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ECONOMICS

PAPER 1 2030/1

Thursday 25 MAY 2023 1:00 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.

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.

Firmly attach the graph paper to the answer booklet.

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 15 printed pages and 1 blank page.

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 is an essential feature of the economic problem?

   A. limited wants
   B. luxury goods
   C. monopoly
   D. scarce resources [1]

2. Each *Factor of Production* has rewards, which rewards match land, labour, capital and enterprise (in order)?

   A. interest, wages, profit, rent
   B. interest, wages, rent, profit
   C. rent, wages, interest, profit
   D. rent, wages, profit, interest [1]

3. In which type of economy would only private individuals decide the supply, demand and price of products?

   A. command economy
   B. market economy
   C. mixed economy
   D. subsistence economy [1]

4. Which of the following situations is **not** a role of the consumer?

   A. buying capital equipment
   B. getting a bank loan for a car
   C. purchasing a conch snack from Bamba's Snack Place
   D. setting money aside for college [1]

5. In which of the following industries found in The Bahamas do Cooperatives play an important role?

   A. agriculture
   B. financial
   C. manufacturing
   D. tourism [1]

6. Which of the following documents is compulsory for the incorporation of a company?

A. Business Cycle
B. Declarations
C. Memorandum of Association
D. Prospectus [1]

7. What is the process of transferring ownership from the public sector to the private sector called?

A. industrialization
B. nationalization
C. planned economies
D. privatization [1]

8. Scotto Bank and Commonwreath Bank agree to merge. What type of merger occurs in this instance?

A. horizontal
B. lateral
C. vertical backward
D. vertical forward [1]

9. Which of the following is **not** an internal economy of scale for a major medical facility?

A. hospital is able to obtain funding from a number of sources
B. team of medical specialists for each department
C. trained medical professionals are available locally
D. various departments available to provide services to patients [1]

10. What is the definition for division of labour?

A. condition in which one has to work to earn a living
B. labourer becoming an expert in a particular craft or skill
C. production of more goods and services in a shorter time
D. the breaking down of work into smaller units [1]

11. Which of the following factors does **not** influence the *location* of industry?

A. a national minimum wage
B. availability to land
C. economies of concentration
D. good transport links [1]

12. What would **not** be a reason for a government to seek to influence the location of industry?

A. to increase average incomes
B. to lower employment levels
C. to reduce income inequality
D. to stop outward migration [1]

13. Which of the following does **not** make up the structure of the population?

A. age
B. education
C. occupation
D. sex [1]

14. What is **not** a method used by Trade Unions to influence the supply of labour?

A. demarcation dispute
B. calling a strike
C. operation of closed shops
D. lock-outs [1]

15. The current Retail Price Index is 142 and last year the Retail Price Index was 100. What is the Rate of Inflation for this year?

A. 1.42%
B. 42%
C. 100%
D. 142% [1]

16. If the price for product X rises, what will happen to the demand for product Y, a substitute?

A. Demand for product Y will be zero.
B. Demand for product Y will decrease.
C. Demand for product Y will increase.
D. Demand for product Y will remain constant. [1]

17. What *type of elasticity of demand* shows the responsiveness of demand for product '***X***' to changes in the price of product '***Y***'?

A. advertising elasticity of demand
B. cross-elasticity of demand
C. income elasticity of demand
D. price elasticity of demand [1]

18. If demand is *perfectly inelastic*, what happens to Total Revenue if there is a fall in price?

A. becomes zero
B. decrease
C. increase
D. no change [1]

19. What is supply?

A. The existing stock of goods available for sale.
B. The quantity of a commodity that manufacturers are willing and able to produce at any given price over a given period of time.
C. The wish to provide goods or services at any given price whether consumers want to buy or not.
D. The wish to produce goods or services at any given price if profits are to be maximised. [1]

20. Which food is likely to have the greatest price elasticity of supply?

A. canned peaches
B. chicken leg quarters
C. fresh vegetables
D. local eggs [1]

21. Which of these is the largest component of the M1 money supply?

A. currency
B. demand deposits
C. money market accounts
D. savings accounts [1]

22. In terms of economic growth, which of the following will ***most*** likely result in loss of jobs?

A. additional stock of current capital
B. greater productivity of labour
C. increases in technological advances
D. mobility of labour [1]

Question 23 refers to Figure 1.1 below.

