

2030/1

BGCSE

School Number	Candidate Number
Surname and Initials	

ECONOMICS

PAPER 1 2030/1

Friday **27 MAY 2011** 1.00 P.M. – 3.00 P.M.
Time: 2 hours

Additional materials:
None

MINISTRY OF EDUCATION NATIONAL EXAMINATIONS
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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 clearly at the top of this booklet.

Read the instructions for each task carefully before you start.

Answer **ALL** questions in the booklet.

The marks for each question are shown in brackets [] at the end of each question or part question.

You may use a calculator.

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

FOR EXAMINER'S USE ONLY	
Questions 1–30	
Question 31	
Question 32	
Question 33	
Question 34	
Total Marks 100	

This question paper consists of 20 printed pages and 4 blank pages.

Multiple Choice Questions 1–30

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

1. Which of the following is **NOT** one of the three basic economic questions?
 - A. How are varieties of goods and services to be produced?
 - B. How can scarcity be eliminated?
 - C. Which goods and services are to be produced?
 - D. Who will enjoy the goods and services produced? [1]

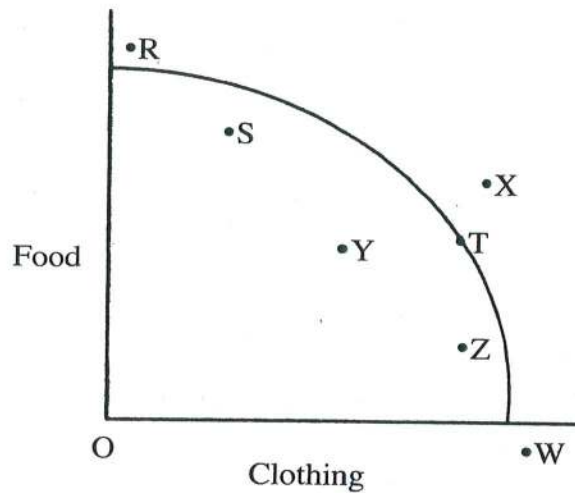
2. In a command economy, decisions about how to allocate resources are made
 - A. based upon tradition.
 - B. by a central planning board.
 - C. by a trial and error method.
 - D. by the market and price system. [1]

3. The use of large amounts of labour relative to capital in an economy indicates
 - A. capital intensive production.
 - B. labour intensive production.
 - C. that hand made goods are of better quality than machine made goods.
 - D. that wage rates will be relatively high in the economy. [1]

4. Which of the following best characterises the circular flow of income?
 - A. Businesses buy resources from households and households use their income from sale of resources to buy goods and services from businesses.
 - B. Businesses buy resources from the government and households buy goods and services from businesses.
 - C. Households buy factors of production from businesses and businesses buy goods and services from households.
 - D. The government buys resources from households and businesses and then sells finished goods and services to businesses and households. [1]

5. Which of the following is **NOT** a payment made to households in exchange for the use of factors of production?
- A. interest
 - B. rent
 - C. taxes
 - D. wages
- [1]

Use the following diagram to answer questions 6 and 7.



6. Currently, it is not possible to produce at
- A. Point R.
 - B. Point S.
 - C. Point X.
 - D. Point W.
- [1]
7. An economy is operating at full employment, and then some workers in the bread industry are laid off. This change is portrayed in the movement from
- A. R to W.
 - B. T to Z.
 - C. W to S.
 - D. X to Z.
- [1]

8. Jade is considering leaving her current position to open a fast food restaurant. Jade's current salary is \$45,000. Annual restaurant revenue and costs are estimated at \$250,000 and \$210,000 respectively. What is the opportunity cost of opening the restaurant?
- A. \$40,000
 - B. \$45,000
 - C. \$210,000
 - D. \$250,000
- [1]
9. The demand schedule for a good
- A. indicates the quantity that suppliers will sell at various market prices.
 - B. indicates the quantities people will buy at the prevailing price.
 - C. indicates the quantities that will be purchased at alternative market prices.
 - D. is determined primarily by the cost of producing the good.
- [1]
10. If the price of tennis rackets were to increase, we would expect
- A. the demand for tennis balls to decrease.
 - B. the demand for tennis balls to increase.
 - C. the supply of tennis balls to decrease.
 - D. the supply of tennis balls to increase.
- [1]
11. According to the law of supply, when the price of a good increases we would predict that
- A. less will be consumed.
 - B. less will be produced.
 - C. more will be consumed.
 - D. more will be produced.
- [1]
12. When the government provides financial aid to domestic producers, it is called
- A. centralisation.
 - B. quota.
 - C. regulation.
 - D. subsidy.
- [1]

13. John Higgs is employed by a multinational firm. He receives an additional financial reward of \$20,000 from the management for this honest and dedicated service to the firm. This reward is called
- A. a bribe.
 - B. a bonus.
 - C. marginal benefits.
 - D. overtime.

