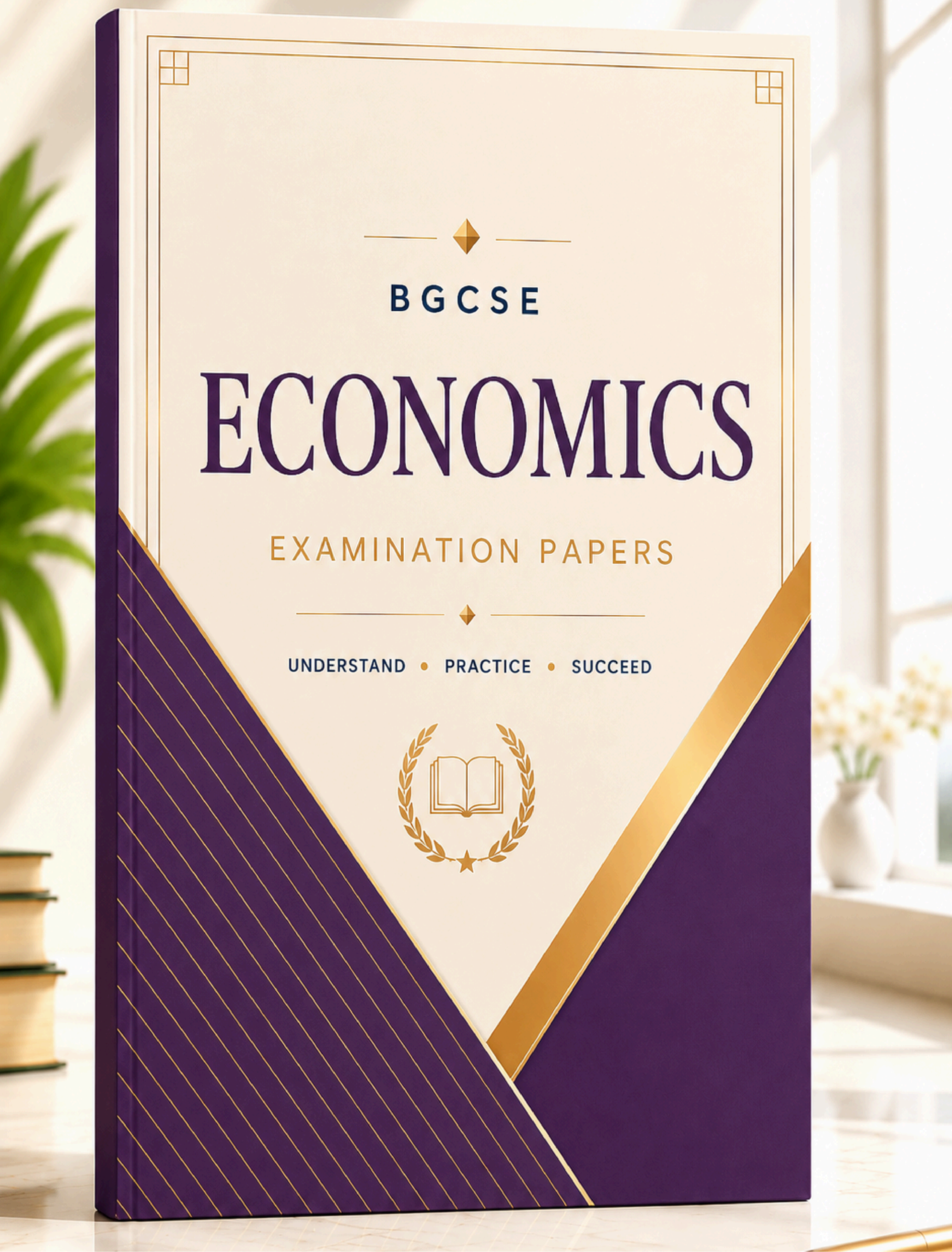
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2030/1 **BGCSE**

School Number	Candidate Number
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ECONOMICS

PAPER 1 2030/1

Monday 28 MAY 2018 1:00 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.

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.

Calculators are allowed.

ALL answers must be written in **INK**. Pencilled answers will **NOT** be accepted.

FOR EXAMINER'S USE ONLY	
Questions 1–30 M/C	
Question 31 – Matching	
Question 32 – True/False	
Question 33 – Structured	
Question 34 – Structured	
Total Marks 100	

This question paper consists of 15 printed pages and 1 blank page.

