MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA SCHOOL CERTIFICATE

2021

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.

SECTION	STRANDS	TOTAL SKILL LEVEL
A	RESOURCE ALLOCATION VIA THE MARKET SYSTEM	32
B	RESOURCE ALLOCATION VIA THE PUBLIC SECTOR	4
C	AGGREGATE ECONOMIC ACTIVITY AND POLICY	34
	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 space 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

Define each of the following economic concepts.

a. Opportunity cost:

Skill level 1	
1	
0	
NR	

b. Specialisation:

Skill level 1	
1	
0	
NR	

QUESTION TWO

> Contracts come in different forms, from buying a package of gums to renting a house, to a handshake between two neigbours for an exchange of services. In a few situations, contract must be in writing to be valid.

a. Define **contract**.

Skill level 1	
1	
0	
NR	

b. List **TWO (2)** features of a valid contract.

Skill level 2	
2	
1	
0	
NR	

c. Suppose your parents earn their income fortnightly. You are told to prepare a budget for your family.

Identify **ONE (1)** importance of preparing a fortnightly budget for your family finance.

Skill level 1	
1	
0	
NR	

d. Wise buying is one of the key factors to consider when spending on food expenses.

Describe **ONE (1)** example of a wise buying practice to be followed by your family during food purchasing.

Skill level 2	
2	
1	
0	
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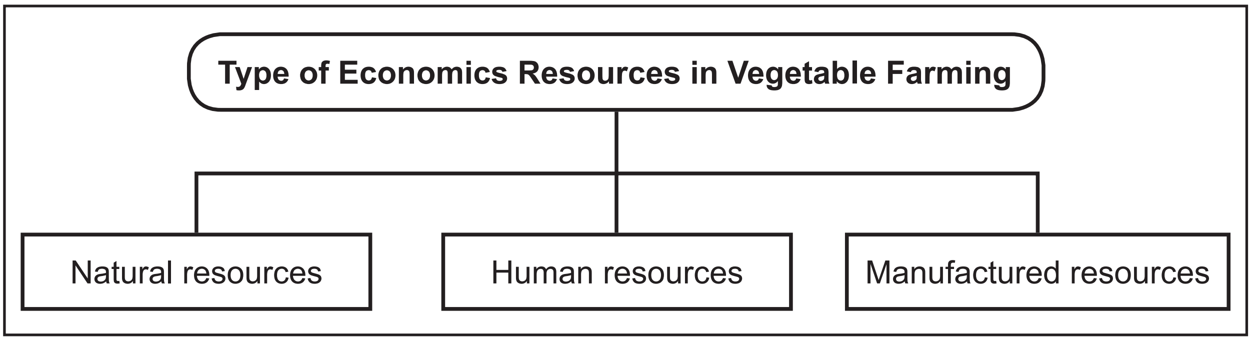
QUESTION THREE

1. Use the diagram given below to answer questions **a. – e.**



a. Define **human resources**.

Skill level 1	
1	
0	
NR	

b. Identify **TWO (2)** examples of human resources from vegetable farming.

Skill level 2	
2	
1	
0	
NR	

c. State the factor income earn for using human resources in vegetable farming.

Skill level 1	
1	
0	
NR	

d. Give **TWO (2)** examples of renewable natural resources from vegetable farming.

Skill level 2	
2	
1	
0	
NR	

e. Use **ONE (1)** example of a non – renewable resource and discuss its current situation in the local production of the Tongan economy.

In your answer you must include the following important points.

- Conditions or roles of non – renewable resource in the local production.
- Why non - renewable resource is a problem in the local production?
- How to save the non – renewable resource in the local production?

Skill level 4	
4	
3	
2	
1	
0	
NR	

2.

> Vakaloa Beach Resort is one of the popular resorts in Tongatapu. This resort often applies the division of labour and technology in its daily operation of the business.

a. Explain the significance of technology in the productivity of the Vakaloa Beach Resort.

Skill level 3	
3	
2	
1	
0	
NR	

b. Vakaloa Beach Resort offers dinner and entertainment twice a week.

