MARKER CODE				

STUDENT ENROLMENT NUMBER									

TONGA SCHOOL CERTIFICATE

2016

ECONOMICS

QUESTION AND ANSWER BOOKLET

Time Allowed: 3 Hours

INSTRUCTIONS

1. Answer **ALL** questions.
2. This paper consists of **THREE PARTS.**

PART	Topics	Total Skill Level
1	Resource Allocation Via the Market System	35
2	Resource Allocation Via the Public Sector	20
3	Aggregate Economic Activity and Policy	15
	TOTAL	70

3. Write your **Student Enrolment Number** on the right hand corner and also on the last page.
4. Answer **ALL** questions in the space provide in this booklet
5. Use **BLUE** or **BLACK** ball point pen. **DO NOT** write in pencil.
6. If you need more space for any answer, ask the supervisor for extra paper.
7. Check that your paper consists of 15 pages and that pages 14-15 has been deliberately left blank.

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

PART 1: RESOURCE ALLOCATION VIA THE MARKET SYSTEM

QUESTION 1 Basic Economic Concepts

a. Define Resources.

Skill level 1	
1	
0	
NR	

b. Describe the relationship between Specialization and Interdependence.

Skill level 2	
2	
1	
0	
NR	

c. You have a situation of being required to study only five subjects in Class 12 in 2017. Your compulsory subjects are English, and Mathematics. You have selected Computing & ICT and Accounting as your 1st and 2nd optional subjects respectively. However, you are still unsure whether to pick Economics or the French Language as your 3rd optional subject. You want to study Business Administration in France when you graduated from high school.
Evaluate the applications of the Economic Concepts of Scarcity, Choices and Opportunity Costs into this situation of trying to make a decision between choosing Economics or the French Language. Also assume that you have chosen Economics as your 3rd optional subject.

Skill level 4	
4	
3	
2	
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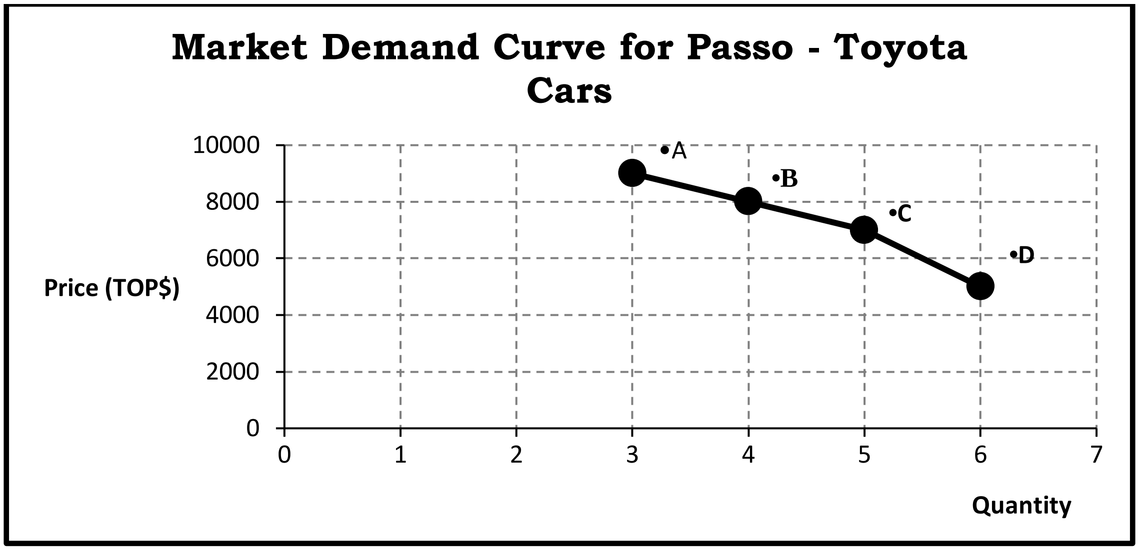
QUESTION 2 Demand

a. Study **Figure 1** below and answer the questions that follow.

Figure 1: Market Demand Curve for Passo - Toyota Cars.



i. Define 'Market Demand Curve'.

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Skill level 1	
1	
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NR	

ii. State the Factor that would cause a movement from •C to •D.

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Skill level 1	
1	
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NR	

iii. Describe a Shift of the Market Demand Curve for Passo – Toyota Cars to the Right.

