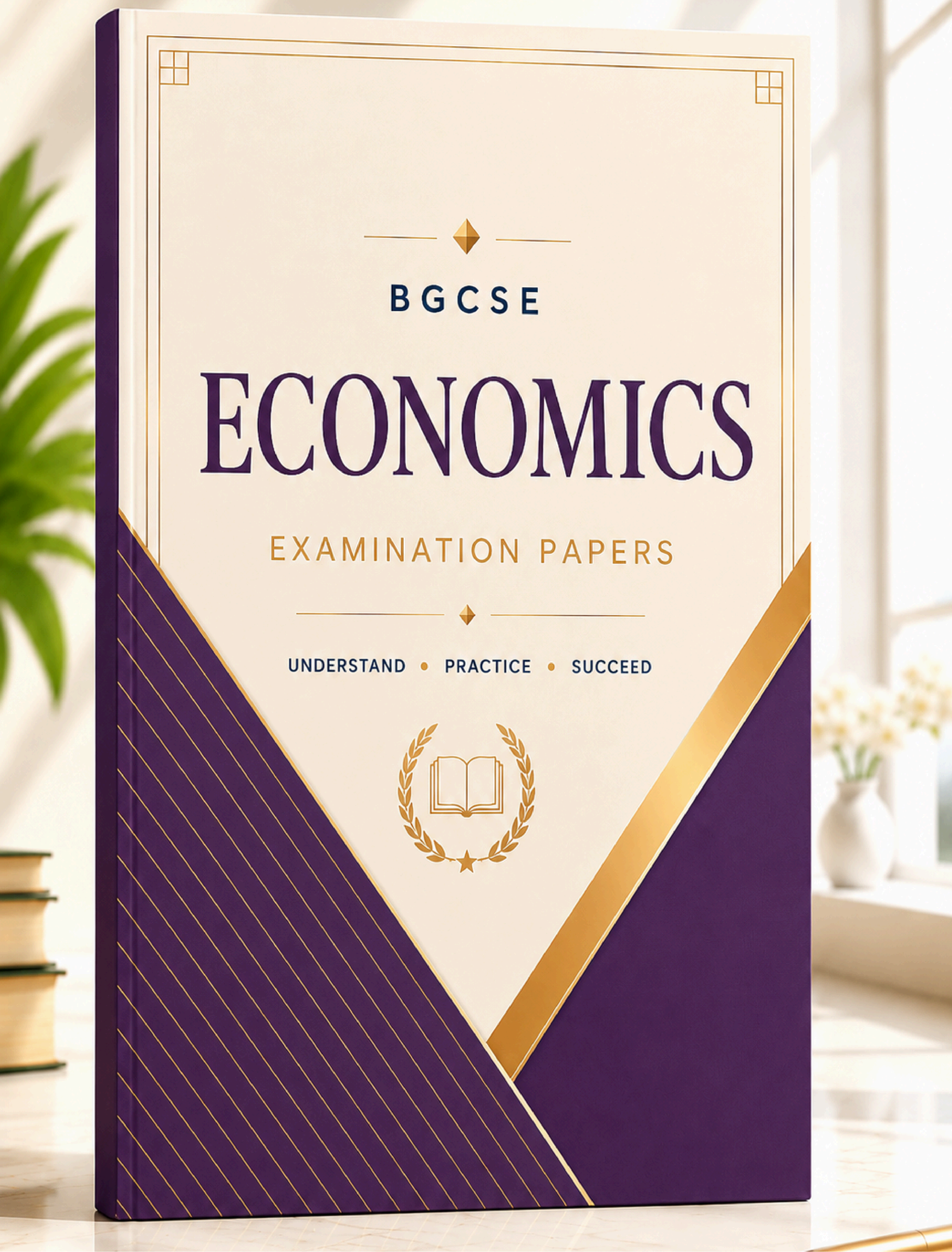
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2030/1 **BGCSE**

School Number	Candidate Number
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ECONOMICS

PAPER 1 2030/1

Tuesday **27 MAY 2003** 1.00 – 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 on the top of this booklet.

ALL questions are to be answered in the this test booklet.

The number of marks available is shown within brackets [ ] at the end of each question or part question.

Calculators are allowed.

For Examiner's Use Only	
Questions 1–30	
Question 31	
Question 32	
Question 33	
Question 34	
Question 35	
Total Marks 100	

This question paper consists of 18 printed pages and 2 blank pages.

