Senior 5 Sample Paper 2 - Level 2-3

Answer ALL the questions in the spaces provided. There may be more space than you need. Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets. Use this as a guide as to how much time to spend on each question.

on each question.		
Question 1		(20 marks)
a) Classify the following	outputs as either goods or s	ervices: (2)
	Goods	Services
Dental cleaning		
Internet access		
Loaf of bread		
Designer handbag		
b) Explain the important	ce of the economic sectors in	n the production of a carton
of milk.		(3)

c) A small factory produces handcrafted furniture. The table below shows the amount of labour, and the total output produced per week:

Number of workers	Total Product	Average Product	Marginal Product
0	0	/	/
1	12		
2	26		
3	39		
4	50		
5	58		
6	64		
7	68		
i. Calcula	। te Average Product a।	 nd Marginal Product.	(4
ii. On graph paper, plot Average Product and Marginal Product.		al Product. (3	
iii. Define t	the law of diminishing	marginal returns.	(1
iv. At what	output level do dimir	nishing marginal retui	rns set in? (2

d) Explain any two internal economies of scale. (2)
e) Amara Coffee is a medium-sized coffee retailer that sources its coffee beans
	directly from small-scale farmers in Ethiopia. Despite its stated commitment
	to ethical sourcing and fair-trade principles, recent reports and interna
	company communications suggest that the company might be engaging ir
	practices that go against several key Fair Trade principles.
	Discuss three ways how Amara Coffee may be operating unfairly. (3)

Question 2 (20 marks)

a) Exp	plain whether each of these statements are true or false:
i.	. An increase in the scarcity of a resource will not lead to an increase in
	its price if the demand remains constant. (2)
	True False
Reason:_	
ii.	. The need for individuals and societies to make choices arises because
	resources are abundant, and desires are limited. (1)
	True False
Reason:_	
b) SD	G 12 (Responsible Consumption and Production) aims to ensure sustainable
cor	nsumption and production patterns by reducing wastage and waste. Explair
two	o ways in which a clothes shop can continue with its business whilst ensuring
env	vironmental protection with reference to SDG12. (2)

c) The table below shows the effect of price changes on the quantity demanded of two products sold by a bayside store – inflatable flamingos and swimming goggles. Study the table then answer questions (i) to (iv) below

Product	Current Price (€)	Current units sold	Units sold per week if price increases by €10.	Units sold per week if price decreases by €10.
Flamingos	€80	150	120	180
Goggles	€20	300	195	405

i.	Calculate	the Price Elasticity	of Demand (PED) fo	r inflatable flamingos
	and swim	ning goggles.		(4)
	• fo	llowing a price incr	ease of €10.	
	• fo	llowing a price deci	rease of €10.	

	ii. Determine whether the demand for inflatable flamingos is elastic,
	inelastic or of unit elasticity. (1)
i	ii. Determine whether the demand for swimming goggles is elastic,
	inelastic or of unit elasticity. (1)
d) R	ecommend the price changes the bayside store should make if it wants to
ir	ncrease revenue by referring to your answers in (i) to (iii) above. (6)
e) I	magine a popular mobile game that many students play daily has introduced
а	fee for features that were previously free. This mobile game has become a
h	abit for its players, who find it hard to go a day without playing.
	i. What happens to the demand for the game when the price for additional
	features increases? (1)

Page **6** of **14**

Mr J Caruana Sladden (HoD – Economics)

	Sample Paper 2 – SEC Eco	onomics – Senior 5
	ii. How does the game being habit-	forming influence its elasticity? (2)
	stion 3	(20 marks)
a) 	Using a circular flow diagram, explain the exceed withdrawals.	ne effect on an economy when injections (8)
_		

Space for diagram	
b) Explain how the following are affected by the four phases of the ed	conomic
i. Inflation	(2)
ii. Unemployment	(2)

iii. Consumption	(2)
c) Explain the impact of an increase in the rate of interest on savings.	(2)
d) Distinguish between economic growth and economic development. Pro	ovide two
differences.	(4)

Question 4	(20 marks)
a) Describe any two forms of money.	(2)
b) Describe the functions of credit institutions.	(4)
c) List two reasons why the currency of a particular country	appreciates. (2)
	······
d) Importing countries may need to obtain the currency of th	
in order to effect payment. Using a diagram, explain what	happens to the value
of the exporting country's currency (€) if the demand for i	ts exports increases.
	(4)

(4)

f) Evaluate the possible advantages and disadvantages of using a single cur		
	globally. (4)	
Ques	stion 5 (20 marks)	
a)	Inflation is the sustained rise in the general level of prices of goods and	
	services in an economy over time.	
	i. Using a diagram, explain what is meant by demand-pull inflation. (4)	

ii. Explain what is meant by cost-push inflation.	(2)
	
o) Give two examples to show how sustainable choices can be	made in a situation
where resources are limited.	(2
c) Describe three policies that may be taken by fiscal or mone	etary authorities to
tackle inflation.	(6
	

d) Describe three policies (demand or supply-side policies) to correct a		
balance of payments position. (6)		