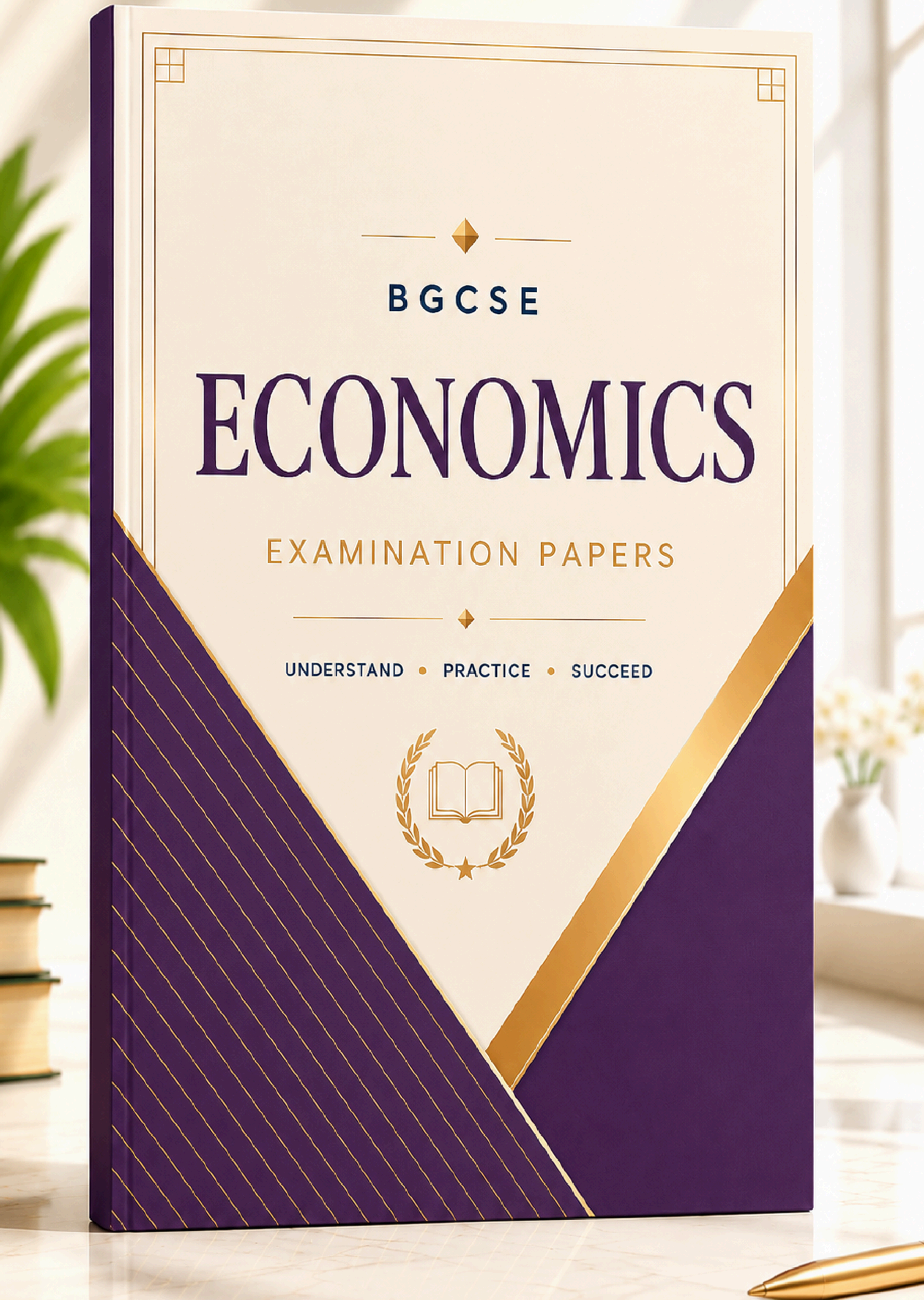
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ECONOMICS

PAPER 1 2030/1

Monday 25 MAY 2020 1:00 P.M. – 3:00 P.M.

Additional materials:
None

MINISTRY OF EDUCATION NATIONAL EXAMINATIONS

BAHAMAS GENERAL CERTIFICATE OF SECONDARY EDUCATION

INSTRUCTIONS TO CANDIDATES

Do not open this booklet until you are told to do so.

