



CARIBBEAN  
EXAMINATIONS  
COUNCIL

Caribbean Secondary  
Education Certificate®

# SYLLABUS

# ECONOMICS

CXC 36/G/SYLL 17

Effective for examinations from May–June 2019

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## NOTE TO TEACHERS AND LEARNERS

The Principles of Business Syllabus (CXC 36/G/SYLL 17) was revised in 2017  
for first examination in 2019.

Teaching is expected to commence on the revised syllabus in September 2018.

First Published in 2005

Amended 2013

*Revised 2017*

### PLEASE NOTE



This icon is used throughout the syllabus to represent key features which teachers and learners may find useful.

# 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:

1. is aware of the importance of living in harmony with the environment: has a strong appreciation of *family and kinship values*, community cohesion, and moral issues including responsibility for and accountability to self and community;
2. 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;
3. demonstrates a positive work *ethic*; and,
4. 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, learn to live together, *and learn to transform themselves and society*, 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 *economic concepts, principles and approaches*;
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 to enhance their study in other disciplines that include *economic concepts, principles and approaches*;
4. *develop an awareness of basic economic problems; and,*
5. develop an awareness and appreciation of economic issues peculiar to the region.

## ◆ GENERAL OBJECTIVES

On completion of the 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 critically analyse economic decisions made by policymakers;
5. demonstrate an awareness of the fact that economists hold differing views on some economic issues; and,
6. *understand the impact of globalisation and associated issues on the advancement of Caribbean Economies.*

## ◆ SKILLS AND ABILITIES TO BE ASSESSED

The assessment will test the following skills and abilities:

1. *Literacy and Numeracy/Communication*
  - (a) *jargon of the field, formulae, form and style relevant to the field, use of English;*
  - (b) recall, select, and use business-related theories, principles, concepts and methods; and,

- (c) develop reasoned expositions on theories and policies used in economics.
2. *Critical thinking and problem-solving*
- identify and analyse problems and formulate solutions.
3. *Interpretation*
- interpret data and draw logical conclusions.
4. *Research and statistics*
- (a) *gathering relevant data; and,*
  - (b) *using appropriate strategies to present them.*

## ◆ ORGANISATION OF THE SYLLABUS

The syllabus is arranged in *EIGHT* sections, sub-divided into specific objectives and corresponding content. *Sections 1–4 are related to Microeconomics and Sections 5–8 are related to Macroeconomics.*

SECTION 1	-	THE NATURE OF ECONOMICS
SECTION 2	-	PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION
SECTION 3	-	DEMAND AND SUPPLY
SECTION 4	-	MARKET STRUCTURE AND MARKET FAILURE
SECTION 5	-	THE FINANCIAL SECTOR
SECTION 6	-	ECONOMIC MANAGEMENT: POLICIES AND GOALS
SECTION 7	-	INTERNATIONAL TRADE
SECTION 8	-	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 teaching the syllabus. This time should include at least one double period.

## ◆ SUGGESTIONS FOR TEACHING THE SYLLABUS

*To facilitate students' attainment of the objectives of this syllabus, teachers are advised to note the guidelines listed below.*

1. The syllabus provides students with a grounding in economic *concepts, principles and approaches*. The major focus of the syllabus, however, is on the application of these *concepts, principles and approaches* to an understanding of economic issues and problems prevalent in countries of the Caribbean region. Although Section 8: **Caribbean Economies in a Global**

**Environment** is devoted entirely to the Caribbean, teachers should use opportunities throughout the syllabus to apply *concepts, principles and approaches to both Caribbean and global issues*.

2. *Develop lessons using themes that encompass topics from different sections of the syllabus. Therefore, during the delivery of instruction, teachers should highlight those topics that are repeated throughout the syllabus in order to indicate the relevance of the topic to the particular section.*
3. *Use a variety of methodologies, such as role plays, case studies, simulations, field trips, games and presentations by resource personnel. Practical assignments and discussions on topical issues should be used where possible.*
4. *Where physical examples are not feasible, teachers are advised to utilise the resources of the Internet and other electronic technologies.*

## ◆ CERTIFICATION

The **CSEC®** Economics syllabus will be examined only *at the May–June sitting*. 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/Comprehension, Application and Interpretation and Analysis. These profile dimensions are *explained* below.

## ◆ DEFINITION OF PROFILE DIMENSIONS

### 1. Knowledge/Comprehension

The ability to:

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

### 2. Application

The ability to:

- (a) apply economic concepts, principles and approaches; and,
- (b) apply economic concepts, principles, skills and approaches to solve economic problems in various situations.

### **3. 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.

## **◆ FORMAT OF THE EXAMINATIONS**

The examination consists of Paper 01, Paper 02 and Paper 031 (School-Based Assessment). Paper 032 (alternative to the School-Based Assessment) is offered to Private candidates as an alternative to the School-Based Assessment.

<b>PAPER 01</b> (1 hour 15 minutes) (60 marks)	A <i>multiple-choice test of 60 items testing the profile dimensions Knowledge/Comprehension, Application and Interpretation and Analysis in the ratio 1:2:1. The paper will sample proportionately, all sections of the syllabus as outlined below.</i>
<b>PAPER 02</b> (2 hours) (100 marks)	This paper will consist of 5 compulsory structured essay questions. Each question will be worth 20 marks and will test all 3 profile dimensions. Questions 1, 2 and 3 will be drawn from the microeconomic aspects of the syllabus (Sections 1–4), and Questions 4 and 5 will be drawn from the macro-economic aspects of the syllabus (Sections 5–8).
<b>PAPER 031</b> (SBA) (40 marks)	This component will focus on the assessment of the Knowledge/Comprehension, Application and Interpretation and Analysis profile dimensions in the syllabus, and will require candidates to apply critical thinking, problem-solving, communication, research, statistical and data interpretation skills to issues related to the discipline of business (see pages 2; 38–42).
<b>PAPER 032</b> (1 hour 30 minutes) (40 marks)	This paper is an alternative to the SBA and designed for private candidates. The paper will consist of a case study on an issue, topic or problem in economics. Candidates will be required to answer questions based on the case study. The questions will be pitched at the level of the profile dimensions Knowledge/Comprehension, Application and Interpretation and Analysis (see details on pages 43–44).

Distribution of Items for Paper 01 (Multiple Choice Test)		
Section No.	Section Title	No. of Items
<b>Microeconomics</b>		
1	The Nature of Economics	6
2	Production, Economic Resources and Resource Allocation	8
3	<i>Demand and Supply</i>	10
4	<i>Market Structure and Market Failure</i>	6
<b>Macroeconomics</b>		
5	The Financial Sector	6
6	Economic Management: Policies and Goals	8
7	International Trade	8
8	Caribbean Economies in a Global Environment	8
<b>TOTAL</b>		<b>60</b>

## ◆ WEIGHTING OF THE EXAMINATION COMPONENTS

The weighting of the *examination components* is shown below.

Profiles	PAPERS			TOTAL	Per cent
	Paper 01 <i>(Multiple-choice)</i>	Paper 02 <i>(Essay)</i>	Paper 03 <i>(SBA)</i>		
Knowledge/ Comprehension	20	30	10	60	30
Application	20	40	20	80	40
Interpretation and Analysis	20	30	10	60	30
<b>TOTAL</b>	<b>60</b>	<b>100</b>	<b>40</b>	<b>200</b>	<b>100</b>
<b>PER CENT</b>	<b>30</b>	<b>50</b>	<b>20</b>	<b>-</b>	<b>100</b>

## ◆ 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 Paper 01, Paper 02 and Paper 032 (the alternative to the School-Based Assessment).*

*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 a **MODERATED** score of 50 per cent or more of the 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 per cent 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.*

*Private candidates will be required to resit all components of the examination.*

## ◆ SECTION 1: THE NATURE OF ECONOMICS

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. define the term “economics”; **Economics as a Social Science:**
  - (a) the allocation of scarce resources and the creation of wealth;
  - (b) the production, distribution and consumption of goods and services; and,
  - (c) the behaviour, interactions and welfare of those involved in the process.
2. explain the branches of economics; **Branches of Economics:**
  - (a) Microeconomics; and,
  - (b) Macroeconomics.
3. explain the meaning of an economy; **An economy as a mechanism:**
  - (a) organisation of resources for production of goods and services; and,
  - (b) satisfaction of society’s needs and wants.
4. describe the main economic agents in an economy; **Main agents in an economy:**
  - (a) households;
  - (b) firms; and,
  - (c) Government.
5. explain the concepts of scarcity, choice and opportunity cost within an economy; **(a)** Concepts of scarcity, choice and opportunity cost, efficiency and inefficiency.  
**(b)** Distinguish between free goods and economic goods.

## SECTION 1: THE NATURE OF ECONOMICS (cont'd)

SPECIFIC OBJECTIVES	CONTENT
Students should be able to:	
6. <i>use the production possibility frontier to illustrate basic economic concepts, principles and approaches; and,</i>	(a) Illustration of Production Possibility Curve. (b) <i>Scarcity, choice, opportunity cost, shifts, efficiency and inefficiency.</i> (c) <i>Shifts of Production Possibility Curve (causes and illustration).</i>
7. <i>describe the main factors that affect the decisions made by economic agents.</i>	<i>Factors affecting the economic decisions of economic agents.</i>

### Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.

1. Place students in groups and give each group a set of variables, for them to discuss and then determine which variables are macroeconomic and microeconomic.
2. Draw diagrams to illustrate outward shifts and inward shifts as a result of the changing quality and quantity of resources peculiar to the production of one good.
3. Engage students in exercises with data in tables so that they can practise drawing production possibility frontiers (ppf) and calculating opportunity costs.

### RESOURCES

- Bahaw, E. and Mollick, W. *Comprehensive Economics for CSEC.* Caribbean Educational Publishers, 2008.
- Gopie, P. *Economics for CSEC Examinations.* MacMillan, 2010.
- Greenwood, R. and Cook, T. et al. *Economics for CSEC.* Cambridge University Press, 2007.
- Hosein, R. and Stanlake, G. *Longman Economics for CXC.* Pearson Education, 2005.
- Robinson, K. and Cooke, N. *Economics for CSEC with SBA, Study Guide and Exercises.* Carlong Publishers 2011.

## ◆ SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION

### SPECIFIC OBJECTIVES

Students should be able to:

1. *explain the difference between production and productivity;*
  - (a) Definition of production.
  - (b) Differences between production and productivity.
2. *describe the factors of production;* Factors of production: economic resources required to produce goods: (human and non-human).

Types of economic resources as factors of production:

- (a) land;
- (b) labour;
- (c) capital; and,
- (d) entrepreneurial talent.

Rewards of factors of production:

- (a) rent;
- (b) wages and salaries;
- (c) interest; and,
- (d) profit.

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)**

### **SPECIFIC OBJECTIVES**

Students should be able to:

### **CONTENT**

- (b) Labour:
  - (i) definition;
  - (ii) characteristics;
  - (iii) functions;
  - (iv) productivity;
  - (v) efficiency;
  - (vi) supply;
  - (vii) division of labour and specialisation; and,
  - (viii) advantages and disadvantages of division of labour and specialisation.
  
- (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.