Multiple Choice Questions 1–30

Directions: Read each question carefully. Choose **ONE** correct answer for each question.
Circle your answer on the question paper.

1. All economic units must answer three basic economic questions. Which of the following does **NOT** have to be decided?

   A. For whom it is to be produced?
   B. How to allocate resources?
   C. What to produce?
   D. Who should be employed? [1]

2. Making choices in an economic society is fundamental because

   A. prices are always rising.
   B. provisions must be made for the future.
   C. supply of money is unrestricted.
   D. wants are many and resources are scarce. [1]

3. Which of the following is **NOT** a barrier to entry into a monopoly?

   A. Economies of Scale
   B. Licences
   C. Price Fixing by the State
   D. Restrictive trade practices [1]

4. In a free market economy resources are generally allocated by the

   A. actions of individuals
   B. government
   C. Ministry of Finance.
   D. World Trade Organization [1]

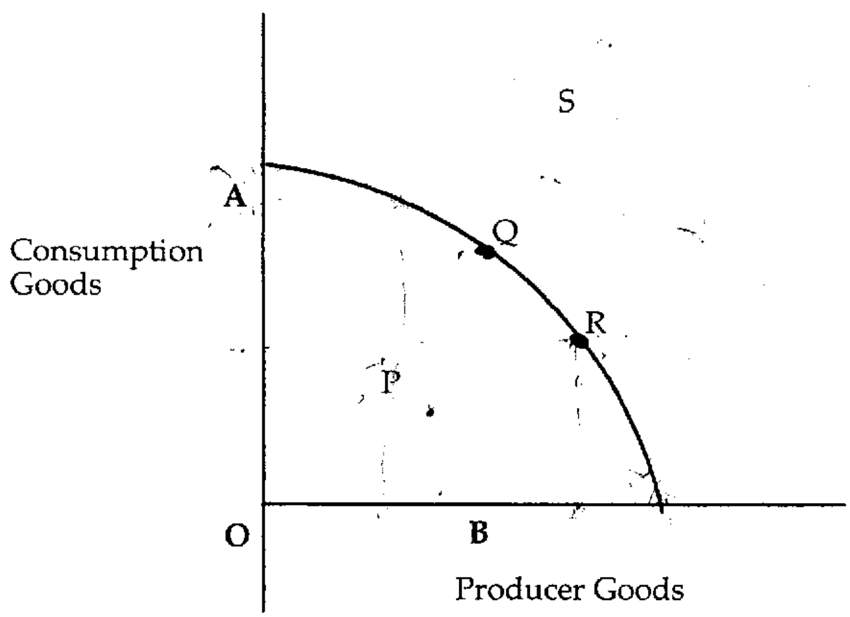
5. A textbook costs $10, a paperback novel costs $5 and the newspaper costs $0.50. What might be the opportunity cost of one text book?

   A. 20 newspapers
   B. 4 paperbacks
   C. 1 paperback and 20 newspapers
   D. 2 paperbacks and 10 newspapers [1]

6. Stocks of hamburger buns used by a fast food store may be classified as

   A. free goods.
   B. producer goods.
   C. resource goods.
   D. utility goods. [1]

The diagram below shows a production possibility curve which shows the possible combinations of goods an economy can produce. Study the diagram and answer questions 7 and 8.



7. Resources are under employed at

   A. P.
   B. Q.
   C. R.
   D. S. [1]

8. A country wishing to enjoy maximum current standard of living would produce at

   A. A.
   B. P.
   C. R.
   D. S. [1]

9. The Law of Diminishing Marginal Utility suggests that

A. as more variety of goods are consumed less price will be paid.
B. there is no satisfaction in consumption
C. there will be less satisfaction from additional consumption of the same good
D. utility of goods will always decrease. [1]

10. Which of the following statements does **NOT** apply to equilibrium price?

A. It is a situation of excess demand.
B. It will shift if either demand or supply alters.
C. Quantity demanded and supplied are equated.
D. There is no tendency for price to change. [1]

Generally, if supply is high and the demand is low, the price will be low and the reverse is true.

Study the demand and supply schedule below for Basketball tickets and answer Questions 11, 12 and 13.

