

FUKIEN SECONDARY SCHOOL
S5 First Term Uniform Test (2020-2021)
Economics
(1 hour)

Date: 20th October 2020

Name: _____

Time: 10:00 a.m. – 11:00 a.m.

Class: _____ No.: _____

Instructions to Students

1. This paper must be answered in English.
2. When told to open this book, you should check that all the questions are there. Look for the words '**END OF PAPER**' after the last question.
3. This paper consists of two sections, A and B.
4. Section A is Multiple-choice Questions. There are **15** questions in this section. Attempt **ALL** questions. You should mark all your answers on the Multiple-choice Answer Sheet. All questions carry equal marks. You should mark only **ONE** answer for each question. If you mark more than one answer, you will receive **NO MARKS** for that question. No marks will be deducted for wrong answers. The section carries 30% of the whole paper.
5. Section B is Structured Questions. There are **6** questions in this section. Attempt **ALL** questions. All answers in this section should be put in the spaces provided in this question-answer book. This section carries 70% of the whole paper.

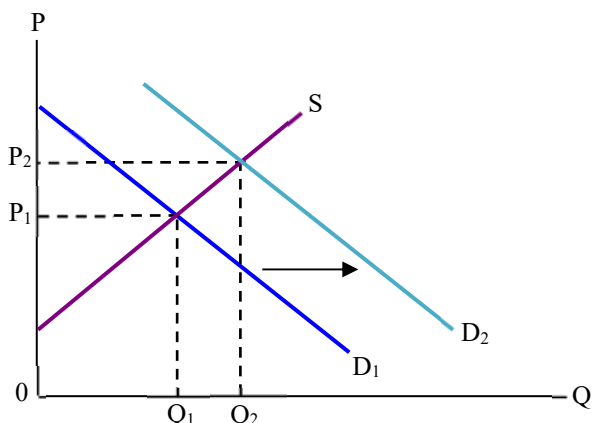
Marker's Use Only	
Question No.	Marks
1	/ 4
2	/ 7
3	/ 7
4	/ 8
5	/ 4
6	/ 12
Total	/ 42

Section	Total Marks	Weighted Marks
A	/ 15	/ 30
B	/ 42	/ 70
Total		/ 100

SECTION A (15 marks)

There are 15 questions in this section. Answer **ALL** questions. Choose the **BEST** answer for each question.

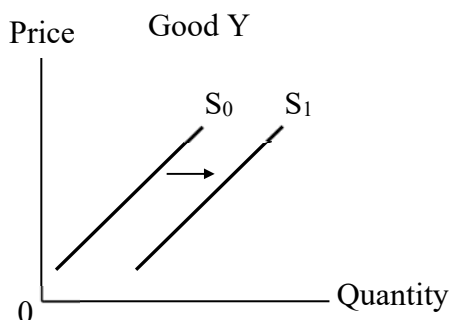
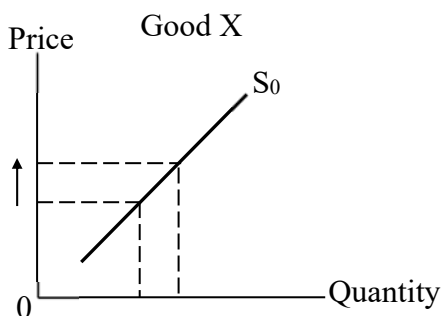
1. Study the following supply-demand diagram for luxury cars.



Which of the following can explain the above change?

- A. The price of steel decreases.
- B. Luxury cars are normal goods and people's income decreases.
- C. Diesel price increases.
- D. Consumers expect the price of luxury cars to increase.

2. The following diagrams show the effect of an increase in the price of Good X on Good Y.

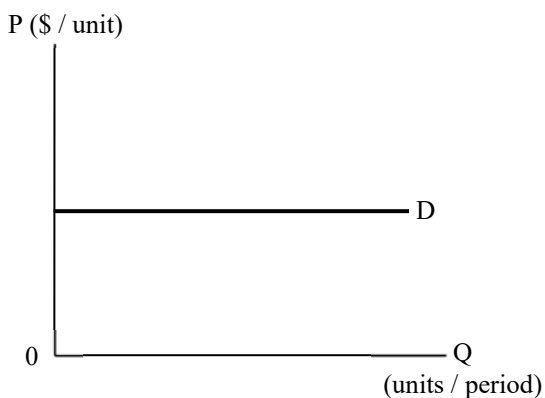


Good X and Good Y are most likely _____ and _____ respectively.