Section A
MULTIPLE CHOICE QUESTIONS
(30 Marks)

Directions: Read each question carefully. Answer **ALL** Questions. Choose the **ONE** answer that is correct. Circle the letter in the answer booklet. There is **ONLY ONE** correct answer.

1. What is the stage in which a product is extracted, grown or collected called?

   A. factor of production
   B. primary production
   C. secondary production
   D. tertiary production. [1]

2. Which statement best describes how most of the basic economic problems emerge?

   A. a failing economic system
   B. government interference with the market
   C. the use of limited resources to satisfy human wants
   D. unskilled entrepreneurs. [1]

3. Which of the following is **not** a factor of production?

   A. enterprise
   B. finance
   C. labour
   D. land. [1]

4. Which of these does **not** occur once specialization is introduced?
   A. increased productivity
   B. mechanization of the production process
   C. repetition of the same task
   D. workers need a wider range of skills. [1]

5. Once an apple is grown and collected which classification would **not** apply?

   A. commodity or a product
   B. durable or non-durable good
   C. finished or semi-finished product
   D. a public good. [1]

6. Which of these is considered total national wealth?

A. assets such as land, houses, factories, shops and machinery
B. financial assets inclusive of notes, coins, bank deposits, building society deposits and company shares
C. the sum of things such as roads, hospitals, schools, parks and libraries
D. the summation of privately and publicly owned wealth. [1]

7. Which of the following **best** describes the depreciation of capital?

A. annual increase in the total stock of capital
B. devaluation of capital due to the wear and tear from use or obsolescence
C. summation of the value of a capital good over a period of time
D. total output of capital goods during a particular period of time, usually one year. [1]

8. At the beginning of 2016 a firm's stock of capital was valued at $10 000 000. Depreciation takes place at a rate of 5% per annum. Towards the end of the year, the firm bought new machinery for $1 000 000. What was the firm's net investment for 2016?

A. $ 500 000
B. $ 1 500 000
C. $ 9 500 000
D. $10 500 000. [1]

Use the following information to answer questions 9 and 10:

	$
Wages	*275.00*
Interest gained on shares	*10.00*
Child Benefits	*27.50*
National Insurance Contributions	*10.50*
Savings	*20.00*
Groceries	*60.00*

9. What is the household's disposable weekly income?

A. $275
B. $282
C. $302
D. $322. [1]

10. What is this household's total weekly expenditure?

A. $ 60
B. $ 80
C. $ 90.50
D. $204.50. [1]

11. How is a market defined in economics?

A. A specific place where buyers and sellers meet.
B. All those buyers and sellers who influence the price of a good.
C. Any place where tangible goods are bought and sold.
D. The business centre of a community. [1]

12. What does it mean when an economist says a good has *utility*?

A. The good has the power to satisfy a want.
B. The good is not socially or morally undesirable.
C. The good is very useful.
D. Something has to be given up in order to possess it. [1]

13. Which would be a valid explanation if lawyers received higher wages than school teachers?

A. Schoolteachers work longer hours than lawyers.
B. People with lawyer training are relatively scarcer than schoolteachers.
C. Working as a lawyer is more pleasant.
D. There is a higher supply of schoolteachers than lawyers. [1]

14. Which of the following allows the direct withdrawal of funds from a personal bank account?

A. credit card
B. debit card
C. discount card
D. reward card. [1]

15. Which of the following defines the prime rate of interest?

A. the loan interest rate between banks
B. the lowest rate of interest for borrowing from commercial banks
C. the rate of interest on loans from the Central Bank
D. the special interest rate banks offer to long term borrowing. [1]

16. Which statement is **not** true?

A. A stockbroker owns the shares he buys and sells.
B. A stockbroker acts on behalf of his client.
C. A stockbroker advises people on buying and selling of shares.
D. A stockbroker hopes to make a profit on what he sells the shares for. [1]

17. Which of these would result in an increase in the supply of labour?

A. increasing the number of immigrants in the 16 and 65 age group
B. introducing a period of internship for students in junior high school
C. paying higher unemployment benefits
D. raising the school leaving age. [1]

18. In which of these areas would the population tend to be more concentrated?

A. where the scenery is most beautiful
B. where there are good schools for children
C. where there are outlets for leisure activities
D. where work is to be found. [1]

19. When is a market said to be in equilibrium?

A. At the current market price where the amount which buyers want to buy just equals the amount which sellers want to sell.
B. At the ruling market price where buyers do not wish to add to the amount of the good which they already have.
C. When sellers are satisfied with the price which they have obtained for their goods.
D. When the number of buyers are equal to the number of sellers. [1]

20. Joey forgot to remove his allowance from his pocket when his pants were laundered and was relieved to find it undamaged when it was retrieved. What quality of money was demonstrated here?

