MARKER CODE			

Student Personal Identification Number					

TONGA GOVERNMENT

MINISTRY OF EDUCATION AND TRAINING

TONGA SCHOOL CERTIFICATE

2015

ECONOMIC STUDIES

QUESTION AND ANSWER BOOKLET

Time Allowed: 3 Hours

INSTRUCTIONS

1. This paper has **FOUR Sections.** ANSWER **ALL** QUESTIONS.

SECTION A	**Producers' Decisions**	**50 Marks**
SECTION B	**Consumers' Decision**	**20 Marks**
SECTION C	**The Market**	**30 Marks**
SECTION D	**The Tongan Economy**	**100 Marks**

2. Write your **Student Personal Identification Number (SPIN)** on the top right hand corner of this page and on the last page.
3. Follow instructions and answer all questions in the spaces provided in this booklet with blue or black ballpoint pen.
4. For calculation questions, show ALL necessary workings or otherwise marks will be deducted.
5. Check that this booklet contains **2-31** pages in the correct order that page 31 has been deliberately left blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL MARKS **200**

SECTION A	PRODUCERS' DECISIONS	50 MARKS

Question One **(14 marks)**

1. Seini Maka makes handicrafts. Every week she supplies to Talamahu market mats and tapa. Her weekly schedule for mats supply is shown on the table below.

Seini Maka's weekly supply schedule of woven mats.

Price ($)	Quantity supply (feet)
500	**20**
300	**15**
200	**10**
50	**0**

a) On the graph below, draw a labelled supply curve that illustrate the data in the supply schedule above.

4 marks	
4	
3	
2	
1	
0	
NR	

b) Seini Maka's supply schedule illustrates the law of supply. Describe the law of supply, with reference to her supply schedule.

2 marks	
2	
1	
0	
NR	

c) Fully explain why Seini Maka will not supply any mats when the price is $50.00 per feet.

2 marks	
2	
1	
0	
NR	

2. a. Explain any TWO distinct factors that may decrease Seini Maka's supply of mats to the market.

4 marks	
4	
3	
2	
1	
0	
NR	

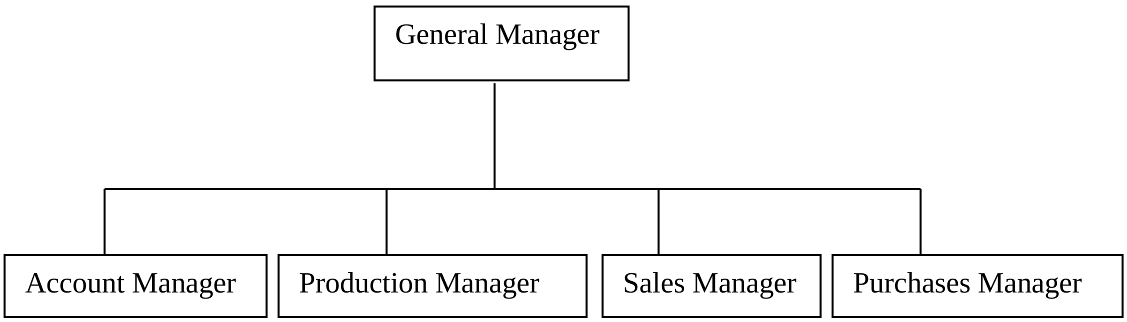
b. Describe ONE action that Seini Maka may need to take resulting from a decrease in her supply of mats.

2 marks	
2	
1	
0	
NR	

Question Two **(23 marks)**

Tracey King has been in her hairdresser business for few years. She is the sole owner of her business and she also employs other people in the business.

1. Use the information provided to answer the questions that follow.



a) Name this type of diagram.

1 mark	
1	
0	
NR	

b) Explain why this diagram represents a centralized control system.

3 marks	
3	
2	
1	
0	
NR	

c) State ONE advantage of this type of control system.

1 mark	
1	
0	
NR	

d) Explain how the diagram above, shows “ **Delegation of Duties**”.

