



CARIBBEAN EXAMINATIONS COUNCIL

CSEC[®] Economics

**SYLLABUS
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CSEC® Economics Free Resources

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CARIBBEAN
EXAMINATIONS
COUNCIL

Caribbean Secondary
Education Certificate®

SYLLABUS

ECONOMICS

CXC 34/G/SYLL 05

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All amendments are indicated by italics.

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Economics Syllabus

◆ RATIONALE

Economics is concerned with the study of how scarce resources are allocated, given the unlimited wants of a society. The study of economics will enable students to make a better assessment of, and an improved contribution to, discussions on political, economic and social issues.

The CSEC® Economics syllabus introduces students to relevant economic concepts and principles that will provide the foundation necessary for a proper understanding of how economies work, especially the economies of small states like those in the Caribbean. It also gives students the critical knowledge and skills to communicate ideas using the language and tools of the discipline of Economics, *as well as* provides a useful foundation not only for further study in Economics but also for study in other Social Science subjects, including History, Politics, Business and International Relations.

This syllabus will contribute to the development of the Ideal Caribbean Person as articulated by the CARICOM Heads of Government, in areas including but not limited to the following:

- (a) *is aware of the importance of living in harmony with the environment: has a strong appreciation of ... community cohesion, and moral issues including responsibility for and accountability to self and community;*
- (b) *demonstrates multiple literacies, independent and critical thinking, questions the beliefs and practices of past and present and brings this to bear on the innovative application of science and technology to problem solving;*
- (c) *demonstrates a positive work attitude; and,*
- (d) *values and displays the creative imagination in its various manifestations and nurtures its development in the economic and entrepreneurial spheres in all other areas of life.*

Also, in keeping with the UNESCO Pillars of learning, on completion of this course of study, students will learn to know, learn to do, learn to be, and learn to live together having been exposed to the values implicit within human rights, and democratic principles.

In summary, the syllabus seeks to equip students with the basic tools necessary for an understanding and interpretation of economic phenomena experienced by Caribbean people and for communicating, intelligently and effectively, on economic issues in the region and the wider international community.

◆ AIMS

The syllabus aims to:

1. develop an understanding of the essential concepts and principles of Economics;
2. equip students with the tools needed for economic analysis, thus enabling sound, informed decisions as consumers of goods and services;
3. provide students with the foundation that will enhance their study in other disciplines that include concepts and principles of Economics and make use of the analytic approaches of Economics; and,
4. develop an awareness and appreciation of economic issues peculiar to the region.

◆ GENERAL OBJECTIVES

On completion of this syllabus, students should:

1. understand basic concepts and principles used in economic analysis;
2. develop the skills to assess economic issues that would affect their lives as workers, consumers and citizens;
3. develop the competence to contribute to discussions on current economic issues and decisions that should be made to shape and strengthen local, national and regional institutions;
4. develop the ability to analyse, critically, economic decisions made by policy makers; and,
5. demonstrate an awareness of the fact that economists hold differing views on some economic issues.

◆ ORGANISATION OF THE SYLLABUS

The syllabus is arranged in SEVEN sections, sub-divided into specific objectives and corresponding content.

SECTION 1	-	THE NATURE OF ECONOMICS
SECTION 2	-	PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION
SECTION 3	-	MARKETS AND PRICES
SECTION 4	-	THE FINANCIAL SECTOR
SECTION 5	-	ECONOMIC MANAGEMENT: POLICIES AND GOALS

SECTION 6	-	INTERNATIONAL TRADE
SECTION 7	-	CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

◆ SUGGESTED TIMETABLE ALLOCATION

It is recommended that a minimum of five 40-minute periods per week, or the equivalent, be allocated to the syllabus. This time should include at least one double-period.

◆ CERTIFICATION AND DEFINITION OF PROFILE DIMENSIONS

The CSEC® Economics syllabus will be examined at the General Proficiency only. Candidates will be awarded an overall grade reported on a six-point scale. In addition to the overall grade, candidates' performance will be reported by a letter grade under profile dimensions of Knowledge and Comprehension, Interpretation and Analysis, and Application. These profile dimensions are provided below.

Knowledge and Comprehension

The ability to:

- (a) state, list or identify economic concepts, terms and principles;
- (b) define and explain economic concepts, principles, theories and procedures; and,
- (c) demonstrate an understanding of basic economic concepts, conventions and principles.

Interpretation and Analysis

The ability to:

- (a) select, organise and interpret economic data presented in a variety of forms; and,
- (b) organise and present, logically and effectively, economic ideas and arguments using verbal, graphical and numerical forms of communication.

Application

The ability to:

- (a) apply economic concepts and principles to analyse economic issues; and,
- (b) apply economic concepts, principles and theories to solve economic problems in various situations.

◆ FORMAT OF THE EXAMINATIONS

Paper 01 (1 hour 15 minutes) This paper will consist of 60 multiple-choice items. The paper will sample, proportionately, all sections of the syllabus.

Paper 02 (2 hours) This paper will consist of *six (6)* compulsory structured questions.

School-Based Assessment (SBA)

Paper 031 This component will focus on the assessment of the Interpretation and Analysis and Application profile dimensions by means of a project or special assignment drawn from relevant objectives in the syllabus. (See pages 25-29).

Paper 032 This paper is an alternative to the SBA for private candidates (see details on pages 30-32).

This paper will focus on the assessment of the Interpretation and Analysis, and Application profile dimensions by means of a written examination with questions based on a case study. The examination will consist of five structured questions requiring responses which may vary in length and detail from one or two sentences to one or more paragraphs. This paper will be weighted in the same way as the Paper 031 for school candidates.

MARK ALLOCATION OF PROFILES

The weighting of the profile dimensions is shown below.

PROFILES	PAPERS			TOTAL	(%)
	Paper 01	Paper 02	Paper 03 (SBA)		
Knowledge and Comprehension (P1)	16	34	10	60	(30)
Interpretation and Analysis (P2)	30	40	20	90	(45)
Application (P3)	14	26	10	50	(25)
Total	60	100	40	200	100
(%)	30	50	20	100	(100)

◆ NOTE TO TEACHERS AND STUDENTS

The syllabus provides students with a grounding in economic theories and concepts. The major focus of the syllabus, however, is on the application of these theories and concepts to an understanding of economic issues and problems prevalent in countries of the Caribbean region. Although Section 7: *Caribbean Economies in a Global Environment* is devoted entirely to the Caribbean, teachers should use opportunities throughout the syllabus to apply theories and concepts to the Caribbean situation.

◆ SUGGESTED TEACHING AND LEARNING ACTIVITIES

Teachers are encouraged to engage students in activities such as those listed below as they seek to achieve the objectives of the syllabus.

1. Lectures by resource persons with expertise on aspects of the syllabus;
2. Discussions on surveys of living conditions reports and UNDP reports on Caribbean territories; and,
3. Group discussions and debates on provisions of national budgets.

◆ SECTION 1: THE NATURE OF ECONOMICS

SPECIFIC OBJECTIVES

Students should be able to:

1. define the term “economics”;
2. explain what is meant by an economy;
3. list the main sectors in an economy;
4. explain the concepts of scarcity and choice within an economy;
5. define “opportunity cost” and “money cost”;
6. illustrate opportunity cost and efficiency, using the production possibility frontier;
7. list the main influences on individuals in making economic decisions; and,
8. list the main influences on firms in making economic decisions.

CONTENT

1. Economics as a Social Science:
 - (a) the creation of wealth out of scarce resources;
 - (b) the production and distribution of goods and services;
 - (c) the behaviour, interactions and welfare of those involved in the process; and,
 - (d) economics as a trade off.
2. An economy as a mechanism:
 - (a) organisation of resources for production of goods and services; and,
 - (b) satisfaction of society’s needs and wants.
3. Main sectors in an economy.
4. Concepts of scarcity and choice.
5. Opportunity cost and money cost.
6. Illustration of Production Possibility Curve.
7. Influences on consumers in making economic decisions.
8. Influences on producers in making economic decisions.

◆ SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION

SPECIFIC OBJECTIVES

Students should be able to:

1. define “production”;
2. distinguish between production and productivity;
3. define the term “factors of production”;
4. identify the economic resources referred to as “factors of production”;
5. state the rewards of the factors of production;
6. describe the factors of production;
7. identify the costs associated with production;
8. differentiate between short run and long run;
9. distinguish between goods and services;
10. explain the concept of resource allocation;
11. list the types of economic systems;
12. describe the characteristics of each economic system;
13. assess the merits and demerits of each economic system;
14. identify the main types of business organisations in a free market;
15. describe the features of each type of business organisation;
16. explain the concept of economies of scale;
17. give examples of economies of scale;
18. explain the concept of diseconomies of scale; and,
19. outline the advantages and disadvantages of division of labour.

SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

CONTENT

1. Definition of production.
2. Differences between production and productivity.
3. Factors of production: resources, both human and non-human, required to produce goods.
4. Types of economic resources as factors of production:
 - (a) land;
 - (b) labour;
 - (c) capital; and,
 - (d) entrepreneurial talent.
5. Rewards of factors of production:
 - (a) rent;
 - (b) wages and salaries;
 - (c) interest; and,
 - (d) profit.
6. Description of the factors of production:
 - (a) Land
 - (i) definition;
 - (ii) characteristics;
 - (iii) types;
 - (iv) importance; and,
 - (v) productivity.

SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

- (b) Labour
 - (i) definition;
 - (ii) characteristics;
 - (iii) functions;
 - (iv) division of labour;
 - (v) specialisation of labour;
 - (vi) productivity;
 - (vii) efficiency; and,
 - (viii) supply.
- (c) Capital
 - (i) definition;
 - (ii) characteristics;
 - (iii) types;
 - (iv) accumulation; and,
 - (v) importance as a substitute for labour.
- (d) Entrepreneurial Talent: public and private enterprises
 - (i) definition;
 - (ii) importance; and,
 - (iii) functions.

- 7. Fixed, variable, total, average and marginal costs.
- 8. Differences between short run and long run.
- 9. Goods (tangible) and services (intangible).
- 10. Resource allocation: what to produce; how much to produce and for whom to produce.

SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

11. Types of economic systems:
 - (a) traditional (subsistence farming, bartering);
 - (b) command or planned (socialist);
 - (c) free or capitalist (market); and,
 - (d) mixed (public and private).
12. Characteristics of each economic system in relation to **ownership** of the factors of production, role of government and role of the private sector; how each economic system allocates resources.
13. Merits and demerits of each economic system in terms of its efficiency in allocating scarce resources and in providing goods and services to each sector of the population.
14. Types of business organisations in a free market.
15. Features of each type of business organisation.
16. Concept of economies of scale.
17. Technical, Marketing, Financial and Risk-bearing economies.
18. Concept of diseconomies of scale.
19. Advantages and disadvantages of division of labour.

◆ SECTION 3: MARKETS AND PRICES

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the term “market”;
2. identify the market forces;
3. describe the relationship between price and demand, and price and supply;
4. explain the concept of ceteris paribus;
5. illustrate the concepts of demand and supply by using demand and supply curves;
6. explain the determinants of demand and supply;
7. illustrate how changes to the determinants affect demand and supply curves;
8. explain the concept of market equilibrium;
9. illustrate market equilibrium diagrammatically;
10. explain changes in the market equilibrium;
11. illustrate changes in the market equilibrium;
12. explain the concept of price elasticity of demand;
13. outline factors affecting price elasticity of demand;
14. illustrate price elasticity of demand, using simple calculations;
15. illustrate other types of elasticities of demand, using simple calculations;
16. explain price elasticity of supply;
17. illustrate price elasticity of supply, using simple calculations;
18. define the term ‘market structure’;
19. outline the characteristics of market structures;
20. identify the main types of market structures;

SECTION 3: MARKETS AND PRICES (cont'd)

21. define the term “market failure”;
22. outline the main causes of market failure; and,
23. state the main consequences of market failure.

CONTENT

1. Concept of a market.
2. Definitions of supply and demand.
3. The relationship between price and quantity demanded, and price and quantity supplied (the four laws of demand and supply).
4. The concept of *ceteris paribus*.
5. Diagrammatic representation of demand curve and supply curve.
6. Demand and supply conditions: factors determining the environment for price movements.
7. Diagrammatic representations and analyses of how changes to the determinants affect demand and supply curves.
8. Market equilibrium: agreement between consumer and supplier on the price and quantity of goods demanded and offered.
9. Diagrammatic representation of market equilibrium.
10. The impact of changes in market conditions on market equilibrium.
11. Illustration of the market equilibrium.
12. Price elasticity of demand:
 - (a) concept of price elasticity of demand and its determinants; and,
 - (b) concept of income and cross elasticity of demand.
13. Factors affecting price elasticity of demand.
14. Illustration, by graphs and tables, of changes in conditions of demand and supply.
15. Illustration, by graphs, of elastic and inelastic demand.
16. Price elasticity of supply: what happens to quantity supplied following a change in price.

SECTION 3: MARKETS AND PRICES (cont'd)

17. Illustration, by graphs and tables, of elastic and inelastic supply.
18. Definition of market structure.
19. Market structure: behavior and performance of firms in a variety of situations:
 - (a) number of buyers and sellers;
 - (b) types of goods;
 - (c) freedom of entry and exit; and,
 - (d) control on price.
20. Main types of market structures:
 - (a) perfect competition;
 - (b) monopoly;
 - (c) oligopoly; and,
 - (d) monopolistic competition.
21. Definition of market failure.
22. Causes of market failure:
 - (a) monopoly;
 - (b) merit goods and public goods; and,
 - (c) negative or positive externalities.
23. Consequences of market failure:
 - (a) retrenchment;
 - (b) unemployment;
 - (c) economic depression;
 - (d) rise in levels of poverty; and,
 - (e) decline in provisions for societal welfare.