Write your School Number, Candidate Number, Surname and Initials at the top of this booklet.

Read the instructions for each task carefully before you start.

Answer **ALL** questions in the booklet.

The number of marks available is shown in brackets [ ] at the end of each question or part question.

Calculators are allowed.

ALL answers must be written in **INK**. Pencilled answers will NOT be accepted.

FOR EXAMINER'S USE ONLY	
Questions 1 – 30 Multiple Choice	
Question 31 – Matching	
Question 32 – True or False	
Question 33 – Structured	
Question 34 – Structured	
TOTAL MARKS 100	

This question paper consists of 18 printed pages and 2 blank pages.

SECTION A – 30 marks
Multiple Choice Questions 1 – 30

Instructions: Read each question carefully. Answer **ALL** questions. Choose the **ONE** answer that is correct. Circle the letter in the booklet. There is **ONLY ONE** correct answer.

1. Which of the following would be **excluded** from the study of economics?

A choice made
B opportunity cost
C satisfaction of wants
D social status [1]

2. Which word best describes a 'scarce' good?

A economic
B free
C merit
D public [1]

3. What is the basic economic problem faced by all economies?

A inequalities amongst the rich and poor
B pollution that has led to global warming
C increasing population thus leading to overpopulation
D scarcity of economic resources [1]

4. What are tariffs?

A decreases in the price of exports
B decreases in the price of imports
C increases in the price of exports
D increases in the price of imports [1]

5. What is the remuneration for the factor of production known as 'a gift of nature'?

A interest
B profit
C rent
D wages [1]

6. Productivity measures the efficiency with which a good or service is produced. How is productivity calculated?

   A goods produced divided by input
   B hours worked divided by goods produced
   C input divided by output
   D time invested divided by goods produced [1]

7. What type of organisation is formed if the government decides to privatize a state-owned industry by allowing many shareholders to have part ownership?

   A partnership
   B public limited company
   C public corporation
   D co-operative [1]

8. Unearned income can be **best** described as which of the following?

   A a monthly salary for an accountant
   B commission received by a sales agent
   C regular monthly interest on a deposit account
   D the lump sum payment made to an author before publication [1]

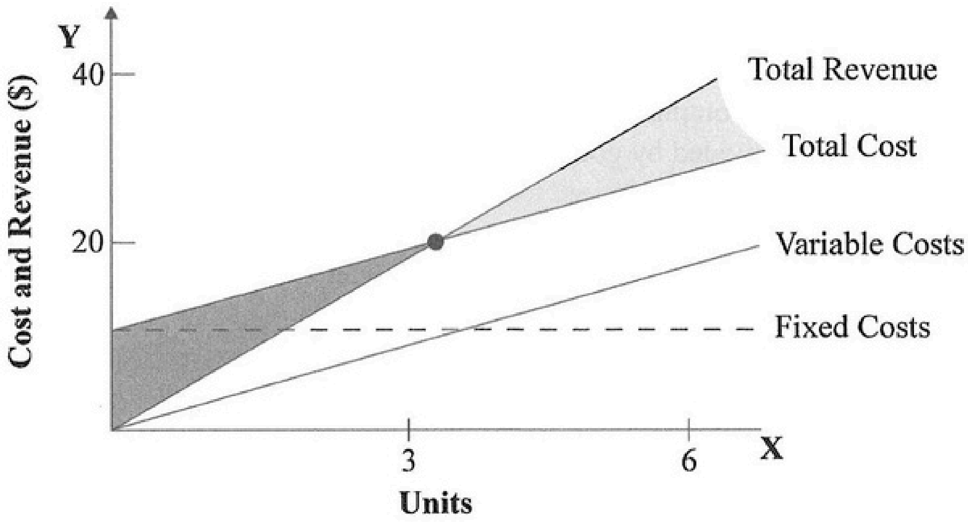
9. What are the transfer earnings of a factor of production currently earning $15 000 per year with a next best use that would pay $9 000 per year?

