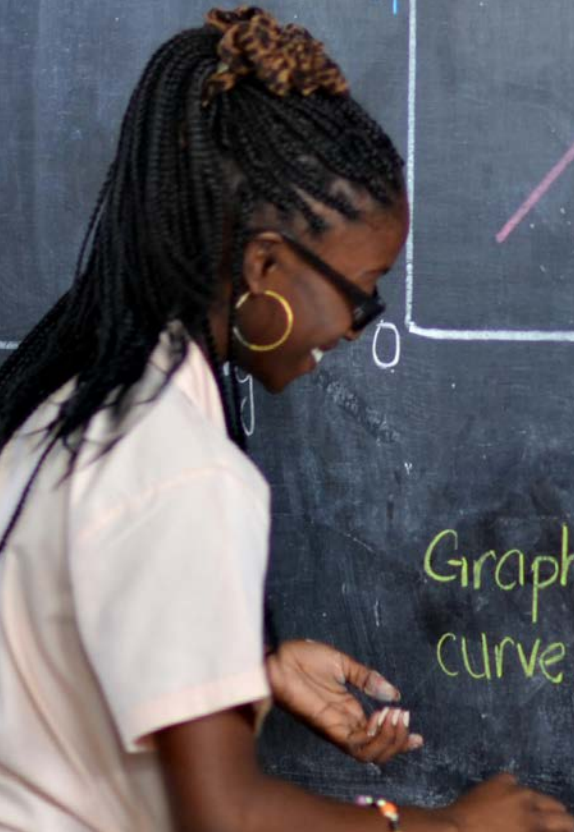




CARIBBEAN EXAMINATIONS COUNCIL

# Economics



Graph showing shift of curve.

CSEC<sup>®</sup> PAST PAPERS

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With thanks to the students of the Sir Arthur Lewis Community College, St. Lucia: Zenaida Jn Baptist

# **CSEC® Economics Past Papers**

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TEST CODE **01216020**

**FORM TP 2007066**

MAY/JUNE 2007

**CARIBBEAN EXAMINATIONS COUNCIL**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**06 JUNE 2007 (a.m.)**

**INSTRUCTIONS TO CANDIDATES**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number each answer in your booklet correctly.
3. Begin each answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
5. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.

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**SECTION I**

**Answer ALL FOUR questions in Section I. Each question is worth 15 marks.**

1. (a) Define the term 'national income'. ( 2 marks)
- (b) List THREE factors that affect the national income of a country. ( 3 marks)
- (c) Explain TWO factors that may affect the quality of national income statistics. ( 4 marks)
- (d) Discuss THREE drawbacks of using the national income as a measure of the standard of living. ( 6 marks)

**Total 15 marks**

2. (a) Define the concept 'terms of trade'. ( 2 marks)
- (b) List THREE reasons why countries trade. ( 3 marks)
- (c) Explain TWO ways in which a significant foreign direct investment is likely to impact your country. ( 4 marks)
- (d) With reference to a **named** country, discuss TWO reasons why a trade surplus may have negative effects on an economy. ( 6 marks)

**Total 15 marks**

3. (a) Define a 'production possibility curve'. ( 2 marks)
- (b) Identify THREE advantages of the division of labour. ( 3 marks)
- (c) With reference to the sugar industry, distinguish between 'primary' and 'secondary' factors of production. ( 4 marks)
- (d) If the quantity of capital available for production in your country increases but labour remains fixed, would the law of diminishing returns still operate? Explain your answer. ( 6 marks)

**Total 15 marks**

GO ON TO THE NEXT PAGE



4. (a) Define the term 'market'. ( 2 marks)
- (b) List THREE reasons why markets fail. ( 3 marks)
- (c) Describe TWO benefits that will result in moving from a monopoly to a perfectly competitive market in the telecommunications industry. ( 4 marks)
- (d)

Price (in \$)	Quantity Demanded (Kg)	Quantity Supplied (Kg)
1	50	10
2	40	12
3	35	15
4	32	20
5	30	30
6	27	41
7	26	50
8	23	65
9	20	80
10	15	97

**Table 1: Price, Quantity Demanded and Quantity Supplied of Product X**

Table 1 above presents a schedule of the price, quantity demanded and quantity supplied of Product X. Use the schedule in Table 1 above to answer the following questions.

- (i) Describe the market situation at a price of \$8. ( 2 marks)
- (ii) The government imposes a fixed price of \$6 on Product X. With the aid of a diagram, discuss the effects of this action. ( 4 marks)

**Total 15 marks**

## SECTION II

Answer any TWO of the following questions in Section II. Each question is worth 20 marks.

5. (a) List THREE financial intermediaries. ( 3 marks)
- (b) State TWO functions of money. ( 4 marks)
- (c) "The Central Bank does not control gross domestic product (GDP) directly, though its ultimate policy objective is economic growth with stable prices".
- (i) Discuss ONE way in which the Central Bank in your country can achieve this objective. ( 5 marks)
- (ii) Discuss TWO other monetary policy measures that the Central Bank may apply to curb inflation in your country. ( 8 marks)

**Total 20 marks**

6. (a) Explain what is meant by 'recession'. ( 3 marks)
- (b) Describe TWO causes of unemployment. ( 4 marks)
- (c) Using a supply and demand diagram, illustrate and explain briefly cost-push inflation caused by a labour union successfully negotiating for a higher wage. ( 5 marks)
- (d) For a **named** Caribbean country, discuss TWO **negative** effects of a Government budget deficit on the economy. ( 8 marks)

**Total 20 marks**

7. (a) List the TWO means by which resources are allocated in an economy. ( 2 marks)
- (b) Distinguish between a change in 'demand' and a change in 'quantity demanded'. ( 5 marks)
- (c) Explain TWO determinants of the price elasticity of demand for BMW vehicles. ( 5 marks)

GO ON TO THE NEXT PAGE

- (d) Using the determinants identified in (c) above, discuss how these may be responsible for the demand curve shifting from D to D<sub>1</sub> in Figure 1 below.

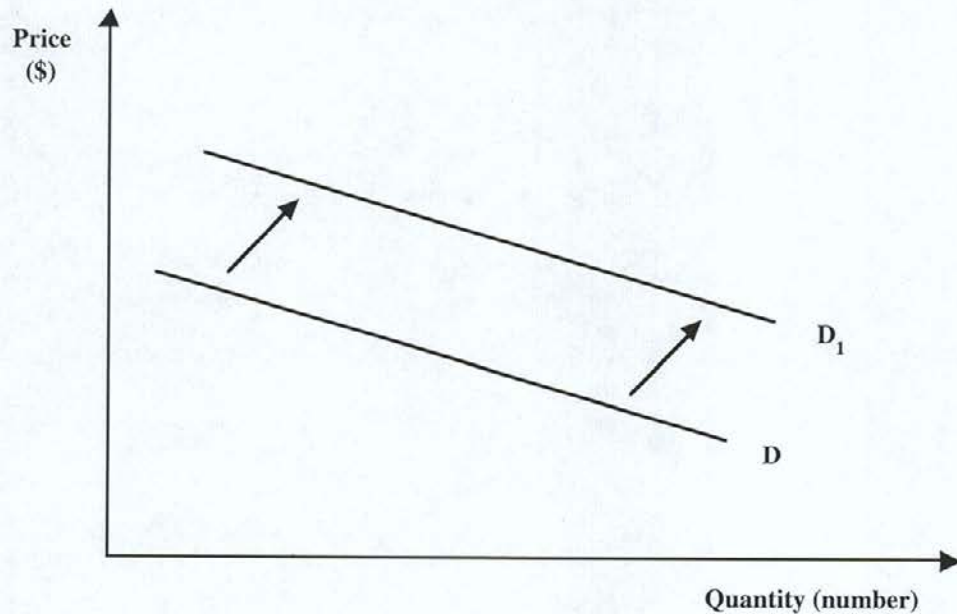


Figure 1: Change in the Quantity of BMW Vehicles Demanded by Consumers

( 8 marks)

Total 20 marks

8. (a) List THREE objectives of the Caribbean Community (CARICOM). ( 3 marks)
- (b) “Caribbean economies, in the face of trade liberalisation, are seeking to increase business through e-commerce”.
- (i) Explain the concepts of ‘trade liberalisation’ and ‘e-commerce’. ( 4 marks)
- (ii) Outline THREE benefits of e-commerce to Caribbean businesses. ( 5 marks)
- (c) Discuss TWO measures that can be employed by Caribbean governments in order to promote sustainable growth in e-commerce in the region. ( 8 marks)

Total 20 marks

END OF TEST



TEST CODE **01216032**

**FORM TP 2007067**

MAY/JUNE 2007

**CARIBBEAN EXAMINATIONS COUNCIL**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 03/2 – General Proficiency**

*1  $\frac{1}{2}$  hours*

1. **Answer ALL questions.**
2. **Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**
3. **Answer the questions on the Answer Booklet provided and return it.**

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**READ THE PASSAGE BELOW AND ANSWER THE QUESTIONS THAT FOLLOW.**

**Globalization and Trade in the Caribbean**

The Caribbean Community (CARICOM) territories as a regional bloc are in the main small, open economies with one of the highest trade/gross domestic product (GDP) ratios in the region.<sup>1</sup> Mainly because external trade plays such a dominant role in these economies, it also substantially determines their development prospects. Exports are particularly important in this respect: export income is needed to create and sustain jobs, to finance imports, to pay off foreign debt, and to maintain a healthy balance in the country's external accounts, all of which are necessary for achieving sustainable levels of economic growth. However, many of CARICOM's historically protected export markets are coming under increasing threat from the process of globalization that is expected to liberalize markets, deepen the process of regional integration and provide equal market access and opportunities for all.

Globalization will aid firms and industries operating in the Caribbean that have the productive agility, are export savvy, and prepared to compete within value chains and product markets that are increasingly sensitive to obtaining quality components at competitive prices and volumes. CARICOM countries, however, have witnessed worsening export performance, reflected in the loss of market share in its major export markets both in goods and tourist services. For example, as Table 1 below indicates, between 1985 and 2002, the export market share of Caribbean countries in regional trading blocs such as the North American Free Trade Area (NAFTA) and the European Union (EU) decreased from 0.71% to 0.27% and from 0.15% to 0.10% respectively. It is worthy of note that the Caribbean market share has decreased in those markets that grant preferential treatment, but has increased in those markets that do not grant special and differential treatment (i.e. the Andean Community).

**Table 1**  
**CARICOM's export market share in goods in regional trading blocs (in percentages)**  
**1985 - 2002**

Regional block	1985	1990	1995	2000	2002
NAFTA	0.71	0.43	0.32	0.24	0.27
European Union	0.15	0.13	0.12	0.10	...
Andean Community	0.40	0.96	0.41	0.24	0.56
Mercosur	0.30	0.34	0.19	0.11	0.14
CARICOM	0.20	0.18	0.38	0.74	1.34

*Note: ...denotes not available.*  
*Source: CARICOM Report (2005).*

<sup>1</sup> The trade openness indicator is calculated as export and imports of goods and services, divided by GDP. In CARICOM the average ratio is 114%, while by comparison for the Andean Community it is 45% and Mercosur 37%.

