

FORM TP 2015174



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MAY/JUNE 2015

CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 1 – Paper 032

1 hour 30 minutes

09 JUNE 2015 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of THREE questions.
2. Answer ALL questions.
3. Answers for ALL questions must be written in the answer booklet provided.
4. Begin EACH question on a separate page.
5. You may use a silent, non-programmable calculator to answer questions.

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

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Answer ALL questions.

1. (a) (i) Define the term 'law of diminishing returns'. [2 marks]
- (ii) Distinguish between 'economies of scale' and 'diseconomies of scale'. [4 marks]
- (iii) Explain ONE factor that determines [3 marks]
- a) economies of scale [3 marks]
- b) diseconomies of scale. [2 marks]
- (b) (i) Define the term 'supply schedule'. [2 marks]
- (ii) Identify TWO determinants of supply. [2 marks]
- (c) The insurance and banking sectors in the Caribbean are said to display 'economies of scale'. Explain why this may be true. [4 marks]

Total 20 marks

2. (a) (i) Identify THREE basic features of EACH of the following concepts relating to market structure:
- a) Perfect competition [3 marks]
- b) Monopolistic competition [3 marks]
- c) Monopoly [3 marks]
- (ii) Determine which of the above market structures is usually best for consumers. [1 mark]
- (b) The banking sector in most Caribbean countries is often described as oligopoly. State FOUR features of the sector that supports this view of the banking sector. [4 marks]
- (c) Explain TWO negative consequences, for consumers, that can result from an oligopolistic market structure of the banking sector. [6 marks]

Total 20 marks

3. (a) (i) Define the term 'income inequality'. **[2 marks]**
- (ii) List TWO measures of income inequality. **[2 marks]**
- (iii) Identify TWO ways by which poverty is measured. **[2 marks]**
- (b) Explain TWO ways in which an efficient banking sector can contribute to poverty reduction in your country. **[6 marks]**
- (c) Discuss TWO ways by which a non-competitive banking sector can contribute to greater poverty OR income inequality. **[8 marks]**

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.