INSTRUCTIONS
1. This paper has **FOUR Sections. ANSWER ALL QUESTIONS.**
   - **SECTION A**  Producers’ Decisions  45 Marks
   - **SECTION B**  Consumers’ Decision  30 Marks
   - **SECTION C**  The Market  25 Marks
   - **SECTION D**  The Tongan Economy  100 Marks
2. Write your [Student Personal Identification Number (SPIN)] on the top right hand corner of this page and on the last page.
3. Follow instructions and answer all questions in the spaces provided in this booklet with blue or black ballpoint pen.
4. For calculation questions, show ALL necessary workings or otherwise marks will be deducted.
5. Check that this booklet contains **2-35** pages in the correct order that pages 33-34 are blank.

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

TOTAL MARKS 200
SECTION A  PRODUCERS’ DECISIONS  45 MARKS

QUESTION 1  (14 marks)

1. From the point of view of a producer, complete the table below to identify the appropriate economic term that is associated with the following phrases or situations regarding production of a particular product. Use one economic term only once.

<table>
<thead>
<tr>
<th>Phrases or Situations</th>
<th>Economic Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>A person who can plan and take risks</td>
<td></td>
</tr>
<tr>
<td>Delivering goods and services to consumers</td>
<td></td>
</tr>
<tr>
<td>Reduction in average cost as a result of increasing production</td>
<td></td>
</tr>
<tr>
<td>Converting inputs into outputs</td>
<td></td>
</tr>
<tr>
<td>Process of creating more capital goods</td>
<td></td>
</tr>
</tbody>
</table>

(5 marks)

2. Classify the following local organisations into Primary, Secondary or Tertiary Production.

University of the South Pacific at ‘Atele ______________________________
Prema & Sons Limited ______________________________
Fuko Fishing Company Limited ______________________________

(3 marks)

3. Explain clearly the interdependent relationship between Primary, Secondary and Tertiary Production. You can use an example if possible.

____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

(3 marks)
4. Apart from maximising profit, a producer also aims at maximising sales revenue.

a) Identify TWO (2) ways of how to maximise sales revenue.
______________________________________________________________________
______________________________________________________________________
(2 marks)

b) Identify ONE (1) other aim or goal of a producer apart from maximising profit and sales revenue.
______________________________________________________________________
(1 mark)

QUESTION 2 (22 marks)

1. Read the passage below carefully and answer the questions that follow.

The Story of Mr. Feinga Jr

At the age of 17, his father passed away leaving him 8 acres of land, a tractor and other farming tools. Since he is the eldest, he dropped out of school and start growing squash for export with a small loan from the Tonga Development Bank at an interest rate of only 5% per annum – he named his business after his dad as Feinga Export & Trading. During the harvest season, he employed mostly parents and pay for the school fees of their children as their wages. At the end of the second year, production increased by 20% compared to the first year.

After 5 years, he registered his business as Feinga Export Co. Ltd where his uncles Paula and Semisi contributed money to pay for this expansion. They are the one who advised him to change ownership to escape the risk of unlimited liability. At the end of the first year, 50% of the profit was distributed between the three of them – a great reward for their collective efforts.

In 2010, Mr FeingaJr won the national award for the “Young Entrepreneur of the Year” and all the guests were amazed of his determination leading to his success – actually he followed the meaning of his name – “Feinga”. With the money from the award, he is planning to buy a fishing boat for Tuna fishing.
i) Complete the table below with reference to information from the passage on page 3.