   A $6 000
   B $9 000
   C $15 000
   D $24 000 [1]

10. Which of the following actions could result in a publishing firm benefitting from an internal economy of scale?

   A A competitor relocates to the same area.
   B A new highway is built near to the factory.
   C It buys printing paper in bulk.
   D Specialist transport firms are established in its locality. [1]

11. Examine the diagram below. What is the term used to describe the point at which total revenue and total cost meet?



A break-even point
B loss-making point
C price setting point
D profit maximising point [1]

12. What is most likely to lead to an external economy of scale?

A borrowing money with a favourable credit rating
B buying a case of disposable diapers for daycare centre
C employing human resources managers for a tourist resort
D training a group of skilled carpenters on Grand Bahama [1]

13. In which type of businesses are the owners liable for all company losses?

A cooperative
B partnership
C private limited company
D public limited company [1]

14. When is it **most** likely that an increase in demand for a good may follow?

A increase in consumer incomes
B increase in the demand for a substitute
C rise in the price of a complement
D unsuccessful advertising campaign [1]

15. To what does the price elasticity of demand respond directly?

A change in income
B change in the price of complements
C change in the price of substitutes
D change in the price of the product [1]

16. Which product is most likely to have negative income elasticity of demand?

A alcoholic beverages
B meat
C potatoes
D yachts [1]

17. Money acts to prevent the need for a double coincidence of wants. In what circumstances is this usually most important?

A the arrangement of a savings scheme
B the attempt to prevent inflation
C the exchange of goods and services
D the search for employment [1]

18. Which of the following can be bought on the Stock Exchange?

A existing shares in public companies
B foreign currencies
C insurance policies
D shares in private companies [1]

19. Company A is making a bid to takeover Company B. What is the likely effect of Company A's bid on the share price of Company B?

A decrease
B increase
C level off
D no effect [1]

20. Which International Organisation attempts to set the world's oil prices?

A IMF (International Monetary Fund)
B OECD (Organisation for Economic Cooperation and Development)
C OPEC (Organisation of Petroleum Exporting Countries)
D WTO (World Trade Organisation) [1]

[Turn over

21. Which one represents the greatest revenue generator for the government of The Bahamas?

    A Customs Duties
    B Excise Duties
    C Tourism Tax
    D Value Added Tax [1]

22. Which **one** is the largest individual recurrent expenditure for the central government of The Bahamas?

    A allowances
    B personal emoluments
    C transportation of things
    D travel and subsistence [1]

23. Since 2018, what is the standard rate of consumption tax applied to the purchase of most goods and services in The Bahamas?

    A 7.5%
    B 12%
    C 12.5%
    D 15% [1]

24. What is commonly found in Enterprise Zones?

    A high immigration
    B high inflation
    C high tax rates
    D high unemployment [1]

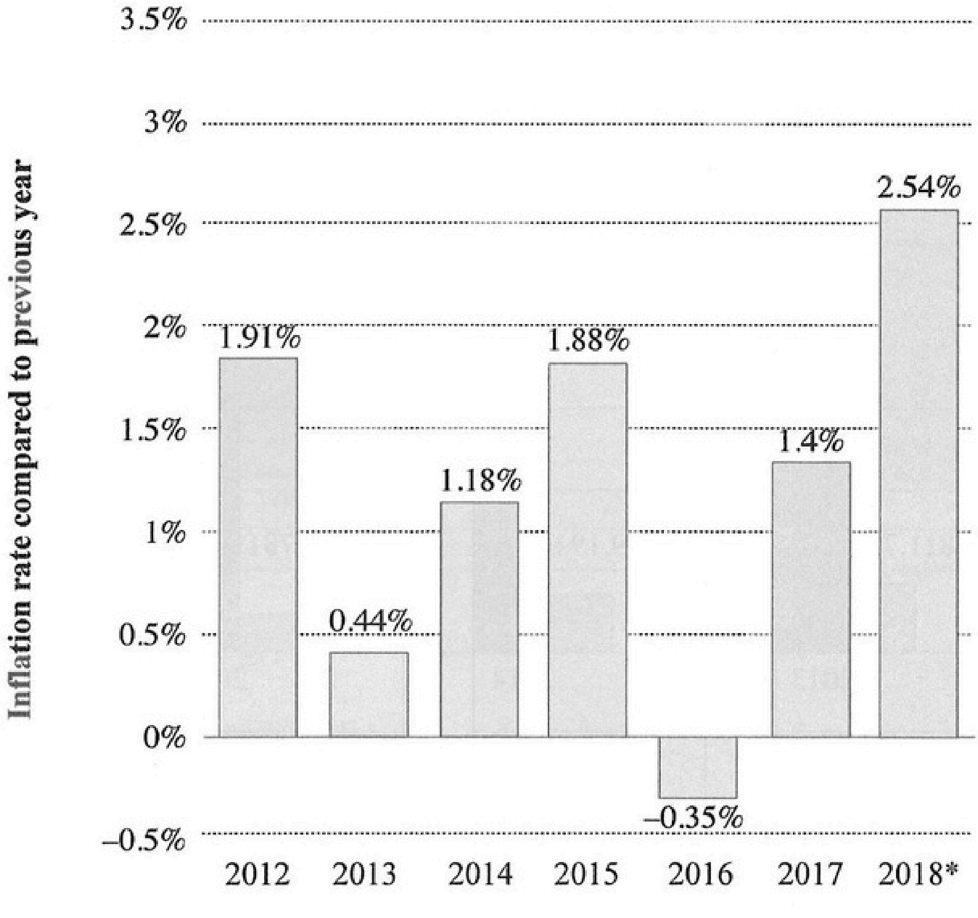
25. Which government Department in The Bahamas is responsible for collecting revenue from business license fees, real property tax and value added tax?