◆ SECTION 4: THE FINANCIAL SECTOR

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the concept of the Financial Sector;
2. state the role of the Financial Sector;
3. identify the functions of the Financial Sector;
4. explain the concept of the Informal Sector;
5. explain the concept of money;
6. describe the development of money;
7. explain the functions of money;
8. describe the qualities of money;
9. explain the phrase “money supply”;
10. describe the role of the Central Bank and other financial institutions; and,
11. distinguish between the types of financial instruments.

CONTENT

1. The Financial Sector: The complex mix or network of markets, households, businesses, governments, laws and institutions interacting with one another.
2. The role of the Financial Sector in mobilising and making loanable funds available from savers to spenders for consumption and investment purposes.
3. Functions of the financial sector.
4. Economic activities that are not officially regulated and which take place outside the formal norms of business transactions.
5. Money as any item considered acceptable to be used as payment for goods and services.
6. From bartering to modern forms of payments.

SECTION 4: THE FINANCIAL SECTOR (cont'd)

7. Four main functions of money.
8. Four main qualities of money.
9. Money supply: the total stock of money in the economy at any moment.
10. Roles of the Central Bank and the following financial institutions:
 - (a) Commercial Bank;
 - (b) Stock Exchange;
 - (c) Share Market;
 - (d) Credit Union;
 - (e) Development Bank;
 - (f) Insurance Company;
 - (g) Mutual Fund;
 - (h) Building Society;
 - (i) Investment Trust Company; and,
 - (j) Informal credit institutions (Sou Sou, Box, Partner, Sindicatos, Meeting Turns).
11. Financial instruments:
 - (a) treasury notes and bonds;
 - (b) corporate bonds;
 - (c) municipal bonds; and,
 - (d) equity securities.

◆ SECTION 5: ECONOMIC MANAGEMENT: POLICIES AND GOALS

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the role of government in stabilizing the economy;
2. explain the meaning of terms and concepts associated with economic policies and goals;
3. explain the concept of the circular flow of income;
4. illustrate the circular flow of income;
5. distinguish between Gross Domestic Product (GDP) and Gross National Product (GNP);
6. distinguish among nominal output, real output and potential output;
7. distinguish between economic growth and economic development;
8. distinguish between inflation and recession;
9. state the main causes and consequences of inflation and recession on an economy;
10. state ways used by governments to reduce inflation;
11. state ways used by governments to relieve recession;
12. explain the different types of unemployment; and,
13. outline the role of trade unions in an economy.

CONTENT

1. Role of government, for example, in taxation and expenditure, and transfer policies.
2. Definition of the following terms and concepts:
 - (a) national budget;
 - (b) national income;
 - (c) disposable income;
 - (d) national debt;
 - (e) fiscal policy;
 - (f) fiscal deficit;

SECTION 5: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

- (g) monetary policy;
 - (h) economic growth;
 - (i) economic development;
 - (j) developing economy;
 - (k) developed economy;
 - (l) balance of payments;
 - (m) GDP;
 - (n) GNP;
 - (o) employment;
 - (p) unemployment;
 - (q) inflation;
 - (r) deflation;
 - (s) savings; and,
 - (t) investment.
3. Flows of goods and services and factors of production between firms and households.
 4. Illustration of a basic flow diagram consisting of households, firms, government and financial institutions.
 5. GDP: a measure of national output; GNP: a measure of the increase or decrease in the standard of living; Calculation of GDP and GNP.
 6. Nominal output, real output and potential output.
 7. Economic growth and economic development.
 8. Inflation and recession.
 9. The major causes and consequences of inflation and recession.
 10. Government's role in reducing inflation.
 11. Government's role in relieving recession.

SECTION 5: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

12. Types of unemployment:
 - (a) structural;
 - (b) cyclical;
 - (c) frictional;
 - (d) seasonal; and,
 - (e) real-wage.

13. Causes and measures to reduce each type of unemployment.

14. The role of Trade Unions in a free market economy.

◆ SECTION 6: INTERNATIONAL TRADE

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the meaning of terms and concepts associated with international trade;
2. explain the rationale for international trade;
3. describe the primary factors that influence the level of international trade;
4. explain the concept of gains from trade;
5. explain the concept of terms of trade;
6. state the factors that influence the level of an exchange rate;
7. distinguish between the various types of exchange rate regimes;
8. distinguish between exchange rate appreciation and exchange rate depreciation;
9. distinguish between exchange rate devaluation and exchange rate revaluation;
10. distinguish between balance of payments and balance of trade;
11. list the constituent components of the balance of payments;
12. describe the entries that would appear in the balance of payments account;
13. distinguish between balance of payments surpluses and balance of payments deficits;
14. describe the factors that give rise to balance of payments surpluses and deficits;
15. state the possible consequences of balance of payments surpluses and deficits; and,
16. describe the possible remedies for balance of payments surpluses and deficits.

SECTION 6: INTERNATIONAL TRADE (cont'd)

CONTENT

1. Definition of the following terms and concepts:
 - (a) balance of trade;
 - (b) current account;
 - (c) capital account;
 - (d) balance of payments;
 - (e) balance of payments disequilibria;
 - (f) tariff;
 - (g) Common External Tariff (CET);
 - (h) quota (non-tariff barriers);
 - (i) exchange rate;
 - (j) exchange rate regimes; and,
 - (k) World Trade Organisation (WTO).
2. The concept of comparative advantage and gains from trade. International trade as a “win-win” situation.
3. Factors that influence International Trade:
 - (a) on the import side; and,
 - (b) on the export side.
4. Terms of trade.
5. Factors that influence the level of an exchange rate.
6. Fixed, Floating and Managed exchange rate regimes.
7. Appreciation and depreciation of a currency.
8. Downward and upward adjustments to the value of a currency.
9. Balance of payments as a balance sheet indicating all the international transactions with the rest of the world.

SECTION 6: INTERNATIONAL TRADE (cont'd)

10. Balance of Trade as the difference between the values of exports and imports of visible and invisible.
11. Current Account, Capital Account and the Official Financing Account.
12. Entries that would appear in the balance of payments account.
13. Surplus as excess of receipts over payments; deficit as excess of expenditure over receipts.
14. Factors that give rise to surpluses.
15. Factors that give rise to a deficit.
16. Possible consequences of balance of payments surpluses and deficits.
17. Possible remedies for balance of payments surpluses and deficits.

◆ SECTION 7: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

SPECIFIC OBJECTIVES

Students should be able to:

1. list the main characteristics of Caribbean economies;
2. state the major economic problems associated with Caribbean economies;
3. explain the meaning of terms and concepts associated with Caribbean economies;
4. explain the concept of preferential tariff arrangements;
5. identify the benefits and costs derived from CARICOM's participation in preferential trade arrangements;
6. explain the concept of trade liberalisation;
7. explain the concept of globalisation;
8. state the major economic features of globalisation;
9. list the benefits to be derived from large scale production of goods;
10. list the benefits to be derived from the Caribbean Single Market and Economy (CSME);
11. state the effects of globalisation and trade liberalisation on territories, firms, consumers and governments in the Caribbean;
12. identify development strategies that Caribbean governments may use in a globalised economic environment;
13. explain the concept of e-commerce;
14. list the benefits of e-commerce; and,
15. outline the challenges of e-commerce.

SECTION 7: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)

CONTENT

1. Main characteristics of Caribbean economies: market size, resources, nature of dependency.
2. Economic problems associated with Caribbean economies.
3. Definition of the following terms and concepts:
 - (a) debt burden;
 - (b) structural adjustment;
 - (c) economic integration;
 - (d) protectionism;
 - (e) laissez-faire;
 - (f) common market;
 - (g) economic union;
 - (h) customs union;
 - (i) globalisation;
 - (j) trade liberalisation;
 - (k) bi-lateral agreement;
 - (l) multi-lateral agreement;
 - (m) International Monetary Fund (IMF);
 - (n) Caribbean Community (CARICOM);
 - (o) African, Caribbean and Pacific (ACP);
 - (p) Free Trade Area of America (FTAA);
 - (q) Association of Caribbean States (ACS);
 - (r) Caribbean and Canadian Association (CARIBCAN);
 - (s) Caribbean Single Market and Economy (CSME);
 - (t) World Bank;

SECTION 7: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)

- (u) Organisation of Eastern Caribbean States (OECS);
 - (v) European Union (EU);
 - (w) Caribbean Basin Initiative (CBI);
 - (x) Caribbean Development Bank (CDB); and,
 - (y) Foreign Direct Investment (FDI).
4. Definition and explanation of preferential tariffs including those offered by the European Union (EU).
 5. Benefits and costs of preferential tariff arrangements in light of discussions within the World Trade Organisation (WTO).
 6. Trade liberalisation in the context of the termination of all preferential tariff arrangements worldwide.
 7. Globalisation in the context of open competition on a world scale.
 8. The free movement of goods, capital, labour and technology.
 9. Social and economic benefits of producing goods in large quantities.
 10. Possible social and economic benefits to be derived from the free movement of capital, goods and labour within CARICOM.
 11. Effects of globalisation and trade liberalisation on firms, consumers and the sovereignty of territories.
 12. Concept and challenges of e-commerce.
 13. Definition of e-commerce or e-business.
 14. Benefits of e-commerce or e-business.
 15. Challenges of e-commerce or e-business.

◆ GUIDELINES TO TEACHERS FOR THE CONDUCT OF SCHOOL-BASED ASSESSMENT

School-Based Assessment is an integral part of student assessment in the course covered by this syllabus. It is intended to assist students in acquiring certain knowledge, skills and attitudes that are critical to the subject. The activities for the School-Based Assessment are linked to the topics and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During the course of study of the subject, students obtain marks for the competences they develop and demonstrate in undertaking their School-Based Assessment assignment. These marks contribute to the final marks and grades that are awarded to students for their performance in the examination.

The guidelines provided in this syllabus for selecting appropriate tasks are intended to assist teachers and students in selecting assignments that are valid for the purpose of School-Based Assessment. These guidelines are also intended to assist teachers in awarding marks according to the degree of achievement in the School-Based Assessment component of the course. In order to ensure that the scores awarded by teachers are not out of line with the **CXC**[®] standards, the Council undertakes the moderation of a sample of School-Based Assessment assignments marked by each teacher.

School-Based Assessment provides an opportunity to individualise a part of the curriculum to meet the needs of students. It facilitates feedback to the students at various stages of the experience. This helps to build the self-confidence of the students as they proceed with their studies. School-Based Assessment further facilitates the development of essential research skills that allow the student to function more effectively in his or her chosen vocation. School-Based Assessment, therefore, makes a significant and unique contribution to the development of relevant skills of the students. It also provides an instrument for testing them and rewarding them for their achievements.

RATIONALE FOR SCHOOL-BASED ASSESSMENT IN ECONOMICS

The School-Based Assessment component of the Economics Syllabus is a single guided research project **for school candidates**. The project should be on any topic drawn from relevant objectives of the syllabus and is intended to develop in the candidate an interest in self-directed investigation including the collection of data in a scientific manner. The execution of the SBA project should lead to a sense of accomplishment while facilitating the development of the basic skills of economic research. Teachers should regard School-Based Assessment as an integral part of teaching the syllabus.

The School-Based Assessment should:

- (a) provide the candidate with an opportunity to investigate an area of special interest within the prescribed syllabus;
- (b) develop the candidate's ability to conduct an enquiry and present the findings; and,
- (c) provide an opportunity for the teacher to be involved in the evaluation process.

SBA REQUIREMENTS

Every candidate who enters for the **CSEC**[®] Economics examination must submit a report on a project. Students may work individually or in groups to investigate a specific problem. However, each candidate must produce a complete report. No two reports from the same group should be identical. The report should *not exceed 1,000* words and should include appropriate charts, graphs, tables and pictures.

The teacher must approve the problem to be investigated, guide the student during the process of investigation, mark the completed work according to the guidelines provided by **CXC**[®], and submit the marks for the project to reach **CXC**[®] by **April 30** in the year of the examination. *Submission should be made via the SBA Data Capture Module of the Online Registration System (ORS) found on the Council's website www.cxc.org.*

The project should be based on research activities and should make use of **qualitative or quantitative data** or both to research economic issues and problems. *Students doing more than one subject in the Business cognate group may submit one SBA under a theme which covers this group.*

PROJECT REPORTS

A student's report should be *submitted electronically or* presented in a soft folder bearing the student's number, name of subject and the date submitted. The project document should comprise:

- (a) title;
- (b) table of contents;
- (c) aims and objectives;
- (d) methodology employed; and,
- (e) report (not exceeding 1000 words).

Students and teachers must ensure that the report contains the required components and addresses all the profile dimensions identified on Page 3 of the syllabus.

Students are expected to present the report using qualitative or quantitative data or both, including graphs, charts and tables. Students will be awarded marks for clarity of expression and the correct use of grammar.

Students should:

- (i) state the purpose of the investigation;
- (ii) select an appropriate method of investigation;
- (iii) describe the procedures used to collect the data;
- (iv) present data in qualitative or quantitative formats or both;
- (v) explain the data presented;

- (vi) interpret data in terms of the purpose of the investigation;
- (vii) state findings; and,
- (viii) make recommendations based on findings and suggest measures for their implementation.

SOURCES OF DATA AND INFORMATION

The sources of data listed below can be used by candidates in their research activities.

- (a) The business section of local newspapers.
- (b) Statistical reports such as national income statistics, balance of payments statistics, survey of living conditions, household budgetary surveys, annual economic reports of Central Banks, Ministries of Finance and Planning Units, questionnaires and interviews.
- (c) Annual reports of firms in the region.
- (d) The economic information available on the Internet.
- (e) Budget speeches of Ministers of Finance.
- (f) Reviews of estimates of income and expenditure from Ministries of Finance.

MANAGEMENT OF THE PROJECT

The teacher must:

- (a) inform students of appropriate topics in the syllabus that are suitable for research;
- (b) approve students' research proposals;
- (c) advise students about the final date for completion and submission of the project;
- (d) ensure that themes relevant to the project are adequately covered;
- (e) advise students of the nature of the task, the scope and depth required to fulfill it and the availability of resource materials;
- (f) monitor students' progress by advising them of the quality of their work and recommending ways to improve the quality of the project;
- (g) collect and mark students' projects;
- (h) keep records of students' marks and submit these, together with samples of their work, as requested by **CXC**[®]; and,
- (i) ensure that the guidelines are closely followed and the criteria are adequately met.

