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ECONOMICS

Paper 2 2030/2

Tuesday **3 JUNE 2025** 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 22 printed pages and 2 blank pages.

PART I – 60 Marks

DIRECTIONS: Candidates must attempt **ALL** questions in Part 1.

1. The aim of most firms is to maximise profits. However, though State – owned enterprises (SOEs) seek to be profitable, their main aim is to provide an essential service to the citizenry. Firms make a variety of decisions on a daily basis and each of these decisions implies an opportunity cost (econdev.co.za). All firms strive to achieve that optimum size of operation.

- (a) Define the term “opportunity cost”.

[2]

- (b) Define the term “optimum size”.

[2]

- (c) Explain **THREE** advantages and disadvantages derived by division of labour in industry.

ADVANTAGE 1

[1]

ADVANTAGE 2

[1]



ADVANTAGE 3

[1]

DISADVANTAGE 1

[1]

DISADVANTAGE 2

[1]

DISADVANTAGE 3

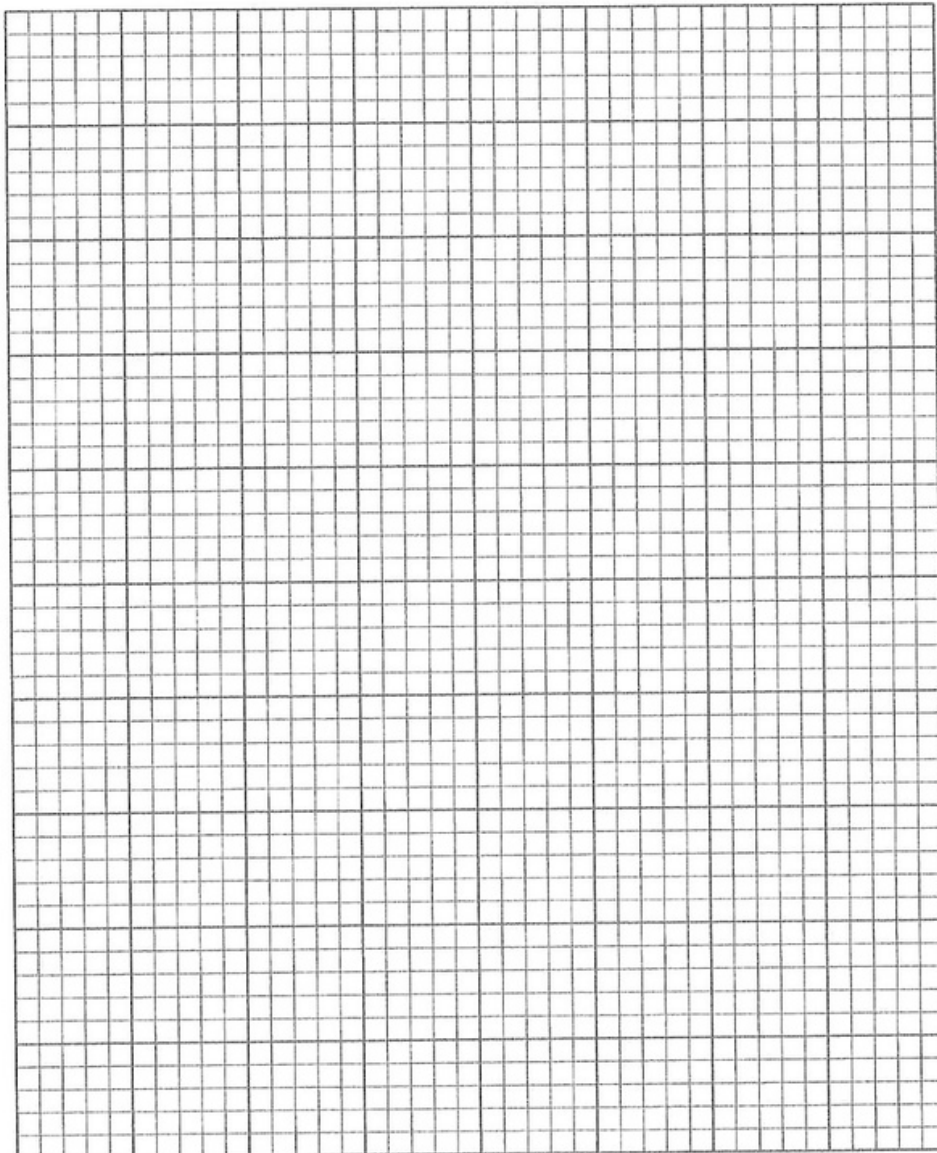
[1]



- (d) Chart 1 below provides information pertaining to production costs, revenue and profit of a business.