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

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- |   |  |
|---|--|
| 3. <i>describe the main sectors in an economy;</i>                      | (a) <i>primary;</i><br>(b) <i>secondary; and,</i><br>(c) <i>tertiary.</i>  |
| 4. <i>explain the difference between short run and long run;</i>        | Differences between short run and long run.  |
| 5. <i>identify the costs associated with production;</i>                | Fixed, variable, total, average and marginal costs:<br><i>Definitions.</i>   |
| 6. <i>calculate the costs associated with production;</i>               | <i>Calculation of costs.</i>   |
| 7. <i>illustrate the curves associated with the cost of production;</i> | <i>Cost curves.</i>  |
| 8. <i>explain the difference between goods and services;</i>            | Goods (tangible) and services (intangible).  |
| 9. <i>explain the concept of resource allocation;</i>                   | Resource allocation: what to produce; how much to produce and for whom to produce.   |
| 10. <i>describe the main types of economic systems;</i>                 | Types of economic systems:<br><br>(a) traditional (subsistence farming, bartering);<br>(b) command or planned (socialist);<br>(c) free or capitalist (market); and,<br>(d) mixed (public and private sectors).<br><br>Characteristics of each economic system in relation to <b>ownership</b> of the factors of production, role of government and role of the private sector; how each economic system allocates resources. |

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

### SPECIFIC OBJECTIVES

Students should be able to:

11. discuss the merits and demerits of each economic system;
12. describe how firms operate under different market structures; and,
13. explain the concepts of economies of scale and diseconomies of scale.

### CONTENT

- 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.
- Types of business organisations in a free market.  
*How firms in general operate under different market structures as profit maximisers.*
- Concept of economies of scale:  
Technical, Marketing, Financial, Managerial, and Risk-bearing economies.  
*Control, communication and Industrial problems.*
- Concept of diseconomies of scale.  
Diminishing returns to scale.  
Social and economic benefits of producing goods in large quantities.

### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. Discuss with students about various forms of productive activities.
2. Either in groups or individually, let students select real-life activities, and identify and explain the processes involved including the factors of production needed for these activities. This should also cover division and specialisation of labour.
3. Let students describe activities to illustrate productivity of labour as well as the productivity of natural resources by having them compare the output per unit of these factors of production.
4. Guide students in the identification and discussion of specific productive activities in the three economic sectors (namely, primary, secondary and tertiary), in order to help them understand why these sectors are so defined.

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

5. *Discuss the two main types of production costs as well as examples of same with students. As a group or individual activity/project, let students select various manufacturing businesses in their country and identify and explain specific examples of the fixed and variable costs for these businesses.*
6. *Give students cases which include the presentation of numerical situations so as to enable them to calculate the values of the various measures of relevant costs as well as to enable them to derive the corresponding curves for the costs involved.*
7. *Engage students in discussions and exercises on real-life examples of goods and services. In these discussions and exercises, assist students in the classification of these goods and services into producer and consumer goods and direct and indirect services respectively.*
8. *Discuss with students the genesis, elements, advantages and disadvantages of the various forms of economic systems.*
9. *Arrange students into groups and assign them to conduct a research which requires them to choose a country and identify the economic system that exists in the country, and explain the features of this country that allow it to be described as such an economic system. This research should be followed by an in-class presentation and discussion.*
10. *Discuss with students the main features of the main forms of businesses.*
11. *Conduct field trips to expose students to real-life businesses in order to identify features.*
12. *Let students engage in research to identify examples of the various forms of businesses (including the activities involved in), in their countries and present their findings.*
13. *Discuss with students the concepts and examples of Economies and Diseconomies of Scale. Use specific businesses, some identified by students, to illustrate how these businesses may experience these Economies and Diseconomies of Scale. Visits to businesses could also enable students to observe and/or inquire about same.*

## RESOURCES

Bahaw, E. and Mollick, W.	<i>Comprehensive Economics for CSEC.</i> Caribbean Educational Publishers, 2008.
Gopie, P.	<i>Economics for CSEC Examinations.</i> MacMillan, 2010.
Robinson, K. and Cooke, N.	<i>Economics for CSEC with SBA, Study Guide and Exercises.</i> Carlong Publishers 2011.

## ◆ SECTION 3: DEMAND AND SUPPLY

### SPECIFIC OBJECTIVES

Students should be able to:

- | SPECIFIC OBJECTIVES   | CONTENT   |
|---|---|
| 1. explain the term “market”;   | Concept of a market:<br><br>(a) <i>as a situation where buyers and sellers communicate for the purpose of exchanging goods and services; and,</i><br><br>(b) <i>the elements of a market: buyer, seller, goods and services and price.</i>  |
| 2. identify the market forces;  | The market forces:<br><br>(a) <i>The forces of demand and supply.</i><br><br>(b) <i>Conditions, non-price factors, determinants of demand and supply.</i>   |
| 3. use diagrams to describe the relationship between price and demand and price and supply; | The relationship between price and quantity demanded, and price and quantity supplied:<br><br>(a) <i>the first two laws of demand and supply respectively; and,</i><br><br>(b) <i>the schedules and diagrammatic representations of demand curve and supply curves.</i>   |
| 4. explain the concept of ceteris paribus;  | The concept of ceteris paribus <i>and its use in illustrating the effect of price on demand and supply.</i>   |
| 5. explain the concept of market equilibrium and disequilibrium;                            | Market equilibrium:<br><br>(a) <i>equilibrium point – the point where the demand and supply curves intersect;</i><br><br>(b) <i>equilibrium price – price where quantity demanded is equal to the quantity supplied;</i><br><br>(c) <i>equilibrium quantities – consumer and supplier quantities are equal. No surplus, no shortage. (The 3rd Law);</i> |

### SECTION 3: DEMAND AND SUPPLY (cont'd)

#### SPECIFIC OBJECTIVES

Students should be able to:

- | SPECIFIC OBJECTIVES   | CONTENT   |
|---|---|
|   | <p>(d) schedules and diagrammatic representation of market equilibrium; and,</p> <p>(e) the effects of prices set below and above the equilibrium price respectively – use graphs and schedules.</p>  |
| 6. illustrate market equilibrium and disequilibrium;                                  | Diagrammatic representation of market equilibrium:<br><br>(a) schedules and graphs to illustrate the occurrences of shortages and surpluses respectively; and,  |
|   | (b) explain the effects of shortages and surpluses – price will rise towards the equilibrium or fall towards the equilibrium respectively.  |
| 7. use diagrams to explain the non-price determinants of demand and supply;           | The non-price determinants of demand such as income, taste, and size of population.<br><br>The non-price determinants of supply such as number of firms in the industry, producers consumption of his own good/service, and weather conditions for agricultural products.<br><br>Assume ceteris paribus for price and then explain how each non-price factor of demand can either increase or decrease demand and how each non-price factor of supply can either increase or decrease supply. |
| 8. illustrate how changes to the determinants affect equilibrium, price and quantity; | Diagrammatic representations and analyses of how changes to the determinants affect demand and supply curves.<br><br>Movements along demand and supply curves versus shifts of the curves.<br><br>Changes in market equilibrium occur when demand, supply or both shift. Consider also the effects of the shifts (the 4th and 5th laws of demand and supply) on price and quantity.   |

### SECTION 3: DEMAND AND SUPPLY (cont'd)

#### SPECIFIC OBJECTIVES

Students should be able to:

- | SPECIFIC OBJECTIVES   | CONTENT  |
|---|--|
| 9. explain the concept of price, <i>income and cross-price elasticities of demand</i> ;         | Price elasticity of demand:<br>(a) concept of price elasticity of demand and its determinants;<br>(b) concept of income and cross elasticity of demand <i>and their determinants</i> ; and,<br>(c) <i>measurements of each</i> . |
| 10. calculate the price, <i>income and cross-price elasticities of demand</i> ;                 | <i>Calculations using the simple formulae for price, income, and cross price elasticities.</i>   |
| 11. interpret the price, <i>income and cross-price elasticities of demand</i> ;                 | <i>Interpretation of calculations;</i><br><i>For example, for price elasticity of demand:</i><br><i>&lt;1 (inelastic), &gt;1(elastic), =1(unitary) and extremes, =0 and =infinity etc.</i>                                       |
| 12. outline the factors affecting price, <i>income and cross-price elasticities of demand</i> ; | Factors affecting price <i>income and cross-price elasticities of demand</i> .   |
| 13. explain the concept of price elasticity of supply;  | Illustration, by graphs, of elastic and inelastic demand.<br><br>Price elasticity of supply: what happens to quantity supplied following a change in price.  |
|   | Illustration, by graphs and tables, of elastic and inelastic supply.   |
|   | Illustration, by graphs and tables, of changes in conditions of demand and supply.   |
| 14. calculate price elasticity of supply;   | <i>Calculations of price elasticity of supply using the simple formula.</i>  |
| 15. interpret price elasticity of supply; and,  | <i>Interpretation of the results of calculations of price elasticity of supply using the simple formula.</i>   |
| 16. outline the factors affecting price elasticity of supply.                                   | <i>The factors affecting price elasticity of supply. Time is the greatest influence on price elasticity of supply.</i>   |

### **SECTION 3: DEMAND AND SUPPLY (cont'd)**

#### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Discuss with students the meaning of a market by allowing them to identify the various means by which persons engage in the exchange of goods and services, for example online/internet transactions.*
2. *Discuss with students the composition/participants of a market (namely, consumers and producers), and the influences on their behaviour, that is, their demand for and supply of goods and services respectively.*
3. *Discuss with students the price as well as the various non-price factors that influence the demand for and supply of goods and services. Seasonal products and indigenous products can be used as good examples.*
4. *Present students with a variety of price and non-price scenarios affecting demand and supply. In groups or individually, have them discuss, present and explain the effects, including shortage, surplus and changes, to equilibrium price and quantity. Students are to be able to illustrate these effects.*
5. *Discuss with students about consumers' responsive changes in demand to changes in the price of a good itself, their incomes and the prices of other goods. Use examples of specific goods and services in the students' environment to support the discussion. Allow students to discuss the extent of these responsive changes, so that they can more easily identify the various issues related to three forms of elasticity of demand. Ensure that during the activity students describe how these factors would affect the extent of producers'/firms' response to price changes.*
6. *Give students situations which require them to calculate and interpret the various types of price, income and cross-price elasticities of demand.*
7. *Let students select a variety of goods and services and identify their type of price, income and cross-price elasticities of demand based on their observations of consumers' response to changes in these variables.*

### **RESOURCES**

<i>Bahaw, E. and Mollick, W.</i>	<i>Comprehensive Economics for CSEC.</i> Caribbean Educational Publishers, 2008.
<i>Robinson, K. and Cooke, N.</i>	<i>Economics for CSEC with SBA, Study Guide and Exercises.</i> Carlong Publishers 2011.

## ◆ SECTION 4: MARKET STRUCTURE AND MARKET FAILURE

### SPECIFIC OBJECTIVES

Students should be able to:

1. define the term “market structure”;   
Definition of market structure.  
  
Market structure: behaviour 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.
  
2. describe the main types of market structures;   
Define main types of market structures:
  - (a) perfect competition;
  - (b) monopoly;
  - (c) oligopoly; and,
  - (d) monopolistic competition.  
Outline the characteristics of the main types of market structures *in terms of behaviour and performance of the firms in the industry*:
  - (a) number of buyers and sellers;
  - (b) types of goods;
  - (c) freedom of entry and exit;
  - (d) control over price;
  - (e) barriers to entry and exit in the long run; and,
  - (f) short run and long run equilibrium – including graphs.

