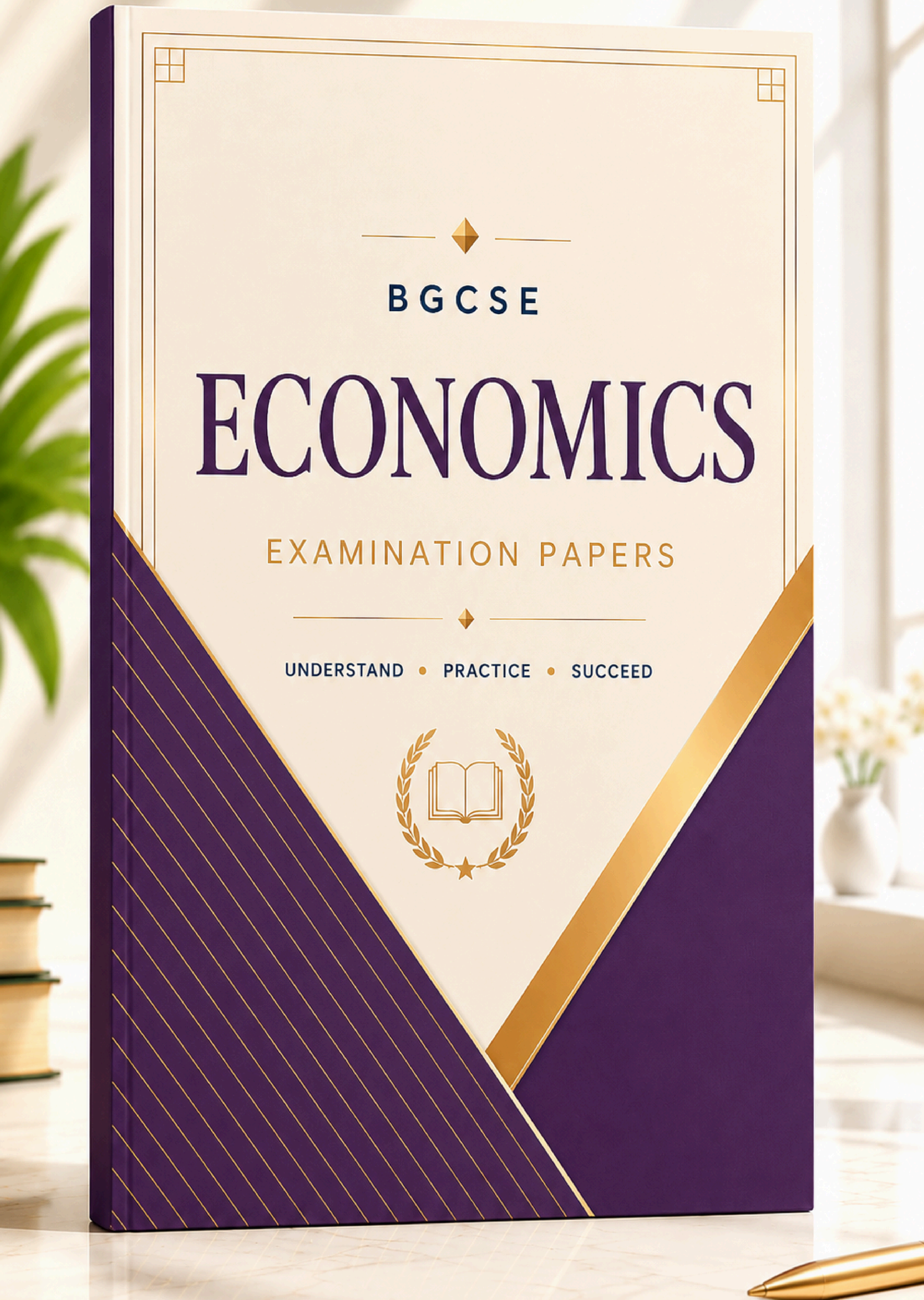
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ECONOMICS

Paper 2 2030/2

Monday 5 JUNE 2023 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.

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. *International Trade is the exchange of goods and services between countries. Trading globally gives consumers and countries the opportunity to buy goods and services not available in their own country or that are more expensive domestically. International trade is part of the free market economic system that allows the natural laws of supply and demand to function properly.*

(a) Specialization has allowed countries to cross international boarders to facilitate trade.

Examine **two *advantages*** by which countries gain from trade.

MEANS 1

____

____

____ [2]

MEANS 2

____

____

____ [2]

(b) Specialization allows countries to trade internationally using comparative advantage.

Explain the term ***Comparative Advantage*** and say why it is beneficial to a country.

EXPLANATION

____

____ [2]

WHY BENEFICIAL

____

____

____ [2]

(c) Identify **two *disadvantages*** of the market economy.

