

FUKIEN SECONDARY SCHOOL
S4 First Term Examination (2020-2021)
Economics
(1 hour 30 minutes)

Date: 6th January 2021

Name: _____

Time: 10:30 a.m. - 12:00 nn

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 **23** 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 **9** 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.

Question No.	Marker's Use Only
	Marks
1	/ 5
2	/ 4
3	/ 6
4	/ 4
5	/ 7
6	/ 4
7	/ 8
8	/ 14
9	/ 8
Total	/ 60

Section	Total Marks	Weighted Marks
A	/ 23	/ 30
B	/ 60	/ 70
Total		/ 100

SECTION A (23 marks)

There are 23 questions in this section. Answer **ALL** questions. Choose the **BEST** answer for each question.

1. Which of the following is correct?
 - A. If there is scarcity, wants are unlimited.
 - B. If there is no scarcity, we do not have to make choices.
 - C. If there are limited resources, there are unlimited wants.
 - D. If wants are unlimited, there is scarcity.

2. Samuel paid \$450 for Gloria's concert ticket. The concert takes two hours. If he doesn't attend the concert, he could work and earn \$100/hour. His workplace is near where the concert is being held and can be reached in half an hour. After the concert has gone on for half an hour, Samuel feels bored and wonders whether he should leave and go to work for an hour. What is Samuel's cost of staying until the end of the concert?
 - A. \$50
 - B. \$100
 - C. \$300
 - D. \$650

3. Which of the following statements about interest is **INCORRECT**?
 - A. Interest exists in an economy without money.
 - B. When interest rates increase, the cost of present consumption increases.
 - C. Interest is not considered when a person uses his own money for present consumption.
 - D. Interest is compensation for using resources later.

4. A university has decided to organise an orientation programme for its freshmen. Which of the following problems does the university directly address?
- (1) What to produce
 - (2) How to produce
 - (3) For whom to produce
- A. (1) only
B. (1) and (2) only
C. (1) and (3) only
D. (2) and (3) only
5. Compared with a planned economy, a market economy _____.
- A. is more modernised
B. has more resources controlled by private enterprises
C. has less even income distribution
D. has fewer government officials
6. Which of the following implies the existence of competition?
- (1) Selling a good at a discount
 - (2) Offering a lucky draw
 - (3) Offering a one-year warranty
 - (4) Giving out coupons
- A. (1) only
B. (1) and (2) only
C. (3) and (4) only
D. All of the above
7. Which of the following is correct?
- A. Scarcity can be eliminated in a pure market economy.
B. Since there is scarcity, we cannot solve the three basic economic problems.
C. There is no pure market economy in the real world.
D. People in a command economy face no scarcity as they have no choice.

8. Which of the following is/are the right(s) that a taxi driver can exercise over a taxi if the taxi is rented from a taxi company?

- (1) Exclusive right to use the taxi.
- (2) Exclusive right to sell the taxi.
- (3) Exclusive right to lease the taxi to his/her friend.

- A. (1) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. All of the above

9. Which of the following is a producer good?

- A. A television set at a restaurant
- B. A DVD player at Miss Lee's home used for leisure
- C. A dish of fried rice cooked by Mrs Wong for her son
- D. A toy bought by Mr Chan for his baby boy

10. Which of the following are reasons why division of labour can increase productivity?

- (1) Workers can be assigned to the job for which they are the most suitable.
- (2) More practice at the same task makes workers more skilful.
- (3) Mechanisation is stimulated.
- (4) More new products can be developed.

- A. (1), (2) and (3) only
- B. (1), (2), and (4) only
- C. (2), (3), and (4) only
- D. All of the above

11. For which of the following activities would it be most difficult to carry out division of labour?

- A. Making a pencil
- B. Baking a cake
- C. Playing football
- D. Writing a novel

12. Which of the following will decrease an economy's labour supply?

- A. An increase in the fertility rate.
- B. The government provides a subsidy for public transport.
- C. The government imposes immigration controls.
- D. Opportunities for further education decrease.

13. Which of the following will lead to capital formation at Firm X?

- (1) Firm X purchases an acre of land to build a new factory.
- (2) Firm X replaces all worn-out air conditioners at its office.
- (3) Firm X invests in 50 000 shares issued by a listed company.
- (4) Firm X builds a private road to facilitate efficient transportation for its clients, staff and goods.

- A. (1) only
- B. (1), (2) and (4) only
- C. (1), (3) and (4) only
- D. All of the above

14. The differences between land and capital include:

- (1) human effort can transform land into capital but human effort cannot transform capital into land.
- (2) the supply of land will not increase whilst the supply of capital will.
- (3) the factor income of land and capital are interest and rent, respectively.
- (4) land is natural resources whilst capital is man-made resources.

- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (1), (2) and (4) only

15. Which of the following is a feature of a government department?

- A. It is financially independent of the government.
- B. The ownership can be transferred freely.
- C. It is incorporated by statute.
- D. It is managed by the government.

16. Tom and Mary are owners of a firm. Tom borrows money on behalf of the firm, so Mary also has the responsibility of paying back the money and interest. The firm is _____.