NB. It is the responsibility of the teachers to ensure that the project is the students' work as plagiarism and other forms of cheating will be penalised.

MARK SCHEME FOR RESEARCH PROJECTS

The project should be marked out of 40, weighted as follows:

Knowledge/Comprehension	-	10 marks
Interpretation/Analysis	-	20 marks
Application	-	10 marks

N.B. The following tasks are to be done under the supervision of the teacher.

CRITERIA	P1 (Knowledge/ Comprehension)	P2 (Interpretation /Analysis)	P3 (Application)
1. State the Title of the Project (2 marks) - Title of project clearly stated - Title of project not clearly stated	2 marks 1 mark		
2. State the Purpose of the Project (3 marks) - Purpose of project fully stated - Satisfactory statement of aim - Limited statement of aim	3 marks 2 marks 1- 0 mark		
3. Collection and Presentation of Data (3+ 7 = 10 marks) (a) - Collection from three to five sources - Collection from two sources - Collection from one source (b) - Excellent presentation of relevant data - Good presentation of relevant data - Satisfactory presentation of relevant data - Weak presentation of relevant data			3 marks 2 marks 1 mark 6-7 marks 4-5 marks 2-3 marks 1-0 mark
4. Interpretation and Analysis (10 marks) - Excellent analysis of data - Satisfactory analysis of data - Weak analysis of data		8-10 marks 5-7 marks 4-1 marks	

CRITERIA	P1 (Knowledge/ Comprehension)	P2 (Interpretation /Analysis)	P3 (Application)
<p>5. Findings and Recommendations (6 + 4 = 10 marks)</p> <p>(a) - Findings are fully supported by the data - Findings are partially supported by the data - Findings are minimally supported by the data</p> <p>(b) - Excellent recommendations arising from data - Satisfactory recommendations arising from data - Weak recommendations arising from data</p>		<p>6 marks 5 -3 marks 2-1 marks 4 marks 3-2 marks 1-0 mark</p>	
<p>6. Communication of Information in a Logical way using Correct Grammar (5 marks)</p> <p>- Excellent language and reporting skills - Satisfactory language and reporting skills - Weak language and reporting skills</p>	<p>4-5 marks 2-3 marks 1-0 mark</p>		
TOTAL	10 marks	20 marks	10 marks

◆ GUIDELINES FOR THE ALTERNATIVE TO SCHOOL-BASED ASSESSMENT

The Alternative to the School-Based Assessment in **CSEC®** Economics (Paper 032), takes the form of a written examination in lieu of internal assessment for school candidates. This paper will be drawn from any area of the syllabus that lends itself to the Knowledge and Comprehension, Interpretation and Analysis, and Application of qualitative and/or quantitative or economic data. Paper 032 will be weighted in the same way as the Paper 031 (SBA) for school candidates, as shown in the table below.

Knowledge/Comprehension Profile 1	Interpretation/Analysis Profile 2	Application Profile 3	Total	% of Total Exam
10	20	10	40	20

Paper 032 consists of five structured questions requiring written responses which may vary in length and detail from one to two sentences to one or more paragraphs. Questions will be based on research activities and will test the candidates' ability to interpret qualitative and/or quantitative economic issues and problems presented in the form of case studies. Candidates are advised to familiarise themselves with the research activities listed below, in order to prepare adequately for Paper 032. Please note that candidates taking Paper 032 are NOT required to submit a project.

Questions will normally test candidates' ability to:

- (i) select an economic problem or issue;
- (ii) prescribe appropriate data to investigate the problem or issue;
- (iii) present data in qualitative and/or quantitative formats;
- (iv) explain data presented in task (iii);
- (v) interpret data as they relate to the problem or issue in task (i);
- (vi) state findings; and,
- (vii) make recommendations based on findings and measures to implement them.

In order to enhance their performance on Paper 032, candidates may also wish to:

- (i) select an economic problem to investigate and state it clearly;
- (ii) choose appropriate sources of data to investigate the problem or issue; these may include the business section of local newspapers, statistical reports such as national income statistics, balance of payments statistics, survey of living conditions, household budgetary surveys, annual economic reports of Central Banks, Ministries of Finance and Planning Units, annual reports of firms in the region, the economic information available on the internet, budget speeches of Ministers of Finance or reviews of estimates of income and expenditure from Ministries of Finance;

- (iii) use graphs, charts, tables, maps, diagrams as well as prose to present data;
- (iv) explain the data in task (iii) and state how the data addresses the problem identified in task (i);
- (v) write at least three statements on what was found from the investigation of the problem; and,
- (vi) suggest two or more recommendations based on findings and state how they could be implemented.

◆ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates must be entered for the examination through the Local Registrar in their respective territories and will be required to sit Papers 01, 02, and Paper 032.

Paper 031 is a single guided research project for candidates whose research must be monitored by tutors in a recognised educational institution. The reports must be original work and must be validated by the principal and the candidates' tutors.

Paper 032 is a written examination designed for candidates whose research projects cannot be monitored by tutors in a recognised educational institution and who have been assigned by the Local Registrar to write Paper 032 at a designated examination centre.

◆ REGULATIONS FOR RESIT CANDIDATES

Resit candidates who have obtained 50% or more of the total SBA marks will not be required to repeat this component of the examination provided that they write the examination in the academic year immediately following their first sitting of the examination. Resit candidates who failed to achieve 50% of the total SBA marks must repeat the project during the academic year in which the examination is repeated. Resit candidates must indicate at registration that they are resit candidates.

◆ REGULATIONS FOR THE JANUARY SITTING

- (a) All candidates for the January sitting who are taking **CSEC®** Economics examination for the first time **MUST** write Paper 032.
- (b) There is no SBA option (Paper 031) available for January candidates.
- (c) Resit candidates fall into two categories:
 - (i) those resit candidates who wrote Paper 031 (SBA) in the year immediately preceding the January examination. Those who obtained 50% or more are **NOT** required to write Paper 032 in January;

- (ii) those resit candidates who wrote Paper 032 (Alternative to SBA) in the year immediately preceding the examination. Those who obtained 50% or more are NOT required to rewrite Paper 032 in January.
- (d) A candidate who qualified under c (i) and c (ii) above who obtained 50% or more, but who wish to try to improve on his/her grade may write Paper 032 in January.
- (e) All resit candidates who did NOT satisfy the 50% requirement (either on 031 or 032) are required to write Paper 032 in January.

◆ GLOSSARY OF TERMS

TERMS	CONCEPT
Barter	The exchange of one type of good or service for another, without the use of money.
Demand	The amount of a good or service consumers wish to have and the price they are able to pay for this amount during a specific time.
Demand Curve	A graph relating demand for a good or service to its price. The price of the good is usually shown on the vertical axis and the quantity demanded at each level of its own price on the horizontal axis.
Demand Deposit	Funds that the customer can withdraw on demand (that is, without giving any notice of intention to withdraw) for example, current accounts and personal chequing accounts.
Economic Flow	The quantity of an economic variable, for example, money, goods or service that is measured over a period of time, usually one year.
Economic Goals	These refer to the aims or objectives that an organisation or the government wishes to achieve during the course of its activities, for example, two objectives of a government are to achieve high employment and to reduce the level of inflation.
Economic Growth	This refers to an increase in a country's real output of goods and services over a period of time, usually one year.
Economic Indicators	These consist of a variety of types of information, obtained mainly from statistics that policy makers use to monitor the state of the economy. Examples of economic indicators are retail price indices, economic growth indices, exchange rate indices and unemployment indices.
Economic Systems	These are the network of organisations designed by countries to solve the economic problem. The three main types are Free Market Economy, Planned Economy and Mixed Economy.
Equilibrium Price	This refers to market price at which the quantity demanded by consumers and the quantity supplied by firms are equal so that there is no incentive for firms to increase or reduce production.
Exchange Rate	This is the rate at which one country's currency trades for another country's currency on the foreign exchange market.
Factors of Production	These are the economic resources which are used to enable the processes of production to occur. The main types are land, labour, capital and entrepreneurship.

TERMS	CONCEPT
Fiscal Policy	This refers to an economic policy used by a government which involves changing or regulating the rates of taxation and the amount of its own spending in order to bring about changes in the economy.
Foreign exchange reserves	Liquid assets held by a country's government or Central Bank for the purpose of intervening in the foreign exchange market. These include gold or convertible foreign currencies.
Free Rider	A person or organisation that benefits from a public good, but neither provides it nor contributes to the cost of collective provision.
Functions of Money	These refer to uses of anything accepted as money. These uses include medium of exchange, measure of value or unit of account, store of value and standard of deferred payment.
Gold Standard	A system for fixing exchange rates by the Central Bank or government of each country making its currency freely convertible into gold at a fixed price. Under this system, the par value of exchange rates is set by the amount of each currency that can be obtained for a given quantity of gold.
Legal Tender	Forms of money which a creditor is legally obliged to accept as settlement of a debt.
Money Demand	The amount of wealth every one in the economy wishes to hold in the form of money balances.
Money Substitute	A temporary medium of exchange but not a store of value, for example, a credit card.
Money Supply	The total stock of money in the economy at any moment including currency and demand deposits.
Reserves Requirement	The minimum percentage of their total assets which banks or other financial institutions are required to hold in money balances, or in some form of highly liquid assets.
Resources (Human/Natural/ Capital)	Anything, for example, skills, products and money that can contribute to economic activity.
Savings Deposits	Also referred to as term deposits. This is an interest-bearing deposit that can be legally withdrawn only after notice is given.
Scarcity	Where demand exceeds supply.
Shortage	When the demand for a good or service exceeds the available supply.
Specialisation	Concentration on providing particular types of goods and services, and relying on others to provide what one does not produce.

TERMS	CONCEPT
Spending	<p>Money given out in payment for goods or services.</p> <p>Discretionary Spending - spending which a government body is empowered but not legally required to undertake. This can include both spending on real goods and services, such as public works, and grants to individuals or organisations.</p> <p>Mandatory Spending - spending required by law or by the rules governing schemes like pensions or disability benefits.</p>
Supply	The amount of a good or service offered for sale by suppliers at the price they are willing to sell at, and the amount they are willing to supply at a specific time.
Supply Curve	A curve showing the amount which firms in an industry are willing to supply at each possible price.
Surplus	A situation where supply exceeds demand.
Tax	<p>A payment compulsorily collected from individuals or firms by central or local government.</p> <p>Direct tax - A tax levied on the income or capital of an individual or company. The word 'direct' implies the view of such a tax falls on the person or firm paying it and cannot be passed on to anybody else.</p> <p>Indirect tax - A tax levied on sales of a good or service; the word 'indirect' implies the view that the real burden of such a tax does not fall on the person or firm paying it, but can be passed on to a customer or a supplier.</p>
Trade-offs	The process of deciding whether to give up some of one good or one objective to obtain more of another. The need to trade off goods or objectives against one another is a sign of economic efficiency.
Unemployment	Inability to obtain a job when one is willing and able to work.

◆ GLOSSARY OF TERMS USED IN EXAMINATIONS

TERMS	MEANING	LEVEL
Define; describe; enumerate; identify; label; list; match; name; record; reproduce; select; state; view.	Remembering and recalling of appropriate, previously-learned information.	1 Knowledge
Classify; cite; convert; describe; discuss; estimate; explain; generalise; give examples; makes sense out of; paraphrase; restate in own words; summarise; trace.	Grasping the meaning of informational materials.	2 Comprehension
Articulate; assess; chart; collect; compute; construct; determine; develop; discover; establish; extend; implement; include; inform; instruct; operationalise; participate; predict; prepare; preserve; produce; project; provide; relate; report; show; solve; teach; transfer; use; utilise.	Using previously learned information in new and concrete situations to solve problems that have single or best answers	3 Application
Breakdown; correlate; differentiate; discriminate; distinguish between; focus on; illustrate; infer; limit; outline; point out; prioritise; recognise; separate; subdivide.	Breaking down of informational materials into their component parts, examining and trying to understand the organisational structure of such information to develop divergent conclusions by identifying motives or causes, making inferences, and finding evidence to support generalisations.	4 Analysis
Adapt; anticipate; categorise; combine; compare; compile; compose; contrast; create; design; devise; formulate; generate; initiate; integrate; modify; negotiate; plan; rearrange; reconstruct; reinforce; reorganise; revise; structure; substitute; validate.	Applying prior knowledge and skills to creatively or divergently produce a new or original whole.	5 Synthesis
Appraise; compare and contrast; conclude; criticise; critique; decide; defend; interpret; judge; justify; reframe; support.	Judging the value of material based on personal values and opinions, resulting in an end product with a given purpose, without real right or wrong answers	6 Evaluation

Western Zone Office

6 March 2017

CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Secondary Education Certificate® CSEC®



ECONOMICS

Specimen Papers and Mark Schemes/Keys

Specimen Paper: - Paper 01
Paper 02
Paper 03

Mark Scheme and Key: - Paper 01
Paper 02
Paper 03

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

**SPECIMEN
MULTIPLE CHOICE QUESTIONS
FOR**

ECONOMICS

READ THE FOLLOWING DIRECTIONS CAREFULLY

Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

Sample Item

Economics may be described as a “social science” since it deals with

- (A) the environment
- (B) human behaviour
- (C) the economy
- (D) production and consumption

Sample Answer



The best answer to this item is “human behaviour”, so answer space (B) has been shaded.