*Advantages and disadvantages of each market structure.*

## SECTION 4: MARKET STRUCTURE AND MARKET FAILURE (cont'd)

SPECIFIC OBJECTIVES	CONTENT
Students should be able to:	
3. illustrate graphs related to the main market structures;	<i>Graphs related to short run and long run equilibrium showing profit maximising output, price and profit/loss.</i>
4. interpret graphs related to the main market structures;	<i>Interpret graphs related to the main market structures.</i>
5. define the term "market failure";	Definition of market failure.
6. outline the main causes of market failure; and,	Causes of market failure: (a) monopoly; (b) merit goods and public goods; and, (c) negative or positive externalities.
7. discuss the main consequences of market failure.	Consequences of market failure: (a) retrenchment; (b) unemployment; (c) economic depression; (d) rise in levels of poverty; (e) decline in provisions for societal welfare; and, (f) <i>micro consequences such as over or under pricing, inefficiency in production in terms of over or underproduction, and inefficient use of resources.</i>

## **SECTION 4: MARKET STRUCTURE AND MARKET FAILURE (cont'd)**

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Divide the class into groups and have each group study and make class presentation on a specific market structure.*
2. *Identify graphs related to short run and long run equilibrium showing profit maximising output, price and profit/loss, and engage students in the interpretation of these graphs.*
3. *Engage students in activities where they are expected to use data given to illustrate graphs related to the main market structures.*

### **RESOURCES**

<i>Bahaw, E. and Mollick, W.</i>	<i>Comprehensive Economics for CSEC.</i> Caribbean Educational Publishers, 2008.
<i>Greenwood, R. and Cook, T.</i>	<i>Economics for CSEC.</i> Cambridge University Press, 2007.
<i>Robinson, K. and Cooke, N.</i>	<i>Economics for CSEC with SBA, Study Guide and Exercises.</i> Carlong Publishers 2011.

## ◆ SECTION 5: THE FINANCIAL SECTOR

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain the concept of the Financial Sector;

### CONTENT

The Financial Sector: The complex mix or network of markets, households, businesses, governments, laws and institutions interacting with one another.

Economic activities that are not officially regulated and which take place outside the formal norms of business transactions.

2. discuss the role of the Financial Sector;

The role of the Financial Sector in mobilising and making loanable funds available from savers to spenders for consumption and investment purposes.

3. discuss the concept of money;

(a) Money as an item considered acceptable to be used as payment for goods and services, *and for settling debts*.

(b) *The steps in the development of money:* From bartering to modern forms of payments.

(c) The qualities of money:

(i) *acceptability*;

(ii) *scarce or limited in supply*;

(iii) *homogeneity*;

(iv) *divisibility*;

(v) *portability; and,*

(vi) *durability*.

(d) Four main functions of money.

(i) *as a medium of exchange*;

(ii) *as a store of value*;

(iii) *as a measure of value; and,*

(iv) *as a standard of deferred payments.*

## SECTION 5: THE FINANCIAL SECTOR (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- |   |  |
|---|--|
| 4. explain the concepts "demand for money" and "money supply";                                    | (a) <i>Demand for money: transactionary, precautionary, and speculative motives.</i><br><br>(b) Money supply: the total stock of money in the economy at any moment.<br><br>(c) <i>Supply of money in terms of M0, M1 and M2.</i>  |
| 5. describe the role of the Central Bank;   | Roles of the Central Bank <i>including its role in:</i><br><br>(a) <i>monetary policies:</i><br><br>(i) <i>interest rate;</i><br><br>(ii) <i>reserve requirement;</i><br><br>(iii) <i>open market operation; and,</i><br><br>(iv) <i>moral suasion.</i><br><br>(b) <i>supervising other financial institutions.</i>  |
| 6. describe the role of financial institutions and arrangements other than the Central Bank; and, | Roles of the following financial institutions:<br><br>(a) Commercial Bank;<br><br>(b) Stock Exchange;<br><br>(c) Credit Union;<br><br>(d) Development Bank;<br><br>(e) Insurance Company;<br><br>(f) Mutual Fund;<br><br>(g) Building Society;<br><br>(h) Investment Trust Company; and,<br><br>(i) Informal credit institutions (Sou Sou, Box, Partner, Sindicatos, Meeting Turns). |

7. explain the differences among the types of financial instruments.
- Financial instruments:
- (a) treasury bills, notes and bonds;
  - (b) corporate bonds;
  - (c) municipal bonds;
  - (d) equity securities;
  - (e) share and stock certificates; and,
  - (f) certificates of deposit.

## SECTION 5: THE FINANCIAL SECTOR (cont'd)

### Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.

1. Divide the class into groups of workers/consumers (Managers, supervisors and lower level workers), bankers, firms and the Government. Each firm is allocated money to pay workers in different pay scales. Workers/consumers go to different firms to purchase goods with different prices. Goods can be bought on credit, with borrowed funds or with cash. The remainder of the pay is deposited into the banks. The economic agents go to banks to borrow money for pre-determined high value products with repayment plans.
2. Organise a tour to the local Stock Exchange, or investment services institution. Where students can be exposed to financial instruments such as bonds and equities. Prepare a comprehensive worksheet or questionnaire to guide the students' engagement during the tour, and help them to research and write about the local Stock Exchange or a local Mutual fund.

### RESOURCES

- |                            |  |
|----------------------------|--|
| Bahaw, E. and Mollick, W.  | Comprehensive Economics for CSEC. Caribbean Educational Publishers, 2008.        |
| Greenwood, R. and Cook, T. | Economics for CSEC. Cambridge University Press, 2007.                            |
| Robinson, K. and Cooke, N. | Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011. |

## ◆ SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. discuss the role of government in stabilising the economy;
  - (a) Role of government in:
    - (i) *full employment;*
    - (ii) *price stability;*
    - (iii) *favourable balance of payment;*
    - (iv) taxation and expenditure;
    - (v) transfer policies; and,
    - (vi) *economic growth and development.*
  - (b) *Types of taxes: direct and indirect.*
2. explain the concepts, *principles and approaches* associated with economic policies and goals;
  - Definition and explanation of the following terms and concepts:
    - (a) national budget;
    - (b) national income;
    - (c) disposable income;
    - (d) national debt;
    - (e) fiscal policy;
    - (f) fiscal deficit;
    - (g) monetary policy;
    - (h) economic growth;
    - (i) economic development;
    - (j) developing economy;
    - (k) developed economy;
    - (l) balance of payments;

## SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

### SPECIFIC OBJECTIVES

Students should be able to:

SPECIFIC OBJECTIVES	CONTENT
	(m) GDP; (n) GNP; (o) employment; (p) unemployment; (q) inflation; (r) deflation; (s) savings; (t) investment; and, (u) <i>closed and open economies.</i>
3. discuss measures used to correct macro-economic problems in an economy;	<i>Use of government policies to correct problems such as inflation, unemployment, and recession.</i>
4. use diagrams to describe the concept of the circular flow of income;	(a) Flows of goods and services and factors of production between firms, households, and Government. (b) <i>Injections and withdrawals/Government linkages.</i>
5. discuss the differences among Gross Domestic Product (GDP), Gross National Product (GNP), and National Income (NI);	GDP: a measure of a country's output; GNP: a measure of a national's output; NI: the increase or decrease in the standard of living.
6. calculate Gross Domestic Product (GDP) and Gross National Product (GNP); National Income(NI);	<i>Calculation of GDP, GNP and NI.</i>
7. interpret Gross Domestic Product (GDP) and Gross National Product (GNP); National Income(NI);	<i>Interpretation of GDP, GNP and NI.</i>
8. explain the differences among nominal output, real output and potential output;	Nominal output, real output and potential output. <i>Include numerical examples.</i>

## **SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)**

### **SPECIFIC OBJECTIVES**

### **CONTENT**

Students should be able to:

- |  |  |
|--|--|
| 9. <i>explain the difference between economic growth and economic development;</i>                                     | Economic growth and economic development.  |
| 10. <i>explain the difference between inflation and recession;</i>   | Inflation and recession.   |
| 11. <i>discuss the main causes, consequences, and solutions associated with inflation and recession in an economy;</i> | The major causes and consequences of inflation and recession.<br>(a) Government's role in reducing inflation.<br>(b) Government's role in relieving recession.   |
| 12. <i>explain the different types of unemployment;</i>  | Types of unemployment:<br>(a) structural;<br>(b) cyclical;<br>(c) frictional;<br>(d) seasonal; and,<br>(e) real-wage.  |
| 13. <i>discuss the causes and consequences of, and solutions to the different types of unemployment; and,</i>          | (a) Causes and consequences of unemployment; and,<br>(b) Measures to reduce each type of unemployment.   |
| 14. <i>explain the role of trade unions in an economy.</i>   | The role of Trade Unions in <i>an economy as it relates to matters such as its advantages and disadvantages in:</i><br>(a) addressing wages and salaries, working conditions and working hour; and,<br>(b) creating real-wage unemployment in the labour market. |

## **SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)**

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Use the following game, or a similar one, to demonstrate an understanding of the circular flow of income:*

*Make a set of 'placards' printed on A4 paper so that they can be seen from across the room. Labels needed: households; firms; government; imports; savings; taxation; exports; investment; Government spending. Distribute the placards among the students, and as you do so, get the class to predict how each one will impact on the whole economy.*

*Give person A the household placard. Give person B the firms placard. Make A and B stand a couple of metres apart, ideally in the middle of the room.*

*Ask the class how A and B affect each other. Get them to describe flows of goods/services and factors of production, then get them to think about the corresponding flows of money. Represent each money flow with a piece of string held by A and B.*

*Get the class to predict what will happen if A saves; then instruct person C to hold the savings placard and to pull some of the "expenditure" string from A. Students should now try to explain what has happened to the length of string now going between A and B; and using the jargon of the discipline say what has happened to the size of the circular flow of income.*

*Adapted from: <https://www.tes.com/uk/>*

2. *Use appropriate scenarios like the one below, as examples of economic activities, to illustrate the differences between GDP and GNP.*

*A Belizean national living and working in St Vincent sends home most of his income to help take care of his family. Discuss whether this money forms part of the GDP or GNP of Belize or both.*

3. *Engage students in activities where they use economic data and formulae to derive GDP and GNP. The students should be asked to interpret the figures/results obtained; and the teacher should probe students as necessary, to encourage discussions on the economic implications of changes in GDP and GNP, such as whether they improved, deteriorated or remained constant. The appropriate use of economics jargon must be encouraged.*

4. *Teacher will outline examples of economic occurrences such as, 'There was a significant increase in the number of concrete houses built in St Vincent and the Grenadines in 2015 compared to 2014.'*

*Ask students to categorise each example as either economic growth or economic development. The teacher should also probe students as necessary, to encourage discussions on the implications of economic growth and economic development. The appropriate use of economics jargon must be encouraged.*

## **SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)**

5. *Place students in groups. Each group will be given a (printed) list of situations or scenarios about individuals who are not working and the reasons why.*

*Examples:*

- (a) *John, a final year college student, was visited yesterday by officers from the Population Survey Centre. They are presently collecting data in order to determine the current level of unemployment in the country, among other things.*
- (b) *Last Friday, the company for which Mary worked in St Lucia closed down. However, she has been assured of a job in Dominica when the business opens its new facility in the next three weeks.*

*The groups will analyse each situation and:*

- (i) *determine which individuals can be classified as unemployed (based on the definition of unemployment);*
- (ii) *categorise the unemployed persons under the specific types of unemployment; and,*
- (iii) *justify the decision taken in (ii).*

6. *Ask students to conduct a research in their communities to identify persons who are 'unemployed'. The research should help them to:*

- (a) *determine which individuals can be classified as unemployed (based on the definition of unemployment);*
- (b) *categorise the unemployed persons under the specific types of unemployment;*
- (c) *justify the decision taken in (b);*
- (d) *ascertain the causes of unemployment;*
- (e) *identify possible solutions to the different types of unemployment; and,*
- (f) *research solutions proposed in theory as well as those used in other contexts, and compare their findings with these solutions.*

*Students should make oral presentations to the class.*

7. *Engage students in an exercise to identify and analyse recent activities/negotiations between trade unions and government (locally and/or regionally). They will attempt to trace the economic (and social) impact of trade union representation on the labour market in the territory examined. Newspaper articles and trade union newsletters could be used as a source of current information for this activity.*

## **SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)**

8. *Invite a trade unionist to speak to students about trade union related issues. Help students to prepare a comprehensive instrument to guide their notetaking and question and answer session.*
9. *Engage students in a brainstorming activity to help them identify some of the macroeconomic problems in an economy. They will identify and critique some that are being experienced in their territory as well as the existing policy measures being used to address them. They should finally suggest and justify some additional or more appropriate policies that can be used to address these problems.*
10. *Engage students in a debate which requires them to analyse some of the policies outlined in the recent budget document by the Minister of Finance for their country, and discuss possible effects that each policy measure will have on economic stability.*
11. *Engage students in a class discussion on the key objectives of government policies that exist in their territories.*

## **RESOURCES**

- Gopie, P. *Economics for CSEC Examinations.* Macmillan Publishers, 2010.
- Robinson, K. and Cooke, N. *Economics for CSEC with SBA, Study Guide and Exercises.* Carlong Publishers 2011.