3 marks	
3	
2	
1	
0	
NR	

2. Tracy King asked you to prepare her Financial Statement. This is how you present her Business Financial Position.

Tracey King: Hairdresser

Financial Position as at 30th of June 2014

Current Assets:	**Current Liabilities:**			
Bank	1200		Creditors	250
Debtors	1800		**Long term Liabilities:**	
Stock on hand	900	3900	Loan from TDB	8000
Long term assets:			**Proprietorship:**	
Furniture		9000	Capital – T. King	17650
Investments:				
Westpac Term deposit		10000		
Intangible Assets:				
Goodwill		3000		
		$25,900		**$25,900**

a) What is another name for this statement?

____

1 mark	
1	
0	
NR	

b) Name ONE other statement which you can also prepare for Tracey King business.

____

1 mark	
1	
0	
NR	

c) Explain why it is important to prepare the Two Statements in (a) and (b) above.

____

____

____

____

3 marks	
3	
2	
1	
0	
NR	

d) Calculate the working capital for the business.

3 marks	
3	
2	
1	
0	
NR	

e) Define "working capital".

1 mark	
1	
0	
NR	

f) Distinguish between Current Asset and Long term Asset?

3 marks	
3	
2	
1	
0	
NR	

g) Describe TWO advantages if Tracey chooses to change her business to a company.

2 marks	
2	
1	
0	
NR	

h) What do Tracey receive in return for her investment in her Hairdresser business?

1 mark	
1	
0	
NR	

Question Three **(13 marks)**

a) Analyze the accuracy of this statement. **“Entrepreneurship is the skills of extracting natural resources”.**

4 marks	
4	
3	
2	
1	
0	
NR	

b) Read carefully the statement below and use it to answer the questions that follows:

‘The Market for resources includes the market for capital and Entrepreneur’

Name the reward or income paid to owners of the following resources.

1 mark	
1	
0	
NR	

i) Capital:

1 mark	
1	
0	
NR	

ii) Entrepreneur:

1 mark	
1	
0	
NR	

c) State ONE example of a Capital goods sold in the finished goods market for agriculture to assist in their production.

3 marks	
3	
2	
1	
0	
NR	

d) Explain how a fall in demand in the Finished Goods market would affect the resource markets.

e) Describe the relationship between these two economic terms.
Specialization and Productivity

3 marks	
3	
2	
1	
0	
NR	

SECTION B	MARKET	20 MARKS

Multiple Choice **(4 marks)**

Write the letter of your best choice in the box provided.

Question 1. Which of the following is NOT a quality of money?

A. Durable.
B. Divided Into Smaller Amount
C. Standard Of Value.
D. Can Be Carried Around.

1 mark	
1	
0	
NR	

Question 2. If there is two lines drawn across the cheque, this means,

A. It Is The Best Method To Exchange With Goods.
B. It Is The Only Acceptable Medium Of Exchange.
C. It Is Illegal, And Cannot Be Taken To The Bank.
D. The Cheque will not be cashed.

1 mark	
1	
0	
NR	

Question 3. If you want to finance an immediate debt this week. Which type of Finance will be applicable?

A. Mortgage.
B. Overdraft.
C. Debenture.
D. Share Issue.

1 mark	
1	
0	
NR	

Question 4. The ability of money to record debts comes about because of its function as a

A. Means Of Deferred Payment.
B. Store Of Value.
C. Medium Of Exchange.
D. Unit Of Account

1 mark	
1	
0	
NR	

SHORT ANSWERS **(16 marks)**

Question One **[10 marks]**

The table below shows the demand and supply of Adidas T-shirts in Tonga.

Tonga market for Adidas T shirt (month)		
Price ($ per T shirt)	**Market supply (No. of T shirt)**	**Market demand (No. of T shirt)**
50	2000	19000
100	9000	15000
150	11000	11000
200	12000	7000
250	13000	3000

(a) Draw the Market graph, by using the information in the table above.