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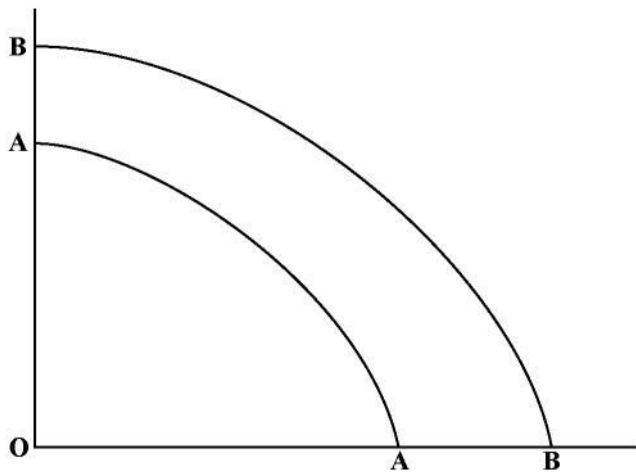
1. Economics may be described as a “social science” since it deals with

- (A) the environment
- (B) human behaviour
- (C) the economy
- (D) production and consumption

2. All of the following will cause an outward shift of the production possibility curve EXCEPT

- (A) an advantage of technology
- (B) the use of unemployed resources
- (C) an increase in population
- (D) the discovery of a new natural resource

3. Which one of the following would account for the production possibility curve of a country shifting from AA to BB, as shown in the diagram below?



- (A) Technological advances in the industries of the country
- (B) The introduction of subsidies for the industries
- (C) A decrease in taxes in the country
- (D) A reduction in unemployment in the country

4. Which of the following describes the opportunity cost to an economy of building a new airport?

- (A) The extra cost of providing equipment and managers to operate the airport efficiently.
- (B) The closure of the airport it replaces.
- (C) The increase in taxation to the citizens to pay for the new airport.
- (D) The goods and services that could have been produced instead of the airport.

5. A major distinction between a good and a service is that a service must be

- (A) tangible in character
- (B) sold in a retail store
- (C) bought only by the consumer
- (D) intangible in character

6. Under which factor of production will you classify marine resources?

- (A) Capital
- (B) Land
- (C) Labour
- (D) Enterprise

7. In a mixed economy, resources are allocated by

- (A) the government alone
- (B) the firms alone
- (C) consumers alone
- (D) the government, firms and consumers

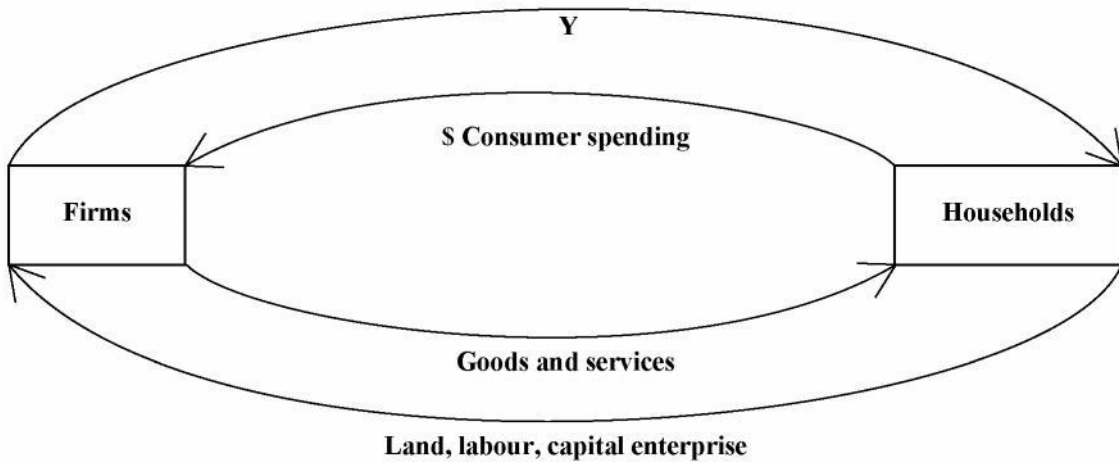
8. In the production process of a firm, capital can be substituted for labour. If government introduces a subsidy on capital investment how will this affect the quantities of each of these factors employed?

- (A) Less capital and less labour will be employed.
- (B) Less capital and more labour will be employed.
- (C) More capital and more labour will be employed.
- (D) More capital and less labour will be employed.

9. Which of the following statements about the factors of production is correct?

- (A) Land is always freely available.
- (B) Labour is rewarded with profit.
- (C) All natural resources are known as enterprise.
- (D) Capital is produced by factors of production.

Item 10 refers to the circular flow of factor incomes, as shown in the diagram below.



10. What is the MOST appropriate label for Y?

- (A) Money supply
- (B) Rent, wages, interest profit
- (C) Value of imports
- (D) Government expenditure

11. Which of the following is considered a good?

- (A) A visit to the doctor
- (B) A commercial bank paying your utility bill on your behalf
- (C) An operator-assisted telephone call
- (D) A softdrink purchased at the school cafeteria

12. What type of economic system exists in MOST CARICOM countries?

- (A) Capitalist
- (B) Mixed
- (C) Socialist
- (D) Centrally planned

13. When a country changes from a planned economy to a market economy, there will necessarily be an increase in

- (A) rationing of basic foodstuff
- (B) government subsidies for industry
- (C) price control of luxury items
- (D) choice for consumers

14. An essential fixture of a capital good is that it

- (A) is consumed directly by the consumer
- (B) is used to produce other goods
- (C) must be purchased through a loan
- (D) must be replaced frequently

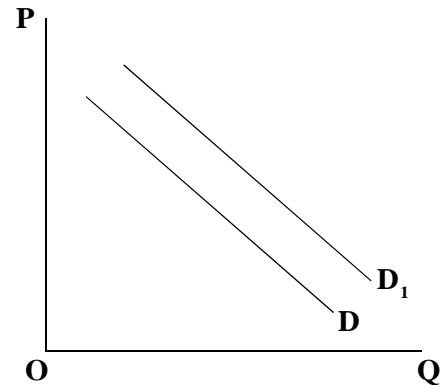
15. The following extract appeared in the daily newspaper of a country:

“Government has decided to increase funding to help promote trade in rural areas by helping small independent retail outlets.”

Which sector will benefit MOST as a result of this policy?

- (A) The primary industry in the private sector
- (B) The primary industry in the public sector
- (C) The secondary industry in the public sector
- (D) The tertiary industry in the private sector

Item 16 refers to the graph below.



16. Which of the following factors will cause the demand curve to shift from D to D₁?

- (A) A rise in price
- (B) A fall in income
- (C) A rise in the price of a substitute
- (D) A fall in the price of a substitute

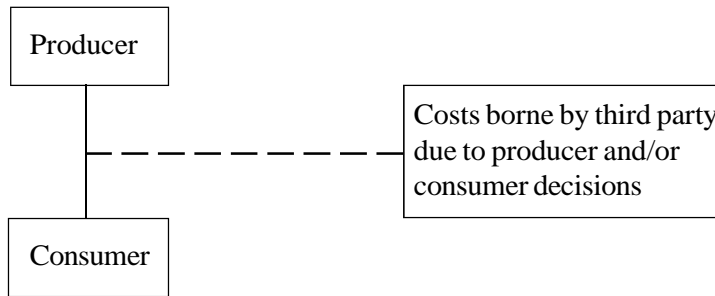
17. The table below shows consumer behaviour with respect to tins of sardines.

Price (\$)	Quantity of Tins
2	6
3	8

The price elasticity of demand for sardines as the price increases is

- (A) $-.75$
- (B) $-.66$
- (C) -1.5
- (D) -1.3

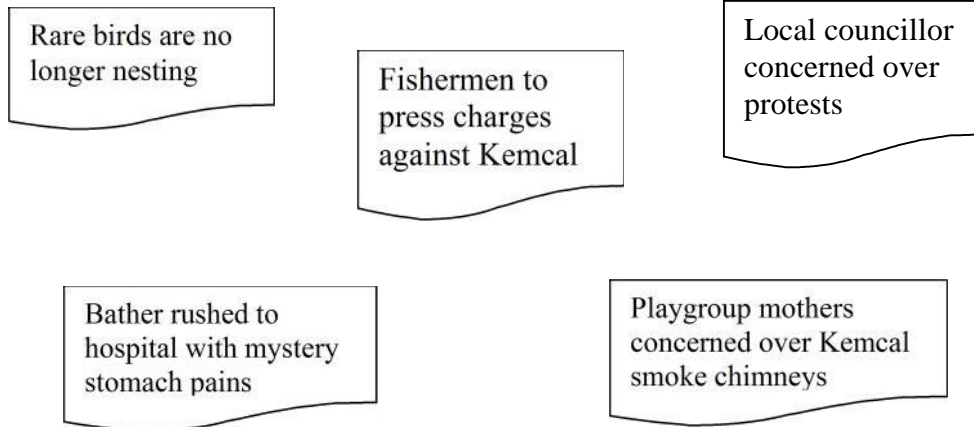
Item 18 refers to the diagram below.



18. Which of the following economic concepts does the diagram represent?

- (A) Scarcity
- (B) Positive externality
- (C) Imperfect information
- (D) Negative externality

19. Kemcal PLC operates on Sunny Island. The following are newspaper captions from a current dispute.



What type of market failure does the above situation represent?

- (A) Monopoly
- (B) Imperfect information
- (C) Negative externality
- (D) Positive externality

20. A movement along the demand curve results from a change in

- (A) taste
- (B) supply
- (C) income
- (D) price

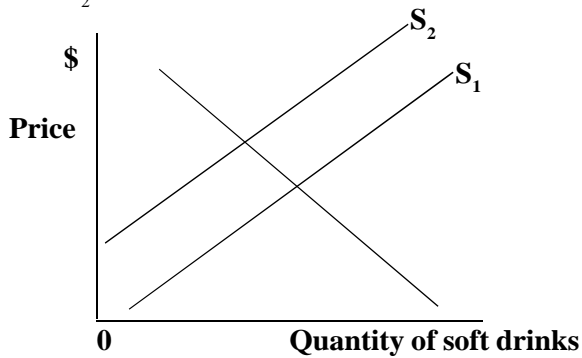
21. A market structure in which there are many buyers and many sellers and where the products are identified by their brandname is known as

- (A) a monopoly
- (B) a perfect competition
- (C) a monopolistic competition
- (D) an oligopoly

22. Which of the following could increase the price elasticity of supply of a product?

- (A) A change in consumer preferences
- (B) An increase in the price of complements
- (C) An increase in income
- (D) An increase in the time period under consideration

23. The diagram below shows the market for soft drinks. The supply curve shifts from S_1 to S_2 .



What can explain this change?

- (A) An increase in the advertising of soft drinks
- (B) A fall in the price of sugar
- (C) A rise in the wages of workers in the soft drink industry
- (D) An increase in incomes

24. A situation where quantity demand exceeds quantity supplied at a given price indicates

- (A) surplus
- (B) shortage
- (C) equilibrium
- (D) excess supply

Item 25 refers to the following demand and supply schedule.

Price (\$)	Q_d	Q_s
5	10	2
6	8	4
7	6	6
8	4	8
9	2	10

25. At what price will equilibrium in the market occur?

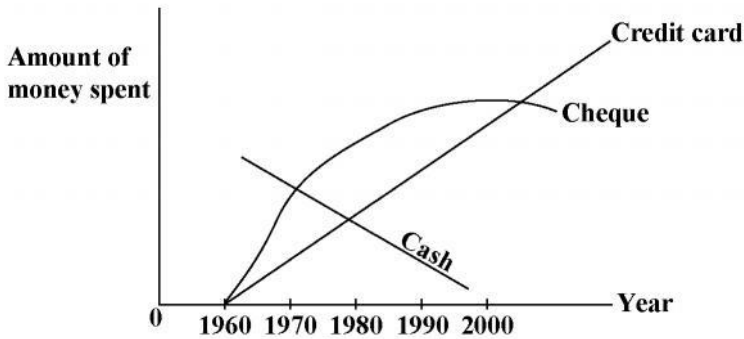
- (A) \$5
- (B) \$7
- (C) \$8
- (D) \$9

26. If the price of good X rises and as a result there is a fall in the demand for good Y, then

- (A) goods X and Y are substitutes
- (B) the demand for good Y is price inelastic
- (C) the demand for good Y is price elastic
- (D) goods X and Y are complements

27. Which of the following groups makes loanable funds available from savers to spenders for consumption and investment?
- (A) The foreign trade sector
 - (B) The government
 - (C) The chamber of commerce
 - (D) The financial sector

Item 28 refers to the following graph.



28. The graph above shows the amount of money spent in an economy during the period 1960 - 2000, using cash, cheque or credit card.

From this graph, it may be concluded that during the period 1960 - 2000

- (A) there was an decrease in money spent using cash
- (B) cheques had become inconvenient as a means of making payment
- (C) fewer people were accepting cheques
- (D) credit cards were being used more and more

29. Justin takes half of his salary every month and purchases shares in the credit union in order to later purchase a sports car.

Which function of money is this half of his salary performing?

- (A) A medium of exchange
- (B) A standard of deferred payment
- (C) A store of value
- (D) A standard of deferred exchange

30. Rob and Steele joined an underground group who were printing counterfeit money.

Which quality of money is the group eroding?

- (A) Durability
- (B) Portability
- (C) Authenticity
- (D) Acceptability

31. Which of the following must remain stable if money is to successfully function as a store of value?

- (A) Prices
- (B) Employment
- (C) The exchange rate
- (D) The rate of interest

32. Individuals who speculate on rising share prices at the stock exchange are referred to as

- (A) stags
- (B) bulls
- (C) bears
- (D) brokers

33. "Its most significant function is that of credit creation."

To which of the following does this statement refer?

- (A) A central bank
- (B) The International Monetary Fund
- (C) A commercial bank
- (D) The World Bank

34. The Governor of the Central Bank of Trinidad and Tobago is concerned with the level of inflation in the country caused by excessive consumer spending. He therefore increases the rate of interest on borrowing. This is an example of

- (A) deflation
- (B) monetary policy
- (C) public finance
- (D) fixed policy

Item 35 refers to the data below on Sea Island.

Year	Annual Percentage Increase in GDP	Annual Decline in Inflation Rate
2000	1.4	3.5
2001	2.3	3.2
2002	0.5	2.0
2003	0.3	1.8
2004	0.1	1.4

35. Given that other factors do not change, what can be concluded about the standard of living of the citizens of Sea Island?