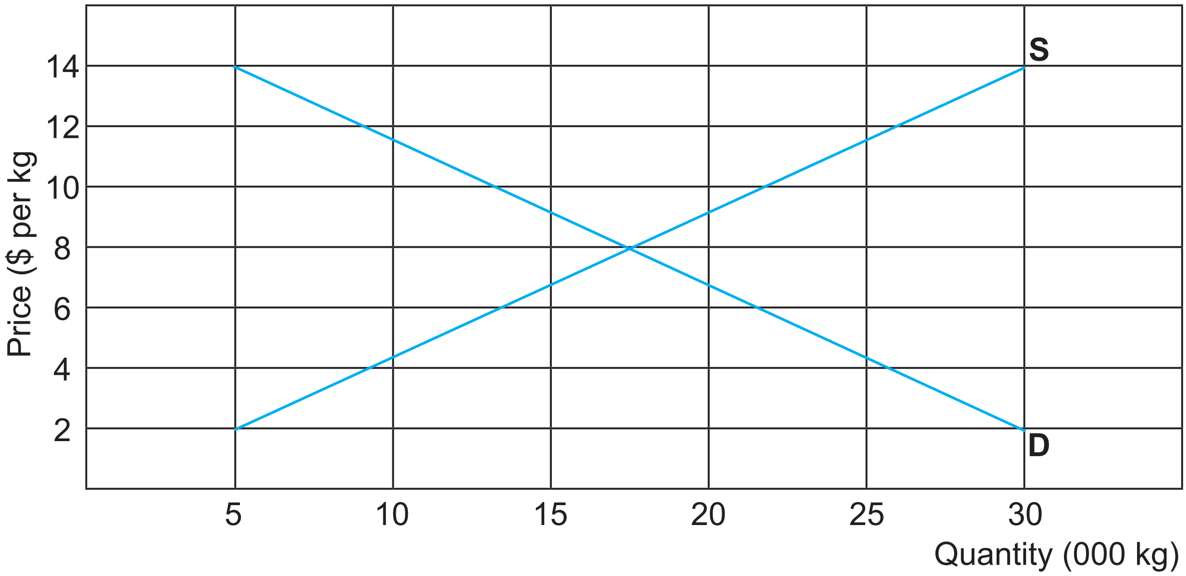
Explain the significance of division of labour to the output of food for a buffet dinner at Vakaloa.

Skill level 3	
3	
2	
1	
0	
NR	

QUESTION FOUR

Study the market demand and supply curve given below and answer questions **a. – d.**

Graph One: Market Demand and Supply curve of Flour



a. Identify the market clearing price from **Graph One**.

Skill level 1	
1	
0	
NR	

b. Suppose the government impose a price control on flour at price $4 / kg in the market.

On **Graph One**, show the market situation that may arise in the market at price $4 / kg.

Skill level 2	
2	
1	
0	
NR	

c. Derive the schedule for the market demand and market supply of flour from the graphs given in **Graph One**. Label all units correctly.

Skill level 2	
2	
1	
0	
NR	

d. The government cuts the income tax.

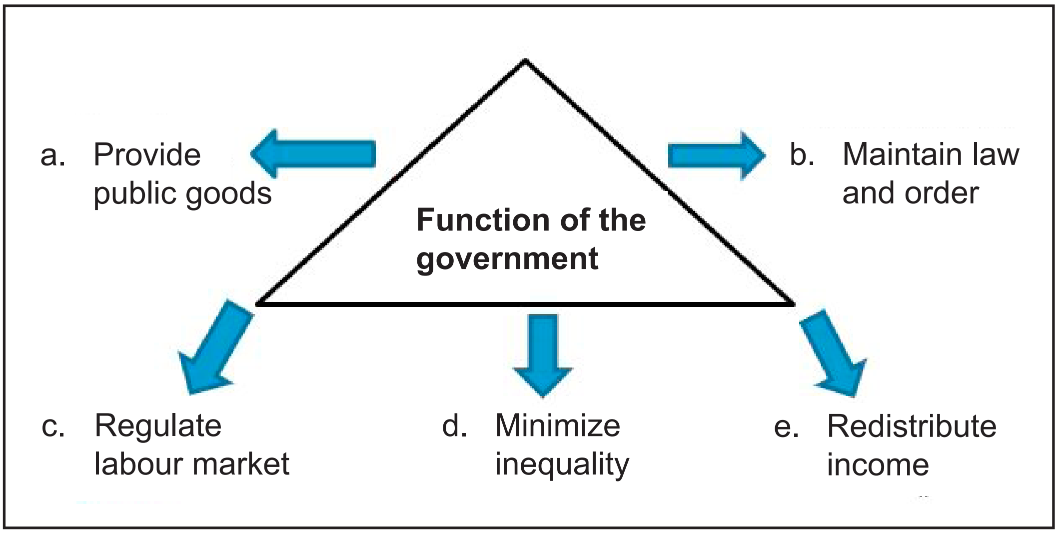
Explain the change on the market demand and market supply of flour as a result of the government action mentioned above.

