MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA FORM SIX 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	28
B	RESOURCE ALLOCATION VIA THE PUBLIC SECTOR	7
C	AGGREGATE ECONOMIC ACTIVITY AND POLICY	35
	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 contain pages **2 - 23** in the correct order and that pages 21 - 23 have been deliberately left 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 1: Basic Economic Concepts

Study the information below, then answer the questions that follow.

The table below shows the number of pizzas made, in the long run, where all factors of production are variable.

Scale Number	*Scale*	*Total Pizza*	*Additional Pizza (Marginal Product*	*Phases (Returns to Scale)*
1	*1 machine + 1 labour*	*4*	*4*	
2	*2 machine + 2 labour*	*10*	*6*	
3	*3 machine + 3 labour*	*18*	*8*	
4	*4 machine + 4 labour*	*28*	*10*	
5	*5 machine + 5 labour*	*38*	*10*	
6	*6 machine + 6 labour*	*48*	*10*	
7	*7 machine + 7 labour*	*56*	*8*	
8	*8 machine + 8 labour*	*62*	*6*	

a. Define Increasing Returns.

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Skill level 1	
1	
0	
NR	

b. Define Diminishing Returns.

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Skill level 1	
1	
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c. With reference to the table, explain how the two concepts in **a.** and **b.** are applied in this pizza production firm.

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Skill level 3	
3	
2	
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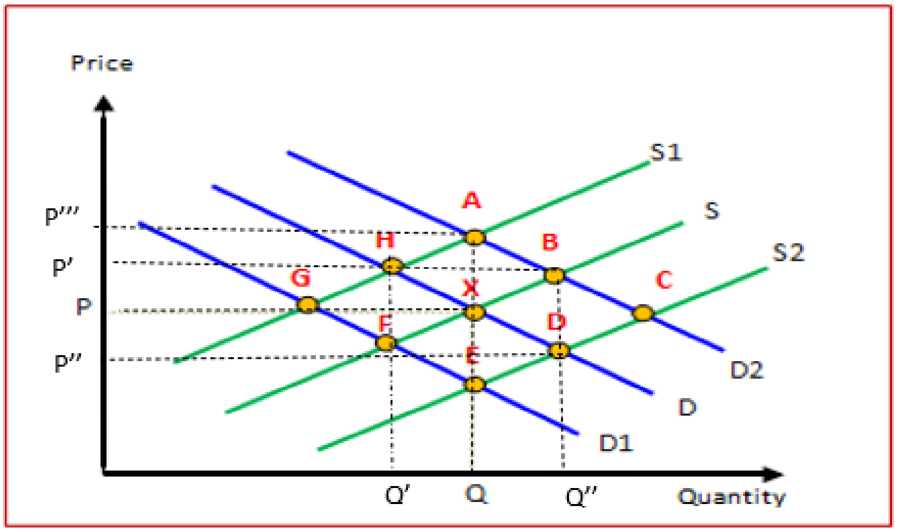
Question 2: Demand, Supply and Market

Study the diagram given below carefully, then answer the questions that follow.

The diagram below is related to the demand and supply curve for Chocolate bars in Tonga.



a. Define Demand Curve.

Skill level 1	
1	
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NR	

b. Define the law of supply.

Skill level 1	
1	
0	
NR	

c. Describe what happens when there is a movement from point **X** to point **H** along the Demand curve labelled **D**.

Skill level 2	
2	
1	
0	
NR	

d. Explain what causes the movement from point **X** to point **D** along the Demand Curve labelled **D**.

Skill level 3	
3	
2	
1	
0	
NR	

e. Explain how **ONE (1)** factor can shift the supply of chocolate bars from **S** to **S2**.

Skill level 3	
3	
2	
1	
0	
NR	

f. Assume we're at point **X**. Explain how the two events below, having occurred at the same time, may affect the demand and supply for chocolate bars.

i. Some of the businesses producing chocolate bars exit the industry.

ii. An increase in consumer's income of chocolate consumers at the same time (*assuming chocolate bar is a normal good*).

Skill level 3	
3	
2	
1	
0	
NR	

Question 3: Market Structure

Study the **TWO (2)** companies shown below, then answer the questions that follow.

a. Name the type of market structure that the two companies belong to.

Skill level 1	
1	
0	
NR	

b. Describe the feature of **interdependence** in relation to both companies.

Skill level 2	
2	
1	
0	
NR	

c. In terms of '**pricing power**'; explain why the two companies are different from the vegetable sellers in the market.

Skill level 3	
3	
2	
1	
0	
NR	

d. *Apart from the ones stated earlier on*; discuss **TWO (2)** differences between the market structures of the two companies and the market structure of vegetable sellers in Tonga.

