MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA SCHOOL CERTIFICATE

2019

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 weighted scores.

SECTIONS	TOPICS	TOTAL SKILL LEVEL
A	RESOURCE ALLOCATION VIA THE MARKET SYSTEM	31
B	RESOURCE ALLOCATION VIA THE PUBLIC SECTOR	10
C	AGGREGATE ECONOMIC ACTIVITY AND POLICY	29
	TOTAL	70

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 additional sheet, number the questions clearly and insert them in the appropriate places in this 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 BEFORE YOU LEAVE THE EXAMINATION ROOM.

SECTION A: RESOURCE ALLOCATION VIA THE MARKET SYSTEM

QUESTION ONE: BASIC ECONOMIC CONCEPTS

Carefully read the statement given below and answer questions a-c.

Division of labour is useful in every restaurant in Tonga because it is essential for the economic well-being of the country. *Friends* is one of the nice restaurants in Nuku'alofa that applies division of labour in its production.

Source (adapted): Retrieved from http://www.friendstonga.com/cms/gallery-2/ (Sept, 2019)

a. Define **division of labour**.

Skill level 1	
1	
0	
NR	

b. Describe the relationship between division of labour and production.

Skill level 2	
2	
1	
0	
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c. Discuss how division of labour is applied in the daily operation of *Friends* restaurant.

Skill level 4	
4	
3	
2	
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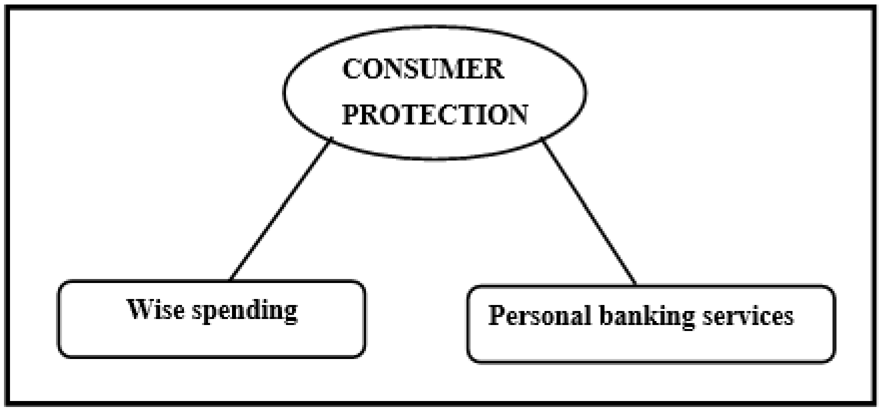
QUESTION TWO: DEMAND

Study the diagram given below and answer questions a-d.



a. Define **consumer protection**.

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Skill level 1	
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b. ***Saving account is one form of personal banking services offered by commercial banks to its customers.***

State **ONE** (1) benefit of a saving account for the account holder.

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Skill level 1	
1	
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c. Describe **ONE** (1) way of wise spending.

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Skill level 2	
2	
1	
0	
NR	

d. Based on your answer in question c. on page 4, explain how it would protect your family finances.

Skill level 3	
3	
2	
1	
0	
NR	

QUESTION THREE: SUPPLY

Carefully read the case study given below and answer questions a-e.

As the owner of Leiola Handicraft Company, Langakali is willing to supply 10 kiekie to Talamahu market at a price of TOP $150 each on a weekly basis. When the market price increases to TOP $200, Langakali is willing to supply 14 kiekie weekly. As price increases to TOP $400, Langakali is willing to supply 25 kiekie on a weekly basis.

a. Define **supply curve.**

Skill level 1	
1	
0	
NR	

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b. Construct a supply curve for the Leiola Handicraft Company from the information described in the case study above.

Skill level 2	
2	
1	
0	
NR	

c. ***If the price of kiekie increases from TOP $200 to TOP $250.***

Graphically show the effect of the changing price on the graph in question b.

Skill level 1	
1	
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d. Explain how a reduction in the cost of labour would affect the supply of kiekie in the market.

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Skill level 3	
3	
2	
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e. Distinguish between a shift in supply curve and a 'movement along the supply curve' of kiekie in the market.

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Skill level 3	
3	
2	
1	
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QUESTION FOUR: MARKET

Study the information given in Table 1 below and answer questions (a) to (c).

Table 1: A Hypothetical Market Demand and Supply Schedule for Watermelon

Price (TOP $)	Quantity Demanded (000)	Quantity Supplied (000)
1	12	1
3	8	3
5	5	5
8	3	7
10	1	8

a. Identify the **equilibrium quantity** of Watermelon from **Table 1**.

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Skill level 1	
1	
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b. Determine the **excess demand** from the Market Demand and Supply Schedule above when the price of Watermelon is set at TOP $3.

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Skill level 2	
2	
1	
0	
NR	

c. **_Suppose government subsidizes the cost of inputs in the production of watermelon._**

Discuss the impact of subsidy on the total output of watermelon.

