



**CARIBBEAN  
EXAMINATIONS  
COUNCIL**

**CSEC® ECONOMICS**



**Subject Report  
with  
Exemplars**

*May/June 2024*

**CARIBBEAN EXAMINATIONS COUNCIL**

**REPORT ON CANDIDATES' WORK IN THE  
CARIBBEAN SECONDARY EDUCATION CERTIFICATE<sup>®</sup>  
EXAMINATION**

**MAY/JUNE 2024**

**ECONOMICS  
GENERAL PROFICIENCY**

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## INTRODUCTION

The examination in Caribbean Secondary Education Certificate (CSEC) Economics was offered in May/June 2024.

The papers offered were as follows.

- Paper 01 — Multiple-choice paper
- Paper 02 — Structured-question paper
- Paper 031 — School-Based Assessment (SBA)
- Paper 032 — Alternative to the SBA (taken by private candidates)

Approximately 6471 candidates were entered for the examination. Approximately 69.01 per cent of candidates achieved acceptable grades (Grades I–III).

## PAPER 01 — MULTIPLE CHOICE

Paper 01 consisted of 60 multiple choice items. The paper was designed to test the entire syllabus. Approximately 82.97 per cent of candidates earned acceptable grades. The mean score was 40.35 out of 60 marks.

## PAPER 02 — STRUCTURED ESSAY

Paper 02 consisted of five compulsory questions. Each question was worth 20 marks. The mean score was 35.09 out of 100 marks.

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### Question 1

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This question tested candidates' ability to

- list three factors of production
- list three rewards associated with factors of production
- describe the characteristics of the different types of economic systems in relation to the owners of the factors of production and the role of the government
- indicate the effect on the demand and supply curves in given scenarios.

#### **Part 1 (a)**

Most candidates were able to list three factors of production; a few candidates listed all four factors. However, some candidates gave incorrect responses such as the economic agents and economic sectors.

#### **Part 1 (b)**

Many candidates were able to list three rewards associated with the factors of production. Some candidates gave factors and matched them with their correct rewards. However, there were candidates who gave incorrect responses such as taxes, money, income, investment, goods and services, job opportunities, economic growth and examples of factors.

#### **Part 1 (c)**

For Part (1) (c) (i), many candidates were unable to score full marks. Some candidates described the traditional economic system as one based on traditions, adding that activities and resources were passed down from generation to generation. However, there were candidates who did not refer to the ownership of the factors of production and the role of the government. Other candidates described the system as one in which there is private ownership and government ownership; this was a description the mixed economic system and so such candidates were unable to earn any marks.

Many candidates were unable to score full marks in Part (1) (c) (ii). Some candidates gave incorrect answers which included statements such as 'in a planned economy, the control of economic activities and the ownership of the factors of production are undertaken by both private and public entities'. In some responses, candidates failed to refer to the ownership of the factors of production or the role of the government.

### **Part 1 (d)**

For Part (1) (d) (i), most candidates simply stated the effect of an increase in the price of gasoline on the amount demanded and supplied, without stating the effect on the demand and supply curves. Some candidates simply stated that the demand curve would decrease and the supply curve would increase. Those candidates who answered this part correctly either stated that the demand and supply curves would remain the same or would not shift. Some candidates correctly indicated a leftward movement up the demand curve and a rightward movement up the supply curve. A few candidates used diagrams in their response. In some of these diagrams, candidates indicated the correct changes on the demand and supply curves.

In Part (1) (d) (ii), many candidates correctly stated that when consumers' preference for coconuts increases, the demand curve for coconuts would shift to the right or shift up. However, some candidates stated that the supply curve would also shift, demonstrating that these candidates were unable to distinguish between a condition of demand and a condition of supply. These candidates failed to recognize that this scenario would have no effect on the supply curve. Some candidates were able to correctly indicate that the demand curve would shift whereas the supply curve would not shift or it would remain the same. Such candidates earned full marks. A few candidates included diagrams in their responses. Those candidates who scored no marks simply stated that the demand and supply curves would increase or decrease.

For Part (1) (d) (iii), many candidates were able to correctly state that when drought affects the production of bread, the supply curve would shift to the left or move inwards. However, some of these candidates stated that the demand curve would also shift, demonstrating that these candidates were unable to distinguish between a condition of supply and a condition of demand. These candidates failed to recognize that this scenario would have no effect on the demand curve. Some candidates were able to correctly indicate that the supply curve would shift whereas the demand curve would not shift or it would remain the same. Such candidates earned full marks. A few candidates included diagrams in their responses. Those candidates who scored no marks simply stated that the demand and supply curves would increase or decrease.

**Candidate's Response to Part (a)**

(a) List THREE factors of production.

Three factors of production are land, labour and capital. Land is the free gifts of nature. Labour refers to citizens in the economy who are willing and able to work and capital is referred to other goods (machinery) used to make other goods. (3 marks)

**Examiner's Comments**

The candidate listed three correct factors of production. He/she also gave a brief meaning of each factor, indicating that he/she had an excellent understanding of the factors given.

**Candidate's Response to Part (b)**

(b) List THREE rewards associated with factors of production.

Three rewards associated with factors of production are rent, wages and interest. Rent is rewarded to land, wages is rewarded to labour and interest is rewarded to capital. (3 marks)

**Examiner's Comments**

The candidate listed the three rewards of the factors given in Part (a), matching each factor with its correct reward.

Candidate's Response to Part (c) (i) — Sample 1

(c) Describe the characteristics of EACH economic system given below, in relation to the ownership of the factors of production **and** the role of the government.

(i) Traditional

✓+ In a traditional economic system, the households are the owners of the factors of production and they produce goods and services to sustain themselves, and a small surplus for bartering. The government's role is null, as the citizens make all the decisions on consumption, production and distribution, answering the three economic questions.

(4 marks)

**Examiner's Comments**

This candidate gave a good description of the economic system given. He/she first stated that the households are the owners of the factors of production. They produce goods and services to sustain themselves and keep a small surplus for bartering. With regard to the role of the government, the candidate said that the government's role is null, as the citizens make all the decisions on production, distribution and consumption.

Candidate's Response to Part (c) (i) — Sample 2

(c) Describe the characteristics of EACH economic system given below, in relation to the ownership of the factors of production and the role of the government.

(i) Traditional

In a traditional economic system, all resources <sup>and factors of production</sup> are owned and controlled by the individuals who <sup>it</sup> was passed down to ~~consumed~~ by their ancestors. This economic system is also known as a subsistence economy because only the goods & services need for survival is produced. Goods and services are not produced for sale or profit. No government exists in this economic system because these individuals are typically separate from the modern society.

(4 marks)

**Examiner's Comments**

The candidate gave a very comprehensive response. He/she first stated that the resources or factors of production are owned by and controlled by the individuals. He/she then stated that this system is also known as a subsistence economy, where only the goods and services needed for survival are produced. With regard to the role of the government, the candidate stated that no government exists in this economic system because these individuals are separate from the modern society.

Candidate's Response to Part (c) (ii)

(ii) Planned

In a planned economic system, the government owns the factors of production and they produce what they decide the citizens need. The government's role is to decide the three economic questions, what to produce, how to produce and in what quantities and for whom should the goods be produced. The government controls and oversees the consumption, production and distribution of goods/services.

(4 marks)

**Examiner's Comments**

The candidate gave a simple but comprehensive response. He/she first stated that in the planned economic system, the government owns the factors of production and they produce what they decide the citizens need. He/she added that the government's role is to decide [answer] the economic questions. The candidate then ended by stating that the government controls and oversees the production, distribution and consumption of goods and services.

Candidate's Response to Part (d) (i) — Sample 1

(d) Indicate the effect on the demand and supply curves in EACH of the following scenarios.

(i) The price of gasoline increases.

