

| MARKER CODE |  |  |  |  |
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| STUDENT ENROLMENT NUMBER (SEN) |  |  |  |  |  |  |  |  |  |
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# TONGA SCHOOL CERTIFICATE

2018

## ECONOMICS

### QUESTION AND ANSWER BOOKLET

Time Allowed: 3 Hours

#### INSTRUCTIONS:

1. Write your **Student Enrolment Number (SEN)** on the top right hand corner of this page.
2. This paper consists of **THREE SECTIONS** and is out of 70 Skill Level.

| SECTIONS | Topics                                           | Total Skill Level |
|----------|--------------------------------------------------|-------------------|
| <b>A</b> | <b>Resource Allocation via the Market System</b> | <b>36</b>         |
| <b>B</b> | <b>Resource Allocation via the Public Sector</b> | <b>5</b>          |
| <b>C</b> | <b>Aggregate Economic Activity and Policy</b>    | <b>29</b>         |
|          | <b>TOTAL</b>                                     | <b>70</b>         |

3. Answer ALL QUESTIONS. Write your answers in the spaces provided in this booklet.
4. Use a **BLUE** or **BLACK** ball point pen only for writing. Use a pencil for drawing if required.
5. If you need more spaces for answers, ask the supervisor for extra paper. Write your **Student Enrolment Number (SEN)** on each addition sheet, number the questions clearly and insert them in the appropriate part of your booklet.
6. Check that this booklet contains pages **2-19** in the correct order and that none of the pages is blank.

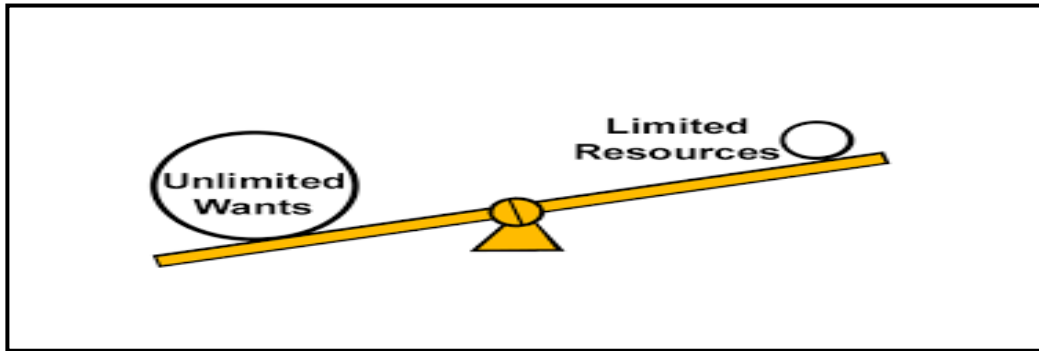
**YOU MUST HAND IN THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

## SECTION A: RESOURCE ALLOCATION VIA THE MARKET SYSTEM

### QUESTION ONE: Basic Economic Concepts

Study **Diagram 1** below and answer question 1.

**Diagram 1**



1. Describe the relationship between the economic concepts illustrated in **Diagram 1**.

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Use the information given below to answer question 2.

Jackie has always had an interest in designing and regularly making her own clothes. She aims to set up her own business in Nuku‘alofa. She has started working in an established fashion house to learn more about designing clothes.

