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ECONOMICS

Paper 2 2030/2

Wednesday **15 JUNE 2022** 12:30 P.M. – 3:00 P.M.

Additional materials:
Graph Paper

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 23 printed pages and 1 blank page.

Part I – 60 Marks

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

1. The Table 1.1 below shows the individual demand and supply curves for red snappers.

PRICE	QUANTITY DEMANDED			QUANTITY SUPPLIED		
\$	Peter	James	John	Harvey's Takeaway	Bill's Takeaway	Joy's Takeaway
1	12	15	13	–	9	11
2	10	13	12	–	12	13
3	8	12	10	4	13	13
4	6	10	4	8	14	13
5	4	3	3	9	16	15

Table 1.1

- (a) Use the graph paper to construct the *Market Demand* and *Market Supply* curves based on this information. Label the curves *DD* and *SS* respectively. Label this graph as 1.(a). [5]

- (b) Give the *Equilibrium Price* amount and the *quantity* at that price.

EQUILIBRIUM PRICE: _____ [1]

QUANTITY supplied at equilibrium: _____ [1]

- (c) Explain what happens to the price *Elasticity of Demand* if price falls from \$2 to \$1.

[3]

- (d) Assume that demand doubles at all prices. Illustrate the new *Demand Curve* on the same graph constructed in part (a). Determine the **new Equilibrium Price**. [4]



- (e) Below are two scenarios, each one illustrating either *Elastic Demand* or *Inelastic Demand*. Determine whether the situation presents *Elastic Demand* or *Inelastic Demand* and give **one** reason in each case to justify your choice.

SCENARIO 1

Mrs. Bain is a diabetic patient who needs insulin to ensure that she functions normally. The price of the insulin is \$150 per unit.

Elastic Demand or *Inelastic Demand*

[1]

JUSTIFICATION:

[2]

SCENARIO 2

Sharon normally buys inexpensive pens to use in school. When her pen runs out of ink during class she purchases one from the school's Tuck Shop. There are two brands sold in the Tuck Shop, the Rite pens are \$1.00 and the Elite pens are \$3.00. Sharon buys the Rite pen.

Elastic Demand or *Inelastic Demand*

[1]

JUSTIFICATION:

[2]

TOTAL MARKS [20]



[Turn over

2. *The Classic Example of the Production Possibilities Curve in Economics is the trade-off between military defense and civilian goods sometimes referred to as 'guns and butter'.*

SOURCE: *Economics Today & Tomorrow*
BY: Rodger Leroy Miller

- (a) Give an alternative name for the term *Production Possibilities Curve*.

[1]

- (b) Define the term *Opportunity Cost*.

[2]

- (c) Table 2.1 below shows the alternative outputs of good *A* and good *B* in a given country.

Use the information given in Table 2.1 to plot the *Production Possibilities Curve* on the graph paper provided. Label this graph as 2.(c). [6]

COMBINATION	<i>A</i> (million)	<i>B</i> (million)
<i>a</i>	40	0
<i>b</i>	32	1
<i>c</i>	25	2
<i>d</i>	16	3
<i>e</i>	8	4
<i>f</i>	0	5
<i>g</i>	13	2
<i>h</i>	23	3.5

Table 2.1

- (d) Label the various points on the plotted graph in part (c) that indicate each of the following:

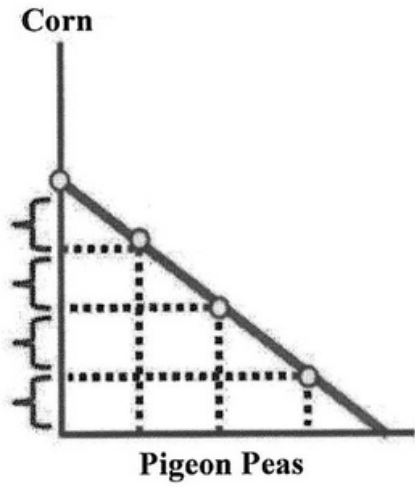
- (i) *Efficient*
(ii) *Inefficient*
(iii) *Impossible*

[3]



- (e) Explain the difference between the two types of *Opportunity Cost* curves shown in Figure 2.1 below.