- (A) It has declined.
- (B) It has remained steady.
- (C) It has improved.
- (D) It has not improved.

36. Henry Money has been unemployed for three months even though the economy is in a boom. Recently, he turned down a job which paid a salary that is slightly above the unemployment benefits he receives. This is an example of

- (A) real unemployment
- (B) structured unemployment
- (C) real-wage unemployment
- (D) cyclical unemployment

37. How is economic growth measured?

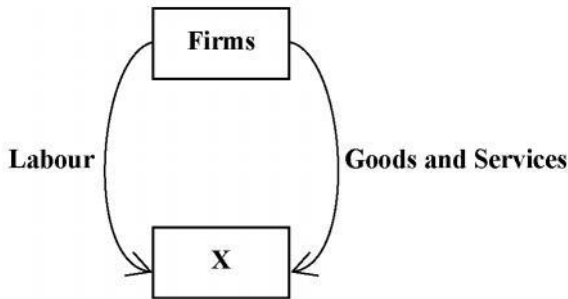
- (A) By changes in real national income
- (B) By change in gross domestic product
- (C) By accumulation of capital goods
- (D) By infrastructural changes

38. There was no significant change in the value of exports minus imports in the country over the last year.

Which government objective was achieved?

- (A) Price stability
- (B) Balance of payment stability
- (C) Full employment
- (D) Economic growth

Item 39 refers to the following diagram.



39. What component is missing from the economic model shown in the diagram above?

- (A) Government
- (B) Tourists
- (C) Households
- (D) Schools

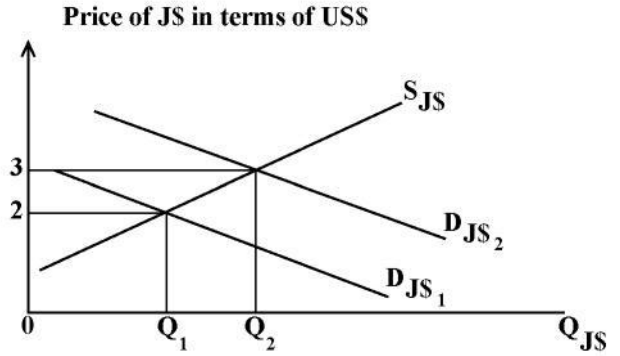
40. Which of the following is a monetary measure that could be used to increase employment?

- (A) Increasing interest rates
- (B) Reducing interest rates
- (C) Reducing government expenditure
- (D) Increasing government expenditure

41. A monetary record of all international transactions between one country and the rest of the world is known as the

- (A) balance of trade
- (B) balance of payments
- (C) international trade
- (D) balance on the current account

Item 42 refers to the following diagram.



42. In a floating exchange rate system, what conclusion can be drawn about the Jamaica dollar in the above graph where the demand curve has shifted from DJ\$₁ to DJ\$₂?

- (A) Appreciated
- (B) Depreciated
- (C) Revalued
- (D) Devalued

43. The following statement represents a part of the Balance of Payments of a country.

Current account	– \$200 million
Visible balance	+ \$196 million
Invisible balance	– \$4 million

What must be included in order to complete this country's Balance of Payments?

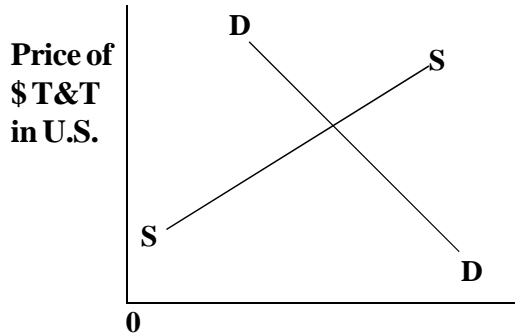
- (A) The government balance
- (B) The investment balance
- (C) The labour balance
- (D) The capital balance

44. Which of the following BEST defines a country's balance of trade?

- (A) The difference between the value of goods and services imported and exported
- (B) The difference between the value of goods imported and exported
- (C) The monetary transactions a country has with the rest of the world
- (D) The difference between total inflows and total outflows in foreign trade

GO ON TO THE NEXT PAGE

Item 45 refers to the following diagram which shows the demand and supply curves of the market for the Trinidad and Tobago dollar priced in US dollars.



45. If there is an increase in demand for imports from the USA by Trinidad and Tobago, how will this affect the curves in the diagram above?
- (A) The demand curve will shift to the right.
 - (B) The supply curve will shift to the left.
 - (C) The supply curve will shift to the right.
 - (D) The demand curve will shift to the left.

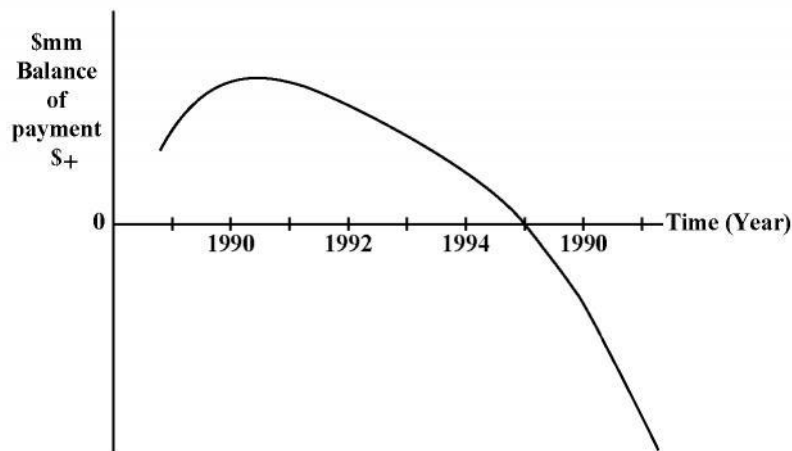
46. Under a freely floating exchange rate system, an appreciation of the Trinidad and Tobago (T&T) dollar is likely to be caused by
- (A) a rise in Guyana's interest rates
 - (B) an increase in Germany's tourist expenditure in Tobago
 - (C) an increase in the speculative rates of Trinidad and Tobago's currency
 - (D) the purchase by a Trinidad and Tobago company of a controlling interest in a company in Germany

Item 47 refers to the following statement.

“Expenditure-reducing measures may be implemented to improve a country's current account balance.”

47. Which of the following is an example of an expenditure-reducing policy?
- (A) Devaluation
 - (B) A credit squeeze
 - (C) Granting of export subsidies
 - (D) Imposition of import controls

Item 48 refers to the diagram below, which illustrates the current balance of payments position of country Y over a period of time.



48. Which of the following has happened to the country's current balance of payments position during the period shown?
- (A) There was a surplus throughout the period.
 - (B) It was in deficit throughout the period.
 - (C) It moved from being in surplus to a deficit.
 - (D) It moved from being in deficit to a surplus.

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49. The balance on visible items is +\$200 million. This is a surplus on the
- (A) balance of payments
 - (B) current account
 - (C) capital account
 - (D) balance of trade
50. Which of the following is a benefit from globalization to consumers?
- (A) Increased competition leading to closure of firms
 - (B) Lower prices due to increased competition
 - (C) Access to new and improved technology
 - (D) Economies of scale from increased production
51. Which of the following is an economic/trade agreement of only Caribbean members?
- (A) ACP
 - (B) CSME
 - (C) CARIBCAN
 - (D) FTAA
52. Which of the following is a feature of Caribbean economies?
- (A) High levels of unemployment
 - (B) Negative growth rates
 - (C) Mixed economies with large private sectors
 - (D) High dependency on primary products
53. Which of the following factors account for some CARICOM countries having a large debt burden?
- I. Their export base is too narrow.
 - II. The price of oil as a form of energy is increasing.
 - III. Interest payments are larger than export earnings.
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
54. Globalization has increased the opportunity for Caribbean firms to expand their operations and enjoy economies of scale. This means that firms can now
- (A) produce a greater variety of goods
 - (B) incur lower unit costs of production
 - (C) employ more workers
 - (D) earn more foreign exchange
55. Although multinational corporations have generally been welcomed in the Caribbean, they have been severely criticized for
- (A) increasing levels of employment
 - (B) introducing the latest technology
 - (C) increasing levels of foreign direct investment
 - (D) repatriating a sizeable proportion of their profits
56. Caribbean countries today are reducing government intervention and allowing greater use of market forces in their economies. This strategy is known as
- (A) economic integration
 - (B) protectionism
 - (C) privatization
 - (D) globalization

GO ON TO THE NEXT PAGE

57. A large American firm is encouraged to start up a business in Barbados. This is an example of
- (A) Caribbean Basin Initiative
 - (B) economic integration
 - (C) foreign direct investment
 - (D) free trade area

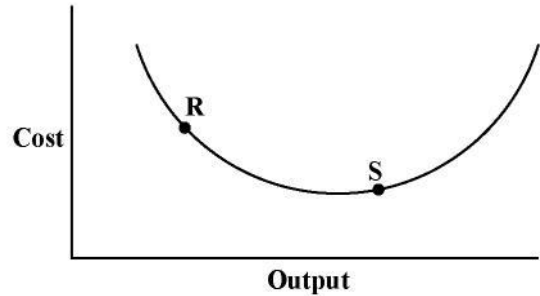
Item 58 refers to the following table.

Total Output	Average Cost \$	Total Cost \$
500	200.00	1000.00
1000	150.00	1500.00
1500	125.00	1875.00

Output and cost table for firm A

58. The table above indicates that firm A is experiencing
- (A) economic growth
 - (B) increasing cost
 - (C) economies of scale
 - (D) increasing demand

Item 59 refers to the following diagram.



59. Firm X of Jamaica has been influenced by the Caribbean Basin Initiative and the FTAA. As a result, it has moved from point R to point A on its long run average cost curve as shown in the diagram. The movement from R to S is MOST LIKELY the result of
- (A) reduced levels of productivity due to 'brain drain'
 - (B) extension demand for raw materials from the USA
 - (C) economies of scale as output is increased to serve a larger market
 - (D) the law of diminishing returns as output increases
60. A major limitation on the ability of Caribbean producers to take advantage of the benefits of a larger international market through globalization is
- (A) economies of scale
 - (B) greater efficiency due to new technology
 - (C) easier access to new technology
 - (D) protectionist policies in developed countries

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

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EXAMINATION****ECONOMICS****SPECIMEN PAPER 2008**

Item No.	Key	Syllabus Reference	Profile
1	B	1.1	1
2	B	1.5	1
3	A	1.5	2
4	D	1.4	3
5	D	1.5	3
6	B	2.2	1
7	D	2.8	1
8	D	2.4	3
9	D	2.4	2
10	B	2.3	2
11	D	2.5	1
12	B	2.7	1
13	D	2.8	1
14	B	2.5	2
15	D	2.6	3
16	C	3.5	2
17	B	3.9	3
18	B	3.16	2
19	C	3.16	3
20	D	3.5	1
21	C	3.14	1
22	D	3.11	2
23	C	3.5	3
24	B	3.6	2
25	B	3.6	3
26	D	3.8	2
27	D	4.1	1
28	D	4.3,4.4	3
29	C	4.5	3
30	C	4.6	3

Item No.	Key	Syllabus Reference	Profile
31	A	4.5	2
32	B	4.9	1
33	C	4.8	1, 2
34	B	5.1	2
35	C	5.4	3
36	C	5.10	3
37	A	5.3, 5.10	1
38	B	5.1	2
39	C	5.2, 5.3	1, 2
40	D	5.10	1
41	B	6.1	1
42	A	6.8	1, 2
43	D	6.11	1, 2, 3
44	B	6.1	2
45	C	6.6	2
46	B	6.8	2
47	B	6.16	1, 2
48	C	6.15	1
49	D	6.10	1
50	B	7.13	2
51	B	7.1	1
52	C	7.2	2
53	D	7.3	2
54	B	7.9	1, 2
55	D	7.2, 7.14	3
56	C	7.1	3
57	C	7.1	1
58	C	7.9	3
59	C	7.10, 7.12	2, 3
60	D	7.12	3

Profile 1 – Knowledge and Comprehension

Profile 2 – Interpretation and Analysis

Profile 3 – Application

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Front Page Bar Code

SPECIMEN

FILL IN ALL THE INFORMATION REQUESTED CLEARLY IN CAPITAL LETTERS.

TEST CODE

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SUBJECT ECONOMICS – Paper 02

PROFICIENCY GENERAL

REGISTRATION NUMBER

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SCHOOL/CENTRE NUMBER

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NAME OF SCHOOL/CENTRE

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CANDIDATE’S FULL NAME (FIRST, MIDDLE, LAST)

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DATE OF BIRTH

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MAY/JUNE 2017

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CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

ECONOMICS

SPECIMEN PAPER

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of SIX questions. Answer ALL the questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. You may use a silent, non-programmable calculator to answer questions, but ALL necessary working should be clearly shown.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
6. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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

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SECTION I

Answer ALL FOUR questions in this section.

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

Combination	Sugar (tons)	Banana (tons)
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.

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.....
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(2 marks)

GO ON TO THE NEXT PAGE

(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

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.....
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(2 marks)

(ii) 1 000 tons of sugar and 15 000 tons of bananas.

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(2 marks)

(d) Explain TWO factors that should be considered before opening an internet cafe.

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(6 marks)

Total 15 marks

GO ON TO THE NEXT PAGE

2. (a) Define the following terms:

(i) Economic system

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(2 marks)

(ii) Capital goods

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(2 marks)

(b) Give ONE example of a capital item.

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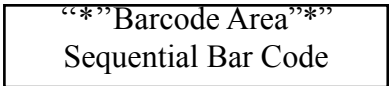
(1 mark)

(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.

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(6 marks)

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- (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**

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

Use the information in Table 2 to calculate

- (i) the average total cost (ATC) for output level 3

(2 marks)

- (ii) the marginal cost for the 4th unit of output.

(4 marks)

Total 15 marks

GO ON TO THE NEXT PAGE

3. (a) Define the following terms:

(i) Exchange rate revaluation

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.....
.....