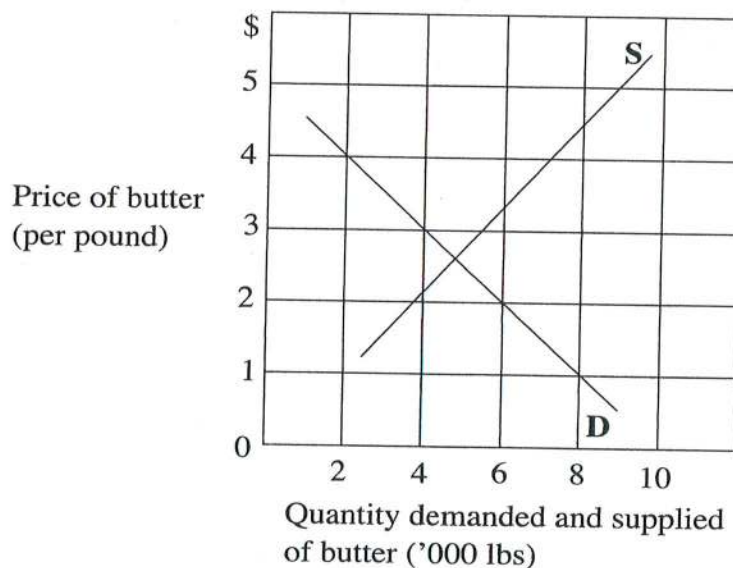
[1]

14. Which of the following is **NOT** considered as a form of money?

- A. coins
- B. credit cards
- C. currency
- D. demand draft

[1]

The diagram below represents the market for butter. Answer questions 15 and 16 using the data provided.



15. If the price of butter equals \$2, you would expect to find that the market is in
- A. disequilibrium, and that the quantity supplied is greater than the quantity demanded.
 - B. disequilibrium and that the quantity demanded is greater than the quantity supplied.
 - C. equilibrium at 3,000 pounds per year.
 - D. equilibrium at 7,000 pounds per year.

[1]

16. At a market price of \$4, there exists a
- A. shortage equal to 4,000 pounds of butter.
 - B. shortage equal to 7,000 pounds of butter.
 - C. surplus equal to 4,000 pounds of butter.
 - D. surplus equal to 7,000 pounds of butter. [1]
17. If makers of swine flu vaccine implement significant price increases, it is unlikely to significantly affect the use of the vaccine for treating swine flue outbreaks. The demand for swine flue vaccine among users is
- A. elastic.
 - B. inelastic.
 - C. unit elastic.
 - D. unit inelastic. [1]
18. Fantastic Hair Cuts Salon knows that a 15% increase in the price of their haircuts will result in a 5% decrease in the number of haircuts sold. What is the elasticity of demand facing Fantastic Hair Cuts?
- A. 0.05
 - B. 0.15
 - C. 0.33
 - D. 3.00 [1]

Use the following information to answer questions 19 to 21.

Units produced	Price per unit (\$)	Cost per unit (\$)
30	250	160
35	250	180
40	250	200
60	250	210

19. What is the total cost of producing 35 units?
- A. \$2,450
 - B. \$6,300
 - C. \$7,500
 - D. \$8,750
- [1]
20. At what level of output is profit maximized?
- A. 30 units
 - B. 35 units
 - C. 40 units
 - D. 60 units
- [1]
21. Determine the marginal revenue earned when the 40th unit is sold.
- A. \$250
 - B. \$450
 - C. \$2,000
 - D. \$2,450
- [1]
22. The value of net exports of a country have definitely increased when
- A. both exports and imports fall.
 - B. both exports and imports rise.
 - C. exports rise and imports fall.
 - D. imports rise and exports fall.
- [1]
23. The main difference between GDP and GNP is that GDP excludes
- A. consumption of fixed capital
 - B. government purchases
 - C. net income earned abroad by Bahamians
 - D. transfer payments
- [1]
24. If the consumer price index was 100 in the base year and 110 in the following year, the inflation rate was
- A. 1 percent.
 - B. 10 percent.
 - C. 100 percent.
 - D. 110 percent.
- [1]