Skill level 2	
2	
1	
0	
NR	

iv. Illustrate on **Figure 1** on page 3 the effect of an implementation of a 20% Increase in Income Tax Rate.

Skill level 3	
3	
2	
1	
0	
NR	

b) Define 'The Law Of Demand'.

Skill level 1	
1	
0	
NR	

QUESTION THREE **Supply**

a. State **ONE** (1) Factor that can affect a firm's Output Decisions.

Skill level 1	
1	
0	
NR	

b. Describe how the Factor stated in a. above can affect a firm's Output Decisions.

Skill level 2	
2	
1	
0	
NR	

c. Describe Capital as being a Factor of Production.

Skill level 2	
2	
1	
0	
NR	

d. ABC Company Limited has Limited Liability.
Describe 'Limited Liability' as a Feature of ABC Company Limited.

Skill level 2	
2	
1	
0	
NR	

e. Define Managerial Resources.

Skill level 1	
1	
0	
NR	

f. Discuss the Significance of Research and Development upon a Firm.

Skill level 4	
4	
3	
2	
1	
0	
NR	

QUESTION FOUR The Market

a. Define 'Subsidies'.

Skill level 1	
1	
0	
NR	

c. Explain the Significance of Subsidies.

Skill level 3	
3	
2	
1	
0	
NR	

c. "A Market can be a Place or a Situation."

i. Describe the Market as being a Place.

Skill level 2	
2	
1	
0	
NR	

ii. Describe the Market as being a Situation.

Skill level 2	
2	
1	
0	
NR	

PART 2: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

QUESTION 1 Government

a. Define the following Economic terms.

i. 'Government'.

Skill level 1	
1	
0	
NR	

ii. 'Public Goods'.

Skill level 1	
1	
0	
NR	

iii. 'Public Services'.

Skill level 1	
1	
0	
NR	

d. Give **ONE** (1) Example of 'Public Goods'.

Skill level 2	
2	
1	
0	
NR	

c. Give **ONE** (1) Example of 'Public Services'.

Skill level 2	
2	
1	
0	
NR	

d. The Tongan Government has various Functions in the Tongan Economy.

i. State **ONE** (1) Economic Function of the Tongan Government in the Tongan Economy.

Skill level 1	
1	
0	
NR	

ii. Describe the Economic Function stated in i. above in the Tongan Economy.

Skill level 2	
2	
1	
0	
NR	

iii. State **ONE** (1) Non – Economic Function of the Tongan Government in the Tongan Economy.

Skill level 1	
1	
0	
NR	

iv. Describe the Non – Economic Function stated in d. iii. on page 9 in the Tongan Economy

Skill level 2	
2	
1	
0	
NR	

e) Explain **ONE** (1) Reason why the Tongan Government involves itself in some of the operations of the Tongan Economy.

Skill level 3	
3	
2	
1	
0	
NR	

f) Discuss the Significance of the Tongan Government in the operations of the Tongan Economy.

Skill level 4	
4	
3	
2	
1	
0	
NR	

PART 3: AGGREGATE ECONOMIC ACTIVITY AND POLICY

QUESTION 1 Aggregate Economic Activities

a. An Economy can be classified as a Developing Economy or a Developed Economy.

i. State **ONE** (1) Feature of a Developing Economy.

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Skill level 1	
1	
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ii. Describe the Feature of a Developing Economy stated as your answer in a. i. above.

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Skill level 2	
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NR	

b. Differentiate between 'Real GDP' and 'Real GDP Per Capita'.

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Skill level 3	
3	
2	
1	
0	
NR	

e. Define 'International Trade'.

Skill level 1	
1	
0	
NR	

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QUESTION 2 Monetary And Fiscal Policy

a. Define the following Economic terms.

i. 'Monetary Policy'.

Skill level 1	
1	
0	
NR	

ii. 'Fiscal Policy'.

Skill level 1	
1	
0	
NR	

b. State **ONE** (1) Quality of Money.

Skill level 1	
1	
0	
NR	

c. Describe the Quality of Money stated as your answer in b. above.

Skill level 2	
2	
1	
0	
NR	

d. State **ONE** (1) Function of the National Reserve Bank of Tonga.

Skill level 1	
1	
0	
NR	

f. Describe the Function of the National Reserve Bank of Tonga stated as your answer in d. above.

Skill level 2	
2	
1	
0	
NR	

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