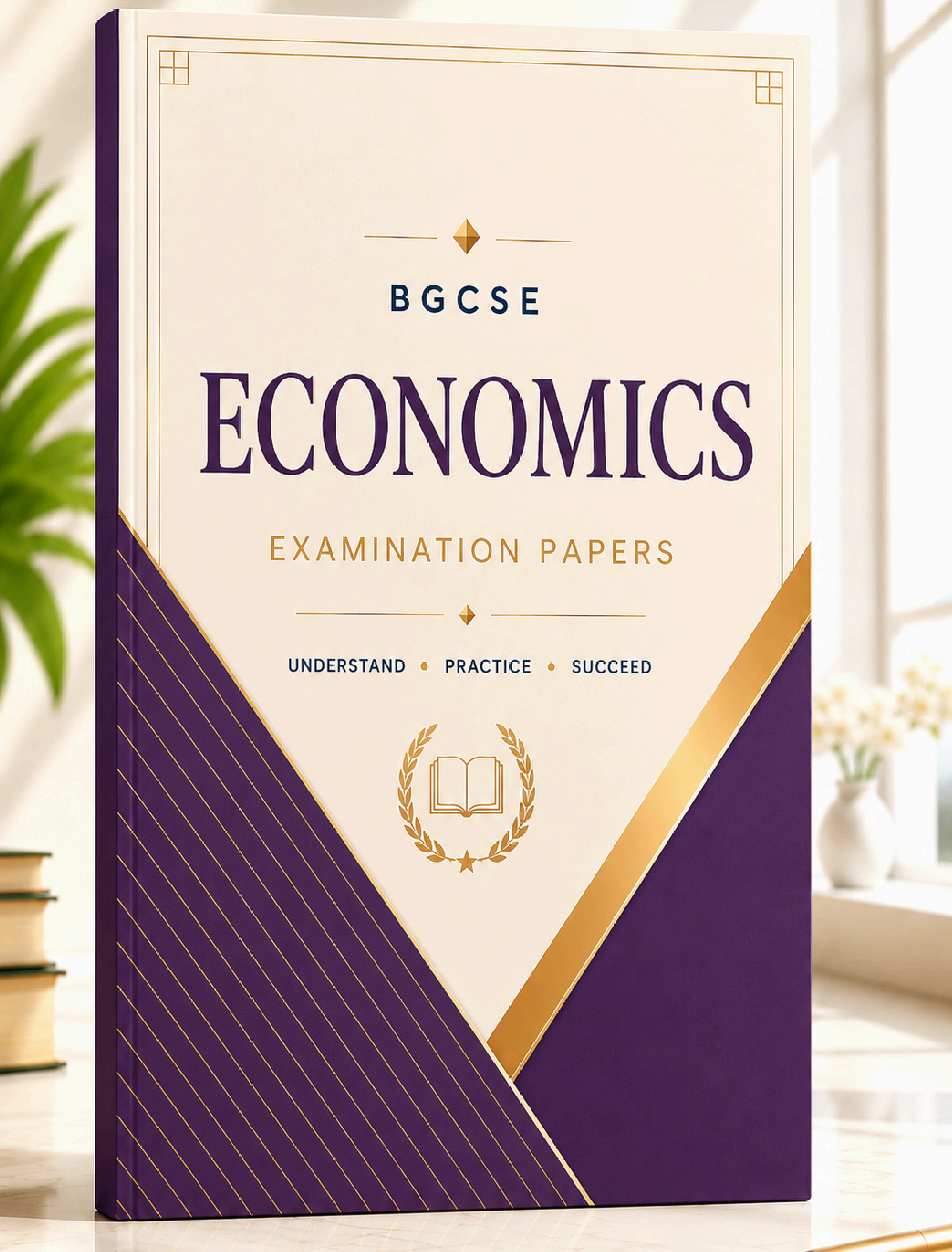
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2030/1 **BGCSE**

School Number	Candidate Number
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ECONOMICS

PAPER 1 2030/1

Wednesday **30 MAY 2007** 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 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 (30 marks)	
Question 31 (10 marks)	
Question 32 (10 marks)	
Question 33 (25 marks)	
Question 34 (25 marks)	
TOTAL	

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. The problem of scarcity and choice in economics is usually found in

   A. both rich and poor countries.
   B. developing economies only.
   C. economically developed countries only.
   D. primitive economies only. [1]

