

FUKIEN SECONDARY SCHOOL

S4 Final Examination (2020-2021)

Economics

(1 hour 30 minutes)

Date: 9th June 2021

Name: _____

Time: 8:30 a.m.-10:00 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 **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 | | / 6 |
| 2 | | / 4 |
| 3 | | / 6 |
| 4 | | / 4 |
| 5 | | / 8 |
| 6 | | / 8 |
| 7 | | / 3 |
| 8 | | / 10 |
| 9 | | / 11 |
| Total | | / 60 |

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

Section A Multiple-choice Questions (30%)

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

1. Which of the following statements about economic goods is correct?

- A. The price of an economic good must be higher than zero.
- B. Economic goods do not exist in a planned economy.
- C. Economic goods will be distributed through non-price competition at zero price.
- D. A good whose quantity is limited must be an economic good.

2. Which of the following are positive statements?

- (1) The agriculture sector accounts for less than 1% of Hong Kong's GDP.
 - (2) If the price of food imports increases, the number of locally-produced fruits and vegetables sold will decrease.
 - (3) Hong Kong should develop agriculture to become less dependent on food imports.
 - (4) If large areas of agricultural land are used for building public housing estates, the waiting time for public housing will be reduced to three years or less.
- A. (1) and (3) only
 - B. (2) and (3) only
 - C. (1), (2) and (4) only
 - D. (1), (3) and (4) only

3. The following is extracted from the government website:

The government has launched the Travel Agent and Practitioners Support Scheme. This scheme aims to provide every travel agent a monthly subsidy equivalent to \$5 000 for six months.

The above scheme is related to the _____ question(s) in Economics.

- A. 'how to produce'
- B. 'for whom to produce'
- C. 'what to produce' and 'how to produce'
- D. 'what to produce' and 'for whom to produce'

4. Study the following news extract.

The International Olympic Committee and the Japanese government announced that the Olympic Games held in Tokyo would be rescheduled from the summer of 2020 to summer 2021, so as to safeguard the health of the athletes and everybody involved in the Olympic Games.

Which of the following would be the cost of rescheduling the Tokoyo Olympic Games?

- (1) the delay in receiving the revenue brought by holding the Olympic Games
 - (2) the administrative cost spent on rearranging the Olympic Games
 - (3) the construction cost of the competition venue for the Olympic Games
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

5. Which of the following statements about interest is **INCORRECT**?

- A. Interest exists in barter economy.
- B. Interest exists because people are impatient to wait.
- C. Interest is the compensation for earlier consumption.
- D. Interest exists in one-man economy.

6. The following table shows the cost-output relationship of a profit-maximizing firm in a perfectly competitive market. The fixed cost of the firm is \$5.

| | | | | | | | |
|--------------------|---|---|---|---|----|----|----|
| Output (units) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Marginal cost (\$) | 2 | 4 | 6 | 8 | 10 | 12 | 14 |

Suppose the price of the output is \$10. Which of the following is/ are correct at the profit maximized output?

- (1) The average cost of the firm is \$6.
- (2) The total cost of the firm is \$35.
- (3) The profit of the firm is \$20.

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

7. Refer to the following table:

| | Firm A | Firm B |
|----------------------|--------|--------|
| Number of workers | 5 | 30 |
| Total working hours | 400 | 200 |
| Total output (units) | 2 000 | 5 000 |

Firm _____ employs less labour supply and the average labour productivity of firm _____ is higher.

- A. A ... A
- B. A ... B
- C. B ... A
- D. B ... B

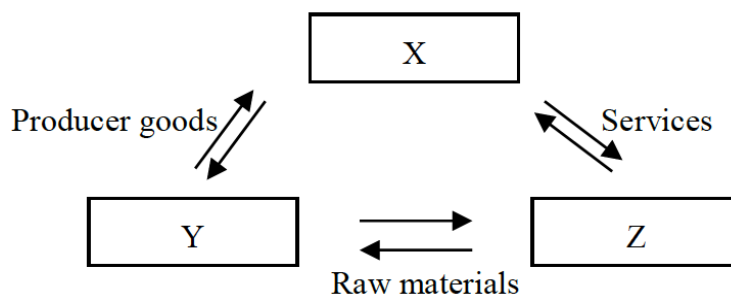
8. Which of the following statements about the Airport Authority Hong Kong is correct?