Graph A



Graph B

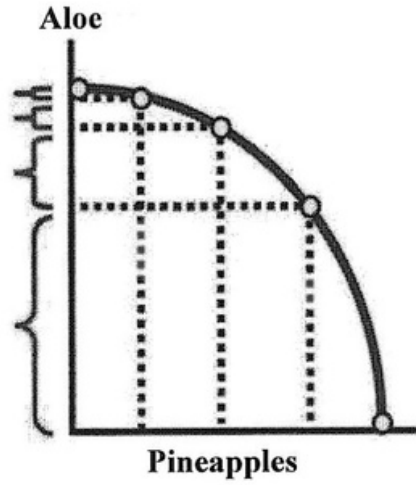


Figure 2.1

GRAPH A

[2]

GRAPH B

[2]



- (f) The government of The Bahamas has allowed the BPC Oil Company to drill for oil 90 miles west of Andros between the Berry Islands and Grand Bahama.

Do you think this is a detrimental exploitation of our natural resources? Give **two** reasons to justify your answer.

[4]

TOTAL MARKS [20]

3. *The Bahamas Bureau of Standards and Quality (BBSQ) is now fully WTO compliant and has just completed its first three year strategic plan ending with an 80 percent achievement rate with all targeted input indicators. BBSQ is expected to have its requisite legislation updated. The updates will ensure WTO compliance and technical barriers to trade, both a necessary part of this country's accession to WTO.*

SOURCE: The Bahamas Chronicle January 22nd 2019 ADAPTED
AUTHOR: Oswald Brown

- (a) State what **WTO** means.

[1]

- (b) Name **two** other international institutions of which The Bahamas is a member.

[2]



- (c) Explain **two** traditional barriers to trade that may be removed as a result of joining the WTO.

BARRIER TO TRADE 1

[2]

BARRIER TO TRADE 2

[2]

- (d) State **three Aims** or **Objectives** of the Bahamas Bureau of Standards and Quality (BBSQ).

[3]



- (e) A country has the following import and export figures:

	(\$ millions) VISIBLE	(\$ millions) INVISIBLE
Exports	10	15
Imports	17	20

- (i) Calculate the Balance of Trade.

[1]

- (ii) Calculate the Invisible Balance.

[1]

- (iii) Calculate the Current Account Balance and say if a *deficit* or *surplus* was achieved.

[2]

- (f) Give **three** reasons **FOR** and **three** reasons **AGAINST** the government using protective measures to support the nation's industries, independence and workers.

REASONS FOR PROTECTION

[3]



REASONS AGAINST PROTECTION

[3]

TOTAL MARKS [20]



PART II – 40 Marks

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

4. *The Self-Starter Programme is a government funded, grant-based programme to assist young Bahamian citizens, 18 – 30 years, seeking to establish or expand small businesses. It will provide would-be entrepreneurs with a valid small business idea, self-employed and unemployed, with funding from BS\$1 000 to BS\$5 000 to acquire tools and supplies for their businesses. Funds will be paid directly to the supplier.*

SOURCE: *Application to Participate in Self-Starter
The Government of The Bahamas
Ministry of Youth, Sports and Culture*

- (a) This program is an initiative by the government to issue grants.

- (i) Explain the term *grant*.

[2]

- (ii) Give **two** requirements that an individual must meet in order to obtain the Self-Starter government funded Grant.

[2]

- (b) Assume that the following information is a true reflection of employment in The Bahamas:

	THOUSANDS
Employees in Employment:	
Employed	220 000
Self-employed	7 000
Military:	
Defence Force	1 200
Police Force	3 500
Employed Labour Force	231 700
Unemployed	20 000



Calculate:

(i) Working Population

[2]

(ii) Rate of Unemployment

[2]

(c) The source refers to, '*the would-be entrepreneur with a valid small business idea*'.

(i) What is meant by an *entrepreneur*?

