



福建中學

FUKIEN SECONDARY SCHOOL

S6 Mock Examination (2020-2021)

Economics

Paper 2

(2 hours 30 minutes)

Date: 20th January 2021

Name: _____

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

Class: _____ No. : _____

INSTRUCTIONS

1. This paper must be answered in English.
2. After the announcement of the start of the examination, you should first write your name, class and class number in the spaces provided on Page 1.
3. This paper consists of two sections, A and B. Answer **ALL** questions.
4. Write your answers in the spaces provided in the Question-Answer Book. Do not write in the margins. Answers written in the margins will not be marked.
5. Supplementary answer sheets will be supplied on request. Write your name, class, class number and the question number on each sheet.
6. No extra time will be given to candidates for writing your name, class, class number and question number after the 'Time is up' announcement.

Question No.	Marker's Use Only
	Marks
1	/ 3
2	/ 6
3	/ 6
4	/ 3
5	/ 9
6	/ 4
7	/ 7
8	/ 6
9	/ 11
10	/ 19
11	/ 30
Total	/ 104

Paper	Total Marks	Weighted Marks
1	/ 45	/ 30
2	/ 104	/ 70
Total		/ 100

Section A (44 marks)

1. Some food delivery platforms charge a delivery fee for each order. Consumers need to pay more than dine-in prices for the same food while they save the time for waiting outside the restaurants.

Will the cost of ordering food on the food delivery platform be *necessarily* higher than the cost of having the same food in the restaurant? Explain. (3 marks)

Answers written in the margin will not be marked.

2. Harry runs a claw-machine (夾公仔機) shop in Causeway Bay.

- (a) To what type of factor of production does Harry belong? Explain your answer. (2 marks)
- (b) Give **ONE** example of fixed cost incurred in Harry's business. Explain your answer. (2 marks)
- (c) More and more people participate in this market because of business opportunities so that much more shops open in the area. The average cost of claw-machine business may increase. Suggest **ONE** reason. (2 marks)

Answers written in the margin will not be marked.

3. A farmer owner employs 100 workers in China. Assume the area of agricultural land remains unchanged. The table below shows the fall in total output of the farm when there are workers absent from work.

Number of workers absent from work	Decrease in total output (units)
1	90
2	150
3	400
4	700
5	1 050

State the law of diminishing marginal returns and explain whether the above data illustrate the law.

(6 marks)

Answers written in the margin will not be marked.

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4. Explain with **ONE** reason why the long-run aggregate supply curve is vertical. (3 marks)

5. The following table shows the balance sheet of a banking system.

Assets (\$ million)		Liabilities (\$ million)	
Reserves	1 500	Deposits	6 000
Loans	4 500		

Initially the banks held \$300 million excess reserves and the public always holds \$300 million cash.

- (a) Calculate the required reserve ratio. (1 mark)

Suppose the central bank sells \$400 million worth of government bonds to the public.

- (b) Calculate the maximum change of money supply in the banking system after the process of deposit creation/ contraction is completed. Show your workings. (4 marks)
- (c) Explain briefly the process of deposit creation/ contraction resulting from the above open market operation. (4 marks)

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6. The competition between the global console hardware market is very keen. Give **TWO** reasons why the market structure of global console hardware is **NOT** perfect competition. (4 marks)

7. The table below shows the change in exchange rate between the US dollar (USD) and the Thai baht (THB).

Date	Exchange rate
7 August 2019	USD 1 = THB 30.8
8 September 2019	USD 1 = THB 30.62