<table>
<thead>
<tr>
<th>Factor of Productions (FOP)</th>
<th>Factor Income</th>
<th>Example of FOP from the Passage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Man-made Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial Resources</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(4 marks)

ii) Identify the appropriate **Economic Terms** for the following as they appear in the passage.

a) Feinga Jr, Paula and Semisi as owners of Feinga Export Co. Ltd

b) 50% of profit distributed to the owners of Feinga Export Co. Ltd

(2 marks)

iii) Identify the appropriate **Form of Business Ownership** for the following as they appear in the passage.

a) Feinga Export & Trading

b) Feinga Export Co. Ltd

(2 marks)

iv) Identify TWO (2) **advantages** of Feinga Export Co. Ltd over the former business Feinga Export & Trading.

a) __________________________________________

b) __________________________________________

(2 marks)
v) Explain clearly the meaning of the term \textbf{unlimited liability}.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

(2 marks)

2. Define the following economic terms with examples from the passage above.

a) \textbf{Specialisation} __________________________________________________________

Example from the passage.
______________________________________________________________________

b) \textbf{Productivity} __________________________________________________________

Example from the passage.
______________________________________________________________________

c) \textbf{Renewable resources} __________________________________________________

Example from the passage.
______________________________________________________________________

(6 marks)

3. Explain how specialisation would affect productivity.
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

(2 mark)
4. Classify the following decisions made by Feinga into the major economic decisions of What? How? and For Whom to produce?

   i) Should we export squash to Japan or Korea?

   ii) Should we use fertilizer or animal manure?

(2 marks)

QUESTION 3 (9 marks)

1. Currently, the Five Star Group of Companies operates businesses in Finance where you can borrow money, Hiring of Equipment and Construction.

   a) Is this an example of a Vertical Integration or Horizontal Integration?

      (1 mark)

   b) Give a reason for your choice in a) above.

      (1 mark)

   c) Identify ONE (1) advantage for the integrated Five Star Group of Companies as shown above.

      (1 mark)
2. Complete the table below to identify the type of **Tertiary Services** that provide the following services to businesses. The first one has been done as an example.

<table>
<thead>
<tr>
<th>Services Provided</th>
<th>Tertiary Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver workers to and from the workplace</td>
<td>Transport</td>
</tr>
<tr>
<td>Preparation and filing of income tax return</td>
<td></td>
</tr>
<tr>
<td>Facilitate “electronic funds transfer at point of sale”</td>
<td></td>
</tr>
<tr>
<td>Provide market research for your business</td>
<td></td>
</tr>
</tbody>
</table>

(3 marks)

3. In terms of providing finance for businesses, describe the following **type of finance**.

a) Bank Overdraft

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

b) Lease

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

(2 marks)

4. Identify ONE (1) advantage of **Centralized Management Control**.

________________________________________________________________________
________________________________________________________________________

(1 mark)
SECTION B

CONSUMERS’ DECISIONS  30 MARKS

QUESTION 1  (12 marks)

1. Suppose Sam’s aunty gave him $1,000 for his birthday. Sam wishes to buy a video game worth $590 and a return ticket to Australia worth $1,200.

a) Identify an **economic term** that will summarise Sam’s situation above.

_______________________________________________________

(1 mark)

b) Describe the **economic term** you identified in 1. a) above with evidence from the passage.

_______________________________________________________

_______________________________________________________

_______________________________________________________

(1 mark)

c) If Sam bought the video game, what is the value of the second best alternative foregone as a result of this decision?

_______________________________________________________

(1 mark)

2. Now, Sam changes his mind and wanted to buy his mum the latest washing machine from Courts but it costs $1,600. He has three options to do this:

- **Option 1** – Save the $1,000 in a Bank to earn interest
- **Option 2** – Hire purchase
- **Option 3** – Lay by

a) What is the relationship between saving and interest rate?

_______________________________________________________

_______________________________________________________

(1 mark)
b) Explain to Sam how a **Hire Purchase** and a **Lay by** work.

**Hire Purchase**

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

**Lay by**

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

(2 marks)

c) Which **option** (1, 2 or 3) do you recommend Sam to take if he wanted to buy her mum the washing machine tomorrow? Give a reason for your answer.

