

**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.*

**Question 1**

**(20 marks)**

a) Classify the following outputs as either goods or services: (2)

	Goods	Services
Dental cleaning		
Internet access		
Loaf of bread		
Designer handbag		

b) Explain the importance of the economic sectors in the production of a carton of milk. (3)

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Sample Paper 2 – SEC Economics – Senior 5

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. Calculate Average Product and Marginal Product. (4)
- ii. On graph paper, plot Average Product and Marginal Product. (3)
- iii. Define the law of diminishing marginal returns. (1)

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- iv. At what output level do diminishing marginal returns set in? (2)

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d) Explain any two internal economies of scale. (2)

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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 internal company communications suggest that the company might be engaging in practices that go against several key Fair Trade principles.

Discuss three ways how Amara Coffee may be operating unfairly. (3)

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**Question 2**

**(20 marks)**

a) Explain 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) SDG 12 (Responsible Consumption and Production) aims to ensure sustainable consumption and production patterns by reducing wastage and waste. Explain two ways in which a clothes shop can continue with its business whilst ensuring environmental 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 per week.	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) for inflatable flamingos and swimming goggles. (4)

- following a price increase of €10.

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- following a price decrease of €10.

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Space for diagram

b) Explain how the following are affected by the four phases of the economic cycle:

i. Inflation (2)

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ii. Unemployment (2)

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iii. Consumption (2)

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c) Explain the impact of an increase in the rate of interest on savings. (2)

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d) Distinguish between economic growth and economic development. Provide two differences. (4)

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**Question 4**

**(20 marks)**

a) Describe any two forms of money. (2)

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b) Describe the functions of credit institutions. (4)

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c) List two reasons why the currency of a particular country appreciates. (2)

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d) Importing countries may need to obtain the currency of the exporting country in order to effect payment. Using a diagram, explain what happens to the value of the exporting country's currency (€) if the demand for its exports increases.

(4)

Space for diagram

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e) Assess two benefits of improving international competitiveness. (4)

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- f) Evaluate the possible advantages and disadvantages of using a single currency globally. (4)

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**Question 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)

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