GO ON TO THE NEXT PAGE



1. (a) Distinguish between a 'protected' and 'liberalized' market place.

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( 6 marks)

- (b) State ONE function of a trading bloc.

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( 2 marks)

2. From the passage, identify FOUR positive effects that Caribbean territories may derive from exporting.

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( 4 marks)

3. Outline THREE reasons why Caribbean territories may want to encourage the process of globalization.

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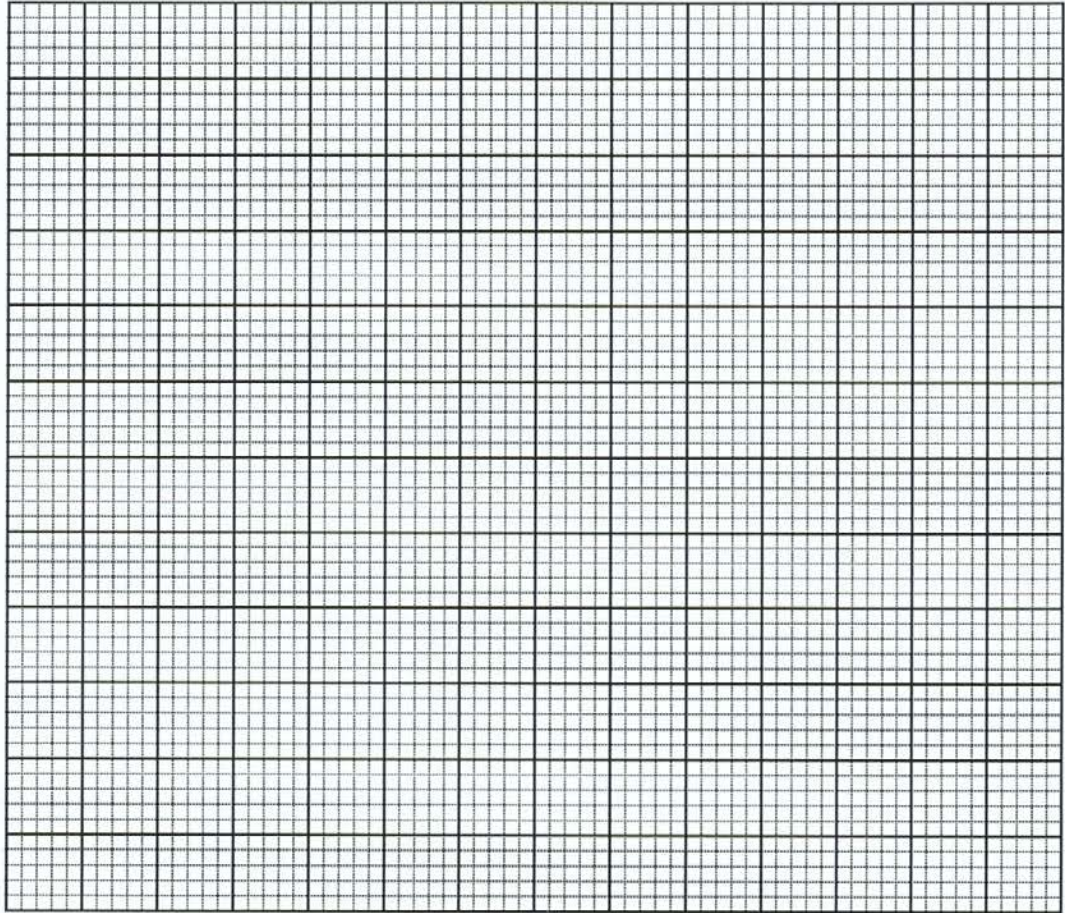
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( 6 marks)

GO ON TO THE NEXT PAGE

4. (a) Using the data provided in **Table 1**, plot CARICOM's export market share in goods in NAFTA and the Andean Community, and explain the differences in the TWO sets of percentages.



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( 6 marks)



- (b) Explain TWO measures that Caribbean economies can adopt in transitioning from protected to liberalized economies.

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( 6 marks)

5. (a) Discuss ONE way in which trade barriers may affect your country.

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( 4 marks)

- (b) Despite the attractions of globalization, there are unlikely to be the types of benefits to the Caribbean that have been promised. Discuss TWO reasons for this statement.

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( 6 marks)

**Total 40 marks**

**END OF TEST**

TEST CODE **01216020**

**FORM TP 2008061**

MAY/JUNE 2008

**CARIBBEAN EXAMINATIONS COUNCIL**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**04 JUNE 2008 (a.m.)**

**INSTRUCTIONS TO CANDIDATES**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number each answer in your booklet correctly.
3. Begin each answer on a new page.
4. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.

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**SECTION I**

**Answer ALL FOUR questions in Section I. Each question is worth 15 marks.**

1. (a) Define the term 'specialization'. ( 2 marks)
- (b) List the THREE resource allocation decisions. ( 3 marks)
- (c) Differentiate between 'goods' and 'services' and give an example of EACH. ( 4 marks)
- (d) Discuss THREE benefits that may be derived from a free market economy. ( 6 marks)

**Total 15 marks**

2. (a) State TWO characteristics of a monopoly. ( 2 marks)
- (b) List THREE disadvantages of a monopoly. ( 3 marks)
- (c) Externalities can be positive or negative. Using an example, outline the difference between a positive and a negative externality. ( 4 marks)
- (d) Market failure may have several consequences on an economy. Discuss THREE of those consequences. ( 6 marks)

**Total 15 marks**

3. (a) Define the term 'credit union'. ( 2 marks)
- (b) List THREE functions of money. ( 3 marks)
- (c) Explain TWO functions of the Central Bank in your country. ( 4 marks)
- (d) Explain how the development of money over time has helped to improve the way in which monetary transactions are conducted. ( 6 marks)

**Total 15 marks**

**GO ON TO THE NEXT PAGE**

4. (a) Define the term 'standard of living'. ( 2 marks)
- (b) List THREE factors that may impact on the economic growth of a country. ( 3 marks)
- (c) The following table refers to economic data for Country X.

<b>Economic Data for Country X</b>	
	\$
Imports of goods and services	345 000
Value of physical decrease in stock and work in progress	550
Consumers' expenditure	945 330
Exports of goods and services	241 910
Government expenditure	321 000
Capital formation	218 650

- Calculate the Gross Domestic Product (GDP) of Country X. ( 4 marks)
- (d) Discuss TWO ways in which a government can use fiscal policy to promote economic growth. ( 6 marks)

**Total 15 marks**



## SECTION II

Answer any TWO of the following questions in Section II. Each question is worth 20 marks.

5. (a) Define EACH of the following terms:
- (i) Unemployment
  - (ii) Inflation ( 4 marks)
- (b) List THREE types of unemployment. ( 3 marks)
- (c) (i) Identify TWO possible effects that the removal of preferential trading arrangements may have on an economy. ( 2 marks)
- (ii) Discuss TWO measures that can be used to address the consequences of the removal of preferential trading arrangements. ( 6 marks)
- (d) Explain TWO ways in which the CARICOM Single Market and Economy (CSME) can contribute to the economic development of a named Caribbean country. ( 5 marks)

**Total 20 marks**

6. (a) Define EACH of the following terms:
- (i) Price elasticity of demand
  - (ii) Income elasticity of demand ( 4 marks)
- (b) Identify TWO determinants of price elasticity of demand, and ONE determinant of income elasticity of demand. ( 3 marks)
- (c) Using an example, explain what a zero cross elasticity result represents. ( 5 marks)
- (d) Discuss the likely impact of a significant rise in oil prices on EACH of the following:
- (i) Research in bio-fuels
  - (ii) The type of vehicles purchased ( 8 marks)

**Total 20 marks**

GO ON TO THE NEXT PAGE

7. (a) Differentiate between the 'terms of trade' and the 'balance of trade' of a country. ( 4 marks)
- (b) List the component parts of the balance of payments. ( 3 marks)
- (c) Explain TWO measures that can be used to correct a balance of payments deficit. ( 8 marks)
- (d) Discuss TWO ways in which a rise in oil prices will affect the balance of payments of a non-oil producing economy. ( 5 marks)

**Total 20 marks**

8. (a) Define EACH of the following terms:
- (i) Economics
- (ii) Production possibility frontier ( 4 marks)
- (b) Identify THREE factors that will cause an outward shift in the production possibility frontier. ( 3 marks)
- (c) (i) Explain ONE factor that will cause the production possibility curve to move inward. ( 2 marks)
- (ii) Using a production possibility frontier, explain the concepts of 'opportunity cost' and 'efficiency'. ( 6 marks)
- (d) Suggest TWO reasons why the concept of 'scarcity and choice' is important for individuals making economic decisions. ( 5 marks)

**Total 20 marks**

**END OF TEST**

TEST CODE **01216032**

**FORM TP 2008062**

MAY/JUNE 2008

**CARIBBEAN EXAMINATIONS COUNCIL**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 03/2 – General Proficiency**

*1  $\frac{1}{2}$  hours*

1. Answer ALL questions.
2. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.
3. Answer the questions on the Answer Booklet provided and return it.

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The table below presents economic data on selected Caribbean territories. Study the table and answer the questions that follow.

Table 1: Regional Indicators

<u>Real GDP Growth, %</u>	<u>2005e</u>	<u>2006e</u>	<u>2007f</u>	<u>2008f</u>
Barbados	3.9	4.0	5.0	3.4
Dominican Republic	9.3	8.5	5.0	3.2
Guyana	-3.0	2.5	2.7	2.3
Jamaica	1.5	2.7	2.9	3.1
Trinidad & Tobago	8.0	12.0	5.7	4.3
<u>Inflation, % y-o-y</u>				
Barbados	7.4	8.0	5.0	3.2
Dominican Republic	7.4	9.0	6.0	5.0
Guyana	8.2	7.5	5.5	5.0
Jamaica	12.9	8.5	8.5	7.0
Trinidad & Tobago	7.2	11.0	10.0	8.0
<u>Current Account Balance, % GDP</u>				
Barbados	-11.3	-8.9	-6.0	-5.1
Dominican Republic	-0.5	-3.6	-3.3	-2.6
Guyana	-19.1	-15.2	-12.6	-12.2
Jamaica	-9.3	-10.1	-6.0	-6.2
Trinidad & Tobago	17.7	20.6	21.3	16

e = estimate                      f = forecast                      GDP = Gross Domestic Product  
Source: Business Monitor International Vol. 24, Issue 1, January 2007

1. (a) Define the term 'inflation'.

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( 2 marks)

(b) Differentiate between an 'estimate' (e) and a 'forecast' (f) as presented in the table above.

