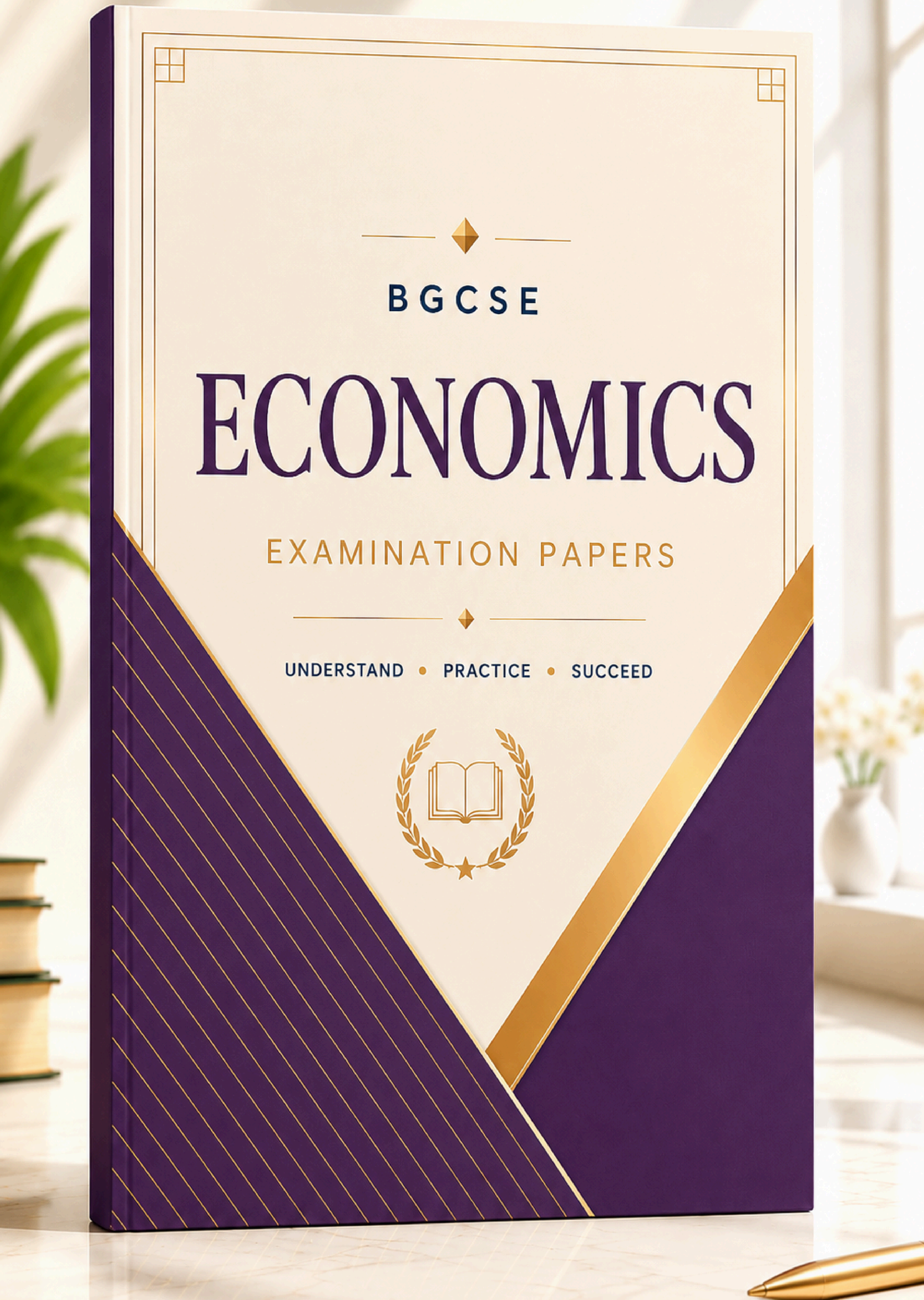
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ECONOMICS

PAPER 1 2030/1

Wednesday **8 JUNE 2022** 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. Circle the letter in the booklet next to the **ONE** answer that is correct. Each question is worth **ONE** mark.

1. What is Economics?

A the behaviour of the owners of firms
B the production, consumption and exchange of a good or service
C the study of how people use limited resources
D the transfer of wealth [1]

Use the Production Possibilities Curve shown below to answer questions 2 – 4.