## **WEBSITES**

<https://www.youtube.com/watch?v=2PVwzSEUjil>

<https://www.youtube.com/watch?v=afEqMX9YGCY>

<https://www.tes.com/uk/>

## ◆ SECTION 7: INTERNATIONAL TRADE

### SPECIFIC OBJECTIVES

Students should be able to:

1. discuss the meaning of concepts *principles and approaches* associated with international trade; Definition of the following terms and concepts:
  - (a) balance of trade;
  - (b) current account;
  - (c) capital account;
  - (d) *net international reserves (NIR)*;
  - (e) balance of payments;
  - (f) balance of payments disequilibria;
  - (g) tariff;
  - (h) Common External Tariff (CET);
  - (i) quota (non-tariff barriers);
  - (j) exchange rate;
  - (k) exchange rate regimes; and,
  - (l) World Trade Organisation (WTO).
2. explain the rationale for international trade; The concepts of:
  - (a) *absolute advantage*;
  - (b) comparative advantage;
  - (c) gains from trade; and,
  - (d) factors that influence International Trade, including *terms of trade (the ratio between import and export price indices)*.
3. discuss the concepts, principles and approaches associated with balance of payments; Balance of payments as a balance sheet indicating all the international transactions with the rest of the world.  
  
Balance of Trade as the difference between the values of exports and imports of visibles.

## SECTION 7: INTERNATIONAL TRADE (cont'd)

SPECIFIC OBJECTIVES	CONTENT
Students should be able to:	
	Current Account, Capital Account and the Official Financing Account.
	Entries that would appear in the balance of payments account.
	Factors that give rise to surpluses.
	Factors that give rise to a deficit.
4. <i>*calculate balance of payments surpluses and deficits;</i>	Calculate surplus as excess of receipts over payments; deficit as excess of expenditure over receipts.
5. <i>interpret balance of payments surpluses and deficits;</i>	Explanation and articulation of the values for balance of payments surpluses and deficits.
6. <i>discuss the consequences of and remedies for balance of payments surpluses and deficits; and,</i>	Possible consequences of balance of payments surpluses and deficits. Possible remedies for balance of payments surpluses and deficits.
7. <i>discuss the concepts, principles and approaches associated with exchange rates.</i>	Factors that influence the level of an exchange rate. Fixed, Floating and Managed exchange rate regimes. Appreciation and depreciation of a currency. <i>Revaluation and devaluation.</i> Downward and upward adjustments to the value of a currency.

## **SECTION 7: INTERNATIONAL TRADE (cont'd)**

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

*Divide students into groups and assign each group to identify items such as clothes, food, cell-phones on sale in their territory. They should be encouraged to identify issues such as the source and cost of these items. They should then discuss the differences between those purchased abroad and those produced locally, as well as the advantages and disadvantages of purchasing from abroad and producing locally.*

### **RESOURCES**

- |                                   |   |
|-----------------------------------|---|
| <i>Bahaw, E. and Mollick, W.</i>  | <i>Comprehensive Economics for CSEC.</i> Caribbean Educational Publishers, 2008.        |
| <i>Greenwood, R. and Cook, T.</i> | <i>Economics for CSEC.</i> Cambridge University Press, 2007.                            |
| <i>Robinson, K. and Cooke, N.</i> | <i>Economics for CSEC with SBA, Study Guide and Exercises.</i> Carlong Publishers 2011. |

### **WEBSITES**

[http://boj.org.jm/uploads/pdf/papers\\_pamphlets/papers\\_pamphlets\\_balance\\_of\\_payments\\_made\\_simple.pdf](http://boj.org.jm/uploads/pdf/papers_pamphlets/papers_pamphlets_balance_of_payments_made_simple.pdf)

## ◆ SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

### SPECIFIC OBJECTIVES

Students should be able to:

1. *describe the main characteristics of Caribbean economies;* Main characteristics of Caribbean economies: market size, resources, nature of dependency.
2. *discuss the major economic challenges and possible solutions associated with Caribbean economies;* Economic problems associated with Caribbean economies.  
Benefits and costs of preferential tariff arrangements in light of discussions within the World Trade Organisation (WTO).  
Trade liberalisation in the context of the termination of all preferential tariff arrangements worldwide.  
Globalisation in the context of open competition on a world scale.  
The free movement of goods, capital, labour and technology.  
Effects of globalisation and trade liberalisation on firms, consumers and the sovereignty of territories.  
*Shocks: external, demand, and supply.*
3. *discuss the concepts, principles and approaches associated with Caribbean economies;* Definition and discussion 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;

## **SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)**

### **SPECIFIC OBJECTIVES**

Students should be able to:

- | <b>CONTENT</b>                                       |
|--|
| (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;                                      |
| (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. *explain the benefits and costs derived from the participation of CARICOM countries in preferential trade arrangements;* Definition and explanation of preferential tariffs including those offered by the European Union (EU).

## **SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)**

<b>SPECIFIC OBJECTIVES</b>	<b>CONTENT</b>
Students should be able to:	
5. <i>discuss the benefits to be derived from the Caribbean Single Market and Economy (CSME); and,</i>	Possible social and economic benefits to be derived from the free movement of capital, goods and labour within CARICOM.
6. <i>discuss the concepts, principles, approaches, and issues associated with e-commerce.</i>	<i>Concepts, principles and approaches associated with e-commerce or e-business.</i> <i>Benefits of e-commerce or e-business to an economy.</i>
	<i>Challenges of e-commerce or e-business in an economy.</i>

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Use appropriate scenarios like the one below, as examples of economic activities, to illustrate the possible social and economic benefits to be derived from the free movement of capital, goods and labour within CARICOM.*

*A Barbadian national living and working in St. Vincent sends home most of his income to help take care of his family. Discuss how arrangements and approaches such as CARICOM assist Caribbean economies.*

2. *Engage students in activities where they use economic data such as GDP and GNP to stimulate discussions on the economic implications of globalisation, trade arrangements, and international bodies such as World Bank, IMF, CSME. The appropriate use of economics jargon must be encouraged.*
3. *Teacher will outline examples of economic occurrences such as, 'There has been a significant increase in the number of items made in other Caribbean countries on the supermarket shelves in Jamaica.'*

*Ask students to suggest possible reasons for each example, and the teacher should also probe students as necessary, to encourage discussions on the implications of the occurrence both for the country of origin of the products as well as for Jamaica. The appropriate use of economics jargon must be encouraged.*

## **SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)**

### **RESOURCES**

- Bahaw, E. and Mollick, W.* *Comprehensive Economics for CSEC.* Caribbean Educational Publishers, 2008.
- Greenwood, R. and Cook, T.* *Economics for CSEC.* Cambridge University Press, 2007.
- Robinson, K. and Cooke, N.* *Economics for CSEC with SBA, Study Guide and Exercises.* Carlong Publishers 2011.

## ◆ GUIDELINES TO TEACHERS FOR THE CONDUCT OF SCHOOL-BASED ASSESSMENT IN BUSINESS STUDIES (PRINCIPLES OF ACCOUNTS, PRINCIPLES OF BUSINESS AND ECONOMICS)

School-Based Assessment (SBA) 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 associated with the subject. The activities for the School-Based Assessment are based on the syllabus and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During this course of study, students obtain marks for the competencies they develop and demonstrate in undertaking their SBA assignments. 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 the selection of assignments that are valid for the purpose of School-Based Assessment. The guidelines provided for the assessment of these assignments are intended to assist teachers in awarding marks that are reliable estimates of the achievement of students in the School-Based Assessment component of the course. In order to ensure that the scores awarded by the teachers are consistent with the Caribbean Examinations Council's standards, the Council undertakes the moderation of a sample of the SBA assignments submitted by the school.

School-Based Assessment provides an opportunity to individualise a part of the curriculum to meet the needs and interests of students. It facilitates feedback to the student at various stages of the experience. This helps to build the self-confidence of students as they proceed with their studies. The SBA also facilitates the development of *research and analytical skills*, and critical skills and abilities, emphasised by the subject and enhances the validity of the examination scores.

### RESEARCH PROJECT

The School-Based Assessment component of the *syllabuses in Business Studies* is a single guided research project for school candidates. The project should involve the manipulation of research data *including data collection, analysis and interpretation*. All activities selected must be within the law and must lend themselves to the collection of business data and application of business principles identified in the mark scheme.

*Students are required to investigate a topic, issue or problem in a business related area of study (Principles of Accounts, Principles of Business and Economics). Students should:*

1. *identify the issue, topic or problem to be investigated;*
2. *discuss the background of the issue, topic or problem;*
3. *state the objective of the investigation;*
4. *describe the methodology and instruments used to collect data;*
5. *present and analyse the data;*

6. state the conclusion based on findings;
7. make recommendations (at least two) based on the findings;
8. acknowledge sources (bibliography); and,
9. include appendices: questionnaire, source documents, diagrams, charts, interview questions and statistical data.

*Examples of possible organisations and areas for research:*

1. school's cafeteria and stationery shop;
2. snack shop at school events;
3. school projects (for Agriculture Science, Home Economics, TVET and Junior Achievement programmes);
4. income and expenditure statements;
5. business plans;
6. published financial reports such as those found in the business section of local newspapers, statistical reports including 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, budget speeches of Ministers of Finance or reviews of estimates of income and expenditure from Ministries of Finance;
7. economic information available on the internet (for example e-commerce);
8. events coordinated by students such as concerts and fashion shows; and,
9. sporting and other cultural clubs at school or in the community.

## SBA REQUIREMENTS

*Every candidate who enters for the CSEC® Economics examination must submit a project report. Students may work individually or in groups to gather the data. Each candidate must be identified on the report. The report should not exceed 1,000 words (not including appendices).*

*Wherever a report exceeds the maximum length by more than 10 per cent, the teacher must impose a penalty of 10 per cent of the score achieved on the project. On the report, the teacher should clearly indicate the original score – that is, the score before the deduction is made – the marks which are to be deducted, and the final score awarded after the deduction has been made.*

*Only the final score is to be indicated on the record sheets which are submitted to CXC® electronically via the SBA data capture module on the Online Registration System (ORS) on the Council's website. Students doing more than one subject in the Business cognate group (Principles of Accounts,*



***(Principles of Business, and Economics) should submit one SBA report based on a topic relevant to the subjects being taken by the student and which allows the student to utilise skills that are common and relevant to the field of Business.***

## **PROJECT REPORTS**

A student's report should be presented *electronically* and should comprise the following in the order prescribed below.