(2 marks)

(ii) Managed exchange rate

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(2 marks)

(b) State the name of the protectionist measure that limits the quantity of goods entering a country.

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(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.

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(6 marks)

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- (d) Analyse ONE benefit of using devaluation to correct a balance of payments problem.

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(4 marks)

Total 15 marks

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Sequential Bar Code

4. (a) Define the term 'economic goals'.

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(2 marks)

(b) List THREE economic goals of a government.

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(3 marks)

(c) Explain TWO disadvantages of using Gross Domestic Product (GDP) as a measure of standard of living.

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(6 marks)

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- (d) Table 3 shows the economic statistics for Country Y.

TABLE 3: ECONOMIC STATISTICS FOR COUNTRY Y

Category	Value (millions of \$)
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

GO ON TO THE NEXT PAGE

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

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(2 marks)

(ii) Equity securities

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(2 marks)

(b) List THREE types of financial institutions.

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(3 marks)

GO ON TO THE NEXT PAGE

- (c) Explain ONE way in which the informal sector contributes positively and ONE way it contributes negatively to the financial sector.

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(8 marks)

- (d) Analyse TWO benefits of electronic payments to an individual.

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(5 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

6. (a) List THREE examples of transfers found in the current account section of the balance of payments.

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(3 marks)

(b) Define the following terms as they relate to a country's balance of payments account:

(i) Investment income

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.....

(2 marks)

(ii) Balance of payments disequilibrium

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(2 marks)

(c) Explain TWO ways in which increases in the exchange rate of a country can affect the balance of payments account.

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(8 marks)

GO ON TO THE NEXT PAGE

- (d) Table 4 shows the balance of payments data for Country Z.

TABLE 4: BALANCE OF PAYMENTS DATA FOR COUNTRY Z

Category	Value (millions of \$)
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

END OF TEST

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EXTRA SPACE

If you use this extra page, you **MUST** write the question number clearly in the box provided.

Question No.

A series of horizontal dotted lines providing space for writing the answer to the question.

DO NOT WRITE IN THIS AREA

**DO NOT
WRITE ON
THIS PAGE**

CANDIDATE'S RECEIPT

INSTRUCTIONS TO CANDIDATE:

1. **Fill in all the information requested clearly in capital letters.**

TEST CODE:

0	1	2	1	6	0	2	0
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SUBJECT: ECONOMICS – Paper 02

PROFICIENCY: GENERAL

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FULL NAME: _____
(BLOCK LETTERS)

Signature: _____

Date: _____

2. **Ensure that this slip is detached by the Supervisor or Invigilator and given to you when you hand in this booklet.**
3. **Keep it in a safe place until you have received your results.**
-

INSTRUCTION TO SUPERVISOR/INVIGILATOR:

Sign the declaration below, detach this slip and hand it to the candidate as his/her receipt for this booklet collected by you.

I hereby acknowledge receipt of the candidate's booklet for the examination stated above.

Signature: _____
Supervisor/Invigilator

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ECONOMICS

SPECIMEN PAPER

PAPER 02 - GENERAL PROFICIENCY

KEYS AND MARK SCHEME

2016

Economics
Paper 02 - General Proficiency
Keys and Mark Scheme

Question 1

S.O: 1.6, 1.8

			KC	IA	APP
(a)	(i)	Production possibility curve	1		
		1 mark			
(b)	(i)	Decreasing			
		Stating correct type of cost	1		
		1 mark			
	(ii)	0 tons of sugar			
		Stating correct amount of sugar	1		
		1 mark			
	(iii)	Emigration, depletion of renewable resources, natural disasters, fall in productivity, technology loss.			
		For each factor listed	2		
		1 mark			
(c)	(i)	The country is operating <u>efficiently</u> since at a production level of 2,000 tonnes 15,000 tonnes of bananas can be produced, implying that the country is <u>on the production possibility curve</u>			4
	(ii)	The country is <u>operating inside the production possibility curve</u> because at a production level of 1000 tonnes 25,000 tonnes of bananas can be produced but only 15000 are being produced. <u>(Inefficient)</u>			
		For identification of position			
		For explanation (2x2)			
		1 mark			
		1 mark			
(d)		<ul style="list-style-type: none"> • <u>Costs</u> associated with providing the service of the internet cafe to the customers to determine how much should be charged. • <u>The number of providers of internet cafes to see if the market is already saturated. i.e., the number of substitutes available and level of competition.</u> • <u>The profit that can be generated from operating the internet cafe in the short and long run to determine the viability of the business.</u> • <u>The market demand for the product to determine the revenue that can be generated per customer.</u> 		6	
		For each factor listed			
		For each factor developed into an explanation (2x3)			
		1 mark			
		2 marks			
			5	6	4

Economics
Paper 02 - General Proficiency
Keys and Mark Scheme

Question 4

S.O: 5.2, 5.5

(a) Economic goals refer to the economic objectives that a government wishes to achieve during the course of its activities.

For an excellent definition **2 marks**
For a partial definition **1 mark**

(b) The responses will include:

- Reduce unemployment
- Reduce inflation
- Promote economic growth
- Have a stable balance of payments
- Have a stable exchange rate

For a listing of each objective (3x1) 1 mark each

(c) • It ignores income distribution (1 mark)

- A country can have a high GDP but the distribution of this wealth could be very uneven with only a few rich people having a large percentage; majority may be poor. **(2 marks)**

• GDP is measured in numbers so it does not take account of the quality of life of the people. (1 mark)

- GDP can be high while the majority of the people may not have access to good sanitation, water, electricity and medical facilities. **(2 marks)**

For a clear and adequate explanation showing the disadvantage of using GDP to measure the standard of living **2 marks each**

(For a partial explanation 1 mark each)

(d) $C+I+G+(X-M)=GDP$
 $900+ 500+ 300+ 300- 400 =\1600

For inclusion of each element of GDP. **3 marks**
For inclusion of 1 incorrect element **2 marks**
For inclusion of more than 1 incorrect element. **0 marks**
For correct GDP value **1 mark**

	KC	IA	APP
(a)	2		
(b)	3		
(c)		6	
(d)			4
	5	6	4

Economics
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Question 5

S.O: 4.4, 4.6, 4.10, 4.6

	KC	IA	APP
<p>(a) (i) A system for <u>fixing exchange rates</u> by the Central Bank/government of a country and <u>making its currency freely convertible into gold at a fixed price.</u></p> <p style="margin-left: 40px;">For a complete definition 2 marks For a partial definition 1 mark</p>	2		
<p>(ii) The <u>ordinary shares</u> in a company entitling the <u>owner</u> to <u>receive dividends as part of the profit.</u></p> <p style="margin-left: 40px;">For a complete definition 2 marks For a partial definition 1 mark</p>	2		
<p>(b) The responses will come from the following:</p> <ul style="list-style-type: none"> • Credit Union, • Insurance Company, • Commercial bank, • Central banks, • Trust company, and • Development bank <p style="margin-left: 40px;">For each correct listing. (3x1) 3 marks</p>	3		
<p>(c) <u>Positive contribution</u></p> <ul style="list-style-type: none"> • The informal sector <u>adds to the financial sector</u> through activities like charities and volunteer aid to <u>enhance the well-being of the citizens</u> of the country even though the activities are not included in the GDP. • It <u>reduces the support government</u> may have to provide to maintain <u>those classified as being poor.</u> • Offers <u>employment opportunities</u> especially to those without high <u>_____</u> skills. <p style="margin-left: 20px;">For stating a benefit 1 mark Clear and adequate analysis of how the informal sector benefits the financial sector 3 marks (Partial analysis of the benefit 1-2 marks)</p>		4	

Economics
Paper 02 - General Proficiency
Keys and Mark Scheme

Question 5 cont'd

S.O: 4.4, 4.6, 4.10, 4.6

(c)
 cont'd

Negative contribution

- The informal sector sometimes includes illegal activity and money laundering which diminishes the reputation of a country.
- Loss of tax revenue for government because the activities are not captured in the economic framework.
- The statistical outlook of a country is reduced because it is difficult to capture the informal sector because of the nature of some of the activities.

For stating a disadvantage 1 mark
Clear and adequate analysis of how the informal sector negatively impacts the financial sector 3 marks
(Partial analysis of the negative impact 1-2 marks)

- (d)
- Faster for consumers to transact business as adjustments are made immediately on line.
 - It is more convenient as they are able to do it anytime and from the comfort of their homes
 - Easier as persons do not have to wait until opening hours of the respective entity.
 - Relatively safe as one does not have to leave one's home to transact business.

For stating 2 benefits 1 mark each
For a clear and adequate explanation of 2 benefits 5 marks
For a good explanation of one point 3 marks
For a partial explanation of second point 1 mark

KC	IA	APP
	4	
		5
7	8	5

Economics
Paper 02 - General Proficiency
Keys and Mark Scheme

Question 6

S.O: 6.9, 6.11, 6.12, 6.14, 6.15

- (a)
 - Gifts from family,
 - Grants,
 - Overseas scholarships,
 - Charity,
 - Donations

Identification of each example of a transfer (3x1) 1 mark each

- (b) (i) Investment income refers to interest, profits and dividends earned by residents of a country from their investments abroad.

For an excellent definition 2 marks
For a partial definition 1 mark

- (ii) Balance of payments disequilibrium occurs when there is a divergence between the amount of foreign exchange coming into the country and the amount of foreign exchange leaving the country.

For an excellent definition 2 marks
For a partial definition 1 mark

- (c)
 - Export prices become more expensive which can cause a fall in quantity demanded for exports causing layoffs in the export industries and a loss in foreign exchange earnings.
 - Import prices fall relatively which may cause an increase in quantity demanded of imported goods which can worsen the balance of trade,
 - Terms of trade improves as the country can now buy more imports with what it receives for exports initially.

A listing of the effect 1 mark each
A development of the effect 3 marks each
Partial development (1x4) 1-2 marks each

KC	IA	APP
3		
2		
2		
	8	



TEST CODE 01216032

FORM TP 2016

CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
EXAMINATION®

ECONOMICS

Paper 03/2 – General Proficiency

1½ hours

Specimen

1. **Answer ALL the 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.**
4. **Attach additional complete sheets (Ledger, Journal, Cash Book) to this Answer Booklet, where necessary**

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Study the data given in Part A and Part B and answer the questions that follow each part.

PART A

ECONOMIC OUTLOOK FOR BARBADOS

According to a Barbados central bank Report for 2004, unemployment increased to 10.1% in the first quarter of 2004, up from 10% the quarter before. However, this might only be a blip on an otherwise improving trend. Unemployment stood at 11.7% in the final quarter of 2003. At the time of the production of the report, it was expected that the unemployment rate would fall to 9.8% by the end of 2004, down from our previous estimate of 10%, as the economy continued to expand. Further information is provided in the table below.

BARBADOS: MACROECONOMIC DATA AND FORECASTS

Years	2001	2002	2003e	2004f	2005f	2006f
Nominal GDP (US\$bn)	2.5	2.5	2.6	2.8	2.9	3.2
GDP per capita (US\$)	9,444	9,339	9,648	10,089	10,701	11,457
Real GDP growth (%)	-3.4	-0.5	2.2	3.0	3.5	4.0
Unemployment (%)	9.9	10.3	11.0	10.0	9.1	8.5
Annual Inflation (% period average)	2.6	1.4	1.6	2.0	3.0	3.5
Exchange rate (end period BBD/US)	2.00	2.00	2.00	2.00	2.00	2.00
Trade balance (US\$bn, fob-cif)	-0.81	-0.83	-0.95	-0.98	-0.96	-0.97
Foreign debt (US\$bn)	0.68	0.67	0.67	0.58	0.57	0.58

Adapted from: Barbados Business Monitor International e/f=BMI estimate/forecast

Answer ALL questions.

(1) Define the terms CIF and Fob stated in the table.

(i) CIF.....

.....

(ii) FOB.....

.....

(4 marks)

(2) Explain the difference between nominal and real values?

.....

.....

(2 marks)

(3) Explain what is GDP per capita and what it is used to measure?

.....

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(4 marks)

(4) Why are the statistics for Barbados given in US dollars instead of Barbados dollars?

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(2 marks)

(5) Analyse the movement in the trade balance between 2001 and 2003 and the projected forecasts for the following years.

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(5 marks)

(6) Why is there no change in the exchange rate figures?

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(1 mark)

(7) Explain THREE benefits that Barbados would obtain from a falling debt obligation.

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(5 marks)

(8) Plot the annual inflation rate and the unemployment rates against the years given. Explain any relationship between these two variables.

(6 marks)

PART B

ECONOMIC OUTLOOK FOR DOMINICA

On August 6, the International Monetary Fund (IMF), announced that it had completed its second review of the economy in Dominica for the three-year arrangement agreed in December 2003. This released a US\$ 0.45mn payment, taking total disbursements under the programme to US\$ 4.3mn. Although waivers had to be granted given that Dominica failed to meet its external payment targets, the authorities have generally met IMF criteria. However more work is needed, most importantly on the bloated public sector.

(9) Why is a bloated public service bad for Dominica?

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(4 marks)

(10) (i) **Compare** the economic position of Barbados and Dominica.

(ii) **Explain three** possible reasons for their differing economic situations.