Effect on demand curve

There would be a movement along the demand curve, <sup>for gasoline</sup> termed a contraction of demand because as price increases quantity demanded falls according to the law of demand.

Effect on supply curve

As <sup>the</sup> price of gasoline increases, supply also rises according to the law of supply which is shown by a movement along the supply curve termed an extension of supply. (2 marks)

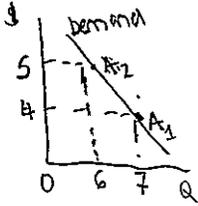
**Examiner's Comments**

The candidate had a clear understanding of the effect of a price increase of gasoline on the demand curve. The candidate stated that, according to the law of demand, there would be a contraction in demand because as the price of gasoline increases the quantity demanded would decrease. In the second part of the response, he/she stated that, according to the law of supply, as the price of gasoline increases the supply rises. This is shown by a movement along the supply curve, termed an extension of supply.

Candidate's Response to Part (d) (i) — Sample 2

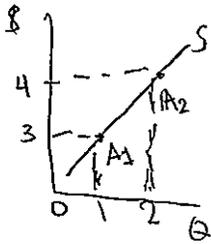
(d) Indicate the effect on the demand and supply curves in EACH of the following scenarios.

(i) The price of gasoline increases.



Effect on demand curve

Price and demand have an <sup>indirect</sup> ~~inversely~~ relationship meaning as price goes up ~~the~~ quantity goes down. If the price of gasoline increases ~~the~~ this would cause a movement upwards along the curve. (People are less willing to buy) (ceteris paribus)



Effect on supply curve

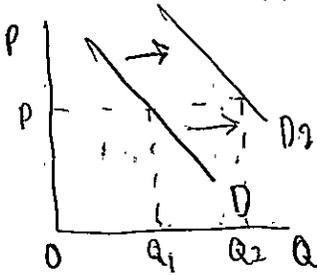
Price and supply have a direct relationship meaning as one increases so does the other. If the price of gasoline goes up suppliers would be more willing to produce and there would be a movement upwards along the curve (ceteris paribus) (2 marks)

**Examiner's Comments**

The candidate gave a comprehensive response. First, he/she explained the indirect relationship between price and demand. Then, he/she stated that as the price increases, there would be a movement upwards along the demand curve, further explaining that people are less willing to buy, ceteris paribus. In the second part of the response, the candidate described the direct relationship between price and supply, explaining that if the price of gasoline increases, suppliers would be willing to produce, leading to a movement upwards along the supply curve. For both parts of the response, the candidate drew perfect diagrams to illustrate these effects, further demonstrating his/her understanding of the concept tested.

Candidate's Response to Part (d) (ii)

(ii) Consumers' preference for coconuts has increased.



Effect on demand curve

for coconuts

An increase in consumers' preference will therefore increase the demand for coconuts, causing a rightward shift of the demand curve from D to D2, thereby increasing quantity demanded to Q2.

Effect on supply curve

~~An increase in consumers' preference for coconuts will increase the demand for coconuts, other things constant, resulting in a rightward shift of the supply curve to S2.~~

(2 marks)

An increase in consumers' preference for coconuts will not affect supply, since consumers' preference is not a determinant of supply. The supply curve will therefore remain the same.

**Examiner's Comments**

The candidate demonstrated a good understanding of both parts. With the use of a diagram, the candidate explained that, other things constant, an increase in consumer preference for coconuts will increase the demand for coconuts, causing a rightward shift of the demand curve to D2 as illustrated in the diagram. In the second part, the candidate explained that consumer preference is not a condition of supply and so it would not affect the supply of coconuts. He/she then stated that the supply curve would remain the same.

Candidate's Response to Part (d) (iii)

(iii) Drought has affected the production of bread.

Effect on demand curve

Drought affecting the production of bread will not affect consumers' demand since they will still demand bread, therefore there is ~~no change~~ effect on the demand curve. <sup>to supply</sup> regardless of producers' ability.

Effect on supply curve

The production of bread affected by drought means that the bad weather conditions will lead to a decrease in supply, ~~ceteris~~ ceteris paribus, the supply curve shifts to the left to  $S_2$ , decreasing the quantity of supply to  $Q_2$ . (2 marks)

**Examiner's Comments**

In the first part, the candidate explained that a drought that affects the production of bread would not affect consumers' demand since consumers would still demand bread regardless of producers' ability to supply it. He/she then concluded that the demand curve would remain the same. In the second part, the candidate explained that the drought would lead to a decrease in supply and, ceteris paribus, the supply curve would shift to the left.

## Recommendations

### **Part (a) and Part (b)**

Teachers should ensure that students are aware of all the factors of production. Students should also be able to provide a thorough description of the factors and their corresponding rewards. Teachers should ensure that students are aware that the rewards of the factors are also referred to as income or payment to these factors; therefore, income is not a factor reward. Reviewing the factors of production and their rewards during discussions of other topics may help students to fully internalize these factors and so prevent them from mixing up the factors with other economic concepts they may have been exposed to during the course.

### **Part (c) (i) and Part (c) (ii)**

Teachers should have thorough discussions with students on all four types of economic systems to ensure that they have a better understanding of these systems and the differences between them. Students can gain further understanding of the economic systems through group projects. They should do research on the countries which use each economic system and make in-class presentations on the information they have gathered.

### **Part (d) (i), Part (d) (ii) and Part (d) (iii)**

Teachers should ensure that they spend a few sessions teaching the concepts of demand and supply to their students, especially with respect to the differences between change in quantity demanded and change in demand and changes in quantity supplied and changes in supply. Teachers should explain the differences using appropriate diagrams. In so doing, students would have a better understanding of how changes in price and in non-price conditions of demand and supply can or cannot affect the relevant demand and supply curves. Illustrations as well as case studies/scenarios should be used by teachers to ensure that students understand the effects of these changes.

In general, teachers must encourage their students to engage in regular reviews of all topics and provide opportunities for them to carefully read and interpret the questions asked before they provide a response. This should help students to avoid giving irrelevant answers to the questions asked.

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## Question 2

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This question tested candidates' ability to

- state the two main branches of economics
- identify the characteristic of the goods sold in each market structure
- explain, using an example, how the production possibility boundary is affected by increasing opportunity costs
- explain, using an example, how the production possibility boundary is affected by constant opportunity costs
- calculate a perfectly competitive firm's profit or loss
- illustrate the effect of a decrease in the cost of production using a demand and supply diagram.

### **Part 2 (a)**

Overall, candidates performed very well, as most of them provided the two correct branches of economics, microeconomics and macroeconomics, and so they gained the full two marks. A few candidates identified sectors such as private and public sectors, types of industries such as primary and secondary industries, categories of economies such as command and free enterprise economies, stakeholder groups such as firms and households and types of economies of scale such as marketing and managerial and even diseconomies of scale. Such responses were incorrect.

### **Part 2 (b)**

This part was not well done. Most candidates scored approximately two out three marks. Few candidates clearly identified the characteristics for each market structure. Many candidates mistakenly stated the qualities of other market structures. Some candidates stated other features of a firm's market structure, including the number of buyers and sellers in the market.

### **Part 2 (c)**

In Part (c) (i), very few candidates were able to describe the meaning of the term *increasing opportunity cost*, using an example, and to state that the shape of the curve was concave. Instead, most candidates defined the general term *opportunity cost* and illustrated the term using incorrect diagrams. Additionally, how candidates discussed examples showed that they lacked understanding of increasing opportunity cost.

Part 2 (c) (ii) was attempted by most candidates but it was not well done. Very few candidates were able to describe the meaning of the term *constant opportunity cost* and use an example to show the shape of the curve as constant or a straight line. Instead, most candidates defined the general term *opportunity cost* and illustrated

it using incorrect diagrams. Additionally, candidates' discussion of examples showed that they lacked an understanding of constant opportunity cost.