3 marks	
3	
2	
1	
0	
NR	

2 marks	
2	
1	
0	
NR	

(b) Indicate on your graph in (a) above, the **market equilibrium price (Pe) and equilibrium quantity (Qe).**

2 marks	
2	
1	
0	
NR	

(c) On the same graph in (a) above, show the market situation if the price of the Adidas T shirt was $100.

(d) **Explain** how the free market would react to the situation in (c).

3 marks	
3	
2	
1	
0	
NR	

Question Two: **(6 marks)**

1. Due to strong import regulations in Tonga, less Adidas T shirt are imported into the Tongan market as well as other T shirts.

   (a) Draw on the graph below the effect of importing less Adidas T-shirt to Tongan markets.

3 marks	
3	
2	
1	
0	
NR	

   (b) Describe the effect of this decrease in imported Adidas T-shirts on the consumers' spending.

2 marks	
2	
1	
0	
NR	

2. Many firms prefer to use non-price methods to increase demand even though price of Adidas T-shirt are expensive.

   State ONE non-price method, firms can use to increase market demand for Adidas T-shirts.

1 mark	
1	
0	
NR	

SECTION C	CONSUMER DECISION	30 MARKS

Question One **(8 marks)**

Sione received $1,500 from his brother in New Zealand, in which he will use in one of the following ways:

Option 1	Option 2	Option 3
Spend $1,500 Pay for his semester fee.	Save $1,500 In his Bank Account	Donate $1,500 To Disabled people

(a) State why paying his semester fee is a want to Sione rather than a need?

____

____

1 mark	
1	
0	
NR	

(b) Explain the problem faced by Sione. In your answer, refer to Sione's limited means and also include in your answer the concept of Opportunity cost.

____

____

____

____

3 marks	
3	
2	
1	
0	
NR	

(c) When deciding on which of the three options to choose, Sione has considered its values. Match the option with the best value that relates to it.

i. Financial security

____

1 mark	
1	
0	
NR	

ii. Consideration for others.

____

1 mark	
1	
0	
NR	

(d) Describe how you and Sione can both benefit if you loan from him.

____

____

____

2 marks	
2	
1	
0	
NR	

Question Two: Contract **(8 marks)**

Read the passage below and use to answer the questions that follow:

Tevita buys a new bike for her daughter. When she tried to ride it in the park three weeks later, he noticed the front tire was bent. What should Tevita do? Should he fix it himself and avoid the trouble of going back to the store? Has the return time lapsed? Is the bike covered under the warranty? What do you think if Tevita didn't purchase extra insurance coverage?

a) Define the term **warranty**.

1 mark	
1	
0	
NR	

____

b) If the warranty is breached, how will the consumer benefit?

1 mark	
1	
0	
NR	

____

c) Name the government ministry which is responsible for the forming and implementing the Consumer Protection Act.

1 mark	
1	
0	
NR	

____

d) Which Act entitles Tevita for a replacement of the bike or a refund?

1 mark	
1	
0	
NR	

(e) Describe what "Consumer protection from Adulteration" means.

2 marks	
2	
1	
0	
NR	

____

____

____

(f) Describe the roles of the Ombudsman in relation to consumer right.

2 marks	
2	
1	
0	
NR	

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____

Question Three: Budget **(8 marks)**

When Lesieli receives her take home pay from her employer, she always pay her loan at the Tonga Development Bank, prepares a shopping list before going to Molisi supermarket. When she returns home from the supermarket, she goes through the list and places a tick next to each item that she has bought. Part of Lesieli's list is shown below.

✓	Bread
✓	Lipstick
✓	Butter
✓	Sausage meat

a) State ONE item from the shopping list above that is classified as:

i. A luxury good:

___

1 mark	
1	
0	
NR	

ii. Complement goods:

___

1 mark	
1	
0	
NR	

b) Describe how Lesieli's 'Net or take-home pay' can be calculated.

___
___
___

2 marks	
2	
1	
0	
NR	

c) Analyze Lesieli's expenditures in order for her to make a saving.