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( 4 marks)



2. (a) Define the term 'Real GDP Growth' and state why the inflation rate is required in arriving at this measure.

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( 3 marks)

- (b) Identify the country that showed negative real growth.

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( 1 mark )

- (c) Outline ONE factor that might account for a country having a negative real growth statistic.

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( 2 marks)

3. (a) List FOUR items that are included in the current account of the balance of payments.

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( 4 marks)

- (b) Identify ONE factor that might account for the current account balance in Barbados improving from -11.3 to -5.1.

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( 1 mark )

- (c) Identify the MAIN factor that might account for Trinidad and Tobago having a positive current account balance as a percentage of GDP.

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( 1 mark )

GO ON TO THE NEXT PAGE

4. (a) Contrast the growth statistics of the Dominican Republic with those of Jamaica.

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( 4 marks)

- (b) Explain ONE factor that might account for EACH of the trends identified in 4 (a) above.

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( 2 marks)

5. (a) Using the statistics in the table, summarise the THREE regional indicators for Trinidad and Tobago.

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( 6 marks)

- (b) Discuss THREE problems that might arise from Trinidad and Tobago's performance.

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( 6 marks)

- (c) Describe how fiscal policy can be used to correct the problems mentioned in 5 (b) above.

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( 4 marks)

**Total 40 marks**

**END OF TEST**

TEST CODE **01216020**

**FORM TP 2009056**

MAY/JUNE 2009

**CARIBBEAN EXAMINATIONS COUNCIL**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**03 JUNE 2009 (a.m.)**

**INSTRUCTIONS TO CANDIDATES**

1. Answer **ALL FOUR** questions in Section I and **TWO** questions in Section II.
2. Number each answer in your booklet correctly.
3. Begin each answer on a new page.
4. Silent electronic calculators may be used, but **ALL** necessary working should be clearly shown.

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### SECTION I

Answer ALL FOUR questions in Section I. Each question is worth 15 marks.

1. (a) Define the term 'opportunity cost'. ( 2 marks)
- (b) List THREE factors that firms must consider in determining what to produce. ( 3 marks)
- (c) Outline TWO factors that might affect the distribution of goods in your territory. ( 4 marks)
- (d) The government in your country has placed a price control on rice and set the price ceiling below the equilibrium price. With the aid of a diagram, discuss TWO effects of this action. ( 6 marks)

**Total 15 marks**

2. (a) List THREE factors of production. ( 3 marks)
- (b) Give TWO examples of ONE of the factors listed in (a) above. ( 2 marks)
- (c) Explain how the 'market' and the 'government' differ in their allocation of resources in your country. ( 4 marks)
- (d) Outline THREE merits of the market system in allocating resources in Caribbean economies. ( 6 marks)

**Total 15 marks**

3. (a) List TWO functions of money. ( 2 marks)
- (b) Identify THREE roles of the financial sector in an economy. ( 3 marks)
- (c) Explain how the Central Bank can restrict the money supply in a **named** Caribbean country. Include TWO ways in your response. ( 4 marks)
- (d) Outline THREE functions of a Central Bank **other** than restricting the money supply. ( 6 marks)

**Total 15 marks**

GO ON TO THE NEXT PAGE

4. (a) Define the role of the World Trade Organization (WTO). ( 2 marks)
- (b) List THREE factors that influence the export of goods and services. ( 3 marks)
- (c) Outline TWO factors that might cause a country to devalue its currency. ( 4 marks)
- (d) Discuss TWO consequences of a balance of payments deficit in your territory. ( 6 marks)

**Total 15 marks**

## SECTION II

**Answer any TWO of the following questions in Section II. Each question is worth 20 marks.**

5. (a) List the THREE methods of measuring national income. ( 3 marks)
- (b) Outline TWO factors that influence savings. ( 4 marks)
- (c) A labour union successfully negotiated higher wages and this resulted in unemployment in the economy. Using a supply and demand diagram, explain why unemployment resulted from this situation. ( 5 marks)
- (d) (i) Distinguish between 'economic growth' and 'economic development'. ( 4 marks)
- (ii) Outline TWO factors that influence economic growth in a **named** Caribbean territory. ( 4 marks)

**Total 20 marks**

6. (a) List THREE characteristics of Caribbean economies. ( 3 marks)
- (b) "Trade liberalization, brought about by globalization, is creating significant opportunities for Caribbean economies, but at the same time, there are appreciable challenges to overcome."
- (i) Define EACH of the following terms:
- a) Trade liberalization ( 2 marks)
- b) Globalization ( 2 marks)
- (ii) Outline THREE benefits of trade liberalization to Caribbean economies. ( 5 marks)
- (iii) Identify TWO challenges referred to in the statement at (b) above. ( 2 marks)
- (iv) For EACH of the challenges you identified in (b) (iii) above, outline ONE measure that Caribbean governments can adopt to overcome it. ( 6 marks)

**Total 20 marks**

GO ON TO THE NEXT PAGE

7. (a) Define the term 'market failure'. ( 2 marks)
- (b) Outline THREE causes of market failure. ( 5 marks)
- (c) Describe TWO consequences of market failure in the transportation sector in a **named** Caribbean territory. ( 5 marks)
- (d) (i) Outline TWO factors that might affect the price elasticity of supply of sugar. ( 4 marks)
- (ii) With the aid of a diagram, state TWO effects of a shift to the right in the original demand curve, with the supply curve remaining the same. ( 4 marks)

**Total 20 marks**

8. (a) Define the term 'economies of scale'. ( 2 marks)
- (b) With the aid of a diagram, explain the relationship between the marginal and average cost curves. ( 5 marks)
- (c) (i) Outline TWO factors that might cause inflation in the Caribbean. ( 4 marks)
- (ii) Identify ONE consequence of inflation in the Caribbean. ( 1 mark )
- (d) Discuss TWO measures that can be adopted to reduce inflation in your country. ( 8 marks)

**Total 20 marks**

**END OF TEST**

TEST CODE **01216032**

**FORM TP 2009057**

MAY/JUNE 2009

**CARIBBEAN EXAMINATIONS COUNCIL  
SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 03/2 – General Proficiency**

*1  $\frac{1}{2}$  hours*

1. There are FIVE questions on this paper. Answer ALL questions.
2. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.
3. Answer the questions on the Answer Booklet provided and return it.

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- (b) List TWO objectives of the Caribbean Community (CARICOM).

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( 2 marks)

- (c) Explain how 'small size' affects the Caribbean region economically.

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( 2 marks)

2. (a) Give TWO examples of EACH of the following terms:

- (i) Economic growth

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- (ii) Economic development

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( 4 marks)

- (b) According to the passage, which territory showed the fastest rate of growth?

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( 1 mark )

GO ON TO THE NEXT PAGE

3. (a) List FOUR reasons for the slow economic growth in the region.

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( 4 marks)

(b) Outline TWO effects of a low economic growth rate in the region.

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( 4 marks)

4. (a) List ONE item in the capital accounts of your country's balance of payments statistics.

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( 1 mark )

(b) Explain how the Caribbean region might benefit from economic integration. Include TWO benefits in your response.

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( 4 marks)

GO ON TO THE NEXT PAGE

5. (a) Describe THREE types of unemployment that affect the Caribbean region.

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( 6 marks)

- (b) Outline TWO complementary measures that regional governments might need to put in place to take advantage of regional integration.

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( 6 marks)

- (c) Outline TWO ways in which the loss of trade preferences or concessions might affect the Caribbean region.

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( 4 marks)

**END OF TEST**



TEST CODE **01216020**

**FORM TP 2010057**

MAY/JUNE 2010

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**02 JUNE 2010 (a.m.)**

**INSTRUCTIONS TO CANDIDATES**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number each answer in your booklet correctly.
3. Begin each answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
5. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

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## SECTION I

Answer ALL FOUR questions in Section I. Each question is worth 15 marks.

1. (a) Define the term '*ceteris paribus*'. (2 marks)
- (b) List THREE determinants of the supply of a commodity, OTHER than its price. (3 marks)
- (c) Explain THREE benefits that consumers may derive from the introduction of new service providers in the telecommunications industry. (6 marks)
- (d) Using a demand and supply diagram, ILLUSTRATE the impact on equilibrium quantity of a telephone company moving from a monopoly situation to one with other competitors in the market. (3 marks)
- (e) With reference to the diagram drawn at (d) above, what impact would the movement from a monopoly situation to a competitive market have on the equilibrium price? (1 mark)

**Total 15 marks**

2. (a) Define the term 'productivity'. (2 marks)
- (b) Identify THREE rewards that can be gained by the factors of production. (3 marks)
- (c) Discuss TWO reasons why a centrally-planned economy tends to be LESS efficient than a market-based economy. (6 marks)
- (d) Explain TWO advantages that may be derived from the division of labour in the tourism industry. (4 marks)

**Total 15 marks**

3. (a) Define the term 'comparative advantage'. (2 marks)
- (b) List THREE reasons why countries trade. (3 marks)
- (c) Discuss TWO problems that can arise with the balance of payments of non-oil-producing Caribbean countries as a result of rising oil prices. (6 marks)
- (d) Explain TWO ways in which devaluation can impact the small, open economies of the Caribbean. (4 marks)

**Total 15 marks**

GO ON TO THE NEXT PAGE

4. Table 1 below provides economic data on the Gross Domestic Product (GDP) of Country X.

**TABLE 1: GROSS DOMESTIC PRODUCT OF COUNTRY X**

<b>Items</b>	<b>Amount (US\$M)</b>
Exports	40
Gross capital fixed formation	64
Imports	54
Net property income from abroad	-8
Consumption expenditure	120
Government final consumption	89

- (a) Define EACH of the following terms:
- (i) Gross capital fixed formation **(2 marks)**
  - (ii) Net property income from abroad **(2 marks)**
- (b) State the information that is needed to calculate national income at market prices, apart from the information provided in Table 1 above. **(1 mark)**
- (c) Discuss TWO factors that can cause the Gross National Product (GNP) of a country to be greater than the Gross Domestic Product (GDP). **(6 marks)**
- (d) Calculate the Gross National Product for Country X using the information in Table 1 above. **(4 marks)**