### **Part 2 (d)**

Part 2 (d) (i) was attempted by most candidates and was very well done. Most candidates scored the full two marks. In determining the correct profit level of a perfectly competitive firm, candidates were able to assess the information presented, provide the formula and perform all necessary working and calculations for the total revenue and total cost.

Part 2 (d) (ii) was attempted by most candidates and was fairly well done. Most candidates scored two out of a possible total of four marks. Candidates were able to correctly illustrate the downward sloping demand curve and the original equilibrium point. However, in response to a fall in the cost of production for ink, many candidates illustrated a leftward shift of the supply curve, which was incorrect, instead of the required rightward shift. The result was that very few candidates were awarded the final mark for correctly illustrating the new equilibrium of demand and supply. Some candidates confused the demand and supply curves while others failed to label the graphs appropriately. Very few candidates were able to identify the demand curve, the original equilibrium point, the correct shifting to the right of the supply curve and, consequentially, the new equilibrium point showing a higher price and quantity.

**Candidate's Response to Part (a)**

(a) State TWO main branches of economics.

Micro-economics ✓  
Macro-economics ✓  
.....  
.....

(2 marks)

**Examiner's Comments**

The candidate's responses were succinct and accurate.

**Candidate's Response to Part (b)**

(b) Complete the table below by listing the characteristic of the goods sold by EACH market structure.

Market Structure	Characteristic of Goods Sold
Monopoly	unique goods ✓
Monopolistic competition	differentiated goods ✓
Oligopoly	homogenous with slight differentiation ✓
Perfect competition	homogenous goods ✓

(4 marks)

**Examiner's Comments**

The candidate interpreted the question correctly and identified the characteristic of the goods sold for each market structure.

**Candidate's Response to Part (c) (i)**

(c) With the use of an example, explain how EACH of the following affects the shape of the production possibility frontier.

(i) Increasing opportunity costs

Increasing opportunity costs means that the opportunity cost of producing an additional good is increasing as you produce ~~more~~ more goods. Example: Producing 1 unit of milk has an opportunity cost of 2 units of cheese however producing another unit of milk has an opportunity cost of 4 units of cheese. This will lead to a concave shape of the production possibility frontier.

(4 marks)

**Examiner's Comments**

The response was comprehensive. The candidate correctly explained the meaning of the term *increasing opportunity costs* using an example and clearly stated the shape of the production possibility frontier.

Candidate's Response to Part (c) (ii)

(ii) Constant opportunity costs

Constant opportunity costs means that the opportunity cost of producing an additional good is the same no matter how many goods you produce.  
Example: If 1 unit of milk has an opportunity cost of 2 units of cheese then <sup>producing</sup> producing another unit of milk will also have an opportunity cost of 2 units of cheese. This will lead to a convex shape of the production possibility frontier.

(4 marks)

**Examiner's Comments**

The candidate correctly explained the meaning of the term *constant opportunity costs*, using an example. However, the candidate gave the incorrect shape of the production possibility frontier. The shape would be a *straight line*.

Candidate's Response to Part (d) (i)

(d) A perfectly competitive firm sold 50 pens at a price of \$10 EACH. It cost the firm \$6 to make each pen.

(i) Calculate the firm's profit or loss. Show all working.

Cost → \$6 per pen ✓

→ 50 pens

Production cost =  $6 \times 50 = \$300$

Sold → \$10 per pen ✓

→ 50 pens

Selling Price →  $10 \times 50 = \$500$

Profit = Selling Price - Cost Price

= \$500 - \$300 ✓

= \$200

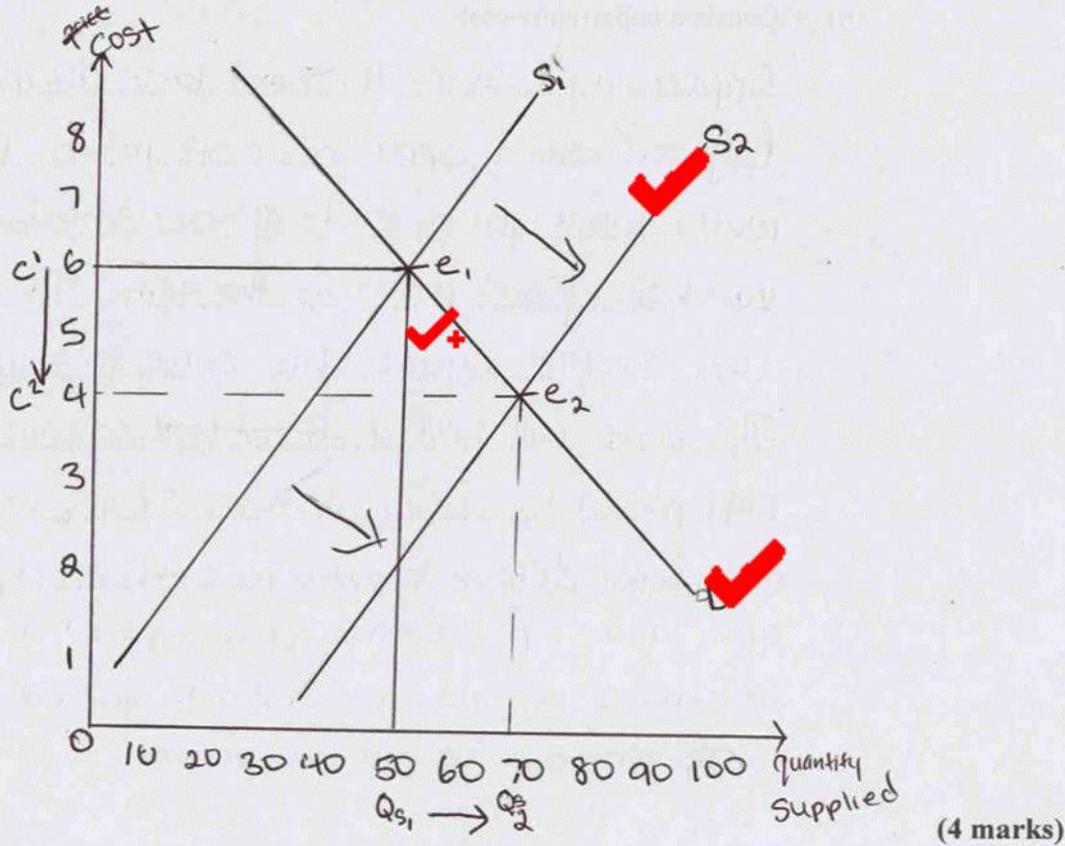
(2 marks)

Examiner's Comments

The candidate's response was thorough, as he/she stated the formula and showed all calculations/working in determining the profit level for a perfectly competitive firm.

**Candidate's Response to Part (d) (ii)**

(ii) Recently, the firm learned that the cost of ink will drastically decrease next week. This would result in a decrease in the cost of production. Using a demand–supply diagram, show the effect of the decrease in the cost of production.



Graph showing an increase in quantity supplied due to decrease in production cost.

**Examiner's Comments**

The candidate used the information presented to analyse and illustrate the correct shifting of the supply curve and the resulting new equilibrium price and quantity.

## Recommendations

- Teachers can reinforce fundamental principles such as sectors, economies and industries in order to provide a solid foundation for students in Economics.
- Teachers can utilize real world examples and tabular formatting to improve students' understanding of the features in the four market structures, including characteristics of goods, outlined in the syllabus.
- Teachers can promote an improved understanding of increasing, decreasing and constant opportunity costs in students by discussing case studies which include relevant calculations and diagrammatic representations of these concepts via production possibility frontier.
- Teachers can give students scenarios to interpret. Formulas can then be applied and practised in order to generate correct responses with the related conclusions.
- Varying teaching techniques should be used to review and emphasize to students the distinction between supply and demand determinants. Students should also be knowledgeable of the consequential shifts of these curves and the new equilibrium price and quantity position of the firm.
- Teachers can also use graphical representations to teach students about concepts such as the market mechanism. Teachers can also illustrate to students and reason with them about the changes in quantity demanded and supplied (movements) and changes in demand and supply (shifts). Also key is the reinforcement of fundamental components of diagrams such as appropriate labelling, calibration of axes, slopes of curves and the accurate plotting of coordinates.

