

FORM TP 2015177



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MAY/JUNE 2015

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 2 – Paper 032

1 hour 30 minutes

08 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.

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Answer ALL questions.

1. (a) (i) Define EACH of the following terms:
- a) Consumption function [2 marks]
 - b) Autonomous consumption [2 marks]
- (ii) Identify THREE non-income determinants of consumption. [3 marks]
- (b) Outline TWO ways in which Internet shopping can have a negative impact on the gross domestic product (GDP) of a country. [4 marks]
- (c) The rapid expansion of Internet shopping is a relatively new development in the Caribbean. Discuss THREE ways in which this trend can contribute positively to raising the country's standard of living or GDP. [9 marks]

Total 20 marks

2. (a) (i) Define EACH of the following terms:
- a) Monetary transmission mechanism [2 marks]
 - b) Monetary policy [2 marks]
- (ii) Identify TWO types of money. [2 marks]
- (iii) State THREE functions of money. [3 marks]
- (iv) State THREE desirable properties of money. [3 marks]
- (b) Assess how Caribbean governments' tax revenue can be affected by increasing amounts of online shopping by residents. [4 marks]
- (c) Assess how monetary policy can be used to reduce the amount of online shopping, given that most online purchases are done using credit cards. [4 marks]

Total 20 marks

3. (a) (i) Define EACH of the following the terms:
- a) Exchange rate [2 marks]
 - b) Balance of payments [2 marks]
- (ii) Identify THREE main types of exchange rates. [3 marks]
- (b) Outline TWO reasons why a 'free-floating exchange' is argued to be better than a 'fixed exchange'. [4 marks]
- (c) Many Caribbean countries no longer have control of their exchange rate, hence people are free to shop online without restriction.
- Explain THREE ways by which increased online shopping can negatively impact the balance of payments of such countries. [9 marks]

Total 20 marks

END OF TEST

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