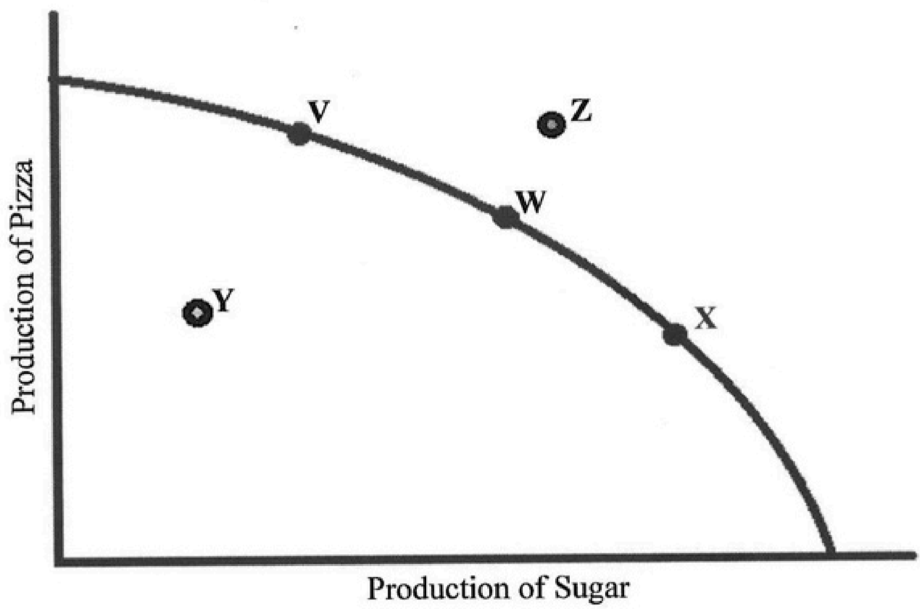


Figure 1

2. Which movement in Figure 1 shows a fall in unemployment?

A **V** to **X**
B **X** to **W**
C **W** to **Z**
D **Y** to **V** [1]

3. How should the point labelled **Z** in Figure 1 be described?

A efficient
B impossible
C inefficient
D possible [1]

4. The production possibilities curve shows which type of opportunity cost?

A constant
B decreasing
C increasing
D monetary [1]

5. Which is a suitable description of the False Trade Description Act 2015?

A An Act that makes it an offence to inaccurately advertise goods or services offered for sale.
B An Act that makes it illegal to demand payment for goods or services that have not been ordered.
C An Act that requires fixing prices of accommodation.
D An Act that was put in place to monitor and control any and all forms of credit services. [1]

6. Which one is **not** included in Consumer Protection?

A Right to be heard
B Right to be informed
C Right to choose
D Right to low prices [1]

7. The government purchases the shares of a company in the private sector. By what term will this organization then be known?

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

8. Which one is **not** considered to be internal economies of scale?

A subsidiary
B financial
C marketing
D technical [1]

9. Which of the following suits the definition of production?

A creation of output and wealth
B measurement of output divided by input
C measurement of the efficiency in which goods and services are made
D utilization of an item and commodity [1]

10. What is the payment for the economic resource known as 'human' resource?

A interest or dividends
B profit or gain
C rent or royalties
D wages or salaries [1]

11. Which of the following represents tertiary production?

A assembling an electric car
B drilling for oil in the Atlantic Ocean
C moulding plastic into bottles for drinking water
D transporting goods from New Providence to Acklins [1]

12. If output is 2, total cost is $750, total revenue is $1 000 and price is $500. What is the profit per unit?

A $125
B $135
C $150
D $250 [1]

13. What will the firm be achieving when marginal cost and marginal revenue are equal?

A maximum costs
B maximum output
C maximum profits
D maximum sales [1]

14. Which factor is **not** included among the non-wage influences for an individual's choice of occupation?

A fringe benefits
B piece rates
C pleasant working conditions
D promotion opportunities [1]

15. The table below shows a person's weekly financial position. This worker has decided to save $20 per week.

Wages	**$210**
NIB Contributions	**3.9% of income**
Savings	**$20**

What is this household's disposable weekly income?

A $201.81
B $218.19
C $221.81
D $238.19 [1]

