MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA FORM SIX CERTIFICATE

2022

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.

SECTION	STRANDS	TOTAL SKILL LEVEL
ONE	**RESOURCE ALLOCATIONS VIA THE MARKET SYSTEM**	**21**
TWO	**RESOURCE ALLOCATION VIA THE PUBLIC SECTOR**	**7**
THREE	**AGGREGATE ECONOMIC ACTIVITY AND POLICY**	**42**
	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 pages 14-15 have been deliberately left blank.

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

SECTION ONE: RESOURCE ALLOCATIONS VIA THE MARKET SYSTEM.

QUESTION 1: Basic Economic Concepts

Study **Figure 1** and **Figure 2** below, then answer the questions that follow.

Figure 1:

Figure 2

Source: ***www.bsp.to***

1. Define markets.

Skill level 1	
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2. Describe the nature of interdependence that is taking place in this market.

Skill level 2	
2	
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QUESTION 2: Demand, Supply and Market

The table below relates to the demand and supply schedule for pizza per month at Little Italy Restaurant. Study the information carefully, then answer the questions that follow.

Price ($)	Individual Demand	Individual Supply	Market Demand	Market Supply
$0	10	0	1000	0
$10	9	1	900	100
$20	8	2	800	200
$30	7	3	700	300
$40	6	4	600	400
$50	5	5	500	500
$60	4	6	400	600
$70	3	7	300	700
$80	2	8	200	800
$90	1	9	100	900
$100	0	10	0	1000

1. Define Market demand for pizza.

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Skill level 1	
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2. Define Individual supply schedule for pizza.

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Skill level 1	
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3. State **ONE** (1) cause of a surplus situation in the market for pizza.

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Skill level 1	
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4. Describe how an increase in price of a Tongan barbecue affects the market for pizza in Tonga. (Ceteris Paribus)

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Skill level 2	
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5. Draw the market demand and the market supply for pizzas and show the impact of the following independent events on the market for pizzas. *(clearly identify the changes in the equilibrium price and the equilibrium quantity of pizzas per month)* (Ceteris Paribus)

a. More remittances coming in to Tongan families from seasonal workers

Skill level 3	
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b. Shipment of overseas supplies were delayed due to the global pandemic.

Skill level 3	
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c. The government of Tonga decreases the income tax and reduces the subsidies to local businesses at the same time.

Skill level 3	
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6. Discuss the significance of the market equilibrium for the owners of Little Italy Restaurant.

Skill level 4	
4	
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SECTION TWO: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

QUESTION 1: Government

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

The Ministry of Education and Training is the largest Ministry in the Kingdom. Currently, it is under the leadership of the Honorable Prime Minister, Honorable Hu'akavameiliku, who is also the Minister for Education. The Ministry endeavours to provide quality education for approximately 32,000 students, from early childhood education through to higher secondary.

Source:* *https://www.unicef.org/pacificislands/press-releases/lets-re-imagine-education-tonga-boosts-efforts-ensure-all-its-children-are-able

1. State **ONE** (1) non-economic function of the government that is referred to in the article.

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Skill level 1	
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2. Define Merit Services.

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Skill level 1	
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3. Give **ONE** (1) example of a merit good/service from the article.

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Skill level 2	
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4. Explore **TWO** (2) other examples of a merit good or/ and service in Tonga. In your discussion, explain why and how each one is provided.

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Skill level 3	
3	
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SECTION THREE: AGGREGATE ECONOMIC ACTIVITY AND POLICY

QUESTION 1: International Agencies and Aid

Study the information below carefully, then answer questions a & b.

Tonga eruption: Aid agencies look at how best to support Tongans

3:45 pm on 17 January 2022

Source: *https://reliefweb.int/report/tonga/emergency-grant-aid-response-volcanic-eruption-and-tsunami-kingdom-tonga*

1. Name an International Agency that supported Tonga after the volcanic eruption.

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Skill level 1	
1	
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2. State **ONE** (1) type of aid provided by the stated International Agency in 1. above.

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Skill level 1	
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3. Describe **ONE** (1) type of aid provided by the stated International Agency in 2. Above, to Tonga.

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Skill level 2	
2	
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QUESTION 2: International Trade and Payments

Consider a hypothetical situation where Tonga and Fiji each have 40 workers

Table 1

Country	Shoe Production-using 40 workers		Refrigerator Production — using 40 workers
Fiji	10,000 shoes	or	40,000 refrigerators
Tonga	8,000 shoes	or	10,000 refrigerators

1. Define International Trade.

Skill level 1	
1	
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NR	

2. Calculate the Absolute Advantage for each good.

Skill level 2	
2	
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NR	

3. Differentiate between Absolute Advantage and Comparative Advantage.

Skill level 3	
3	
2	
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4. Apply the concept of opportunity cost to determine which country has the comparative advantage in the production of each good.

Country	OC of shoes	OC of refrigerators
Fiji		
Tonga		

Skill level 3	
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5. Discuss how each country may benefit from trade based on comparative advantage.

Skill level 4	
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QUESTION 3: Monetary and Fiscal Policy

1. Define the Quantity Theory of Money.

Skill level 1	
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2. State the equation of the Quantity Theory of Money.

Skill level 1	
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3. Describe each of the components of the equation of the Quantity Theory of Money.

Skill level 2	
2	
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4. Explain the Relationship between Money Supply and Price using the Quantity Theory of Money.

Skill level 3	
3	
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5. Define Cost Push Inflation.

Skill level 1	
1	
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6. Discuss the effects of inflation on the households.

Skill level 4	
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3	
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QUESTION 4: Economic Issues

Use the given text to answer the questions that follow.

Tonga volcanic eruption: what possible impact on agriculture and fisheries?

https://reliefweb.int/report/tonga/tonga-volcanic-eruption-what-possible-impact-agriculture-and-fisheries

1. Define unemployment.

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Skill level 1	
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2. State **ONE** (1) type of unemployment that is related to the given incident.

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Skill level 1	
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3. State the cause of the type of unemployment stated in 2. above.

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Skill level 1	
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4. Explore other obstacles that limits the Tongan Economy from obtaining Full Employment for the year 2022.

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Skill level 3	
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5. Explore solutions for the Tongan Economy to overcome the problems given in 4. on page 12.

Skill level 3	
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6. Discuss the solutions for the Tongan Economy to attain equality for everyone in Tonga.

Skill level 4	
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