DISADVANTAGE 1

____

____

____ [1]

DISADVANTAGE 2

____

____

____ [1]

(d) *Exchange Rates* are the price of one currency in terms of another.
The exchange rate of the British pound to the Bahamian (BAH) dollar is $1.00 = £0.74.

Calculate the amount that a person in The Bahamas will pay in British pounds for a British car costing BAH $20 000. The bank charges $6.50 Service Fee and VAT is 10%. Show your working in the space below.

[4]

(e) Suggest **two *reasons*** why countries place restrictions on trade.

REASON 1

____

____

____

____ [3]

REASON 2

[3]

TOTAL MARKS [20]

2. *The labour market changes over time due to population growth, advances in technology, and business trends.*

Introduction to Business:
Our Business and Economic World
Betty Brown & John Clow
1997

(a) Define the term '*division of labour*'.

[2]

(b) List **one** ***advantage*** and **one** ***disadvantage*** associated with division of labour.

ADVANTAGE

[1]

DISADVANTAGE

[1]

(c) Give **two** possible forces that may influence an individual's choice of occupation.

INFLUENCE 1

[1]

INFLUENCE 2

____

____ [1]

(d) The national minimum wage in The Bahamas is $5.25 per hour. Use the information given below to answer the questions that follow.

(i) An individual works on minimum wages for a 40-hour work week for **four (4)** weeks; calculate this person's earnings for **one (1)** month in the space below.

[2]

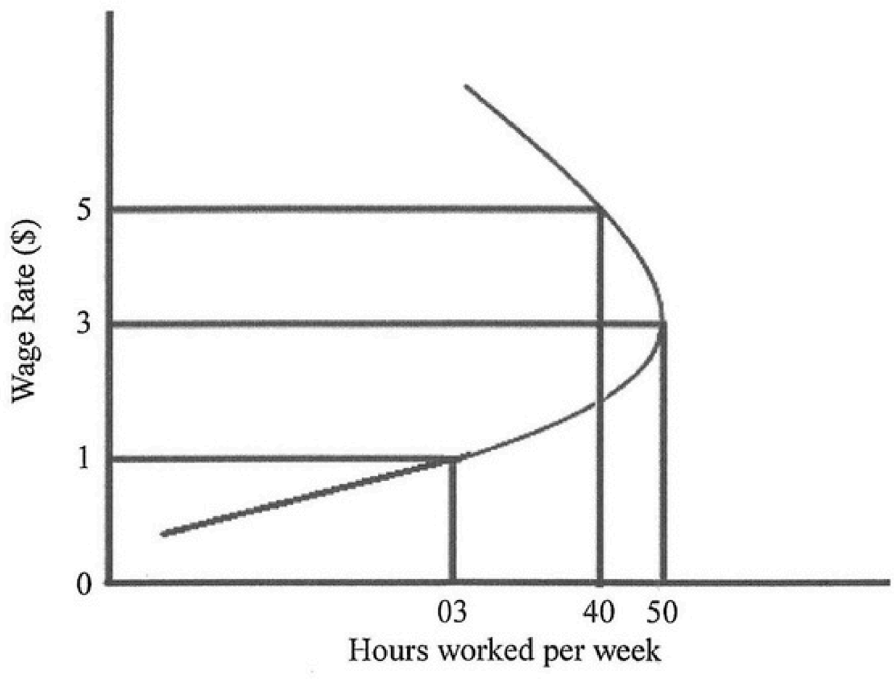

Figure 2.2

(ii) Describe the shape of the supply curve in Figure 2.2.

____ [1]

(iii) Suggest **one** factor that might have influenced this supply of labour.

____ [1]

(iv) Explain what happens when the hourly wage rate exceeds \$3.

____

____

____

____ [3]

(e) The total amount levied on National Insurance Contributions for all Employed persons is 9.8%.

Based on your answer in question (d) (i) above:

(i) Determine, in the space below, the individual worker's National Insurance Contribution if he is required to pay at a rate of 3.9%.

[2]

(ii) Calculate, in the space below, his take home pay after NIB deductions.

[2]

(iii) Calculate, in the space below, the amount the employer will have to pay in NIB contributions.

[3]

TOTAL MARKS [20]

3. *A real world economy is not a closed system; in various ways income is both leaked out and injected into the system and it does not consist solely of households and firms – there is also a government sector and a foreign trade sector*

Starting Economics – G. F. Stanlake 2006

(a) Economies are driven by factors of production and each factor has a *reward.*

State the *rewards* received by households for the services of factors of production.

(i) ______________________________

(ii) ______________________________

(iii) ______________________________

(iv) ______________________________ [4]

(b) Distinguish between *households* and *firms*.

HOUSEHOLDS

____

____

______________________________ [2]

FIRMS

____

____

______________________________ [2]

(c) Define the term ***'Gross Domestic Product' (GDP)***.