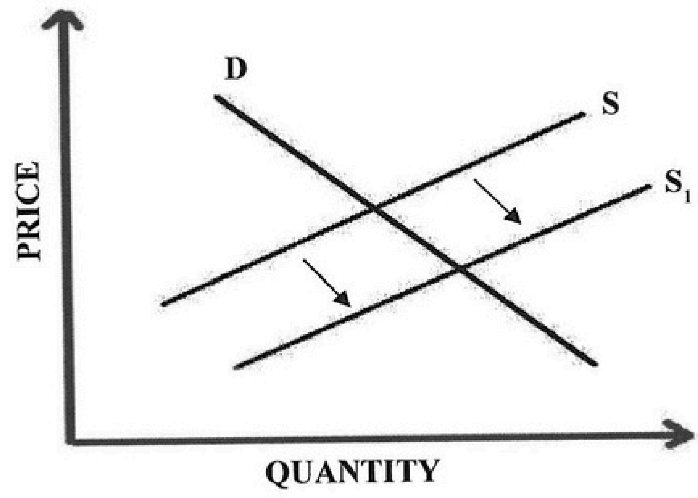

Figure 1.1

23. What does the diagram Figure 1.1 represent?

A. change in the conditions of demand
B. change in the conditions of supply
C. contraction of demand
D. extension of supply [1]

24. Which is **not** a characteristic of the Capital Market?

A. arranges short-term loans
B. issues shares and debentures
C. links between borrowers and lenders
D. regulated by government regulations [1]

25. Which tax in The Bahamas is considered to be ***regressive***?

A. Customs Duties
B. Real Property Tax
C. Value Added Tax
D. Income Tax [1]

26. What term is used when Government *Expenditure* exceeds Government *Revenue*?

A. Balanced Budget
B. Budget Deficit
C. Budget Surplus
D. Excess Budget [1]

27. During the pandemic many businesses were closed, unemployment was high and the economy was in a slump. What type of unemployment would have been present?

A. cyclical unemployment
B. frictional unemployment
C. structural unemployment
D. technological unemployment [1]

28. What is indicated if ***Nation X*** can produce greater quantities of a good than ***Nation Y*** with the same amount of resources?

A. ***Nation X*** has an absolute advantage but a comparative disadvantage in producing that good.
B. ***Nation X*** has an absolute advantage in producing that good.
C. ***Nation X*** has an absolute disadvantage in producing other goods, but a comparative advantage in producing that good.
D. ***Nation X*** has a comparative advantage in producing that good. [1]

29. How would it be recorded in The Bahamas' Balance of Payments Account if there was a purchase of a United States company by a Bahamian business?

A. credit in the Current Account
B. debit in the Current Account
C. credit in the Capital Account
D. debit in the Capital Account [1]

30. Which ***best*** describes a multinational company?

A. company that conducts operations in several countries
B. company whose product is a household name and is sold across the globe
C. company with owners from different countries
D. company with sale production rights in at least two countries [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. ______ Financial Economies of Scale	A. These advantages arise from the growth in the size of the industry.
2. ______ Risk Bearing Economies of Scale	B. These advantages arise as a result of the firm increasing in size.
3. ______ Technological Economies of Scale	C. Sources for borrowing become more accessible as business operations get more profitable.
4. ______ External Economies of Scale	D. Increases in productivity occur as a result of acquiring more machines and equipment.
5. ______ Internal Economies of Scale	E. Large producers being able to obtain their supplies of raw materials from numerous sources.

PART II

TERM	MEANING
6. ______ Central Bank	F. Organization for trading company shares and government bonds.
7. ______ Commercial Banks	G. Bank that specialises in wholesale banking; managing large deposits and bank loans both locally and internationally.
8. ______ Stock Exchange	H. Government entity which collects financial contributions from the self-employed, employed and employers for payback upon retirement.
9. ______ Merchant Banks	I. A state-owned bank that runs monetary policy independently of the government.
10. ______ Pension Funds	J. Public limited company that has been formed to make a profit for its shareholders.