A. durability
B. divisibility
C. portability
D. limited in supply. [1]

21. Which of the following is **not** counted as expenditure when calculating Gross Domestic Product (GDP)?

A. consumption
B. government spending
C. investment
D. rents. [1]

22. Which of the following is an important source of government income?

A. employee compensation
B. indirect taxes
C. interest
D. profits. [1]

23. What is **not** a problem in the accurate measurement of the GDP?

A. government spending
B. negative externalities
C. non-market activities
D. unreported activities. [1]

24. Which of the following is **not** characteristic of a competitive market?

A. consumer choice
B. excessive variety
C. forced efficiency
D. higher prices. [1]

25. What is the term used when a government places a ban on trade with another country?

A. customs duty
B. embargo
C. quota
D. subsidy. [1]

26. What is determined by interaction between aggregate demand and aggregate supply?

A. business profits
B. government tax receipts
C. investment
D. real GDP and the price level. [1]

27. Which is an injection in the circular flow of income?

A. exports
B. imports
C. savings
D. taxes. [1]

28. Which would be considered a capital good for a landscaping company?

A. coffee urn
B. microwave oven
C. MP3 player
D. weed whacker. [1]

29. Which represents a cost of economic growth?

A. greater mobility of labour
B. higher labour employment
C. increased levels of pollution
D. more variety of lifestyle. [1]

30. What type of merger would take place if Smith's Shoe Store merged with Rose Shoe Manufacturing Company?

A. horizontal merger
B. lateral merger
C. parallel merger
D. vertical merger. [1]

TOTAL MARKS [30]

Section B
MATCHING
(10 Marks)

31. In **Part I** and **Part II** match the terms labelled A – E with each of the statements below by placing the correct **LETTER** in the space provided.

PART 1

A. Comparative Advantage
B. Invisible Trade
C. Inflation
D. Absolute Advantage
E. Devaluation

(i) _____ A sustained rise in prices where the real value of money falls. [1]

(ii) _____ The value of one country's currency falls in relation to the value of another country's currency. [1]

(iii) _____ A country can produce a particular product using fewer resources than other countries. [1]

(iv) _____ The importing and exporting of services. [1]

(v) _____ A country can produce a particular product at a lower opportunity cost than other countries. [1]

TOTAL MARKS [5]

PART 2

A. Brokers
B. Dividend
C. Bulls
D. Jobbers
E. Debentures

(i) _____ Long term loans that are often referred to as an IOU. [1]

(ii) _____ The wholesalers of stocks and shares who are hoping to make a profit by selling shares to retailers. [1]

(iii) _____ Persons who buy and sell shares on behalf of clients. [1]

(iv) _____ Persons who buy or hold shares in anticipation of prices rising. [1]

(v) _____ The actual monetary returns that was paid for shares. [1]

TOTAL MARKS [5]

Section C
TRUE/FALSE
(10 Marks)

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

STATEMENT	TRUE	FALSE
1. Free education, in an economic sense, is not really free.	**T**	**F**
2. Goods that are not supplied in a market economy are known as public goods.	**T**	**F**
3. In a command economy firms produce only those goods that are profitable.	**T**	**F**
4. Production refers to the creation of useful goods and services.	**T**	**F**
5. Economies of scale refer to an increase in the size of the firm which leads to less efficient production.	**T**	**F**
6. A census is taken every five years in The Bahamas.	**T**	**F**
7. Demand pull inflation refers to increase in the cost of the factors of production such as raw material and labour.	**T**	**F**
8. Three measures of national income are the input method, output method and expenditure method.	**T**	**F**
9. Government spending is a leakage from the circular flow of income.	**T**	**F**
10. Recession is a period during which real GDP declines for at least two consecutive years.	**T**	**F**

TOTAL MARKS [10]

Section D
STRUCTURED QUESTIONS
(50 Marks)

INSTRUCTIONS: Answer all questions in the spaces provided.