1. *Table of Contents*
2. *Topic, Issue or Problem*
3. *Objective of the project – (The objective should be related to the project topic, issue or problem and NOT the SBA)*
4. *Background to OR overview of the topic, issue or problem*
5. *Methodology – Data collection and instrumentation*
6. *Presentation and Analysis of Data*
7. Conclusion
8. *Recommendations*
9. *Bibliography*
10. *Appendices*

## **MARK SCHEME FOR RESEARCH PROJECTS**

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

*Knowledge and Comprehension (KC)* - 10 marks

*Application (A)* - 20 marks

*Interpretation and Analysis (IA)* - 10 marks

## MARK SCHEME FOR SCHOOL-BASED ASSESSMENT

PROJECT AREAS	PROFILE DISTRIBUTION			TOTAL
	Knowledge and Comprehension	Application	Interpretation and Analysis	
<b>Table of Contents</b> <ul style="list-style-type: none"><li>• Table of contents accurately links pages to content – <b>1 mark (KC)</b></li></ul>	1			1
<b>Topic/Issue/Problem</b> <ul style="list-style-type: none"><li>• Topic/issue/problem is clearly stated – <b>1 mark (KC)</b></li><li>• Topic/issue/problem accurately describes the project – <b>1 mark (KC)</b></li></ul>	2			2
<b>Objectives</b> <ul style="list-style-type: none"><li>• Objectives are clearly stated and linked to the topic/issue/problem – <b>1 mark (A)</b></li><li>• Objectives are realistic – <b>1 mark (A)</b></li></ul>		2		2
<b>Background/Overview</b> <ul style="list-style-type: none"><li>• Includes a description of the topic/issue/problem<ul style="list-style-type: none"><li>- Description includes the history – <b>1 mark (KC)</b></li><li>- Description includes the development – <b>1 mark (KC)</b></li></ul></li><li>• Establishes the need for research<ul style="list-style-type: none"><li>- Why/how is the topic/issue/problem important to student – <b>1 mark (A)</b></li><li>- Impact of topic/issue/problem on society – <b>1 mark (A)</b></li></ul></li></ul>	2	2		4
<b>Methodology</b> <ul style="list-style-type: none"><li>• Data collection instrument clearly described – <b>1–2 marks (KC)</b></li><li>• Data collection instrument appropriate for type of data – <b>1 mark (A)</b></li><li>• Included at least two instruments of data collection – <b>1 mark (A)</b></li><li>• Method of data collection clearly described – <b>1–2 marks (A)</b></li><li>• Method of data collection adequately justified – <b>1–2 marks (IA)</b></li><li>• Limitations of data collection method clearly stated – <b>1–2 marks (A)</b></li></ul>	2	6	2	10

PROJECT AREAS	PROFILE DISTRIBUTION			TOTAL
	Knowledge and Comprehension	Application	Interpretation and Analysis	
<b>Presentation and Analysis of Data</b> <ul style="list-style-type: none"><li>• Data is presented in an appropriate form using tables, charts, graphs – <b>1–2 marks (KC)</b></li><li>• Data presented are relevant to the objectives of the project – <b>1–2 marks (A)</b></li><li>• Data is adequately analysed – <b>1–2 marks (A)</b></li><li>• Data is analysed using appropriate statistics – mean, median, mode – <b>1–2 marks (IA)</b></li><li>• Findings are consistent with analyses – <b>1–2 marks (IA)</b></li></ul>	2	4	4	10
<b>Conclusion</b> <ul style="list-style-type: none"><li>• Conclusion succinctly summarises the project – <b>1–2 marks (A)</b></li><li>• Conclusion is logical and based on findings – <b>1–2 marks (A)</b></li></ul>		4		4
<b>Recommendation</b> <ul style="list-style-type: none"><li>• Recommendations are realistic and informed by findings – <b>1–2 marks (IA)</b></li><li>• Recommendations contribute to a better understanding of the topic/issue/problem – <b>1–2 marks (IA)</b></li></ul>			4	4
<b>Bibliography</b> Bibliography contains names of authors, name of publisher(s), names and dates of publication, and are written in alphabetical order – <b>1 mark (KC)</b>	1			1
<b>Overall presentation</b> <ul style="list-style-type: none"><li>• Consistently uses correct spelling and grammar – <b>1 mark (A)</b></li><li>• Expression of ideas logical and unambiguous – <b>1 mark (A)</b></li></ul>		2		2
<b>TOTAL</b>	10	20	10	40

## MANAGEMENT OF THE PROJECT

School-Based Assessment tasks should be completed in the course of normal teaching time and supervised and marked by the teacher. Although some of the data collection and research work must be undertaken outside of normal school time, the teacher must be satisfied that the work submitted for assessment is the student's own work.

The teacher must:

1. provide assistance to students in the selection of projects;
2. advise students of the nature of the task, the scope and depth required to fulfill the requirements of the SBA;
3. advise on the availability of resource materials;
4. monitor students' progress by advising them of the quality of their work and by recommending ways to improve the quality of the project;
5. collect and grade students' projects;
6. keep records of students' marks and submit these, together with samples of their work, as requested by CXC®; and,
7. ensure that the SBA guidelines are closely followed and the marking criteria are adequately met.

## ◆ GUIDELINES TO TEACHERS FOR THE ALTERNATIVE TO SCHOOL-BASED ASSESSMENT

The Alternative to the School-Based Assessment in CSEC® Economics (Paper 032), *is for private candidates and takes the form of a written examination in lieu of the school-based assessment for school candidates. This paper will be weighted in the same way as the Paper 031 (SBA) for school candidates, as shown in the table below, and will focus on the same skills as outlined for Paper 031 (See page 5).*

Knowledge/ Comprehension	Application	Interpretation and Analysis	Total Marks	Percentage of Total Exam
10	20	10	40	20

Paper 032 consists of 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 economic issues and problems presented in the form of a case study. In order to prepare adequately for Paper 032, candidates are advised to practise how to conduct a research project and write a report as listed below and in the guidelines for Paper 031 on pages 38-40.

Questions will normally test candidates' ability to:

1. *Identify and select an economic issue, topic or problem to be investigated;*
2. *prescribe appropriate methodology to investigate the issue, topic or problem;*
3. *describe appropriate instrument(s) to gather data relevant to the issue, topic or problem;*
4. *present data in qualitative and/or quantitative formats (graphs, charts, tables, maps, diagrams as well as prose);*

5. explain data presented in task (3);
6. interpret data as they relate to the problem or issue in task (1);
7. state findings (at least three statements); and,
8. make two or more recommendations based on findings. *These should include measures to implement them.*

**Please note that candidates taking Paper 032 are NOT required to submit a report on a project.**



## ◆ GLOSSARY OF ECONOMIC TERMS

TERM	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.
<i>Economic Development</i>	<i>A qualitative concept which includes economic growth, but is more than growth as it includes the overall increase in the standard of living and a reduction in poverty.</i>
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.
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.

TERM	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 everyone 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.
Time Deposits	Also referred to as term deposits. This is an interest-bearing deposit that can be legally withdrawn only after notice is given. (To avoid confusion, just define Term Deposits rather than linking it specifically to being synonymous with Savings deposits. This is not standard across the banking sector. Some savings deposits are not term deposits.)
Scarcity	<b>Scarcity</b> needs to be defined as the central problem in Economics arising from economic resources being unable to meet unlimited wants. The current definition is more suited to a shortage.

TERM	CONCEPT
	N.B. A shortage can be solved by adjusting the market but scarcity can never be solved only managed as the problem of unlimited wants will always be a factor in all economies.
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.
Spending	Money given out in payment for goods or services.  <b>Discretionary Spending</b> – 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.  <b>Mandatory Spending</b> – spending required by law or by the rules governing schemes like pensions or disability benefits.
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	A payment compulsorily collected from individuals or firms by central or local government.  <b>Direct tax</b> – 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.  <b>Indirect tax</b> – 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.
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 EXAMINATION TERMS

<u>WORDS/TERMS</u>	<u>DEFINITIONS/MEANINGS</u>
account for	present reason for action or event
annotate	add a brief note to a label
apply	use knowledge of principles to solve problems
assess	present reasons for the importance of particular structures, relationships or process
calculate	arrive at the solution to a numerical problem
classify	divide into groups according to observable characteristics
comment	state opinion or view with supporting reasons
compare	state similarities and differences
construct	use a specific format to make and draw a graph, histogram, pie chart or other representation using data or material provided or drawn from practical investigations, build (for example, a model), draw scale diagram
deduce	make a logical connection between two or more pieces of information; use data to arrive at a conclusion
define	state concisely the meaning of a word or term
demonstrate	show; direct attention to...
describe	provide detailed factual information of the appearance or arrangement of a specific structure or a sequence of a specific process
determine	find the value of a physical quantity
design	plan and present with appropriate practical detail
develop	expand or elaborate an idea or argument with supporting reasons
diagram	simplified representation showing the relationship between components.
differentiate	state or explain briefly those differences between or among items which can be used to define the items or place them into separate categories.
discuss	present reasoned argument; consider points both for and against; explain the relative merits of a case
draw	make a line representation from specimens or apparatus which shows an accurate relation between the parts

<b><u>WORDS/TERMS</u></b>	<b><u>DEFINITIONS/MEANINGS</u></b>
estimate	make an approximate quantitative judgement
evaluate	weigh evidence and make judgements based on given criteria
explain	give reasons based on recall; account for
find	locate a feature or obtain as from a graph
formulate	devise a hypothesis
identify	name or point out specific components or features
illustrate	show clearly by using appropriate examples or diagrams, sketches
investigate	use simple systematic procedures to observe, record data and draw logical conclusions
label	add names to identify structures or parts indicated by pointers
list	itemise without detail
measure	take accurate quantitative readings using appropriate instruments
name	give only the name of
note	write down observations
observe	pay attention to details which characterise a specimen, reaction or change taking place; to examine and note scientifically
outline	Give basic steps only
plan	prepare to conduct an investigation
predict	use information provided to arrive at a likely conclusion or suggest a possible outcome
record	write an accurate description of the full range of observations made during a given procedure
relate	show connections between; explain how one set of facts or data depend on others or are determined by them
sketch	make a simple freehand diagram showing relevant proportions and any important details
state	provide factual information in concise terms outlining explanations
suggest	offer an explanation deduced from information provided or previous knowledge. (... a hypothesis; provide a generalisation which offers a likely explanation for a set of data or observations.)
test	to find out, following set procedures

**Western Zone Office**

**7 April 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

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

**SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**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.

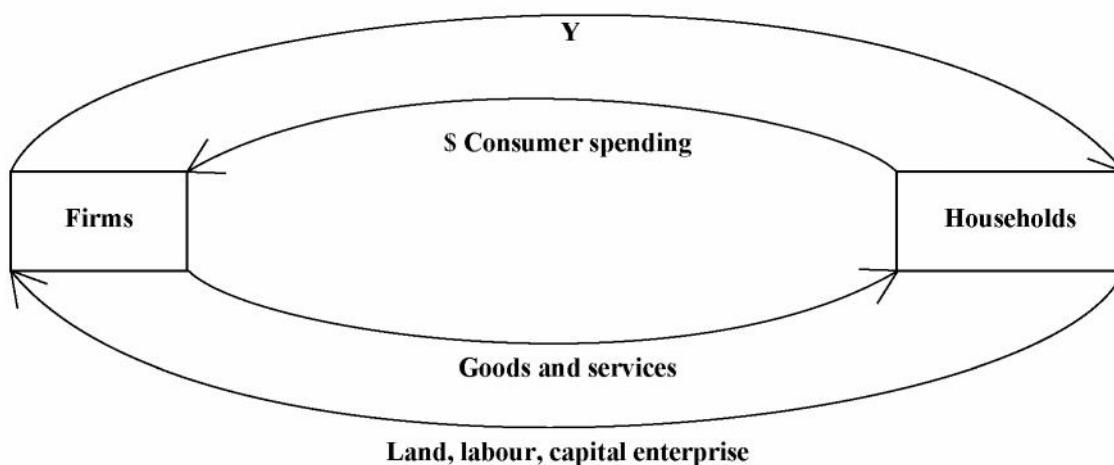
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1. Economics may be described as a “social science” since it deals with
- (A) the environment  
(B) human behaviour  
(C) the economy  
(D) production and consumption
2. All of the following will cause an outward shift of the production possibility 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?
- 
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
- (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

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

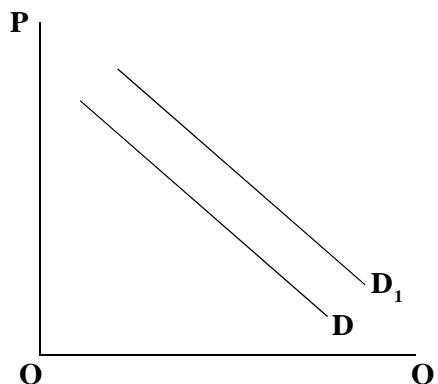
15. The following extract appeared in the daily newspaper of a country:

*“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 D<sub>1</sub>?