2. Sometimes a customer can buy a good and receive a second one free. What would an economist say in this case?

   A. The second good has no cost of production.
   B. The second good has an opportunity cost to the supplier.
   C. The second good has no demand from the customer.
   D. Both goods are identically priced to the customer. [1]

3. In which sector of production is an Androsian fisherman engaged in fishing for lobster for self-sustenance only?

   A. Primary
   B. Public
   C. Secondary
   D. Tertiary [1]

4. A motor vehicle being used by a car dealer for the purpose of sales promotion is acting as

   A. a capital good
   B. a fringe benefit
   C. a private good
   D. social capital [1]

Use the information below to answer questions 5 and 6.

A company's stock of capital at the beginning of the year is $1 million dollars. At the end of the year it is valued at $0.9 million dollars

5. The reduction in the value of capital is called

A. depreciation
B. diminishing cost of capital
C. net investment
D. opportunity cost [1]

6. What is the rate of reduction of the original capital?

A. .1%
B. 1%
C. 9%
D. 10% [1]

7. What would encourage greater efficiency of labour

A. better working conditions
B. higher income tax rates ×
C. longer working hours ×
D. reduced lengths of training × [1]

8. In economics the utility derived from the consumption of a good is usually measured by the

A. cost of the good
B. need for the good
C. price of the good
D. scarcity of the good [1]

9. Prices in a centrally planned economy are usually determined by the

A. allocation of resources
B. government
C. market mechanism
D. suppliers and producers of goods [1]

10. Which of the following measures is most likely to be used by the government in order to reduce disparities in incomes of the people in a community?

A. Monetary policies
B. Percentage income increases
C. Taxation policies
D. Wage freeze [1]

11. Fixed capital includes

A. bank balance
B. land and building
C. stationery
D. stocks and bonds [1]

12. The law of increasing returns states that with increase in capital

A. average cost rises
B. average output rises
C. marginal output falls
in notes D. total output falls [1]

13. A limited liability company that restricts the right of share transfer is called a

A. co-operative society
B. private company
C. public company
D. public corporation [1]

14. Which of the following is **NOT** counted as a part of the money supply?

A. bank notes
B. bank deposits held on current account
C. cheques
D. postal money orders [1]

15. Which of the following is **NOT** a member of a money market?

A. commercial banks – 13..
B. discount houses – Pg 133
C. hire-purchase companies
D. merchant banks – Pg 133 [1]

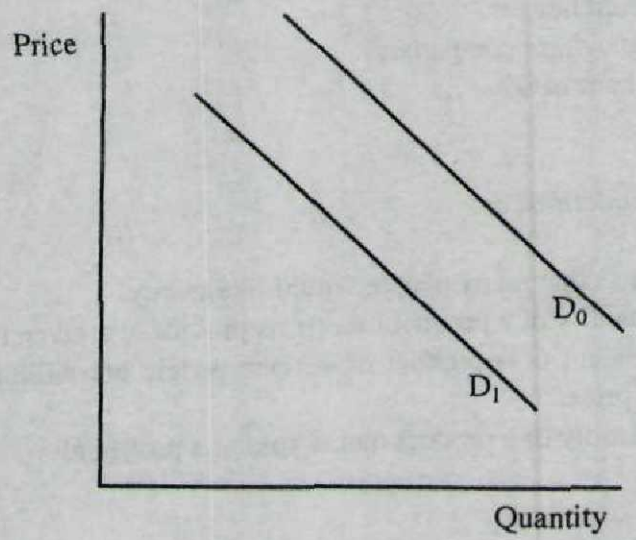
16. Supply is best defined as

A. products that many people would like to buy.
B. the quantity of a product that firms provide at a given time at a given price.
C. the amount of a product or service people are willing and able to buy at a given price.
D. the quantity of a product that is sold at a profit only. [1]

17. Economists assume that the most likely aim of a monopolist is to

A. maximise output
B. maximise profits
C. minimise competition
D. minimise profits [1]

Study the diagram below reflecting the demand curves for grouper and then answer question 18.



18. The shift in the demand curve from D_0 to D_1 was likely caused by

A. a decrease in consumer income
B. × a decrease in the supply of groupers
C. + a fall in the price of grouper
D. × an increase in the price of snappers and jacks [1]

19. The following information is given to you regarding the import and export figures of a country.

	$Million
Visible Exports	267
Visible Imports	325
Invisible Exports	562
Invisible Imports	450

What is the balance on trade in goods and services?