**Total 15 marks**

GO ON TO THE NEXT PAGE

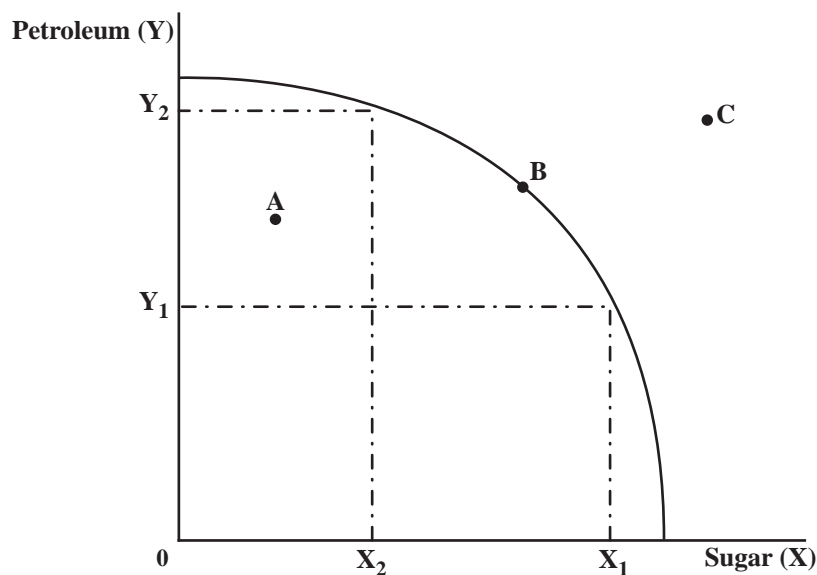
**SECTION II**

**Answer any TWO of the following questions in Section II. Each question is worth 20 marks.**

5. (a) Define the term 'market structure'. **(2 marks)**
- (b) List TWO consequences of a market failure. **(2 marks)**
- (c) State THREE characteristic features of a monopoly. **(3 marks)**
- (d) (i) Discuss TWO factors that would affect the elasticity of demand for wheat. **(4 marks)**
- (ii) With the aid of a diagram, identify TWO possible effects of a shift to the left of an original supply curve, with the demand curve remaining the same. **(4 marks)**
- (e) Explain TWO consequences of having a cartel in the energy sector. **(5 marks)**

**Total 20 marks**

6. (a) Define the term 'economics'. **(2 marks)**
- (b) Distinguish between the terms 'scarcity' and 'choice'. **(5 marks)**
- (c) The diagram in Figure 1 below shows the production possibility frontier for petroleum and sugar.



**Figure 1: Production Possibility Frontier for Petroleum and Sugar**

**GO ON TO THE NEXT PAGE**



- (i) Explain what is taking place at Point A in the diagram. **(4 marks)**
- (ii) Outline TWO measures that a producer can take to attain the production level indicated at Point C in the diagram. **(4 marks)**
- (d) Discuss TWO economic factors that may encourage a producer of bread to remain in bread production. **(5 marks)**

**Total 20 marks**

- 7.
- (a) Differentiate between a 'treasury bill' and a 'bond'. **(4 marks)**
  - (b) List THREE functions of money. **(3 marks)**
  - (c) Explain how inflation can affect ALL the functions of money. **(8 marks)**
  - (d) "The central bank is the lender of last resort".

Discuss this statement in relation to the central bank's role in managing the monetary sector in the economy. **(5 marks)**

**Total 20 marks**

- 8.
- (a) List THREE benefits that Caribbean economies can gain from e-commerce. **(3 marks)**
  - (b) Outline TWO challenges that Caribbean economies might face in developing e-commerce. **(4 marks)**
  - (c) Discuss TWO measures that can be employed by Caribbean governments in order to enhance e-commerce in the region. **(8 marks)**
  - (d) For a **named** Caribbean country, briefly discuss TWO reasons why that country may need to implement a structural adjustment programme (SAP). **(5 marks)**

**Total 20 marks**

**END OF TEST**

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 03/2 – General Proficiency**

*1½ hours*

**INSTRUCTIONS TO CANDIDATES**

1. You **MUST** answer **ALL** the questions on this paper.
2. Use this answer booklet to respond to the questions. For **EACH** question, write your answer in the space provided.
3. If you need additional paper on which to write your answers, request it from the supervisor.
4. Attach any additional paper that you use securely to this answer booklet.
5. Return this answer booklet at the end of the examination.
6. Silent electronic calculators may be used, but **ALL** necessary working should be clearly shown.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

**Study the information below and answer the questions that follow.**

The continuous surge in oil prices in 2007 and 2008 saw a sharp rise in the cost of living globally. One of the most alarming consequences was the rise in the price of food items. The concept of elasticity played an integral role in the changes that occurred in purchasing patterns. Additionally, firms had to make critical decisions regarding pricing policies.

Tables 1 and 2 below provide information on selected items that are bought by consumers in a hypothetical economy.

**TABLE 1: PRICE ELASTICITY OF DEMAND**

<b>Item</b>	<b>Elasticities</b>
Potatoes	-0.32
Pre-packaged potato fries	-1.4
Bread	-0.38
Juices	-0.5
Beef	-1.6
Gasoline	-0.3

**TABLE 2: INFORMATION ON MEAT PRODUCTS**

<b>Price of Pork (\$ per pack)</b>	<b>Quantity of Beef (per pack)</b>
2	8
4	12
6	16
8	20
10	24

1. (a) Define the term 'price elasticity of demand'.

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**(2 marks)**

(b) Identify TWO ways in which rising oil prices can impact firms.

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**(2 marks)**

(c) List the FOUR factors that influence the price elasticity of demand.

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**(4 marks)**

(d) Account for the difference in price elasticity values between potatoes and pre-packaged fries in Table 1.

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**(6 marks)**



2. (a) Using the information provided in Table 1, interpret the value of the price elasticity of demand for beef.

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**(2 marks)**

- (b) Analyse the impact on sales revenue of a business if it increases the price of beef.

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**(4 marks)**

3. (a) Define the term 'cross elasticity of demand'.

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**(2 marks)**

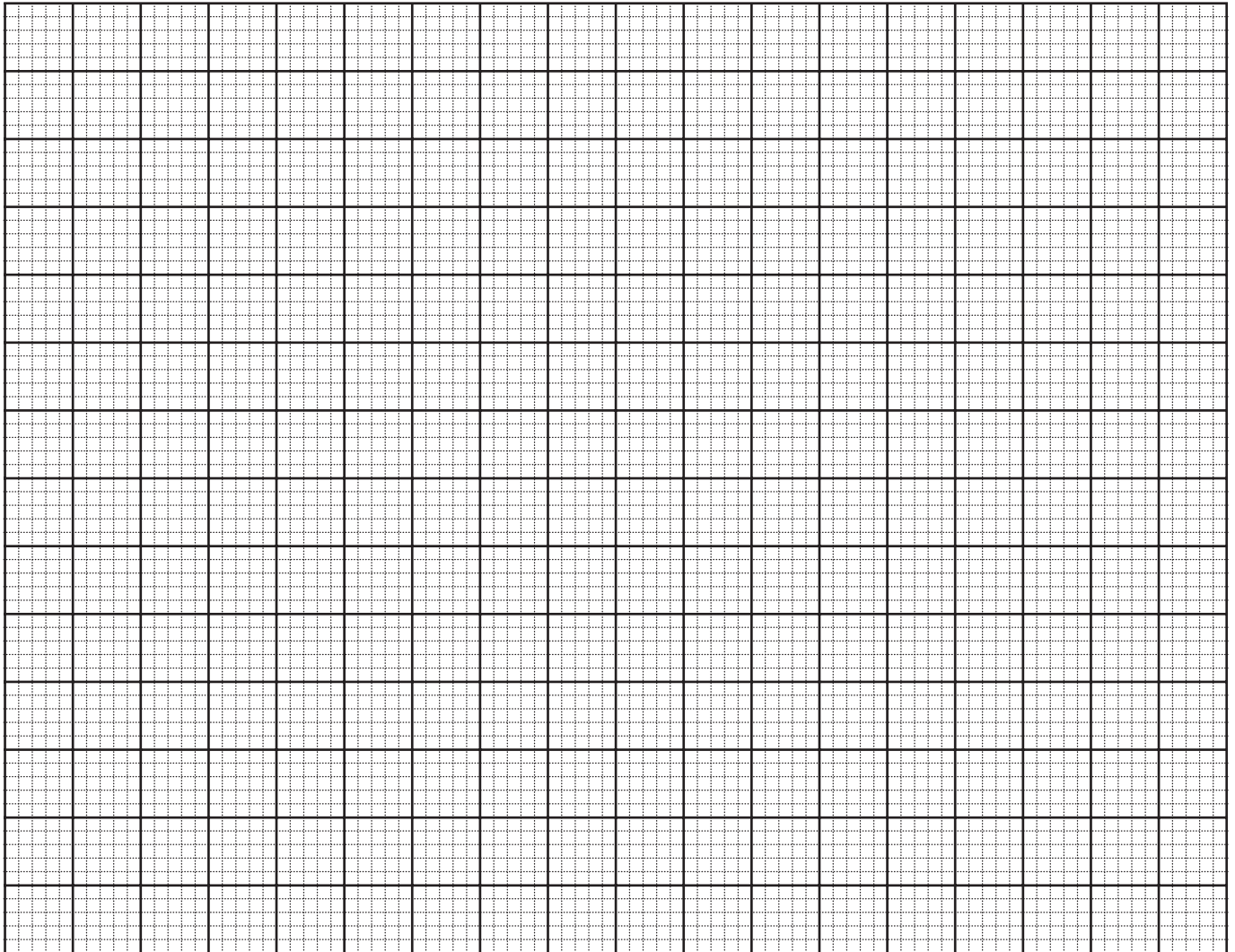
- (b) Using the information provided in Table 2, calculate the cross elasticity of demand for beef when the price of pork is increased from \$4 to \$8.

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**(3 marks)**

- (c) Using the data provided in Table 2, plot the information for pork and beef on the graph paper below.



**(3 marks)**

- (d) Explain the relationship between pork and beef as it relates to the curve drawn at (c) above.

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**(2 marks)**

GO ON TO THE NEXT PAGE

4. The continued increase in oil prices has caused individuals to examine their financial position and way of life. Explain THREE benefits that can accrue to an economy from persons having to adjust to rising oil prices.

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**(6 marks)**

5. Discuss TWO policies that can be used to reduce the impact of the rising cost of living caused by increased oil prices.

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**(4 marks)**

**Total 40 marks**

**END OF TEST**



**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**01 JUNE 2011 (a.m.)**

**INSTRUCTIONS TO CANDIDATES**

1. There are two sections in this paper: Section I consists of four questions and Section II consists of four questions.
2. Answer ALL FOUR questions in Section I and TWO questions in Section II.
3. Number each answer in your booklet correctly.
4. Begin each answer on a new page.
5. Use the blank form(s) supplied to prepare answers where necessary.
6. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**



**SECTION I**

**Answer ALL FOUR questions in Section I. EACH question is worth 15 marks.**

- 1.** (a) Define the term 'sole trader'. **(2 marks)**  
(b) List THREE advantages of being a sole trader. **(3 marks)**  
(c) Using a diagram, explain the circular flow of income. **(6 marks)**  
(d) Describe TWO demerits of a centrally planned economy. **(4 marks)**

**Total 15 marks**

- 2.** (a) Define EACH of the following terms:  
(i) Income elasticity of demand  
(ii) Cross elasticity of demand **(4 marks)**  
(b) Identify ONE factor that affects income elasticity of demand. **(1 mark)**  
(c) Explain TWO factors that affect price elasticity of demand. **(6 marks)**  
(d) Table 1 below presents a demand schedule for Product X.