25. The price index in 2007 was 120, and in 2008 was 126. What is the inflation rate?
- A. 5 percent
 - B. 6 percent
 - C. 20 percent
 - D. 26 percent
- [1]
26. Which statement most accurately describes how commercial banks can create money?
- A. by printing cheques for their customers
 - B. by borrowing from the Central Bank
 - C. through multiple deposit creation
 - D. through special legislation
- [1]
27. If one nation can produce greater quantities of a good than another nation with the same amount of resources, it has
- A. absolute advantage but a comparative disadvantage in producing that good.
 - B. absolute advantage in producing that good.
 - C. absolute disadvantage in producing other goods, but a comparative advantage in producing that good.
 - D. comparative advantage in producing that good.
- [1]
28. Given the following balance of payments summary, determine the balance of trade.
- | | |
|-------------------|----------|
| Visible Exports | \$28,900 |
| Invisible Exports | \$14,450 |
| Visible Imports | \$32,600 |
| Invisible Imports | \$12,200 |
- A. \$1,450 deficit
 - B. \$3,700 deficit
 - C. \$1,450 surplus
 - D. \$2,250 surplus
- [1]
29. On May 2009, it cost Bahamian \$0.667 to buy one Canadian dollar. How many Canadian dollars would Bahamian \$1 buy?
- A. Canadian \$0.67
 - B. Canadian \$1.30
 - C. Canadian \$1.50
 - D. Canadian \$1.67
- [1]

30. Which of the following is **NOT** considered a factor that contributes to positive economic growth?

- A. increased infant mortality rate
- B. increased labour productivity
- C. migration of resources
- D. technological advances

[1]

Total marks [30]

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 I

- A. Transfer Earnings
- B. Real Wages
- C. Trade Unions
- D. Trade Union Congress
- E. Economic Rent

- I. _____ This refers to the amount of goods and services a wage earner can buy.
- II. _____ The amount of wages that a skilled worker may earn above what he is willing to work for.
- III. _____ It is the minimum income that would prevent a factor of production from transferring to another employment.
- IV. _____ Association of workers formed to improve pay and working conditions of members.
- V. _____ Organisation that is responsible for negotiating with the government on behalf of the trade union movement.

Total marks [5]

Part II

- A. Fixed Cost
- B. Variable Cost
- C. Marginal Cost
- D. Average Cost
- E. Total Cost

- I. _____ This is made up of the cost of variable factors as well as fixed factors of production.
- II. _____ The cost of production does not change within a range of output.
- III. _____ The total cost of production divided by the total output.
- IV. _____ The cost of increasing output by one unit.
- V. _____ The type of cost of which raw materials is an example.

Total marks [5]

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

- | | | | |
|--------|---|------|--------------|
| (i) | In a market economy, prices help determine the distribution of goods and services but not the allocation of resources. | TRUE | FALSE |
| (ii) | An economy that has many unemployed workers and idle factories is not operating efficiently. | TRUE | FALSE |
| (iii) | An increase in a country's capital stock increases its future productive capacity. | TRUE | FALSE |
| (iv) | Movement from one point on the production possibility curve to another leads to more of both goods being produced. | TRUE | FALSE |
| (v) | Consumer sovereignty means that consumers vote with their dollars in a market economy which helps determine what is produced. | TRUE | FALSE |
| (vi) | If the price of pizza falls, the quantity demanded of pizza will rise. | TRUE | FALSE |
| (vii) | If hot dogs are inferior goods, the demand for hot dogs will rise as the incomes of consumers rise. | TRUE | FALSE |
| (viii) | If there is an increase in the price of cinema tickets, the demand for cinema seats is likely to fall. | TRUE | FALSE |
| (ix) | Increasing government taxation on an industry will generally increase the supply of goods produced by that industry. | TRUE | FALSE |
| (x) | Price reductions will usually result whenever the quantity supplied exceeds quantity demanded. | TRUE | FALSE |

Total marks [10]

STRUCTURED QUESTIONS

33. Hotels in New Providence and Paradise Island are projecting low revenue in the month of November even as they prepare for higher occupancy rates than those seen last year as the North American Thanksgiving travel season picks up. "Projected hotel occupancies for November are slightly above last year," Bahamas Hotel Association President Robert Sands said in a statement. "While we expect higher occupancies, room revenue will be down."