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## Question 3

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This question tested candidates' ability to

- match given terms with their correct definitions
- use examples to explain price elasticity of demand (PED) in given scenarios
- identify types of elasticities given three scenarios
- identify the value of demand elasticity given three scenarios.

### **Part 3 (a)**

It was evident that most candidates knew the definitions of the given concepts. Hence, many candidates earned full marks. In cases where candidates were not awarded full marks, they earned three or four marks out of six. Few candidates were awarded less than 50 per cent of the total mark.

### **Part 3 (b) (i)**

Candidates were required to explain, using an example, the meaning of a price elasticity of demand (PED) that is greater than 1. While many candidates were able to determine that this represents elastic demand, they failed to clearly and correctly explain what it meant. Further, it was noted that several candidates confused the word elastic and the phrase inelastic demand. Therefore, in many instances, the examples provided showed inelastic demand. Additionally, there were often instances where candidates' explanations and examples merely pointed to the law of demand rather than elastic demand. Overall, a relatively large proportion of candidates provided responses. Very few candidates earned full marks but many of them were awarded zero to two marks.

### **Part 3 (b) (ii)**

Candidates were required to explain, using an example, the meaning of a price elasticity of demand (PED) that is equal to infinity. Many candidates were able to recognize that demand is perfectly elastic in the given situation but they failed to explain what that meant. It was also observed that despite mentioning that the demand is perfectly elastic, many candidates confused its meaning with perfectly inelastic demand. Hence, many of the explanations and examples used indicated or implied that even when the price increased significantly, the percentage change in quantity demanded was zero.

### **Part 3 (c)**

In all three scenarios, the common trend observed was that candidates could not differentiate between the degrees of elasticity and the various types of elasticity. Consequently, many candidates referred to unitary elastic, inelastic and elastic demand rather than income elasticity of demand (YED), price elasticity of demand (PED) and price elasticity of supply (PES) respectively.

### **Part 3 (d)**

Generally, Part (d) was poorly done as many candidates obtained zero or one mark out of three. Many candidates were able to recognize unitary elastic demand ( $PED = 1$ ) and were therefore able to earn at least one mark for Part (d) (i). In Part (d) (ii), it was observed that most candidates failed to correctly interpret or identify elastic demand and thus were unable to state that its value is less than 1 ( $0 < PED < 1$ ). For Part (d) (iii), a large proportion of candidates could not differentiate between perfectly elastic demand and perfectly inelastic demand. Therefore, they were unable to gain any marks.

**Candidate's Response to Part (a) (i)**

- (a) Study Table 1 below which shows a list of terms and definitions and answer the question that follows.

**TABLE 1: ECONOMIC TERMS AND DEFINITIONS**

Term		Definition	
A	Ceteris paribus	5	The market price and quantity when supply and demand are equal
B	Cross-price elasticity of demand	2	Measures the change in the quantity purchased of a product when its price changes
C	Equilibrium	3	Economic resources being unable to meet unlimited wants
D	Scarcity	4	Measures the change in the quantity purchased of a product when income changes
E	Income elasticity of demand	5	All other things being equal
F	Price elasticity of demand	6	Measures the responsiveness in the quantity demanded of one good when the price of another good changes

Match EACH term with its definition by writing the correct number next to EACH of the letters given below.

- (i) A .....5.....

**Examiner's Comments**

The candidate correctly matched the term *Ceteris paribus* to its definition.

**Candidate's Response to Part (a) (ii)**

(ii) B .....<sup>b</sup>.....

**Examiner's Comments**

The candidate correctly matched the term *Cross-price elasticity of demand* to its definition.

**Candidate's Response to Part (a) (iii)**

(iii) C .....<sup>l</sup>.....

**Examiner's Comments**

In the exemplar, the term *Equilibrium* was correctly matched to its definition.

**Candidate's Response to Part (a) (iv)**

(iv) D .....<sup>3</sup>.....

**Examiner's Comments**

In this response, the term *Scarcity* was correctly matched to its definition.

**Candidate's Response to Part (a) (v)**

(v) E .....<sup>4</sup>.....

**Examiner's Comments**

The candidate correctly matched the term *Income elasticity of demand* to its definition.

Candidate's Response to Part (a) (vi)

(vi) F .....2.....

(6 marks)

Examiner's Comments

The candidate correctly matched the term *Price elasticity of demand* to its definition.

Candidate's Response to Part (b) (i)

(b) With the use of an example, explain 'price elasticity of demand' in EACH of the following situations.

(i) It is greater than 1.

When price elasticity of demand is greater than  
or service  
1, this means that the good is relatively price  
elastic in demand. A 2% change in the price of  
a good will lead to a more than proportionate  
% change in demand for the good. Eg. a 10% increase  
in the price of a car will lead to a 40% decrease in  
the quantity demanded for the car, assuming that PED for  
a car is 4. Conversely, a 10% decrease in the  
price of cars is followed by 40% increase in the  
quantity demanded. (4 marks)

Examiner's Comments

With the use of an example, the candidate clearly and correctly explained that a price elasticity of demand greater than 1 indicates that demand is elastic.

Candidate's Response to Part (b) (ii)

(ii) It is equal to infinity.

When price elasticity of demand is equal to  
or service  
infinity, this means that the good is perfectly  
price elastic in demand. A % change in the price  
of a good will lead to an infinite change in the  
quantity demanded for the good. Eg. a 10%  
10% increase in the price of a good will result in  
an infinite decrease in the quantity demanded for  
the good or service. Conversely, a 10% decrease in  
the price of a good leads to an infinite increase in  
quantity demanded. (4 marks)

Examiner's Comments

The candidate was also able to explain and demonstrate that when price elasticity of demand equals infinity, demand is perfectly elastic.

Candidate's Response to Part (c) (i)

(c) Identify the type of elasticity indicated by the following scenarios.

(i) Jan experienced a 20% increase in income, so her quantity demanded for juice increased by 20%.

Income elasticity of demand. (1 mark)

Examiner's Comments

The candidate was able to recognize that the type of elasticity indicated in the scenario was *income elasticity of demand*. The percentage increase in income led to a percentage increase in demand for a good.

**Candidate's Response to Part (c) (ii)**

- (ii) Joe's demand for jam increased when the price of jam decreased at his local supermarket.

Price elasticity of demand.....  
(1 mark)

**Examiner's Comments**

The candidate correctly identified *price elasticity of demand* as the type of elasticity indicated in the scenario. The increase in the price of a good resulted in a decrease in quantity demanded.

**Candidate's Response to Part (c) (iii)**

- (iii) Jim started to sell more plums when the price increased by \$20 last week.

Price elasticity of supply.....  
(1 mark)

**Examiner's Comments**

The candidate correctly identified *price elasticity of supply* as the type of elasticity indicated in the scenario. The given increase in the price of a good led to an increase in quantity supplied.

**Candidate's Response to Part (d) (i)**

- (d) Identify the value of demand elasticity given in the following scenarios.

- (i) Rob purchased 10% more coffee when the price fell by 10%.

PED = 1.....  
(1 mark)

**Examiner's Comments**

In the exemplar, the candidate showed a clear understanding of *unitary elastic demand*, that is,  $PED = 1$ .

**Candidate's Response to Part (d) (ii)**

- (ii) Ron's purchase of painkillers fell by less than 20% when the price increased by 20%.

~~PED~~  $0 < PED < 1$  .....  
(1 mark)

**Examiner's Comments**

In the response, the candidate demonstrated that he/she understood that when demand is inelastic, the value of PED is less than 1 ( $PED < 1$ ).