**Option** ______

Reason:

______________________________________________________________________

______________________________________________________________________

(1 mark)

3. In order to make good effective economic decisions or choices, consumers need to follow certain steps.

a) Identify TWO (2) factors that can influence how consumers make choices.

i) _______________________________________________________________

ii) _______________________________________________________________

(2 marks)
b) There are SIX (6) steps for **making good effective economic decisions**. The last step (Number 6) has been done for you. Complete the table below by writing number 1 to 5 so as to identify the steps involved in making good effective economic decisions.

<table>
<thead>
<tr>
<th>Steps</th>
<th>Description of Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td><strong>Evaluate consequences</strong></td>
</tr>
<tr>
<td></td>
<td>Identify what needs to be achieved – the goal</td>
</tr>
<tr>
<td></td>
<td>Decide on the best alternative</td>
</tr>
<tr>
<td></td>
<td>Identify factors that will make it difficult to achieve your goal</td>
</tr>
<tr>
<td></td>
<td>Rank the identified alternatives in order of effectiveness – from best to worst</td>
</tr>
</tbody>
</table>

(3 marks)

**QUESTION 2**

(18 marks)

1) Use the information below to answer the questions that follow

Patty (land owner) and Fatty (a farmer) mutually agree to enter into a contract with the conditions that:

- Fatty to use Patty’s 8 acres of land for cropping purposes only for a period of 8 years and pay Patty a lease of $5,000 annually.
- This contract will be ended at any time upon agreement of both parties or proof of breach of a contract.

This contract was signed by both parties, witnessed and signed by a registered lawyer.

a) **With evidence** from the passage above, identify the **existence** of the following principles of a contract.

i) **Offer and acceptance**

(1 mark)
ii) Consideration

(1 mark)

b) Why is it important for the registered lawyer to witness and signed the contract?

(1 mark)

c) Explain clearly the meaning of “breach of a contract”.

(1 mark)

d) Is the lease paid in this contract an earned income or unearned income? Give a reason for your answer.

Earned income or Unearned income

Reason

(1 marks)

2. Describe the following economic terms as they relate to insurance.

a) Insurable interest

b) Surrender value

(2 marks)
3. Suppose your friend Sarah is having problem with her spending. She came to you with the following information.

| Income: | Wages $600, Remittances $200 and Rent $200 |
| Expenses: | Food $300, Loan repayment $200, P.A.Y.E $50, Entertainment $150, Donation $100, Saving for a new hair dryer $100. |

a) Use the information given to prepare a Budget for Sarah. Use the format below and take note of the following:

- Write the amounts in the allocated shaded areas
- The number of spaces under each headings does not mean that they are to be filled
- When balancing Sarah’s budget, circle Deficit or Surplus

<table>
<thead>
<tr>
<th>SARAH'S BUDGET</th>
<th>$</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LESS EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Variable Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BUDGET BALANCE Deficit or Surplus</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(5 marks)
b) What will be the value of Sarah’s Net Wages or Take-home Pay? Show ALL working

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

(1 mark)

c) Based on the balance of Sarah’s budget, recommend to Sarah ONE (1) way of how to balance her budget.

______________________________________________________________________
______________________________________________________________________

(1 mark)

d) When Sarah is having enough money to buy the new hair dryer, explain to her the concept of Let the Buyer Beware as a principle of wise buying.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

(2 marks)

e) As basic rules of wise buying, what do you mean by the following:

i) Impulse buying

______________________________________________________________________
______________________________________________________________________

ii) Always buy from the Right Place

______________________________________________________________________
______________________________________________________________________

(2 marks)
SECTION C     THE MARKET     25 MARKS

QUESTION 1                      (10 marks)

1. Below are economic terms related to Money.

<table>
<thead>
<tr>
<th>Divisible</th>
<th>Means of deferred payments</th>
<th>Stable in value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store of value</td>
<td>Medium of exchange</td>
<td>Standard of value</td>
</tr>
<tr>
<td>Legal tender</td>
<td>Scarce</td>
<td>Acceptable</td>
</tr>
</tbody>
</table>