(a) Explain **TWO** influences affecting demand for hotel rooms in The Bahamas.

[4]

(b) How would a hotel owner calculate "total revenue"?

[2]

- (c) Name **TWO** reasons why the article says that projected revenue may be low in spite of higher occupancy rates in hotels.

[2]

- (d) Hoteliers believe that the demand for hotel rooms from tourists is price inelastic. Explain **TWO** reasons for this.

[4]

- (e) Discuss **TWO** ways in which hotels in The Bahamas may increase their profit.

[4]

- (f) Explain **THREE** ways in which the efficiency of hotel workers may be increased in The Bahamas.

[6]

- (g) Suppose average room rates for a Paradise Island hotel is \$180 per night and the total number of rooms demanded is 400 per night. The hotel management decides to reduce the room rates to \$126 per night to attract customers and experiences an increased occupancy of 500 rooms every night. Calculate the elasticity of demand for hotel rooms. Comment whether the demand is elastic or inelastic.

[3]

Total marks [25]

34. The past two decades has seen the growth of large corporations with heavy investments by the general public in the form of shares and debentures. However, the past few years have also seen the bankruptcy of large firms that may have resulted in the worst economic downturn that the world may have seen in recent years. Many of these firms are well known multi-national businesses as well as other small businesses.

(a) Distinguish between "shares" and "debentures".

[2]

(b) Explain **TWO** different ways in which businesses may grow in size.

[4]

(c) Explain **TWO** reasons why businesses may tend to grow in size.

[4]

(d) Name **THREE** most common forms of business ownerships.

[3]

- (e) Referring to the passage explain the meaning of “economic downturn”.

[2]

- (f) Identify **FOUR** effects on an economy as a result of such an economic downturn.

[4]

(g) Discuss the effects of the growth of firms in the economy of The Bahamas.

[6]

Total marks [25]

2030/2

BGCSE

School Number	Candidate Number
Surname and Initials	

ECONOMICS

PAPER 2 2030/2

Monday **6 JUNE 2011** 12.40 – 3.10 P.M.

Additional materials:
None

Time 2½ hours

MINISTRY OF EDUCATION NATIONAL EXAMINATIONS
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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 5	
Question 2		Question 6	
Question 3		Question 7	
Question 4		Question 8	
Total Marks			

This question paper consists of 24 printed pages and 4 blank pages.

PART I

Answer **ALL** questions in this section.

1. In the financial year 2008/9, government revenue was \$1,201.7 million. This was a \$78.0 million decrease compared with the financial year 2007/8. Tax receipts, which accounted for 87.1% of total revenue, also declined by \$129.0 million in 2008/9. This was an 11.0% decline from 2007/8. However, total expenditure increased by 4.5% to \$1,420.8 million between 2007/8 and 2008/9 while government consumption increased by \$37.8 million.

Overall preliminary estimates for the government deficit for 2008/9 suggest it will be \$219.2 million. In 2007/8 it was lower at \$79.9 million. These estimates reflect the sustained adverse effects of a reduction in domestic demand on government revenues.

- (a) Calculate the amount of revenue collection by the Government in the year 2007/8 and 2008/9. Also determine the percentage change in revenue collection between 2007/8 and 2008/9.

[6]

- (b) Calculate the amount of taxes receipts collected in the year 2008/2009.

[3]

- (c) List **FOUR** sources of revenue for The Bahamas Government.

[4]

- (d) Explain the meaning of the phrase “government consumption” as used in the passage.

[3]

- (e) What might the adverse effects of a reduction in domestic demand be?

[4]

Total marks [20]

2. Sole Traders and Partnership businesses have certain disadvantages that are usually not faced by limited liability companies. However, many limited liability companies may face serious problems in raising finance both for their working capital requirements and long term capital in order to operate their businesses smoothly. Depending on the nature of their capital requirements they may turn to either the capital market or the money market.

(a) What is "working capital"?

[2]

(b) Distinguish between the money market and the capital market giving **ONE** example of each.

[4]

- (c) Explain some of the disadvantages that may be common to both sole traders and partnership firms.

[4]

- (d) Determine **FOUR** sources of capital for a limited liability company.

[4]

- (e) What is a "prospectus" of a publicly traded company?

[2]

- (f) Explain why a company may require long term capital.

