MARKER CODE				

Student Enrolment Number									

TONGA FORM SIX CERTIFICATES

2016

ECONOMICS

QUESTION AND ANSWER BOOKLET

Time allowed: 3 Hours + 10minutes reading

INSTRUCTIONS

1. Write your **Student Enrolment Number (SEN**) on the top right-hand corner of this page.
2. Additional sheets of paper can be obtained from your supervisor if necessary. Write your **Student Enrolment Number (SEN)** on each addition sheet number the questions clearly and insert them in the appropriate part of your booklet and tie securely.
3. This paper is divided into **THREE** sections. ALL of which must be answered.

Sections/Topics	Total Skill Level
Section A: Resource Allocation VIA the Market System	30
Section B: Resource Allocation VIA Public Sector	20
Section C: Aggregate Economic Activity And Policy	20
TOTAL	**70**

4. Follow instructions and answer all questions in the spaces provided in this booklet.
5. Check that this booklet contains pages 2-15 in the correct order and that page 15 has been deliberately left blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR BEFORE YOU LEAVE THE EXAMINATION ROOM.

SECTION A: RESOURCE ALLOCATION VIA THE MARKET SYSTEM

PART 1: MULTIPLE CHOICE QUESTIONS:

Circle the letter of the best answer.

1. Which of the following would cause a movement along a demand curve for a single product?

   A. A change in price of a close substitute.
   B. A change in price of a complement good.
   C. A change in price of the good in question.
   D. A change in the determinants of demand.

Skill level 1	
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2. As all else equal, the microeconomic law of supply is defined as:

   A. “As Price Increases, Supply Increases”.
   B. “As Price Increases, Quantity Demanded Decreases”.
   C. “As Price Decreases, Quantity Supplied Decrease”.
   D. “As Price Decreases, Demand Increases”.

Skill level 1	
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3. Which of the following describes a surplus situation in the market?

   A. Quantity supplied is greater than quantity demanded.
   B. Consumers won’t be able to buy as much of a good as they would like.
   C. Producers won’t be able to buy all their goods.
   D. Quantity demanded is more than quantity supplied.

Skill level 1	
1	
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4. Which of the following states one of the assumptions of the PPC.

   A. There are good A and good B.
   B. Some of the resources are fixed.
   C. Technology varies according to nature of production.
   D. There are only two goods produced.

Skill level 1	
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PART 2: SHORT ANSWERS, CALCULATIONS & GRAPHICAL ANALYSIS

1. Discuss the significance of Economics upon your life as a student.

Skill level 4	
4	
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2. With reference to the basic economic concepts of Scarcity and Opportunity Cost, evaluate their significance to everyday living.

Skill level 4	
4	
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3. Differentiate between Factors market and Goods Market.

Skill level 3	
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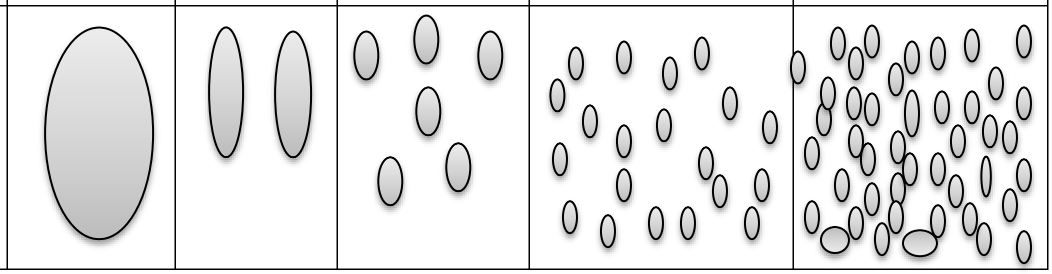
4. Study the diagram below and then answer the questions that follow.

Market Structure	**A**	**B**	**C**	**D**	**E**



a. Provide a local example of market structures, **A**, **B** and **C** in your village, island or country.

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A: ____

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B: ____

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C: ____

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Skill level 3	
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b. Describe **TWO** (2) features of market structure **E**.

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Skill level 2	
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5. Study the supply and demand information for cassava at the local market in Tongatapu and then answer the questions that follow.

Demand & Supply Schedule for Cassava

Price ($/basket)	Quantity Supplied (QS)(00)	Quantity Demanded (Qd)(00)
2	1	9
4	2	8
6	3	7
8	4	6
10	5	5
12	6	4
14	7	3
16	8	2

a. Draw the demand and the supply curves for cassava on the grid below.

Skill level 3	
3	
2	
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b. Describe the Equilibrium Price.