Identify the appropriate economic terms that is being described in each of the situations below.

a) Borrowing money from a friend. ________________

b) The utmost advantage of making payments by cheque. ________________

c) Enable selling and buying goods and services. ________________

d) Important for recording transactions. ________________

e) Can be used for many times without losing its value. ________________

f) Fijian dollar cannot be used unless converted into Pa’anga ________________

(6 marks)

2. Define the following economic terms relative to the theory of demand and supply.

a) **Excess supply**

______________________________________________________________________
______________________________________________________________________

(1 mark)

b) **Law of demand**

______________________________________________________________________
______________________________________________________________________

(1 mark)

c) **Change in supply**

______________________________________________________________________
______________________________________________________________________

(1 mark)
d) **Price ceiling**

______________________________________________________________________

(1 mark)

**QUESTION 2** (15 marks)

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

<table>
<thead>
<tr>
<th>Market Schedule for Lobster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price ($ per Kg)</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>5.00</td>
</tr>
<tr>
<td>8.00</td>
</tr>
<tr>
<td>10.00</td>
</tr>
<tr>
<td>12.00</td>
</tr>
</tbody>
</table>

a) Do you think a fisherman would sell his lobster at $12 per kg given the market schedule above? Give a reason for your answer.

**Yes or No**

Reason

______________________________________________________________________

(1 mark)

b) If it cost $6.00 to produce 1 kg of lobster, how much **profit** or **loss** made at **equilibrium**? Show all your workings.

Profit or Loss $ ________________

(2 marks)
c) If you are to draw a supply curve using the market schedule on page 15, explain the shape of your supply curve.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

(2 marks)

d) Explain clearly how the following events would affect equilibrium quantity of lobster.
   
   i) The government has extended the period for fishing lobster.
     
      ____________________________________________________________________
      ____________________________________________________________________

      (2 marks)

   ii) Discovery of a new market in New Zealand for lobster.
      
      ____________________________________________________________________
      ____________________________________________________________________

      (2 marks)

2. Identify the likely effect (increase, decrease or no effect) of the following events on the equilibrium price of Bread.

   a) Price of electricity decrease ________________________________

   b) Price of cakes dropped ________________________________

   c) Price of jam increase ________________________________

   d) Price of tomato sauce increase ________________________________

      (4 marks)

3. Explain clearly the economic situation that will occur as a result of the government setting a maximum price.

      ____________________________________________________________________
      ____________________________________________________________________
      ____________________________________________________________________

      (2 marks)
1. **Economic Systems** is the way an economy or country organises its resources to answer or solve the economic decisions of WHAT, HOW and FOR WHOM to produce.

   a) Identify the **economic system** that is being referred to in each description below.

      i) Production is not for commercial purposes.

      ii) Strong drive for production of investment goods.

      iii) Demand and supply forces determine the economic decisions.

   (3 marks)

   b) Give an **example of the existence** of the following economic systems here in Tonga.

      i) Free market economic system

      ii) Mixed economic system

   (2 marks)
c) Give ONE (1) characteristic of the following economic systems.

i) Command economic system

ii) Traditional economic system

(2 marks)

2. Tonga is said to be a dependent and a developing country.

a) Identify ONE (1) way of how we can reduce our dependency on imported food products.

(1 mark)

b) Identify TWO (2) reasons why Tonga is said to be a developing country.

i) ________________________________________________________________

ii) ________________________________________________________________

(2 marks)
QUESTION 2 (13 marks)

1. Draw the **Two Sector Circular Flow Diagram** completed labelling the TWO (2) *sectors* and the *money flows* clearly.