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
(a) Utility is best described as satisfaction derived from using a good.	**T**	**F**
(b) The abbreviation URCA stands for Utilities Resources Competent Authority.	**T**	**F**
(c) One of the advantages of Privatization is improved efficiency.	**T**	**F**
(d) If the number of units is 5 and the total cost of the item is \$25, the average cost is \$5.	**T**	**F**
(e) Fixed costs are equivalent to overhead costs because in the short run, they do not change.	**T**	**F**
(f) The Trade Union Advisory refers to the central body of the trade union movement; they represent the voice of many trade union members.	**T**	**F**
(g) The demand for the commodities produced by an employer is known as derived demand.	**T**	**F**
(h) Market mechanism is a system that determines the price of commodities that are influenced by demand and supply.	**T**	**F**
(i) When calculating GDP, only the value added at each stage of production is counted.	**T**	**F**
(j) Foreign exchange is money used to carry out international transactions.	**T**	**F**

TOTAL MARKS [10]

SECTION D – 50 Marks
STRUCTURED QUESTIONS

Instructions: Answer all questions in the spaces provided.

33. *Most of the large firms that exist today started as a small business and have grown. Many of today's small firms are tomorrow's big businesses. Businesses grow and expand for a variety of reasons. Expansion will only take place, however, if the business can benefit and make extra profits.*

(a) List the **three *motives*** for growth.

MOTIVE 1

____

____ [1]

MOTIVE 2

____

____ [1]

MOTIVE 3

____

____ [1]

(b) Explain **two *benefits*** to consumers of vertical integration *backwards*.

BENEFIT 1

____

____

____ [2]

BENEFIT 2

____

____

____ [2]

(c) The Sea Grass Company Limited declared a dividend of 2.5% on the ordinary shares with a face value of $10 per share. The market value of these shares is $13.

Calculate the *yield* on shares. Show working in the space below.

[4]

(d) Explain **two *drawbacks*** a small firm may encounter.

DRAWBACK 1

____

____

____ [2]

DRAWBACK 2

____

____

____ [2]

(e) Classify the Factors below that influence location of firms and industry, as either ***NATURAL*** or ***ACQUIRED*** advantages. Write responses in the appropriate column of Table 1 below.

Transport *Raw Materials* *Labour* *Availability of Land*

NATURAL ADVANTAGE	ACQUIRED ADVANTAGE

Table 1 [4]

(f) Analyse **two *policies*** that a government might put in place to influence location of firms and industry.

POLICY 1

____

____

____

____

____

____ [3]

POLICY 2

____

____

____

____

____

____ [3]

TOTAL MARKS [25]

34. *The Sales & Marketing Manager of a prominent wholesaler, in an interview said: "Everyone is hoping there is a turnaround in 2022 but right now, from what I am seeing and hearing from the manufacturers, it's looking more like 2023 to 2024.*

"We thought it was bad last year but it has certainly gotten worse. There will undoubtedly be some empty shelves due to the inability to source certain products or get them in a reasonable time."

"There are challenges with shipping and manufacturing of some of the products that we carry. There are shortages to some extent because the pandemic has resulted in a shutdown of a number of manufacturing plants."

Natario McKenzie
19th & 20th October 2021

(a) Define the term *demand*.

____

____ [1]

(b) Explain **two** factors that determine demand for a good or a service.

FACTOR 1

____

____

____ [2]

FACTOR 2

____

____

____ [2]

(c) Describe the *Law of Supply*.

____

____

____

____ [3]

(d) Identify **two** factors that can ***change*** the conditions of supply.

FACTOR 1

____

____ [1]

FACTOR 2

____

____ [1]

(e) Identify **two** of the reasons for the shortages mentioned in the passage and explain how ***each*** reason affects the supply of goods manufactured and distributed in The Bahamas.

REASON 1

____ [1]

EXPLANATION

____

____

____ [2]

REASON 2

____ [1]

EXPLANATION

____

____

____ [2]

(f) Table 2.2 below shows the demand and supply schedule for a commodity in a free market.

PRICE $	QUANTITY DEMANDED	QUANTITY SUPPLIED
10	60	200
9	80	180
8	100	150
7	130	130
6	160	80
5	180	60

Table 2.2

(i) Plot the information for the demand and supply curves on a graph. [3]

(ii) State the equilibrium price and quantity demanded and supplied at equilibrium.

EQUILIBRIUM PRICE

____ [1]

QUANTITY DEMANDED & QUANTITY SUPPLIED AT EQUILIBRIUM

____ [1]

(iii) Using horizontal lines, mark a distance showing an **Excess Demand** and a distance showing an **Excess Supply** on the graph. [2]

(iv) Say whether there is an **Excess Demand** or **Excess Supply** at $6.

____ [1]

(v) Calculate the number of units in excess in the space below.

[1]

TOTAL MARKS [25]

End]

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