MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA NATIONAL FORM SEVEN CERTIFICATE

ECONOMICS

2017

QUESTION and ANSWER BOOKLET

Time allowed: Three Hours

INSTRUCTIONS:

1. Write your **Student Enrolment Number (SEN)** on the top right hand corner of this booklet.
2. Answer ALL QUESTIONS. Write your answers in the spaces provided in this booklet.
3. If you need more space for answers, ask the Supervisor for extra paper. Write your SEN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

TOPICS	Pages	Time (mins)	Total Skill Level
SECTION A **Resource allocation via the market system**	2-6	81	30
SECTION B **Resource allocation via the public sector**	7-9	36	20
SECTION C **Aggregate economic activity and policy**	10-13	63	20
TOTAL	**15 pages**	**180 mins**	**70 Scores**

Check that this booklet contains pages 2-15 in the correct order and that pages 14-15 has been deliberately left blank.

YOU MUST HAND IN THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION

SECTION A: RESOURCE ALLOCATION VIA THE MARKET SYSTEM

Question A1

Define Cross Elasticity of Demand.

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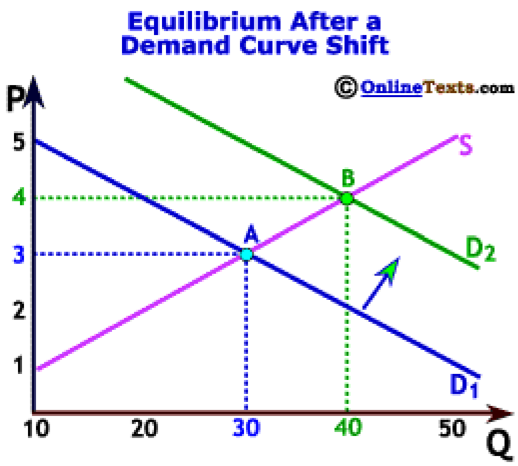
Skill level 1	
1	
0	
NR	

Use the following diagram to answer Questions A2 to A5



Question A2

Define Market Demand.

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Skill level 1	
1	
0	
NR	

Question A3

Describe the shift in demand as demonstrated in the graph above.

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Skill level 2	
2	
1	
0	
NR	

Question A4

Explain the shift of the demand curve from D_1 to D_2.

Skill level 3	
3	
2	
1	
0	
NR	

Question A5

Calculate the price elasticity of demand when price increase from 3 to 4.

Skill level 3	
3	
2	
1	
0	
NR	

Question A6

Differentiate between a Movement Along the Supply Curve and a Shift of the Supply Curve.

Skill level 3	
3	
2	
1	
0	
NR	

Question A7

Explain the significance of a Price Elasticity of Supply.

Skill level 3	
3	
2	
1	
0	
NR	

Question A8

Describe the Short – Run Equilibrium for a Perfect Competitive market.

Skill level 2	
2	
1	
0	
NR	

Question A9

Describe the Market Forces that would lead to Market Equilibrium.

Skill level 2	
2	
1	
0	
NR	

Question A10

Describe how a monopolistic market use Advertising to increase its revenue and profit.

Skill level 2	
2	
1	
0	
NR	

Question A11

Discuss the significance of ‘Branding Strategy’, a non-price marketing strategy, used by a local oligopolistic firm in Tonga.

In your discussion you should name your local oligopolistic firm and why it is classified as an oligopolistic firm. You should also include a definition of ‘Branding Strategy’, ONE advantage and **ONE** disadvantage of using this non-price marketing strategy by the firm you have named.

Skill level 4	
4	
3	
2	
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NR	

Question A12

Discuss the significance of Product Differentiation to a local firm in a monopolistic market structure.

In your discussion, identify your local monopolistic firm and why is it a monopolistic firm. Also include a definition of product differentiation, how will the firm use this non-pricing strategy, and why is product differentiation significance to the success operation of the firm identified.

Skill level 4	
4	
3	
2	
1	
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NR	

SECTION B: RESOURCE ALLOCATION VIA THE PUBLIC SECTOR

Question B1

Define Economies of Scale.

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Skill level 1	
1	
0	
NR	

Question B2

Define Inequality as used in Economics.

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Skill level 1	
1	
0	
NR	

Question B3

Differentiate between Equity and Equality in Economics.

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Skill level 3	
3	
2	
1	
0	
NR	

Question B4

Explain the significance of the Lorenz Curve.

Skill level 3	
3	
2	
1	
0	
NR	

Question B5

Describe the Equity/Efficiency Trade-Off.

Skill level 2	
2	
1	
0	
NR	

Question B6

Give TWO examples of Equity in Economics.

Skill level 2	
2	
1	
0	
NR	

Question B7

‘‘Perfect competition’ is a condition that must exist for free markets to achieve allocative efficiency. Describe this condition.

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Skill level 2	
2	
1	
0	
NR	

Question B8

‘Laws on minimum ages for buying cigarettes’ and ‘Public provisions’ are two common interventions that the Tongan government imposed on the economy.

Describe these two types of government intervention.

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Skill level 2	
2	
1	
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NR	

Question B9

‘Subsidies’ are appropriate types of Government Intervention for Externalities. Discuss the Costs and Benefits of this as a type of Government Intervention.

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Skill level 4	
4	
3	
2	
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SECTION C: AGGREGATE ECONOMIC ACTIVITY AND POLICY

Question C1

Define the Circular Flow Model in Economics.

Skill level 1	
1	
0	
NR	

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Question C2

Define 'Withdrawals' with reference to the Circular Flow Model.

Skill level 1	
1	
0	
NR	

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Question C3

With reference to the Five - Sector Circular Flow Diagram, give TWO examples of Injection.

Skill level 2	
2	
1	
0	
NR	

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Question C4

State ONE approach, other than Expenditure Approach, that is used to calculate the GDP.

Skill level 1	
1	
0	
NR	

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Question C5

Use the hypothetical data given in the table below to calculate the GDP using the Expenditure Approach.

HYPOTHETICAL DATA

	$ Millions
Transfer Payments	$ 54
Interest Income	$ 150
Depreciation	$ 36
Wages	$ 67
Gross Private Investment	$ 124
Business Profits	$ 200
Indirect Business Taxes	$ 74
Rental Income	$ 75
Net Exports (X-M)	$ 18
Net Foreign Factor Income	$ 12
Government Purchases	$ 156
Household Consumption	$ 304

Skill level 3	
3	
2	
1	
0	
NR	

Question C6

Define International Trade.

Skill level 1	
1	
0	
NR	

Question C7

Explain the significance of International Trade to the Tongan economy.

Skill level 3	
3	
2	
1	
0	
NR	

Question C8

One of the Reserve Bank's function is a "Bankers bank".
Describe this function.

Skill level 2	
2	
1	
0	
NR	

Question C9

Describe how a 'decline in Marginal Propensity to Save (MPS) affect the Aggregate Demand (AD) Curve:

Skill level 2	
2	
1	
0	
NR	

Question C10

In the Tongan Budget, the parliament allocated financial contributions to each constituency to support local economic activities. Evaluate the impacts of this Budget allocation with regards to your own constituency.

Skill level 4	
4	
3	
2	
1	
0	
NR	