   ![Two Sector Circular Flow Diagram]

   (4 marks)

2. Explain the **interdependent relationship** between the **Banking Sector** and the **Government Sector**.

   ______________________________________________________________________________
   ______________________________________________________________________________
   ______________________________________________________________________________

   (2 marks)

3. Identify TWO (2) economic importance of the Foreign Sector to the Tongan economy.

   i) ______________________________________________________________________________
       ______________________________________________________________________________

   ii) ______________________________________________________________________________

   (2 marks)
4. The inability of the market system to satisfy ALL the needs and wants of the people is the major basis for government intervention. Some of these needs and wants are met through various government ministries and public enterprises.

a) What is the major difference between the aim or goal of government ministries and public enterprises?

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

(2 marks)

b) Name the government ministry that is responsible for the following government functions. You need to give the exact name of the ministry.

i) Preparation of the government annual budget and national account.

______________________________________________________________________

ii) Issuing of Tongan passport and entry visas into Tonga.

______________________________________________________________________

iii) Facilitating of the seasonal working scheme (fruit pickers) with New Zealand and Australia.

______________________________________________________________________

(3 marks)
QUESTION 3

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

The government declared a **budget deficit of $250 million** for the financial year 2014/2015. During discussions in parliament, concerns were raised on the following issues:
- Collection of both direct and indirect taxes
- Attracting foreign investments
- Controlling and monitoring of foreign aid funds

a) Identify the starting and ending date for the financial year 2014/2015.

Starting date _____________________ Ending date _____________________

(1 mark)

b) Explain clearly the **effect of the Budget Deficit** on the following:

i) Level of Real GDP

________________________________________________________________
________________________________________________________________

(4 marks)

ii) Inflation rate

________________________________________________________________
________________________________________________________________

(4 marks)

c) Identify the **effect** (increase, decrease or no effect) of the following events on a **budget deficit**.

i) Involvement of Tongan soldiers in the peace keeping in the middle-east has come to an end.

________________________________________________________________

ii) Government reducing the eligible age for welfare payments from 75 to 70 year of age.

________________________________________________________________

iii) Increase in number of vehicles licenced during the year.

________________________________________________________________

(3 marks)
d) With an example, define indirect tax.

**Indirect tax**

Example

(2 marks)

e) Identify ONE (1) **advantage** and ONE (1) **disadvantage** of foreign investment.

Advantage

Disadvantage

(2 marks)

f) After Cyclone Ian hit the Ha’apai Group, over million dollars of foreign aid were received from different foreign countries and agencies. Identify TWO (2) **economic advantage** of that foreign aid to the Tongan economy as a whole.

i) 

ii) 

(2 marks)
2. The income tax act of 2008 declares **tax system** to be used for ALL income earners – refer table below.

<table>
<thead>
<tr>
<th>Annual income earned</th>
<th>Tax rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,400 and below</td>
<td>0</td>
</tr>
<tr>
<td>$7,401 to 20,000</td>
<td>10</td>
</tr>
<tr>
<td>20,001 and above</td>
<td>20</td>
</tr>
</tbody>
</table>

a) Identify the **tax system or form of tax** that is being described in the table above.

b) Calculate the **tax payable or tax to be paid** by Luseane if she earns $15,000 per annum. Show ALL necessary workings.

Tax payable of tax to be paid by Luseane = $________________

**QUESTION 4**

1. Study the hypothetical data below and answer the questions that follow.

<table>
<thead>
<tr>
<th>Items</th>
<th>TOP$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of trade deficit</td>
<td>201</td>
</tr>
<tr>
<td>Visible receipts</td>
<td>88</td>
</tr>
<tr>
<td>Balance of invisible surplus</td>
<td>356</td>
</tr>
</tbody>
</table>

a) Calculate the **Current Account** and state whether it is a **surplus or deficit**. Show ALL necessary working.

Current Account $_____________  Deficit or Surplus _____________

(2 marks)
b) Identify ONE item that will appear under **visible receipts**.

______________________________________________________________________

(1 mark)

c) Identify the **effect** (increase, decrease or no effect) of the following events on a **Balance of Trade Deficit**.

i) Increase consumption tax (CT) on imported vehicle.