- A. It does not face competition.
- B. It does not suffer losses.
- C. It is financially independent from the government.
- D. It is a government department.

9. Brian is the owner of a fitness centre. He has purchased some gym equipment and employed some fitness instructors. The income earned by Brian consists of _____ while the income earned by the instructors consists of _____.

- A. profit ... wage
- B. profit and interest ... wage
- C. profit ... wage and profit
- D. profit and interest ... wage and profit

10. The following diagram shows the relationship of the three stages of production.



X and Y stand for _____ and _____ respectively.

- A. primary production ... secondary production
- B. secondary production ... tertiary production
- C. tertiary production ... primary production
- D. tertiary production ... secondary production

11. The following table shows a production plan of a firm in the long run.

| Total output (units) | Total cost (\$) | Marginal cost (\$) |
|----------------------|-----------------|--------------------|
| 5 | 50 | / |
| 6 | 63 | 13 |
| 7 | 77 | 14 |
| 8 | ? | Q_1 |
| 9 | ? | Q_2 |

Suppose the above data illustrates the diseconomies of scale. Which of the following figures is/ are consistent with the law?

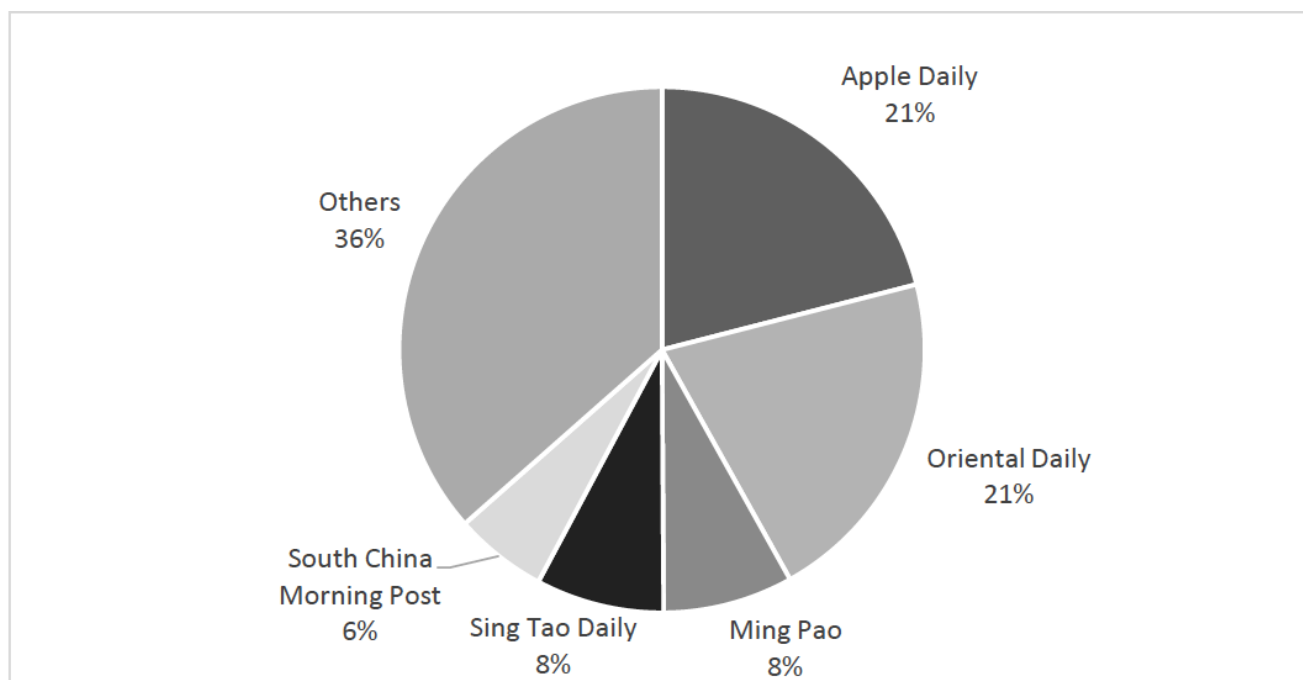
- (1) $Q_1 = 15$; $Q_2 = 16$
- (2) $Q_1 = 11$; $Q_2 = 11$
- (3) $Q_1 = 7$; $Q_2 = 6$