**Candidate's Response to Part (d) (iii)**

- (iii) Roy continues to purchase the same number of life-saving drugs he needs even though the price keeps increasing.

$PED = 0$  .....  
\* PED = Price Elasticity of Demand (1 mark)

**Examiner's Comments**

The candidate correctly interpreted the scenario. The PED was perfectly elastic ( $PED = 0$ ).

## Recommendations

- Teachers can devise different strategies to ensure that students have a clear understanding of the concepts that they are likely to confuse with others. For example, using visual aids, teachers can engage students in activities such as games that emphasize key differences between types of elasticity and degrees of elasticity as well as the interpretation of various degrees of elasticities of demand.
- Teachers can also incorporate the “Suggested Teaching and Learning Activities” found at the end of Section 3 in the syllabus into their instruction in order to facilitate students’ attainment of the objectives.

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## Question 4

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This question tested candidates' ability to

- match economic concepts with given definitions
- explain how currency devaluation, trade barriers, import substitution and export promotion can reduce balance of payments deficits in a country
- calculate the value for the capital account and current account
- use the data provided to determine whether there is a balance of payments surplus or deficit.

### **Part 4 (a)**

This part tested candidates' knowledge of six key concepts associated with international trade. Generally, candidates performed fairly well. Most candidates obtained four out of six marks because they were able to accurately identify the concepts related to the definitions provided. However, weaker candidates demonstrated that they had very little knowledge of the concepts. In some instances, candidates mixed their understanding of similar concepts. This was demonstrated especially with reference to concepts such as balance of payment, balance of trade and quota. For this part, weak candidates generally obtained between two and three marks.

### **Part 4 (b)**

This part tested the candidates' ability to apply a menu of policy measures to improve a country's balance of payment position. Generally, the performance of candidates was satisfactory. The mean score was four out of eight marks. Stronger candidates were able to adequately articulate the channel(s) through which each policy measure would improve export values and/or reduce import values to overtime improve the Balance of Payment position. However, most candidates (approximately 60 per cent) were only able to identify the policy measure as a means of addressing a balance of payment deficit but were unable to illustrate how such a measure is expected to work. There were several candidates (approximately 20 per cent) who were able to identify the effect of one or two measures but were often unable to obtain marks for the other measures. This was particularly noted for policy measures such as currency devaluation and import substitution.

### **Part 4 (c)**

This part tested candidates' interpretation of the concepts of capital account, current account and balance of payment surplus and deficit. Approximately 40 per cent of candidates were awarded four out of six marks or full marks. However, most candidates were unable to do the calculations. This demonstrated that such candidates lacked knowledge of the concepts and the components of the balance of payment that relate to its specific sections. However, candidates were generally able to interpret when a balance of payment surplus or deficit was derived. The mean mark was three marks.

**Candidate's Response to Part (a) (i) to Part (a) (vi)**

Study the list of economic concepts given below and answer the questions that follow.

ECONOMIC CONCEPTS	
Balance of trade	Exchange rate regime
Balance of payments	Net international reserves
Common external tariff	Quota

(a) Read EACH of the following and insert the correct economic concept from the list provided above.

(i) All transactions of a country with the rest of the world

*Balance of Payments*

(ii) A system used by the central bank to set up and manage the country's currency in relation to other currencies

*Exchange rate regime*

(iii) A country's insurance against unfavourable changes in the economy

*Net international reserves*

(iv) A limit placed on the import and export of a specific product for a given time period

*Quota*

(v) A common set of charges imposed by a group of countries on imports from non-member countries

*Common external tariff*

(vi) The difference between the value of exports and the value of imports of a country for a given time period

*Balance of Trade*

**(6 marks)**

**Examiner's Comments**

The candidate clearly identified the concepts associated with the definitions/descriptions provided.

Candidate's Response to Part (b) (i)

(b) Explain how EACH of the following remedies can reduce balance of payments deficits in a country.

(i) Currency devaluation

A balance of payments deficit arises when there are more outflows of foreign exchange than inflows in an economy. Currency devaluation for foreign countries will make the domestic dollar worth less and therefore imports an outflow becomes more expensive. Imports decrease and outflows fall therefore reducing the balance of payments deficit. Additionally (2 marks) exports become cheaper for foreigners, leading to more inflows as foreigners purchase more exports.

Examiner's Comments

The candidate demonstrated a strong understanding of the concept and provided the channel through which it impacted the balance of payment.

**Candidate's Response to Part (b) (ii)**

(ii) Trade barriers

Trade barriers reduce the ~~access~~ access to imports  
by  $\$$  tariff and nontariff <sup>barriers</sup> ~~bar~~. These barriers makes  
✓ imports more difficult and expensive therefore reducing  
the demand for imports and outflow of foreign currency.  
(2 marks)

**Examiner's Comments**

The candidate demonstrated a strong understanding of the concept and provided the channel through which it impacted the balance of payment.

**Candidate's Response to Part (b) (iii)**

(iii) Import substitution

By increasing the quality ✓ and reducing the price  
of local goods, citizens' desire to import will be  
substituted by ✓ satisfaction ~~is~~ in the purchase  
of locally produced goods, thus reducing imports.  
(2 marks)

**Examiner's Comments**

The candidate demonstrated a strong understanding of the concept and provided the channel through which it impacted the balance of payment.

Candidate's Response to Part (b) (iv)

(iv) Export promotion

The promotion of exports by the government by grants, subsidies  
can increase the demand for exports by foreigners  
through better quality and prices foreign currency  
inflow rises to reduce the deficit



(2 marks)

**Examiner's Comments**

The candidate demonstrated a strong understanding of the concept and provided the channel through which it impacted the balance of payment.

Candidate's Response to Part (c) (i)

- (c) Study Table 2 which shows the balance of payments activities for Country A and answer the questions that follow.

TABLE 2: BALANCE OF PAYMENTS FOR COUNTRY A

Item	\$
Investment by local residents sent overseas <i>Outflow</i>	100
Export of goods and services ✓ <i>Inflow</i>	30
Imports of goods and services ✓ <i>Outflow</i>	90
Local investments by non-nationals <i>Inflow</i>	20

- (i) Calculate the value for the capital account.

$$\begin{aligned} \text{Capital account} &= \text{Inflows} - \text{Outflows} \\ &= \text{Local investment by non-nationals} - \text{Investment by local residents sent overseas.} \\ &= 20 - 100 \\ &= \$ - 80 \end{aligned}$$

$$\text{Value of Capital account} = \$ - 80$$



(2 marks)

**Examiner's Comments**

The candidate demonstrated that he/she had a good understanding of the concept by providing a very clear and accurate calculation.

**Candidate's Response to Part (c) (ii)**

(ii). Calculate the value for the current account.

$$\begin{aligned}\text{Current a/c} &= \text{Exports} - \text{Imports} \\ &= 30 - 90 \\ &= -60\end{aligned}$$

Current a/c balance is -60 ✓

**(2 marks)**

**Examiner's Comments**

The candidate demonstrated that he/she had a good understanding of the concept by providing a very clear and accurate calculation.

Candidate's Response to Part (c) (iii)

(iii) Determine whether there is a balance of payments deficit or surplus.

$$\text{Current Account Balance} = -\$60$$

$$\text{Capital Account Balance} = -\$80$$

$$\text{Reserves} = \$140$$

$$\text{Balance of Payments} = \$0$$

There is a balance of payments deficit as the outflows (Imports  $\rightarrow$  \$90, ~~local investments by non-nationals~~  $\rightarrow$  \$2 Investment by locals sent overseas  $\rightarrow$  \$100) is equal to \$190 which is greater than the inflows (Exports  $\rightarrow$  \$30, Local investments by non-nationals  $\rightarrow$  \$20) of \$50. (2 marks)

**Examiner's Comments**

The candidate demonstrated that he/she had a good understanding of the concept by providing a very clear and accurate calculation. The candidate was also able to determine that there was a balance of payment deficit.