______________________________________________________________________

ii) Disputes over the MA-60 aircraft led to reduction in number of tourists visiting Tonga.

______________________________________________________________________

(2 marks)

d) Complete the flow diagram below to show the effect of a **Devaluation of Exchange Rate** on a **Balance of Trade Surplus**. Put the **number** of the appropriate flow in the appropriate boxes below.

**FLOWS:**

A. Price of export becomes more expensive in terms of foreign currency  
B. Price of export becomes cheaper in terms of foreign currency  
C. Demand for exports will increase  
D. Demand for export will decrease  
E. Balance of trade surplus increase  
F. Balance of trade surplus decrease

![Flow Diagram]

(3 marks)
2. Use the exchange rate table below to answer the questions that follow.

<table>
<thead>
<tr>
<th>Country</th>
<th>Currency</th>
<th>Bank Buys</th>
<th>Bank Sells</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>NZD</td>
<td>0.7134</td>
<td>0.6374</td>
</tr>
<tr>
<td>Australia</td>
<td>AUD</td>
<td>0.6574</td>
<td>0.5884</td>
</tr>
</tbody>
</table>

a) Define exchange rate.

______________________________________________________________________
______________________________________________________________________

(1 mark)

b) If it costs NZD$586.79 to buy a return ticket to New Zealand, how much it would cost in Tongan Pa’anga (TOP) to buy return tickets for you and your father. Show ALL necessary workings.

Total TOP$_______________________________    (3 marks)

c) If your uncle sent you AUD$598.45, how much Tongan Pa’anga (TOP) you are going to get. Show ALL necessary workings.

Total TOP$_______________________________     (2 marks)

d) Suppose the exchange rate on 30 October 2014 for the Australian Dollar was at 0.8971. Which is the weaker currency compared to the exchange rate on 30 June 2014 – Tongan Pa’anga or Australian Dollar? Give a reason for your answer.

TOP or AUD: __________________________

Reason:

______________________________________________________________________

(1 mark)
QUESTION 5  (10 marks)

1. Use the information below to answer the questions that follow.

The Labour Force Survey of 2003 shows the following statistics:
- Total Labour Force = 36,450
- 11,060 were working in Primary; 8,530 in Secondary and 14,970 in Tertiary sector

a) Calculated the unemployment rate. Show ALL necessary workings.

Unemployment rate = ________________  (2 marks)

b) Identify TWO(2) practical ways of how the government attempt to reduce unemployment.

i) ________________________________________________________________

ii) ________________________________________________________________  (2 marks)

c) State the effect (increase, decrease or no effect) on unemployment of people migrating from outer islands into Tongatapu in seeking of a better standard of living.

____________________________________________________________________ (1 mark)

d) Identify ONE (1) economic and ONE (1) social negative impacts of unemployment.

Economic

____________________________________________________________________  (2 marks)

Social

____________________________________________________________________  (2 marks)
2. Describe the causes of the following type of unemployment.
   
a) Structural unemployment
   
   
b) Cyclical unemployment
   
   
c) Frictional unemployment
   
   
   (3 marks)

QUESTION 6 (12 marks)

1. Use the article below to answer the questions that follow.

   Tongan public servants including casual employees in January 2014 will receive a 5% COLA. Ministry of Finance CEO said, “the Ministry’s duty responsibility and contribution to the appropriate COLA is to provide sound and timely advise based on thorough analysis of options to manage Government’s affordability of this COLA, cost control options of tax payers (public) money. That is, to be within budget and not undermining other Government priorities, its predictability and sustainability”.

   (Source: NZ Kaniva Pacific News – Dec 2013)

   a) What does the abbreviation COLA stands for?

   
   
   (1 mark)

   b) What is the main purpose of this 5% COLA?

   
   
   (1 mark)
c) Explain clearly how this 5% COLA would affect inflation rate.