    A Department of Inland Revenue
    B Internal Revenue Service
    C Ministry of Finance
    D Public Treasury Department [1]

26. A Bahamian buys a car from Japan for $2 000. If the exchange rate is 1 BSD = 113.5 JPY, how much will it cost in Japanese Yen to purchase the vehicle?

A ¥17.62
B ¥2 113.5
C $227 000
D ¥227 000 [1]

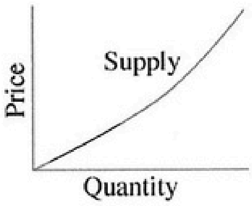
27. **Figure 1: The Bahamas: INFLATION RATE 2012 to 2018**



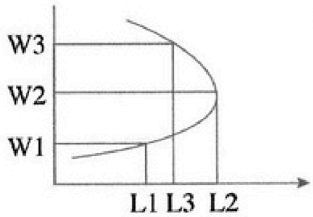
Based on the information provided in Figure 1, what can be concluded from the diagram?

A The price level fell in 2016.
B The price level fell in two years.
C The price level rose continuously between 2012 and 2018.
D The price level was highest in 2015. [1]

28. Which diagram shows the supply of labour of a worker who prefers to take more leisure as the wage rate rises?



A



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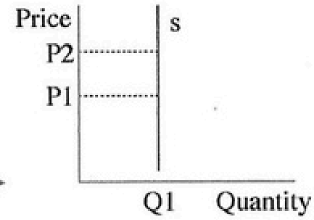