Price $	**Quantity Demanded**	**Quantity Supplied**
$5.00	600	200
$10.00	500	300
$15.00	400	400
$20.00	300	500
$25.00	200	600

11. Demand is greatest when the price is

A. $5.00
B. $10.00
C. $15.00
D. $25.00 [1]

12. If the price is $20.00, there will be

A. a decrease in supply.
B. a surplus of tickets.
C. an increase in demand.
D. an increase in supply. [1]

13. If the price of the Basketball tickets is too high with no government intervention, there will be

A. a competitive market.
B. a shortage of tickets.
C. an over-supply of tickets.
D. an under-supply of tickets. [1]

14. Which of the following economic reasons would explain why the government often buys agricultural produce at the time of good harvest?

A. encourage local farmers to produce more
B. fulfill its social responsibilities
C. increase supply in the market and reduce prices
D. stabilise prices and create buffer stock [1]

Use the following information to answer Questions 15 and 16.

Below is a supply schedule for bananas in the local market.

Price $/kg	Quantity Supplied(kgs)
1.6	1000
2	1500

15. Which of the following is the elasticity of supply of bananas when price rises?

A. 0.80
B. 1.00
C. 2.00
D. 3.00 [1]

16. Indicate the nature of elasticity of supply of bananas in the local market.

A. imperfectly Inelastic
B. perfectly Elastic
C. relatively Elastic
D. unitarily Elastic [1]

17. Which of the following is the main objective of advertising?

A. decrease prices
B. decrease fixed costs
C. increase costs
D. increase demand [1]

18. The table below shows how quantity demanded for a product changes as income changes.

Income per week	Quantity demanded per week
$70	175
$85	250

What is the income elasticity of demand when income rises from $70 to $85?

A. 0.08
B. 0.4
C. 1.7
D. 2.0 [1]

19. What benefit is shared by private limited and public limited companies?

A. huge profits
B. limited liability
C. transferability of shares
D. sales turnover [1]

20. As the production of goods and services increases the average cost of producing them decreases. This is an example of

A. average cost policy.
B. decreasing returns.
C. economies of scale.
D. optimum size of a firm. [1]

21. Which of the following statements regarding a Central Bank is **NOT** true?

A. It is a banker's bank.
B. It offers consumer and producer loans.
C. It controls money supply.
D. It determines prime rates of interest. [1]

22. The Stock Exchange does **NOT** perform which of the following functions?

A. fix the foreign exchange rate
B. provide a market for second hand shares
C. provide useful information about the health of a country.
D. values stock prices

[1]

23. The exchange rate between US dollars and Jamaican dollars is as follows:

US$1.00 = JA$37

What is the amount that a Jamaican importer must pay for a consignment of goods costing US$8000.00?

A. JA$ 8,000
B. JA$ 29,000
C. JA$ 29,600
D. JA$ 296,000

[1]

24. The following figures were obtained from a company's accounts.

Turnover	$ 75,000
Fixed capital	$110,000
Total Expenses	$ 40,000

What is the total profit of the firm?

A. $15,000
B. $35,000
C. $70,000
D. $75,000

[1]

25. A proportional tax is best described by which of the following statements?

A. All taxpayers pay the same amount of tax irrespective of their income.
B. All taxpayers are allowed the same rate of statutory deduction.
C. All taxpayers pay the same percentage rate of tax.
D. All taxpayers are treated equally.

[1]

The international organization that tries to reduce restrictions on international trade is known as

A. CARICOM.
B. Free Trade Area of the Americas.
C. International Monetary Fund.
D. World Trade Organization. [1]

27. The GNP of a country does **NOT** include

A. depreciation of Capital
B. property income earned abroad
C. property income paid abroad
D. total domestic production [1]

28. Which of the following statements is **NOT** true about inflationary situations?

A. Cost of domestic production tends to increase.
B. Inflation may sometimes get out of hand.
C. Savers benefit more than borrowers.
D. Wage rates tend to increase. [1]

29. The most likely effect of a subsidy imposed by a government may be one of the following:

A. increase cost of production
B. increase export prices
C. reduce imports
D. reduce total production [1]

30. A developing nation is usually characterised by which one of the following features?

A. high standard of living small primary sector
B. no shortage of capital
C. no shortage of natural resources
D. small primary sector [1]

Total marks [30]

31. The following statements are either **TRUE** or **FALSE**. Circle the letter that best describes each statement.

		TRUE	**FALSE**
A.	Free goods are those that can be obtained without making a sacrifice.	T	F
B.	The price of a product minus the average cost of the product equals to total profit.	T	F
C.	Other things being equal, increasing productivity reduces total costs.	T	F
D.	Small firms tend to be successful when the size of the market is restricted.	T	F
E.	Demand curves show the quantities demanded at different prices.	T	F
F.	Bank deposits are created when they make loans.	T	F
G.	The directors of a limited company are usually selected by the chairman of the board.	T	F
H.	The government of The Bahamas raises short term loans by selling certificates of deposits.	T	F
I.	Investing in a stock exchange is a form of gambling because it involves speculation.	T	F
J	Deficit financing always leads to high inflation rates.	T	F

Total marks [10]

32. For **Parts I** and **II**, match the terms labelled A.–E. with each of the following statements below by placing the correct **LETTER** in the space provided.