___
___
___
___

4 marks	
4	
3	
2	
1	
0	
NR	

Question Four: Insurance **(6 marks)**

Read the passage below and answer the questions that follow:

Paula has not yet involved in any insurance matter. He is thinking of insuring his Assets, but he would like to know more before engaging in Insurance.

a) Paula wants to insure his car for $5000. If the car had an accident and the damage is only $2000, can he still claim the $5000?

2 marks	
2	
1	
0	
NR	

b) On the insurance form, there are many questions. Some questions are too personal and he does not want to answer. Does Paula have to answer all of them?

2 marks	
2	
1	
0	
NR	

c) Can he insure his friend's car because he sometimes uses it, and thinking that one day he might have an accident?

2 marks	
2	
1	
0	
NR	

SECTION D	TONGAN ECONOMY SYSTEM	100 MARKS

Multiple Choice **(7 marks)**

Write the letter of your best choice in the box provided

Question 1. Which of the following is NOT an objective of the government?

A. A balanced budget.
B. A higher level of economic growth
C. An increase in the level of inflation
D. A higher level of employment.

1 mark	
1	
0	
NR	

Question 2. Which of the following is part of the government Fiscal policy?

A. Open market operations
B. Decrease in Interest rate
C. Reserve Asset Ratio
D. Income tax reduction.

1 mark	
1	
0	
NR	

Question 3. Economic growth may NOT be achieved by which of the following measures?

A. Decreasing workers' paid overtime
B. A rise in the productivity of labor
C. Depreciate the exchange rate of the pa'anga
D. Purchasing less imports of foreign manufactures.

1 mark	
1	
0	
NR	

Question 4. After a decrease in the value of pa'anga, which of the following will definitely happen?

A. An increase in export prices
B. An improvement in terms of trade
C. A reduction in import prices
D. Less employment in export industries

1 mark	
1	
0	
NR	

Question 5. Cost-Push inflation is most likely to be caused by an :

A. increased budget surplus
B. increase in bank advances
C. improve in technology
D. increase in interest rate.

1 mark	
1	
0	
NR	

Question 6. Which of the following situation best illustrate the concept of specialization?

A. Sione always goes to town in any available transportation
B. Cowley bakes different bread and sells flour.
C. Nisi Trading concentrate on yams export.
D. We export water melon, vanilla, taro to overseas

1 mark	
1	
0	
NR	

Question 7. Investment is defined as,

A. factor of production
B. saving some money in the bank account
C. payment for factor of production
D. buying of capital goods

1 mark	
1	
0	
NR	

SHORT ANSWERS. **(93 marks)**

Question 1: Tonga economy **(7 marks)**

1. "Tonga is a mixed economy, which is a combination of planned and free enterprises economic systems"

(a) Describe TWO advantages for Tonga as a Mixed economy.

2 marks	
2	
1	
0	
NR	

___

___

___

(b) Each of the statements below refers to an economic system. Name the economic system that each statement is referring to in the spaces provided.

i. "Price and Quantity are the major tools which determine what I will produce."

1 mark	
1	
0	
NR	

___

ii. "Cabinet, Parliament, Legislative Assembly are major factors to the Economic System."

1 mark	
1	
0	
NR	

___

iii. "The price I charge my product in the market, will also add what to be given to the Revenue Department."

1 mark	
1	
0	
NR	

___

iv. "What we learned from our grandparents, is the only way for our survival."

1 mark	
1	
0	
NR	

___

2. **"Tonga is classified as a mixed, dependent economy."**

(a) Define **dependent economy**.