33. *The supply of any useful good or service will never be fully attained through the efforts of one country. However, international trade has made the supply of goods and services easily accessible. Countries can identify potential markets for a good or service; utilise its economic means to fulfil the demands for a tangible or intangible commodity, and trade.*

(a) State **one** factor that influences supply.

____

____ [1]

(b) Discuss **three** barriers or incentives a government can use that would limit supply of goods or encourage trade.

____

____

____

____

____

____ [6]

(c) If the price of grapefruits changed from \$6 to \$5 which resulted in the quantity supplied moving from 200 units to 180 units, what would be the price elasticity of supply of grapefruits?

____

____

____

____

____

____ [4]

(d) Refer to the table below of the Balance of Payments for The Bahamas in 2016 to answer the questions that follow.

	B$ Millions
Visible Exports	**444.3**
Visible Imports	**2 593.3**
Invisible Exports	**2 261.3**
Invisible Imports	**1 202.0**

Source: The Central Bank of The Bahamas

(i) Calculate the balance of trade. [1]

(ii) Calculate the invisible balance. [1]

(iii) Determine the current account balance. [1]

(iv) Determine if the current account balance is a deficit or surplus. [1]

(e) Suggest **three** ways to correct an adverse balance of payments.

____ [6]

(f) Identify **one** pro and **one** con of international trade restrictions and evaluate each item.

____ [4]

TOTAL MARKS [25]

34. Businesses are organised in many different forms. Unfortunately, not all customers are aware of the various business organisations that they utilise on a daily basis.

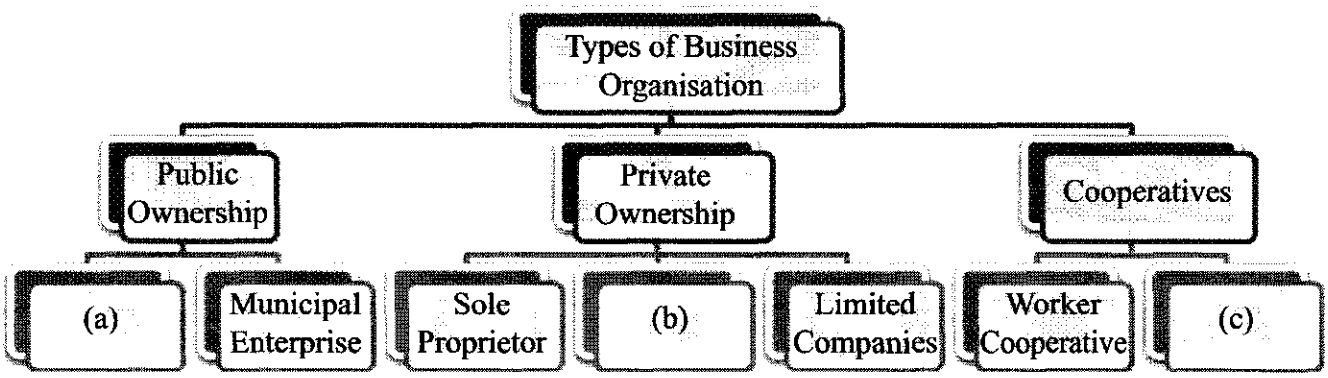

Figure 1

(a) Complete the diagram shown in Figure 1 above by placing the correct word on the line spaces provided.

(a) ______________________________ [1]

(b) ______________________________ [1]

(c) ______________________________ [1]

[3]

(b) Suggest **one** advantage and **one** disadvantage of a sole trader/proprietor.

____

____

____

______________________________ [2]

(c) The following figures refer to a manufacturing firm. The firm has increased its sale of production.

INPUTS	Year 1	Year 2
Land	3	4
Labour	4	8
Capital	6	10
OUTPUT	**5 000**	**15 000**

(i) Calculate the percentage change in the inputs of the firm between Year 1 and Year 2.
Show working.

[3]

(ii) Calculate the percentage change in output of the firm from Year 1 to Year 2. Show working.

[1]

(iii) Use the answers from (i) and (ii) to explain whether the firm is experiencing economies of scale or diseconomies of scale.

