MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA FORM SIX CERTIFICATE

2024

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
ONE	Resource Allocation via the Market System	**32**
TWO	Resource Allocation via the Public Sector	**12**
THREE	Aggregate Economic Activity and Policy	**26**
	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 2-15 in the correct order and that none of the pages is blank.

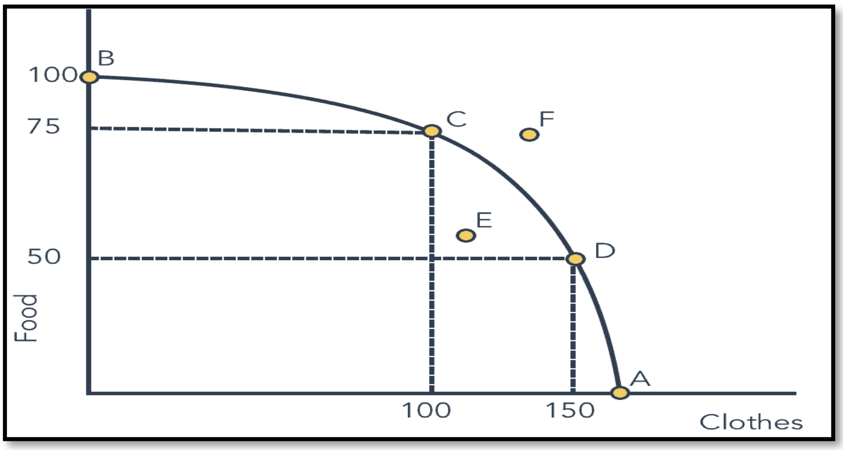
YOU MUST HAND IN THIS BOOKLET TO THE SUPERVISOR BEFORE YOU LEAVE THE EXAMINATION ROOM.

SECTION A: RESOURCE ALLOCATION VIA THE MARKET SYSTEM.

QUESTION 1: BASIC ECONOMIC CONCEPTS

Figure 1, provides the hypothetical data for the Fiefia Island. Study the diagram carefully to help you answer question a to e.

Figure 1: Fiefia Island Production Possibility Curve



a. With reference to the PPC. Define **Choices**.

Skill level 1	
1	
0	
NR	

b. With reference to **Figure 1**, define the term given by point **A**.

Skill level 1	
1	
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c. Explain the opportunity cost of moving from point **D** to **C** on the PPC.

Skill level 3	
3	
2	
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d. Explain how the concept of specialization is applied on this PPC.

Skill level 4	
4	
3	
2	
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e. Assume the Fiefia Island is currently producing at point **E**. Discuss how the Fiefia Island can use this PPC model to explain Economic Growth.

Skill level 3	
3	
2	
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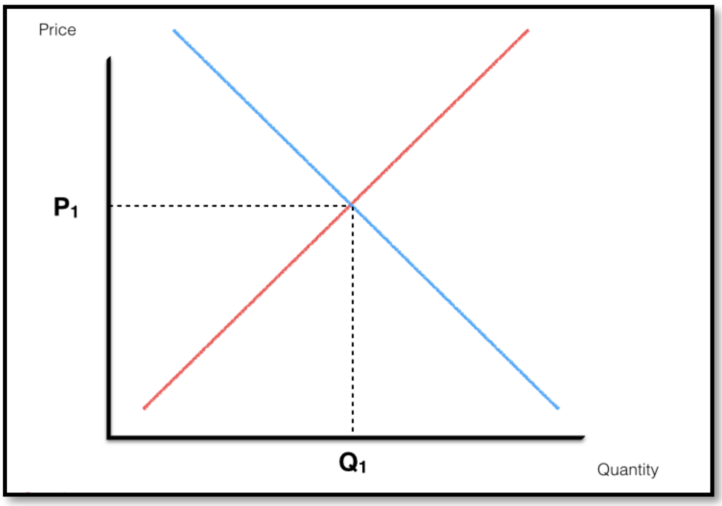
QUESTION 2

The Graph below relates to the demand and the supply curve for Cassava in Tonga. Study it carefully to help you answer parts a to d.

Figure 2: Market for Cassava in Tonga.



a. Label the Graph correctly.

Skill level 1	
1	
0	
NR	

b. Describe how a shift in consumer taste from cassava to rice, affect the demand for cassava.

Skill level 2	
2	
1	
0	
NR	

c. Alternatively, demonstrate how the change in question b. above affects the market for cassava, indicating clearly all changes in graphs, price and the quantity.

Skill level 3	
3	
2	
1	
0	
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d. Alternatively demonstrate how a category 3 tropical cyclone in Tonga would affect the supply of cassava in Tonga.