[1]

(ii) List **four advantages** associated with this type of business organization.

[4]



- (iii) List **three disadvantages** of this type of business organization.

[3]

- (d) Suggest **two** strategies that the would-be entrepreneur may use to reduce the chances of such disadvantages mentioned in part (c) occurring.

SUGGESTION 1

[2]

SUGGESTION 2

[2]

TOTAL MARKS [20]



5. (a) *The Bahamian one-cent coin or penny is being retired from circulation. From 31st December 2020, pennies will no longer be considered legal tender in The Bahamas.*

<https://www.facebook.com/centralbankBS1/photos/>

- (i) Identify **two** items that comprise the money supply.

[2]

- (ii) Define the term *legal tender*.

[2]

- (iii) Suggest **two** reasons for the elimination of the penny from circulation.

REASON 1

[1]

REASON 2

[1]

- (iv) You purchased a half gallon of orange juice for \$3.59. Calculate the amount you would pay in cash without the use of pennies. Show your working in the space below.

[2]

[Turn over]



- (v) Without the penny being available for use, state how much should be paid to the cashier for the orange juice. Explain the final amount to be paid.

EXPLANATION:

[2]

- (b) *The cheque is gradually being eliminated from the Bahamian economy as many businesses have stopped accepting cheques as a means of payment. The Covid 19 pandemic caused many citizens to turn to online banking and electronic means of payment.*

Evaluate the relative *benefits* of electronic means of payment over cash and the cheque.

BENEFITS OVER CASH

[2]

BENEFITS OVER CHEQUE

[2]



- (c) *The Central Bank of The Bahamas will gradually release a digital version of the Bahamian dollar. The Central Bank Digital Currency (CBDC) will be called the Sand Dollar.*

<https://www.centralbank.com/news/public-noticees/the-sand-dollar-is->

Give **two** advantages of using the Sand Dollar digital currency to conduct business in The Bahamas.

ADVANTAGE 1

[3]

ADVANTAGE 2

[3]

TOTAL MARKS [20]

6. *In The Bahamas there are no income, capital gains, wealth, inheritance, succession or gift taxes. Tax revenue in The Bahamas is derived primarily from VAT, Import Duties, Stamp Duties, Real Property Tax, Casino Taxes and License Fees. Value Added Tax, came into effect in The Bahamas on 1 January 2015 at a rate of 7.5 percent and was increased to 12 percent effective 1 July 2018.*

SOURCE: *Thinking beyond borders January 31st 2020*
KPMG Bahamas

- (a) Explain the term *Taxation*.

[2]

[Turn over



- (b) Identify **two** *direct taxes* mentioned in the passage.

[2]

- (c) Explain **two** reasons why taxes are imposed by governments.

REASON 1

[2]

REASON 2

[2]

- (d) A consumer imports a car costing \$15 000 from the United States. Customs Duties are charged at 65%, with landing charges of \$1 800 and VAT at 12%.

Calculate the total amount to be paid for the car. Show your working in the space below.



[4]

- (e) Describe **two** ways in which VAT has had an impact on consumer spending.

[4]

- (f) During the COVID 19 pandemic the Bahamian government spent millions of dollars on unemployment benefits, food assistance and grants to small businesses.

Give **two** reasons to justify this public expenditure.

REASON 1

[2]

REASON 2

[2]

TOTAL MARKS [20]
[Turn over



7. *Hurricane Dorian hit The Bahamas on September 1, 2019 as a category 5 hurricane. Abaco was hardest hit with more than 75% of all homes on the island either damaged or destroyed. The most impacted areas were primarily inhabited by a vulnerable **undocumented migrant population**.*

Residents in the Abacos and Grand Bahama suffered from water shortages, power outages, and a lack of telecommunications. Thousands of people left Abaco and Grand Bahama in the days after the storm. The Department of Welfare Services in New Providence recorded 6854 evacuees entering Nassau by air from September 5 – 13, 2019. Many home owners and small businesses had no flood insurance.

