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CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

03 JUNE 2015 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number EACH answer in your booklet correctly.
3. Begin EACH answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
6. You may use a silent, electronic calculator to answer questions but ALL necessary working should be clearly shown.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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SECTION I

Answer ALL FOUR questions in Section I.

EACH question is worth 15 marks.

1. Table 1 below shows the daily demand for and supply of sno-cones in a market.

TABLE 1: DEMAND AND SUPPLY OF SNO-CONES (DAILY)

Price ($)	Quantity Demanded	Quantity Supplied
1	500	100
2	400	200
3	300	300
4	200	400
5	100	500

(a) Identify the

(i) equilibrium price **(1 mark)**

(ii) equilibrium quantity. **(1 mark)**

(b) List THREE factors that affect the price elasticity of demand. **(3 marks)**

(c) Using the information in Table 1 above, explain what happens in the market when the price per sno-cone is

(i) $4 **(3 marks)**

(ii) $1. **(3 marks)**

(d) Calculate the price elasticity of supply when the price per sno-cone changes from $2 to $4. **(4 marks)**

Total 15 marks

2. (a) Classify the items listed below as EITHER 'goods' OR 'services'.

(i) Hairdressing **(1 mark)**

(ii) Hairdryers **(1 mark)**

(iii) Tourism **(1 mark)**

(iv) Island tours **(1 mark)**

(v) Tractors **(1 mark)**

(b) Explain the THREE resource allocation decisions that are often made under a free market system. **(6 marks)**

(c) Discuss ONE benefit of entrepreneurial talent that can accrue to Caribbean economies. **(4 marks)**

Total 15 marks

3. (a) Define EACH of the following terms:

(i) Terms of trade **(2 marks)**

(ii) Balance of payments **(2 marks)**

(b) Name ONE of the three MAIN parts of the balance of payments statement. **(1 mark)**

(c) Explain the impact of the following situations on the value of the exchange rate of a country under a floating exchange rate system:

(i) An increase in international demand for the country's local products **(3 marks)**

(ii) An increase in local demand for imported goods **(3 marks)**

(d) Table 2 below shows the combinations of two types of products which two countries are capable of producing with the same amount of resources.

TABLE 2: PRODUCTION CAPABILITIES IN THE MANUFACTURING AND AGRICULTURAL SECTORS

Country	Agricultural Product	Manufactured Product
A	50	100
B	100	120

Using the information given, state, with reason, which country has

(i) absolute advantage in the production of the two types of products **(2 marks)**

(ii) a comparative advantage in the production of agricultural products. **(2 marks)**

Total 15 marks

4. (a) Define EACH of the following terms:

(i) Monetary policy **(2 marks)**

(ii) Fiscal policy **(2 marks)**

(b) Name ONE type of unemployment. **(1 mark)**

(c) Distinguish between the 'national budget' and 'national debt'. **(6 marks)**

(d) Discuss ONE weakness in using gross domestic product (GDP) as a measure of the standard of living. **(4 marks)**

Total 15 marks

SECTION II

Answer any TWO of the following questions.

EACH question is worth 20 marks.

5. (a) Define EACH of the following terms:

(i) Ceteris paribus **(2 marks)**

(ii) Income elasticity of demand **(2 marks)**

(b) List THREE characteristics of a monopolist. **(3 marks)**

(c) Explain how the presence of EACH of the following in the market could cause market failure:

(i) Externalities **(4 marks)**

(ii) Monopolies **(4 marks)**

(d) Using a diagram, illustrate the impact of a rise in the cost of production in a free market economy on BOTH the equilibrium price and the equilibrium quantity. **(5 marks)**

Total 20 marks

6. (a) Define EACH of the following terms:

(i) Barter **(2 marks)**

(ii) Money **(2 marks)**

(b) List THREE characteristics of money. **(3 marks)**

(c) Explain TWO ways in which the roles of the central bank and commercial bank differ. **(8 marks)**

(d) Discuss how inflation can affect any TWO functions of money. **(5 marks)**

Total 20 marks

7. (a) State EACH of the following abbreviations in full:

(i) IMF **(1 mark)**

(ii) CSME **(1 mark)**

(iii) WTO **(1 mark)**

(iv) FDI **(1 mark)**

(v) CARICOM **(1 mark)**

(b) List TWO characteristics of Caribbean economies. **(2 marks)**

(c) Differentiate between the development strategies of 'import substitution' and 'export push'. **(8 marks)**

(d) Discuss ONE challenge of implementing e-commerce in the Caribbean. **(5 marks)**

Total 20 marks

8. (a) Identify the central problem in economics. **(1 mark)**

(b) Define EACH of the following terms:

(i) Need **(2 marks)**

(ii) Want **(2 marks)**

(iii) Opportunity cost **(2 marks)**

(c) An 18 year old student has just completed CAPE studies and has to decide on her future. Explain TWO economic factors that will influence the decision the student makes. **(8 marks)**

(d) Draw a production possibility curve/frontier diagram showing the following:

(i) Decreasing opportunity costs **(3 marks)**

(ii) An efficient point **(1 mark)**

(iii) An unattainable point **(1 mark)**

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.