Skill level 3	
3	
2	
1	
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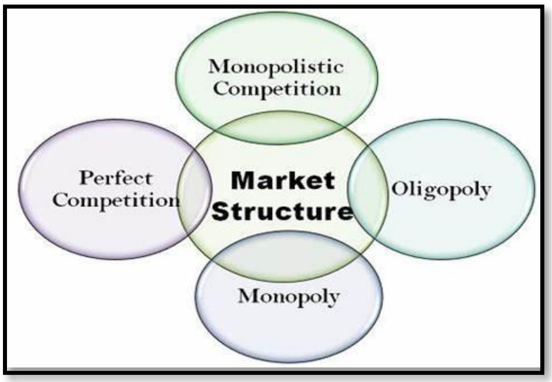
QUESTION 3

Study the diagram below to help you answer questions a to e.

Figure 3: Market Structure



a. Define Market Structure.

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Skill level 1	
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b. Provide an example of each type of market structure here in Tonga.

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Skill level 2	
2	
1	
0	
NR	

c. State **ONE (1)** feature of Oligopoly.

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Skill level 1	
1	
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NR	

d. In terms of the **nature of products produced**, explain why perfect Competition is different from the Imperfect competition.

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Skill level 3	
3	
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e. Discuss the differences between perfect competition and oligopoly market structure with reference to the market power of individual firms.

Skill level 4	
4	
3	
2	
1	
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NR	

SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

QUESTION 1

Use the resource below to help you answer questions a to d.

Figure 4: A destroyed home in the island of Mango after the Volcanic Eruption and Tsunami in January 2022.

Source: *https://www.channelnewsasia.com/world/tonga-reconnects-world-submarine-cable-restored-after-tsunami-2512536*

a. State **ONE (1)** economic function of the Government of Tonga after the Tsunami.

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Skill level 1	
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NR	

b. State **ONE (1)** non-economic function of the Government of Tonga after the Tsunami.

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Skill level 1	
1	
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NR	

c. From the diagram provide an example of the Non-Economic Functions of the Government for its people.

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Skill level 2	
2	
1	
0	
NR	

d. Explain the significance of the Government on the economy of Tonga.

Skill level 3	
3	
2	
1	
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NR	

QUESTION 2

Use the article below to answer questions a. to c.

Pacific Islands Pacific Islands are extremely vulnerable to climate change. The most substantial impacts of climate change include losses of coastal infrastructure and land, more intense cyclones and droughts, failure of subsistence crops and coastal fisheries, losses of coral reefs and mangroves, and the spread of certain diseases. The side-effects of consumptions and production have led to market failure. Climate change will affect the Pacific way of life and the sustainable development of our islands in profound ways.

Source: -sprep.org/Publications/Factsheet/pacific climate change

a. Give an example of Market Failure from in the article above.

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Skill level 2	
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b. Explain how the Government of Tonga intervenes to correct this market failure in Tonga.

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Skill level 3	
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2	
1	
0	
NR	

SECTION C: AGGREGATE ECONOMIC ACTIVITY & POLICY

QUESTION 1

Consider the following hypothetical data on Lomu's economy, then answer parts a to parts e.

Year	Nominal GDP (in billion of dollars)	GDP Deflator (2018) = 100
2020	14256	109
2021	15300	114

a. Define Nominal GDP.

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Skill level 1	
1	
0	
NR	

b. Define Real GDP.

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Skill level 1	
1	
0	
NR	

c. Define Economic Growth.

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Skill level 1	
1	
0	
NR	

d. Define Real GDP per capita.

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Skill level 1	
1	
0	
NR	

e. Calculate the real GDP for 2020 and 2021.

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Skill level 2	
2	
1	
0	
NR	

Assume that, the population of Lomu economy in 2020 was 307 million and in 2021 it increased to 309 million.

f. Differentiate between the values of Nominal GDP, Real GDP and Real GDP per capita for the Lomu economy.

Skill level 3	
3	
2	
1	
0	
NR	

QUESTION 2

Study the resource below then answer parts a to e.

Source: [tongan paánga - (bing.com)]

a. Define Money.

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Skill level 1	
1	
0	
NR	

b. State the **FOUR (4)** functions of money.

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Skill level 1	
1	
0	
NR	

c. State **ONE (1)** characteristic of money that is relevant to the given resource.

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Skill level 1	
1	
0	
NR	

d. Describe the characteristic stated in part c. above.

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Skill level 2	
2	
1	
0	
NR	

e. Explain the importance of money in the Tongan economy.

Skill level 3	
3	
2	
1	
0	
NR	

Question 3

a. Define Aggregate Demand.

Skill level 1	
1	
0	
NR	

b. Define Aggregate Supply.

Skill level 1	
1	
0	
NR	

c. Give **ONE (1)** policy to control Inflation through the aggregate Supply in the Tongan economy.

Skill level 3	
3	
2	
1	
0	
NR	

d. Discuss **ONE (1)** solution for the Government to achieve Full employment in the economy of Tonga through the Aggregate Demand.

Skill level 4	
4	
3	
2	
1	
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NR	