FORM TP 2022059

TEST CODE 01216020

MAY/JUNE 2022

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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Answer ALL questions.

1. (a) (i) List the THREE **main** agents in an economy.

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(3 marks)

(ii) State the role of EACH of the agents listed in (a) (i).

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(3 marks)

(b) (i) Explain how scarcity creates the 'economic problem'.

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(4 marks)

(ii) Differentiate between 'opportunity cost' and 'money cost'.

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(4 marks)

(c) Using a labelled diagram of the production possibility frontier, explain the concept of opportunity cost as production moves along the frontier.

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(6 marks)

Total 20 marks

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

(i) Market

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(2 marks)

(ii) Supply schedule

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(2 marks)

(b) State TWO factors that could cause an increase in the supply of pens.

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(2 marks)

(c) Study Table 1 below which represents the demand and supply schedule for pens and answer the questions that follow.

TABLE 1: DEMAND AND SUPPLY SCHEDULE FOR PENS

Price of Pens ($)	Quantity Demanded	Quantity Supplied
1	50	0
2	30	10
3	10	30
4	0	50

(i) Calculate the price elasticity of supply if the price of pens moves from $2 to $4. **Show ALL working.**

(4 marks)

(ii) Using a labelled diagram, illustrate the relationship between the price of pens and the quantity supplied of pens.

(4 marks)

(d) Using the information in Table 1, discuss EACH of the following.

(i) The price at which the greatest shortage of pens occurs in the market

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(3 marks)

(ii) The price at which the greatest surplus of pens occurs in the market

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(3 marks)

Total 20 marks

3. (a) (i) State THREE examples of barriers to entry that occur in market structures.

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(3 marks)

(ii) Identify the time period in which firms can enter or leave an industry.

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(1 mark)

(iii) Identify TWO market structures characterized by barriers to entry.

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(2 marks)

(b) "In a big city, there are many small fried chicken restaurants. Though they are all selling fried chicken, each restaurant is known for its own unique recipe. The restaurants are very competitive and there is freedom of entry and exit".

Draw a labelled diagram to illustrate the long-run equilibrium of a firm in this industry.

(8 marks)

(c) Discuss TWO ways in which barriers to entry could determine an existing firm's long-run equilibrium position.

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(6 marks)

Total 20 marks

4. (a) Define EACH of the following economic concepts.

(i) Capital consumption

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(2 marks)

(ii) Investment expenditure

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(2 marks)

(iii) Disposable income

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(2 marks)

(b) Study Table 2 which shows information on the gross domestic product (GDP) of a country and answer the questions that follows.

TABLE 2: GROSS DOMESTIC PRODUCT — INCOME AND EXPENDITURE

Components	$
Interest income	150.00
Depreciation	35.00
Wages	65.00
Gross private investement	120.00
Business profits	200.00
Indirect business taxes	75.00
Rental income	75.00
Net exports	50.00
Net foreign factor income	20.00
Government purchases	150.00
Household consumption	300.00

Using the information in Table 2, calculate the gross domestic product (GDP) for the country using EACH of the following methods.

(i) Income method

(4 marks)

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(ii) Output method

(4 marks)

(c) Study Table 3 which shows macroeconomic and other indicators of growth and development for Country A and Country B, and answer the questions that follow.

TABLE 3: MACROECONOMIC AND OTHER INDICATORS FOR COUNTRY A AND COUNTRY B

	Country A	Country B
Annual percentage change in GDP	3%	5%
GDP	$20 000 000	$45 000 000
GDP per capita	$300 000	$180 000
Literacy rate	84%	72%
Average life expectancy	75 years	54 years

(i) Identify which country has the higher economic growth and give a reason to justify your response.

Country .....

Reason .....

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(3 marks)

(ii) Identify which country has the higher economic growth and give a reason to justify your response.

Country .....

Reason .....

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(3 marks)

Total 20 marks

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5. (a) Define EACH of the following economic concepts and give ONE example of EACH.

(i) Protectionism

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(3 marks)

(ii) Structural adjustment

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(3 marks)

(b) Explain TWO advantages of economic integration to a country.

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(8 marks)

(c) The COVID-19 pandemic highlighted problems that small developing countries face due to limited resources relating to technology and communication. These problems included limited access to the internet in some areas and limited knowledge regarding the use of the technology.

Discuss TWO ways in which foreign direct investment (FDI) can be used to solve these problems.

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(6 marks)

Total 20 marks

END OF TEST

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