____

____

____ [2]

(d) *Consider the existence of a closed economy that only has three goods and services and an economy that produces only consumption, investment and government spending, but no net exports.*

In 2022, the economy produced the following:

Three manicures that cost $15 each
Two massage tables that cost $150 each
One city water pump repair that cost $600

(i) Calculate the **total *GDP*** for this economy in the space below.

[1]

(ii) Determine the percentage amount of ***GDP*** that is represented by ***each*** of the following, showing calculations in the space provided.

INVESTMENT

[1]

GOVERNMENT SPENDING

[1]

CONSUMPTION

[1]

(e) Identify and discuss **three** *Expansionary Fiscal Policies* that the government may use to help to raise the Gross Domestic Product of The Bahamas.

POLICY 1

____

____

____ [2]

POLICY 2

____

____

____ [2]

POLICY 3

____

____

____ [2]

TOTAL MARKS [20]

PART II – 40 Marks

Instructions: You are to answer **ALL** parts of **ANY TWO** questions from this section.

4. *A firm or business is usually set up to make a profit. Firms can be classified as either large or small. According to Business News Daily, a small business must fall within the size standard of the largest size a business may be to remain classified as small within its industry. Though size standards vary by industry, they are usually measured by the number of employees or the average annual money earned. In most instances firms start off small and then grow in size, to become large firms.*

   (a) State **two** measurements used to determine the size of a firm.

   MEASUREMENT 1

   ____ [1]

   MEASUREMENT 2

   ____ [1]

   (b) State and explain **two** ***reasons*** why firms grow.

   REASON 1

   ____

   ____

   ____ [2]

   REASON 2

   ____

   ____

   ____ [2]

(c) Distinguish between *conglomerate* and *horizontal mergers*.

CONGLOMERATES

____

____

____ [2]

HORIZONTAL MERGERS

____

____

____ [2]

(d) Use the figures in Table 2.4 below to calculate the *Percentage Change* in the ***size*** of the firm and the percentage change in ***output***. Write responses in the Table.

Size of the Firm (Units of Factors Employed)

SIZE OF FIRM (UNITS) OF FACTORS EMPLOYED			**PERCENTAGE CHANGE IN SIZE OF FIRM**	**ANNUAL OUTPUT**	**PERCENTAGE CHANGE IN OUTPUT**
LAND	**LABOUR**	**CAPITAL**	–	–	–
2	4	6	–	200	–
3	6	9		250	
4	8	12		300	

Table 2.4 [4]

(e) Some businesses operate on a large scale while others decide to remain small. Explain **two *advantages*** and **one *disadvantage*** of large firms.

ADVANTAGE 1

____

____

____ [2]

ADVANTAGE 2

[2]

DISADVANTAGE

[2]

TOTAL MARKS [20]

5. *The working-age population is a central concept in labour statistics.*

International Labour Organization
Population and Labour Force
1996–2020 International Labour Organization

(a) State the *working-age* range in The Bahamas.

[2]

(b) Explain **two** factors that can change the size of the working-age population.

FACTOR 1

[2]

FACTOR 2

____

____

____ [2]

(c) **Table 2.5** below shows the projected population of The Bahamas.

Key Demographic Indicators
Projected Population (Medium Series): 2025
Components of Population Growth

TABLE 2.5 **ALL BAHAMAS**

Demographic Indicators	**PROJECTIONS**
	2025
Total Population ('000)	**408.93**
Average Annual Growth Rate	?
No. of Births	6260
Crude Birth Rate	?
No. of Deaths	2800
Crude Death Rate	?
Natural Increase	3460
Natural Increase Rate	?
Total Immigrants	300

Calculate:

(i) the ***Birth Rate*** for the year **2025**. Show your working in the space below.

(ii) the ***Death Rate*** for the year **2025**. Show your working in the space below.

[2]

(iii) the *Total Population* for the projected year **2025.** Show your working in the space below.

[2]

(d) The labour market is a vital contributor to the economic growth of The Bahamas.

Examine **two** government policies that can be used to reduce unemployment.

POLICY 1

____

____

____ [2]

POLICY 2

____

____

____ [2]

(e) Inflation refers to a general increase in prices and a fall in the purchasing power of money.

Identify and explain how **two** ***sectors*** of society may actually **benefit** from inflation.

SECTOR 1

____ [1]

EXPLANATION

____

____

____ [2]

SECTOR 2

[1]

EXPLANATION

[2]

TOTAL MARKS [20]

6. *The Water and Sewerage Corporation (WSC) and Bahamas Power and Light (BPL) are the largest public corporations in The Bahamas.*

Bahamas Country Commercial Guide
Bahamas – Competition from state-Owned Enterprises

(a) Explain the term *public corporation*.

[2]

(b) State **two** main ***aims*** of a public corporation.

AIM 1

[2]

AIM 2

[2]

(c) Differentiate between the term *Nationalization* and *Privatization*.