2. Explain how specialization is being applied in Jackie’s situation as described above.

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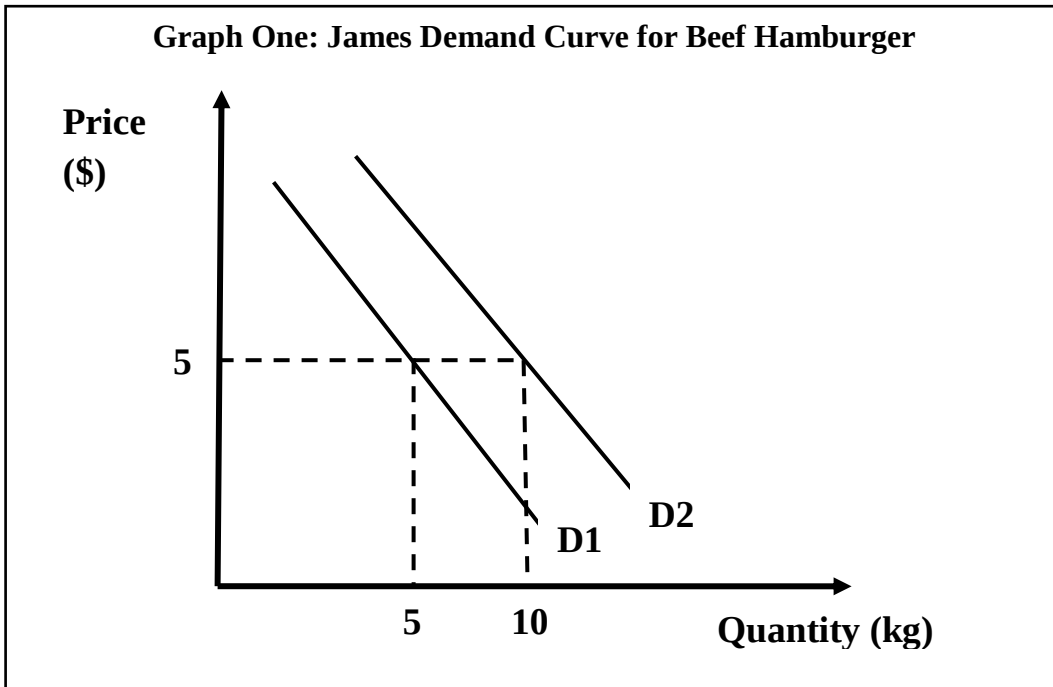


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| 0             |  |
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**QUESTION TWO: Demand**

1. Study the graph given below and answer the questions that follow.



- a. Describe what happened in **Graph One**.

| Skill level 2 |    |
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|               | 2  |
|               | 1  |
|               | 0  |
|               | NR |

- b. Give **TWO** (2) factors that could have affected James demand for Beef Hamburger.

**Factor 1:**

| Skill level 2 |    |
|---------------|----|
|               | 2  |
|               | 1  |
|               | 0  |
|               | NR |

**Factor 2:**

| Skill level 2 |    |
|---------------|----|
|               | 2  |
|               | 1  |
|               | 0  |
|               | NR |

- c. Explain how one of the stated factors in (b) affects the situation of the demand curve illustrated in **Graph One**.

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| NR            |  |

- d. A change in quantity demand refers to a movement from one point to another on the same demand curve.

State the factor that could cause this movement to take place.

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| Skill level 1 |  |
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2. Use the information given below to answer questions (a) and (b).

John and Anne are a young couple who have been living with John's parents. John works as a kitchen hand, earning \$260 a week, and Anne earns \$100 a week as a babysitter. After a few months, they have decided to move into a flat which cost \$200 per week. They started to realize the amount of expenses that they would have to pay. Therefore, they asked the Budget Advisory Service for help.

- a. Define budget.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- b. State **ONE** (1) importance of budgeting on protecting John and Anne finances.

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| Skill level 1 |  |
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| 0             |  |
| NR            |  |

### QUESTION THREE: Supply

1. Use the information given below to answer question (a) and (b).

Businesses in Tonga may have a number of goals. As an alternative to the profit goal, some producers may aim at sales maximization.

- a. State **ONE** (1) goal of producers apart from profit and sales maximization.

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| Skill level 1 |  |
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- b. Sales maximization is one of the main goals of firms.  
Describe what this means.