Skill level 3	
3	
2	
1	
0	
NR	

SECTION B: RESOURCE ALLOCATION via the PUBLIC SECTOR

QUESTION ONE

Use the flow diagram given below to answer questions **a. – b.**



a. List **TWO (2)** local examples of public goods.

Skill level 2	
2	
1	
0	
NR	

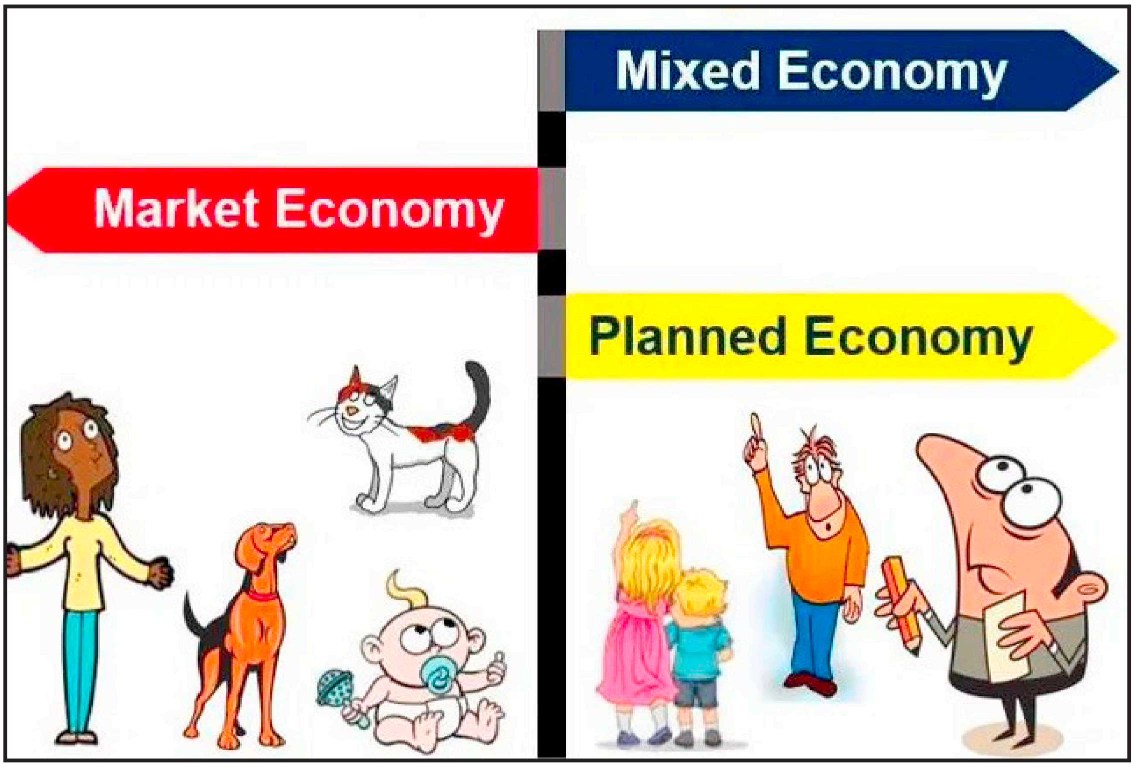
b. Describe the function of letter (**e**) in the above diagram.

Skill level 2	
2	
1	
0	
NR	

SECTION C: AGGREGATE ECONOMIC ACTIVITY and POLICY

QUEISITON ONE

1. Use the picture given below about the types of economic systems to answer questions **a. – b.**



Source (adapted): Retrieved from *https://marketbusinessnews.com/financial-glossary/economic-system*

a. Identify **ONE (1)** feature of a Market Economy.

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Skill level 1	
1	
0	
NR	

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

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Skill level 1	
1	
0	
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2. Use the information given below to answer questions **a.** – **e.**

Foreign Investment in the Pacific Islands.