NATIONALIZATION

____

____

____ [2]

PRIVATIZATION

____

____

____ [2]

(d) Businesses today, whether they are nationalized or privatized utilize various financial institutions; one example of a financial institution in The Bahamas is a Commercial bank.

Assuming that this bank has issued shares to the general public, this company's Share Capital is as follows:

750 000 5% $1 Preference Shares
1 000 000 $2 Ordinary Shares

Calculate:

(i) Total company Capital

[2]

(ii) The company makes a profit of $100 000 available for distribution. Calculate dividends to be distributed to shareholders in the space below:

- Preference Shareholders

[1]

- Ordinary Shareholders

[1]

(e) Assume that Bahamas Power and Light has decided to update their equipment and will also be acquiring more land to expand the services that they offer.

Discuss **two** ***effective*** long-term financing options that would be best suited for this upcoming venture.

OPTION 1

____ [1]

JUSTIFICATION

____

____

____ [2]

OPTION 2

____ [1]

JUSTIFICATION

____

____

____ [2]

TOTAL MARKS [20]

7. *Tara Morley, Co – Chair, Bahamas Federation of Retailers stated, "Apart from COVID 19's continued impact on consumer spending and confidence, the greatest challenge facing the retail sector as the festive season approaches are the "gaps" on many shelves due to inventory/product* ***shortages*** *caused by the global supply chain crisis... With inflation becoming a growing threat, there was little that The Bahamas can do to counter this because it virtually imports everything it consumes."*

Tribune Business:
'Rolling with the punches' over retail make or break
By Neil Hartman
November 25, 2021

(a) Suggest **three** things that consumers can do to combat the effects of the supply chain crisis.

SUGGESTION 1

____

____

____ [2]

SUGGESTION 2

____

____

____ [2]

SUGGESTION 3

____

____

____ [2]

(b) Determining the Retail Price Index is a monthly activity carried out by the government.

(i) Explain the purpose of the Retail Price Index.

____

____

____ [2]

(ii) In an economy, households divide their expenditure as follows:

Food	**30%**
Clothing	**20%**
Housing	**10%**
Leisure	**40%**

In the base year the price index is 100. By year 3 the index for food had risen to 130, clothing 140, housing 190 and leisure 110.

Complete the weighted price index in Table 2.7 to show the overall rise in prices during this time. Show the calculation of the ***Rate of Inflation*** in the space below Table 2.7.

COMMODITY	WEIGHT (%)	INDEX	WEIGHTED INDEX	YEAR 3 INDEX	YEAR 3 WEIGHTED INDEX
Food	30	100			
Clothing	20	100			
Housing	10	100			
Leisure	40	100			
TOTAL	100				
INDEX YEAR 1					

Table 2.7

[4]

(c) Distinguish between ***demand pull inflation*** and ***cost push inflation.***

DEMAND PULL INFLATION

____

____

____ [2]

COST PUSH INFLATION

____

____

____ [2]

(d) Suggest **two** measures that firms may use to maximise profit during inflationary periods.

MEASURE 1

____

____

____ [2]

MEASURE 2

____

____

____ [2]

TOTAL MARKS [20]

8. *Governments strive to implement economic policies for the advancement of the country and the people it governs. Governments collect income in the form of taxes from its citizens and borrow to provide the goods and services needed for development.*

(a) List **three** *Economic Objectives* of government.

OBJECTIVE 1

____

____ [1]

OBJECTIVE 2

____

____ [1]

OBJECTIVE 3

____

____ [1]

(b) Discuss **two** techniques governments may use to try to achieve its economic objectives.

TECHNIQUE 1

____

____

____ [2]

TECHNIQUE 2

____

____

____ [2]

(c) Real Property Tax Regulation in The Bahamas as applies to *Owner Occupied Property* (owner resides and uses exclusively as a dwelling) states the following:

1st $250 000 of property value: EXEMPT
NEXT $250 000 of property value: 0.625%
ABOVE $500 000 of property value (balance): 1% of remaining part of value

Jackson dwells in a home which has a property value of $350 000.

Calculate the annual amount Jackson will have to pay in *Real Property Tax Regulation* to the Department of Inland Revenue. Show your working in the space below.

[3]

(d) Governments borrow to supplement revenue in providing for citizens.

Suggest **two** problems that can be linked to a high level of government borrowing.

PROBLEM 1

____

____

____ [2]

PROBLEM 2

____

____

____ [2]

(e) Justify **two** reasons why the Bahamian government spent millions of dollars in unemployment, food assistance and subsidies to entrepreneurs during the pandemic.

REASON 1

____

____ [1]

JUSTIFICATION

____

____

____ [2]

REASON 2

____

____ [1]

JUSTIFICATION

____

____

____ [2]

TOTAL MARKS [20]

End]

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