**TABLE 1: DEMAND SCHEDULE FOR PRODUCT X**

Price (US\$)	Quantity (units)
5	20
3	40

- (i) Using the information in the table, calculate the price elasticity of demand for Product X when the price changes from US \$5 to US \$3. **(3 marks)**  
(ii) Interpret the result obtained in (d) (i) above. **(1 mark)**

**Total 15 marks**

- 3.** (a) Define the term 'disposable income'. **(2 marks)**  
(b) Identify THREE major causes of inflation. **(3 marks)**  
(c) Explain THREE ways in which a trade union in your country may seek to improve the working conditions of its members. **(6 marks)**  
(d) Discuss TWO measures that a government may adopt to stabilise the economy after a recession. **(4 marks)**

**Total 15 marks**

**GO ON TO THE NEXT PAGE**

4. (a) Define the term 'tariff'. (2 marks)
- (b) List THREE factors that influence imports to a country. (3 marks)
- (c) Explain TWO factors that can affect the value of a floating exchange rate. (6 marks)
- (d) Distinguish between a 'managed exchange rate' and a 'fixed exchange rate'. (4 marks)

**Total 15 marks**

## SECTION II

**Answer any TWO of the following questions in Section II. EACH question is worth 20 marks.**

5. (a) Define the term 'gross domestic product'. (2 marks)
- (b) Identify the FIVE items used in calculating gross domestic product when using the expenditure approach. (5 marks)
- (c) Explain FOUR ways in which a recession can affect the gross domestic product in your country. (8 marks)
- (d) Using a numerical example, show how "nominal output" and "real output" differ. (5 marks)

**Total 20 marks**

6. (a) List THREE factors that can cause a change in demand. (3 marks)
- (b) Distinguish between a 'change in quantity supplied' and a 'change in supply'. (4 marks)
- (c) (i) State TWO benefits to be gained from a country's membership of the World Trade Organization (WTO). (2 marks)
- (ii) For EACH of the benefits stated in (c) (i) above, explain how it can be helpful to the economy of your country. (6 marks)
- (d) Discuss TWO negative effects on Caribbean economies which can result from a loss of preferential trading arrangements. (5 marks)

**Total 20 marks**

GO ON TO THE NEXT PAGE

7. (a) Differentiate between a “treasury bill” and a “treasury bond”. **(4 marks)**
- (b) List THREE characteristics of money. **(3 marks)**
- (c) Explain TWO benefits of moving from a barter system to one which uses money as legal tender. **(8 marks)**
- (d) Discuss TWO ways in which the use of electronic payments impacts consumers and businesses. **(5 marks)**

**Total 20 marks**

8. (a) Define EACH of the following terms:
- (i) Economic integration
- (ii) Debt burden **(4 marks)**
- (b) List THREE benefits of large-scale production. **(3 marks)**
- (c) (i) Identify TWO characteristics of a mixed economic system. **(2 marks)**
- (ii) Explain TWO disadvantages of a mixed economic system. **(6 marks)**
- (d) Discuss TWO benefits that your country may gain from its membership of the CARICOM Single Market and Economy (CSME). **(5 marks)**

**Total 20 marks**

**END OF TEST**



**CARIBBEAN EXAMINATIONS COUNCIL**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 03/2 – General Proficiency**

*1  $\frac{1}{2}$  hours*

**INSTRUCTIONS TO CANDIDATES**

1. This paper comprises FIVE questions.
2. You **MUST** answer **ALL** the questions on the paper.
3. Use this answer booklet to respond to the questions. For **EACH** question, write your answer in the space provided.
4. If you need additional paper to write your answers, request it from the supervisor.
5. Attach any additional paper that you use securely to this answer booklet.
6. Return this answer booklet at the end of the examination.
7. Silent electronic calculators may be used, but **ALL** necessary working should be clearly shown.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

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Read the extract below and answer the questions that follow.

**The Barbadian Economy Under Stressful Times**

The Central Bank of Barbados is continuing its push to help bring down local commercial banks' lending rates in an effort to spark increased credit activity. The Bank announced another change in the discount rate following the one implemented on December 29<sup>th</sup>, 2008, which reduced the rate at the time from 12% to 10% per annum.

This rate will be further reduced to 8% on April 20<sup>th</sup>, 2009. The December decision did not see the commercial banks rushing to access these loans. The reason for this was attributed to the high liquidity in the banking system.

According to the Bank's review of the economy for the year 2008, growth in customer deposits had slowed to 3.5% during 2008, down from 16.2% in 2007.

This Central Bank position comes on the heels of Barbados' downgraded outlook by Standard and Poors from stable to negative. According to one economic analyst, "we have to be cognizant of what is happening. There is a global slowdown; therefore there will be a slowdown in the Barbadian economy and all that comes with such a slowdown".

*(Adapted from: Barbados Advocate Business, Monday, April 13, 2009.)*

1. (a) Define the term "discount rate".

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**(2 marks)**

- (b) Define the term "liquidity".

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**(2 marks)**

- (c) List FOUR functions of a commercial bank.

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**(4 marks)**

- (d) With reference to the extract above, identify the change in growth of customer deposits between the years 2007 and 2008.

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**(1 mark)**

GO ON TO THE NEXT PAGE

- (e) With reference to the extract above, identify the change in Standard and Poors' outlook on the Barbadian economy.

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**(1 mark)**

2. Using the information from the extract, describe TWO functions that were performed by this Central Bank.

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**(6 marks)**

3. (a) Explain how the use of reduced discount rates can increase economic activity.

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**(4 marks)**

- (b) Explain how TWO tools of monetary policy, OTHER than discount rates, are used to increase economic activity in an economy.

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**(10 marks)**

4. Explain how high liquidity can reduce the effect of the lowered discount rate mentioned in the extract.

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**(4 marks)**

5. Discuss TWO problems that are implied by the last line in the extract “ ... and all that comes with such a slowdown”.

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**(6 marks)**

**Total 40 marks**

**END OF TEST**

**FORM TP 2012062**



TEST CODE **01216020**

MAY/JUNE 2012

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**01 JUNE 2012 (a.m.)**

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number EACH answer in your booklet correctly.
3. Begin EACH answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
6. Silent, electronic calculators may be used, but ALL necessary working should be clearly shown.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

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**SECTION I**

**Answer ALL FOUR questions in Section I.**

**EACH question is worth 15 marks.**

- 1.**
- (a) Define the term 'Economics'. **(2 marks)**
  - (b) List the **THREE main** components of an economy. **(3 marks)**
  - (c) Explain **TWO** factors that a consumer has to take into account before buying a good. **(6 marks)**
  - (d) Using a diagram of a production possibility curve, explain how opportunity cost can be illustrated. **(4 marks)**

**Total 15 marks**

- 2.**
- (a) Define the term 'cartel'. **(2 marks)**
  - (b) List **THREE** characteristics of an oligopolistic market structure. **(3 marks)**
  - (c) A computer store has reduced its price of computers. Using **TWO** separate diagrams, one for computers and the other for printers (related products), explain the effect of the reduction in price on the equilibrium price and quantity for computers and printers. **(6 marks)**
  - (d) Explain **TWO** problems that can arise from a firm being the only producer in the market. **(4 marks)**

**Total 15 marks**

- 3.**
- (a) Define **EACH** of the following terms:
    - (i) Terms of trade **(2 marks)**
    - (ii) Balance of trade **(2 marks)**
  - (b) State **ONE** factor that can affect the terms of trade of a country. **(1 mark)**

**GO ON TO THE NEXT PAGE**

- (c) Table 1 below illustrates import and export figures for the years 1990, 1991, 1992 and 1993 for Country X.

**TABLE 1: IMPORTS AND EXPORTS FOR COUNTRY X (US \$)**

<b>Year</b>	<b>Imports</b>	<b>Exports</b>
1990	250	300
1991	300	200
1992	315	310
1993	320	320

- (i) Calculate the balance of trade for the years 1990, 1991, 1992 and 1993. **(2 marks)**
- (ii) Analyse the trend in the balance of trade from 1990 to 1993. **(4 marks)**
- (d) Explain TWO economic effects of an **adverse** balance of trade on a country. **(4 marks)**

**Total 15 marks**

4. (a) Define the following terms:
- (i) Investment **(2 marks)**
- (ii) Savings **(2 marks)**
- (b) Identify ONE factor that affects investment. **(1 mark)**
- (c) An economy records a **rise in unemployment** and a **fall in business investment**. Explain how TWO fiscal policies can be used to address these conditions. **(6 marks)**
- (d) Explain TWO factors that could have caused the state of the economy mentioned in (c) above. **(4 marks)**

**Total 15 marks**

GO ON TO THE NEXT PAGE



**SECTION II**

**Answer any TWO of the following questions in Section II.**

**EACH question is worth 20 marks.**

5. (a) Differentiate between 'fixed' and 'variable' costs. Give ONE example of EACH type of cost. **(4 marks)**
- (b) List THREE types of business organization. **(3 marks)**
- (c) (i) Distinguish between 'economies of scale' and 'diseconomies of scale'. **(4 marks)**
- (ii) Draw a well-labelled diagram showing the regions of economies of scale and diseconomies of scale. **(4 marks)**
- (d) Explain how a baker would respond to the THREE resource allocation decisions that arise in a free market economy. **(5 marks)**

**Total 20 marks**

6. (a) Define EACH of the following terms as it relates to international trade:
- (i) Common external tariff **(2 marks)**
- (ii) Import quota **(2 marks)**
- (b) Identify THREE reasons why governments adopt protectionist measures. **(3 marks)**
- (c) Explain, with examples, TWO items that would be found in EACH of the following sections of the Balance of Payments Account:
- (i) Current Account
- (ii) Capital Account **(8 marks)**
- (d) By what name will EACH of the following transactions be known in the Balance of Payments Account of St Lucia?
- (i) A St Lucian travels to France on holiday. **(1 mark)**
- (ii) British visitors attend the 20/20 cricket match at the Beausejour Cricket Ground in St Lucia. **(1 mark)**
- (iii) A St Lucian buys shares in Microsoft in the United States of America. **(1 mark)**

**GO ON TO THE NEXT PAGE**

- (iv) Vanguard Atlantic earns US \$2 million in profits in St Lucia and transfers these profits to its parent company in the United Kingdom. **(1 mark)**
- (v) An American citizen sets up a company in the capital of St Lucia. **(1 mark)**

**Total 20 marks**

7. (a) Write EACH of the following acronyms in full:
- (i) CSME **(1 mark)**
  - (ii) OECS **(1 mark)**
  - (iii) IMF **(1 mark)**
  - (iv) FDI **(1 mark)**
- (b) Identify THREE characteristics of Caribbean economies. **(3 marks)**
- (c) Discuss TWO potential benefits of trade liberalisation to an economy. **(8 marks)**
- (d) Explain TWO ways in which e-commerce may encourage economic activity in an economy. **(5 marks)**

**Total 20 marks**

8. (a) Define the following terms:
- (i) Stock exchange **(2 marks)**
  - (ii) Credit union **(2 marks)**
- (b) List THREE functions of a Central Bank. **(3 marks)**
- (c) Using a diagram, explain the circular flow of income. **(8 marks)**
- (d) Explain TWO ways in which an insurance company can contribute to the economic development of a country. **(5 marks)**

**Total 20 marks**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**

**FORM TP 2012063**



TEST CODE **01216032**

MAY/JUNE 2012

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**ECONOMICS**

**Paper 032 – General Proficiency**

*1 hour 30 minutes*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. You **MUST** answer **ALL** the questions on this paper.
2. Use this answer booklet to respond to the questions. For **EACH** question, write your answer in the space provided.
3. If you need additional paper to write your answers, request it from the supervisor.
4. Attach any additional paper that you use securely to this answer booklet.
5. Return this answer booklet at the end of the examination.
6. You may use a silent, electronic calculator to answer questions but **ALL** necessary working should be clearly shown.

