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 2021058

TEST CODE **01216010**

MAY/JUNE 2021

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

ECONOMICS

Paper 01 – General Proficiency

1 hour 15 minutes

18 MAY 2021 (p.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. 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.
5. If you want to change your answer, erase it completely before you fill in your new choice.
6. 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.

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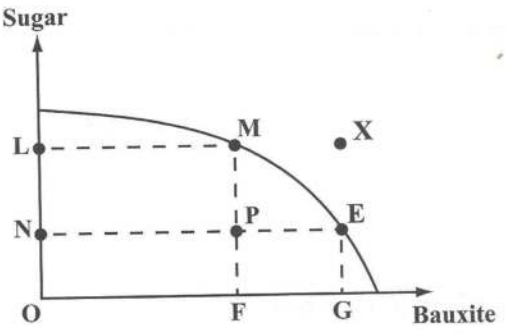
1. In economics, the excess of human wants over existing resources is known as

(A) greed
(B) scarcity
(C) opportunity cost
(D) economic decline

2. An 'economy' is BEST described as

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

Item 3 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.



3. Point **X** on the diagram above represents

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

4. An outward shift in the production possibility curve can be caused by an

(A) increase in wages
(B) increase in imports
(C) improvement in technology
(D) improvement in the standard of living

5. Economics is classified as a

(A) social science
(B) natural science
(C) physical science
(D) business science

6. Which of the following actions is LEAST likely to be among a government's potential economic decisions regarding 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

Item 7 refers to the following information which relates to a manufacturing company.

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

7. The average variable cost is

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

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8. Large firms can achieve savings in unit costs as a result of advertising and packaging. These kinds of economies of scale can be classified as

(A) financial
(B) technical
(C) marketing
(D) managerial

Item 9 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
10	580

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

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

10. Which of the following pairs of activities in a country falls under the tertiary sector?

(A) Banking and tourism
(B) Tourism and agriculture
(C) Banking and construction
(D) Manufacturing and fishing

11. An advantage of a planned economic system is that

(A) consumers have a wider variety of goods
(B) workers are more motivated and diligent
(C) firms have a greater incentive to be efficient
(D) there is usually a more equitable distribution of wealth

12. Production can be defined as the

(A) interaction between buyers and sellers
(B) transformation of inputs into outputs
(C) pricing of resources according to demand
(D) economic relationship between output and input

13. Which of the following items is NOT an example of a primary product?

(A) Gold
(B) Banana
(C) Furniture
(D) Crude oil

14. The economic system where major economic decisions are made by private individuals and businesses is known as a

(A) free market economy
(B) planned economy
(C) controlled economy
(D) subsistence economy

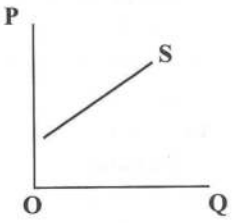
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15. A normal supply curve for farm produce will slope upwards if farmers

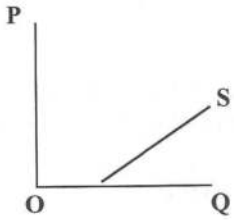
(A) pass on increased costs to customers
(B) are willing to produce more as price increases
(C) increase their profit margins as price increases
(D) are willing to increase supply as demand increases

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

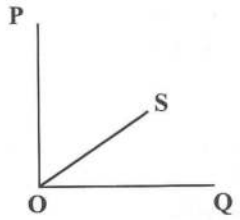
(A)



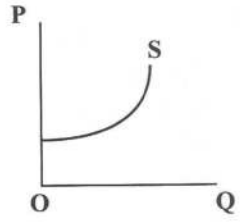
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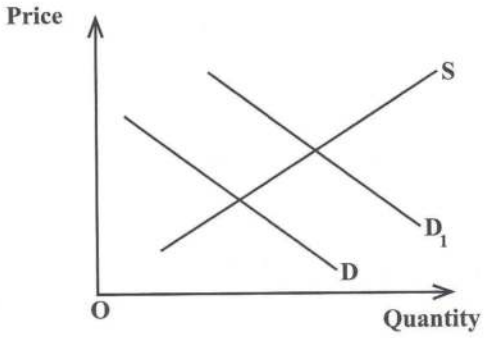
(C)



(D)



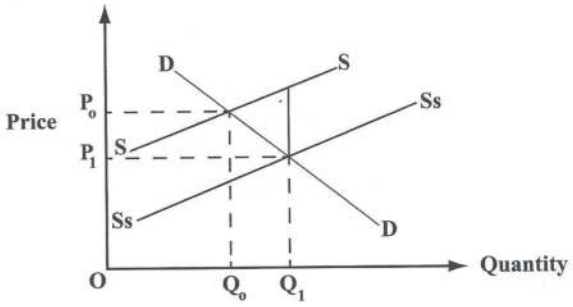
Item **17** refers to the following diagram which shows the price of Good X and the quantity of Good X demanded.



17. The movement of the demand curve of 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

Item **18** refers to the following diagram which shows the price of an item and the quantity demanded and supplied before and after the item is subsidized. **S** is the supply curve before a subsidy is granted.