A. $ 54 million
B. $ 58 million
C. $ 112 million
D. $ 237 million [1]

The market demand and supply schedule for the cement industry is shown below. Use the information to answer questions 20 and 21.

PRICE (PER BAG) $	QUANTITY SUPPLIED (PER THOUSAND BAGS)	QUANTITY DEMANDED (PER THOUSAND BAGS)
20	50	100
22	60	80
25	75	75
30	120	60

20. What is the industry turnover when the market is in equilibrium?

A. $1,320,000
B. $1,875,000
C. $2,000,000
D. $3,600,000

25 × 75

[1]

21. When the price of cement is $22 per bag what is the market activity in dollar terms?

A. $1,320,000
B. $1,760,000
C. $3,080,000
D. $4,440,000

[1]

Use the following information to answer questions 22 and 23.

A company declares a dividend of 8% on 5,000 Preference shares of $5 each and the balance of the net income is to be distributed as dividends to Equity shareholders. The capital amounted to 20,000 shares of $2 each. The net income for the year totalled $6,000.

22. What is the amount of dividend to be paid to Preference shareholders?

A. $2,000
B. $3,000
C. $4,000
D. $6,000

[1]

23. What is the amount of dividend to be paid to a holder of 1000 Equity shares?

A. $ 200
B. $ 300
C. $3,000
D. $6,000 [1]

24. The infant mortality rate in a country is determined by calculating the

know this

A. crude death rate
B. difference between births and deaths of infants
* C. number of deaths of children under one year old in a year for every thousand live births
D. total number of infants under the age of five years dying [1]

25. What is the dependency ratio if a country has a total population of 450,000 with 300,000 people in the working age group?

A. 25%
B. 33.33%
C. 50%
D. 66.67% [1]

26. Figure 1 below is a diagram depicting a trade cycle.

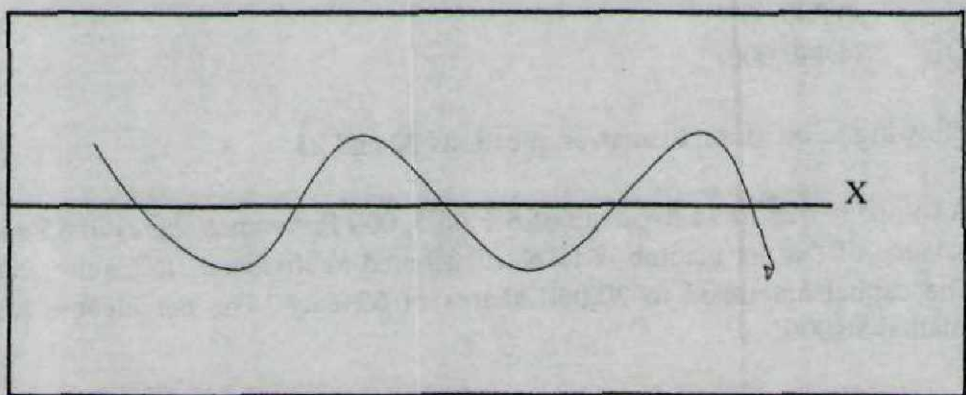


Figure 1

The line X is often known as

A. Equilibrium
B. Full employment
C. Recession

27. The exchange rate of Euros to US dollars is €1 = \$1.60. What is the price in dollar of a DVD player which cost €60 in Germany?

A. \$ 37.50
B. \$ 60.00
C. \$ 96.00
D. \$160.00

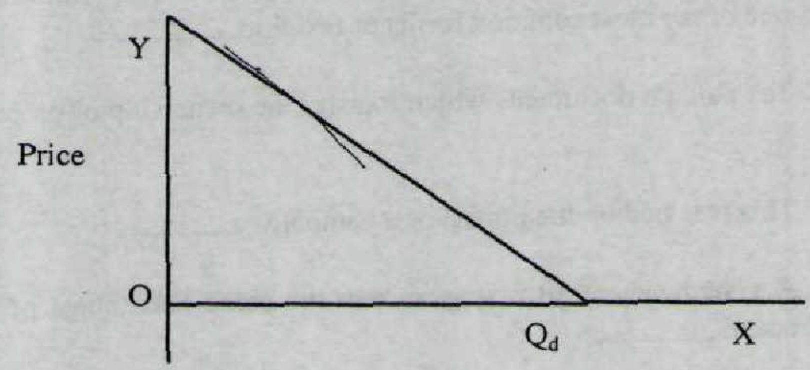
[1]

28. Productivity measures the following

A. economic growth
B. the cost of production
C. the rate of production
D. the rate of unemployment

[1]

29. The demand curve for a consumer good is shown below.



What happens to elasticity of demand as you move down the curve or as price falls?

