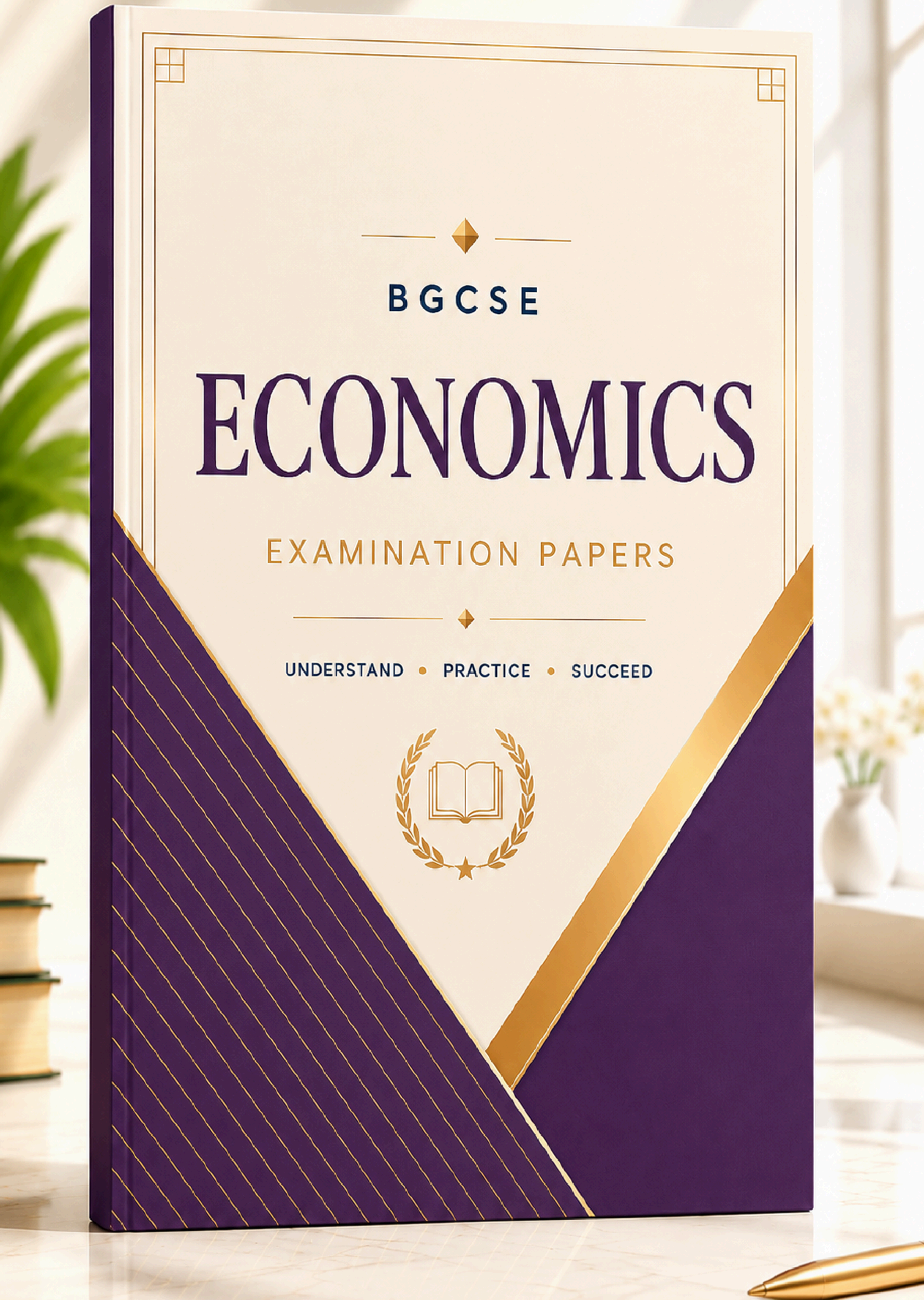
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ECONOMICS

PAPER 1 2030/1

Wednesday 16 JUNE 2021 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 16 printed 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. What best describes the study of Economics?