18. As a result of the granting of the subsidy, it is expected that the

(A) price will increase
(B) supply will increase
(C) supply will decrease
(D) demand will decrease

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19. A government reduces tax on carrots. This causes the price of carrots to fall by 50%. Quantity demanded then rises by 50%. The price elasticity of demand for carrots in this case is

(A) 0
(B) 0.4
(C) 1
(D) 2.5

Item **20** refers to the following table which shows the price of a product, the quantity demanded (QD) and quantity supplied (QS).

Price ($)	QD (Units)	QS (Units)
10	8	20
8	12	16
6	14	14
4	16	12
2	29	8

20. At which of the following prices are there shortages in the market?

(A) $2 and $4
(B) $4 and $6
(C) $6 and $8
(D) $8 and $10

21. Suppliers of manufactured goods respond faster to price changes than suppliers of agricultural goods MAINLY because

(A) agricultural goods have lower demand
(B) agricultural goods take longer to produce
(C) manufactured goods are cheap to produce
(D) manufactured goods are subject to quality control regulations

22. An increase in the price of flour is MOST likely to be followed by an immediate

(A) rise in the quantity supplied of flour
(B) fall in the quantity demanded of flour
(C) rise in the quantity demanded for bread
(D) fall in the quantity demanded for bread

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23. Price elasticity of supply refers to the responsiveness of the quantity supplied to a change in

(A) price
(B) taste
(C) income
(D) demand

24. The supply curve will shift to the left if

(A) income falls
(B) costs of production fall
(C) costs of production rise
(D) technology is introduced

25. Which of the following market structures has the GREATEST control over setting prices?

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

26. Which of the following features is a characteristic of a monopoly?

(A) Freedom of entry and exit
(B) Many buyers and one seller
(C) Buying and selling of homogenous products
(D) Perfect knowledge of market conditions

27. Which of the following is usually a consequence of retrenchment in a country?

(A) Reduction in crime rates
(B) Increased standard of living
(C) A fall in the standard of living
(D) Equality in income distribution

Item **28** refers to the following information about a type of market structure.

Mayanka Ltd is selling a good in competition with a few other companies in Country X. All the firms know each others' prices. Before Christmas, Mayanka Ltd raised the price of its good, hoping to make higher profits. None of the other competing firms for this product raised their prices. After Christmas, Mayanka Ltd lowered the price of the same good with the hope of boosting its sales. All the other competing firms reduced the price of the same good by the same margin.

28. What type of market structure does the above scenario illustrate?

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

29. A pure public good can be described as

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

30. According to economic theory, 'second hand' cigarette smoke is an example of a

(A) merit good
(B) private good
(C) postive externality
(D) negative externality

31. The term 'money supply' refers to the

(A) total stock of money in an economy at any moment
(B) total asset base of the institutions in the financial sector
(C) amount of money traded in the foreign exchange market
(D) total amount of gold, silver and other precious metals in reserve

32. Which of the following scenarios represents the formal sector?

(A) Emma babysits her neighbour's children to earn pocket money.
(B) Sandra formally organizes a meeting turn with eight of her neighbours.
(C) The village vagrant collects bottles from the neighbourhood and takes them to a recycling plant.
(D) The recycling plant deposits the money earned on a daily basis on its account at a local bank.

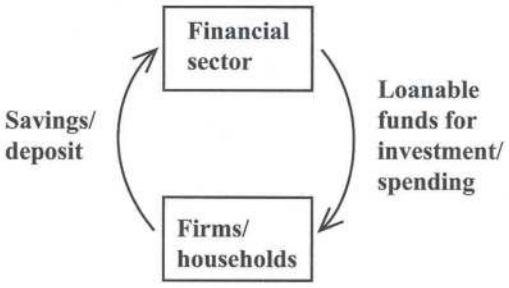
33. Which of the following financial instruments are issued by the central bank on behalf of the government?

(A) Treasury bills
(B) Corporate bonds
(C) Equity securities
(D) Shares on the stock exchange

34. Which of the following is a function of the commercial bank?

(A) Printing currencies
(B) Accepting deposits
(C) Fixing import quotas
(D) Fixing currency exchange rates

Item 35 refers to the following diagram.



35. The diagram BEST describes the

(A) functions of the central bank
(B) flow of deposits into the financial sector
(C) flow of funds into the household sector
(D) role that the financial sector performs for customers

36. The MAIN objective of a credit union is to

(A) encourage 'summer' spending
(B) provide credit to government agencies
(C) encourage thrift among its members
(D) provide investment funds for companies

37. The government of Country K has been accumulating a fiscal deficit without any surpluses for the past three years. This situation may be referred to as Country K's

(A) interest rate
(B) national debt
(C) foreign surplus
(D) national budget

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38. Some Caribbean countries are experiencing a lack of industrialization, a low standard of living and a high population growth rate. Which of the following terms BEST describes the economies of these countries?