OUTPUT	FIXED COST \$	VARIABLE COST \$	TOTAL COST \$	TOTAL REVENUE \$	PROFIT/ LOSS \$
0	1,500	0	1,500	0	-1500
100	1,500	300	1,800	1,000	-800
200	1,500	600	2,100	2,000	-100
300	1,500	900	2,400	2,400	0
400	1,500	1,200	2,700	3,000	300

- (i) Use the graph form below to draw a Fixed Cost Curve, Total Cost Curve and Total Revenue Curve. [3]



(ii) Label and shade the position of Variable Cost on the graph. [1]

(iii) At what level of output and cost/revenue will the firm break – even?

_____ [2]

(e) It has been said that the Water and Sewerage Corporation is not a pure monopoly as some residents have a private well water system. Discuss the Pros and Cons of a monopoly.

_____ [4]

TOTAL MARKS [20]



2. *Dr. Hubert Minnis yesterday accused the Government of “causing” The Bahamas’ tax blacklisting by “shelving” a solution that had been “accepted” by the European Union (EU). The former prime minister, speaking after The Bahamas last week failed to escape the EU’s list of non-cooperative jurisdictions following the latest review, told Tribune Business his administration had agreed a plan to address the 27-nation bloc’s concerns over this nation’s compliance with its economic substance reporting demands.*

By NEIL HARTNELL
Minnis accuses Gov’t of ‘causing’ EU blacklisting
Tribune Business Editor
nhartnell@tribunemedia.net
Wednesday 25th October 2023

- (a) Define the term “blacklisting”.

[2]

- (b) State **TWO** ways that governments restrict trade with other countries.

[2]

- (c) Explain the following terms:

- (i) Mediation

[2]

- (ii) Arbitration

[2]



(iii) Collective Bargaining

[2]

- (d) Ben Frisch, a Tropic Seafood director, told Tribune Business there is a glut of high-value fisheries products that is depressing prices amid complaints from Bahamian fishermen that the price they are receiving has reduced from \$12 per pound at the opening of the 2022 crawfish season to \$7 now. Assume that this drop in cost has led to the quantity supplied falling from 250 units to 210.

Calculate the price elasticity of supply on crawfish.

[6]

- (e) Suggest **FOUR** ways in which the European Union influences the Bahamian economy.

[4]

TOTAL MARKS [20]

[Turn over



3. The economic problem results in people and governments having to make choices because of limited resources. The Bahamas has a mixed economy with various types of business organisations that produce some goods and services.

(a) What is a mixed economy?

[2]

(b) List **ONE** advantage and disadvantage of a mixed economy.

Advantage

[1]

Disadvantage

[1]

(c) (i) Explain the difference between public limited companies and public corporations.

[4]

(ii) Identify **TWO** disadvantages of a public corporation.

[2]



- (d) The following plant manufacturing firms have expanded the scale of their production in two years. Both firms doubled their inputs or the factors of production they use.

Rose Plant Nursery		Sages Plant Nursery	
Year 1			
Labour units	50	Labour units	40
Number of machines	10	Number of machines	15
Number of factories	1	Number of factories	1
Total output	10 000	Total output	12 000
Year 2		Year 2	
Labour units	100	Labour units	80
Number of machines	20	Number of machines	30
Number of factories	2	Number of factories	2
Total output	25 000	Total output	20 000

- (i) Calculate the percentage change in output for the Rose Plant Nursery in the space below and state whether it is experiencing increasing or decreasing returns to scale.

[3]

- (ii) Calculate the percentage change in output for the Sages Plant Nursery in the space below and state whether it is experiencing increasing or decreasing returns to scale.