A completely satisfying our unlimited wants
B decreasing our unlimited wants
C increasing our supply of economic resources
D the relationship of scarce resources and unlimited wants [1]

2. Figure 2.1 refers to the Factors of Production.

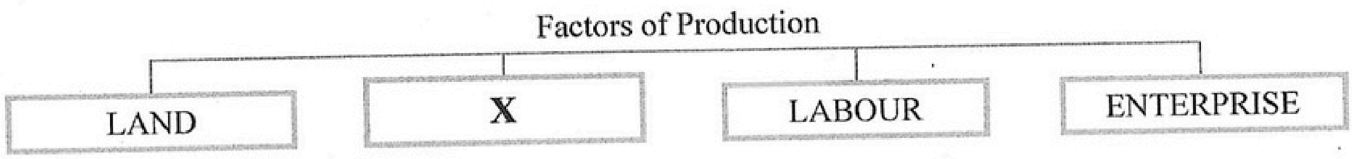


Figure 2.1

What does **X** represent in Figure 2.1?

A capital
B entrepreneur
C resources
D technology [1]

3. Which term do economists use to describe the loss from an action of the next best alternative?

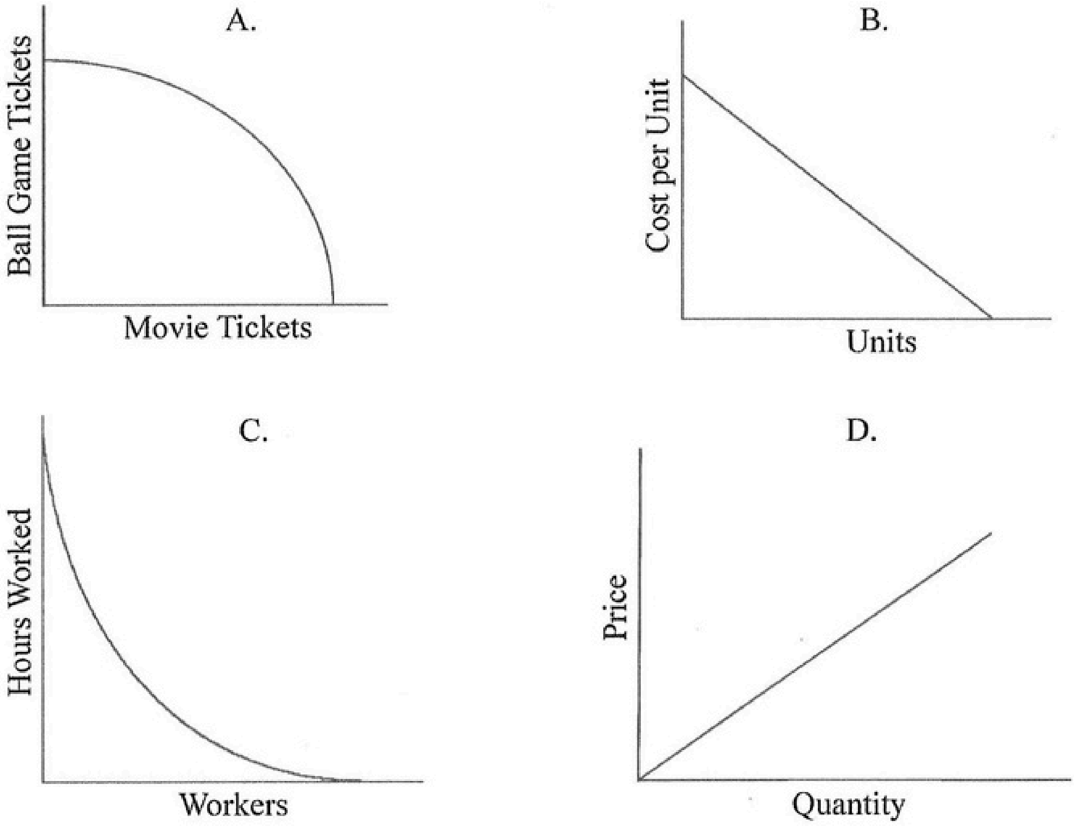
A average cost
B opportunity benefit
C opportunity cost
D scarcity [1]