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(8 marks)

Total 40 marks



**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
H E A D Q U A R T E R S**

**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
E X A M I N A T I O N ®**

E C O N O M I C S

P A P E R 0 3 / 2 – G e n e r a l P r o f i c i e n c y

S P E C I M E N P A P E R

K E Y A N D M A R K S C H E M E

MARK SCHEME AND KEY

- (1) (i) Cost, insurance and freight. (ii) Free on board.
- (2) Nominal values are money values measured at current prices while real values are money values corrected for inflation. (2)
- (3) The value of output produced in a country over a 12-month period per person. It is used to measure a country's standard of living. (2)
- (4) The statistics are measured in US dollars because the Barbadian currency is not traded internationally and there is a need to use an internationally converted currency for standardisation and to aid with comparisons between countries. (2)
- (5) The trade balance showed a persistent deficit rising steadily from 2001 to 2002. Thereafter it is estimated to worsen in 2003. The forecasts show an improvement between 2004 and 2005 and a marginal worsening in 2006. (5)
- (6) There is no change in the figures because Barbados has a fixed exchange rate against the US dollar. (1)
- (7) Benefits include an improved credit rating, opportunity cost of foreign debt payments, attractiveness of location for investment, stability and confidence in the economy or any other appropriate benefit. (2 each but maximum of 5)
- (8) Graph (3) Generally when inflation is rising, unemployment is falling except between 2002 and the estimate for 2003. (3)
- (9) The economy cannot afford a large public service given the economic structure. The wage bill accounts for a large proportion of government spending and it is important to reduce this to meet the targets set for the International Monetary Fund (IMF).
- (10) An appropriate statement outlining the comparison highlighting Barbados's growth position with Dominica's structural adjustment programme is required to show the differing position of the economies. (2 marks) Reason must be given. (2 marks each maximum of 6)
 - i. Management of the economy
 - ii. Investment in human capital
 - iii. Types of exports (primary vs services)
 - iv. Sensitivity to external factors
 - v. Natural disasters
 - vi. Population size and composition (skilled vs unskilled)
 - vii. Any other plausible economic reason

		P1	P2	P3
1	Correct definition 2 marks each. Maximum 4 Award 1 mark for partially correct definition	4		
2	Correct explanation of the difference between nominal and real values 2 marks. Partially correct 1 mark.	2		
3	Correct explanation of GDP 2 marks. Accurate explanation of how it is used 2 marks.	4		
4	Correct explanation in relation to Barbados not currently not trading internationally.		2	
5	Four marks for acceptable, accurate answer. Award marks for partially correct answers as appropriate.		4	
6	Barbados dollar is fixed to US dollar.		1	
7	Two marks for each benefit, but maximum of 5.		5	
8	Appropriate axes – Suitable scales. 1 mark. Figures on both axes appropriately labelled. 1 mark. Appropriate graph show. 2 marks Appropriate statement of relationship. <u>2 marks</u> Total 6 marks			6
9	Appropriate statements. 2x2 marks			4
10	Comparison _____ Reasons 2 marks each maximum of 6		2 6	
		10	20	10



TEST CODE **01216020**

FORM 01216020/SPEC 2005

**CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
EXAMINATION®**

SPECIMEN PAPER

ECONOMICS

Paper 02

Time: 2 Hours

INSTRUCTIONS TO CANDIDATES

1. Number each answer in your booklet correctly.
2. Begin each answer on a new page.
3. Use the blank form(s) supplied to prepare answers where necessary.

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SECTION ONE

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

1. International trade is becoming increasingly important to the Caribbean economies. It is the law of comparative advantage which then indicates where countries should concentrate their production in order to maximise the potential gains from trade.
- (a) With reference to the above statement define “comparative advantage”.
[2 marks]
 - (b) List THREE gains from trade.
[3 marks]
 - (c) Explain why international trade is described as a ‘win-win’ situation.
[4 marks]
 - (d) Discuss BRIEFLY the role of the World Trade Organisation in promoting international trade.
[6 marks]

Total 15 marks

2. (a) List THREE types of ‘financial institutions’ found in the Caribbean.
[3 marks]
- (b) Explain the concept of ‘money’.
[2 marks]
- (c) Describe TWO functions of money.
[4 marks]
- (d) Briefly explain how the Central Bank in your country controls money supply in the economy.
[6 marks]

Total 15 marks

3. (a) Define the term 'Economics'. [2 marks]
- (b) List TWO factors that individuals should take into consideration when making economic decisions. [2 marks]
- (c) Explain EACH of the following concepts:
(i) Scarcity
(ii) Choice [4 marks]
- (d) With the aid of a diagram, show how the production possibility curve can be used to illustrate the TWO concepts listed in (c) above. [7 marks]

Total 15 marks

4. (a) Define the term 'factors of production'. [2 marks]
- (b) Identify THREE factors of production and state the reward associated with EACH factor identified. [3 marks]
- (c) With the use of an example, explain the term 'productivity of labour'. [4 marks]
- (d) Countries design economic systems to assist them in the allocation of resources.
(i) List TWO types of economic systems.
(ii) For EACH type listed in (i) above state TWO characteristics. [6 marks]

Total 15 marks

SECTION TWO

Answer any TWO questions in Section TWO. Each question is worth 20 marks.

5. (a) Explain the term 'inflation'. [2 marks]
- (b) State TWO consequences of inflation within an economy. [2 marks]
- (c) 'On account of relentless foreign competition, the major productive sectors of a certain Caribbean country are in decline.'
- (i) Discuss ONE factor that may have contributed to the decline of those productive sectors in the economy of that country. [4 marks]
- (ii) How will a decline in the major productive sectors of the economy of that country affect the Gross Domestic Product, price levels and employment? [9 marks]
- (d) Discuss briefly ONE fiscal measure which can be taken to stabilize the economy. [3 marks]

Total 20 marks

6. (a) Define the following terms:

- (i) Demand
- (ii) Supply

[4 marks]

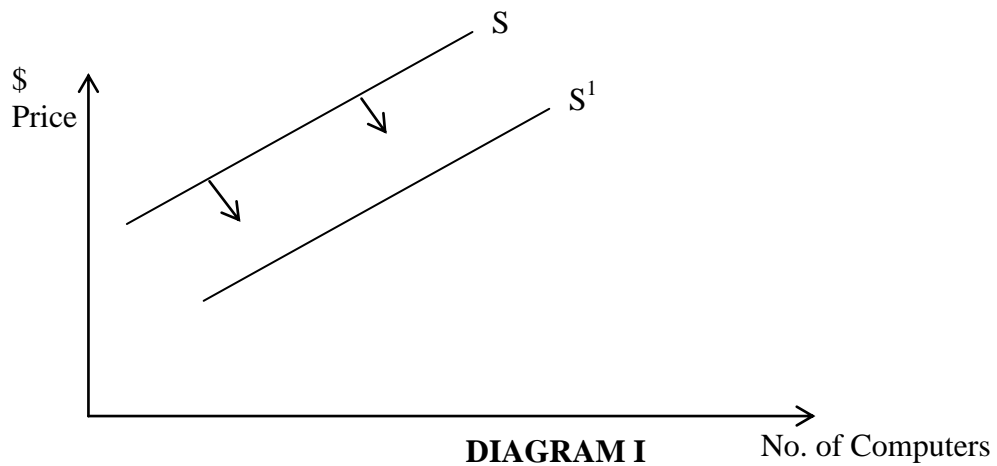
(b) With the aid of a diagram, explain the effects of an increase in the price of bananas on the quantity of bananas demanded.

[6 marks]

(c) Identify THREE determinants of the supply of lap top computers.

[3 marks]

(d)



Using ONE of the determinants of the supply of lap top computers given in (c) above, discuss the factors which may give rise to the movement from S to S¹, in the diagram above.

[7 marks]

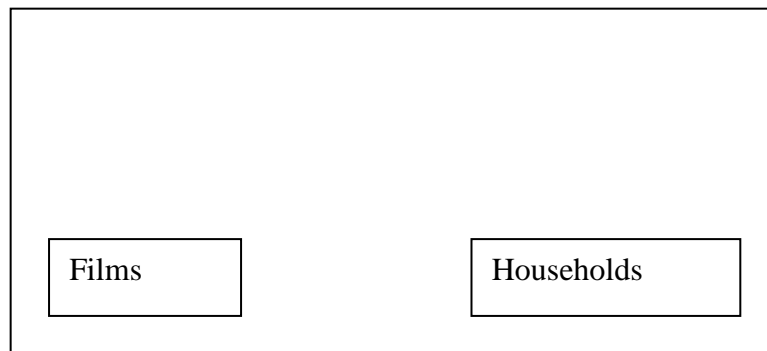
Total 20 marks

7. (a) Define the term ‘Current Account’ and describe the entries which are likely to be recorded in this account. [4 marks]
- (b) “Caribbean economies will be impacted in a number of ways with the onset of globalisation and trade liberalisation.”
- (i) Explain the concepts ‘globalisation’ and ‘trade liberalisation’.
- (ii) Outline the possible impacts which the concepts in (i) above are likely to have on Caribbean economies in terms of growth, development, employment levels and balance of payments. [10 marks]
- (c) Discuss TWO measures which can be employed by Caribbean governments with a view to promoting sustained development in the face of globalisation. [6 marks]

Total 20 marks

8. (a) What is meant by the ‘circular flow of incomes’ within an economy? [5 marks]

(b)



Copy and complete, with proper and correct labelling, the above diagram to represent a simple circular flow diagram, showing the following:

- (i) The direction of flow income
- (ii) The relevant entries which would constitute this flow [7 marks]
- (c) “In any modern economy, there are injections and withdrawals associated with the flow of income in the economy.”
- Discuss the above statement. [8 marks]

Total 20 marks



TEST CODE 01216032

FORM TP 2006

CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
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ECONOMICS

Paper 03/2 – General Proficiency

1½ hours

Specimen

1. **Answer ALL the 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.**
4. **Attach additional complete sheets (Ledger, Journal, Cash Book) to this Answer Booklet, where necessary**

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Study the data given in Part A and Part B and answer the questions that follow each part.

PART A

ECONOMIC OUTLOOK FOR BARBADOS

According to a Barbados central bank Report for 2004, unemployment increased to 10.1% in the first quarter of 2004, up from 10% the quarter before. However, this might only be a blip on an otherwise improving trend. Unemployment stood at 11.7% in the final quarter of 2003. At the time of the production of the report, it was expected that the unemployment rate would fall to 9.8% by the end of 2004, down from our previous estimate of 10%, as the economy continued to expand. Further information is provided in the table below.

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Foreign debt (US\$bn)	0.68	0.67	0.67	0.58	0.57	0.58

Adapted from: Barbados Business Monitor International e/f=BMI estimate/forecast

Answer ALL questions.

(1) Define the terms CIF and Fob stated in the table.

- (i) CIF.....
.....
- (ii) FOB.....
.....

(4 marks)

(2) Explain the difference between nominal and real values?

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(2 marks)

(3) Explain what is GDP per capita and what it is used to measure?

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(4 marks)

(4) Why are the statistics for Barbados given in US dollars instead of Barbados dollars?

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(2 marks)

(5) Analyse the movement in the trade balance between 2001 and 2003 and the projected forecasts for the following years. (4)

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(5 marks)

(6) Why is there no change in the exchange rate figures?

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..... (1 mark)

(7) Explain THREE benefits that Barbados would obtain from a falling debt obligation.

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..... (5 marks)

(8) Plot the annual inflation rate and the unemployment rates against the years given. Explain any relationship between these two variables.

(6 marks)

PART B

ECONOMIC OUTLOOK FOR DOMINICA

On August 6, the International Monetary Fund (IMF), announced that it had completed its second review of the economy in Dominica for the three-year arrangement agreed in December 2003. This released a US\$ 0.45mn payment, taking total disbursements under the programme to US\$ 4.3mn. Although waivers had to be granted given that Dominica failed to meet its external payment targets, the authorities have generally met IMF criteria. However more work is needed, most importantly on the bloated public sector.

(9) Why is a bloated public service bad for Dominica?

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(4 marks)

(10) (i) **Compare** the economic position of Barbados and Dominica.

(ii) **Explain three** possible reasons for their differing economic situations.

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(8 marks)

Total 40 marks

END OF TEST



**CARIBBEAN EXAMINATIONS COUNCIL
HEADQUARTERS**

**CARIBBEAN SECONDARY EDUCATION CERTIFICATE
EXAMINATION ®**

ECONOMICS

PAPER 02 – General Proficiency

SPECIMEN PAPER

KEY AND MARK SCHEME

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

SECTION I

Question 1

- (a) Comparative advantage means that the opportunity cost of producing a particular good or service is lower in one country than in another. 2 marks
- (b) (i) Countries can import goods which they cannot produce themselves.
- (ii) More specialization means larger output and lower production costs and therefore offers economies of large scale.
- (iii) It is cheaper to import than to produce. 3 marks
- (c) The idea that one nation's gain must be another one's loss means that a country can promote its own welfare only by having others. However, a win-win situation implies that in any voluntary exchange both parties must gain, or at least expect to gain, something from the transaction. 4 marks
- (d) World Trade Organisation
- (i) oversees the provision of the agreements between trading countries
- (ii) resolves trading disputes
- (iii) reduces trade barriers
- (iv) creates new protection for intellectual property. 6 marks

Total 15 marks

Question 2

- (a) Types of financial institutions
- Commercial Banks
 - Stock Exchange
 - Credit Unions
 - Development Banks
 - Insurance Companies
 - Informal Credit Institution, etcetera 3 marks
- (b) Money is any item considered acceptable to be used as payment for goods and services. 2 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

(b) Functions of money:

- Medium of exchange
- Measure of value
- Store of value
- Standard of deferred payments

(any two, 2 marks each) 4 marks

(c) The Central Bank controls the money supply in an economy through:

- the issue of coins and paper currency
- the regulation of monetary policy and the money supply with the objective of achieving price stability.
- Acting as the governments bank/issuing treasury bills/making advances/offering economic and financial advice to the government.
- Supervising the operations of other financial institutions in the country, etcetera.

6 marks
 (any three, 2 marks each)

Total 15 marks

Question 3

(a) Economics is the study of the creation of wealth out of scarce resources and the production, distribution and exchange of goods and services as well as the behaviour and welfare of those involved in the process.