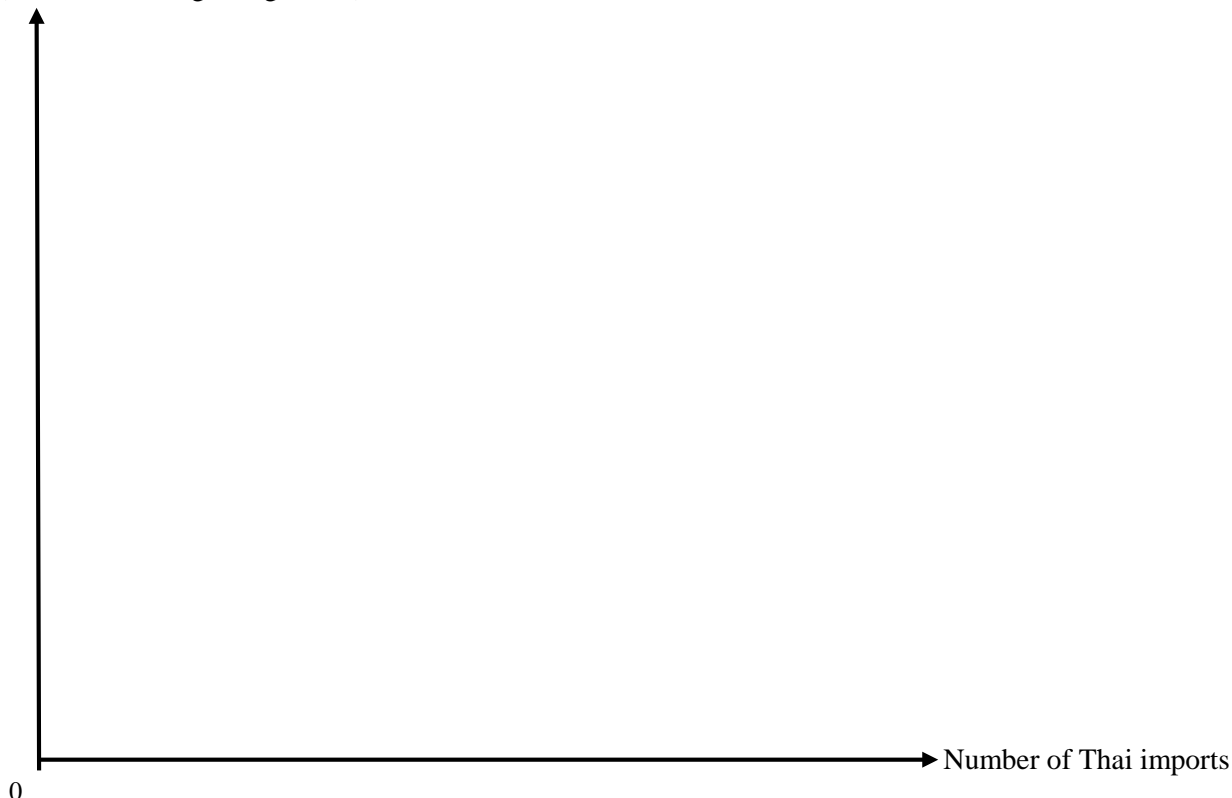
Suppose there was no change in the price (in terms of Thai baht) of goods in Thailand during the above period.

Based on the above information, explain, with the aid of Figure 1, under what condition the total import value (in terms of Hong Kong dollar) of Thai goods to Hong Kong would increase.

(7 marks)

Figure 1

Price (in terms of Hong Kong dollar)



Answers written in the margin will not be marked.

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8. Suppose each unit of resources can be used to produce the following amount of rice and clothing in Country A and Country B:

	Rice (units)		Clothing (units)
Country A	16	OR	4
Country B	15	OR	3

- (a) State the principle of comparative advantage. According to this principle, explain which country would export rice. (4 marks)
- (b) Suppose the transportation cost per unit of rice traded is 0.1 units of clothing. Is it possible to have mutually beneficial trade between these two countries? Explain. (2 marks)

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END OF SECTION A

Answers written in the margins will not be marked.

Section B (60 marks)

9. The government of Country A provides subsidies to their firms that own production plants in Country B if these firms relocate their production lines back to Country A, including capital inflow.
- (a) Explain, with the aid of an AS-AD diagram, under what condition the provision of subsidies by the government of Country A would cause the price level of Country A to increase in the short run. (8 marks)
- (b) Country A also announced the abolishment of tourist visa fee for inbound tourists. Explain how the inbound tourists' average length of stay in Country A would change. (3 marks)

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10. The fifth generation (5G) mobile network is an important telecommunications infrastructure in Hong Kong and has immense potential for various business services and smart city applications.

Table 1: local messages with SMS and mobile data usage with whatsapp

Time	Average number of local messages with SMS	Average usage of mobile data (MB) with Whatsapp
After 2015	13	1 354.3
2014	14	1 242.4
2013	16	977.5
2012	24	740.9
2011	48	490.8

- (a) (i) What is the relationship between average number of messages with SMS and average usage of mobile data with Whatsapp? (1 mark)
- (ii) Briefly explain the relationship you described in (a)(i) with the concept of demand. (2 marks)

Read an extract from the website of Nasdaq Composite.

Zoom Video Communications International (Nasdaq code 納斯達克編號: ZM), an American communications technology providing videotelephony (視頻對話) and online chat services through online software platform.

- (b) (i) To what type of business ownership does *Zoom Video Communications International* belong? (1 mark)
- (ii) Explain the differences between partnership and the type of ownership in (b)(i) in terms of transfer of ownership and legal status. (4 marks)
- (iii) Explain how the change in working style (i.e. work from home) would affect the stock price of *Zoom Video Communications International*. (4 marks)

Read the following news extract.