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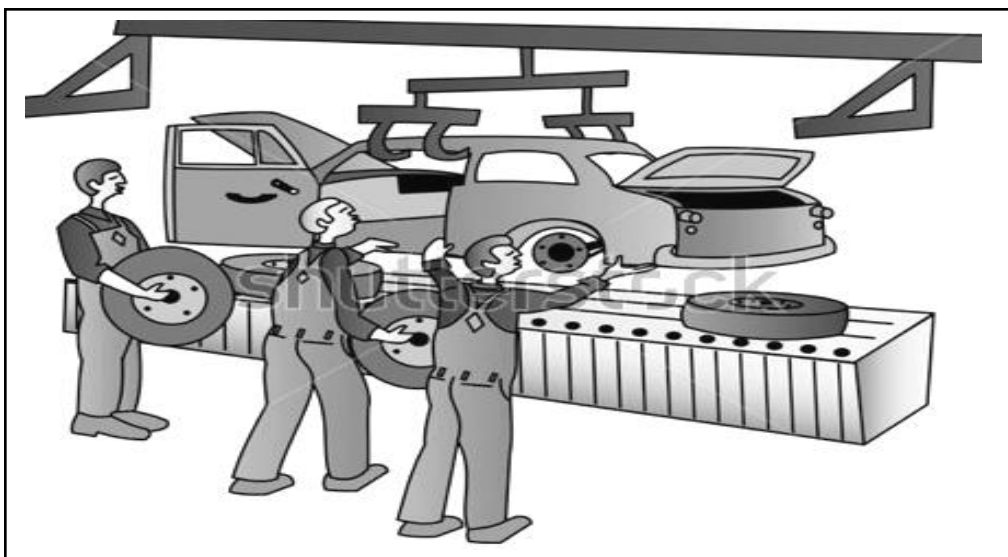
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| Skill level 2 |  |
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| 0             |  |
| NR            |  |

2. Study the picture given below and answer the questions that follow.



Source (adapted): <https://jaibusinessblog.weebly.shutterstock.co>

- a. State **ONE** (1) factor of production illustrated in the picture above.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- b. Apart from the stated factor in (a), give **TWO** (2) factors of production which are also shown in the cartoon above.

**Factor 1:**

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**Factor 2:**

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| Skill level 2 |  |
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| 1             |  |
| 0             |  |
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- c. Explain how new technology contributes to the production of cars as illustrated in the picture.

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| Skill level 3 |  |
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- d. The production of cars illustrated in the picture is considered an example of Secondary Industry.

With reference to a local example of Secondary Industry in Tonga, analyze (critically) the significant contributions of Secondary Industry towards Tonga's economic growth.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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|  | Skill level 4 |  |
|  | 4             |  |
|  | 3             |  |
|  | 2             |  |
|  | 1             |  |
|  | 0             |  |
|  | NR            |  |

**QUESTION FOUR: Market**

1. Use the statement given below to answer questions (a) and (b).

There are many commodities and services bought and sold in different types of market in Tonga's economy.

- a. State **ONE** (1) type of market.

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| Skill level 1 |  |
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- b. Describe the stated type of market in (a).

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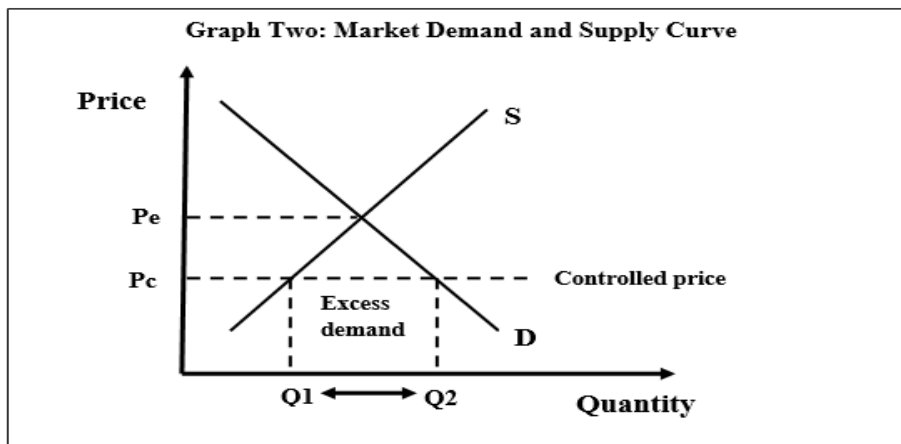
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| Skill level 2 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