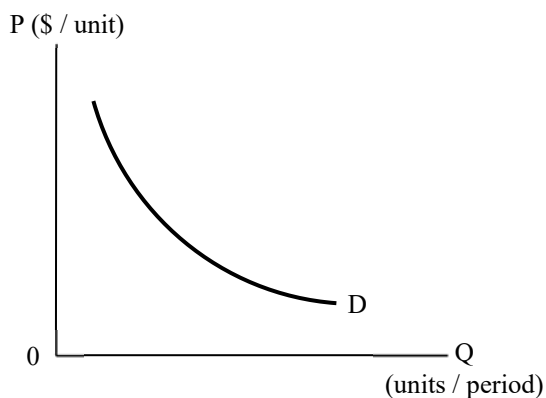
- A. mutton pork
- B. roast goose goose down (鵝絨)
- C. computer games computers
- D. milk cheese

3. Matthew said, 'If the price of chicken curry doubles, I will still consume the same amount of it.' Which of the following diagrams illustrates Matthew's demand for chicken curry?

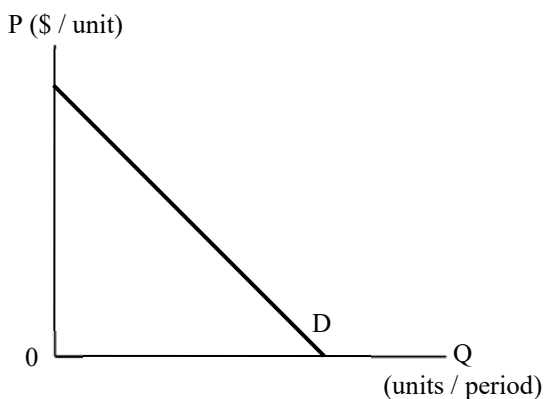
A.



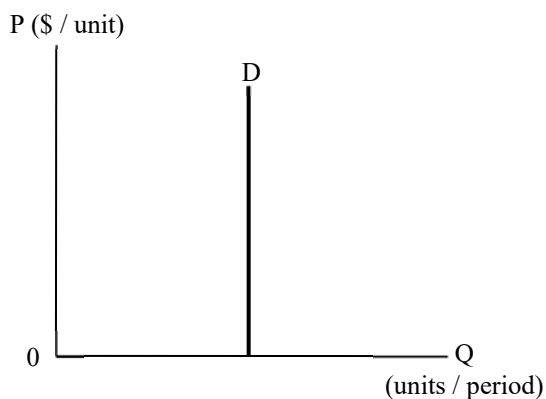
B.



C.



D.



4. The price of fruit in Taiwan has increased sharply after a typhoon. Take water melon as an example: its unit price has increased from \$10 to \$50. If its quantity demanded has decreased by 30%, which of the following statements is correct?

- A. The demand for water melons is elastic.
- B. The demand for water melons is inelastic.
- C. The supply of water melons is elastic.
- D. The supply of water melons is inelastic.

5. If the demand for vegetables is inelastic and the price of fertilizer increases, which of the following statements are correct?

- (1) The supply of vegetables decreases.
- (2) The quantity transacted of vegetables decreases.
- (3) The total revenue from vegetables increases.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

6. Which of the following will increase the price elasticity of demand for taxi services?

- A. Taxi fares are lowered.
- B. Bus fares are raised.
- C. The price of private vehicles increases sharply.
- D. The number of bus routes increases.

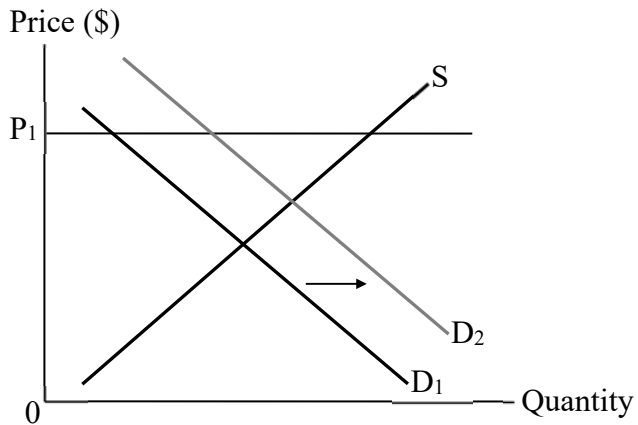
7. Study the following data for the soya bean market:

Price (\$/kg)	20	21	22	23	24	25	26
Quantity supplied (kg)	40	50	60	70	80	90	100
Quantity demanded (kg)	95	90	80	70	60	55	48

If the government imposes a price ceiling at \$24/kg, the quantity transacted is _____.

- A. 60 kg
- B. 70 kg
- C. 80 kg
- D. None of the above

8. Study the following diagram.



Assume that the price is fixed at P_1 . When the demand increases from D_1 to D_2 , _____.

- A. the total expenditure of consumers decreases
- B. the quantity transacted remains unchanged
- C. the excess demand increases
- D. there is still pressure for the price to fall

9. The following table shows the supply-demand schedule of a good.

Price (\$)	23	24	25	26	27	28
Quantity supplied (units)	200	220	230	240	250	260
Quantity demanded (units)	270	260	250	240	230	220

Suppose the government increases the quota from 230 units to 250 units. The total revenue will _____.