PART I

A. Standing Order
B. Stop Payment
C. Drawer
D. Drawee
E. Bank Draft

(i) An instruction to the bank not to honour a particular cheque. ______ [1]

(ii) A cheque drawn by a bank. ______ [1]

(iii) An order to the bank to make regular payments of a certain sum of money. ______ [1]

(iv) The bank/person on whom a cheque is drawn. ______ [1]

(v) The person who makes an order for payment. ______ [1]

Total marks [5]

PART II

A. Multiple Shops
B. Department Stores
C. Super Markets
D. Franchise
E. Entrepreneur

(i) A person who undertakes risks. ______ [1]

(ii) A method of retailing using the product name and techniques of a larger organisation. ______ [1]

(iii) Stores that carry a wide range of specialised goods organised in special divisions. ______ [1]

(iv) Usually self-service stores selling a variety of goods. ______ [1]

(v) A number of similarly designed stores owned by one large organisation. ______ [1]

Total marks [5]

STRUCTURED QUESTIONS

33. Individuals obtain income as a means to meet their consumption needs and to fulfil other motives for holding liquidity. Individuals may prefer liquidity for fulfilling their transactional needs, speculative motives, consumption motives and the precautionary motives. The rates of interest often have a deep impact on the liquidity held for speculative purposes.

(a) Why do individuals earn income?

____

____

____

____

____

____ [3]

(b) Explain the difference between gross personal income, disposable income and "real" disposable income.

____

____

____

____

____

____

____

____ [6]

(c) Define the term liquidity.

[2]

(d) What do you understand by the term "speculation"?

[3]

(e) Explain "consumption motive" for holding liquidity.

[2]

(f) How does a rise in interest rates affect consumption and savings?

[3]

(g) Study the following information and then answer the questions that follow.

Mr. Stuart furnishes the following information about his incomes and expenses.

Income from wages	$300 per week
Rental income	$600 per week
National insurance contributions	$30 per week
Taxes paid on gross income	25%

Calculate:

(i) Gross weekly income for Mr. Stuart. (Show your workings)

[2]

(ii) Net weekly income. (Show your workings)

[2]

(iii) Weekly savings if his consumption expenditure is $200 per week. (Show your workings)

[2]

Total marks [25]

34. Most of the jobs lost in the post 1979 recession that hit most of the world as well as The Bahamas were those of unskilled or traditionally skilled male workers. Surveys suggest that there has been a growth of demand in academic and technical skills.

New jobs are being created but often on a part-time or contractual basis. They are often unsuitable for the displaced workers, unless they can come to grips with the new technology. If this trend continues there will soon be more females than males in active service in The Bahamas.

(a) When did the world economy face a recession?

____

____

______________________________ [1]

(b) Which type of workers were most affected?

____

____

____

______________________________ [2]

(c) Why do you think there may be an increase in demand for academic and technical skills? Give reasons for your answer.

____

____

____

____

____

______________________________ [2]

(d) According to the passage, state **TWO** factors that may have led to the loss in jobs in The Bahamas.

[2]

(e) What advantages do you think there are for employers in employing people on a part-time basis. Give reasons for your answers.

[2]

(f) State with reasons why people may accept such part-time jobs.

[2]

(g) Explain **FOUR** ways in which the government can help to provide jobs in The Bahamas.

[4]

(h) What type of unemployment is referred to in the passage? Give reasons for your answer.

[2]

(i) Name **FOUR** service sectors in The Bahamas that employ a large number of the labour force.

[4]

(j) Suggest ways in which efficiency of workers may be increased in The Bahamas.

[4]

Total marks [25]

2030/2

BGCSE

School Number	Candidate Number

Surname and Initials

ECONOMICS

PAPER 2 2030/2

Tuesday **10 JUNE 2003** 12.40 – 3.10 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 in the spaces provided on the question 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.

Firmly attach the graph paper to the answer booklet.

