FORM TP 2023063

TEST CODE 01216020

MAY/JUNE 2023

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) Define EACH of the following terms.

(i) Labour

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(2 marks)

(ii) Capital

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(2 marks)

(b) State TWO **disadvantages** of the division of labour for employees.

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(2 marks)

(c) Explain how a large chain of fast-food restaurants might use EACH of the following economies of scale to its advantage.

(i) Financial economies of scale

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(2 marks)

(ii) Marketing economies of scale

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(2 marks)

(iii) Technical economies of scale

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(2 marks)

(iv) Managerial economies of scale

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(2 marks)

(d) XYZ Limited is a small firm that makes bicycles. Use the information in Table 1 below which displays the quantities and some costs incurred by XYZ Limited to produce bicycles and answer the questions that follow. Insert the answers on the table in the spaces labelled (i), (ii) and (iii).

TABLE 1: COSTS FOR XYZ LIMITED

Quantity	Fixed Cost ($)	Variable Cost ($)	Total Cost ($)
0	(i)		10
1		(ii)	14
2		7	(iii)

(i) Calculate the fixed cost when no bicycles are produced.

(2 marks)

(ii) Calculate the variable cost when 1 bicycle is produced.

(2 marks)

(iii) Calculate the total cost when 2 bicycles are produced.

(2 marks)

Total 20 marks

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2. (a) List THREE non-price factors, **other than** its own price, that impact demand for a good.

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(3 marks)

(b) List THREE factors that impact the price elasticity of supply.

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(3 marks)

(c) For EACH of the following pairs of goods, explain which good has more price elastic demand.

(i) A red motorcar or all motor vehicles

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(2 marks)

(ii) Jewellery or prescription medicine

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(2 marks)

(iii) An increase in gas prices today or a tax on gas a year after the tax is introduced

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(2 marks)

(iv) Laptops or electricity

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(2 marks)

(d) Study Figure 2 which represents the market for coffee in Joeland and answer questions (d) (i) and (ii) that follow.

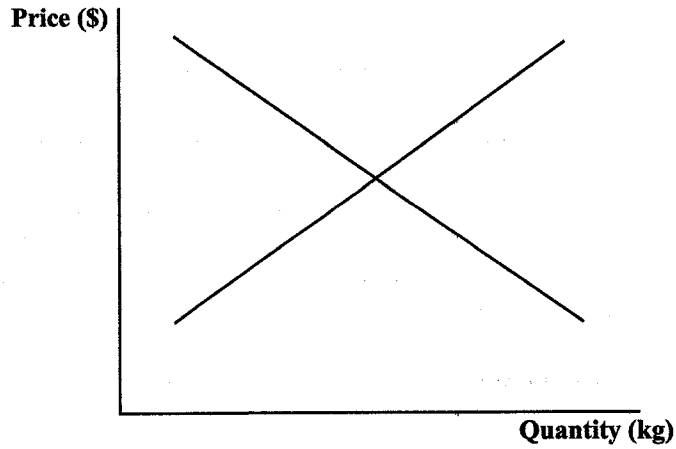
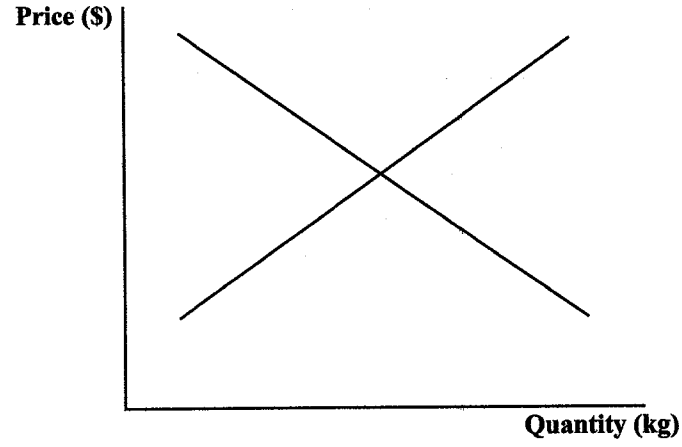


Figure 2. Market for coffee in Joeland

(i) On the diagram in Figure 2, label the demand curve with the letter D and the supply curve with the letter S. **(2 marks)**

(ii) On the diagram in Figure 2, identify the market equilibrium. **(1 mark)**

(e) On the diagram below, illustrate how a severe storm in Joeland would impact the coffee market.



(3 marks)

Total 20 marks

3. (a) Identify TWO characteristics of EACH of the following types of market structures.

(i) Perfect competition

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(2 marks)

(ii) Monopoly

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(2 marks)

(iii) Monopolistic competition

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(2 marks)

(b) Using economic concepts, explain the problem created when community members are asked to make a voluntary monthly contribution for public internet access.