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

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Read the extract below and answer the questions that follow.

**Importing Policies and their Impact on Small Island Developing States**

Trams (a fictitious name), is a small island developing state (SIDS). In an effort to make vehicles more affordable to its citizens, the government of Trams has eased the import restrictions on foreign used vehicles. This policy includes a reduction in the tariff paid on vehicles from 65% to 40%. The policy relates to vehicles over three years old and below 1500 cc.

This policy directive has led to an increase in the number of overseas used vehicles imported into Trams from 3,566 in 2000 to 10,541 in 2009. This increase in the number of vehicles has resulted in both positive and negative externalities. According to the policymakers, the influx of vehicles has led to a growth in government revenue from US \$15 million in 2000 to US \$33.25 million in 2009. Further, they contend that the policy has led to an improved public transportation system, a better quality of transportation fleet than previously existed, and an improved standard of living.

This policy comes at a time when fuel prices continue to be high at US \$84 per barrel with Trams being a net importer of fossil fuels. There is also greater public awareness about the need for a cleaner environment. However, according to one government official, "... as a SIDS, it is unrealistic to think that Trams can pursue the same import policies as more developed countries".

1. (a) Define the term 'tariff'.

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**(2 marks)**

- (b) Define the term 'externality'.

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**(2 marks)**

- (c) State TWO characteristics of small island developing states (SIDS).

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**(2 marks)**

GO ON TO THE NEXT PAGE

- (d) With reference to the extract, what measure was adopted to make vehicles more affordable to citizens?

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**(2 marks)**

- (e) Calculate the percentage change in the number of vehicles imported into Trams between 2000 and 2009.

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**(2 marks)**

2. Explain how a reduced tariff on overseas used vehicles is expected to improve the public transport system.

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**(4 marks)**

3. Using information from the extract, describe TWO effects associated with the reduction in the import tariff rate **other than improvement in the public transport system**.

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**(6 marks)**

4. (a) Explain TWO **negative** externalities associated with the policy that was implemented indicating clearly how they affect the economy of Trams.

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**(6 marks)**

- (b) Discuss ONE measure that can be taken to address EACH of the externalities explained in (a) above.

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**(4 marks)**



5. (a) Identify ONE import policy which more developed countries may adopt to improve their fleet of vehicles.

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**(2 marks)**

- (b) Discuss TWO reasons why the policy identified in (a) above may be difficult for Trams to implement.

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**(8 marks)**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**

**FORM TP 2013062**



TEST CODE **01216020**

MAY/JUNE 2013

**CARIBBEAN EXAMINATIONS COUNCIL**

**CARIBBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**05 JUNE 2013 (a.m.)**

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number EACH answer in your booklet correctly.
3. Begin EACH answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
5. Silent, electronic calculators may be used, but ALL necessary working should be clearly shown.

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**SECTION I**

**Answer ALL FOUR questions in Section I.**

**EACH question is worth 15 marks.**

1. (a) Name ONE type of economic system. **(1 mark )**
- (b) Copy Table 1 below in your answer booklet and complete it by writing the factors of production and the rewards that are missing.

**TABLE 1: FACTORS OF PRODUCTION AND THEIR REWARDS**

<b>Factors of Production</b>	<b>Rewards</b>
Land	
	wages
	interest
Entrepreneurship	

**(4 marks)**

- (c) Explain TWO **disadvantages** of division of labour. **(6 marks)**
- (d) Using ONE example, distinguish between production and productivity. **(4 marks)**

**Total 15 marks**

2. (a) Define the term ‘market structure’. **(2 marks)**
- (b) List THREE types of market structures. **(3 marks)**
- (c) With the aid of a diagram, explain what happens in the market when a surplus exists. **(6 marks)**
- (d) Using THREE characteristics, explain the type of market structure that would be associated with manufacturers of cellular phones. **(4 marks)**

**Total 15 marks**

**GO ON TO THE NEXT PAGE**

3. (a) Write the following acronyms in full:
- (i) EU
  - (ii) CDB
  - (iii) FTAA
  - (iv) CARICOM **(4 marks)**
- (b) State the name of the international organization that was established to provide member countries with short-term financing. **(1 mark )**
- (c) Discuss TWO problems that may arise for a consumer when shopping on the Internet. **(6 marks)**
- (d) Explain TWO problems that may arise for a small island trying to significantly expand its production of bananas. **(4 marks)**
- Total 15 marks**

4. (a) Define EACH of the following terms:
- (i) Barter
  - (ii) Legal tender **(4 marks)**
- (b) State the MAIN **disadvantage** of barter. **(1 mark )**
- (c) Explain THREE functions of a Central Bank. **(6 marks)**
- (d) To which function of money does each of the following scenarios apply?
- (i) Mark compares the price of a Lacoste polo shirt to the price of a pair of Ralph Lauren shorts.
  - (ii) Margaret joins a meeting turn (sou-sou or box hand or partner or sindicato).
  - (iii) Odette takes a loan to pursue a Masters degree.
  - (iv) Peter buys a Mercedes Benz car for US \$120,000. **(4 marks)**
- Total 15 marks**

GO ON TO THE NEXT PAGE

**SECTION II**

**Answer any TWO of the following questions in Section II.**

**EACH question is worth 20 marks.**

5. (a) Define EACH of the following terms:
- (i) Deflation
  - (ii) Unemployment **(4 marks)**
- (b) List THREE withdrawals from the circular flow of income. **(3 marks)**
- (c) Explain TWO measures that may be used to reduce seasonal unemployment in a country. **(8 marks)**
- (d) Discuss TWO problems that may arise for trade unions in attempting to fulfil their role, when a country is in recession. **(5 marks)**

**Total 20 marks**

6. (a) Define EACH of the following terms as it relates to international trade:
- (i) Comparative advantage
  - (ii) Absolute advantage **(4 marks)**
- (b) List THREE types of exchange rate systems. **(3 marks)**
- (c) Explain TWO gains from trade for EACH of the following:
- (i) Consumers
  - (ii) Producers **(8 marks)**
- (d) Discuss TWO factors that give rise to balance of payment deficits. **(5 marks)**

**Total 20 marks**

**GO ON TO THE NEXT PAGE**

7. (a) Figure 1 represents the unit costs of Firm X. Identify what EACH cost curve, A to D, represents. (Choose from: Average Fixed Cost [AFC]; Marginal Cost [MC]; Average Variable Cost [AVC]; Average Total Cost [ATC]).

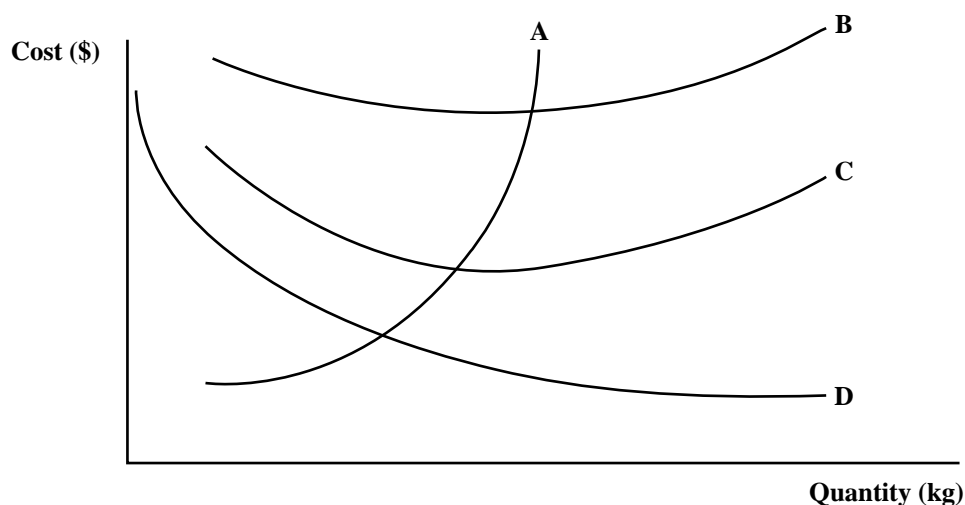


Figure 1: Cost curves of Firm X

(4 marks)

- (b) List THREE examples of services. (3 marks)
- (c) Describe TWO benefits of being a sole trader. (8 marks)
- (d) Explain TWO examples of fixed costs that would accrue to an owner of a small supermarket. (5 marks)

**Total 20 marks**

8. (a) Define EACH of the following terms:
- (i) Efficiency
  - (ii) Wants (4 marks)
- (b) List THREE examples of the needs of society. (3 marks)
- (c) With the aid of diagrams, explain the impact of the following situations on the production possibility curve of a country that produces bananas and sugar cane.
- (i) The economy is experiencing heavy unemployment.
  - (ii) The government invests in a new fertilizer that improves the yield for banana farmers only. (8 marks)
- (d) A university graduate receives his first pay cheque. Discuss how scarcity, choice and opportunity costs arise for the graduate on his first shopping trip to the city. (5 marks)

**Total 20 marks**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**



**FORM TP 2013063**



TEST CODE **01216032**

MAY/JUNE 2013

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

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E X A M I N A T I O N**

**E C O N O M I C S**

**Paper 032 – General Proficiency**

*1 hour 30 minutes*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. You **MUST** answer **ALL** the questions on this paper.
2. Use this answer booklet to respond to the questions. For **EACH** question, write your answer in the space provided.
3. If you need additional paper to write your answers, request it from the supervisor.
4. Attach any additional paper that you use securely to this answer booklet.
5. Return this answer booklet at the end of the examination.
6. Silent, electronic calculators may be used, but **ALL** necessary working should be clearly shown.

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Read the following passage and answer the questions that follow.