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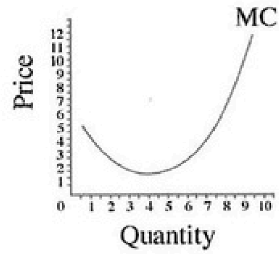
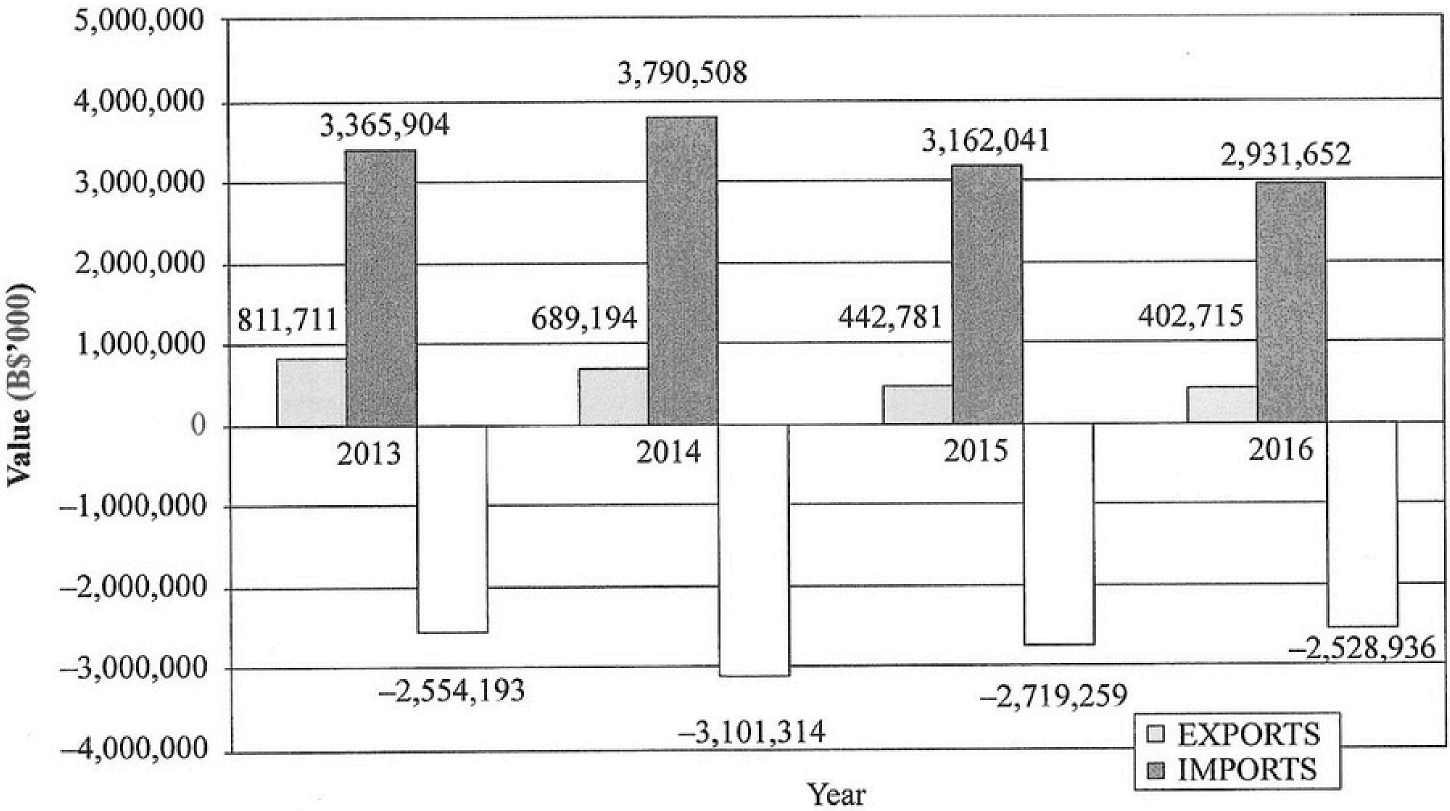


D

29. **Figure 2**

Value of Merchandise Trade (B$'000): 2013–2016
Imports, Exports and Balance Of Trade



SOURCE: http://www.bahamas.gov.bs

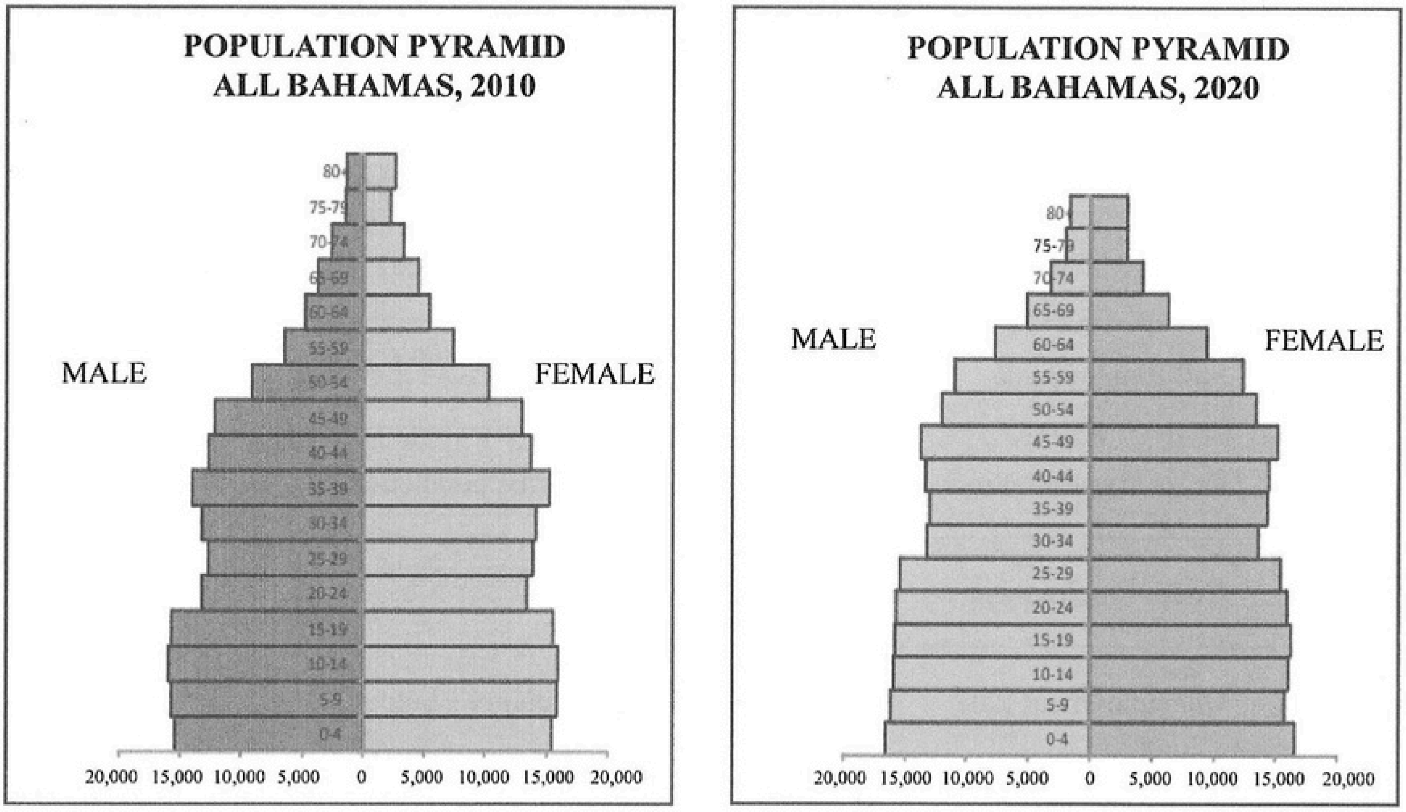
Based on the information in Figure 2, in which year was the Balance of Trade in the least deficit?