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(4 marks)

(c) Indicate whether the following goods and services are merit or public goods.

(i) Primary school provided by a private organization

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(ii) The national army of a country

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(iii) Health care

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(iv) Lighting of a village along main streets

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(4 marks)

(d) Assume there is no government in the town of Roadville. Table 1 shows the demand and supply schedules, as well as the marginal social benefit for road repairs. The marginal social benefit is the total benefit to society from consuming additional units of a good.

TABLE 1: DEMAND AND SUPPLY SCHEDULES AND MARGINAL SOCIAL BENEFIT FOR ROAD REPAIRS IN ROADVILLE

Price per Pothole ($)	Demand	Supply	Marginal Social Benefit
80	2	14	6
70	4	12	8
60	6	10	10
50	8	8	12
40	10	6	14
30	12	4	16
20	14	2	18

(i) Identify the cause of the market failure in Roadville's road repair market.

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(2 marks)

(ii) Using the information in the table, explain the market failure identified in (d) (i).

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(4 marks)

Total 20 marks

4. (a) (i) List FOUR qualities of money.

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(4 marks)

(ii) Define the term 'financial sector'.

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(2 marks)

(b) Ann goes to the commercial bank to withdraw money to buy a new dress. The price of the dress is $150. She also checks the amount she has saved towards buying a house in five years. She will need to take a loan to buy the house which she will repay in the future.

Identify the FOUR functions of money and state how Ann's actions relate to EACH of the FOUR functions.

(i) Function 1

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(ii) Function 2

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(iii) Function 3

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(iv) Function 4

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(8 marks)

(c) Merryville and Summerville can both produce banana chips and chocolate. Summerville uses less labour than Merryville to produce each of the goods. The opportunity costs of producing one unit of each good for each country are listed in Table 2.

TABLE 2: OPPORTUNITY COSTS PER UNIT OF OUTPUT

Country	Banana chips	Chocolate
Merryville	1/3 chocolate	3 banana chips
Summerville	2 chocolates	1/2 banana chips

(i) Identify the country that has the comparative advantage in producing banana chips.

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(1 mark)

(ii) Identify the country that has the comparative advantage in producing chocolate.

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(1 mark)

(iii) Identify the country that has the absolute advantage in producing banana chips.

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(1 mark)

(iv) Identify the country that has the absolute advantage in producing chocolate.

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(1 mark)

(v) Suggest the country that should export banana chips.

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(1 mark)

(vi) Suggest the country that should export chocolate.

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(1 mark)

Total 20 marks

5. (a) Describe the difference between a bilateral agreement and a multilateral agreement.

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(3 marks)

(b) Identify the term described by EACH of the following phrases.

(i) "The increase in a country's real output of goods and services over a period of time, usually one year".

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(1 mark)

(ii) "A set of economic reforms that a country must adhere to in order to secure a loan from the International Monetary Fund and/or the World Bank".

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(1 mark)

(iii) "A type of trade bloc or agreement between nations that allows products, labour and technology to move freely across borders".

.....

(1 mark)

(c) For EACH of the following scenarios, identify the type of unemployment described and recommend a solution by the government for the problem.

(i) Mary lost her job as a travel agent due to the increased popularity of online booking websites.

Type of unemployment

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Solution

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(3 marks)

(ii) Patrick was laid off from the fast-food restaurant when sales decreased because of the economic downturn.

Type of unemployment

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Solution

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(3 marks)

(d) Explain how the existence of trade unions can lead to unemployment.

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(2 marks)

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(e) Study Figure 3 which shows the circular flow of income and answer the questions that follow.

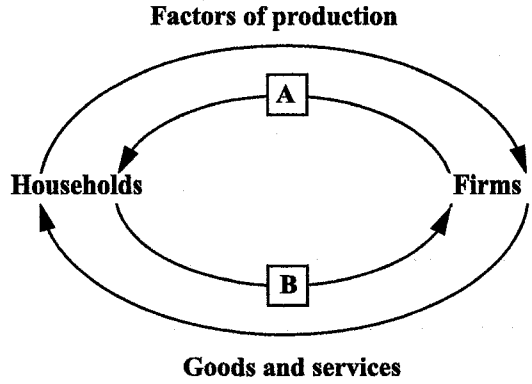


Figure 3. Circular flow of income

(i) Identify the types of flows labelled A and B.

A .....

B .....

(2 marks)

(ii) Fill in the blanks below with the correct terms to complete the sentence.

An increase in income tax will cause the flow of .....

to decrease because disposable income will decrease and households will buy less

..... .

(2 marks)

(iii) Explain how inflation affects the ability of households to purchase food.

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(2 marks)

Total 20 marks

END OF TEST

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