____

____

____ [2]

Smith's Chicken Shack is a local fast food restaurant that started off with one location and can now boast of having five locations on New Providence and one international restaurant.

(d) Examine **two** ways in which a firm like this can grow in size.

____

____

____

____

____

____ [4]

(e) Firms may grow too large and start to experience diseconomies of scale. Discuss **two** reasons why this can happen.

____

____

____

____ [4]

(f) The decision as to where a firm will locate is a very important one. Explain **two** factors that might affect the decision of restaurant owners to locate in a particular area.

____

____

____

____

____

____

____ [6]

TOTAL MARKS [25]

End]

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2030/2 **BGCSE**

School Number	Candidate Number
Surname and Initials	

ECONOMICS

Paper 2 2030/2

Tuesday **5 JUNE 2018** 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.

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 18 printed pages and 2 blank pages.

Part I – 60 Marks

Directions: Candidates must attempt **ALL** questions in this Part.

1. The table below shows a demand and supply schedule for cakes.

Price $	Demand	Supply	*C*
55	20	80	
50	40	75	
45	60	60	
40	80	55	

Figure 1

(a) Using the graph paper provided, plot and label the curves and the equilibrium point. [5]

(b) What is the ***equilibrium price*** and ***quantity*** set in this market?

____ [2]

(c) Explain how this equilibrium takes place.

____

____ [2]

(d) State **two** reasons why there may be a decrease in the supply of cakes.

____

____

____

____ [2]

ECONOMICS GRAPH PAPER

MINISTRY OF EDUCATION **AB7**

BAHAMAS GENERAL CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

School No.	Candidate No.	Level:	For Examiner's Use
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Subject Number & Title:		Paper:	
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Signature:	Date:	Qu. No.	

(e) Suppose supply decreases by 35 cakes at each price level.

(i) Calculate the new supply schedule in column C above. [2]

(ii) On the graph completed in part (a), construct and label the new supply curve S1. [1]

(iii) Calculate the change in equilibrium price.

____

____ [1]

(f) Based on the original market schedule shown in Figure 1:

(i) Calculate the price elasticity of demand for cakes when price decreases from $50 to $40. Show your working.

[4]

(ii) State if demand is elastic or inelastic.

____ [1]

TOTAL MARKS [20]

2. *Every day we can see people carrying out economic activities. They are taking place in houses, shops, offices, factories and banks, on farms, on building sites and so on. The study of this great variety of activities is made much easier by classifying them into three main types.*

Source – *Starting Economics*, G.F. Stanlake, 1993, p. 4

(a) What are the **three** types of economic activities to which this author is referring?

____

____

____ [3]

(b) Consumer goods are said to be ***durable*** or ***non-durable***. Give **two** characteristics of each type of consumer goods along with **one** specific example for each.

____

____

____

____

____

____ [6]

(c) Assume that a Straw Market stallholder employs two bag makers; Catherine and Stacy. Both women are skilled workers and customize authentic straw bags for the employer to sell at the local Straw Market. They are both given the exact same resources and equipment.

In a 40 hour work week, Catherine produces 210 straw bags, whereas Stacy produces 190 straw bags, respectively.

(i) Define productivity.

____

____

____ [3]

(ii) Calculate the productivity of **each** worker. Show your working.

[2]

(iii) Suggest **two** reasons why Stacey's productivity may be lower than Catherine's.

[2]

(iv) There are many factors that can lead to an ***increase*** or ***decrease*** in the productivity of labour.

Briefly explain **two** of these factors.

[4]

TOTAL MARKS [20]

3. Local Government was established in The Bahamas by The Bahamas Local Government Act in 1996. Local Government exists in the Family Islands.

(a) State the levels of government in The Bahamas.

____

____

____

______________________________ [2]

(b) Give **two** responsibilities of local government.

____

____

____

______________________________ [2]

(c) Define the term '*municipal*'.

____

____

____

______________________________ [2]

(d) Identify **two** services offered by a municipal authority.

____

____

____

______________________________ [2]

(e) Explain **two** advantages and **two** disadvantages of having a *municipal* authority.

[4]

(f) Examine local government in terms of ***formation, ownership, control*** and ***finance***.

[8]

TOTAL MARKS [20]

Part II – 40 Marks

Directions: ***ANSWER*** any **TWO** questions from this section.