Skill level 4	
4	
3	
2	
1	
0	
NR	

SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

Question 1: Government

Read the abstract below, then answer questions **a.** - **d.**

> ***Tonga starts second doses of COVID-19 vaccine***
>
> *Thursday, June 24, 2021 - 20:45*
>
> *The roll out of the second doses of COVID-19 vaccine began today, June 24. A total of 28,667 people have received their first doses in Tonga.*

Source: ***https://matangitonga.to/2021/06/24/tonga-starts-second-doses-covid-19-vaccine***

a. Define non-economic functions of the government.

Skill level 1	
1	
0	
NR	

b. State the non-economic function of the government that is related to the above abstract.

Skill level 1	
1	
0	
NR	

c. Explain another example of how the Government of Tonga implement its non-economic function stated in **b.** above.

Skill level 3	
3	
2	
1	
0	
NR	

d. Apart from the non-economic function stated in **b.** on **page 10**, list **TWO (2)** other examples of non–economic functions of the government of Tonga.

Skill level 2	
2	
1	
0	
NR	

SECTION C: AGGREGATE ECONOMIC ACTIVITY AND POLICY

Question 1: Economic Growth and Development

Study the information given below carefully, then answer the questions that follow.

The information in the table below, is related to the economies of Tonga, Fiji and the US in 2018. All figures are in US $.

Country	Population	Unemployment Rate	GDP	Life expectancy	Birth Rate	Death Rate	Literacy Rate	GDP per capita
Tonga	103,197	1.05%	$489,235,527	70.74 years	24.45 births per 1000 people	7.152	99.41%	
USA	327,096,265	3.9%	$20,581,920,000,000	78.54 years	11.968 births per 1000 people	8.6	86%	62,923.13
Fiji	883,483	4.16%	$5,581,000,000	67.27 years	21.473births per 1000 people	8.21	99.28%	6317.04

Source: ***https://www.macrotrends.net/countries/ranking/gni-per-capita***

a. Define Developing Countries.

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Skill level 1	
1	
0	
NR	

b. Define Developed countries.

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Skill level 1	
1	
0	
NR	

c. Define Underdeveloped Countries.

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Skill level 1	
1	
0	
NR	

d. Define Birth rate.

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Skill level 1	
1	
0	
NR	

e. Define Literacy

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Skill level 1	
1	
0	
NR	

f. Calculate the GDP per capita for Tonga.

Skill level 2	
2	
1	
0	
NR	

g. With the help of an example from the table on **page 12**, compare **ONE (1)** characteristic of Developing and Developed Countries.

Skill level 3	
3	
2	
1	
0	
NR	

h. Select **TWO (2)** Indicators of Developing & Developed Countries from the table on **page 12**, and evaluate Tonga's Economy in relation to Fiji and the USA for the year 2018.

Skill level 4	
4	
3	
2	
1	
0	
NR	

i. Based on your analysis /evaluation of Tonga's economy in **h.** above, provide **ONE (1)** possible solution to improve Tonga's economy.

Skill level 3	
3	
2	
1	
0	
NR	

Question 2: Monetary and Fiscal Policy

a. Define Monetary Policy.

Skill level 1	
1	
0	
NR	

b. Define Fiscal Policy.

Skill level 1	
1	
0	
NR	

c. Give **TWO (2)** examples of Fiscal Policies which can be used by Tonga to improve its current economic conditions.

Skill level 2	
2	
1	
0	
NR	

d. Explain the importance of decreasing the interest rate charged by the Reserve Bank to commercial banks.

Skill level 3	
3	
2	
1	
0	
NR	

Question 3: Economic Issues

Study the information below, then answer the questions that follow.

> **<u>Tonga: Migration and the Homeland</u>**
>
> ***Migration, Remittances, and the Tongan Economy***
>
> *The out-migration of Tongans has had many more ramifications than the curbing of population growth. At both the village and national levels, migration and migrants have become central to the economic and social fabric of contemporary Tongan society.*

Source: ***https://www.migrationpolicy.org/article***

a. Define Migration.

Skill level 1	
1	
0	
NR	

b. Define Immigration.

Skill level 1	
1	
0	
NR	

c. Describe **ONE (1)** social effect of unemployment on the economy.

Skill level 2	
2	
1	
0	
NR	

d. Explain **ONE (1)** effect on unemployment in Tongatapu as a result of a vast movement of people from the outer islands to the main island.

Skill level 3	
3	
2	
1	
0	
NR	

e. Discuss how Tonga can improve the situation explained in **d.** above.

Skill level 4	
4	
3	
2	
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