- A. increase by \$30
- B. increase by \$40
- C. decrease by \$460
- D. remain unchanged

10. Mr. Kwong has bought a camera priced at HK\$12 000 for which he will pay with a 24-month instalment plan. Which of the following functions of money are performed in the above case?
- (1) Store of value
 - (2) Unit of account
 - (3) Standard of deferred payments
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
11. Jacqueline receives HK\$600 000 in remuneration from a firm. She wants to save the entire amount as a one-month time deposit at a financial institution in Hong Kong. Which of the following financial institutions can accept her deposit?
- (1) A licensed bank
 - (2) A restricted licence bank
 - (3) A deposit-taking company
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
12. Jack is preparing to migrate to Taiwan. He withdraws \$3 000 000 from his account with a deposit-taking company. He gives \$500 000 in cash to his parents and remits the remainder to Taiwan. His parents keep \$100 000 in cash and deposit \$400 000 into their time deposit account with a licensed bank. What will the immediate changes in the money supply be?
- A. Both M2 and M3 will decrease by \$2 500 000.
B. M1 will increase by \$500 000 and M3 will decrease by \$2 500 000.
C. M1 will increase by \$100 000 and M2 will remain unchanged.
D. M2 will increase by \$500 000 and M3 will decrease by \$2 500 000.

13. Suppose Hong Kong's money supply in a certain year was:

	\$ million
Cash reserves held by the banking system	440
Legal tender held by the public	260
Demand deposits	240
Savings deposits	380
Time deposits with licensed banks	170
Negotiable certificates of deposit issued by licensed banks and held by the public	30

According to the information above, M1 and M2 were \$ _____ million and \$ _____ million respectively.

- A. 500 1 050
- B. 500 1 080
- C. 940 1 490
- D. 940 1 520

14. When the central bank raises the required reserve ratio, the monetary base _____ and the money supply _____.

- A. remains unchanged increases
- B. remains unchanged decreases
- C. decreases increases
- D. decreases decreases

15. Suppose all banks have loaned all their excess reserves. After the monetary authority adopts a new monetary policy, the monetary base remains unchanged but the money supply increases. Which of the following measures has most likely been used by the monetary authority?

- A. Printing money
- B. Launching more infrastructure projects
- C. Raising the required reserve ratio
- D. Lowering the required reserve ratio

END OF SECTION A

Go on to the next page

SECTION B (42 marks)

1. 'Suppose the taxi fare for the first two kilometres increases from \$18 to \$30, holding other things constant, the average length of trips per ride will increase.' Do you agree with this statement? Explain by using the law of demand. (4 marks)

(Hints: 1. Average length equals the total length of all trips divided by the number of trips.

2. Assume there are only 2 types of passengers: passengers taking long distance trips and passengers taking short distance trips.)

2. Suppose there is an improvement in the technology of air conditioner production and summer has just arrived. Explain, with the aid of a diagram, under what condition the price of air conditioners will remain unchanged. (7 marks)

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3. Although the government of a certain country heavily subsidizes the production of textbooks, consumers still complain that the reduction in price is not significant and that their benefits from the subsidies are very small. Explain this phenomenon with a well-labelled diagram. (7 marks)

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4. Suppose a minority of people in a village are willing to use live cattle (活牛) in exchange for goods.
- (a) Explain whether live cattle are money in this village. (2 marks)
- (b) Explain **TWO** reasons to explain why live cattle are **NOT** good money. (4 marks)
- (c) State **ONE** problem of barter and briefly explain how this problem restricts the volume of exchange. (2 marks)

5. Hong Kong Monetary Authority is a government authority founded on 1 April 1993 when the Office of the Exchange Fund and the Office of the Commissioner of Banking merged. The organization reports directly to the Financial Secretary.

- (a) State **THREE** central banking functions performed by the Hong Kong Monetary Authority. (3 marks)
- (b) Give **ONE** central banking function (in Hong Kong) which is **NOT** performed by the Hong Kong Monetary Authority. (1 mark)

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6. The following is the balance sheet of a banking system.

Assets (\$)		Liabilities (\$)	
Reserves	1 000	Deposits	4 000
Loans	3 000		

Suppose the required reserve ratio is 10% and the public holds \$2 000 in cash.

- (a) Calculate the monetary base of the economy. Show your workings. (2 marks)
- (b) (i) Calculate the excess reserves held by the banking system. Show your workings. (2 marks)
- (ii) Suppose banks loan all of their excess reserves. Calculate the maximum change in deposits of the banking system. Show your workings. (2 marks)
- (c) The public deposits \$1 000 into the banking system. Calculate the maximum possible amount of money supply. Show your workings. (4 marks)
- (d) Besides holding excess reserves, list **TWO** situations in which the actual amount of deposits would be lower than the maximum possible amount. (2 marks)

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END OF PAPER

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