SOURCE EXCERPTS: [https://reliefweb.int/report/bahamas/facts-hurricane-dorian-s-devastating-effect-](https://reliefweb.int/report/bahamas/facts-hurricane-dorian-s-devastating-effect)
https://en.wikipedia.org/wiki/Effects_of_Hurricane_Dorian_in_The_Bahamas
<https://www.wlrn.org/post/after-dorians-wrath>

- (a) Give **two** factors, besides migration, that affect the population.

[2]

- (b) Explain the phrase '***undocumented migrant population***'.

[2]

- (c) From the **EXCERPT**,

- (i) identify **one** example of the factor of production, land.

[1]

- (ii) identify **one** service.

[1]



- (d) It can be argued that the concentration of population in New Providence has certain advantages. Give **two** reasons why you support or do not support this statement.

REASON 1

[2]

REASON 2

[2]

- (e) Suggest **two** ways that governments can assist needy citizens after a disaster.

ASSISTANCE 1

[3]

ASSISTANCE 2

[3]

[Turn over



The table below shows the amount of evacuees for whom the government provided shelter assistance in New Providence after Hurricane Dorian.

<i>AFFECTED POPULATION IN OFFICIAL COLLECTIVE CENTRES AND PRIVATE HOUSING IN NEW PROVIDENCE</i>	
OCCUPANCY 18 October, 2019	
All Saints Community Centre	0
Bahamas Academy Gym	140
Bahamas Disaster Housing Assistance	865
Calvary Haitian Baptist Church	62
Children's Emergency Hostel	15
Fox Hill Community Centre	0
Nazareth Centre	7
Pilgrim Baptist Church	0
Ranfurly Children's Home	24
Sir Kendal Isaacs Gym	613

SOURCE: Ministry of Social Services and Urban Development <http://bit.ly/2V9cuYe>
Pacific Disaster Center <https://www.pdc.org/events/hurricane-dorian-response-2019>

Table 3

- (f) (i) Use the information in Table 3 above to calculate the percentage of persons evacuating to New Providence by air for which the government provided shelter assistance after Hurricane Dorian. Show your working in the space below.

[2]

- (ii) The government of The Bahamas provided financial assistance, approximately \$3 500, to those whose homes were minimally damaged.

Calculate the approximate amount that was paid out by the government to households in the Disaster Housing Assistance program. Show your working in the space below.

[2]

TOTAL MARKS [20]



8. **NASSAU, BAHAMAS** (December 5, 2019) – *The Ministry of Labour recently announced the Skills for Current and Future Jobs in The Bahamas, a \$50 million, five-year initiative of the Government of The Bahamas and the Inter-American Development Bank (IDB) designed to increase the employability of Bahamians and better connect job seekers to employers. The program consists of three components: building skills through a nation-wide apprenticeship program, investing in improvements in software, hardware and infrastructure and investing in a labour management information system to monitor the program's progress and provide labour market data.*

SOURCE: Ministry of Labour
December 5, 2019

- (a) Give **one** role of 'labour' in the economy.

[1]

- (b) Describe **three** ways in which the Government's initiative will improve the employability of Bahamians.

[3]

- (c) Explain **two** factors that determine a country's 'supply of labour'.

FACTOR 1

[2]

FACTOR 2

[2]

[Turn over



- (d) Distinguish between the terms *efficiency of labour* and *productivity*.

EFFICIENCY OF LABOUR

[2]

PRODUCTIVITY

[2]

- (e) Two colleagues both have exceptional skills as Computer Repair Technicians. However, their performance levels are different. To date, in a 40-hour work week one Technician is able to repair, update and troubleshoot 60 malfunctioning computers. His colleague, on the other hand, is only able to successfully repair 50 devices within the same period.

- (i) Calculate both workers' level of productivity. Show your working.

WORKER A

WORKER B

[2]

- (ii) Explain why Worker A would be more efficient than Worker B.

[2]



- (f) Discuss **two** factors that influence productivity in the average workplace.

FACTOR 1

[2]

FACTOR 2

[2]

TOTAL MARKS [20]



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