**Market Structure and the Economy**

The only power company on the island of Taibu, the Taibu Power Company (TPC) raised electricity rates from US\$0.20 per kilowatt hour in 2009 to US\$0.40 per kilowatt hour in 2010. Over the same period, monthly demand changed from 250,000 kilowatts to 200,000 kilowatts.

The Consumer Protection Agency called the price change in electricity rates unfair since the costs to generate power remained constant. Further, the Private Sector Association indicated that the rate change would negatively affect businesses by making production more costly and might force some businesses to cease operations. The Association argued that one way of reducing the influence of the TPC was to encourage investment into the power sector, and thus, competition.

However, the TPC responded by stating, “Do not blame us, blame the OPEC cartel and the forces of supply and demand.” In the meantime, consumers continued to pay the rate increases.

1. (a) Define the term ‘demand’.

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**(2 marks)**

- (b) Define the term ‘supply’.

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**(2 marks)**

- (c) State TWO characteristics of a ‘cartel’.

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**(2 marks)**

- (d) With reference to the passage, how is the change in the electricity rates likely to affect businesses?

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**(2 marks)**

GO ON TO THE NEXT PAGE

- (e) According to the Private Sector Association, what measure is necessary to reduce the influence of the Taibu Power Company (TPC)?

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**(2 marks)**

2. From the information provided in the passage, the percentage change in electricity rate (price) is 100 and the percentage change in the quantity of electricity demanded is 20.

- (a) Calculate the price elasticity of demand for electricity.

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**(2 marks)**

- (b) Interpret the results obtained in (a) above.

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**(2 marks)**

3. Describe THREE measures that consumers can take to reduce the impact of the electricity rate change.

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**(6 marks)**

4. (a) Explain TWO effects on households of Taibu as a result of the electricity rate change.

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(6 marks)

- (b) Describe TWO measures, **other than those mentioned in the passage**, that the government of Taibu can pursue to control the behaviour of the TPC.

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(4 marks)



**FORM TP 2014060**



TEST CODE **01216020**

MAY/JUNE 2014

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**C A R I B B E A N   S E C O N D A R Y   E D U C A T I O N   C E R T I F I C A T E<sup>®</sup>  
E X A M I N A T I O N**

**E C O N O M I C S**

**Paper 02 – General Proficiency**

*2 hours*

**04 JUNE 2014 (a.m.)**

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number EACH answer in your booklet correctly.
3. Begin EACH answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
6. You may use a silent, electronic calculator to answer questions but ALL necessary working should be clearly shown.

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**SECTION I**

**Answer ALL FOUR questions in this section.**

**EACH question is worth 15 marks.**

1. Table 1 shows the combinations of sugar and bananas that Country X is capable of producing using ALL of its resources.

**TABLE 1: PRODUCTION CAPABILITIES OF COUNTRY X**

<b>Combination</b>	<b>Sugar (tons)</b>	<b>Banana (tons)</b>
A	0	40 000
B	1 000	25 000
C	2 000	15 000
D	3 000	9 000
E	4 000	0

- (a) State the name of the curve that is normally used to represent the information in Table 1. **(1 mark)**
- (b) (i) Moving from combination A through E in Table 1, state if opportunity cost is decreasing, increasing or constant. **(1 mark)**
- (ii) State the maximum amount of sugar that can be produced if 40 000 tons of bananas are produced. **(1 mark)**
- (iii) State TWO factors that would cause the curve identified in (a) above to shift inwards. **(2 marks)**
- (c) Use the information given in Table 1 to determine whether for EACH of the production combinations stated below, Country X is operating efficiently or not if it is currently producing
- (i) 2 000 tons of sugar and 15 000 tons of bananas **(2 marks)**
- (ii) 1 000 tons of sugar and 15 000 tons of bananas. **(2 marks)**
- (d) Explain TWO factors that should be considered before opening an internet cafe. **(6 marks)**

**Total 15 marks**

GO ON TO THE NEXT PAGE



2. (a) Define the following terms:
- (i) Economic system **(2 marks)**
  - (ii) Capital goods **(2 marks)**
- (b) Give ONE example of a capital item. **(1 mark)**
- (c) Explain TWO types of economies of scale that a person might gain by moving from operating a small food stall to operating a big restaurant. **(6 marks)**
- (d) Table 2 shows the total cost of production of Firm A for each level of output.

**TABLE 2: TOTAL COST OF PRODUCTION OF FIRM A  
AT EACH LEVEL OF OUTPUT ABOVE ZERO**

<b>Quantity (units)</b>	0	1	2	3	4
<b>Total cost (\$)</b>	10	20	30	45	68

Use the information in Table 2 to calculate

- (i) the average total cost (ATC) for output level 3
- (ii) the marginal cost for the 4<sup>th</sup> unit of output. **(4 marks)**

**Total 15 marks**

3. (a) Define the following terms:
- (i) Exchange rate revaluation **(2 marks)**
  - (ii) Managed exchange rate **(2 marks)**
- (b) State the name of the protectionist measure that limits the quantity of goods entering a country. **(1 mark)**
- (c) Describe TWO disadvantages that may accrue to a Caribbean country if it moves from a fixed exchange rate to a floating exchange rate system. **(6 marks)**
- (d) Analyse ONE benefit of using devaluation to correct a balance of payments problem. **(4 marks)**

**Total 15 marks**

GO ON TO THE NEXT PAGE

4. (a) Define the term 'economic goals'. **(2 marks)**
- (b) List THREE economic goals of a government. **(3 marks)**
- (c) Explain TWO disadvantages of using Gross Domestic Product (GDP) as a measure of standard of living. **(6 marks)**
- (d) Table 3 shows the economic statistics for Country Y.

**TABLE 3: ECONOMIC STATISTICS FOR COUNTRY Y**

<b>Category</b>	<b>Value (millions of \$)</b>
Exports	300
Government spending	300
Wages and salaries	900
Buildings and equipment	500
Rentals	200
Imports	400
Consumption	900

Calculate the Gross Domestic Product (GDP) for Country Y using the information provided in Table 3. *Hint: Use the expenditure approach.* **(4 marks)**

**Total 15 marks**

**SECTION II**

**Answer any TWO questions in this section.**

**EACH question is worth 20 marks.**

5. (a) Define the following terms:
- (i) The gold standard **(2 marks)**
  - (ii) Equity securities **(2 marks)**
- (b) List THREE types of financial institutions. **(3 marks)**
- (c) Explain ONE way in which the informal sector contributes positively and ONE way it contributes negatively to the financial sector. **(8 marks)**
- (d) Analyse TWO benefits of electronic payments to an individual. **(5 marks)**

**Total 20 marks**

6. (a) List **THREE** examples of transfers found in the current account section of the balance of payments. **(3 marks)**
- (b) Define the following terms as they relate to a country's balance of payments account:
- (i) Investment income **(2 marks)**
  - (ii) Balance of payments disequilibrium **(2 marks)**
- (c) Explain **TWO** ways in which increases in the exchange rate of a country can affect the balance of payments account. **(8 marks)**
- (d) Table 4 shows the balance of payments data for Country Z.

**TABLE 4: BALANCE OF PAYMENTS DATA FOR COUNTRY Z**

<b>Category</b>	<b>Value (millions of \$)</b>
Export of goods	300
Export of services	900
Foreign direct investment	600
Grants, gifts	300
Import of goods	500
Import of services	800
Interest, profits and dividends	200
Foreign reserves	400

Use the information provided in Table 4 to calculate the current account balance.

**(5 marks)**

**Total 20 marks**

7. (a) Define the term 'market equilibrium'. **(2 marks)**
- (b) Identify the TWO main market forces in an economy. **(2 marks)**
- (c) List THREE causes of market failure. **(3 marks)**
- (d) *"A price hike in gasoline has caused motorists to rethink their choice of vehicle and mode of transportation."*  
Explain this statement in the context of cross elasticity of demand. **(8 marks)**
- (e) Discuss TWO impacts on the market that may result from the introduction of a low cost airline carrier in the Caribbean. **(5 marks)**
- Total 20 marks**

8. (a) Define the following terms:
- (i) Debt burden **(2 marks)**
- (ii) Economic integration **(2 marks)**
- (b) List any THREE stages of economic integration. **(3 marks)**
- (c) Explain TWO benefits to the Caribbean Community (CARICOM) of adopting a common external tariff. **(8 marks)**
- (d) Analyse any TWO effects of foreign direct investment on the economies of Caribbean countries. **(5 marks)**
- Total 20 marks**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**

**FORM TP 2014061**



TEST CODE **01216032**

MAY/JUNE 2014

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

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E X A M I N A T I O N**

**E C O N O M I C S**

**Paper 032 – General Proficiency**

*1 hour 30 minutes*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. You **MUST** answer **ALL** the questions on this paper.
2. Use this answer booklet to respond to the questions. For **EACH** question, write your answer in the space provided.
3. If you need additional paper to write your answers, request it from the supervisor.
4. Attach any additional paper that you use securely to this answer booklet.
5. Return this answer booklet at the end of the examination.
6. You may use a silent, electronic calculator to answer questions but **ALL** necessary working should be clearly shown.

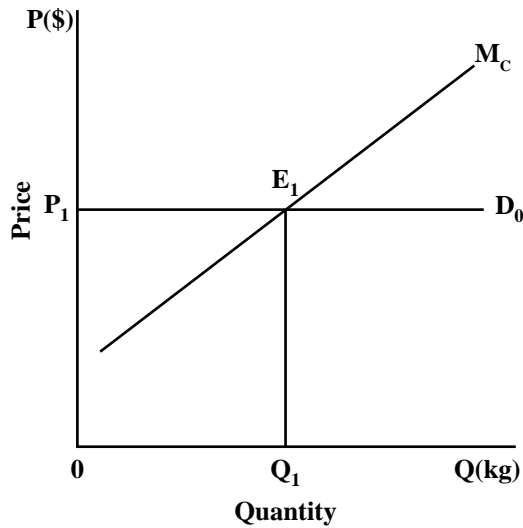
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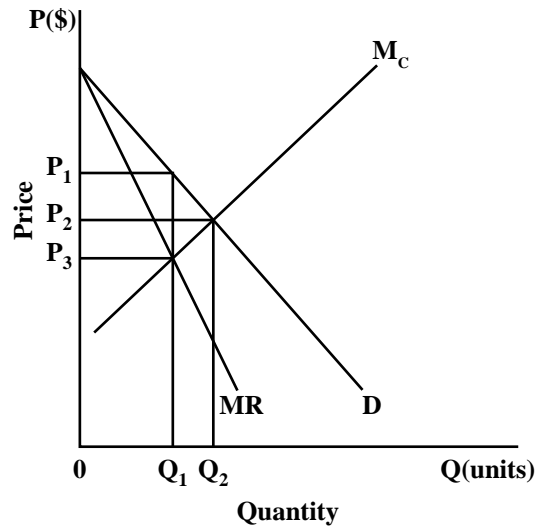
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**Answer ALL questions.**

Figures 1(a) and 1(b) below represent TWO firms operating under TWO different market structures. Examine the figures carefully and answer the following questions.