Foreign investment plays an increasingly important role in several of the Pacific Islands including Tonga. In certain sectors the involvement of foreign enterprises have been increasing rapidly in the twentieth century. Most of the foreign investors in Tonga are from New Zealand.

Source (adapted) : Parry. T. (1988). Foreign Investment and Industry in the Pacific Islands.

a. Define **foreign investment**.

Skill level 1	
1	
0	
NR	

b. State **ONE (1)** benefit of foreign investment to the Tongan economy.

Skill level 1	
1	
0	
NR	

c. New Zealand is known as one of the key trading partners of Tonga.

Explain the importance of trading with New Zealand economy for the economic growth of Tonga

Skill level 3	
3	
2	
1	
0	
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d. Suppose the government imposes tariff on imported fruits from New Zealand.

Explain the significance of the above government action on the local fruit suppliers here in Tonga.

Skill level 3	
3	
2	
1	
0	
NR	

e. According to the National Reserve Bank of Tonga (March, 2021), the strong appreciation in the New Zealand Dollar during the 14 year period have caused the depreciation in the Pa‘anga against this currency.

Discuss **ONE (1)** effect of depreciation in the Tongan Pa’anga on importers and exporters of the Tongan economy.

Skill level 4	
4	
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QUESTION TWO

Study the image of the $20 paper money given below and answer questions **a.** – **d.**

***Source (adapted):* Retrieved from [http//www.reservebank. to](http//www.reservebank.to)**

a. Name the type of bank in Tonga that is responsible for issuing the paper money shown above.

Skill level 1	
1	
0	
NR	

b. List **TWO (2)** good qualities of the paper money shown above.

Skill level 2	
2	
1	
0	
NR	

c. Describe **ONE (1)** function of the stated bank in **a.** apart from issuing paper money.

Skill level 2	
2	
1	
0	
NR	

d. The government decides on a monetary policy for the economy but does not administer it.

Explain the importance of monetary policy for the government of Tonga.

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Skill level 3	
3	
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e. One of the major sources of revenue for Tonga is taxation.

Explain how an increase in the source of revenue affects the local production in Tonga.

Skill level 3	
3	
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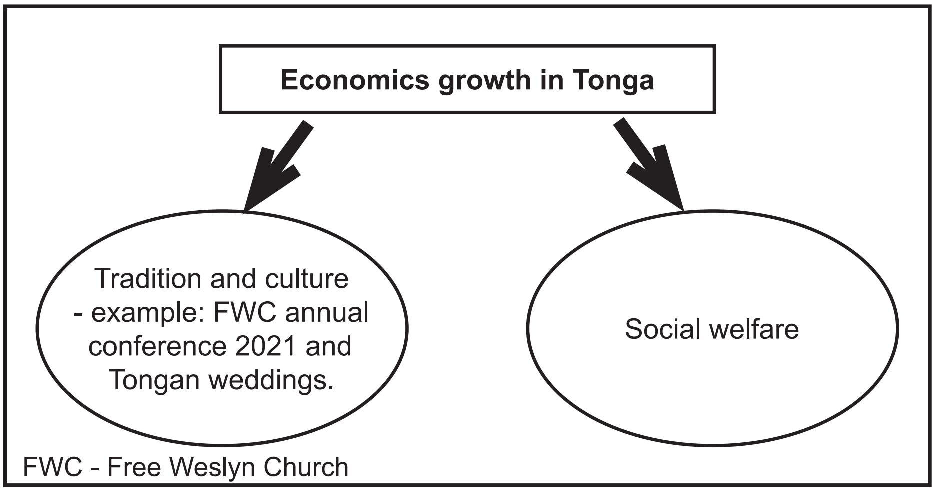
QUESTION THREE

1. Study the diagram given below and answer questions **a. – b.**



a. Define **social welfare**.

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Skill level 1	
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b. Explain the positive effects of the annual Free Wesleyan Church (FWC) Conference on the economic growth of Tonga for 2021.

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Skill level 3	
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2. One of the economic issues in the Tonga economy is inequality of income

a. Define **inequality**.

Skill level 1	
1	
0	
NR	

b. Remittances lower income inequality in Tonga.

Discuss **ONE (1)** negative effect of income inequality on the Tonga economy.

Skill level 4	
4	
3	
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