A. It falls in value
B. It is constant
C. It is unitary
D. It rises in value.

[1]

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

A. Abundant capital
B. Less developed primary sector but highly developed tertiary sector
C. Low rate of inflation
D. Low standard of living with dependence on primary sector

[1]

Total marks [30]

31. For **PART I** and **PART 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

Know this

A. Income Tax

B. Corporate Tax

C. Stamp Duty

D. Proportional Tax

E. Excise Tax

(i) These are usually levied on certain domestically produced goods and some imported goods. ______ [1]

(ii) This tax usually raises more revenue than most other forms of taxation and is one of the most common forms of taxation. ______ [1]

(iii) Tax paid on documents which transfer the ownership of property. ______ [1]

(iv) This is levied on the profits of a company. ______ [1]

(v) A system where all taxpayers pay the same percentage of their income in taxes. ______ [1]

Total marks [5]

PART II

A. Discount Houses

B. Merchant Banks

C. Foreign Banks

D. Loan

E. Overdraft

Knowe this

(i) These specialise in wholesale banking. ______ [1]

(ii) These make up the largest proportion of the commercial banking sector in The Bahamas. ______ [1]

(iii) A short term method of financing for businesses. ______ [1]

(iv) These usually provide short term loans against financial instruments. ______ [1]

(v) This is the form in which businesses may obtain long-term capital from banks and financial institutions. ______ [1]

Total marks [5]

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

		TRUE	**FALSE**
A.	All other things being equal suppliers will tend to raise prices to boost demand.	T	F
B.	A buffer stock policy is often used by government to stabilise market prices.	T	F
C.	A year of drought may lead to higher food prices when supply is less than demand.	T	F
D.	Developing economies usually experience a high per capita income.	T	F
E.	Bank deposits are created when a bank makes a loan.	T	F
F.	The money supply consists of notes, coins and bank deposits which are created by the banking system.	T	F
G.	Trade unions are usually able to raise wage levels when they control labour supply.	T	F
H.	All other things being equal if prices of goods increase by 4%, wage rates must increase by more than 4% to maintain the same standard of living.	T	F
I.	Economic growth usually refers to an increase in the industrial output of a country.	T	F
J.	Tennis racquets and tennis balls are examples of complementary goods.	T	F

Total marks [10]

STRUCTURED QUESTIONS

33. The Economist Intelligence Unit (EIU) on Wednesday gave The Bahamas a favourable rating in an assessment of its tourism sector, political climate and overall economy.

The EIU reported that investments in The Bahamas tourism sector and the increasing trend in stopover arrivals would continue to support economic growth in 2005/6. It was said that the engineering goods and construction sector would benefit from tourism-related investment projects.

According to preliminary data from the Central Bank of The Bahamas, the current account deficit for the fourth quarter of 2004 narrowed sharply year on year to \$420.7 million, down US\$157.5 million in October-December 2003. Despite the 18.4% increase in exports the 52.7% increase in the international oil prices resulted in a deficit on the balance of trade.

Source: The Nassau Guardian, Thursday 5 May 2005

(a) What does "favourable rating" in the above article suggest?

____

____

____

____ [2]

(b) What kind of economics system does The Bahamas have?

Mixed economy ____________________________ [1]

(c) Suggest measures that the government may take to correct an adverse balance of payments.

[6]

(d) Explain the phrase "current account deficit" and suggest ways in which a country may correct this.

[6]

(e) Discuss the effects higher oil prices might have on the economy of The Bahamas.

[6]

(f) Suggest and explain ways in which the standard of living in a country may be improved.

[4]

Total marks [25]

34. The Bahamas Electricity Corporation (BEC) reported revenue increases for the year ending 30 September, 2004, despite the reduction in electricity rates, said Minister of Works and Utilities, Bradley Roberts.