4. Which country's economy is **inaccurately** described by the terms next to it?

A	The Bahamas	open economy	mixed economy
B	Haiti	open economy	market economy
C	Cuba	closed economy	planned economy
D	Jamaica	closed economy	market economy

[1]

5. Which diagram represents the law of increasing opportunity costs?



[1]

6. After Hurricane Dorian in 2019, many merchants used *gouging* to increase their sales. Which consumer law was being violated?

A Consumer Safety Act
B Price Control Act
C Sales of Goods Act
D Unsolicited Goods Act [1]

7. Which of the following is **not** an advantage enjoyed by Sole Proprietors?

A easy to raise large amounts of capital
B making all the business decisions
C readily formed businesses
D receiving all of the profits [1]

8. A large firm will be able to hire specialist staff to organise and improve the company structure. Which economy of scale is this?

A financial economies
B managerial economies
C marketing economies
D technical economies [1]

9. What happens '*In the long run*'?

A All factors are fixed.
B All factors can be changed.
C At least one factor is fixed in supply.
D The variable factors cannot be changed. [1]

10. Which is an acquired advantage that influences the location of firms in an industry?

A access to raw materials
B good transport links
C nearness to markets
D supply of skilled labour [1]

11. What is meant by emigration?

A the natural increase in population
B the number of people permanently entering a country
C the number of people permanently leaving a country
D the number of people permanently living in a country [1]

12. What does a population pyramid show?

A age and sex distribution of population
B birth rate
C death rate
D geographical distribution of population [1]

13. Which of these is **not** considered a part of the working population?

A Kayla, hair braider
B Perry, primary school teacher
C Ronnie, university student
D Tammy, hostess at a restaurant [1]

14. What could cause demand pull inflation?

A increases in costs
B outward shift in supply
C reduction in government spending
D reduction in interest rates [1]

15. What happens when a market is in equilibrium?

A quantity demanded and quantity supplied are zero
B quantity demanded equals quantity supplied
C quantity demanded exceeds quantity supplied
D quantity supplied exceeds quantity demanded [1]

16. Tina used a $20 note, two $10 notes, one $5 note and five $1 notes to pay her bill. Which characteristic of money was displayed?

A divisibility
B durability
C scarcity
D stability [1]

17. What is **not** an instrument of government economic policy?

A direct control
B diversification
C fiscal changes
D monetary adjustments [1]

18. Which would **not** be included as an objective of an economic policy?

A high and stable level of unemployment
B more equal distribution of income and wealth
C relatively stable price level
D rising standard of living [1]

19. Which of the following can be bought on the stock exchange?

A shares issued by a public corporation
B government stock
C insurance policies
D shares in public limited companies [1]

20. Tony has $2 420 per month remaining after National Insurance Contributions are deducted. If Tony's National Insurance Contribution is $113.22 per month and all of his other deductions amount to $560, what is his *Disposable Income* per month?

A $1 746.78
B $1 860.00
C $2 420.00
D $2 306.78 [1]

21. Developing countries have common features that distinguish them from developed countries. Which is **not** a feature of a developing country?

A high rate of population growth
B high standard of living
C largely unskilled labour force
D shortage of capital [1]

22. Which of the following should **not** be considered a *transfer payment*?

A $5 000 award granted to a new entrepreneur
B National Insurance benefit cheque for school age child
C purchase of a new refrigerator to replace a damaged one
D unemployment assistance for redundant hotel workers [1]

23. The Local Government Council of Chub Cay purchased a new oxygen tank for their medical facility. Which type of expenditure was that purchase?