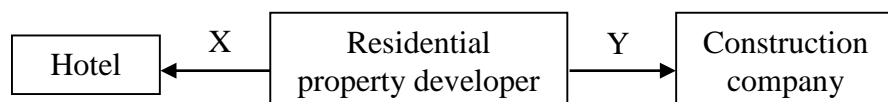
- A. a sole proprietorship
- B. a partnership
- C. a private limited company
- D. a public limited company

17. Which of the following are advantages of buying bonds instead of shares?

- (1) Investors have voting rights at shareholders' meetings.
- (2) The return is more stable.
- (3) Investors have higher priority in having their capital refunded upon liquidation.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. All of the above

18. Study the following expansion.



To the residential property developer, X and Y belong to _____ expansion and _____ expansion, respectively.

- A. lateral backward
- B. backward conglomerate
- C. forward lateral
- D. conglomerate forward

19. If two bus companies combine, this is an example of _____ integration.

- A. horizontal
- B. backward
- C. forward
- D. conglomerate

20. To ensure adequate market outlets, a firm should engage in _____ integration.

- A. horizontal
- B. forward
- C. backward
- D. conglomerate

21. Under which of the following market structures does non-price competition **NOT** exist?

- (1) Perfect competition
- (2) Monopoly
- (3) Monopolistic competition

- A. (1) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. All of the above

22. A natural monopoly refers to a monopoly that gains its monopoly power from

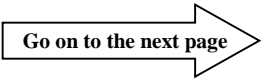
- A. a government franchise.
- B. economies of scale.
- C. copyrights.
- D. the control over essential inputs.

23. Which of the following is / are source(s) of monopoly power?

- (1) Ownership of essential resources
- (2) Government provision
- (3) Sole ownership of a patent

- A. (1) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. All of the above

END OF SECTION A

Go on to the next page 

SECTION B (60 marks)

1. Matthew has \$4 million and his order of preference for spending the money is as follows:

First choice: Buying a flat in Ho Man Tin
 Second choice: Buying a car
 Third choice: Buying a yacht

- (a) What is Matthew's opportunity cost of buying a flat in Ho Man Tin? (1 mark)
- (b) (i) If the performance of the car is much better than expected, how will this affect Matthew's opportunity cost of buying a flat in Ho Man Tin? Explain. (2 marks)
- (ii) Matthew has bought the flat in Ho Man Tin. Recently, the property prices in Ho Man Tin have risen a lot. Will this affect Matthew's opportunity cost of *living* in the flat? Explain. (2 marks)

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2. Explain whether the following two statements are positive statements.

- (a) Miss Chan said, 'Whenever I go for a picnic in the countryside, it rains.' (2 marks)
- (b) Mr. Wong said, 'When we have picnics in the countryside, we should respect nature and reduce the pollution to the environment. ' (2 marks)

Answers written in the margins will not be marked.

3. Mr. Kwong always shares his teaching materials on his Facebook page free of charge. Explain whether those teaching materials are

(a) free goods; (3 marks)

(b) public goods. (3 marks)

4. According to the estimation of EuroMonitor, a market research agency, ParknShop has a market share of approximately 33.1% in Hong Kong, second only to Wellcome, which has a market share of 39.8%.

(a) What is the market structure of the supermarket industry in Hong Kong? (1 mark)

(b) State **THREE** characteristics of this type of market structure. (3 marks)

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5. Study the following production information about Country A.

Year	2019	2020
Number of workers	100	120
Total working hours of workers	2 000	1 500
Total output (units)	100 000	120 000

(a) Calculate the average labour productivity of Country A in 2019 and 2020. (4 marks)

(b) Suggest **THREE** reasons to account for the change in labour productivity of Country A. (3 marks)

6. How can the government improve the occupational mobility and the geographical mobility of labour in Hong Kong? Propose **ONE** method for each aspect and explain your answer. (4 marks)

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7. Carefully study the following newspaper clipping.

**Hollywood screenwriters
go on strike**

The Writers Guild of America has gone on strike to fight for reasonable compensation. However, this has affected the livelihood of tens of thousands of professionals in the industry. It is estimated that the crew of more than 44 television series and 21 comedies have been forced to stop working since November last year.

- (a) What type of division of labour does the US movie and television industry practise? Explain. (2 marks)
- (b) Based on the above newspaper clipping, explain **ONE** disadvantage of division of labour. (2 marks)
- (c) List **TWO** other disadvantages of division of labour and explain. (4 marks)

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8. Suppose a bus company plans to acquire a football team and raises \$800 million by issuing new shares to the public.

(a) Which type of expansion is involved in the above acquisition? Explain. (2 marks)

(b) Explain **TWO** motives of the above acquisition to the bus company. (4 marks)

The bus company chooses to raise capital from the public by issuing shares instead of bonds.

(c) (i) To which type of business ownership does the bus company belong? (1 mark)

(ii) State **THREE** features of this type of business ownership. (3 marks)

(iii) Explain **ONE** advantage and **ONE** disadvantage to the bus company of issuing shares over issuing bonds. (4 marks)

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9. Susan lives on the Lantau Island. After graduating from the university, she has been working at a local bank, located in Tung Chung, as a customer service officer. She is paid a basic salary, plus a commission.

(a) To what type of factor of production does Susan belong? (2 marks)

(b) In which types of production is Susan involved? (2 marks)

(c) From the viewpoint of the owner of the bank, explain **ONE** advantage of the above payment method over time rate. (2 marks)

(d) From the viewpoint of Susan, explain **ONE** advantage of the above payment method over profit-sharing scheme. (2 marks)

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Answers written in the margins will not be marked.

END OF SECTION B
END OF PAPER

Answers written in the margins will not be marked.