All your answers must be written in INK.

For Examiner's Use	
Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
Question 6	
Question 7	
Question 8	
Total Marks [100]	

This question paper consists of 27 printed pages and 1 blank page

Part I

Directions: Answer **ALL** questions from this section.

1. A convenience store owner estimates that the weekly sales of a certain product vary with price changes as follows.

Price ($)	Sales per week (units)
5	12
4	15
3	20
2	30
1	60

(a) On the sheet of graph paper provided, draw the demand curve for this product. [5]

(b) What can you say about the total revenue received at each price?

____

____

____ [2]

(c) Calculate the price elasticity of demand when the price rises from $2 to $3. (Show all workings.)

[4]

(d) Demonstrate possible exceptions to the general law of demand. (You may use a diagram to aid your demonstration.)

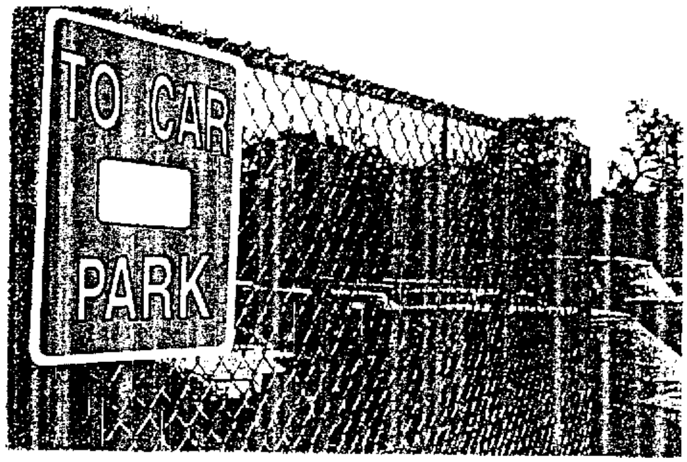
[6]

(e) Wages are said to be the price paid to the factor of production known as labour. Describe ways in which the supply of labour may be affected with an increase in wages.

[3]

Total marks [20]

2. Study the picture below and then answer the questions which follow.



(a) Does it appear that motorists have to park here?

____

____ [1]

(b) If the motorists do not have to pay for this car park, who does?

____

____ [1]

(c) Does any of the cost fall on the motorists in the end? Explain your answer giving at least one example in reference to The Bahamas.

[4]

(d) How far do you think that there are benefits to society from the provision of central parking spaces in The Bahamas.

[6]

(e) We do not have to pay for street lighting in The Bahamas. Does this mean that street lights are free goods? Explain your answer.

[3]

(f) How are economic problems addressed in a mixed economic system? Explain your answer with specific examples.

[5]

Total marks [20]

3. David Ricardo, a nineteenth-century economist, first clarified why international trade could be to everybody's advantage. He put forward the concept of benefit for all through his theory of "comparative advantage".

(a) What does the theory of "comparative advantage" suggest?

[3]

(b) State ways in which The Bahamas may benefit from international trade.

[4]

The World Trade Organization agreement proposes to lift "barriers" to international trade and pave the way to greater freedom in world trade.

(c) What does "barrier" to free trade mean?

____

____

____

____ [2]

(d) Discuss how far barriers to international trade may be effective in preventing free international trade.

____

____

____

____

____

____

____

____

____

____ [8]

(e) Describe ways in which productivity in a country can be increased.

[3]

Total marks [20]

Part II

Directions: You are to answer **ANY TWO** questions from this section. *You are required to answer* **all parts** *of a question and not a part from all of the questions in this section.*

4. Economic development often aims at a balanced sustainable capital growth policy. Policies should ensure that there is sufficient employment for labour.

(a) What are the main aims of government economic policy?

____

____

____

____

____

____

____

____ [6]

(b) Identify **THREE** economic policies that governments could use to achieve these aims.

____

____

____

____

____ [3]

(c) Discuss the main sources of long term capital available to limited companies.

____

____

____

____

____

____

____

____

____

____ [6]

(d) What is "voluntary unemployment"?

____

____

____

____ [3]

(e) Why might "technological" unemployment exist?

[2]

Total marks [20]

5. (a) Explain the main services provided by commercial banks.

[6]

(b) How might a stock exchange be beneficial for the development of The Bahamas?

____

____

____

____

____

____

____

____ [4]

(c) Describe the factors that may affect a lender's decision to offer loans.