A capital spending
B consumption spending
C national spending
D private spending [1]

24. June 2019 the Retail Price Index was 100. June 2020 the Retail Price Index was 125.

What was the percentage change in the Retail Price Index from year end June 2019 to year end June 2020?

A −25%
B −20%
C +25%
D +20% [1]

25. Figure 25.1 shows details of a country's current account when there are no income items.

	$	$	$
Visible Exports	59 432		
Visible Imports	62 594		
		−3 162	
Invisible Balance		4 185	
			1 023

Figure 25.1

What is the Balance of Payments on the Current Account?

A $1 023 deficit
B $1 023 surplus
C $3 162 deficit
D $3 162 surplus [1]

26. The Customs Department introduced its Click2Clear website to allow easier access when clearing imports into the country. Why is this innovation an important one for citizens of The Bahamas?

A discourages foreign investments
B improves the balance of payments
C permits efficient use of country's resources
D reduces government expenditure [1]

27. The equilibrium price for locally grown pineapples is $4.00. What is most likely to occur immediately if the price of pineapples goes to $5.00?

A change in equilibrium
B excess demand
C excess supply
D no change [1]

28. Figure 28.1 shows the quantity of *lobster* and *bananas* that can be produced in two countries, **X** and **Y**.

COUNTRY	LOBSTER	BANANAS
X	6	8
Y	4	2

Which statement is the **correct** one concerning these two countries?

	COUNTRY	ABSOLUTE ADVANTAGE	COMPARATIVE ADVANTAGE
A	Country X	both items	bananas
B	Country Y	both items	bananas
C	Country X	bananas	lobsters
D	Country Y	bananas	lobsters

Figure 28.1 [1]

29. What does it mean when a nation is said to have an 'open' economy?

A fixed exchange rates
B flexible exchange rates
C private ownership of capital
D trades with other countries [1]

30. Which country, in recent times, has been the largest trading partner with The Bahamas?

A Canada
B China
C Mexico
D United States of America [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

TERMS	MEANINGS
1. _______ Supply Curve	A. The increase in quantity supplied from Q_1 to Q_2.
2. _______ Joint Supply	B. The amounts of goods or services produced above the equilibrium market price.
3. _______ Excess Supply	C. The relationship between the cost of a good and the quantity producers are willing to provide.
4. _______ Competitive Supply	D. The process or product that can yield two or more outputs at the same time.
5. _______ Extension in Supply	E. The amount of alternative goods a producer can make with the same resources.

PART II

TERMS	MEANINGS
6. _______ Production	F. Creation of goods and services is broken down into simple and separate operations.
7. _______ Rationalisation	G. The process of moving goods from producers to consumers.
8. _______ Consumption	H. Creating goods and services to satisfy people's wants and needs.
9. _______ Specialisation	I. Elimination of less efficient plants or factories to concentrate on the more efficient ones.
10. _______ Distribution	J. Using up a good or a service to satisfy individual wants and needs.

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. Optimum population occurs when productivity is reduced.	**T**	**F**
2. Local government exists on every inhabited island in The Bahamas.	**T**	**F**
3. Bahamas Telecommunications (BTC) is a private limited company.	**T**	**F**
4. Saving cannot take place until income has risen above the level that is needed to buy the basic necessities.	**T**	**F**
5. When a rise in the price of one good can cause the demand for another good to decrease then the goods are complements.	**T**	**F**
6. According to the law of supply, if the price of textbooks decreased, the supply of textbooks would increase – other things remaining the same.	**T**	**F**
7. Market price is always the same as equilibrium price.	**T**	**F**
8. Monetary policy is an economic policy used by the government to change interest rates.	**T**	**F**
9. To reduce inflation the government will reduce taxes and increase spending.	**T**	**F**
10. When a consumer recognises that financial institutions have increased interest rates he/she is more likely to save than borrow.	**T**	**F**

TOTAL MARKS [10]

SECTION D – 50 marks
STRUCTURED QUESTIONS

Instructions: Answer all questions in the spaces provided.