## Recommendations

Teachers and students should take note of the following recommendations. The recommendations have been provided in response to candidates' inability to distinguish between, explain and apply concepts.

- Teachers should use teaching techniques that will enhance students' knowledge of basic economic concepts. Doing so should help students avoid confusion between and misinterpretation of concepts. For example, teachers can use more real-life examples of concepts, especially where these concepts relate to everyday activities. Newspaper articles or other simple illustrations can be used to demonstrate the concepts. These methods will help candidates to be better able to recall and distinguish between closely related concepts.
- Candidates were required to use the given figures to derive the balance of payments position in order to interpret and analyse concepts. Teachers should incorporate more in-class practice and reviews of these calculations in order to demonstrate how they should be approached.
- Teachers should use YouTube videos that provide detailed but simple explanations of economic concepts and that demonstrate the real-life usefulness of the concepts.

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## Question 5

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This question tested candidates' ability to

- define the terms *fiscal policy*, *recession* and *developed economy*
- explain how particular factors may cause a recession
- identify specific types of unemployment.

### **Part 5 (a)**

In Part (a) (i), most candidates were able to define fiscal policy as *the use of government spending and taxation to control aggregate demand or achieve macroeconomic objectives*. Weaker candidates were unable to identify the tools of fiscal policy or state what it affects.

In Part (a) (ii), most candidates were able to define a recession as *a decline in economic activity in a period of time*. Weaker candidates were unable to provide a definition.

In Part (a) (iii), most candidates were able to define a developed economy as one which has a high human development index, high levels of economic growth and development and advanced technology. Weaker candidates were unable to identify the characteristics of a developed economy.

### **Part 5 (b)**

In Part (b) (i), most candidates were unable to explain how a rise in the exchange rate causes a recession.

For Part (b) (ii), most candidates could not explain how a recession led to an increase in debt. The more competent candidates explained how an increase in funds directed at repaying the debt resulted in firms having less money for investment, which resulted in an economic decline.

For Part (b) (iii), most candidates were unable to explain how a reduction in real wages affected the purchasing power of money and so they were unable to score any marks.

### **Part 5(c)**

Most candidates were able to identify the concepts given in the scenarios in Part 5 (c).

**Candidate's Response to Part (a) (i)**

(a) Define EACH of the following terms.

(i) Fiscal policy

Fiscal policy is the use of taxes and government spending to control aggregate demand in the economy, which ultimately controls inflation.

(2 marks)

**Examiner's Comments**

The candidate competently defined fiscal policy.

**Candidate's Response to Part (a) (ii)**

(ii) Recession

A recession is the period of time in which output in an economy steadily declines and as a result, there is an increase in unemployment.

(2 marks)

**Examiner's Comments**

The candidate competently defined a recession.

**Candidate's Response to Part (a) (iii)**

(iii) Developed economy

A developed economy is one in which there are prolonged periods of economic growth and residents benefit from a high quality of life.

(2 marks)

**Examiner's Comments**

The candidate competently defined a developed economy.

**Candidate's Response to Part (b) (i)**

(b) Explain how EACH of the following factors may cause a recession.

(i) A rise in the exchange rate

When the exchange rate rises, residents will have more purchasing power and seek to import goods. This will result in a decrease in aggregate demand in the economy which results in output falling which can lead to a recession.

(2 marks)

**Examiner's Comments**

The candidate competently explained how a rise in the exchange rate causes a recession.

**Candidate's Response to Part (b) (ii)**

(ii) An increase in debt

An increase in debt will encourage people to save more in order to pay it off. The reduction in spending results in aggregate demand falling which decreases output and leads to a recession.

(2 marks)

**Examiner's Comments**

The candidate competently explained how an increase in debt causes a recession.

**Candidate's Response to Part (b) (iii)**

(iii) High interest rates

When interest rates are high, people save more and spend and borrow less. As a result, aggregate demand will fall resulting in firms decreasing their output which can lead to a recession.

(2 marks)

**Examiner's Comments**

The candidate competently explained how high interest rates cause a recession.

**Candidate's Response to Part (b) (iv)**

(iv) A reduction in real wages

A reduction in real wages means that people will have less purchasing power. This will result in their aggregate demand decreasing, resulting in firms decreasing their output, resulting in a recession.

(2 marks)

**Examiner's Comments**

The candidate competently explained how reduced real wages cause a recession.

**Candidate's Response to Part (c) (i)**

(c) Pennyville's labour market often experiences different types of unemployment. Identify the type of unemployment described by EACH of the following scenarios.

(i) Kim lost her job as a cashier because the company implemented self-checkout for customers.

Structural (Technological) unemployment

(1 mark)

**Examiner's Comments**

The candidate competently identified structural unemployment.

**Candidate's Response to Part (c) (ii)**

(ii) Patrick was laid off as a tourism worker due to the economic recession caused by the COVID-19 pandemic.

Cyclical unemployment

(1 mark)

**Examiner's Comments**

The candidate competently identified cyclical unemployment.

**Candidate's Response to Part (c) (iii)**

(iii) Martin quits his job as a nurse and is looking for a new position.

Search Unemployment ✓  
.....  
(1 mark)

**Examiner's Comments**  
The candidate competently identified search unemployment.

**Candidate's Response to Part (c) (iv)**

(iv) Ravi is not working since his job of picking oranges was finished when the summer ended.

Seasonal Unemployment ✓  
.....  
(1 mark)

**Examiner's Comments**  
The candidate competently identified seasonal unemployment.

**Candidate's Response to Part (c) (v)**

(v) Nina is not working since she is unwilling to accept less than \$1000 from a restaurant that wants to pay her \$900 to be a chef.

Real-wage unemployment ✓  
.....  
(1 mark)

**Examiner's Comments**  
The candidate competently identified real-wage unemployment.

### Candidate's Response to Part (c) (vi)

(vi) Kai just graduated and is looking for a job to match his new qualifications.

Frictional Unemployment ✓

(1 mark)

#### Examiner's Comments

The candidate competently identified frictional unemployment.

### Recommendations

Teachers should utilize problem-based learning in order to assist students with analysing different scenarios related to macroeconomic variables such as inflation, exchange rates and unemployment. Additionally, the use of You-tube videos will pique students' interest and further contribute to the accurate application of macroeconomic situations. Furthermore, the concepts of exchange rates, debt, real wages and interest rates with regard to a recession, can be fully explored through case studies. Doing so will provide opportunities for students to analyse of these concepts.

## PAPER 031 — ELECTRONIC SCHOOL-BASED ASSESSMENT (ESBA)

In 2024, the CSEC Economics SBAs were well done. Students demonstrated an awareness of the SBA requirements and adhered to them. Most SBAs were of the prescribed length and within the scope of the syllabus. The marking of the students' SBAs at the centres still trends towards lenience. Teachers are encouraged to award marks in strict adherence to the mark scheme outlines on the syllabus.

### **Table of Contents (1 mark)**

In almost all cases, students presented a complete table of contents and they earned the mark.

### **Topic (2 marks)**

The topics chosen by students were good and within the scope of the syllabus. The most common topics used were related to demand and supply and the effects of inflation. In most cases, the topics were very well defined. Students were largely able to clearly state the problem or issue under investigation and highlight the population of interest. However, it was noted that in cases where students were unable to clearly state their topic, the overall quality of the SBA was affected.

### **Objectives (2 marks)**

Most students were able to present at least two clearly stated and realistic objectives related to the topic. Objectives were generally well written and achievable within the scope of the research.

### **Background/Overview (4 marks)**

While most students were able to present some historical data and background to the research, some of them did not clearly establish the importance and impact of the research. Students should be guided to clearly express the possible impact of the research in a manner that fits into the scope of the research.