Skill level 2	
2	
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c. Calculate the market revenue on the consumer spending at equilibrium.

Skill level 2	
2	
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d. Explain what happens in the market for cassava when the price is set at a price of $12.00/basket?.

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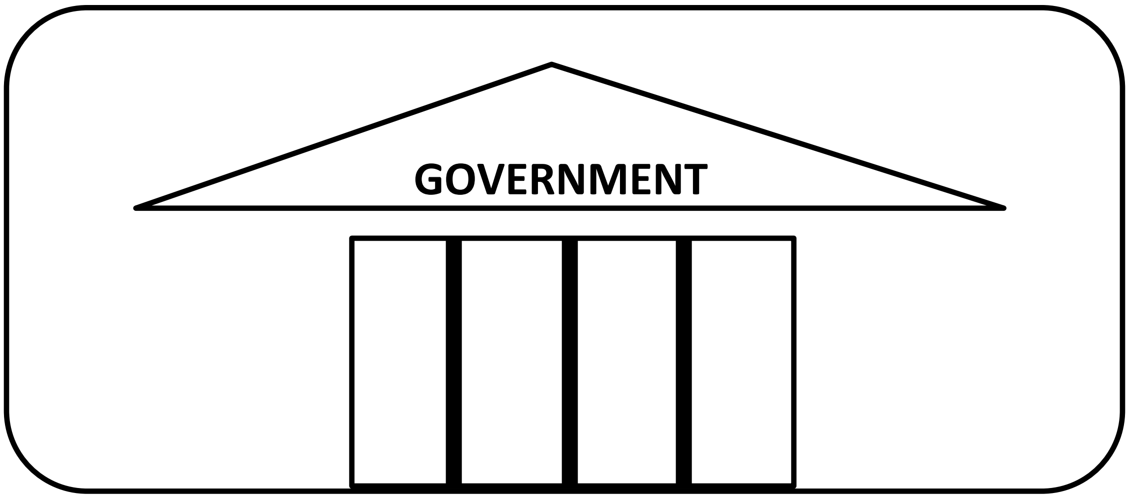
SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

1. Study the picture below and then answer the questions that follow.



a. Define what a government is.

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Skill level 1	
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b. State **ONE** (1) Economic function of the government.

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Skill level 1	
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c. Find out three local Examples of the Economic function of the government.

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Skill level 3	
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d. Define Positive Externalities of Consumption.

Skill level 1	
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e. Define Government Interventions.

Skill level 1	
1	
0	
NR	

2. Select **ONE** (1) Government Economic Issue that is common in the Pacific including Tonga and then use it to answer the questions that follow.

a. State your selected Government Economic issue.

Skill level 1	
1	
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NR	

b. Describe the Government Economic Issue stated in part. a. above.

Skill level 2	
2	
1	
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c. State **ONE** (1) government measure that is used to address the Economic Issue stated in part a. above.

Skill level 1	
1	
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d. Describe the government measure stated in part c. on page 8.

Skill level 2	
2	
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e. Explain how the measure described in part d. above is used to address the economic issue stated in part a. on page 8.

Skill level 3	
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2	
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f. Discuss how efficient is the Government Measure explained in part e. on page 9 in addressing the Economic Issue discussed.

Skill level 4	
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SECTION C: AGGREGATE ECONOMIC ACTIVITY AND POLICY

1. State the **TWO** (2) types of Unemployment.

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Skill level 1	
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2. Name the components of the Aggregate Demand.

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Skill level 1	
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3. Define the following terms.

i. Foreign Investment

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Skill level 1	
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ii. Flexible Exchange Rates System

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Skill level 1	
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iii. Fiscal Policy

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Skill level 1	
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4. Describe the procedures of construction the CPI.

Skill level 2	
2	
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5. Discuss the policies that can be used to control Inflation in the Tongan Economy.

Skill level 4	
4	
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6. Name the **TWO** (2) components of the Balance of Payments Account.

Skill level 1	
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7. Describe each of the components of the Balance of Payments account stated in number 6 above.

Skill level 2	
2	
1	
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8. Assume that an economy is producing only two goods as given on the table below. Study the data carefully and then answer the questions that follow.

Good	**2014 (base year)**		**2015**	
	Quantity (kg)	**Price/ $/kg**	**Quantity (kg)**	**Price $/kg**
K	7500	$5.50	8000	$8.00
L	5400	$6.80	6000	$9.50

a. Differentiate between Nominal GDP, Real GDP and Real GDP/capita.

Skill level 3	
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b. Calculate the Economic growth rate between 2014 and 2015.

Skill level 3	
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