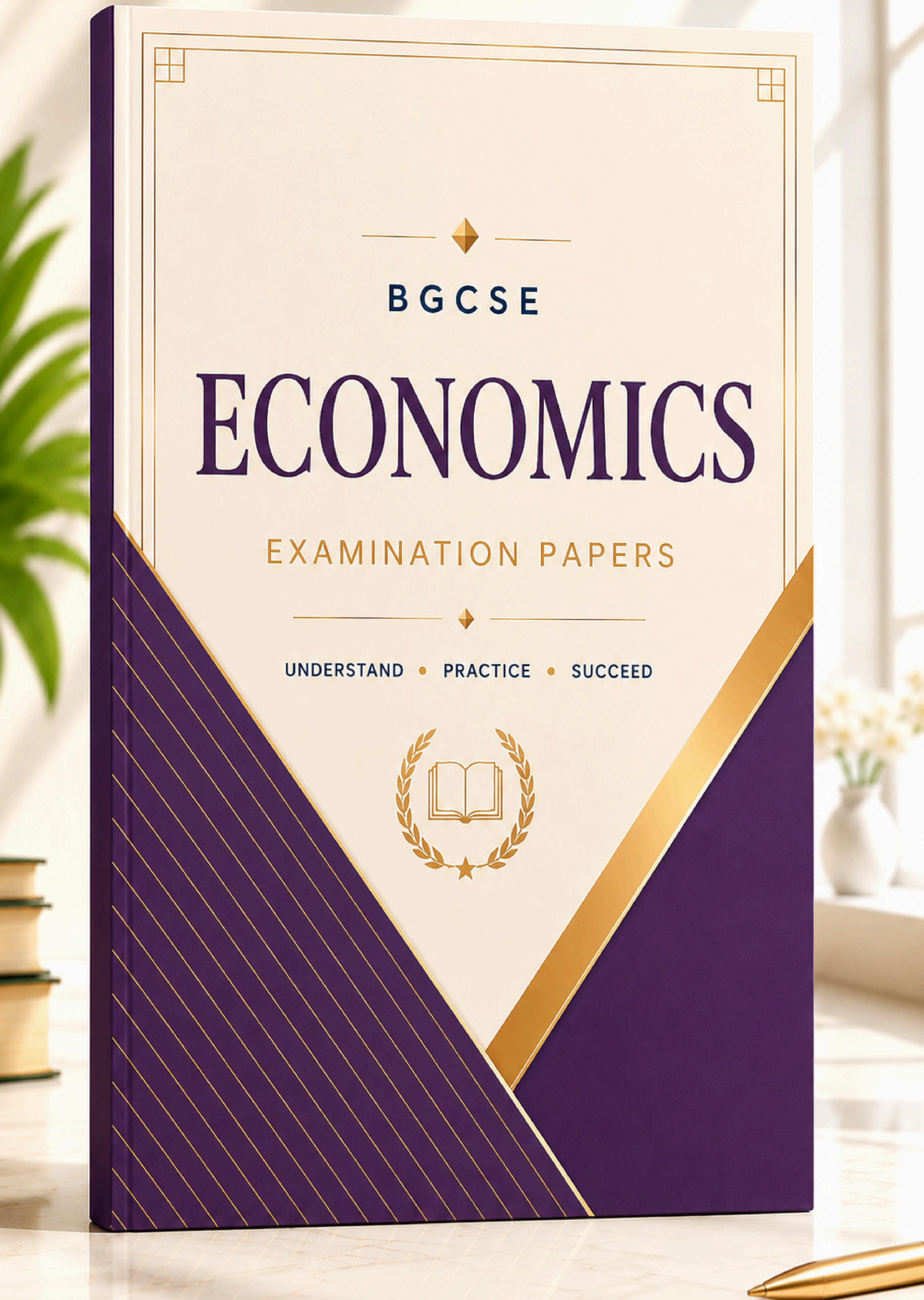
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2030/2 **BGCSE**

School Number	Candidate Number
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ECONOMICS

Paper 2 2030/2

Tuesday **2 JUNE 2020** **12:30 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 and on any additional sheets used (graph paper).