OR

Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people. 2 marks

(b) Factors individuals should take into consideration when making economic decisions include:

- Income
- Taste
- Wealth
- Borrowing
- Changes in the rate of income tax

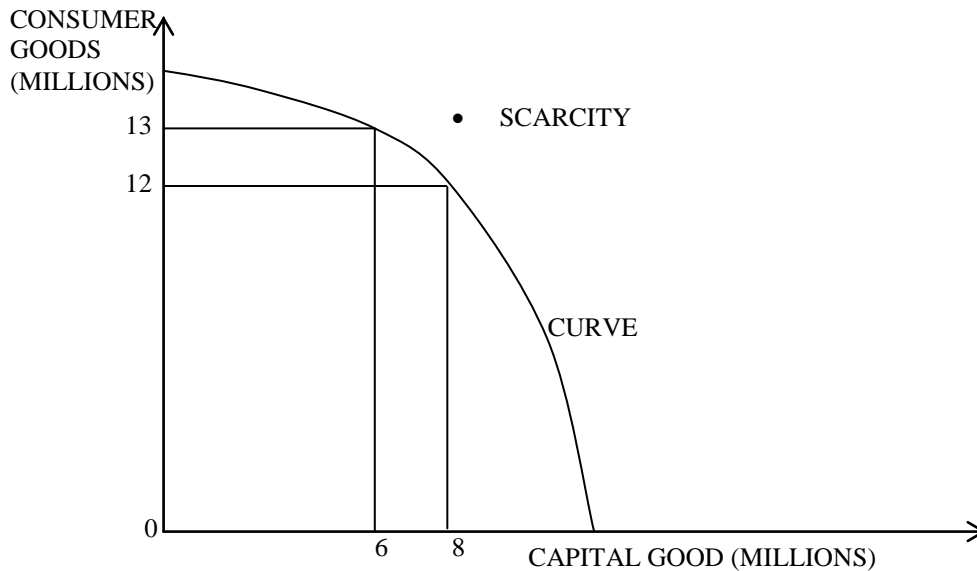
2 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

- (c) Scarcity - When demand exceeds supply. 2 marks

Choice – As a result of the scarcity of resources, consumers are forced to make a choice among alternative things that they value. 2 marks

- (d) Production Possibility Curve



The curve illustrates the combination of two products that can be produced by an economy using all its existing resources as fully and efficiently as possible⁽¹⁾. From the diagram above, it can be assumed that people are likely to want more⁽¹⁾, for example, 17 million consumer goods and 8 million capital goods, but the curve demonstrates that this is not possible because there are not enough resources⁽¹⁾. It also shows that the economy has to make choices⁽¹⁾, for example, it can produce 12 million consumer goods and 8 million capital goods or 13 million consumer goods and 6 million capital goods. The opportunity cost of producing one million more consumer goods as in this case, 2 million capital goods.

(3 marks for drawing and labelling diagram)
 (Any two points, 2 marks each)

7 marks

Total 15 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

Question 4

- (a) Factors of production refer to the ingredients/economic resources needed for any production process to take place. 2 marks

- (b) Factor of Production Reward
- | | | |
|------------|----------------|--|
| land | rent | |
| labour | wages/salaries | |
| capital | interest | |
| enterprise | profit | |
- (1 marks for each pair) 3 marks

- (c) Productivity of labour refers to the output per worker per unit of time.
 Example I: Mason, Tom Smith is able to lay 200 bricks in 8 hours.
 Example II: Ann, working in a Garment factory is able to sew 40 school shirts in 10 hours.
- (Explanation of term – 2 marks)
 (Example given – 2 marks) 4 marks

- (d) (i) Economic Systems
- Types
- Free Enterprise System/Market Economy
 Planned/Command Economy/Capitalist
 Mixed Economy
 Traditional/Subsistence
- (1 marks for each type listed) 2 marks

- (ii) Characteristics of each type of Economics System
- Free Enterprise/Market Economy
- Factors of Production are owned by private individuals/firms
 - Little or no government intervention
 - Producers are free to choose what, how and for whom to produce
 - Consumers are free to choose what, where and from whom to buy given income levels
 - Prices are determined by forces of demand and supply

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

Planned/Command Economy

- Factors of Production are owned mainly by the government or state.
- The government decides what, how and for whom to produce.
- Prices and Wages are set mainly by the government/state
- Most of the economic activities are centrally planned.

Mixed Economy

- This system is a combination of both the market and command economies.
- There is both private and government ownership of the factors of production
- This system consists of a Public Sector controlled by the government and a Private Sector controlled by private individuals and firms.

Traditional Economy

In this system

- Production, in most cases, is done only for what is necessary for survival
- Production is carried out mainly by using the land
- Traditional or primitive skills are used in the production process.

(2 marks for each characteristic)

4 marks

Total 15 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

SECTION B

Question 5

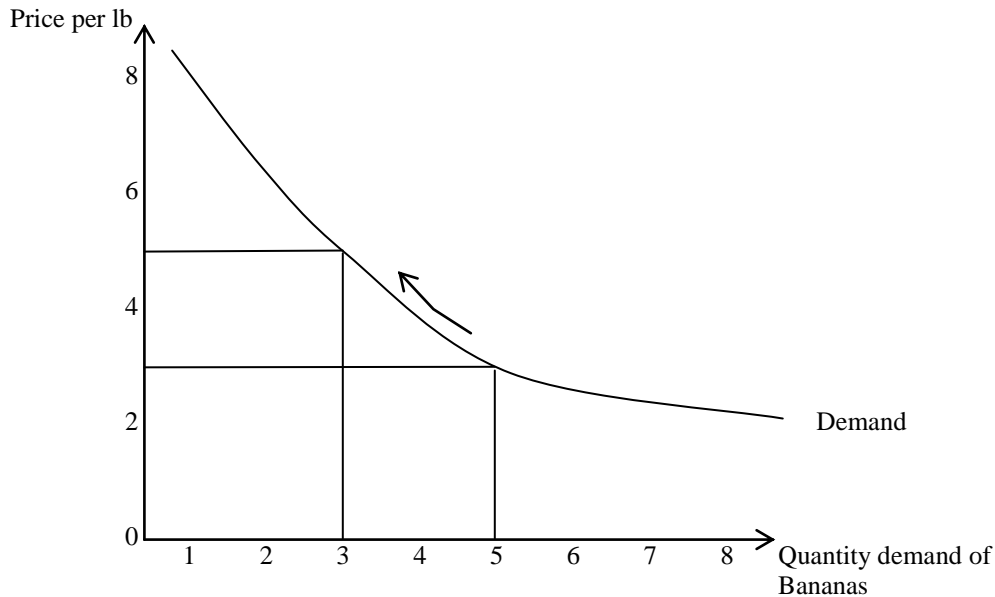
- (a) A general rise in price levels 2 marks
- (b)
- Loss of purchasing power
 - Distortion of business decisions
 - Decline in standards of living
- 1 mark each 2 marks
- (c) (i)
- A fall in GDP
 - A decline in price
- (ii) A decline in employment levels 13 marks
- (d) Fiscal measures
- Tax incentives to the affected productive sectors
 - Subsidies
 - Any other measures
- 3 marks

Total 20 marks

Question 6

- (a) (i) Demand refers to the quantity of a good/service that consumers are willing to buy and the price they are able to pay for this quantity during a given period. 2 marks
- (ii) Supply refers to the quantity of a good/service that sellers/producers are willing to supply and the price they are willing to accept for this quantity during a given period. 2 marks
- (b) When there is an increase in the price of bananas, the effects of this increase would be a decrease in the quantity demanded of bananas. This can be shown by a movement upwards along the existing demand curve as seen in Diagram A below. The diagram shows that when the price of bananas increased from \$3 per lb to \$5 per lb, the quantity demanded of bananas decreased from 5 lbs to 3 lbs. This therefore shows an inverse relationship between price and quantity demanded. 4 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME



2 marks for diagram

6 mark

- (c) Three determinants of the supply of lap top computers:-

Changes in

- Price/Cost of Factors/Inputs of Production
- Technical progress/advancement/improvements
- Productivity
- Taxes and Subsidies
- Number of Suppliers/Producers

(1 x 3) 3 marks

- (d) If there is reduction in the cost of any factor input **OR** a reduction of taxed **OR** an increase in the number of lap top computer producers, then either of these would cause an increase in the supply of lap top computers.

This would give rise to the situation shown in Diagram I where an increase in supply would cause the entire supply curve to shift/move completely outwards to the right from S to S₁.

This shift shows that more would be supplied at all levels of prices.

- Determinant mentioned – 1 mark
- Direction of change – 1 mark
- Effect of change – 3 marks
- Reference to diagram – 2 marks

7 marks

Total 20 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

Question 7

- (a) The current account consists of a visible trade account (1 mark)
- An invisible trade account (1 mark)
 - It provides for entries regarding remittances (1 mark)
 - It provides for entries regarding international income movement (1 mark) 4 marks
- (b) (i)
- Globalization refers to the integration and interdependence of the world economy. (2 marks)
 - Trade liberalization entails reduction and eventual removal of trade barriers. (2 marks)
- (ii)
- Caribbean growth can be stymied unless these states are able to effectively compete with the rest of the world. (2 marks)
 - If growth is hampered, development will also be hampered since it is dependent on economic growth. (2 marks)
 - Given the above, if Caribbean economies contract, then employment will decline sharply. (2 marks)
 - Adverse balance of payments are likely to result in terms of there being deficits. (2 marks)
- (3 x 2) 6 marks
- (c)
- Broaden the base of the economies so that each economy is supported by multiple sub-sectors.
 - Enhance the efficiency of current sectors.
 - Provide attractive incentives for industrial growth.
 - Create downstream industries.
 - Unite economically ala the CSME etcetera.
- (2 x 3) 6 marks

Total 20 marks

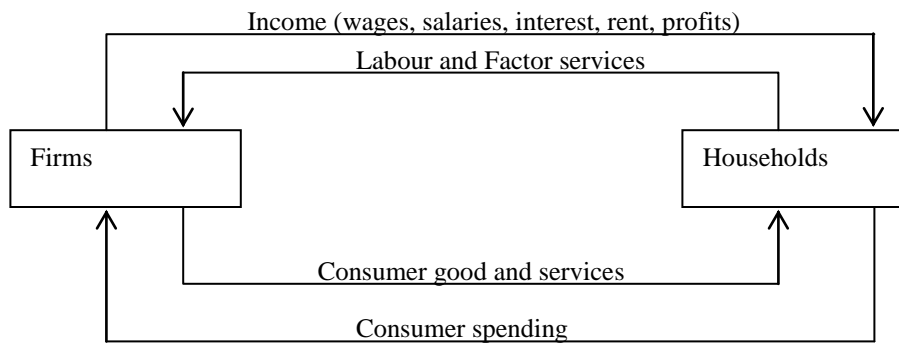
ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

Question 8

- (a) This refers to the interaction between firms and households; whereby firms produces goods and services, as well as, employ labour and other factors of production – on the other hand households consumes goods and services, as well as, supply labour and other factors of production – the consumption of goods and services by households entails expenditure; such expenditure is income to firms – the employment of labour and other factors involving expenditure by firms. This expenditure is in the form of wages, salaries, interest, rent, profits.

5 marks

- (b)



7 marks

- (b) Injections are sources of expenditure which contribute to the flow of income, while withdrawals are sources of expenditure which causes leakage from the flow of income

- Injections include: Investment, Government Spending and exports
- Withdrawals include: savings, taxes and imports.

8 marks

Total 20 marks



**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
H E A D Q U A R T E R S**

**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
E X A M I N A T I O N ®**

E C O N O M I C S

P A P E R 0 3 / 2 – G e n e r a l P r o f i c i e n c y

S P E C I M E N P A P E R

K E Y A N D M A R K S C H E M E

MARK SCHEME AND KEY

- (1) (i) Cost, insurance and freight. (ii) Free on board.
- (2) Nominal values are money values measured at current prices while real values are money values corrected for inflation. (2)
- (3) The value of output produced in a country over a 12-month period per person. It is used to measure a country's standard of living. (2)
- (4) The statistics are measured in US dollars because the Barbadian currency is not traded internationally and there is a need to use an internationally converted currency for standardisation and to aid with comparisons between countries. (2)
- (5) The trade balance showed a persistent deficit rising steadily from 2001 to 2002. Thereafter it is estimated to worsen in 2003. The forecasts show an improvement between 2004 and 2005 and a marginal worsening in 2006. (5)
- (6) There is no change in the figures because Barbados has a fixed exchange rate against the US dollar. (1)
- (7) Benefits include an improved credit rating, opportunity cost of foreign debt payments, attractiveness of location for investment, stability and confidence in the economy or any other appropriate benefit. (2 each but maximum of 5)
- (8) Graph (3) Generally when inflation is rising, unemployment is falling except between 2002 and the estimate for 2003. (3)
- (9) The economy cannot afford a large public service given the economic structure. The wage bill accounts for a large proportion of government spending and it is important to reduce this to meet the targets set for the International Monetary Fund (IMF).
- (10) An appropriate statement outlining the comparison highlighting Barbados's growth position with Dominica's structural adjustment programme is required to show the differing position of the economies. (2 marks) Reason must be given. (2 marks each maximum of 6)
 - i. Management of the economy
 - ii. Investment in human capital
 - iii. Types of exports (primary vs services)
 - iv. Sensitivity to external factors
 - v. Natural disasters
 - vi. Population size and composition (skilled vs unskilled)
 - vii. Any other plausible economic reason

		P1	P2	P3
1	Correct definition 2 marks each. Maximum 4 Award 1 mark for partially correct definition	4		
2	Correct explanation of the difference between nominal and real values 2 marks. Partially correct 1 mark.	2		
3	Correct explanation of GDP 2 marks. Accurate explanation of how it is used 2 marks.	4		
4	Correct explanation in relation to Barbados not currently not trading internationally.		2	
5	Four marks for acceptable, accurate answer. Award marks for partially correct answers as appropriate.		4	
6	Barbados dollar is fixed to US dollar.		1	
7	Two marks for each benefit, but maximum of 5.		5	
8	Appropriate axes – Suitable scales. 1 mark. Figures on both axes appropriately labelled. 1 mark. Appropriate graph show. 2 marks Appropriate statement of relationship. <u>2 marks</u> Total 6 marks			6
9	Appropriate statements. 2x2 marks			4
10	Comparison _____ Reasons 2 marks each maximum of 6		2 6	
		10	20	10