### **Methodology (10 marks)**

In 2024, students' performance on the methodology section improved over previous years. Students carefully described the data collection instruments and collection methods. The main weakness noted in the methodology section was the inadequate justification for the data collection method used. Most students used a questionnaire as the data collection instrument and presented advantages associated with questionnaires instead of a justification of the data collection method.

### **Presentation of Data (10 marks)**

Most students used charts, graphs and/or tables to present the data collected. However, in most cases, these were improperly labelled. Further, the choice of graph to present the data was often inappropriate. Most students simply repeated the information presented in the charts, graph and/or tables and did not attempt any real analysis

of the data presented. The correct use of statistical terms when analysing the data requires much improvement. It is also very important for students to clearly caption and state the findings of the research.

#### **Conclusion (4 marks)**

Some students attempted to present a logical summary of the project in the conclusion. Most students correctly stated the findings of the research relative to the stated objectives. They were able to express their overall impressions of the research process. However, there were some instances where students chose to use the conclusion section solely for the purpose of presenting their findings and so could not gain the maximum mark.

#### **Recommendations (4 marks)**

Students were required to present two recommendations that are logical, consistent with the findings and actionable based on the context of the research topic. In most cases, students offered recommendations that were consistent with economic theory but were not in line with the stated findings of the research. Further, some students offered recommendations that were not specifically applicable to the population of interest or within the scope of the research.

#### **Bibliography (1 mark)**

Most students did not present a properly formatted bibliography and so failed to earn the available mark.

#### **Overall Presentation (2 marks)**

Generally, the presentation of the SBAs was good. Most of them were properly formatted with minimum errors. Students should be encouraged to proofread the report before final submission.

## PAPER 032 — ALTERNATIVE TO THE SCHOOL-BASED ASSESSMENT (SBA)

This paper tested candidates' knowledge, interpretation, analysis, and application of key concepts in the CSEC Economics syllabus, particularly Sections 1, 2, 6, 7 and 8.

Generally, the paper was poorly done. Approximately 23 per cent of candidates obtained at least 20 of the total 40 marks allotted. Approximately 29 per cent of candidates who scored above 50 per cent of the total mark earned at least 70 per cent. The highest percentage earned by a candidate was 90 per cent. The number of candidates who scored at least 50 per cent of the total mark represents an increase of 10 percentage points when compared with 2023.

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## Question 1

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This question tested candidates' ability to

- define the terms economics and economy
- identify terms corresponding to sentences given in the case
- list three agents in an economy
- identify one of the three main sectors in an economy.

In general, candidates were able to fully or partially define economics and the economy. However, weaker candidates were unable to differentiate between economics and economy in their definitions. Most candidates correctly identified microeconomics and macroeconomics as the terms which corresponded to the statements given.

Candidates performed poorly when they had to list agents in the economy. Stronger candidates listed households, firms and the government as the agents while weaker candidates gave answers that were incorrect. Finally, most candidates did not identify primary, secondary or tertiary as one of the main sectors in the economy. Instead, they stated 'financial' as the answer. Very few responses were correct.

**Candidate's Response to Part (a) (i)**

(a) Define EACH of the following terms.

(i) Economics

Economics is a social science that studies how society uses limited resources to satisfy unlimited wants.

(2 marks)

**Examiner's Comments**

The candidate defined the term *economics* correctly.

**Candidate's Response to Part (a) (ii)**

(ii) Economy

An economy is a system of consumption, production and distribution of goods and services.

(2 marks)

**Examiner's Comments**

The candidate defined the term *economy* correctly.

**Candidate's Response to Part (b) (i) and (b) (ii)**

(b) Identify the term that corresponds to EACH of the descriptions below.

- (i) The branch of economics that studies the behaviour of decision-makers such as individuals, households and firms within the economy

Micro-economics .....  
(1 mark)

- (ii) The branch of economics that studies the decision-making behaviour of the economy as a whole and deals with aggregates such as industries, nations and the government

Macro-economics .....  
(1 mark)

**Examiner's Comments**

The candidate correctly identified the terms which corresponded to the descriptions given.

**Candidate's Response to Part (c)**

(c) List the THREE agents in an economy.

↳ households .....  
↳ firms .....  
↳ government .....  
(3 marks)

**Examiner's Comments**

The candidate listed the three agents in an economy.

**Candidate's Response to Part (d)**

(d) Identify ONE of the three **main** sectors in an economy.

..... Primary Sector which is involved in extraction  
..... of raw materials (1 mark)

**Examiner's Comments**

The candidate identified one of the three main sectors in an economy.

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## Question 2

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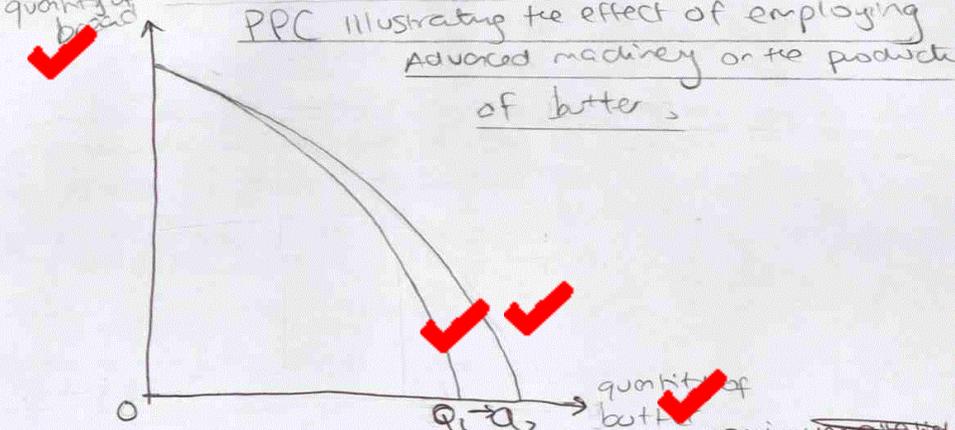
The question tested candidates' ability to use a diagram to explain how Smallville's production possibility curve would be affected in given scenarios.

Very few candidates were able to draw the production possibility frontiers (PPFs) and explain them. Some candidates drew PPFs but did not show the correct movement in the case of the first scenario, as a pivot of the PPF on the butter axis was needed. In the second scenario, there are two points worth noting: while candidates drew a PPF, they either shifted it (which was incorrect) or they did not shift it (which is correct but they failed to indicate a point within the PPF that showed more bread than butter is being produced). Finally, weaker candidates drew demand and supply curves instead of a PPF.

**Candidate's Response to Part (a)**

With the use of a diagram, explain how Smallville's production possibility curve would be affected by EACH of the following scenarios.

(a) Acquiring a more advanced machine to produce butter



~~A production possibility curve that shows the maximum quantity of goods that can be produced with a given set of resources.~~

Other things constant, ~~an increase in~~ an increase in the resources ~~for~~ required to produce butter ~~will~~ will result in an increase in the quantity of butter produced. In other words, ~~the~~ employing more advanced machinery will increase productivity and as a result, ~~more~~ more units ~~of~~ of output i.e. production of butter, increases. This is represented by the rightward pivot of the PPC where more ~~of~~ butter is ~~produced~~ produced at a faster rate ~~than bread~~ without ~~having~~ giving up ~~any~~ <sup>extra</sup> units of bread due to ~~efficiency~~ ~~the~~ efficiencies in the production <sup>of butter</sup> of butter. This means that Smallville ~~can~~ hence ~~is~~ increased their output by ~~only~~ simply increasing <sup>productivity and hence</sup> production of ~~maximum~~ maximum combination of bread & butter.