2. Study **Graph Two** given below and answer the questions that follow.



- a. Define excess demand.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- b. Describe the type of price control illustrated in **Graph Two** at price  $P_c$ .

|  |                      |  |
|--|----------------------|--|
|  | <b>Skill level 2</b> |  |
|  | 2                    |  |
|  | 1                    |  |
|  | 0                    |  |
|  | NR                   |  |

- c. Give **TWO** (2) examples of essential goods that the government would place the controlled price ( $P_c$ ) on.

**Example 1:**

|  |                      |  |
|--|----------------------|--|
|  | <b>Skill level 2</b> |  |
|  | 2                    |  |
|  | 1                    |  |
|  | 0                    |  |
|  | NR                   |  |

**Example 2:**

## SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

### QUESTION FIVE: Government

Study the excerpt given below and answer the questions that follow.

#### Press Release: Government of Tonga Fiscal Strategy

The Government of Tonga is committed to provide the highest quality of public good and services. This target has been developed based on robust economic modeling within the Ministry of Finance and National Planning which has taken into account the possibility of shocks such as natural disasters happening in the future.

Ministry of Finance and National Planning, 2<sup>nd</sup> March, 2017

Source (adapted): <http://www.finance.gov.to/?q=article/government-tonga-fiscal-strategy>

- a. Define public goods.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- b. Give **TWO** (2) examples of public goods in Tonga's economy. (similar to page 10)

**Example 1:**

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**Example 2:**

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| Skill level 2 |  |
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| 2             |  |
| 1             |  |
| 0             |  |
| NR            |  |

- c. Describe the main role of the Ministry of Finance and National Planning.

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| Skill level 2 |  |
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| 2             |  |
| 1             |  |
| 0             |  |
| NR            |  |

## SECTION C: AGGREGATE ECONOMIC ACTIVITY AND POLICY

### QUESTION SIX: Aggregate Economic Activity and Policy

1. Study the information given below and answer the questions that follow.

Tonga is a mixed economy with a government system that is a constitutional monarchy.

- a. Define economic system.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- b. Describe **ONE** (1) features of Tonga as a Mixed Economy.

**Feature 1:**

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| Skill level 2 |  |
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| 2             |  |
| 1             |  |
| 0             |  |
| NR            |  |

- c. State **ONE** (1) advantage of a Mixed Economy.

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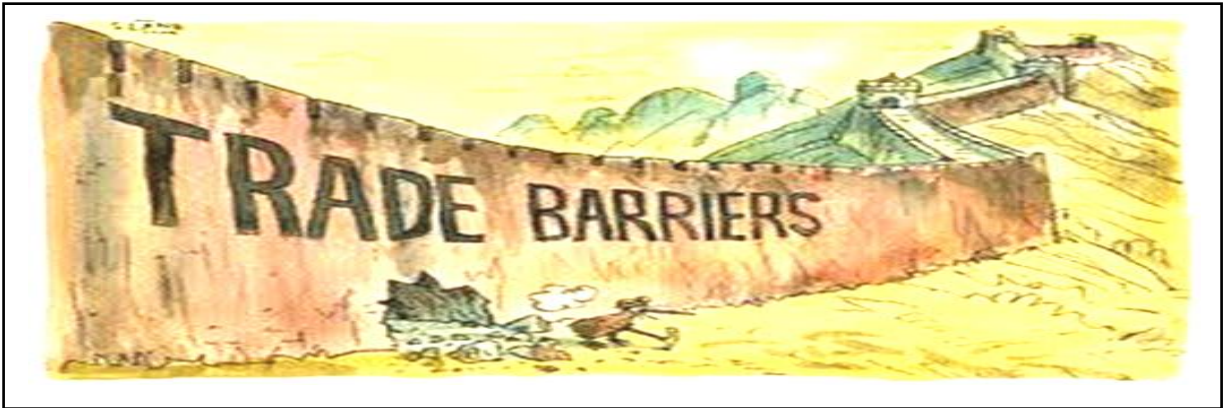
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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

Study the picture given below and answer question 2.