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

12. When a price-taking firm produces a good, its marginal cost curve can be understood as its supply curve because

- A. when the firm increases its quantity supplied, its marginal cost rises.
- B. when marginal cost rises, the firm reduces production.
- C. if the price of the good is known, we can know the firm's quantity supplied from its marginal cost curve.
- D. if the profit of the good is known, we can know the firm's quantity supplied from its marginal cost curve.

13. The following diagram shows the market share of paid and printed newspapers in Hong Kong in 2019.



From the above diagram, we can conclude that the market of paid and printed newspapers in Hong Kong is an example of _____ because _____.

- A. monopolistic competition ... there are a lot of newspaper stores in Hong Kong
- B. monopolistic competition ... they face the competition from free and online newspapers
- C. oligopoly ... the newspapers are heterogeneous from consumers' viewpoint
- D. oligopoly ... a few major sellers are in control of the market sales

14. Which of the following is **INCONSISTENT** with the law of demand?

- A. A high-income earner always travels in economy class rather than business class on flights.
- B. After the government imposes an effective ceiling on apples, people tend to buy higher-quality apples.
- C. After the government imposes an effective quota on cosmetic products, the average quality of imported cosmetic products falls.
- D. After the Transport Department installs speed enforcement cameras at a highway, vehicles' average speed along the road section decreases.

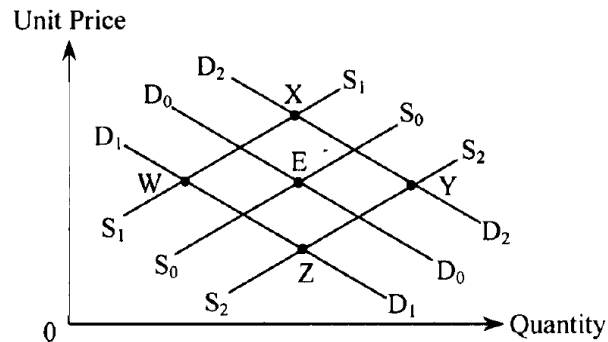
15. The table below shows the relationship between the price and the total expenditure of two consumers on good X.

| | | | | |
|--------------------------------------|-----|-----|-----|-----|
| Unit price (\$) | 20 | 25 | 30 | 35 |
| Total expenditure of consumer A (\$) | 260 | 300 | 330 | 350 |
| Total expenditure of consumer B (\$) | 225 | 225 | 225 | 225 |

From the above table, we can conclude that consumer A's demand for good X is _____ and consumer B's demand for good X is _____.

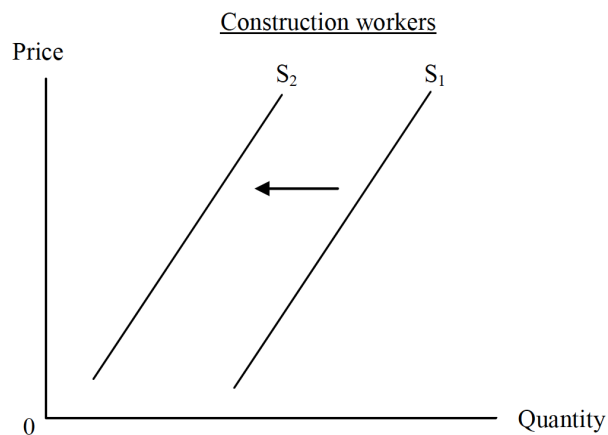
- A. elastic ... perfectly inelastic
- B. inelastic ... unitarily elastic
- C. inelastic ... perfectly inelastic
- D. perfectly inelastic ... inelastic