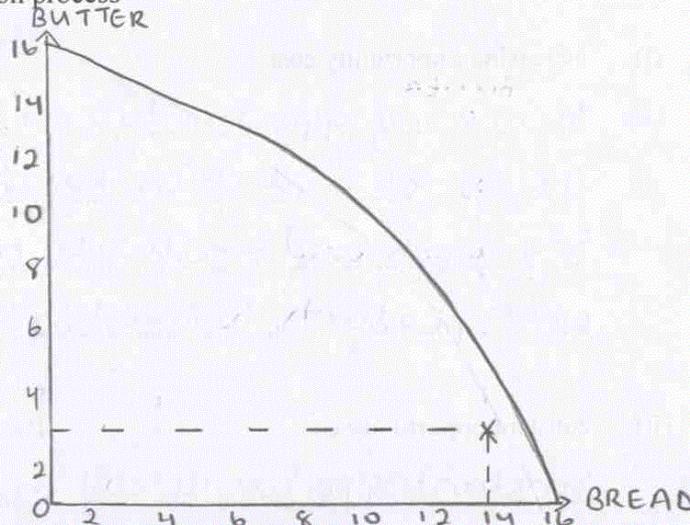
NOTE:  
A production possibility curve illustrates the maximum potential combination of goods that can be produced within an economy given its resources.

**Examiner's Comments**

The candidate correctly showed what happens to Smallville's production possibility curve when a more advanced machine to produce butter is acquired.

**Candidate's Response to Part (b)**

(b) Producing more bread and less butter when less of the available resources are being used in the production process



By producing more bread but less butter when using less of the available resources, Smallville is displaying inefficiency as one product is not being produced to its full potential which can result in wastage of the available resources that could have been used for production.

(6 marks)

**Examiner's Comments**

The candidate correctly showed what happens to Smallville's production possibility curve when producing more bread and less butter when less of the available resources are being used in the production process.

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### Question 3

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This question tested candidates' ability to

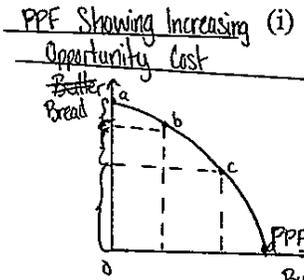
- explain Smallville's opportunity cost of producing butter in relation to producing bread when there is increasing opportunity cost and constant opportunity cost
- discuss how a shopping website may boost Smallville's economy.

Very few candidates accurately applied their understanding of increasing and constant opportunity costs to the scenario given. These candidates made it clear that in the case of increasing opportunity cost, increasing amounts of bread would be given up for additional units of butter made and for constant opportunity costs, the same amount of bread would be sacrificed for every additional unit of butter produced. In addition, some candidates defined the terms but failed to make any application and where candidates made efforts to do so, the application was incorrect.

As it relates to the discussion of how the shopping website may boost Smallville's economy, candidates did poorly. In most scripts, candidates failed to link the shopping website to the economy, that is, no economic impact was highlighted. The few candidates who made a linkage mentioned increased in demand, production and even employment.

Candidate's Response to Part (a) (i)

3. (a) Explain Smallville's opportunity cost of producing butter in relation to producing bread when there is



(i) increasing opportunity cost

The law of increasing ~~of~~ opportunity cost states that each time you gain one more of a certain good, you give up more and more of the other. Therefore Smallville would have to sacrifice more and more bread each time, to gain more butter. Refer to the diagram on the left.

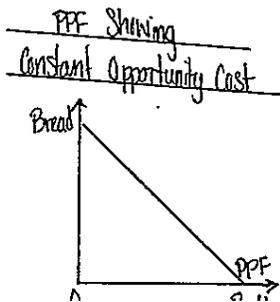
(2 marks)

Examiner's Comments

The candidate correctly explained Smallville's opportunity cost of producing butter in relation to producing bread when there is increasing opportunity cost.

Candidate's Response to Part (a) (ii)

(ii) constant opportunity cost.



Constant opportunity cost occurs when each time you gain a particular good, you are sacrificing the same amount of the other good each time. Therefore Smallville would have to sacrifice the same quantity of bread each time to gain more butter. Refer to the diagram on the left.

(2 marks)

Examiner's Comments

The candidate correctly explained Smallville's opportunity cost of producing butter in relation to producing bread when there is constant opportunity cost.

Candidate's Response to Part (b)

(b) Discuss how the shopping website may boost Smallville's economy.

A shopping website ~~is~~ utilizes the advantages of e-commerce. E-commerce is the conduct of economic negotiations and transactions over electronic media such as the internet. A shopping website allows Smallville to reach out to a larger ~~foreign~~ <sup>consumer</sup> market where products are available to <sup>more</sup> international consumers. This increases the exports bought <sup>from Smallville by foreigners</sup> and the inflows of foreign exchange into the GDP current a/c which ~~increases~~ <sup>Additionaly, with more</sup> inflows of foreign exchange, this (4 marks) allows the economy to ~~import~~ <sup>to increase production and GDP and standard of living</sup> import more goods that they need. The website also reduces production costs of firms and also creates employment for website developers / ~~computer~~ <sup>computer</sup> experts which all boost the economy.

Examiner's Comments

The candidate provided a complete and accurate discussion of how the shopping website may boost Smallville's economy.

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## Question 4

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This question tested candidates' ability to identify statements from the case that demonstrate the given concepts. A few candidates gave outstanding answers and so they earned full marks. However, many candidates did not provide the correct statements from the case. Moreover, some candidates defined the concepts rather than identifying the relevant statements.

### Candidate's Response to Part (a) to Part (e)

(a) Scarcity

Saria has unlimited wants but her income this month can only buy a fixed number of goods.

(1 mark)

(b) Choice

She must decide what goods to buy to increase her satisfaction.

(1 mark)

(c) Opportunity cost

Saria has to forgo the goods she cannot afford until she gets paid next month.

(1 mark)

(d) Economic growth

Smallville's economy saw an increase in its real output of goods and services over the past year.

(1 mark)

(e) Inflation

The upward movement in the prices of bread and services offered in the economy.

(1 mark)

### Examiner's Comments

The candidate correctly identified a statement from the case that demonstrates each concept given.

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## Question 5

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This question tested candidates' ability to

- identify one type of economy of scale from the case related to the case subject's operation
- explain how the type of economy of scale given benefits the case subject's restaurant
- identify the countries that have the absolute advantage and comparative advantage in producing pens.

Very few candidates were able to identify an economy of scale and explain it. However, many candidates explained marketing economies of scale without identifying this concept as the type. Many candidates were able to identify that Country A had the absolute advantage and that Country B had the comparative advantage.

**Candidate's Response to Part (a) (i)**

(a) Noel utilizes economies of scale in operating his restaurant.

(i) Identify ONE type of economy of scale related to Noel's operation.

Financial Economies of scale

(1 mark)

**Examiner's Comments**

The candidate correctly identified one type of economy of scale related to Noel's operation.

**Candidate's Response to Part (a) (ii)**

(ii) Explain how the type of economy of scale given in (a) (i) benefits Noel's restaurant.

Due to the low interest rates that has to be paid for money borrowed from the bank, he is able to increase his capital. Due to the increase in capital, he is able to buy more goods and services to produce other goods and services <sup>make more profit.</sup>

(2 marks)

**Examiner's Comments**

The candidate correctly explained how the type of economy of scale given in Part (a) (i) benefits Noel's restaurant.

**Candidate's Response to Part (b) (i) and Part (b) (ii)**

(b) The case states that Country A and Country B both produce pens and pencils using labour hours. Country A needs fewer labour hours to produce pens while Country B gives up the fewest number of pencils to produce pens.

(i) Identify the country that has the absolute advantage in producing pens.

Country A .....  
(1 mark)

(ii) Identify the country that has the comparative advantage in producing pens.

Country B .....  
(1 mark)

**Examiner's Comments**

The candidate correctly identified the country that has the absolute advantage in producing pens and the country that has the comparative advantage in producing pens.