16. What may be referred to as negative saving?

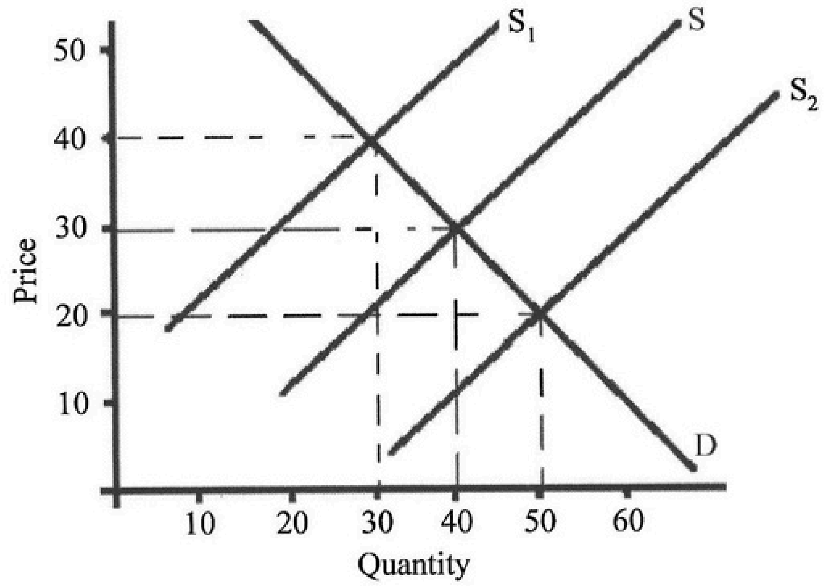
A borrowing
B earning
C investing
D lending [1]

17. What does the Law of Demand state?

A As price decreases, the quantity demanded decreases.
B As price decreases, the quantity demanded increases.
C As price increases, the quantity demanded increases.
D As price increases, the quantity demanded is constant. [1]

[Turn over

Use the data from the diagram to answer questions 18 to 20. The diagram below shows the original demand curve (D) and supply curve (S) for a product.



18. What is the original equilibrium price?

A $20
B $30
C $40
D $50 [1]

19. If the government initiated a tax on the product, what would be the new equilibrium price?

A $20
B $30
C $40
D $50 [1]

20. If the supply shifts to S_2, what will be the total revenue at price $20?

A $600
B $800
C $1000
D $1200 [1]

21. When price increases from $5 to $6 and the quantity supplied increases from 500 units to 700 units, what will be the elasticity of supply?

A 0.5
B 0.7
C 2.0
D 2.4 [1]

22. Which one is **not** an advantage of the price mechanism?

A Consumers influence demand and supply.
B Freedom of choice, property and enterprise exist.
C Groups of sellers fix prices.
D Swift changes make for flexibility. [1]

23. What is the name given to the written order to the banker instructing him to pay a stated amount?

A cash transfer
B cheque
C credit note
D debit note [1]

24. What refers to the specific amount of money circulating in a country's economy at a particular period of time?

A cash supply
B monetary policy
C money supply
D spending power of consumers [1]

25. Why would a company need to issue stocks?

A to increase its customer base
B to raise money for the business
C to show customers that it is successful
D to stop the government from regulating it [1]

26. Why are transfer payments left out of the National Income accounts?

A They are already included in the gross national income.
B They are already included in the incomes of households.
C They are not returns for the production of goods and services.
D They are not taxed by the government. [1]

27. The following information is contained in a country's national accounts:

Gross Domestic Product (GDP)	= $60 million
Depreciation	= $6 million
Net Property Income from Abroad	= $2 million

What is the National Income for the country?

A $54 million
B $56 million
C $62 million
D $68 million [1]

28. A country limits its import of cars to 1 000 per month. What type of trade restriction is this?

A embargo
B import tariff
C quota
D subsidy [1]

29. Who is likely to benefit most when a country introduces tariff protection on imports?

A domestic consumers of the good produced
B domestic producers of the good produced
C foreign consumers of the good produced
D foreign producers of the good produced [1]

30. The exchange rate between Canadian dollars and Bahamian dollars is as follows:

CAN$1.27 = BAH$1

Canada decided to import shellfish from The Bahamas at BAH$20 per pound. Based on the exchange rate provided, how much will Canada pay per pound?

A CAN$18.73
B CAN$20.00
C CAN$21.27
D CAN$25.40 [1]

SECTION A – TOTAL MARKS [30]

SECTION B – 10 marks
MATCHING

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

PART I

TERM	MEANING
1. ______ Traditional Economy	A. This is an economic system where the factors of production are controlled by the government and decisions about the uses of these resources are made by the state.
2. ______ Mixed Economy	B. This results in the improved utilization of resources, better products and services and reduced costs for customers.
3. ______ Invisible Hand	C. This type of economic system is based on customs and beliefs passed on from one generation to the other.
4. ______ Competition	D. This is where private and public ownership of property exists and individual decision-making along with government regulations occur.
5. ______ Command Economy	E. This describes the naturally occurring effect that exists in the marketplace and guides behaviour.

