TEST CODE **01216020**

FORM TP 2008061

MAY/JUNE 2008

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

04 JUNE 2008 (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. 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 'specialization'. **(2 marks)**

(b) List the THREE resource allocation decisions. **(3 marks)**

(c) Differentiate between 'goods' and 'services' and give an example of EACH. **(4 marks)**

(d) Discuss THREE benefits that may be derived from a free market economy. **(6 marks)**

Total 15 marks

2. (a) State TWO characteristics of a monopoly. **(2 marks)**

(b) List THREE disadvantages of a monopoly. **(3 marks)**

(c) Externalities can be positive or negative. Using an example, outline the difference between a positive and a negative externality. **(4 marks)**

(d) Market failure may have several consequences on an economy. Discuss THREE of those consequences. **(6 marks)**

Total 15 marks

3. (a) Define the term 'credit union'. **(2 marks)**

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

(c) Explain TWO functions of the Central Bank in your country. **(4 marks)**

(d) Explain how the development of money over time has helped to improve the way in which monetary transactions are conducted. **(6 marks)**

Total 15 marks

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4. (a) Define the term 'standard of living'. **(2 marks)**

(b) List THREE factors that may impact on the economic growth of a country. **(3 marks)**

(c) The following table refers to economic data for Country X.

Economic Data for Country X	
	$
Imports of goods and services	345 000
Value of physical decrease in stock and work in progress	550
Consumers' expenditure	945 330
Exports of goods and services	241 910
Government expenditure	321 000
Capital formation	218 650

Calculate the Gross Domestic Product (GDP) of Country X. **(4 marks)**

(d) Discuss TWO ways in which a government can use fiscal policy to promote economic growth. **(6 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 EACH of the following terms:

(i) Unemployment

(ii) Inflation **(4 marks)**

(b) List THREE types of unemployment. **(3 marks)**

(c) (i) Identify TWO possible effects that the removal of preferential trading arrangements may have on an economy. **(2 marks)**

(ii) Discuss TWO measures that can be used to address the consequences of the removal of preferential trading arrangements. **(6 marks)**

(d) Explain TWO ways in which the CARICOM Single Market and Economy (CSME) can contribute to the economic development of a named Caribbean country. **(5 marks)**

Total 20 marks

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

(i) Price elasticity of demand

(ii) Income elasticity of demand **(4 marks)**

(b) Identify TWO determinants of price elasticity of demand, and ONE determinant of income elasticity of demand. **(3 marks)**

(c) Using an example, explain what a zero cross elasticity result represents. **(5 marks)**

(d) Discuss the likely impact of a significant rise in oil prices on EACH of the following:

(i) Research in bio-fuels

(ii) The type of vehicles purchased **(8 marks)**

Total 20 marks

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7. (a) Differentiate between the 'terms of trade' and the 'balance of trade' of a country. **(4 marks)**

(b) List the component parts of the balance of payments. **(3 marks)**

(c) Explain TWO measures that can be used to correct a balance of payments deficit. **(8 marks)**

(d) Discuss TWO ways in which a rise in oil prices will affect the balance of payments of a non-oil producing economy. **(5 marks)**

Total 20 marks

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

(i) Economics

(ii) Production possibility frontier **(4 marks)**

(b) Identify THREE factors that will cause an outward shift in the production possibility frontier. **(3 marks)**

(c) (i) Explain ONE factor that will cause the production possibility curve to move inward. **(2 marks)**

(ii) Using a production possibility frontier, explain the concepts of 'opportunity cost' and 'efficiency'. **(6 marks)**

(d) Suggest TWO reasons why the concept of 'scarcity and choice' is important for individuals making economic decisions. **(5 marks)**

Total 20 marks

END OF TEST