- (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

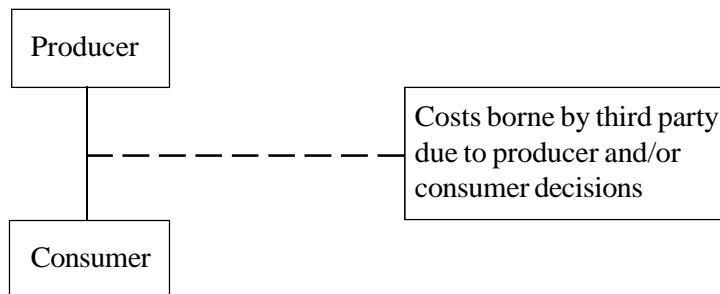
17. The table below shows consumer behaviour with respect to tins of sardines.

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

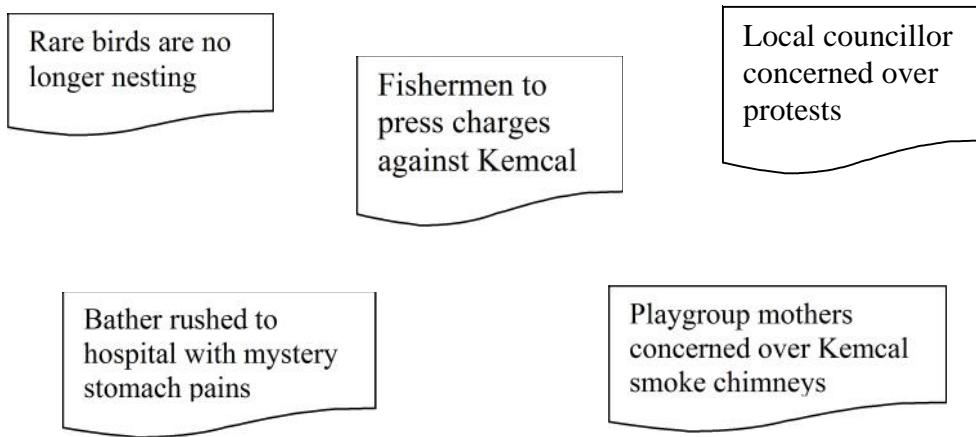
The price elasticity of demand for sardines as the price increases is

- (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?

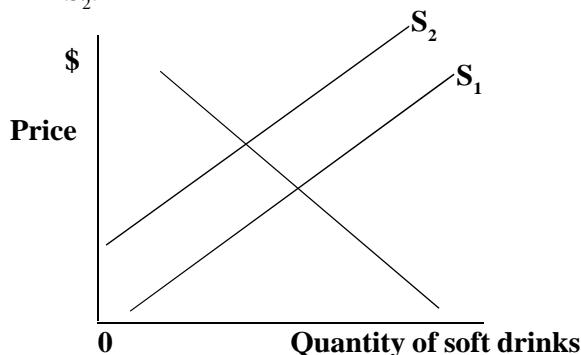
- (A) Monopoly
- (B) Imperfect information
- (C) Negative externality
- (D) Positive externality

- 20.** A movement along the demand curve results from a change in
- taste
  - supply
  - income
  - price
- 24.** A situation where quantity demanded exceeds quantity supplied at a given price indicates
- surplus
  - shortage
  - equilibrium
  - excess supply

- 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 monopoly
  - a perfect competition
  - a monopolistic competition
  - an oligopoly

- 22.** Which of the following could increase the price elasticity of supply of a product?
- A change in consumer preferences
  - An increase in the price of complements
  - An increase in income
  - 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?

- An increase in the advertising of soft drinks
- A fall in the price of sugar
- A rise in the wages of workers in the soft drink industry
- An increase in incomes

**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?

- \$5
- \$7
- \$8
- \$9

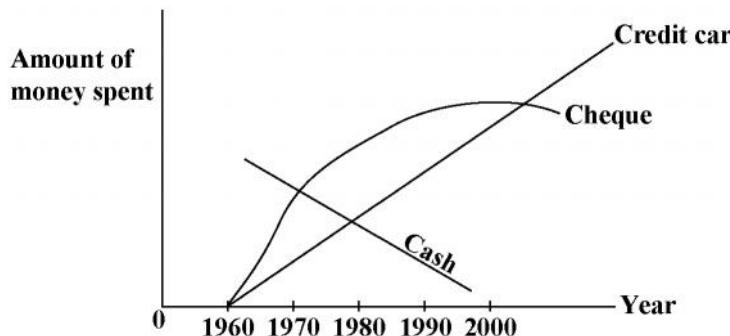
- 26.** If the price of good X rises and as a result there is a fall in the demand for good Y, then

- goods X and Y are substitutes
- the demand for good Y is price inelastic
- the demand for good Y is price elastic
- 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

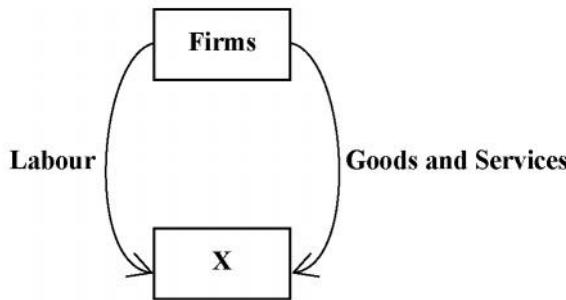
35. Given that other factors do not change, what can be concluded about the standard of living of the citizens of Sea Island?
- (A) It has declined.  
(B) It has remained steady.  
(C) It has improved.  
(D) It has not improved.
- 
36. Henry Money has been unemployed for three months even though the 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?

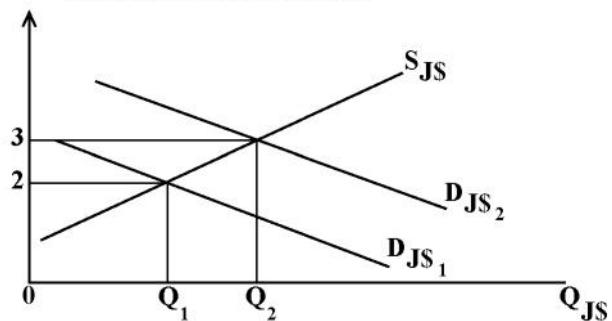
- (A) Increasing interest rates
- (B) Reducing interest rates
- (C) Reducing government expenditure
- (D) Increasing government expenditure

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.

Price of J\$ in terms of US\$



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  $D_{J\$_1}$  to  $D_{J\$_2}$ ?

- (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?

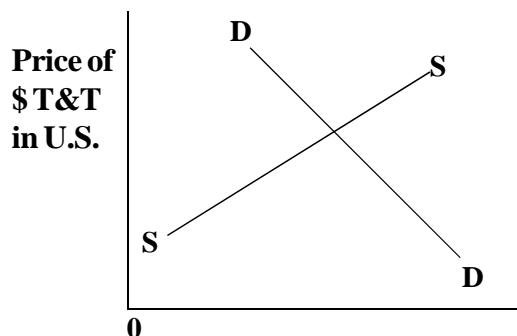
- (A) The government balance
- (B) The investment balance
- (C) The labour balance
- (D) The capital balance

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

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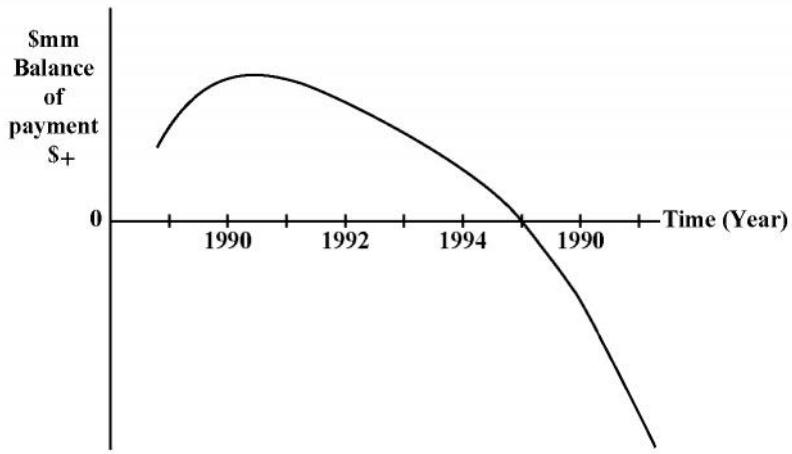
**Item 45** refers to the following diagram which shows the demand and supply curves of the market for the Trinidad and Tobago dollar priced in US dollars.



- 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.

**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.

- 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

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

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.

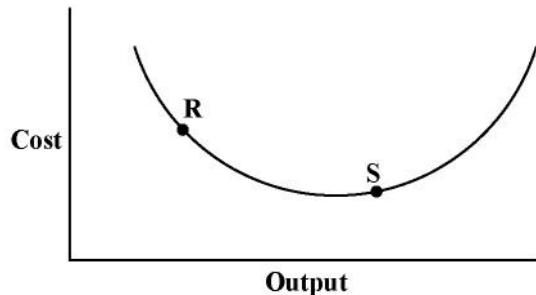
Total Output	Average Cost \$	Total Cost \$
500	200.00	1000.00
1000	150.00	1500.00
1500	125.00	1875.00

**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

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**SPECIMEN PAPER 2008**

<b>Item No.</b>	<b>Key</b>	<b>Syllabus Reference</b>	<b>Profile</b>
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

<b>Item No.</b>	<b>Key</b>	<b>Syllabus Reference</b>	<b>Profile</b>
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
77	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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SUBJECT ECONOMICS – Paper 02

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SCHOOL/CENTRE NUMBER					

NAME OF SCHOOL/CENTRE	

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

DATE OF BIRTH

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**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.

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**(1 mark)**

- (b) (i) Moving from combination A through E in Table 1, state if opportunity cost is decreasing, increasing or constant.

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**(1 mark)**

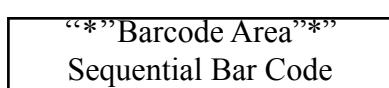
- (ii) State the maximum amount of sugar that can be produced if 40 000 tons of bananas are produced.

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**(1 mark)**

- (iii) State TWO factors that would cause the curve identified in (a) above to shift inwards.

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**(2 marks)**

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- (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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**(2 marks)**

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

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**(2 marks)**

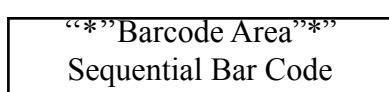
- (d) Explain TWO factors that should be considered before opening an internet cafe.

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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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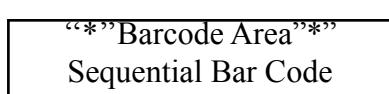
**(1 mark)**

(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**

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

Use the information in Table 2 to calculate

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

**(2 marks)**

- (ii) the marginal cost for the 4<sup>th</sup> unit of output.