On April 19, gas prices at Shell in New Providence rose from $3.57 to $3.85 per gallon. Consumption of gas however fell by 3% as a result. The supply of electricity was sufficiently high to match the change in demand levels.

Source: The Nassau Guardian (adapted)

(a) On the basis of the article, what is the nature of the elasticity of demand for electricity in The Bahamas? Justify your answer.

____

____

____

____

____

____ [3]

(b) "The elasticity of supply for some goods may be greater than others." Explain this statement.

____

____

____

____

____

____

____

____ [6]

(c) Based on the information given:

(i) calculate the elasticity of demand for gas from Shell in New Providence.

[4]

(ii) comment on the elasticity of demand for gas from Shell in New Providence.

____

____

____

____ [2]

(d) BEC is a nationalised industry. What do you understand by nationalisation of an industry?

____

____

____

____ [2]

(e) Discuss why The Bahamas government may have nationalised some industries.

____

____

____

____

____

____

____

____

____

____ [8]

Total marks [25]

2030/2

BGCSE

School Number	Candidate Number
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ECONOMICS

PAPER 2 2030/2

Thursday **7 JUNE 2007** 12.30 – 3.00 P.M.

Additional materials: **Time 2½ hours**
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			
20 marks each			
Question 1		Question 5	
Question 2		Question 6	
Question 3		Question 7	
Question 4		Question 8	
Total Marks			

PART I

1. Some of the governments of economically powerful countries provide subsidies, especially to local farmers, to enable them to compete favourably in the international market.

However, the World Trade Organisation and the European Union have repeated their commitment to breaking down barriers between nations by promoting greater competition and increasing the volume of trade between countries. They are also committed to the establishment of a common tariff policy in both goods and services for non-members as well as for those countries that have bilateral trade agreements.

(a) Identify **TWO** organisations that seek to promote trade liberalisation.

____

____

____

____ [2]

(b) What are "subsidies"?

____

____

____

____

____

____ [3]

(c) Explain why the provision of subsidies by some governments may be criticised.

[4]

(d) Explain what "bilateral trade agreements" are?

[2]

(e) According to the passage explain how the World Trade Organisation and the European Union may benefit international trade.

____

____

____

____

____

____ [3]

(f) Explain some of the barriers that may be placed to restrict free international trade.

____

____

____

____

____

____

____

____ [6]

Total marks [20]

2. Consumption expenditure is described by economists as significant in trying to achieve full employment and growth of an economy. Expenditure on "consumer durables" as a percentage of total expenditure tends to increase as consumers set up a home of their own. To finance these the use of purchase credit facilities from banks and other financial institutions is increasing. Typically, buying on credit involves a down payment and instalment payments over a period of time which includes interest. However, individuals with greater disposable income tend to pay the "cash price".

(a) What are "consumer durables"? Give an example.

[3]

(b) Distinguish between "producer" goods and "consumer" goods. Use an example of each.

[6]

(c) What do you understand by the term "credit facilities"?

[2]

(d) Suggest **THREE** factors that a bank may consider before lending money to a consumer.

[3]

(e) Distinguish between "cash price" and a "down payment".

[2]

(f) The cash price of an item is \$600. However, if it is purchased on credit a 10% down payment is required. The interest on the purchase is \$120. The item must be paid for in 12 equal instalments. What is:

(i) the amount of the down payment. ______ [1]

(ii) the balance owing after the payment of the down payment. ______ [1]

(iii) the amount of the monthly payments. ______ [1]

(iv) the amount paid for the item if bought on credit. ______ [1]

Total marks [20]

3. The following information regarding Alderan Trading Company (PLC) is given to you:

	$
80 000 ordinary shares of B$1.00 per value	80 000
20 000 5% preference shares of B$5.00 each	100 000
Distributable Dividend	50 000
Market price ordinary shares	6.00

(a) What form of ownership does the business have? Explain your answer.

____

____

____

____ [2]

(b) Distinguish between the "par value" and "market price" of the ordinary shares.

____

____

____

____

____

____

____

____ [4]

(c) State at least **FOUR** documents that must be submitted by the Alderan Trading Company (PLC) in order to conduct business.

____

____

____

____

____

____

____

____ [4]

(d) Explain at least **FOUR** pieces of information to be found in any of the documents you have mentioned in your answer to part (c).