[4]

(b) To enjoy the benefits of continuity, many small businesses are converted to limited companies. Describe the features of a limited company.

____ [4]

(c) In spite of competition from large businesses, some small businesses still survive. Explain **FOUR** reasons for their survival.

____ [4]

(d) From the passage indicate the percentage of small businesses that survived more than ten years.

[2]

(e) A market oriented economy is said to promote competition. State and explain other benefits provided by a market economy.

[6]

Total marks [20]

7. The Commonwealth of The Bahamas offers excellent opportunities for light industry investment. There are no personal, corporate, income, capital gains, estate, gift or inheritance taxes. Easy access to major world markets, political stability, security and economic opportunities . . . all a reality of business here.

A skilled, educated workforce is readily available, a must for any light industry or manufacturing venture. The Bahamas offers opportunities including electronics, pharmaceuticals, agriculture and many more.

In addition to being the world's premier tax haven, The Bahamas offers additional benefits including exemption from related import duties, real property tax and business licensing fees.

(a) Define the term "taxation".

____

____

____

____

____

____

____ [2]

(b) Distinguish between direct and indirect taxes.

[4]

(c) Referring to the passage, identify the direct taxes.

[3]

(d) Justify why governments impose taxes and list **THREE** forms of taxation usually discussed in Economics.

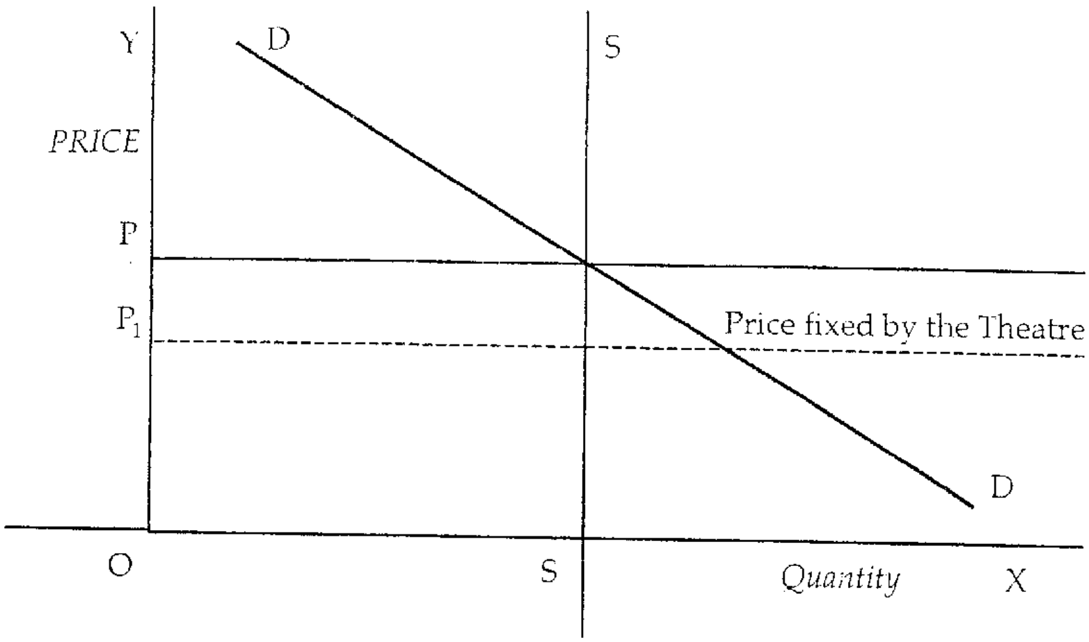
[5]

(e) How far do you think that foreign investment is vital to the success of the Bahamian economy?

[6]

Total marks [20]

8. The following diagram depicts the demand and supply for tickets at the National Center for the Performing Arts for a dance performance.



(a) Why do you think the supply curve is drawn as a vertical line?

____

____

____ [2]

(b) Comment on the demand for and supply of tickets at the price fixed by the theatre.

____

____

____

____

____ [2]

(c) Suppose the supply of seats in the theatre are increased from 2000 seats to 2400 seats and prices for performance are raised from $20 to $25. Calculate the Elasticity of Supply. (Show your workings)

[4]

(d) Distinguish between an increase in supply and an extension of supply.

[4]

(e) Suppose that there is a trade union for musical performers. Explain ways in which it may restrict the supply of labour.

[6]

(f) The government fixes a minimum price for essential commodities in the country. Explain **TWO** possible results of this action.

[2]

Total marks [50]