(A) Advanced
(B) Advancing
(C) Developed
(D) Developing

39. 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

40. The type of unemployment which is usually experienced by workers in the hotel industry is known as

(A) cyclical
(B) seasonal
(C) frictional
(D) structural

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

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

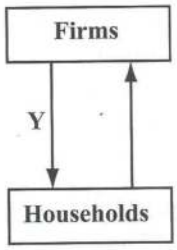
Item 42 refers to the following table which shows manufacturing output as a share of gross domestic product (GDP) for four countries: W, X, Y and Z.

Year	Country			
	W (%)	X (%)	Y (%)	Z (%)
1990	28	40	29	29
2000	23	34	26	28
2010	19	31	21	23

42. The table shows that ALL countries experienced

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

Item 43 refers to the following diagram which shows the simple circular flow of income for an economy.



43. The nominal flow labelled Y refers to

(A) savings
(B) investment
(C) factor incomes
(D) factors of production

44. Which of the following statements BEST describes a fiscal deficit?

(A) Government revenues are greater than government subsidies.
(B) Government revenue exceeds government borrowing.
(C) Government spending equals government revenue.
(D) Government spending exceeds government revenue.

45. Which of the following BEST defines the term 'tariff'?

(A) The common tax levied on countries within a region
(B) The amount of subsidies received by local exporters
(C) The tax levied on imports entering a country
(D) The amount of goods that can be imported into a country

46. A country has a comparative advantage in the production of a commodity when it

(A) can produce more of that commodity than any other country
(B) has a larger share of the market for that commodity than any other country
(C) can produce that commodity at a lower opportunity cost than any other country
(D) accounts for a greater percentage of global sales of that commodity than any other country

47. 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.

48. The amount of net exports in an economy is given as −$10 M. This indicates that the value of exports is

(A) zero
(B) equal to imports
(C) less than imports
(D) greater than imports

Item **49** refers to the following table which shows the current account section of Country M's balance of payments for the year 2017.

Item	$(M)
Invisible imports	50
Invisible exports	80
Visible imports	70
Visible exports	32

49. What is Country M's balance of merchandise trade?

(A) −$38 M
(B) $20 M
(C) −$ 8 M
(D) $48 M

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50. The currency of a country may appreciate in value if

(A) the demand for its imports rises
(B) the demand for its exports rises
(C) its balance of trade deficit rises
(D) its balance of payments deficit rises

51. The terms of trade of Country X is 150. This is considered to be

(A) neutral
(B) inadequate
(C) favourable
(D) unfavourable

52. A 'quota' is defined as a

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

53. Which of the following scenarios represents a bilateral agreement?

(A) An agreement between Jamaica and Cuba
(B) An agreement between St. Vincent and the Grenadines
(C) An agreement between USA, Caribbean and Mexico
(D) An agreement between Trinidad and each of the other Caribbean islands

54. The acronym FDI, in economics, means

(A) Foreign direct income
(B) Foreign direct investment
(C) Fixed domestic investment
(D) Floating domestic investment

55. Which of the following organizations has adopted a single currency to facilitate trade and the movement of people among its member countries?

(A) EU
(B) FTAA
(C) CSME
(D) CARICOM

56. In theory, open competition on a world scale facilitates

(A) high levels of dependency on tourism
(B) increases in trade unions' negotiating power
(C) government manipulation of market outcomes
(D) the development of a competitive advantage based on price

57. Which of the following is NOT a characteristic of Caribbean countries?

(A) High debt burden
(B) High levels of unemployment
(C) Low level of capital formation
(D) Major producers of manufactured goods

58. Which of the following factors has led to the rapid expansion in e-commerce?

(A) The emergence of the Internet
(B) The increase in levels of income
(C) The rise in inflationary pressures
(D) The formation of regional groupings

59. Which of the following occurrences is NOT a benefit of trade liberalization to consumers?

(A) A decline in the prices of goods and services
(B) An increase in the prices of goods and services
(C) Greater access to a variety of goods and services
(D) A reduction in the cost of providing goods and services

60. Which of the following is MOST likely to lead to foreign direct investment to the Caribbean region?

(A) Globalization
(B) Specialization
(C) Trade unionism
(D) Currency fluctuation

END OF TEST

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

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CANDIDATE'S RECEIPT

INSTRUCTIONS TO CANDIDATE:

1. **Fill in all the information requested clearly in capital letters.**

TEST CODE: | 0 | 1 | 2 | 1 | 6 | 0 | 1 | 0 |

SUBJECT: ECONOMICS – Paper 01

PROFICIENCY: GENERAL

REGISTRATION NUMBER: | | | | | | | | | | |

FULL NAME: _____

(BLOCK LETTERS)

Signature: agape learning hub

Date: _____

2. **Ensure that this slip is detached by the Supervisor or Invigilator and given to you when you hand in this booklet.**

3. **Keep it in a safe place until you have received your results.**

INSTRUCTION TO SUPERVISOR/INVIGILATOR:

Sign the declaration below, detach this slip and hand it to the candidate as his/her receipt for this booklet collected by you.

I hereby acknowledge receipt of the candidate's booklet for the examination stated above.

Signature: _____
Supervisor/Invigilator

Date: _____

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