FORM TP 2018054

TEST CODE **01216020**

MAY/JUNE 2018

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 SIX 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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"*"Barcode Area"*"
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1. (a) List THREE types of economies.

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(3 marks)

(b) Define the term 'opportunity cost'.

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(2 marks)

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(c) With the aid of a diagram, explain the difference between 'efficient points' and 'attainable points', with respect to a production possibility curve.

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(6 marks)

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(d) Table 1 below represents the production possibility schedules for Country A, using all resources.

TABLE 1: PRODUCTION SCHEDULE FOR COUNTRY A

COUNTRY A	
Quantity of Capital Goods in Thousands ('000)	**Quantity of Consumption Goods in Thousands ('000)**
0	30
1	20
2	12
3	6
4	1

(i) Calculate the opportunity cost.

(2 marks)

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(ii) Analyze the shape of the production possibility curve for Country A.

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(2 marks)

Total 15 marks

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2. Most Caribbean territories have a water company which is a monopoly responsible for the distribution of water to the various households. The distribution of water is done through a network of pipes and mains that run schematically through the various districts and parishes.

(a) List THREE characteristics of a monopoly market structure.

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(3 marks)

(b) State the factor of production under which EACH of the following is classified:

(i) Water

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(1 mark)

(ii) Network of pipes

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(1 mark)

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(c) Describe TWO ways in which a monopoly market structure differs from a monopolistically competitive market structure.

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(6 marks)

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(d) Explain how the existence of the water company as a monopoly for the distribution of water can cause market failure.

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(4 marks)

Total 15 marks

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

(i) Factors of production

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(2 marks)

(ii) Long-run

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(2 marks)

(b) Identify ONE type of business organization.

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(1 mark)

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(c) Explain TWO internal benefits that a firm receives from expanding production in the long-run.

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(6 marks)

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(d) Explain how division of labour can be applied to a large bakery.

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(4 marks)

Total 15 marks

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4. (a) Define the term 'fiscal policy'.

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(2 marks)

(b) List THREE types of unemployment.

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(3 marks)

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(c) Explain TWO types of inflation.

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(6 marks)

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(d) Determine the component of gross domestic product (GDP) that is affected by EACH of the following activities.

(i) Your aunt buys a house.

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(1 mark)

(ii) A family buys a new car.

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(1 mark)

(iii) Farmer Joe grows tomatoes for his family.

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(1 mark)

(iv) Domestically made sugar is sold to a bakery in a foreign country.

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(1 mark)

Total 15 marks

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5. (a) State the meaning of EACH of the following abbreviations:

(i) CET

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(1 mark)

(ii) WTO

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(1 mark)

(b) Identify ONE non-tariff barrier to trade.

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(1 mark)

(c) Define EACH of the following terms:

(i) Balance of trade

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(2 marks)

(ii) Currency appreciation

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(2 marks)

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(d) Discuss TWO policies that can be implemented to reduce a balance of payments deficit.

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(8 marks)

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(e) Table 2 below shows trade transactions for Cariland.

TABLE 2: BALANCE OF PAYMENTS TRANSACTIONS FOR CARILAND

Category	$ Million
Importation of goods and services	60
Export of goods and services	70
Foreign investment in Cariland	35
Cariland's investment abroad	43

(i) Calculate the current account balance.

(2 marks)

(ii) Calculate the capital account balance.

(2 marks)

(iii) State whether there is a balance of payments deficit or surplus.

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(1 mark)

Total 20 marks

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

(i) Economic integration

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(2 marks)

(ii) Multilateral agreement

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(2 marks)

(b) List THREE examples of economic integration.

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(3 marks)

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(c) Outline FOUR benefits of globalization to firms.

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(8 marks)

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(d) Small size is a barrier to trade at an international level. Discuss how regional integration can overcome this problem.

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(5 marks)

Total 20 marks

END OF TEST

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

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