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(2 marks)

2. Suppose CPI figures for ALL GROUP has increased from 1024 in June 2014 to 1087 in October 2014.

a) Calculate the inflation rate for the above period. Show ALL necessary workings.

Inflation rate = _______________________________   (2 marks)

b) Identify the effect (increase, decrease or no effect) of the increase in CPI figures above on the following.

   i) Cost of running the government ____________________________
   ii) Consumption spending ____________________________

(2 marks)

3. Define the following terms.

   a) Purchasing power

   ______________________________________________________________________
   ______________________________________________________________________

   b) Cost push inflation

   ______________________________________________________________________
   ______________________________________________________________________

(2 marks)

4. Explain clearly why Importers are considered to be winners during an inflationary period

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______________________________________________________________________

(2 marks)
Question 7  (12 marks)

1. Economic growth is measured using Gross Domestic Product (GDP). GDP is further categorised as Real GDP and Nominal GDP.

   a) Define the following terms.
      i) **Economic growth**
         ____________________________________________________________
         ____________________________________________________________
         ____________________________________________________________

      ii) **Gross Domestic Product**
         ____________________________________________________________
         ____________________________________________________________
         ____________________________________________________________

   b) Which is the better measure of Economic Growth?
      Real GDP or Nominal GDP

         ____________________________________________________________

      Why?
         ____________________________________________________________
         ____________________________________________________________

   a) If Nominal GDP = $200,000; Real GDP = $100,000 and Total population = 20,000, what is the value of the Real GDP per Capita? Show ALL necessary workings.

         Real GDP per Capita = ____________________________

   (2 marks)
b) What is the **economic term** given to a situation where the **value of Real GDP remains unchanged from one period to another**?

____________________________________________________________________________________

(1 mark)

2. One limitation of GDP as a measure of economic growth is that it does not include ALL goods and services produced.

a) Identify a **good** or **service** that is **NOT** included in the value of GDP.

____________________________________________________________________________________

(1 mark)

b) Explain clearly the effect of the following economic event on the growth rate of Real GDP.

i) Decrease in interest rate on borrowings

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____________________________________________________________________________________

____________________________________________________________________________________

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ii) Increase income tax rate

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____________________________________________________________________________________

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____________________________________________________________________________________

(4 marks)
1. Clubs and Societies refer to non-profit organisations such as rugby clubs, churches, youth groups and ex-student associations. They exist not to make profit but to serve common interests of a certain group of people. The following officers are usually elected – Secretary, Treasurer, President, an Auditor and a Patron.

   a) Which officer is responsible for the following tasks?

   i) Preparation of financial reports for auditing

   ii) Preparation of the venue for meetings

   iii) Release confidential information to the media

   (3 marks)

   b) Meetings are a formal way of discussing important matters. Identify the appropriate term for the following situations in relation to proper meeting procedures.

   i) A member can interfere and stop the meeting if he or she thinks that proper meeting procedures are not followed.

   ii) The opportunity given to the mover of a motion to answer or debate questions or points raised by other members against his or her motion (idea).

   (2 marks)

   c) What is the importance of an Inaugural Meeting?

   (1 mark)
2. Even though Clubs and Societies are not aiming to make profit, they still need to provide financial reports such as Receipts and Payments Account, Statement of Income and Expenditures and a Balance Sheet. Sometimes Clubs and Societies can be incorporated and that is why we have the symbol “Inc.” beside the name of a non-profit organisation.

a) Which financial report records the amount of member fees collected from members?

______________________________________________________________________

(1 mark)

b) What is the purpose of preparing a Receipts and Payments Account?

______________________________________________________________________

______________________________________________________________________

(1 mark)

c) Differentiate between a Bequests and a Subscription as sources of income for a non-profit organisation?

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(2 marks)

d) What is the purpose of incorporating a non-profit organisation?

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# TONGA SECHOOL CERTIFICATE

## ECONOMICS

2014

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