[3]

[Turn over



- (e) The Bahamas is said to import most of its goods and services utilised by citizens. Suggest reasons for the importance of international trade for The Bahamas.

[4]

TOTAL MARKS [20]



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PART II – 40 Marks

DIRECTIONS: Answer any **TWO** questions from this section.

4. *Through its governing legislation, URCA is mandated to establish consumer protection regulations for both sectors. These documents provide detailed information about consumers' rights and obligations and also the obligations of the service provider as it pertains to the two sectors regulated by URCA: the Electronic Communications sector and the Electricity Sector. The documents also tell consumers what is expected of providers who do not provide the service as stipulated in their service contracts.*

For consumers who have grievances with their service providers about issues such as billing, maintenance, regular service, contract, false advertising, speed, quality of service etc. and have exhausted the avenues for redress with the service providers, URCA has a comprehensive complaint management process committed to resolving consumer's complaints within set time frames.

**Utilities Regulation & Competition Authority
Consumer Protection**

<https://www.urbahamas.bs/consumer-centre/consumer-protection/>

- (a) Describe the role that consumers play in the economy.

[2]

- (b) Name the **TWO** sectors that provide services to consumers in The Bahamas as mentioned in the passage.

[2]

- (c) Explain the following terms associated with the size of business organisations:

- (i) Diseconomies of scale

[2]

- (ii) Dis-integration

[2]

- (iii) Risk bearing economies

[2]



- (d) Assume that a household has an annual income of \$57,600 with a taxable rate that is paid of 12%. This household has various expenses such as grocery, rent, clothing, transportation, insurance, and other necessary commodities totaling \$14,000 a year.

Calculate:

- (i) The disposable income.

[2]

- (ii) The discretionary income.

[4]

- (e) The income earned by consumers is often housed in Commercial banks.

Discuss **TWO** functions of a Commercial Bank.

[4]

TOTAL MARKS [20]

[Turn over



5. *Duran Humes, a Bahamian software developer said data storage represents the first Artificial Intelligence (AI) related growth area that this nation can exploit for economic advantage... Concerns about (AI) still linger given its potential to replace human workers, and Mr. Humes said there is both a bit of "truth" and irrational fear over this. While some people will be replaced, this also represents an opportunity for some individuals to "upskill" themselves*.

*Target data storage for The Bahamas AI growth,
Youri Kemp, Tribune Business Reporter, Thursday, January 11, 2024*

- (a) Identify **TWO** examples of capital as a factor of production.

[2]

- (b) Outline the difference between capital intensive production and labour intensive production.

[2]

- (c) Unemployment has serious social effects.

- (i) Discuss **ONE** social effect caused by unemployment.

[2]

- (ii) Explain **TWO** possible causes of structural unemployment.

[4]



- (d) In May 2023, The Bahamas Statistical Institute recorded the population of The Bahamas at 412,623, with 219,465 in the employed labour force.

(i) Calculate the dependency ratio.

[4]

(ii) State what the ratio in (i) indicates.

[2]

- (e) Discuss how Artificial Intelligence is improving efficiency in business.

[4]

TOTAL MARKS [20]

[Turn over



6. *Prime Minister Philip Davis said yesterday that the enactment of the Consumer Protection Bill 2023 signals a "significant shift" in the approach to consumer protection in the country, marking what he said is the first of many progressive steps to reform the way business is conducted. [...] He also said that one of the most essential parts of what the law addresses is the rights available to consumers.*

"Many people are not aware of their rights, and I believe that as this law is implemented and enforced, this part of the law must be put out there for public awareness and education. Among these rights as a consumer is the right to receive the details of the goods being sold. There is a right to measure and verify goods being bought. There is a right to receive a receipt as proof of purchase and a right to receive a refund given certain conditions." said Davis, noting that the enactment of this Bill will signal a significant shift in the approach to consumer protection.

PM: Updated Consumer Protection bill to bring needed reforms

November 2, 2023 November 1, 2023

Natario McKenzie

- (a) List **TWO** Consumer Rights mentioned in the passage.