Source (adapted) : <https://www.tes.com/teaching-resource/economics-lesson-85-trade-tariff-barriers->

2. Describe **ONE** (1) type of trade barrier that is implemented by the Tongan government.

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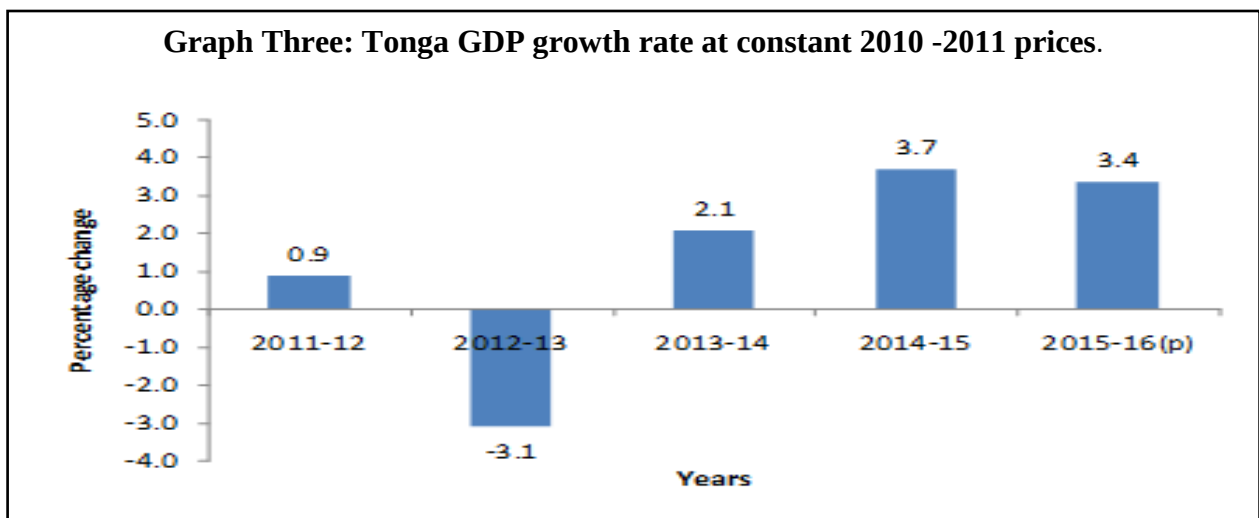
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| Skill level 2 |  |
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| 2             |  |
| 1             |  |
| 0             |  |
| NR            |  |

3. Study **Graph Three** given below and answer questions (a) to (d)



Source (adapted): Tonga Department of Statistics, Annual Report (2012)

- a. Define economic growth.

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| Skill level 1 |  |
|---------------|--|
| 1             |  |
| 0             |  |
| NR            |  |

- b. Name **ONE** (1) factor of economic growth.

| Skill level 1 |  |
|---------------|--|
| 1             |  |
| 0             |  |
| NR            |  |

- c. Describe **ONE** (1) negative effect of economic growth on the environment of Tonga.

| Skill level 2 |  |
|---------------|--|
| 2             |  |
| 1             |  |
| 0             |  |
| NR            |  |

- d. Analyze the trends of the GDP growth rate of Tonga from 2011 to 2016.

| Skill level 4 |  |
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| 4             |  |
| 3             |  |
| 2             |  |
| 1             |  |
| 0             |  |
| NR            |  |

**QUESTION SEVEN: Monetary and Fiscal Policy**

1. Use the information given below to answer questions (a) and (b).

ANZ Bank in Tonga is a commercial bank that offers comprehensive products and services for individuals as well as businesses.