Skill level 4	
4	
3	
2	
1	
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SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

QUESTION FIVE

Study the cartoon given below and answer questions a – e.

Source (adapted): Retrieved from https://study.com/academy/lesson/what-is-government-functions.html

a. Define **government**.

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Skill level 1	
1	
0	
NR	

b. ***Government plays a vital function in Tonga's economy.***

Describe **ONE** (1) key economic function of the government in Tonga's economy.

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Skill level 2	
2	
1	
0	
NR	

c. Describe **ONE** (1) example of public service provided by the government for Tonga.

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Skill level 2	
2	
1	
0	
NR	

d. ***Government plays a vital role in Tonga's economy.***

List **TWO** (2) goals of the government departments in Tonga.

i. ____

ii. ____

Skill level 2	
2	
1	
0	
NR	

e. Explain why the Tonga government intervenes in providing public goods and services.

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Skill level 3	
3	
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1	
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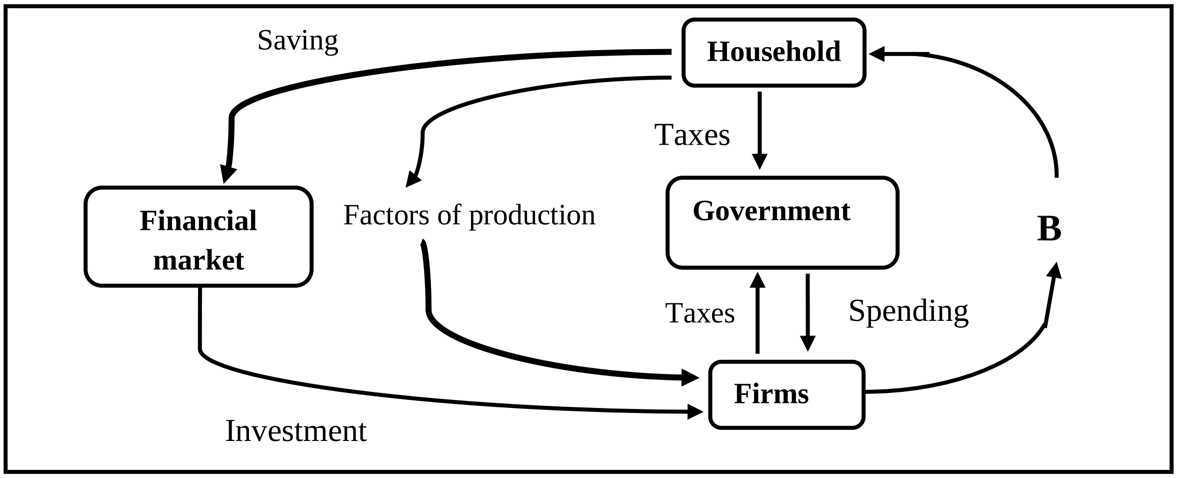
SECTION C: AGGREGATE ECONOMIC ACTIVITY AND POLICY

QUESTION SIX: AGGREGATE ECONOMIC ACTIVITIES

1. Study the circular flow diagram given below and answer questions a – c.



a. Identify **ONE** (1) example of real flow from the circular flow diagram above.

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Skill level 1	
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b. State the flow represented by letter **B** in the circular flow diagram.

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Skill level 1	
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c. Use an example from the circular flow diagram to explain how interdependence is applied in this sector model.

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Skill level 3	
3	
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1	
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2. Study the information given in Table 2 below and answer questions a-e.

Table 2: Fangamotu Island Financial Transaction Summary with New Zealand and Australia

	TOP $ (0000)
Export of vanilla to New Zealand.	50
Income from foreign investment in Fangamotu.	25
Buying machineries from Australia.	32
Fangamotu people fly on a plane operated by New Zealand Airlines.	22
Income from Fangamotu investment in New Zealand.	38
Income from New Zealand and Australian visitors come to Fangamotu.	41

a. Identify **ONE** (1) example of **Invisible Receipt** from Table 2 as a component of Balance on Services Account.

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Skill level 1	
1	
0	
NR	

b. Describe **TWO** (2) trading partner of Fangamotu Island.

i. ______________________________

ii. ______________________________

Skill level 2	
2	
1	
0	
NR	

c. Refer to the information in **Table 2**.

Calculate the Balance on Services.

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Skill level 2	
2	
1	
0	
NR	

d. Explain **ONE** (1) significant information provided by the recorded summary of the financial transactions to the Fangamotu economy.

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Skill level 3	
3	
2	
1	
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NR	

e.

Suppose the exchange rate of the Fangamotu Dollar is depreciated against the New Zealand and Australian Dollar.

Explain the impact of depreciation of the Fangamotu Dollar on its export of vanilla.