____

____

____

____

____

____

____

____ [4]

(e) If you were the owner of 1000 ordinary shares and 500 preference shares in the Alderan Trading Company (PLC), calculate your income.

[4]

(f) Distinguish between "ordinary" shares and "preference" shares.

____

____

____

____ [2]

Total marks [20]

PART II

Answer **ANY THREE** questions from this section.

4. British Aerospace in collaboration with Airbus Industries and five other European aerospace companies have developed the new Airbus A3XXX. Boeing has also developed their new jumbo aircraft capable of carrying 550 passengers over long distances. These aircraft will have four aisles and provide maximum comfort for passengers including a gym. The development of these aircraft is reported to cost about $8 billion.

   (a) Explain why it may be necessary for the aircraft companies to collaborate in production.

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____ [4]

   (b) What is the nature of competition existing between aircraft manufacturing industries?

   ____

   ____

   ____

   ____ [2]

(c) Explain some ways in which Airbus Industries can promote the sales of their aircraft.

[4]

(d) State **FOUR** factors that may influence the location of an aircraft manufacturing plant.

[4]

(e) What may be the possible reasons for the high development cost of the aircraft?

____

____

____

____

____

____ [3]

(f) Suggest some of the advantages of using these large aircraft in commercial service.

____

____

____

____

____

____ [3]

Total marks [20]

5. The volatile nature of the share markets in the emerging economies of some Asian countries often reflect the eagerness of these counties to increase investment and the standard of living. Employment levels in these countries are now at an all time high. However, these countries still have a large number of unemployed which has resulted in both structural as well as frictional unemployment. The governments of these countries generally pursue the twin objectives of increasing education and reducing unemployment by both direct and indirect intervention in business activities.

(a) What is the name given to a share market?

____ [1]

(b) Suggest reasons for the fluctuations in share prices.

____

____

____

____ [2]

(c) Explain how a stock market may reflect increasing investment and a higher standard of living.

[6]

(d) Distinguish between "frictional" and "structural" unemployment.

[4]

(e) State **TWO** economic objectives of most governments.

[2]

(f) Explain **TWO** ways in which governments may influence business activities in a country.

[2]

(g) Suggest **THREE** ways in which a government may promote employment in a country.

[3]

Total marks [20]

6. The Finance Minister presents a government budget each year. Sometimes a budget surplus is achieved and sometimes the budget is presented with a deficit. The minister may use a surplus to check inflationary trends while a deficit may be used in times of high unemployment.

(a) What is a government budget?

____

____

____

____ [2]

(b) Explain the meaning of "surplus" and "deficit".

____

____

____

____ [2]

(c) State **FOUR** sources of government revenue that may be contained in a budget.

____ [4]

(d) State **THREE** areas of government expenditure.

____ [3]

(e) How may the government use a budget deficit to reduce unemployment?

____ [2]

(f) What do you understand by inflationary trends?

____

____ [1]

(g) Explain the terms "Demand Pull", "Cost Push" and "Hyperinflation".

____

____

____

____

____

____

____

____

____

____ [6]

Total marks [20]

7. (a) What is understood by the term "utility" in economics?

[2]

(b) Street lighting and police services are often considered "free" in The Bahamas. From an economic point of view explain the extent to which the following are "free".

(i) "street lighting"

[2]

(ii) "police services"

[2]

(c) Distinguish between "short-run" and "long-run" production.

____

____

____

____

____

____

____

____ [4]

(d) The production costs of a product is given below.

Fixed Cost	$300,000
Variable Cost	$20.00 per unit
Number of units produced	30,000 units

(i) Determine the total cost of production. (Show your working.)

[2]

(ii) Calculate the average cost of producing one unit. (Show your working.)

[2]

(e) Explain **THREE** factors that may help to increase the productivity of an organisation.

____

____

____

____

____

____ [6]

Total marks [20]

8. A "market" is often described as an arrangement whereby buyers and sellers may exchange goods and services. However, there are many types of markets such as "spot" and "future" markets. Some markets are also referred to as imperfect markets. The goods exchanged in these markets may be both "producer" and "consumer" goods.

(a) Explain the difference between "producer" and "consumer" goods. Give an example for each.

[6]

(b) Distinguish between "spot" and "future" markets.

[4]

(c) Explain what is meant by "market demand".

[3]

(d) Explain the term "market supply".

[3]

(e) What are "imperfect markets"? Give an example of such a market.

[4]

Total marks [20]