**(4 marks)**

**Total 15 marks**

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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)**

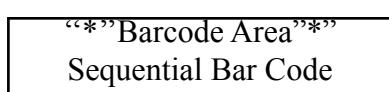
(c) Describe TWO disadvantages that may accrue to a Caribbean country if it moves from a fixed exchange rate to a floating exchange rate system.

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**(6 marks)**

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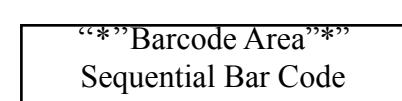
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- (d) Analyse ONE benefit of using devaluation to correct a balance of payments problem.

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(4 marks)

**Total 15 marks**



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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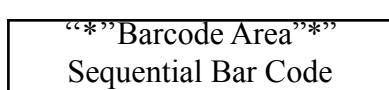
(3 marks)

- (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**

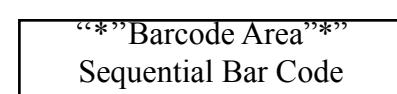
Category	Value (millions of \$)
Exports	300
Government spending	300
Wages and salaries	900
Buildings and equipment	500
Rentals	200
Imports	400
Consumption	900

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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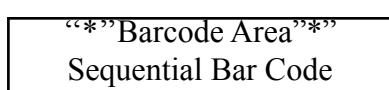
**(2 marks)**

- (b) List THREE types of financial institutions.

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**(3 marks)**

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- (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

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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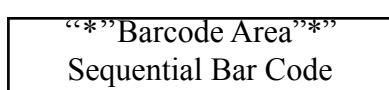
(2 marks)

- (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)

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- (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.

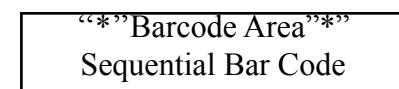
**(5 marks)**

**Total 20 marks**

**END OF TEST**

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SUBJECT: ECONOMICS – Paper 02

PROFICIENCY: GENERAL

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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 mark	1	
(b)	(i) Decreasing <b>Stating correct type of cost</b>	1 mark	1	
	(ii) 0 tons of sugar <b>Stating correct amount of sugar</b>	1 mark	1	
	(iii) Emigration, depletion of renewable resources, natural disasters, fall in productivity, technology loss. <b>For each factor listed</b>	1 mark	2	
(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> <b>For identification of position</b> <b>For explanation (2x2)</b>	1 mark 1 mark		
(d)	<ul style="list-style-type: none"><li>• <u>Costs</u> associated with providing the service of the internet cafe to the customers to determine how much should be charged.</li><li>• <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></li><li>• <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></li><li>• <u>The market demand for the product to determine the revenue that can be generated per customer.</u></li></ul> <b>For each factor listed</b> <b>For each factor developed into an explanation (2x3)</b> 2 marks	1 mark 2 marks	6	
			5	6
				4

**Economics**  
**Paper 02 - General Proficiency**  
**Keys and Mark Scheme**

**Question 2**

S.O: 2.3, 2.7, 2.12, 2.17

	KC	IA	APP
(a) (i)	<p><u>The network of organizations</u> designed by countries to solve the economic problem and promote development</p> <p><b>For a complete definition</b>                            2 marks <b>For a partial definition</b>                            1 mark</p>	2	
(ii)	<p>Goods that have <u>already been produced</u> that are in turn used to produce other goods and services.</p> <p><b>For a complete definition</b>                            2 marks <b>For a partial definition (2x2)</b>                    1 mark</p>	2	
(b)	<p>The response will come from the following equipment, buildings, and machinery.</p> <p><b>For a correct example</b>                                1 mark</p>	1	
(c)	<ul style="list-style-type: none"><li>• <u>Risk-bearing economies</u>. The person can form a company and issue shares and <u>access loans easier</u> from expanding into a restaurant taking the risk of operations from a sole trader.</li><li>• <u>Purchasing economies</u>. A person can buy in bulk because the restaurant would be catering to more customers and discounts can be obtained from <u>bulk purchases causing cheaper inputs</u>.</li><li>• <u>Managerial economies</u>. It is cheaper to manage a larger workforce than a smaller workforce because the <u>fixed cost of a manager is spread over a larger production level</u>.</li></ul> <p><b>For identifying each economy of scale.</b>                    1 mark <b>For applying the economy of scale to the movement of a small food stall holder to a restaurant.</b> (2 marks) = 3 marks each x 2 = 6 marks</p> <p><b>Explanations can also come from financial, technical and marketing economies</b></p>	6	
(d) (i)	$ACT = \frac{TC}{Q} = \frac{45}{3} = \$15$		
(ii)	<p>MC = Total cost at output level 4 less total cost at output level 3 = 68 - 45 = \$23</p> <p>1 mark for working 1 mark for correct answer = 2 x 2 = 4 marks</p>	4	
		5	6
			4

**Economics**  
**Paper 02 - General Proficiency**  
**Keys and Mark Scheme**

**Question 3**

S.O: 6.1, 6.7, 6.9, 6.16

	KC	IA	APP
(a) (i) The <u>increase in the value of one country's currency against another country's currency under a fixed exchange rate system</u>	2		
For a complete definition For a partial definition	2 marks 1 mark		
(ii) An exchange rate system where the <u>government/central bank steps in to ensure that the exchange rate only fluctuates between an upper and lower limit under a floating exchange rate system.</u>	2		
For a complete definition For a partial definition	2 marks 1 mark		
(b) Quota or embargo (periodically)	1		
For correct protectionist measure	1 mark		
(c)			
• <u>Uncertainty in the value of the exchange rate on any given day as it adjusts daily to demand and supply conditions.</u>			
• <u>Difficulty in making estimates or projections on future earnings as floating exchange rate can be volatile.</u>			
• <u>Loss in foreign exchange value earnings between the date of invoice and the receipt of payment because of every day movements in the rate of exchange.</u>			
For stating a disadvantage For the description of the disadvantage	1 mark each 2 marks each $2 \times 3 = 6$ marks		6
(d) Devaluation makes <u>import prices more expensive and export prices cheaper</u> so this should cause an improvement in the balance of trade once the demand for imports is elastic and the demand for exports elastic			4
For stating the benefit For the development of the benefit analysis	1 mark 3 marks		
	5	6	4

**Economics**  
**Paper 02 - General Proficiency**  
**Keys and Mark Scheme**

**Question 4**

S.O: 5.2, 5.5

	KC	IA	APP
(a) Economic goals refer to the <u>economic objectives that a government wishes to achieve</u> during the course of its activities.			
	For an excellent definition For a partial definition	2 marks 1 mark	2
(b) The responses will include:			
	<ul style="list-style-type: none"><li>• Reduce unemployment</li><li>• Reduce inflation</li><li>• Promote economic growth</li><li>• Have a stable balance of payments</li><li>• Have a stable exchange rate</li></ul>		3
	For a listing of each objective (3x1)	1 mark each	
(c) • <u>It ignores income distribution</u> (1 mark)			6
	<ul style="list-style-type: none"><li>- 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.</li></ul>	(2 marks)	
	<ul style="list-style-type: none"><li>• <u>GDP is measured in numbers so it does not take account of the quality of life of the people.</u> (1 mark)</li></ul>		
	<ul style="list-style-type: none"><li>- GDP can be high while the majority of the people may not have access to good sanitation, water, electricity and medical facilities.</li></ul>	(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			4
	For inclusion of each element of GDP. For inclusion of 1 incorrect element For inclusion of more than 1 incorrect element.	3 marks 2 marks 0 marks	
	For correct GDP value	1 mark	
	5	6	4

**Economics**  
**Paper 02 - General Proficiency**  
**Keys and Mark Scheme**

**Question 5**

S.O: 4.4, 4.6, 4.10, 4.6

KC	IA	APP
(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>	2	
For a complete definition For a partial definition	2 marks 1 mark	
(ii) The <u>ordinary shares</u> in a company entitling the <u>owner to receive dividends as part of the profit.</u>	2	
For a complete definition For a partial definition	2 marks 1 mark	
(b) The responses will come from the following: <ul style="list-style-type: none"><li>• Credit Union,</li><li>• Insurance Company,</li><li>• Commercial bank,</li><li>• Central banks,</li><li>• Trust company, and</li><li>• Development bank</li></ul>	3	
For each correct listing. (3x1)	3 marks	
(c) <u>Positive contribution</u>		
<ul style="list-style-type: none"><li>• 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.</li><li>• It <u>reduces the support government</u> may have to provide to maintain <u>those classified as being poor</u>.</li><li>• Offers <u>employment opportunities</u> especially to those without high _____ skills.</li></ul>		
For stating a benefit Clear and adequate analysis of how the informal sector benefits the financial sector (Partial analysis of the benefit)	1 mark 3 marks 1-2 marks)	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

		KC	IA	APP
(a)	<ul style="list-style-type: none"><li>• Gifts from family,</li><li>• Grants,</li><li>• Overseas scholarships,</li><li>• Charity,</li><li>• Donations</li></ul>			
	<b>Identification of each example of a transfer (3x1)</b>	3		
(b) (i)	Investment income refers to <u>interest, profits and dividends earned by residents of a country from their investments abroad.</u>			
	<b>For an excellent definition</b>	2 marks		
	<b>For a partial definition</b>	1 mark		
(ii)	Balance of payments disequilibrium occurs when there is a <u>divergence between the amount of foreign exchange coming into the country and the amount of foreign exchange leaving the country.</u>			
	<b>For an excellent definition</b>	2 marks		
	<b>For a partial definition</b>	1 mark		
(c)	<ul style="list-style-type: none"><li>• <u>Export prices become more expensive</u> which can cause a fall in quantity demanded for exports <u>causing layoffs</u> in the export industries and a <u>loss in foreign exchange earnings</u>.</li><li>• <u>Import prices fall</u> relatively which may cause an increase in quantity demanded of imported goods which can <u>worsen the balance of trade</u>,</li><li>• <u>Terms of trade improves</u> as the country can <u>now buy more imports with what it receives for exports initially</u>.</li></ul>			
	<b>A listing of the effect</b>	1 mark each		
	<b>A development of the effect</b>	3 marks each		
	<b>Partial development (1x4)</b>	1-2 marks each		
				8



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# FORM TP 2016

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

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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**

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



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**ECONOMICS**

**PAPER 03/2 – General Proficiency**

**SPECIMEN PAPER**

**KEY AND MARK SCHEME**

## **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
<b>1</b>	Correct definition 2 marks each. Maximum 4 Award 1 mark for partially correct definition	4		
<b>2</b>	Correct explanation of the difference between nominal and real values 2 marks. Partially correct 1 mark.	2		
<b>3</b>	Correct explanation of GDP 2 marks. Accurate explanation of how it is used 2 marks.	4		
<b>4</b>	Correct explanation in relation to Barbados not currently not trading internationally.		2	
<b>5</b>	Four marks for acceptable, accurate answer. Award marks for partially correct answers as appropriate.		4	
<b>6</b>	Barbados dollar is fixed to US dollar.	1		
<b>7</b>	Two marks for each benefit, but maximum of 5.		5	
<b>8</b>	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
<b>9</b>	Appropriate statements. 2x2 marks			4
<b>10</b>	Comparison _____ Reasons 2 marks each maximum of 6		2 6	
		<b>10</b>	<b>20</b>	<b>10</b>



TEST CODE **01216020**

**FORM 01216020/SPEC 2005**

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

## 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]

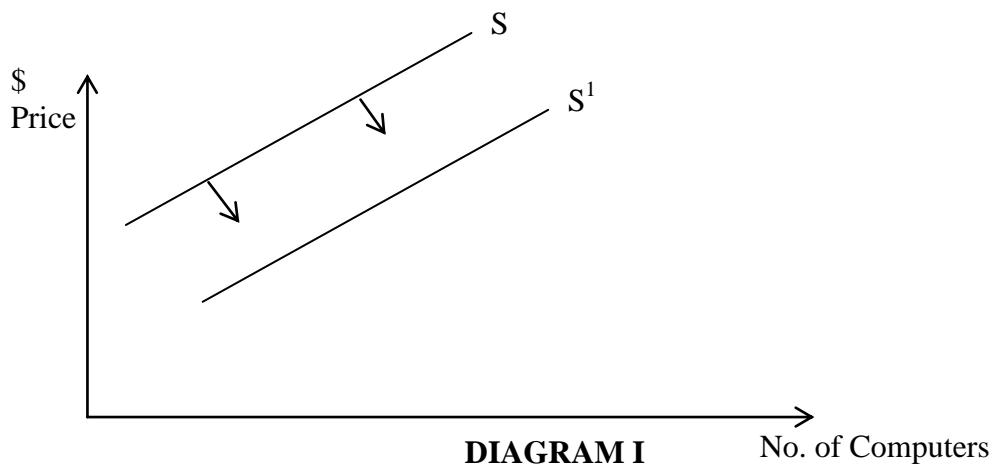
(b) With the aid of a diagram, explain the effects of an increase in the price of bananas on the quantity of bananas demanded.