16. The following diagram shows the supply and demand curves of crude oil in the global market. The original equilibrium point is at E. Suppose the automobiles and airplanes are idled during the COVID-19 pandemic. At the same time, the cost of producing oil decreases.



The new equilibrium point in the above diagram would possibly be at

- A. W.
 - B. X.
 - C. Y.
 - D. Z.
17. The diagram below shows the supply curves of construction workers.



Based on the diagram above, the price of private housing will

- A. increase, as construction workers are a factor of production for building private housing.
 - B. decrease, as the supply of private housing is derived from the supply of construction workers.
 - C. decrease, as construction workers and private housing are in joint supply.
 - D. remain unchanged, as the supply of construction workers will not affect the demand for private housing.
18. During the COVID-19 pandemic, many people in the United States needed entertainment at home. It is discovered that the price of Nintendo Switch game console rose from US\$440 to US\$500 in an online shopping platform and the quantity sold changed by 50%. This indicated that during that period and within the price range, there was an _____ the Nintendo Switch game console in the United States.
- A. elastic supply of
 - B. inelastic supply of
 - C. elastic demand for
 - D. inelastic demand for

19. Assume that the demand for Good Y is elastic. A decrease in the price of Good X will decrease the total sales revenue of Good Y if Good X and Good Y are

- (1) in competitive demand.
- (2) in joint demand.
- (3) in competitive supply.
- (4) in joint supply.

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

20. Which of the following lowers the elasticity of supply of medical doctors in public hospital?

- A. More training and qualifications are required to become a medical doctor.
- B. More universities offer medical degree programmes.
- C. More private hospitals are built.
- D. The wages of medical doctors in public hospitals increase.

21. Refer to the following supply-demand schedule of a good.

| | | | | | |
|---------------------------|----|----|----|----|----|
| Unit price (\$) | 24 | 27 | 30 | 33 | 36 |
| Quantity supplied (units) | 15 | 16 | 17 | 18 | 19 |
| Quantity demanded (units) | 17 | 16 | 15 | 14 | 13 |

If the government imposes a \$6 per unit tax on the good,

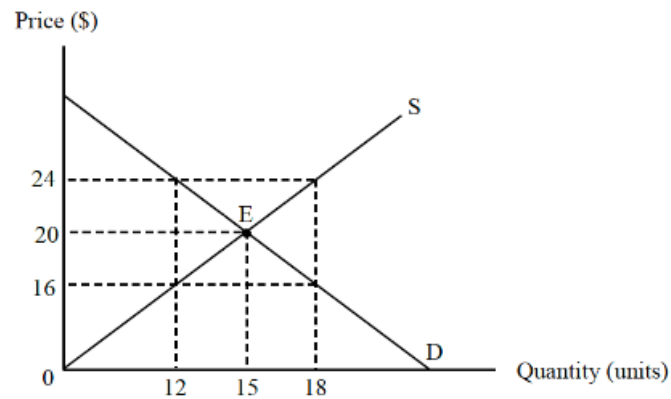
- A. its market price will increase by \$6.
- B. total tax revenue will be \$102.
- C. sellers' total revenue (net of tax) will increase by \$18.
- D. the tax burden of buyers and sellers are both \$45.

22. The government imposes a per unit subsidy on a good. The price of the good will remain unchanged if

- (1) the demand is perfectly elastic.
- (2) the demand is perfectly inelastic.
- (3) the supply is perfectly elastic.
- (4) the supply is perfectly inelastic.