Part I consists of **THREE** questions. Candidates must attempt **ALL** questions.

Part II consists of **FIVE** questions. Candidates must choose **ONLY TWO** questions to answer.

Firmly attach the graph paper to the answer booklet.

Calculators are allowed.

ALL your answers must be written in INK.

FOR EXAMINER'S USE ONLY	
Part I: QUESTIONS 1 – 3 MUST BE ANSWERED	
Question 1	
Question 2	
Question 3	
Part II: ONLY TWO OF FIVE TO BE ANSWERED	
Question 4	
Question 5	
Question 6	
Question 7	
Question 8	
Total Marks 100	

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

Part I – 60 Marks

Directions: Candidates must attempt **ALL** questions in this Part.

1. The Bahamas made a decision in 2000 to become an observer of the WTO, and then in 2001 to accede to it.

EXCERPT: WTObah, Joining the WTO,
The Tribune Supplement, November 2018

(a) What is the WTO and how does it work?

____

____ [3]

(b) Suggest at least **one** challenge that the Bahamian government may face as a result of becoming a member of the WTO.

____ [1]

Today, of the approximately $15 trillion of trade in the world, 98% is done by the 154 members of the WTO.

EXCERPT: WTObah, Joining the WTO,
The Tribune Supplement, November 2018

(c) Distinguish between *domestic trade* and *international trade*.

____

____

____

____

____ [2]

(d) Discuss **two** likely benefits as a result of The Bahamas acceding to the WTO.

[4]

(e) The Bahamas and the United States of America trade in goods and services.

COUNTRY	**LOBSTER**	**CLOTHING**
THE BAHAMAS	20	5
USA	5	40

(i) Which country has the comparative advantage in the production of lobster? Show working to justify your answer.

[2]

(ii) Which country has the comparative advantage in the production of clothing? Show working to justify your answer.

[2]

(f) There are times when countries may find it necessary to place restrictions on trade. Justify **three** reasons why countries may place restrictions on trade.

____ [6]

TOTAL MARKS [20]

2. Two Bahamian construction companies have agreed on a partnership that has seen them merge as The Bahamas Redi-Mix with a plant at New Providence's Airport Industrial Park. The combination of Nassau Ready Mix, a cement producer, and NP Building Supplies, one-time competitors, aims to enhance efficiency and generate economies of scale by merging their previously separate operations under one roof.

Source: Nassau Guardian April 11, 2018

(a) What type of merger took place as a result of this partnership?

____ [1]

(b) What does the term '*economies of scale*' mean?

____ [2]

(c) List and explain **three** internal economies of scale that can be experienced as a result of a merger.

____

____

____

____

____

____ [6]

(d) Describe **two** other types of mergers that may occur between firms.

____

____

____

____

____ [4]

(e) Company M has the following cost and output schedule for standard cement. The market price begins at $300 per unit.

Output (Units)	0	1	2	3	4	5
Total Costs ($)	300	360	450	570	960	1 200

(i) What are the fixed costs for this company?

____ [1]

(ii) What would be the total *variable* costs for producing 3 units? Show your working.

[1]

(iii) What would be the *average cost* of producing 5 units? Show your working.

[1]

(iv) At what level of production is this company most profitable? Justify your response.

[4]

TOTAL MARKS [20]

3. *The government intends to write a promissory note to Hutchinson Whampoa to complete the $65m purchase of the Grand Lucayan, The Tribune was told. Last week, Prime Minister Dr. Hubert Minnis revealed the government made a $10m down payment towards the purchase. The sale is expected to close within 30 days. A high-level source revealed the schedule for the sale includes another $20m payment when the sale document is completed and the property is conveyed, and then $5m payments every six months until the balance is settled.*

Tribune Chief Reporter: AVA TURNQUEST
Tuesday, 28th August, 2018

(a) What is the economic term used when a government acquires a business that was privately owned?

____

____ [1]

(b) What is the process called when government owned organisations are sold back to the private sector?

____ [1]

(c) Give **two** differences between *public limited companies* and *public corporations.*

____

____

____

____

____ [4]

(d) Name **two** public sector firms in The Bahamas and give **one** specific example for each one of the goods or services they provide.