The government announced a scheme under which tablet computers would be provided to tertiary students for educational purposes. All students enrolled in local tertiary programmes are eligible to this scheme. The tablet computers provided cannot be resold for profit and should be returned upon graduation or dropout.

- (c) Suggest **ONE** basic economic problem which is involved in the above scheme. Explain your answer. (2 marks)
- (d) Evaluate the above scheme in the perspective of
- Equality, and
 - private property right. (5 marks)

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Answers written in the margin will not be marked.

11. In January 2020, the outbreak of COVID-19 seriously affected the living of Hong Kong citizens.

Source A: A photo taken outside a retail shop



Source B: A photo taken at a privately-owned mask factory



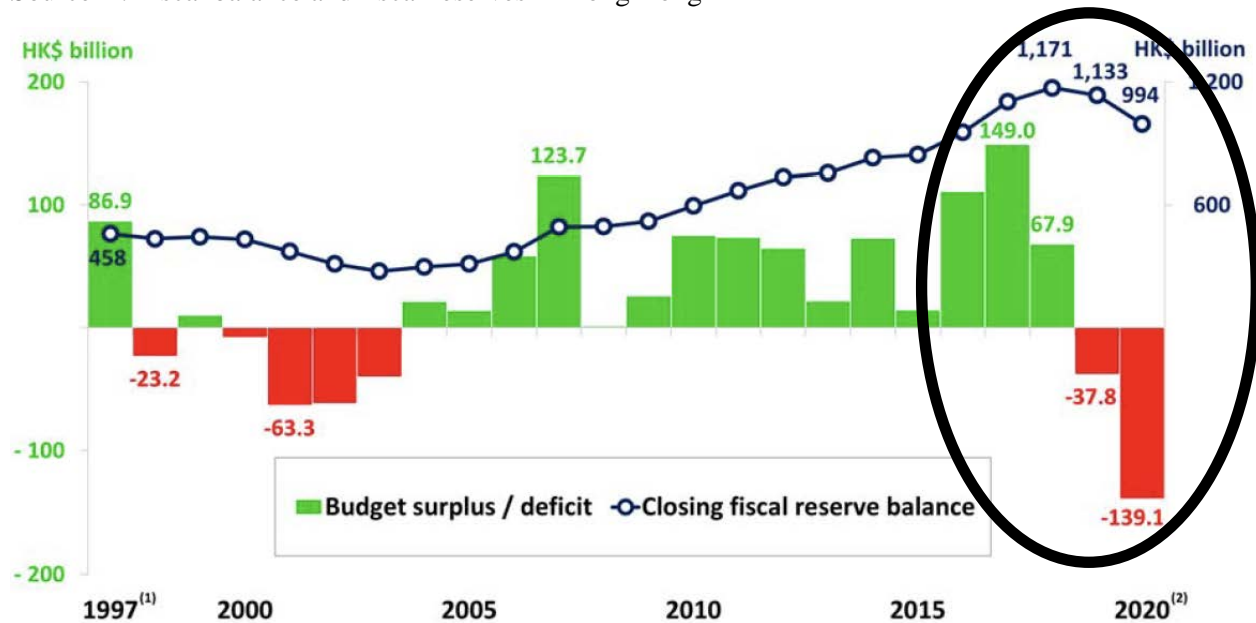
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Source C: An extract of a report on prevention and control of disease ordinance

It is observed that some citizens are still refusing to wear mask in public area or on public transport. Given the confined and crowded environment, the public health risks would increase. The Prevention and Control of Disease (Wearing of Mask) (Public Transport) Regulation can mandate the wearing of masks to prevent spread of infection through our public transport system. If a person commits an offence, he/ she may need to pay a fixed penalty of \$2 000.

Source D: Fiscal balance and fiscal reserves in Hong Kong



Source E: Views on outbreak of COVID-19 in Hong Kong

<p>An environmentalist</p> 	<p>Anti-virus N95 masks and surgical masks generally contain degradation-resistant materials and currently a large number of face masks are discarded along with domestic waste in landfills every day. In addition, masks are littered by hikers in country parks.</p>
<p>A politician</p> 	<p>Most coach drivers have been fired and looking for a new job. Unfortunately, no one has found a new job.</p>

Answers written in the margin will not be marked.

The Secretary for Commerce
and Economic Development



Many foreign tourists have cancelled their trips to Hong Kong. We are planning to implement “travel bubbles” to boost our economy.

The elderly



The Financial Secretary announced the “Cash Payout Scheme” which provides \$10 000 to each Hong Kong permanent resident who is 18 years old or above. Thank you for the government!