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

23. The following is the supply-demand diagram of good X.



Suppose the initial equilibrium point is point E. Which of the following statements is correct?

- A. If the government provides a per unit subsidy of \$8 for good X, the total revenue including the subsidy will decrease by \$12.
- B. If the government sets a price floor on good X at \$22, the quantity transacted will be between 12 units and 15 units.
- C. If the government imposes a quota of 18 units on good X, the market price will increase by \$4.
- D. If the government imposes a per unit tax of \$8 on good X, consumers' tax burden will be \$96.

1. The table below shows the input-output relationship of a firm.

| Labour (units) | Machines (units) | Average output (units) |
|----------------|------------------|------------------------|
| 20 | 20 | 10 |
| 21 | 20 | 11 |
| 22 | 20 | 12 |
| 23 | 20 | 12 |
| 24 | 20 | 11 |

State the law of diminishing marginal returns and explain whether the above data could illustrate it. (6 marks)

2. The following table shows the production data of a firm. The fixed cost of this firm is \$20 and the price of output is \$60.

| | | | | | | | |
|--------------------|----|----|----|----|----|----|----|
| Output (units) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Marginal cost (\$) | 10 | 20 | 30 | 40 | 50 | 60 | 70 |

- (a) State and explain the profit-maximizing output of the firm. (2 marks)
- (b) Calculate the profit at the profit-maximizing output. Show your workings. (2 marks)

3. Due to the COVID-19 pandemic, the schools in Hong Kong change the mode of instruction from face-to-face lessons to online lessons.
- (a) Emma and Ivan each teaches two classes in both F.2 and F.3 Geography in face-to-face lessons. In online lessons, Emma teaches all classes of F.2 Geography and Ivan teaches all classes of F.3 Geography.
- State **ONE** economic concept involved in the above arrangement and explain why the arrangement is beneficial to the teachers involved. (3 marks)
- (b) Marco is a Hong Kong student and has to attend online lessons during the COVID-19 pandemic. Unfortunately, he is punished and needs to stay behind after school as he slept in class. Explain how his opportunity cost of *sleeping in the online lessons* would change. (3 marks)

4. The following is an extract from a Hong Kong newspaper.

Many teachers and students need to buy web cameras and microphones for online lessons during the COVID-19 pandemic. The shops selling computer accessories arrange more web cameras and microphones for sale. The students have to walk around several shops to compare the prices and functions of different web cameras and microphones before buying.

Refer to the above extract. Give **TWO** reasons to explain why the market structure of computer accessories in Hong Kong is **NOT** perfect competition. (4 marks)

5. In January 2019, Evergrande Health Industry Group (stock code: 0708), an operator of hospitals and elderly care homes, bought shares of Swedish electric car manufacturer NEVS. The Group acquired the remaining shares of NEVS in June 2020.

(a) To what type of integration does this belong? Explain your answer. (2 marks)

(b) Apart from enjoying economies of scale, list **TWO** possible motives for the above integration. (2 marks)

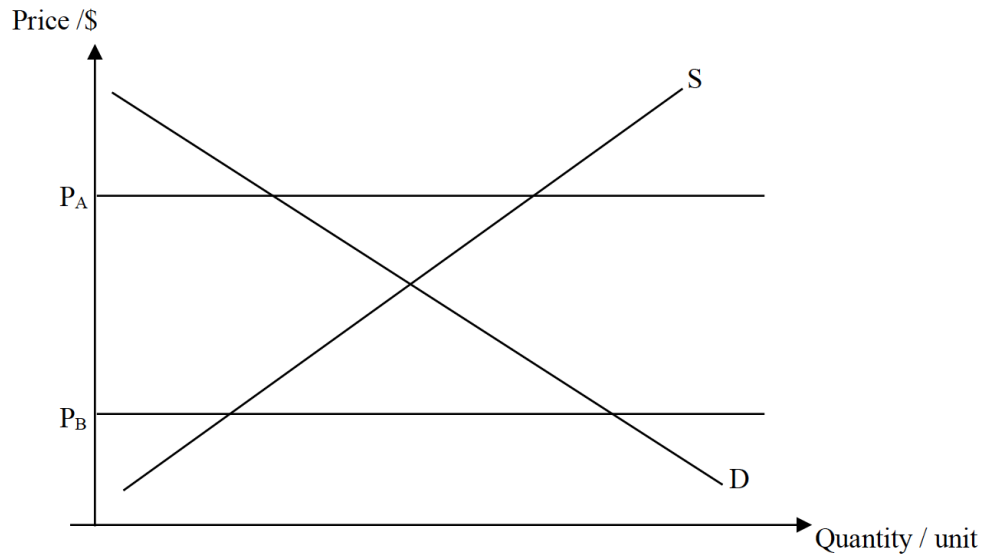
(c) After the integration, the firm found that its average cost decreased. Explain with **TWO** possible reasons why this happened. (4 marks)