____

____

____

____ [4]

(e) *"The government's (of The Bahamas) six-month fiscal "snapshot" for the period to end-December 2018 revealed that it had injected $45.4m into the Grand Lucayan over that period, including $13m to cover its operational costs."*

Tribune Business Editor: NEIL HARTNELL
Monday, April 1, 2019

The government justifies this major investment by claiming that it is vital to reduce unemployment and increase visitor arrivals for Grand Bahama.

Identify and explain **one** potential benefit with regards to unemployment and **one** for tourism that will result from the involvement of the government in the operation of the Grand Lucayan Resort on Grand Bahama.

____

____

____

____

____

____ [6]

(f) (i) Grand Bahama has an estimated population of 86 159 with approximately 10 856 persons who are unemployed. What is the ***Unemployment Rate*** for Grand Bahama?

[1]

(ii) Distinguish between an *unemployed* worker, an *underemployed* worker and a *discouraged* worker?

____

____

____

____ [3]

TOTAL MARKS [20]

Part II – 40 Marks

Directions: ***ANSWER*** any **TWO** questions from this section.

4. "The Bahamas International Securities Exchange BISX has announced that Cable Bahamas Ltd. (CAB) has successfully completed the process for two preference shares to be listed on the Exchange. The two securities will now trade through the Exchange's trading system, the Bahamas Automated Trading System (BATS). Cable Bahamas, a preference share, will be listed under the symbol CAB 9. Cable Bahamas series 10 preference shares will be listed under the symbol CAB 10."

Source: Nassau Guardian 30th November, 2015

(a) What does *Ltd.* indicate about Cable Bahamas?

______________________________ [1]

(b) Give and explain **two** advantages of a Ltd. organisation.

____

____

____

______________________________ [4]

(c) Name **two** other companies that trade on the BISX.

____

______________________________ [2]

(d) Explain **two** functions of the Stock Exchange.

____

____

____

______________________________ [2]

(e) State and explain **two** factors that would affect the supply and demand for shares.

[4]

(f) Distinguish between *Preference Shares* and *Ordinary Shares* giving **one** advantage for purchasing **each** type of share.

[4]

(g) Calculate the *Dividend Yield* using the following information. Show working in the space below:

Market price	\$2.30
Dividend per share	\$1.57

[3]

TOTAL MARKS [20]

5. Demand for material goods is continuously increasing, and many of these commodities are more sophisticated than ever before. The profit available to those who produce the goods and services has always motivated organisations to look for the most economic way to meet this demand.

Source: *Comprehensive Business Studies*
Alan Whitcomb

(a) (i) Define the following terms:

Automation

____

____ [2]

Robotization

____

____ [2]

Computerization

____

____ [2]

(b) (i) What can a firm do to determine whether total revenue will increase or decrease if they changed prices?

____

____ [1]

(ii) The three brands of gasoline sold in New Providence are priced at, $4.91, $4.77 and $4.85 per gallon, respectively. Why would each brand have loyal customers despite the price differences?

____

____

____

____ [3]

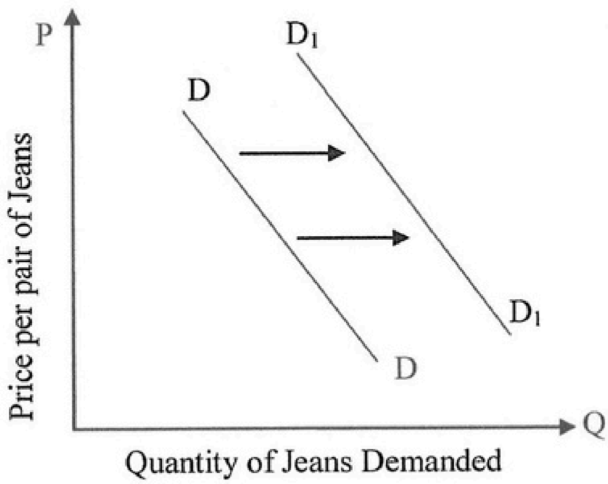

Figure 1

(c) Using the graph shown in Figure 1 above, explain what might have taken place in the market for jeans.