A 2013
B 2014
C 2015
D 2016

[1]

30. Examine the Age-Sex Population Pyramids for The Bahamas in Figure 3 below.

Figure 3



SOURCE: Department of Statistics

What will happen to the population in 2020?

A Men will outlive women.
B The death rate will be greater than the birth rate.
C The population will be aging.
D The retired population will be falling. [1]

TOTAL MARKS [30]

SECTION B – 10 marks
MATCHING

31. Match the terms labelled **1 – 10** with their appropriate meaning by placing the correct letter **A – J** in the space provided.

PART I

TERM	MEANING
1. _______ Census	A. Working at a job for which one is over qualified.
2. _______ Full Employment	B. The percentage of the nation's labour force that is out of work.
3. _______ Gross Domestic Product	C. An official count of the population of a country.
4. _______ Under Employment	D. The level of employment reached when there is no cyclical unemployment.
5. _______ Unemployment Rate	E. The measure of a country's output.

PART II

TERM	MEANING
6. _______ Gross Personal Income	F. The income actually received after taking into consideration the rate of inflation.
7. _______ Disposable Income	G. This income that is your weekly wage or monthly salary.
8. _______ Discretionary Income	H. The income that remains after income taxes and National Insurance have both been paid.
9. _______ Real Disposable Income	I. The money left over after a person has spent on necessities.
10. _______ Money Income	J. The sum of an individual's income from all sources such as salary, rent from ownership and interest on savings.

TOTAL MARKS [10]

SECTION C – 10 marks
TRUE/FALSE

32. The following statements are either **TRUE** or **FALSE**. **Circle** the letter that best describes each statement. One mark will be awarded for each correct answer.

STATEMENT	TRUE	FALSE
1. A command economy is an economic system where private entities own the economic resources and decide how to use them within government restraints.	T	F
2. Profit refers to the monies left over after various costs of production such as taxes, interest and rent have been paid out.	T	F
3. The benefit associated with a consumer purchasing a useful good or service is known as a private benefit.	T	F
4. The cost incurred by a business to produce commodities and provide a service would best be described as a social cost.	T	F
5. Most of the world's populations live in developing countries.	T	F
6. The Bahamas was blacklisted on two occasions, once in 2000 and again in 2018 as a tax haven by the OECD.	T	F
7. Imports can be purchased with local currency only after the government approves.	T	F
8. Overdrafts are examples of short-term loans.	T	F
9. Competition occurs when businesses provide similar products and services thus leading to rivalry to win a customer's loyalty.	T	F
10. Savings is an example of a leakage from the circular flow.	T	F

TOTAL MARKS [10]

SECTION D – 50 marks
STRUCTURED QUESTIONS

Instructions: Answer all questions in the spaces provided.