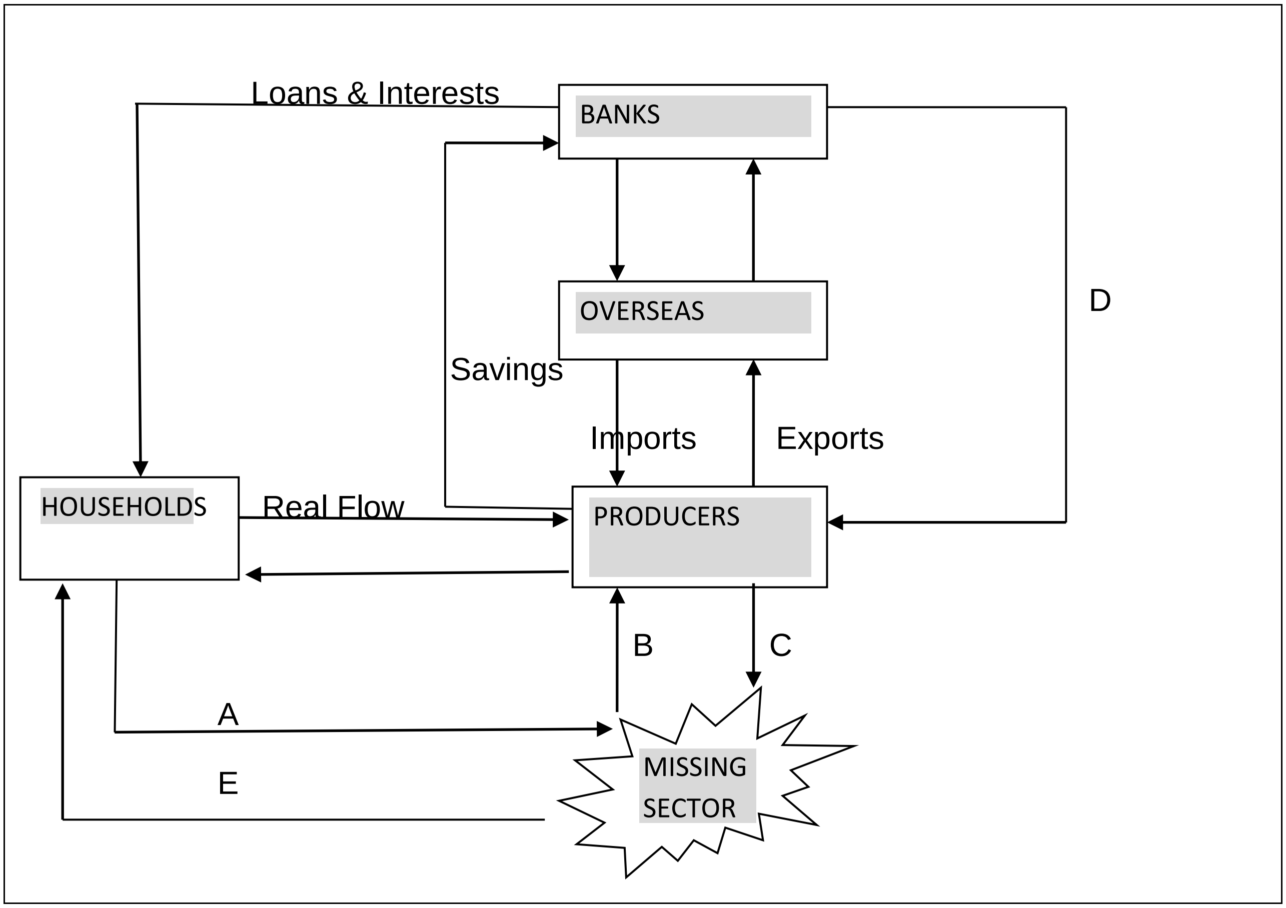
1 mark	
1	
0	
NR	

___

___

Question 2: Circular flow **(14 marks)**

1. **"**Pricilla returned home from school and found that her friends had torn part of her Economics notes. The only part of her notes left is shown below."



a. Name the missing sector from Pricilla's Circular flow diagram above.

____

1 mark	
1	
0	
NR	

b. Name the terms that describe the real flows from:

i) Household and the Producers.

____

1 mark	
1	
0	
NR	

ii) Producers to Household.

