

MARKER CODE				



STUDENT ENROLMENT NUMBER (SEN)									

TONGA FORM SIX CERTIFICATE

2019

ECONOMICS

QUESTION AND ANSWER BOOKLET

Time allowed: 3 Hours + 10 minutes reading time

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	23
B	RESOURCE ALLOCATION VIA PUBLIC SECTOR	13
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 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 **2-15** 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

Study the diagram below, and then answer questions a. – e.



Source: Cowley Bakery Tonga.

a. Define **production**.

Skill level 1	
1	
0	
NR	

b. Define **specialization**.

Skill level 1	
1	
0	
NR	

c. Explain how production and specialization are being used in this local Bakery.

Skill level 3	
3	
2	
1	
0	
NR	

d. Define the term **Economies of Scale**.

Skill level 1	
1	
0	
NR	

e. Explain how specialization at the Cowley Bakery leads to Economies of Scale.

Skill level 3	
3	
2	
1	
0	
NR	

f. With reference to the basic economic concepts in questions a-e, discuss the significance of Economics upon the everyday operation of the Cowley & Sons Bakery.

Skill level 4	
4	
3	
2	
1	
0	
NR	

QUESTION TWO:

Study the diagram carefully and then answer questions a. - f.



Source: <http://www.bsp.to/>

a. What is **Market Structure**?

Skill level 1	
1	
0	
NR	

b. Identify the type of market structure BSP in Tonga belong to.

Skill level 1	
1	
0	
NR	

c. Based on your answer in part b. above, give **ONE** (1) feature of that type of market structure that is related to the number of sellers and buyers in your island.

Skill level 1	
1	
0	
NR	

- d. In relation to '*barriers to entry*', describe this feature in relation to potential new businesses wishing to enter the industry.

Skill level 2	
2	
1	
0	
NR	

- e. Describe the type of competition in this market structure.

Skill level 2	
2	
1	
0	
NR	

- f. Explain why Perfect Competition is different from Imperfect Competition.

Skill level 3	
3	
2	
1	
0	
NR	

SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

QUESTION ONE:

Read the abstract below, then answer questions a. - f.

“Tonga raised tobacco tax significantly in fiscal years 2013-2014 and 2017, which resulted in a sharp drop in cigarettes sales volume.”

<https://matangitonga.to/2018/09/03/tax-increase-tobacco>

a. Define **demerit goods**.

Skill level 1	
1	
0	
NR	

b. Give **TWO** (2) examples of demerit goods other than the example given in the abstract above.

Skill level 2	
2	
1	
0	
NR	

c. Define **government intervention**.

Skill level 1	
1	
0	
NR	

- [illegible]

Skill level 3	
3	
2	
1	
0	
NR	

- [illegible]

Skill level 2	
2	
1	
0	
NR	

- f. Discuss the effects of the government interventions on tobacco on the consumers, firms and the government of Tonga.

[illegible]

Skill level 4	
4	
3	
2	
1	
0	
NR	

SECTION C: AGGREGATE ECONOMIC ACTIVITY AND POLICY

QUESTION ONE:

Study the information given in the table below, then answer questions a. - d.

Year	Nominal GDP (\$m)	GDP Deflator	Real GDP (m)	Population (000)	Real GDP per capita (\$/head)
2016 (base year)	\$28	100		10	
2017	\$35	120		50	
2018	\$40	125		100	

- a. Calculate the missing Real GDP figures for 2017 and 2018.
(Round off answers to 2 decimal places)

Skill level 2	
2	
1	
0	
NR	

- b. Calculate the missing Real GDP per capita figures for 2017 and 2018.
(Round off answers to 2 decimal places)

Skill level 2	
2	
1	
0	
NR	

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- [illegible]

QUESTION TWO:

Read the text below then answer questions a. – g.

EXECUTIVE SUMMARY

The focus of Tonga's 2018/19 budget is on recovery from the impact of TC Gita. This recovery has been weaved into the budget so to guide everyone at all levels to stay focus on the budget theme.....

The budget theme for 2018/19 again is "Recovery with Greater Resilience", predicated essentially on the ongoing multi-faced efforts at recovery, rebuild for future resilience in Tonga's economy. This serves to reemphasize that in 2018/19 and the medium term, all hands will be on deck towards Tonga's urgent recovery and rebuild efforts to address the issues of disaster risk management and adaptation, to ensure a resilient-growth and sustainable development in all sectors of the economy.

Source: http://finance.gov.to/sites/default/files/2018-07/Budget%20Statement%202018-19_to%20LA.pdf

a. Define **Government Budget**.

Skill level 1	
1	
0	
NR	

b. State **ONE** (1) aim of Government budget as outlined in the article above.

Skill level 1	
1	
0	
NR	

c. State **ONE** (1) source of Government Revenue specifically received from overseas countries for Tonga's 2018/2019 budget theme.

Skill level 1	
1	
0	
NR	

- d. State **ONE** (1) major area of Government Expenditure for Tonga.

Skill level 1	
1	
0	
NR	

- e. Explain the significance of preparing an annual Government Budget for Tonga.

Skill level 3	
3	
2	
1	
0	
NR	

- f. Explain how the government of Tonga can use its annual budget to influence the economic activities in the country.

Skill level 3	
3	
2	
1	
0	
NR	

g. Explain the significance of Fiscal Policy contains in a Government Budget.

[illegible]

Skill level 3	
3	
2	
1	
0	
NR	

QUESTION THREE:

Given below is an abstract taken from the Matangitonga news website. Study the information carefully then answer the questions (a.)-(f.)

Negative economic growth for Tonga in 2018

Wednesday, October 3, 2018 - 17:28. Updated on Thursday, October 4, 2018 - 13:23.
Forecasts for economic growth in 2018 for Tonga remain negative at -0.3% a report by the Asian Development Bank (ADB) shows.

Source: <https://matangitonga.to/2018/10/03/negative-economic-growth-tonga-2018>

- a. Identify what **Economic Development** is.

Skill level 1	
1	
0	
NR	

- b. Define **Economic Growth**.

Skill level 1	
1	
0	
NR	

- c. State an indicator of Economic Development.

Skill level 1	
1	
0	
NR	

- d. Identify **ONE** (1) social or political factor that could cause the negative growth for Tonga in 2018.

Skill level 1	
1	
0	
NR	

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[illegible]

- [illegible]