____

____

____

____

____

____

____ [3]

(d) The equilibrium market price for jeans is $30.

(i) What does this mean?

____ [1]

(ii) What happens in the market if the price moves to $40?

____ [1]

(iii) What happens in the market if the price goes to $20?

____ [1]

(e) The demand for jeans at $30 is 12 pairs; the market price moves to $20 which represents 15 pairs of jeans. Determine whether the demand for jeans is ***elastic*** or ***inelastic***. Show working.

[4]

TOTAL MARKS [20]

6. In recent times, especially through globalization, the world is regarded as a single market in which the same product is sold (Ramsingh, 2015). Multinational companies have become well-known entities and through foreign direct investment they continue to play a pivotal role in developing nations.

(a) What does the term *market* mean?

____

____ [2]

(b) What is a multinational company? Give **two** examples of multinational companies in The Bahamas.

____

____

____ [3]

[Turn over

(c) Distinguished between a *developing* nation and a *developed* nation.

____

____

____

____

____

____ [6]

(d) What is *foreign direct* investment?

____

____ [2]

(e) If 1 Bahamian dollar is equal to 0.78 Pound sterling, how much would a British tourist pay for a tour to Staniel Cay, Exuma, in The Bahamas to swim with the pigs? The cost of tours begin at $576 Bahamian dollars. Show working.

[1]

(f) Identify **three** possible ***benefits*** and **three** possible ***drawbacks*** of multinationals to The Bahamas.

____

____

____

____

____

____ [6]

TOTAL MARKS [20]

7. In 1996 after the Free National Movement came into power the Local Government was formed. The ultimate purpose of Local Government was to allow residents to oversee the running of their community and avoid dependency on the Central Government.

Source: *Local Government & Family Island Commissioner*
By: A. Francis

(a) What is another term used to describe *Local Government*?

______________________________ [1]

(b) Name **one** Local Government Authority in The Bahamas and briefly describe **three** of its functions.

____

____

____

____

______________________________ [4]

(c) State **four** of the major duties of an Island Administrator.

____

____

____

____

______________________________ [4]

(d) (i) Inflation means that the value of money is falling because prices keep rising. Give **three** circumstances in which inflation may be considered *beneficial* for a government.

____

____

____

____

______________________________ [3]

[Turn over

(ii) The current Retail Price Index is 120 and last year it was 100. What is the ***rate of inflation*** at the beginning of year two? Show working.

[2]

(e) Value Added Tax (VAT) was instituted in The Bahamas in 2015 while Customs Duty was implemented in 1914. VAT is said to be a ***proportional*** tax while Duties are described as ***regressive*** taxes.

(i) What is the difference between *proportional* and *regressive* taxes?

____

____

____

____ [2]

(ii) Both VAT and Customs Duty are described as *indirect* taxes. What does *indirect* taxation mean?

____

____ [2]

(iii) Give **one** disadvantage for ***each*** of the two types of government revenue.

____

____ [2]

TOTAL MARKS [20]

8. The Price Control Act, 1971, and its Regulations refers to the prices of goods which are controlled.

Source: The Government of The Bahamas
http://www.bahamas.gov.bs

(a) What is the term that is commonly used to describe those items listed under the Price Control Act?

______________________________ [1]

(b) List **four** of the items used by Bahamian consumers that are included in the government's price controls.

____

____

____

______________________________ [4]

(c) Explain the term '*consumerism*'.

____

____

______________________________ [2]

(d) What does '*caveat emptor*' mean and why is this still relevant in The Bahamas today?

____

____

____

____

______________________________ [4]

(e) The typical Bahamian consumer buys 4 loaves of bread and 2 jars of peanut butter. In 2018, a loaf of bread cost $3.67 and a jar of peanut butter cost $4.54. In 2019 that same loaf of bread cost $3.89 and the peanut butter is $4.89 per jar.

If 2018 is the base year, what is the *Consumer Price Index* for 2019? Show working.

[3]

(f) Describe **two** roles of the consumer that can significantly influence the market for goods and services.

____

____

____

____

____

____

____ [6]

TOTAL MARKS [20]

End]

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