____

1 mark	
1	
0	
NR	

c. Identify the **money flows** labeled;

i) A: ______________________________

1 mark	
1	
0	
NR	

ii) B: ______________________________

1 mark	
1	
0	
NR	

iii) C: ______________________________

1 mark	
1	
0	
NR	

iv) D: ______________________________

1 mark	
1	
0	
NR	

d. Predict how the money flow labelled E is affected by more unemployment in households.

____
____
____
____

4 marks	
4	
3	
2	
1	
0	
NR	

e. State the reward or type of income that is linked to each of the following resources.

i. Labor ______________________________

1 mark	
1	
0	
NR	

ii. Capital ______________________________

1 mark	
1	
0	
NR	

iii. Land ______________________________

1 mark	
1	
0	
NR	

Question 3: Government **(13 marks)**

1. The table below shows the Government Budget Statement 2014/2015. Use it to answer the following questions.

TONGA GOVERNMENT BUDGET.

Fiscal period	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015
Estimate Revenue(recurrent)	170,891,648	179,961,645	198,795,970	235,328,507
Estimate Expenditure (recurrent)	170,891,646	179,961,645	198,795,970	158,812,524
Actual Expenditure (recurrent)	166,063,088	178,617,362	192,746,947	227,011,600 (Estimated Outturn)
Estimate Expenditure (development)	173,680,769	152,278,814	158,812,524	248,381,374

(Adopted from: MOFNP 2014-2015)

a) Who is responsible for preparing and presenting the government annual budget to Parliament?

1 mark	
1	
0	
NR	

____

b) Differentiate between **Re-current expenditure** and **Development expenditure.**

____

____

____

____

3 marks	
3	
2	
1	
0	
NR	

c) Calculate the amount of budget surplus in 2013-2014.

3 marks	
3	
2	
1	
0	
NR	

d) Discuss ways in which the government of Tonga finance any budget deficit?

4 marks	
4	
3	
2	
1	
0	
NR	

2. "The government of Tonga provides social benefits for old people from the age of 75 years old and older, from revenue collected from Tax payers."

a) Describe the government objectives for paying social benefits to old people in Tonga.

2 marks	
2	
1	
0	
NR	

Question 4: Trade and Balance of Payment. **(11 marks)**

a) Study the information below and use it to answer the questions that follow:

	$m
Exports of goods	13
Export of services	2
Foreign investment income	2
Imports of goods	15
Import of services	3.8
Tonga Overseas investment	5
Remittances	1

i) Define **Balance of Trade.**

1 mark	
1	
0	
NR	

____

ii) Calculate the Balance of Current Account.

____
____
____
____

3 marks	
3	
2	
1	
0	
NR	

iii) Calculate the Balance of Capital Account.

3 marks	
3	
2	
1	
0	
NR	

____
____
____
____

b. **"Foreign investment, foreign aid and remittances contribute to the economic growth of Tonga."**

Discuss clearly with examples, how these economic activities promote Tonga's economic growth.

____
____
____
____
____
____

4 marks	
4	
3	
2	
1	
0	
NR	

Question 5: Unemployment **(13 marks)**

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

Employment-Unemployment statistics in Tonga (20yrs old and over).		
Employment	=	45,652 people
Unemployment	=	15,324 people

(a) Define the term "**Unemployment**".

1 mark	
1	
0	
NR	

(b) Calculate the Labor Force.

3 marks	
3	
2	
1	
0	
NR	

(c) Calculate the rate of unemployment.

3 marks	
3	
2	
1	
0	
NR	

(d) State ONE social effect of unemployment.

1 mark	
1	
0	
NR	

(e) State ONE economic effect of unemployment.

1 mark	
1	
0	
NR	

2. "Many Tongans go to New Zealand and Australia for Seasonal employment opportunities".

a) Define **seasonal unemployment.**

1 mark	
1	
0	
NR	

b) Identify ONE ECONOMIC benefit of seasonal employment to families in Tonga.

1 mark	
1	
0	
NR	

3. Differentiate between **frictional** and **cyclical unemployment.**

2 marks	
2	
1	
0	
NR	

Question 6: Inflation **(11 marks)**

1. The table below showed the Consumer Price Index by major groups of consumer goods for the period of January to December 2014. (Base Period: October 2010:100.0).