33. In his book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith argues against government interference in the market place. He believed that individuals, seeking profits, end up benefiting society as a whole.

"Every individual, therefore, endeavors as much as he can [to direct his resources toward his own business] so that its produce may be of the greatest value; every individual.....neither intends to promote the public interest, nor knows how much he is promoting it... He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention... By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."

Source: *Economics Today & Tomorrow*
People & Perspective
Adam Smith – Economist (1723-1790)

(a) To actually benefit a society, what are the **three** basic economic questions that must be answered?

____

____

____

____ [3]

(b) Why are profits necessary?

____

____

____

____ [2]

(c) (i) What type of economic system does Adam Smith favour?

____

____ [1]

(ii) Identify **four** characteristics of the economic system named above.

____

____

____

____

____

____ [4]

(d) Below are **three** scenarios, each one illustrating a *Consumer Right* or a *Consumer Responsibility*. Indicate in the spaces provided whether the situation presents a *Consumer Right* or a *Consumer Responsibility*. Say why each item was identified as a *Right* or *Responsibility* and give **one** reason in **each** instance to justify your choice.

Scenario 1

Tommy's father just bought a brand new car and Tommy is excited to sit in the front passenger seat. However, there is a label on the windshield that says that only passengers twelve years of age or older should sit in that seat. Tommy is seven years old.

Consumer Right or ***Consumer Responsibility***

____ [1]

REASON FOR IDENTIFICATION:

____

____ [1]

JUSTIFICATION:

____

____ [1]

Scenario 2

The government of The Bahamas wants to ban single use plastic such as shopping bags, food utensils, straws and Styrofoam food containers by the year 2020.

Consumer Right or ***Consumer Responsibility***

____ [1]

REASON FOR IDENTIFICATION:

____

____ [1]

JUSTIFICATION:

____

____ [1]

Scenario 3

Kelly purchased a box of her favourite breakfast cereal from a local supermarket. When she opened the box next morning she found that it had insects inside enjoying the healthy grains. She returned to the store carrying the box of cereal and her receipt. She quietly asked to speak with the Manager and explained to him that she had recently made this purchase and found the unfortunate contents.

Consumer Right or ***Consumer Responsibility***

____ [1]

REASON FOR IDENTIFICATION:

____

____ [1]

JUSTIFICATION:

____

____ [1]

(e) Tina is shopping for ingredients to make her famous Johnny Cake for tomorrow's breakfast. At the cashier's counter she notices a list of breadbasket items that are VAT free. The list includes the flour, sugar, butter or margarine and evaporated milk that she needs. Cheese is also on that list.

(i) What are *breadbasket* items?

____

____ [1]

(ii) Tina picks up 2 lbs sugar, \$1.89 and 1 can of evaporated milk, 99¢; 5 lbs flour, \$4.49 and 1 stick of butter, \$2.49. If VAT is 12%, how much does she save from not having to pay it? Show all working.

[3]

(iii) Tina has only \$10 in her purse to pay for these items and she would also like to include a small piece of cheese, another breadbasket item. If Tina wants, she can use margarine as a substitute for the pricy butter. The cheapest margarine is \$1.20.

Give **two** reasons why Tina would not choose to purchase the margarine at this time even though this allows her to purchase the cheese.