[4]

Total marks [20]

3. Morton Salt is the largest employer on Inagua and produces an average of one million tons of salt annually. The salt is exported worldwide, particularly to markets in Europe, Canada and the United States. Morton is also the first company to produce table salt with iodine, an ingredient that has been proven to help prevent goiters.

In August 2008, the employees took industrial action and called a strike in support of one of the workers, a master electrician and vice-president of The Bahamas Industrial Manufacturers and Allied Workers Union, who was sacked from the company for allegedly illegally restoring electricity to a residence on the island.

Fearing an uproar in the community, Morton's management requested the assistance of the Strike Force Unit. This is not the first time in recent history that Morton has called in reinforcements to the site. In July of last year, the company took similar action when it informed its 100-plus employees that layoffs were scheduled to take place.

This recent move by the employees comes weeks after 99 percent of them voted in favour of striking against the company. Morton Salt was unable to ascertain how much money had been lost as a result of the industrial action.

Source: adapted from the Nassau Guardian August 12, 2008

- (a) Name the largest importer of salt from The Bahamas.

_____ [1]

- (b) What is meant by the term "industrial action"?

_____ [3]

(c) Other than strike, suggest **TWO** industrial actions that could have been used?

[2]

(d) Suggest the effects of the strike discussed in the passage on the economy of Inagua.

[4]

(e) In what ways can industrial unions help workers?

[6]

- (f) Use the passage to explain in what type of market structure the Morton Salt Company operate.

[4]

Total marks [20]

Part II

Candidates must choose only **TWO** questions to answer.

4. The wage rates paid to labour is generally decided in the market on the basis of demand and supply of labour in that occupation. However, workers are also paid based on their skills, and negotiations between unions and the management. The government may influence wage rates to a certain extent through minimum wage legislations.

(a) What is meant by the supply of labour to an occupation?

[2]

(b) Explain some of the factors that may determine the supply of labour in the tourism sector of the Bahamian economy.

[4]

- (c) Explain how trade unions may influence the wage rates paid to employees in a particular occupation.

[4]

- (d) Explain the factors that may determine the skills of a worker.

[4]

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

Income from wages:	\$1,250 per week
Rental income:	\$1,100 per month
Income from investments:	\$3,000 per year
National Insurance contributions:	\$58 per month
Group Medical Insurance premium:	\$129 per month
Contribution to private pension fund	\$60 per month.

Calculate:

(i) the gross monthly income

[2]

(ii) the disposable income per month

[2]

(iii) the monthly savings if expenditure is \$3,200 per month.

[2]

Total marks [20]

5. Monopolies are described as markets where there are only one supplier of goods. They are often accused of creating barriers to entry to the market for other firms and several malpractices that may hurt consumers' rights as well as the economy in which they operate. Many countries have laws that prevent the increase of monopolies in a country.

(a) Explain how some monopolies are created.

[4]

(b) Explain how some monopolies may create a barrier to entry to the market for other firms.

[4]

- (c) Explain some of the reasons why monopolies may be restricted from operating in a country.

[4]

- (d) Why do you think it is necessary to protect a consumer's rights?

[2]

6. A large number of hotels, restaurants, shops and other businesses are located on what is known as the Cable Beach strip in Nassau. These commercial enterprises are supplemented by office complexes that offer a variety of supplementary financial services that businesses may need.

(a) Suggest reasons for the localisation of businesses in the Cable Beach area.

[4]

7. Now that our national leaders have passed legislation for the setting up of a Standards Bureau, consumers should soon have some recourse when it comes to the purchase of goods and services in The Bahamas.

Source: Nassau Guardian May 13, 2004

(a) Who is a consumer?

[2]

(b) Identify **FOUR** roles of a consumer?

[4]

(c) What is the purpose of the Standard Bureau in The Bahamas?

[2]

- (d) Apart from the Standard Bureau, identify **TWO** other legislations that protect consumers.

[4]

8. The freedom of international trade has given us access to levels of income and wealth that have enabled us to fund a standard of living envied by peoples in both developed and developing countries.

Source: Nassau Guardian April 15, 2004

- (a) Explain the term "international trade".

[2]

- (b) Explain the advantages derived by a country from international trade?

[6]

- (c) CARICOM has emphasised the need for abolishing protectionist policies that restrict free trade. Explain the protection policies usually pursued by countries.

- (d) In recent years, the standard of living in The Bahamas has improved greatly. Other than international trade, discuss the reasons that lead to higher standards of living.

[6]

Total marks [20]