4. The Bahamas government collects revenue in order to run the country, fund various projects, and pay its debts. Most of this revenue comes through taxation.

   (a) What is a tax?

   ____

   ____ [2]

   (b) State **two** consumer goods in The Bahamas on which taxes are levied?

   ____

   ____ [2]

   Study the table below and then answer the questions that follow.

Central Government: Revenue 2015/16 (B$ 000)

TAX REVENUE	B$	NON-TAX REVENUE	B$
Property Tax	103 742	Public Enterprises	5 119
Gaming Tax	26 359	Income from Other Sources	35 564
Hotel Occupancy Tax	625	Fines, Forfeits & Administrative Fees	210 734
Business & Professional License	146 175	Sale of Government Property	1 638
Import Tax	264 452	Other	105
Excise Tax	229 868		
Export Tax	12 089		
Motor Vehicle Tax	30 368		
Departure Tax	134 634		
Other Stamp Tax	100 027		
Value Added Tax	627 895		
Tax Revenue sub-total		**Total Non-Tax Revenue sub-total**	
TOTAL TAX & NON-TAX REVENUE			

Table 1

Source: Treasury Accounts & Treasury Statistical Summary Printout

(c) State **four** principles of a tax.

____

____

____

______________________________________ [4]

(d) Calculate ***Tax Revenue*** and ***Non-Tax Revenue***.

____

______________________________________ [2]

(e) What is the total amount of revenue (***Tax*** and ***Non-Tax***) collected for this period?

____

______________________________________ [1]

(f) What is the percentage of Non-Tax Revenue collected?

____

______________________________________ [2]

(g) Taxes can be classified in a number of ways but one of the more traditional means is ***direct*** and ***indirect***. What is the difference between a direct and an indirect tax?

____

____

____

____

____

______________________________________ [3]

(h) Explain **two** reasons why taxes should be imposed by the government.

[4]

TOTAL MARKS [20]

5. Business Cycles

(a) Define the term '*business cycle*'.

[2]

(b) Write a brief description of **each** of the following phases of the business cycle: ***trough,*** ***expansion*** and ***recession***.

[6]

(c) Examine **two** of the suggested causes of a business cycle.

[6]

(d) Define ***fiscal policy*** and discuss **two** means by which the government uses fiscal policy to combat the harmful effects of the business cycle.

[6]

TOTAL MARKS [20]

6. *Today, the world has been exposed to several types of economic systems. The economic system chosen is determined based on the overall economic challenges faced by that country. Each country has adopted an economic system and The Bahamas is no exception.*

(a) What are the **three** basic questions that all economic systems must answer?

____

____

____ [3]

(b) Discuss **two** features and give **one** example of each of the following:

(i) Subsistence Economy

____

____

____

____ [2]

(ii) Free Market Economy

____

____

____

____ [2]

(iii) Centrally Planned Economy

____

____

____

____ [2]

(c) What does the term 'price mechanism' mean?

[3]

(d) What is the difference between merit goods and services and public goods and services?

[4]

(e) What are **four** reasons why the Bahamian government exercises control over the economy?

[4]

TOTAL MARKS [20]

7. *FREEPORT, Grand Bahama – Prime Minister of The Bahamas and Minister of Finance, the Rt. Hon. Perry Christie said government must diversify its revenue sources, during the opening ceremony of the World Customs Organisation IT Conference and Exhibition at Our Lucaya on Wednesday, May 6.*

"The Bahamas has relied heavily on import duties and taxes as a source of revenue like many other Small Island Developing States and small vulnerable economies, to fund government expenditure for public goods including education, health, social security, and of course public sector salaries.

"Direct Customs duties and taxes account for approximately half of the total revenue collected by The Bahamas Customs and Excise Department, which translates into approximately 25% of total government revenue."

Authored by: Robyn Adderley
Source: Bahamas Information Services
Date: May 6, 2015

(a) What are the **two** primary responsibilities of The Bahamas Customs and Excise Department?

____

____ [2]

(b) Identify **four** national services provided by the government that require citizens to pay taxes?

____

____

____

____

____

____

____ [4]

(c) (i) Table 1, page 8, indicates that the government received more than $200 million from Fines, Forfeits & Administrative Fees in 2015/16. Give **two** specific examples of any two ***Non Tax Revenues*** of The Bahamas.