PART II

TERM	MEANING
6. ______ Conglomerates	F. Firms producing similar products join together to form one organization.
7. ______ Integration	G. This involves a firm taking over its supplier or retail outlet.
8. ______ Horizontal Merger	H. The result when firms which are not part of the same production process join together to form one organization.
9. ______ Multinational Companies	I. The joining together of any type of two or more firms.
10. ______ Vertical Merger	J. This type of firm owns and controls businesses in several countries.

TOTAL MARKS [10]

SECTION D – 50 Marks
STRUCTURED QUESTIONS

Instructions: Answer all questions in the spaces provided.

33. *Scarcity refers to the basic economic problem, the gap between limited – that is, scarce – resources and theoretically limitless wants. This situation requires people to make decisions about how to allocate resources efficiently, in order to satisfy basic needs and as many additional wants as possible. Any resource that has a non-zero cost to consume is scarce to some degree, but what matters in practice is relative scarcity.*

SOURCE: What is Scarcity?
By: INVESTOPEDIA STAFF
Updated June 25, 2019

(a) Governments around the world are always seeking to reduce the challenges associated with scarcity by answering specific economic questions. What are these **three** basic questions?

____

____

____

____

____

____ [3]

(b) Countries incorporate their responses to the three questions mentioned in part a) into the various economic systems that they use. State the **four** factors of production that are available to tackle scarcity.

____

____

____

____ [4]

(c) The Bahamas, as an independent country, is faced with the economic problem of scarcity like every other country in the world. Identify **two** economic challenges commonly faced by a developing country.

____

____

____

____ [2]

(d) Economic goods are considered scarce goods. Distinguish between an economic good and a free good.

____

____

____

____ [4]

(e) Mary has two forms of entertainment – going to the zoo and snorkelling. She usually has \$80 a month to spend on these activities. Going to the zoo costs \$8 and snorkelling \$16, respectively. Now assume Mary used to snorkel two times a month but now decides to go four times a month.

(i) Calculate the opportunity cost of the two additional visits to go snorkelling.

____

____

____

____ [2]

(ii) Give **two** possible reasons why Mary may choose snorkelling over visiting the zoo.

REASON 1

____

____ [2]

REASON 2

____

____ [2]

(f) The Bahamas operates as a mixed economy. Discuss **three** reasons why this is considered the most desirable system.

REASON 1

____

____

____

____

____ [2]

REASON 2

____

____

____

____

____ [2]

REASON 3

____

____

____

____

____ [2]

TOTAL MARKS [25]

34. *The GDP of The Bahamas grew 1.8% in 2019 against 1.6% in 2018. According to the updated IMF forecast from 14th April 2020, due to the outbreak of the COVID 19, GDP is expected to fall by 8.3% in 2020 and pick up by 6.7% in 2021 subject to the post pandemic global recovery. Tourism is the country's largest sector, the economic growth is mainly driven by it, with a few natural resources and a limited industrial sector, the economy depends heavily on tourism and to a lesser degree on financial services. Tourism, together with tourism driven construction and manufacturing, accounts for 60% of GDP and directly or indirectly employs half of the country's labour force.*

The Government recently implemented the Fiscal Responsibility Law, which supports the efforts to secure fiscal sustainability and put debt on a downward path.

COUNTRY RISK OF THE BAHAMAS: ECONOMY
https://import-export.societegenerale.fr/en/country/bahamas/economy-country-risk#.

(a) Define the term economic growth.

____

____

____ [1]

(b) List **two** influences on economic growth.

____

____ [2]

(c) State **two** of the functions of the government and explain how ***each*** one might influence economic growth.

FUNCTION 1

____

____

____

____

____ [3]

FUNCTION 2

[3]

(d) (i) How did economic growth in The Bahamas change between 2018 and 2019?

[1]

(ii) The real GDP in 2010 was $10.1 billion USD and in 2020 it was $11.7 billion USD.

Calculate the economic growth rate of The Bahamas for this decade. Show your working.

[2]

(e) Analyse **two** ways in which the COVID 19 pandemic affected the Tourist industry in The Bahamas.

EFFECT 1

[3]

EFFECT 2

____

____

____

____

____ [3]

(f) In your own words, explain the **two** reasons given for the need for the Fiscal Responsibility Law.

REASON 1

____

____

____ [1]

REASON 2

____

____

____ [1]

(g) International institutions have often come to the financial rescue of developing nations through loans or grants. The passage refers to the IMF.

(i) What does IMF stand for?

____ [1]

(ii) Explain **two** of the main objectives of this institution.

OBJECTIVE 1

____

____

____ [2]

[Turn over

OBJECTIVE 2

____

____

____ [2]

TOTAL MARKS [25]

End]

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