leaders
(D) provide continuous economic support for countries that are not part of the Caribbean community

60. Which of the following is the focus of The Caribbean Basin Initiative?

(A) Trade
(B) Poverty
(C) Education
(D) Disaster relief

788

A003

END OF TEST

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