Months	Index	Monthly inflation rate
January	109.9	4.2
February	110.1	4.7
March	111.4	4.7
April	111.3	3.9
May	110.2	3.0
June	108.5	1.5
July	108.4	1.9
August	109.2	2.5
September	107.9	1.1
October	107.7	0.8
November	107.8	1.8
December	107.3	0.2

a) Construct a line graph to show the monthly inflation rate from January to December 2014.

4 marks	
4	
3	
2	
1	
0	
NR	

b) Describe the trend showed by the inflation rate for 2014.

____

____

____

____

2 marks	
2	
1	
0	
NR	

c) Explain what will happened to the employment level of the economy, as the result of the showed in the inflation rate for 2014.

____

____

____

____

____

3 marks	
3	
2	
1	
0	
NR	

d) State ONE economic effect of Inflation.

1 mark	
1	
0	
NR	

____

____

e) Name ONE group of people who could be at a disadvantage when inflation occurs.

1 mark	
1	
0	
NR	

____

____

Question 7: Economic Growth **(11 marks)**

Study the table below and answer the questions that follows:

Table 1: National Accounts summary. At Constant Price (2010 – 2011)

Aggregates	2010/11	2011/12	2012/13	2013/14
GDP (Current Price) ($Tm)	775.0	800.7	779.1	803.7
GDP (Constant Price ($Tm)	775.0	781.9	757.5	772.7
GDP per capita ($T)	7521.9	7752.6	7525.1	7743.2
Real GDP per capita ($T)	7521.9	7570.2	7316.0	7444.3

(Source: Statistics department)

a) Differentiate between **GDP at Current Price** and **GDP at Constant Price**.

____

____

____

____

2 marks	
2	
1	
0	
NR	

b) Define what is meant by National Account at constant Price of 2010/2011?

____

____

1 mark	
1	
0	
NR	

c) Calculate the percentage change in GDP at Constant price from 2010/11 to 2013/14.

Aggregate	**2010/11**	**2011/12**	**2012/13**	**2013/14**

4 marks	
4	
3	
2	
1	
0	
NR	

d) Discuss how economic growth contribute to improve in employment.

____

____

____

____

____

4 marks	
4	
3	
2	
1	
0	
NR	

Question 8: Clubs and society (13 marks)

A sample set of an Agenda is given below. Use it to answer the questions that follow:

Agenda for Lomalinda volleyball club meeting,

1. 6:30pm Monday 3rd June 2015
2. Opening prayer
3. Attendees and Apologies.
4. Minutes of the last meeting.
5. Matters arising from the Minutes
6. Management report.
7. Financial report
8. Other matters
9. Next club meeting
10. Closing Prayer

a) Who is responsible for preparing the Agenda for Lomalinda's club meeting?

____

1 mark	
1	
0	
NR	

b) Define what Minutes refer to in the agenda.

____

____

1 mark	
1	
0	
NR	

c) Who is responsible for taking the Minutes of the club meeting?

____

1 mark	
1	
0	
NR	

d) Every year each members pay a member fees so they can remain a member of Lomalinda's club. What is the **term** used to describe this member fees?

____

1 mark	
1	
0	
NR	

e) Describe the role of the Treasurer of the club.

____

____

1 mark	
1	
0	
NR	

f) Evaluate the benefits of the Lomalinda volleyball club being incorporated.

4 marks	
4	
3	
2	
1	
0	
NR	

g) Differentiate between **Inaugural meeting** and **Annual general meeting**

3 marks	
3	
2	
1	
0	
NR	

h) State the **term** that refers to the minimum number of people that must be present before a meeting can proceed.

1 mark	
1	
0	
NR	

Student Personal Identification Number					

ECONOMIC STUDIES

2015

(For Markers Use Only)

SECTION	MARK	CHECK MARK	TOTAL
A			50
B			20
C			30
D			100
TOTAL			200