**Figure 1(a): A firm operating in a perfectly competitive market**



**Figure 1(b): A firm operating in a monopolist market**

1. (a) Define the term 'perfect competition'.

\_\_\_\_\_  
\_\_\_\_\_  
(2 marks)

- (b) Define the term 'monopoly'.

\_\_\_\_\_  
\_\_\_\_\_  
(2 marks)

- (c) State TWO characteristics of a perfectly competitive market structure.

\_\_\_\_\_  
\_\_\_\_\_  
(2 marks)

GO ON TO THE NEXT PAGE



(d) State TWO characteristics of a monopolistic market structure.

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**(2 marks)**

(e) (i) Identify the equilibrium position for the firm in Figure 1(a).

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**(1 mark)**

(ii) Identify the point in Figure 1(b) where the monopolist is maximizing profits.

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**(1 mark)**

2. Outline TWO ways in which an increase in taxes is likely to affect the firm in Figure 1(a) above.

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**(4 marks)**

3. With reference to Figure 1(b), describe TWO negative effects of a monopolistic market situation on consumers, assuming the firm is in the energy sector.

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**(6 marks)**

GO ON TO THE NEXT PAGE

4. Table 1 below shows the costs, revenue and profits in Firm A.

**TABLE 1: COSTS, REVENUE AND PROFITS IN FIRM A**

<b>Units</b>	<b>Average Total Cost (\$)</b>	<b>Marginal Cost (\$)</b>	<b>Total Cost (\$)</b>	<b>Total Revenue (\$)</b>	<b>Profits (+) Loss (-) (\$)</b>
0	–	–	40	0	<b>(i)</b>
1	68	28	68	<b>(ii)</b>	–33
2	44	<b>(iii)</b>	88	70	–18
3	34.67	16	104	105	<b>(iv)</b>
4	29.5	<b>(v)</b>	118	140	+22
5	26.0	12	<b>(vi)</b>	175	+45

- (a) Calculate in the values required in the spaces labelled (i), (ii), (iii), (iv), (v), and (vi) in Table 1 above. **(6 marks)**
- (b) Use the information contained in Table 1 to explain the relationship between the average total costs and the marginal cost.

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**(4 marks)**

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**FORM TP 2015060**



TEST CODE **01216020**

MAY/JUNE 2015

**CARIBBEAN EXAMINATIONS COUNCIL**

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EXAMINATION**

**ECONOMICS**

**Paper 02 – General Proficiency**

*2 hours*

**03 JUNE 2015 (a.m.)**

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. Answer ALL FOUR questions in Section I and TWO questions in Section II.
2. Number EACH answer in your booklet correctly.
3. Begin EACH answer on a new page.
4. Use the blank form(s) supplied to prepare answers where necessary.
6. You may use a silent, electronic calculator to answer questions but ALL necessary working should be clearly shown.

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**SECTION I**

**Answer ALL FOUR questions in Section I.**

**EACH question is worth 15 marks.**

1. Table 1 below shows the daily demand for and supply of sno-cones in a market.

**TABLE 1: DEMAND AND SUPPLY OF SNO-CONES (DAILY)**

<b>Price (\$)</b>	<b>Quantity Demanded</b>	<b>Quantity Supplied</b>
1	500	100
2	400	200
3	300	300
4	200	400
5	100	500

- (a) Identify the
- (i) equilibrium price **(1 mark)**
  - (ii) equilibrium quantity. **(1 mark)**
- (b) List **THREE** factors that affect the price elasticity of demand. **(3 marks)**
- (c) Using the information in Table 1 above, explain what happens in the market when the price per sno-cone is
- (i) \$4 **(3 marks)**
  - (ii) \$1. **(3 marks)**
- (d) Calculate the price elasticity of supply when the price per sno-cone changes from \$2 to \$4. **(4 marks)**

**Total 15 marks**

**GO ON TO THE NEXT PAGE**

2. (a) Classify the items listed below as EITHER 'goods' OR 'services'.
- (i) Hairdressing (1 mark)
  - (ii) Hairdryers (1 mark)
  - (iii) Tourism (1 mark)
  - (iv) Island tours (1 mark)
  - (v) Tractors (1 mark)
- (b) Explain the THREE resource allocation decisions that are often made under a free market system. (6 marks)
- (c) Discuss ONE benefit of entrepreneurial talent that can accrue to Caribbean economies. (4 marks)

**Total 15 marks**

3. (a) Define EACH of the following terms:
- (i) Terms of trade **(2 marks)**
  - (ii) Balance of payments **(2 marks)**
- (b) Name ONE of the three MAIN parts of the balance of payments statement. **(1 mark)**
- (c) Explain the impact of the following situations on the value of the exchange rate of a country under a floating exchange rate system:
- (i) An increase in international demand for the country's local products **(3 marks)**
  - (ii) An increase in local demand for imported goods **(3 marks)**
- (d) Table 2 below shows the combinations of two types of products which two countries are capable of producing with the same amount of resources.

**TABLE 2: PRODUCTION CAPABILITIES IN THE MANUFACTURING AND AGRICULTURAL SECTORS**

Country	Agricultural Product	Manufactured Product
A	50	100
B	100	120

Using the information given, state, with reason, which country has

- (i) absolute advantage in the production of the two types of products **(2 marks)**
- (ii) a comparative advantage in the production of agricultural products. **(2 marks)**

**Total 15 marks**

4. (a) Define EACH of the following terms:
- (i) Monetary policy (2 marks)
  - (ii) Fiscal policy (2 marks)
- (b) Name ONE type of unemployment. (1 mark)
- (c) Distinguish between the 'national budget' and 'national debt'. (6 marks)
- (d) Discuss ONE weakness in using gross domestic product (GDP) as a measure of the standard of living. (4 marks)
- Total 15 marks**

## SECTION II

Answer any TWO of the following questions.

EACH question is worth 20 marks.

5. (a) Define EACH of the following terms:
- (i) Ceteris paribus (2 marks)
  - (ii) Income elasticity of demand (2 marks)
- (b) List THREE characteristics of a monopolist. (3 marks)
- (c) Explain how the presence of EACH of the following in the market could cause market failure:
- (i) Externalities (4 marks)
  - (ii) Monopolies (4 marks)
- (d) Using a diagram, illustrate the impact of a rise in the cost of production in a free market economy on BOTH the equilibrium price and the equilibrium quantity. (5 marks)
- Total 20 marks**

GO ON TO THE NEXT PAGE



6. (a) Define EACH of the following terms:
- (i) Barter (2 marks)
  - (ii) Money (2 marks)
- (b) List THREE characteristics of money. (3 marks)
- (c) Explain TWO ways in which the roles of the central bank and commercial bank differ. (8 marks)
- (d) Discuss how inflation can affect any TWO functions of money. (5 marks)
- Total 20 marks**

7. (a) State EACH of the following abbreviations in full:
- (i) IMF (1 mark)
  - (ii) CSME (1 mark)
  - (iii) WTO (1 mark)
  - (iv) FDI (1 mark)
  - (v) CARICOM (1 mark)
- (b) List TWO characteristics of Caribbean economies. (2 marks)
- (c) Differentiate between the development strategies of 'import substitution' and 'export push'. (8 marks)
- (d) Discuss ONE challenge of implementing e-commerce in the Caribbean. (5 marks)
- Total 20 marks**

8. (a) Identify the central problem in economics. **(1 mark)**
- (b) Define EACH of the following terms:
- (i) Need **(2 marks)**
  - (ii) Want **(2 marks)**
  - (iii) Opportunity cost **(2 marks)**
- (c) An 18 year old student has just completed CAPE studies and has to decide on her future. Explain TWO economic factors that will influence the decision the student makes. **(8 marks)**
- (d) Draw a production possibility curve/frontier diagram showing the following:
- (i) Decreasing opportunity costs **(3 marks)**
  - (ii) An efficient point **(1 mark)**
  - (iii) An unattainable point **(1 mark)**

**Total 20 marks**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**

**FORM TP 2015061**



TEST CODE **01216032**

MAY/JUNE 2015

**CARIBBEAN EXAMINATIONS COUNCIL**

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EXAMINATION**

**ECONOMICS**

**Paper 032 – General Proficiency**

*1 hour 30 minutes*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. This paper consists of a case study and FIVE questions. You **MUST** answer **ALL** the questions.
2. Use this answer booklet to respond to the questions. For **EACH** question, write your answer in the space provided.
3. If you need additional paper to write your answers, request it from the supervisor.
4. Attach any additional paper that you use securely to this answer booklet.
5. Return this answer booklet at the end of the examination.
6. You may use a silent, electronic calculator to answer questions but **ALL** necessary working should be clearly shown.

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**INSTRUCTION: Read the case study and answer ALL the questions.**

**CASE STUDY**

**Going Green**

Garbage is considered an economic “bad”. Consumers enjoy the benefits of the consumption of goods while producers enjoy the revenue from the sale of their products. The generation of garbage, however, can be a burden on the environment and impact the economy as a whole, since it can increase the cost of health care and reduce the influx of tourists.

Garbage is dumped legally at landfills or disposed of through incineration. Although safety measures are put in place, leakages can occur which can affect the water supply. Improperly disposed garbage can create unsightly mounds, cause clogged drains, increase flooding in the rainy season, and produce unpleasant odours that attract flies and rodents.

Recycling has taken on a new dimension as countries seek to pursue a “Going Green” campaign. This process involves three elements: reduce, reuse and recycle. Governments have sought to encourage private firms to invest in these areas and have also sought ways to compensate consumers who recycle.

The benefits of recycling in the Caribbean are numerous and there are markets in the developed countries that are willing to buy recycled products. We all benefit from going green.

1. (a) Differentiate between a ‘positive externality’ and ‘negative externality’.

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**(4 marks)**

- (b) List THREE negative effects of garbage, mentioned in the case above.

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**(3 marks)**

**GO ON TO THE NEXT PAGE**

- (c) Identify the THREE key elements in the “Going Green” campaign mentioned in the case.

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**(3 marks)**

2. (a) Using the information in the case, explain TWO benefits that recycling can have on the balance of payments.

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**(4 marks)**

- (b) Identify the heading in the balance of payments account under which EACH benefit identified in (a) above should be recorded.

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**(2 marks)**

3. In the case (line 1), it is stated that garbage is considered an economic “bad”. Explain TWO reasons why this may be so.

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**(6 marks)**

4. (a) Describe TWO ways in which the government can encourage firms to practise recycling.

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**(4 marks)**

- (b) Outline TWO ways in which the government can encourage consumers to recycle.

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**(4 marks)**

5. (a) Using the information in the case, explain how garbage has created both a negative and positive externality.

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**(6 marks)**

- (b) Explain how investment in recycling by private firms will help to improve the gross domestic product (GDP) of the country.

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**(4 marks)**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**