33. Budget Communication 2019/2020:

The Government has:

- created the legal framework for proper fiscal management, aimed specifically at reducing the national deficit
- introduced proper budgeting practices to meet known commitments and avoid creating and ignoring outstanding debts
- made provisions to pay off all of the outstanding bills left behind by the former governing body, totaling $360 million
- set up a multi-year plan to take care of fiscal pressures and stimulate economic growth while continuing to meet routine financial commitments

Adapted from the COMMONWEALTH OF THE BAHAMAS 2019/20
BUDGET COMMUNICATION
Presented to the Honorable House of Assembly
By The Hon. K. Peter Turnquest, M.P.
Deputy Prime Minister and Minister of Finance On
Wednesday May 29, 2019

(a) Define the following terms:

(i) Budget

____

____ [1]

(ii) National Debt

____

____ [1]

(b) (i) What are the **two** main sources of government revenue in The Bahamas?

____

____ [2]

(ii) Distinguish between a *Budget Surplus* and a *Budget Deficit*.

____

____

____

____

____

____ [2]

(iii) Analyse how an increased government deficit might affect the consumer and stimulate economic activity. Highlight **two** specific consumer activities that occur as a result.

____

____

____

____

____

____ [5]

(c) For the government to effectively carry out its duties and functions it must spend large sums of money. Considering the budgeted amounts for the various Ministries in The Bahamas, what are the two **top** obligations or recurrent areas of spending for the government of The Bahamas?

OBLIGATION 1:

____ [1]

OBLIGATION 2:

____ [1]

(i) Give **two** reasons why the government may have focused on **OBLIGATION 1**.

____

____

____

____ [2]

(ii) Give **two** reasons why the government may have focused on **OBLIGATION 2.**

____

____

____

____ [2]

(d) Analyse the economic impact of recent Hurricane disasters on Family Islands and the role of government in recovery. Highlight **four** areas impacted on Family Islands and **four** actions carried out by the government in recovery.

AREAS IMPACTED ON FAMILY ISLANDS

____

____

____

____

____ [4]

GOVERNMENT RECOVERY EFFORTS

[4]

TOTAL MARKS [25]

34. Consumers often need to make use of financial services. The Central Bank of The Bahamas has invited an international finance company to apply for a license to establish and operate the first private credit bureau in the country. A credit bureau collects and stores information about individuals' financial lives and awards them a credit score that reflects their behaviour. Some consumers though, prefer to avoid borrowing and simply save.

(a) Identify **two** financial services a consumer might use.

[2]

(b) Suggest **two** reasons why credit bureaus are licensed.

[2]

(c) What is the purpose of a *credit score*?

[2]

(d) Explain **two** motives for saving.

MOTIVE 1:

____

____

____ [2]

MOTIVE 2:

____

____

____ [2]

(e) Below is information about Anne and Allen who both use credit cards when spending.

Anne plans and organises her spending very carefully and uses her credit card only for travelling.

Allen uses his credit card often and only ever pays the minimum amount required on his credit card bill.

Compare the way these two persons use their credit cards.

____

____

____

____

____ [4]

(f) Distinguish between *Consumer Credit* and *Commercial Credit*.

[4]

(g) (i) The cash price of an electric generator is $1 500. If it is bought on credit, the store requires a 20% down payment and 24 monthly instalments of $75.

Calculate the total cost of buying the generator on credit. Show your working.

[3]

(ii) Discuss whether buying in **cash** or on **credit** is preferable. Give **two** reasons to support ***each*** option.

[4]

TOTAL MARKS [25]

End]