[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  $S^1$ , 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.

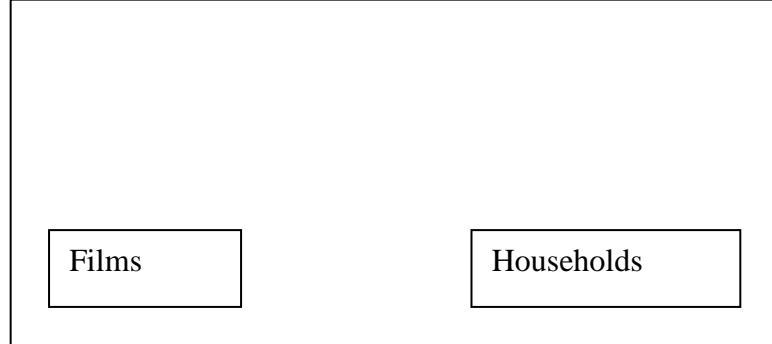
[6 marks]

**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

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ECONOMICS

Paper 03/2 – General Proficiency

*1½ hours*

Specimen

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2. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.
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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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*Adapted from: Barbados Business Monitor International e/f=BMI estimate/forecast*

**Answer ALL questions.**

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( 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.

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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



**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  
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**ECONOMICS**

**PAPER 02 – General Proficiency**

**SPECIMEN PAPER**

**KEY AND MARK SCHEME**

**ECONOMICS  
PAPER 02 – GENERAL PROFICIENCY  
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**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

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(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 government's 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

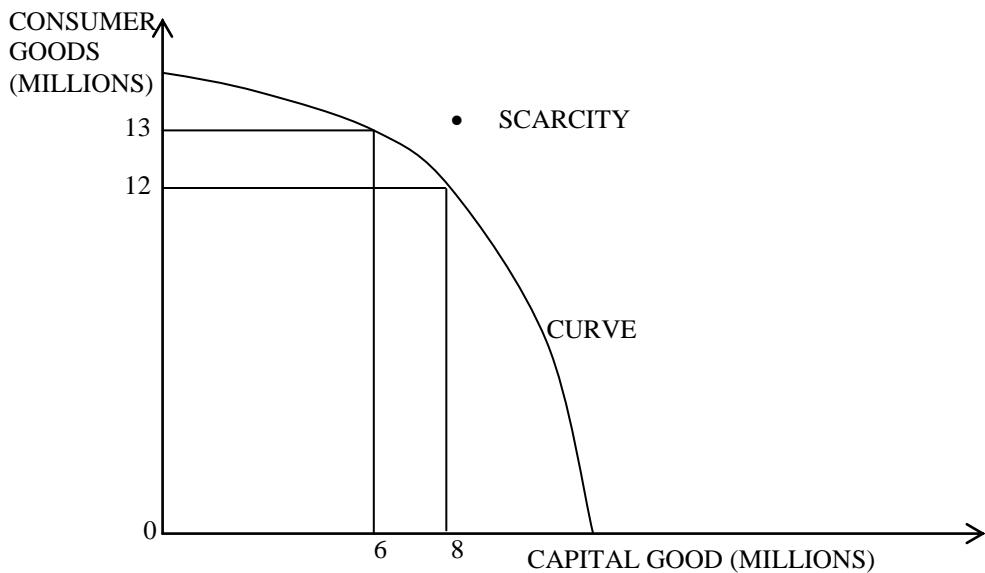
2 marks

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- (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 <sup>(1)</sup>. From the diagram above, it can be assumed that people are likely to want more <sup>(1)</sup>, 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 <sup>(1)</sup>. It also shows that the economy has to make choices <sup>(1)</sup>, 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**

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**Question 4**

- (a) Factors of production refer to the ingredients/economic resources needed for any production process to take place. 2 marks
- |                                 |                |
|---------------------------------|----------------|
| <b>(b)</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 form whom to buy given income levels
  - Prices are determined by forces of demand and supply

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**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**

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**SECTION B**

**Question 5**

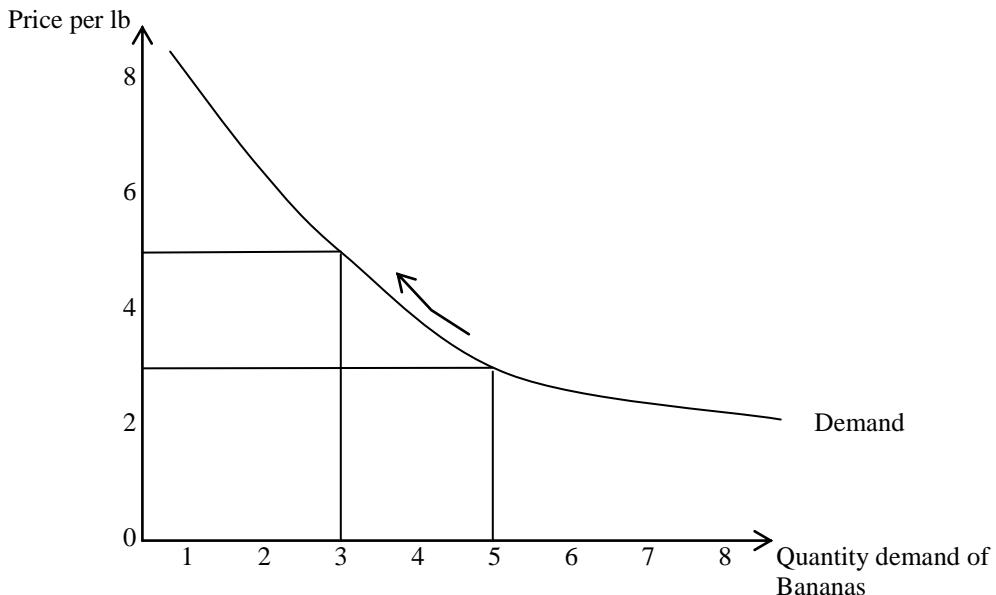
- |         |  |   |
|---------|--|---|
| (a)     | A general rise in price levels   | 2 marks   |
| (b)     | <ul style="list-style-type: none"> <li>• Loss of purchasing power</li> <li>• Distortion of business decisions</li> <li>• Decline in standards of living</li> </ul> | 1 mark each<br><span style="float: right;">2 marks</span> |
| (c) (i) | <ul style="list-style-type: none"> <li>• A fall in GDP</li> <li>• A decline in price</li> </ul>  |   |
|         | (ii) A decline in employment levels  | 13 marks  |
| (d)     | Fiscal measures  |   |
|         | <ul style="list-style-type: none"> <li>• Tax incentives to the affected productive sectors</li> <li>• Subsidies</li> <li>• Any other measures</li> </ul>           | <span style="float: right;">3 marks</span>                |

**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. | <span style="float: right;">4 marks</span> |

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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  $S_1$ .

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**

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**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) | <ul style="list-style-type: none"> <li>• Globalization refers to the integration and interdependence of the world economy.</li> </ul>                               | (2 marks)        |
|         | <ul style="list-style-type: none"> <li>• Trade liberalization entails reduction and eventual removal of trade barriers.</li> </ul>                                  | (2 marks)        |
| (ii)    | <ul style="list-style-type: none"> <li>• Caribbean growth can be stymied unless these states are able to effectively compete with the rest of the world.</li> </ul> | (2 marks)        |
|         | <ul style="list-style-type: none"> <li>• If growth is hampered, development will also be hampered since it is dependent on economic growth.</li> </ul>              | (2 marks)        |
|         | <ul style="list-style-type: none"> <li>• Given the above, if Caribbean economies contract, then employment will decline sharply.</li> </ul>                         | (2 marks)        |
|         | <ul style="list-style-type: none"> <li>• Adverse balance of payments are likely to result in terms of there being deficits.</li> </ul>                              | (2 marks)        |
|         | $(3 \times 2)$  | 6 marks          |
| (c)     | <ul style="list-style-type: none"> <li>• Broaden the base of the economies so that each economy is supported by multiple sub-sectors.</li> </ul>                    |                  |
|         | <ul style="list-style-type: none"> <li>• Enhance the efficiency of current sectors.</li> </ul>  |                  |
|         | <ul style="list-style-type: none"> <li>• Provide attractive incentives for industrial growth.</li> </ul>  |                  |
|         | <ul style="list-style-type: none"> <li>• Create downstream industries.</li> </ul>   |                  |
|         | <ul style="list-style-type: none"> <li>• Unite economically ala the CSME etcetera.</li> </ul>   |                  |
|         | $(2 \times 3)$  | 6 marks          |

**Total 20 marks**

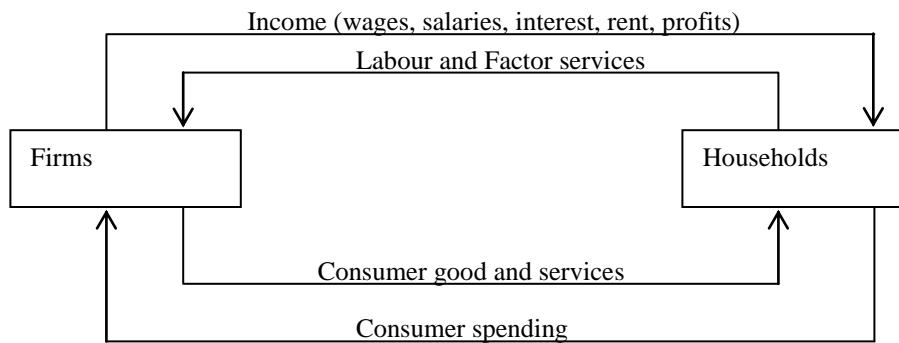
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**Question 8**

- (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 ®**

**ECONOMICS**

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## **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
<b>1</b>	Correct definition 2 marks each. Maximum 4 Award 1 mark for partially correct definition	4		
<b>2</b>	Correct explanation of the difference between nominal and real values 2 marks. Partially correct 1 mark.	2		
<b>3</b>	Correct explanation of GDP 2 marks. Accurate explanation of how it is used 2 marks.	4		
<b>4</b>	Correct explanation in relation to Barbados not currently not trading internationally.		2	
<b>5</b>	Four marks for acceptable, accurate answer. Award marks for partially correct answers as appropriate.		4	
<b>6</b>	Barbados dollar is fixed to US dollar.	1		
<b>7</b>	Two marks for each benefit, but maximum of 5.		5	
<b>8</b>	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
<b>9</b>	Appropriate statements. 2x2 marks			4
<b>10</b>	Comparison _____ Reasons 2 marks each maximum of 6		2 6	
		<b>10</b>	<b>20</b>	<b>10</b>



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