- (a) In Source A, there is a long queue in front of a retail shop. With the aid of Figure 2, explain why the above situation may be inefficient. (4 marks)
- (b) Refer to Source B,
- to what type of production does the mask factory belong? Explain your answer. (2 marks)
 - state **ONE** advantage and **ONE** disadvantage of manufacturing surgical masks by a private firm instead of the government. (2 marks)
 - explain why the manufacturing workers are paid by a monthly salary instead of a piece rate. (2 marks)
- (c) Refer to Source C, using the concept of externality, explain why the regulation of wearing masks may improve economic efficiency. (4 marks)
- (d) Refer to Source D, describe the changes of fiscal balance data of Hong Kong in the selected region. (2 marks)

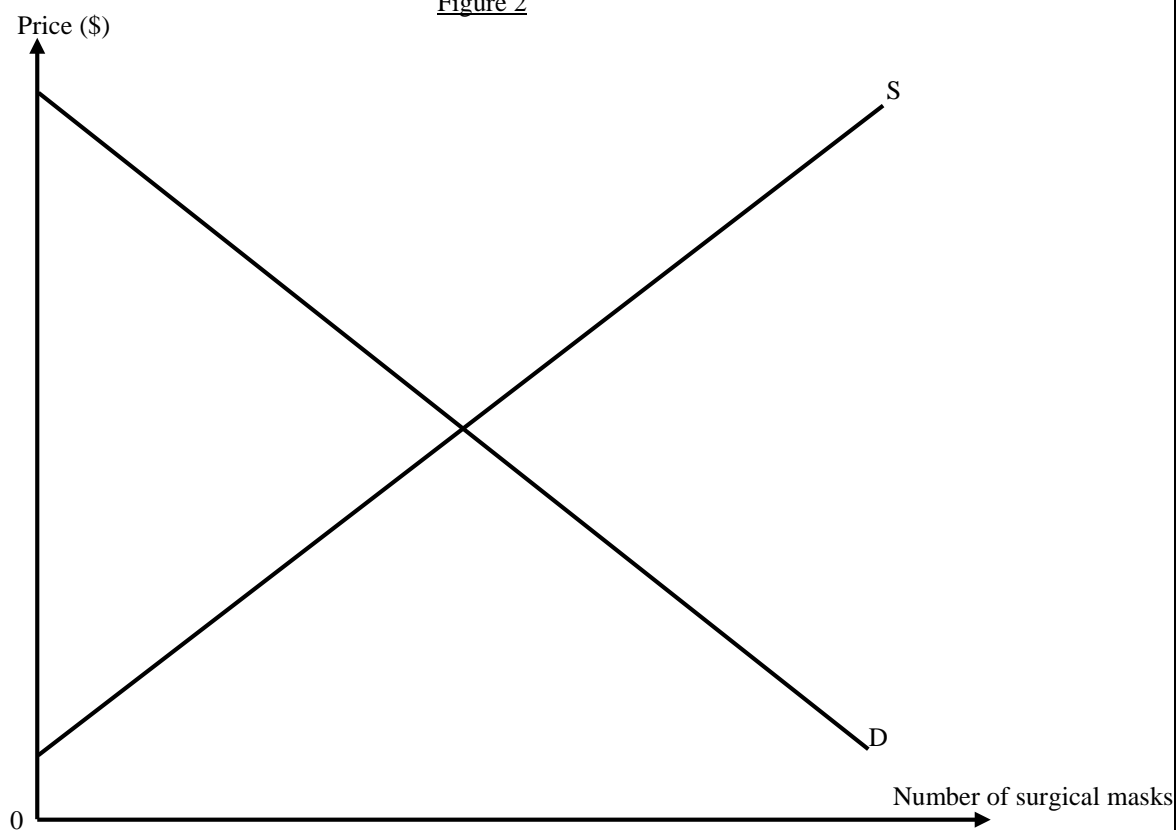
For part (e), candidates are required to present their answer in essay form. Criteria for marking will include use of sources and economic theories, relevant content, logical presentation and clarity of expression.

- (e) With reference to the above sources and your own knowledge in Economics, discuss the effects of COVID-19 on each of the following groups of stakeholders in Hong Kong, including:

Answers written in the margin will not be marked.

- government officials who are concerned about the fiscal balance in Hong Kong,
- economists who are concerned about the current account balance in Hong Kong,
- owners of surgical mask factory in Hong Kong, and
- **ONE** other group of stakeholders

(14 marks)

Figure 2

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Question 11 effective communication marks =

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2

Supplementary Answer Sheet

Question No. _____

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