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Skill level 3	
3	
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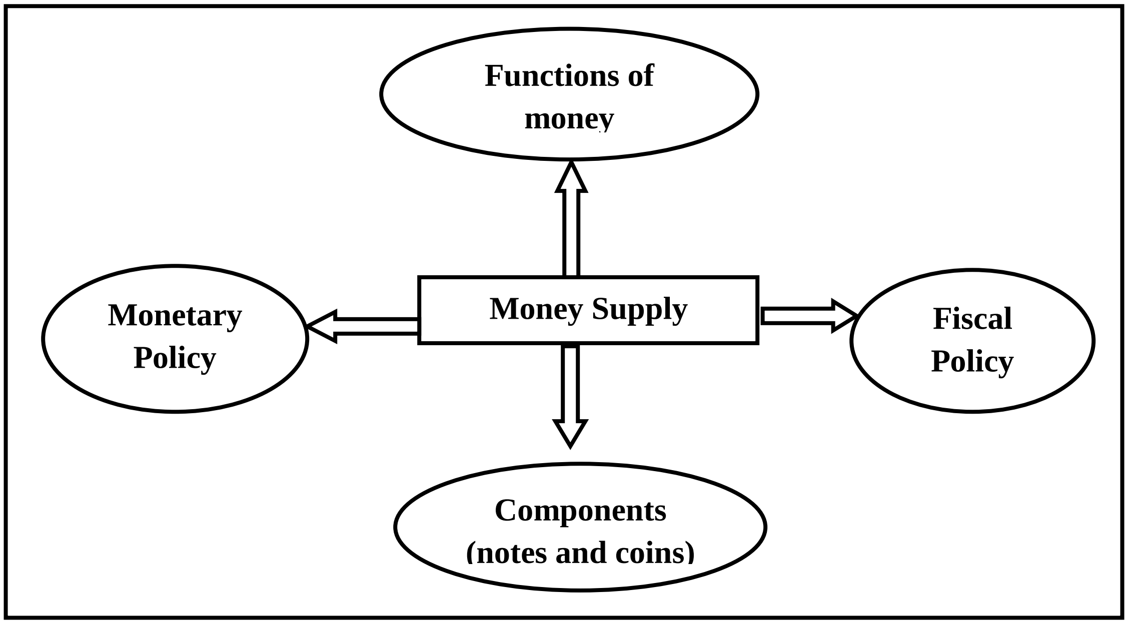
QUESTION SEVEN: MONETARY AND FISCAL POLICY

Study the flow chart provided below and answer questions a-c.



a. State **ONE** (1) function of money that is used to facilitate trade.

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Skill level 1	
1	
0	
NR	

b. Define **monetary policy**.

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Skill level 1	
1	
0	
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c. Explain how the Reserve Bank would use the monetary policy to control inflation.

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Skill level 3	
3	
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1	
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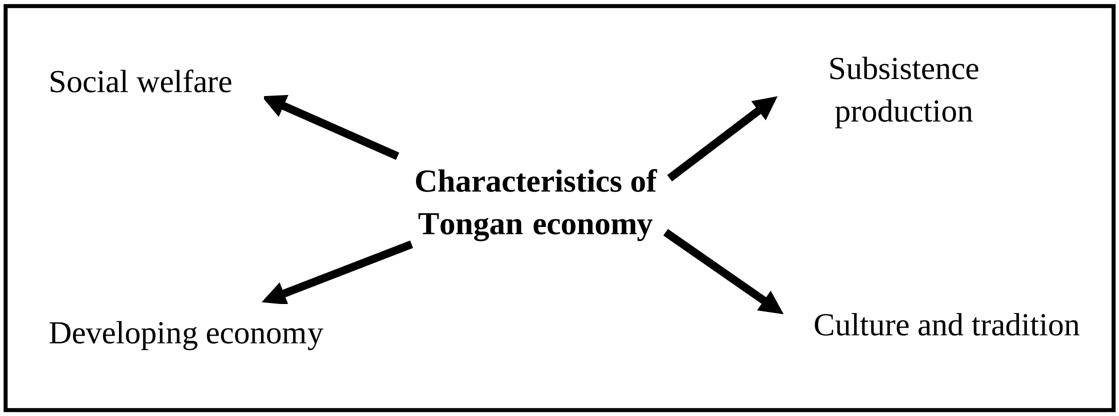
NR	

QUESTION EIGHT: ECONOMIC ISSUES

Study the diagram given below and answer questions a – c.



a. Define each of the following terms.

i. **Developing economy:**

Skill level 1	
1	
0	
NR	

ii. **Subsistence production:**

Skill level 1	
1	
0	
NR	

b. Describe how Tonga is identified as a developing economy.

Skill level 2	
2	
1	
0	
NR	

c. **_Subsistence production still exists in Tongan community._**

Evaluate the impact of the current subsistence production on Tonga's economy.

Skill level 4	
4	
3	
2	
1	
0	
NR	