____

____

____

____

____

____ [4]

(ii) Give **two** actions that can be taken by the government if the revenue collected is not sufficient to cover expenditures.

____

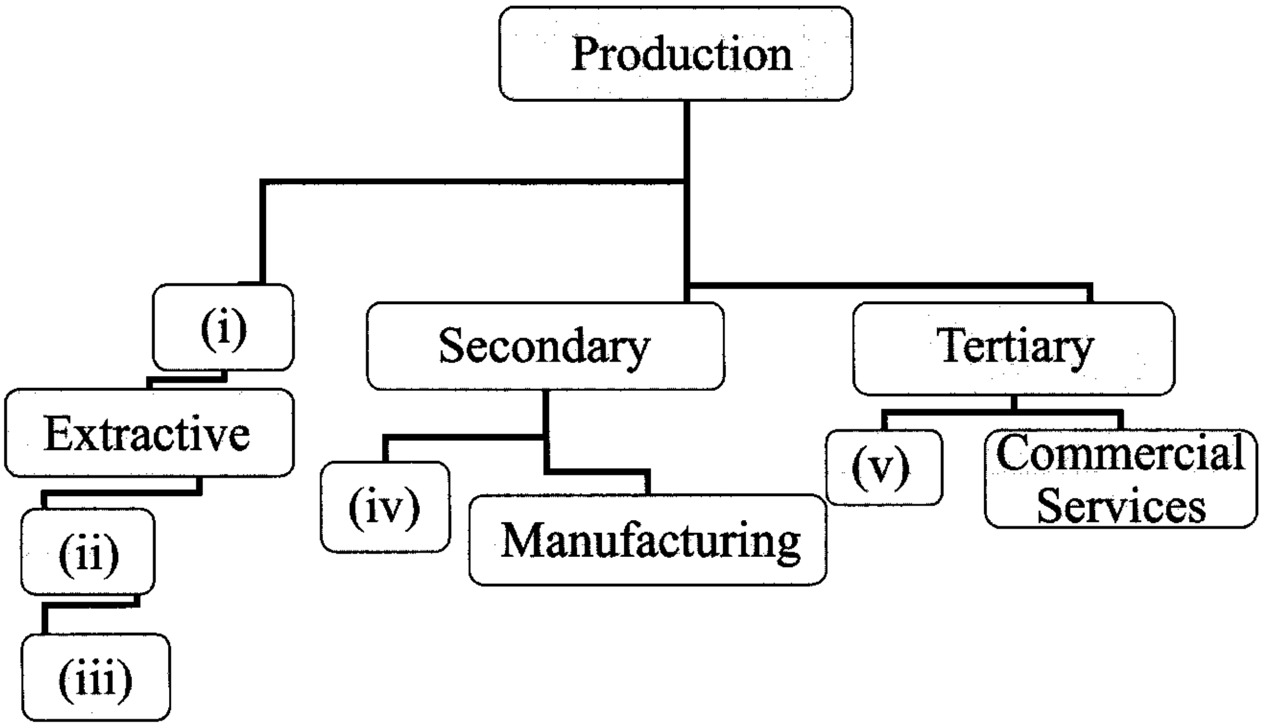
____ [2]

(d) State and discuss **four** things that the Bahamian government has done to date to diversify its revenue sources?

[8]

TOTAL MARKS [20]

8. The diagram below illustrates the branches of production and the organisational structure of Economics. It is through this diagram that many individuals have learnt the dynamics of economics and how it significantly influences trade internationally as well as domestically.



(a) Complete the diagram by placing the correct word on the line spaces provided

(i) ______________________

(ii) ______________________

(iii) ______________________

(iv) ______________________

(v) ______________________ [5]

(b) (i) Define the term ***production***.

____

____ [1]

(ii) Give **one** specific example of an *extractive* industry in The Bahamas.

____ [1]

(c) Name **two** commercial services that locally influence trade in The Bahamas.

____

____ [2]

(d) The *Secondary* sector of production has two branches. Discuss **two** areas in which this sector may influence the level of international trade in The Bahamas.

____

____

____

____

____ [4]

(e) What does *Tertiary* mean as shown in the chart?

____

____ [1]

(f) Discuss **three** reasons why the tertiary level of production is so important to the Bahamian economy?

____

____

____

____

____

____

____

____

____ [6]

[TOTAL MARKS 20]

End]