- a. State **ONE** (1) other type of bank in Tonga apart from a commercial bank.

|  |                      |  |
|--|----------------------|--|
|  | <b>Skill level 1</b> |  |
|  | 1                    |  |
|  | 0                    |  |
|  | NR                   |  |

- b. Describe **ONE** (1) function of the ANZ Bank in Tonga's economy.

|  |                      |  |
|--|----------------------|--|
|  | <b>Skill level 2</b> |  |
|  | 2                    |  |
|  | 1                    |  |
|  | 0                    |  |
|  | NR                   |  |

2. Study the information about the Government Budget estimate of Tonga for 2017/2018 provided in **Table 1** and answer the questions that follow.

**Table 1: Government Budget Estimate for 2017/2018 (\$ million)**

| Details                         | Budget Estimate (\$ million) |
|---------------------------------|------------------------------|
| Budget revenue                  | 345.2                        |
| Domestic revenue                | 280.9                        |
| Budget expenditures             | 344.5                        |
| Operating expenditures          | 307                          |
| Purchase of goods and services  | 48.2                         |
| Other Expenditures and payments | 37.5                         |
| Cash deficit                    | 0.6                          |

Source(adapted):

[http://www.finance.gov.to/sites/default/files/Budget%20Statement%20201718\\_eng.pdf](http://www.finance.gov.to/sites/default/files/Budget%20Statement%20201718_eng.pdf)

- a. State **ONE** (1) source of Budget revenue of the Tongan government.

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| Skill level 1 |  |
|---------------|--|
| 1             |  |
| 0             |  |
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- b. Explain how a decrease in the government's budget revenue would affect the operating expenditures of the Tongan government.

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| Skill level 3 |  |
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**QUESTION EIGHT: Economic Issues**

1. Carefully read the article below and answer questions (a) to (c).

**Rising Unemployment: A major concern for Tonga.**

The Tongan government hopes to combat this economic issue by trying to increase the number of workers from the kingdom being allowed to Australia each year. The Tongan Minister of Internal Affairs is working with the Australian Broadcasting Corporation to find work placement in Australia under the country's Pacific Harvest Scheme. According to the Minister of Internal Affairs, there are more than 1000 applicants who prefer to work in Australia.

*Source (adapted):* <http://matangitonga.to/1999/02/07/how-can-tongan-economy-recover-how-can-moreyouth-be-employed>

- a. Define unemployment.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- b. State the type of unemployment that is described in the article above.

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| Skill level 1 |  |
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| 1             |  |
| 0             |  |
| NR            |  |

- Describe the current condition of unemployment in Tonga.
- Explain the causes and effects of the current situation of unemployment on EITHER family, community or government.
- Suggest **ONE** (1) possible solution for the stated causes of unemployment in Tonga.

[illegible]

|  |               |  |
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|  | Skill level 4 |  |
|  | 4             |  |
|  | 3             |  |
|  | 2             |  |
|  | 1             |  |
|  | 0             |  |
|  | NR            |  |

2. Read the excerpt below and answer questions (a) and (b).

**New Zealand government aims at equity for all Tongan students.**

According to the New Zealand government, lifting standard in non-government schools in Tonga is a key goal of boosted education assistance to this country. New Zealand's government will donate \$9.9 million USD to Tonga over the next three years to improve education. The Ministry of Education and Training always favoured the government schools when allocating the resources. However, the New Zealand government is hoping to equally distribute the resources among the non-government and government schools in Tonga.

*Source (adapted): <https://www.radionz.co.nz/international/pacific-news/155992/nz-government-aims-at-equity-for-all-tonga-students>*

- a. Define equity.

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| Skill level 1 |  |
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- b. State **ONE** (1) situation described in the passage above that could cause inequity.

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| Skill level 1 |  |
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| 0             |  |
| NR            |  |