REASON 1

____

____ [1]

REASON 2

____

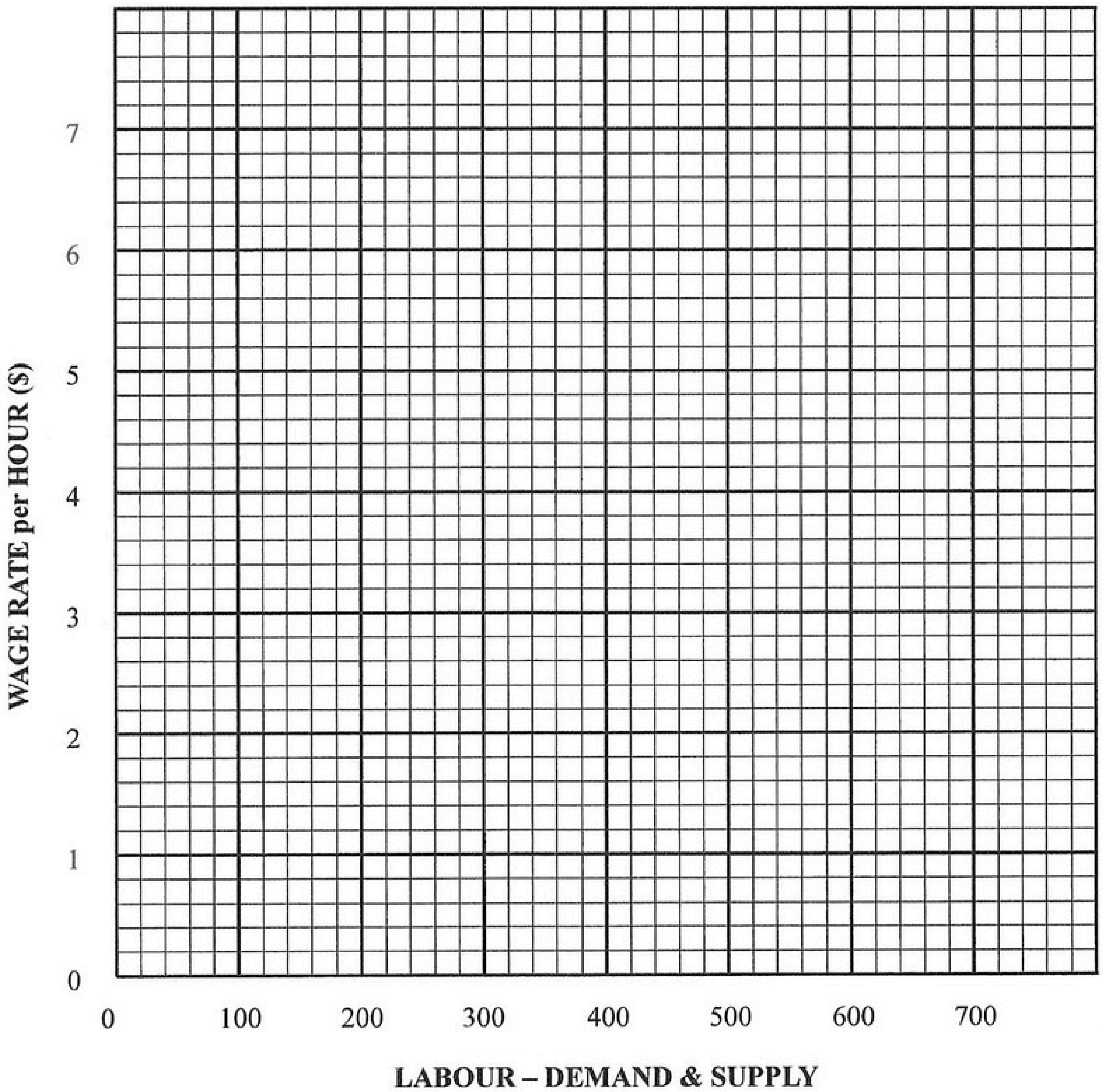
____ [1]

TOTAL MARKS [25]

[Turn over

34. (a) Use the following data to plot the demand for, and supply of, labour in a particular industry.

Wage Rate ($ per hour)	Demand For Labour	Supply Of Labour
2	600	200
3	500	300
4	400	400
5	300	500
6	200	600
7	100	700



[6]

(b) What is the equilibrium price and quantity of labour?

____

____

_______________ [2]

(c) What are the names given to the rewards for workers and entrepreneurs?

____

____

_______________ [2]

(d) List **three** factors that influence the efficiency of labour.

____

____

_______________ [3]

(e) What is *derived demand*?

____

_______________ [2]

(f) Assume that the government imposes a minimum wage rate of $5.00 per hour.

(i) Define the term 'minimum wage'.

____

_______________ [2]

(ii) Show the effect of the imposition of a $5.00 minimum wage on the graph on page 16. [2]

(iii) How many workers are hired at the minimum wage rate of $5.00?

_______________ [1]

(iv) How many workers will lose their jobs? Show your working.

____

____ [2]

(v) Is there a *shortage* or a *surplus* of workers at the minimum wage of $5.00? Explain.

____

____

____

____ [3]

TOTAL MARKS [25]

END

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