_____ [2]

- (b) State **TWO** reasons for protectionism in international trade.

_____ [2]

- (c) Explain the following terms:

- (i) Fiscal Policy

_____ [2]



(ii) Monetary Policy

[2]

(iii) Direct Controls

[2]

(d) Foreign exchange rates are an important determinant for exchange during travel, comparing prices online or even salary increase opportunities with employment abroad. It is a useful life-skill that can allow for smooth transactions during exchange.

(i) Jayden goes on a holiday to Florida. The exchange rate is still $\text{£}1 = 1.27$ dollars. He changes $\text{£}2,200$ into dollars. How many dollars should he receive?

[2]

(ii) After his holiday Jayden changes 200 dollars back into pounds. The exchange rate is still $\text{£}1 = 1.27$ dollars. How many pounds should he get? Give your answer to the nearest penny.

[2]

(iii) How much money did Jayden spend in Florida?

[2]

[Turn over



- (e) Discuss **TWO** effective ways that the Bahamian government has reduced its national debt.

[4]

TOTAL MARKS [20]



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7. Government objectives include maintaining low and stable price inflation, low unemployment levels and economic growth. In “July 2022 inflation rate was 7.1%” (Office of the Prime Minister, 2023). With inflation becoming a growing concern, Trade Unions continue to advocate for increase in wages to support the high cost of living.

- (a) Apart from advocating for increase in wages, list **TWO** other functions of Trade Unions.

[2]

- (b) Identify **TWO** factors that affect the supply of labour.

[2]

- (c) Explain **THREE** factors that affect employment levels.

[6]



- (d) The table below gives price and quantity of a market basket for 2021 and 2022. Consider 2021 as the base period.

Types of goods and services	Weight	Price \$ 2021	Price \$ 2022
Travel and leisure	15	20	22
Household goods and services	25	40	46
Clothing and footwear	40	30	38
Transport	20	25	20

- (i) Calculate the Consumer Price Index market basket in 2021. Show your working.

[3]

- (ii) Calculate the Consumer Price Index market basket in 2022. Show your working.

[3]

- (e) Legislation regarding trade unions in The Bahamas is done by the Industrial Tribunal. Examine the role of the Industrial Tribunal in The Bahamas.

[4]

TOTAL MARKS [20]

[Turn over



8. *Sometimes governments have to intervene in the market to protect users of goods and services. The Consumer Affairs Unit falls under the jurisdiction of the Ministry of Economic Affairs. The unit oversees issues affecting the consumer as it relates to the buying and selling of goods and services.*

"In New Providence, Bahamians and immigrants pay hefty rents to reside in Over-the-hill shanties and dilapidated buildings throughout the island, apparently without rent control as landlords rent dwellings at any rate they fancy."

*Adrian Gibson,
Young man's view: Rent control
The Tribune, Friday, February 15, 2023*

- (a) (i) From the passage, identify the government agency responsible for rent control.
_____ [1]
- (ii) Name **ONE** other service offered by the government agency mentioned in (i).
_____ [1]
- (b) Explain the term "allocation of resources".

_____ [2]
- (c) Using the three situations below, determine the effects of changes in the conditions of supply.
- (i) Changes in input prices.

_____ [2]



- (ii) Changes in taxes and subsidies.

[2]

- (iii) Weather conditions.

[2]

- (d) The following table below shows the demand and supply for a one bedroom apartment in the city of Nassau, New Providence.

PRICE Rent (\$)	QUANTITY DEMANDED (# apartments per month)	QUANTITY SUPPLIED (# apartments per month)
500	30,000	5,000
750	20,000	10,000
1000	15,000	15,000
1250	10,000	20,000
1500	5,000	30,000

- (i) Using the graph paper and the data above, plot the supply and demand curves for the market for rental apartments. [3]

- (ii) Determine the equilibrium price and quantity for rental apartments.

[2]

Suppose the government enacted rent control laws to not exceed \$750 per month.

- (iii) Draw a solid line on your graph at this price/rent and label it “price ceiling”. [1]

- (e) Evaluate the economic effects of rent control in the city of Nassau, The Bahamas.

[illegible]**TOTAL MARKS [20]**

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