6. Many countries have imposed a per unit tax on imported cigarettes.

(a) An economist stated, 'It is difficult to reduce the number of smokers by the imposition of per unit tax cigarettes.' Justify his statement using the concept of elasticity of demand/ supply. (3 marks)

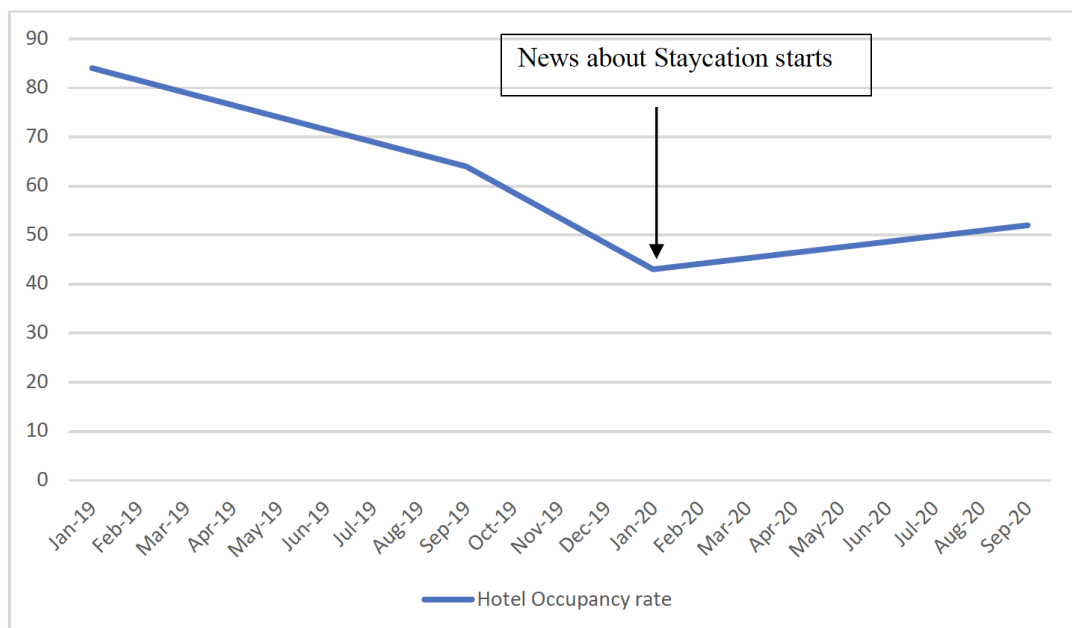
(b) Under what condition will the buyers bear a greater tax burden than the sellers? Illustrate your answer with a supply-demand diagram. (5 marks)

7. The following diagram shows the market demand and supply curves of Good X. The government imposes a price ceiling of Good X on P_A .



- (a) Explain whether the price ceiling on P_A is effective. (2 marks)
- (b) Indicate the change in total revenue in the above diagram if the government lowers the price ceiling from P_A to P_B . (1 mark)

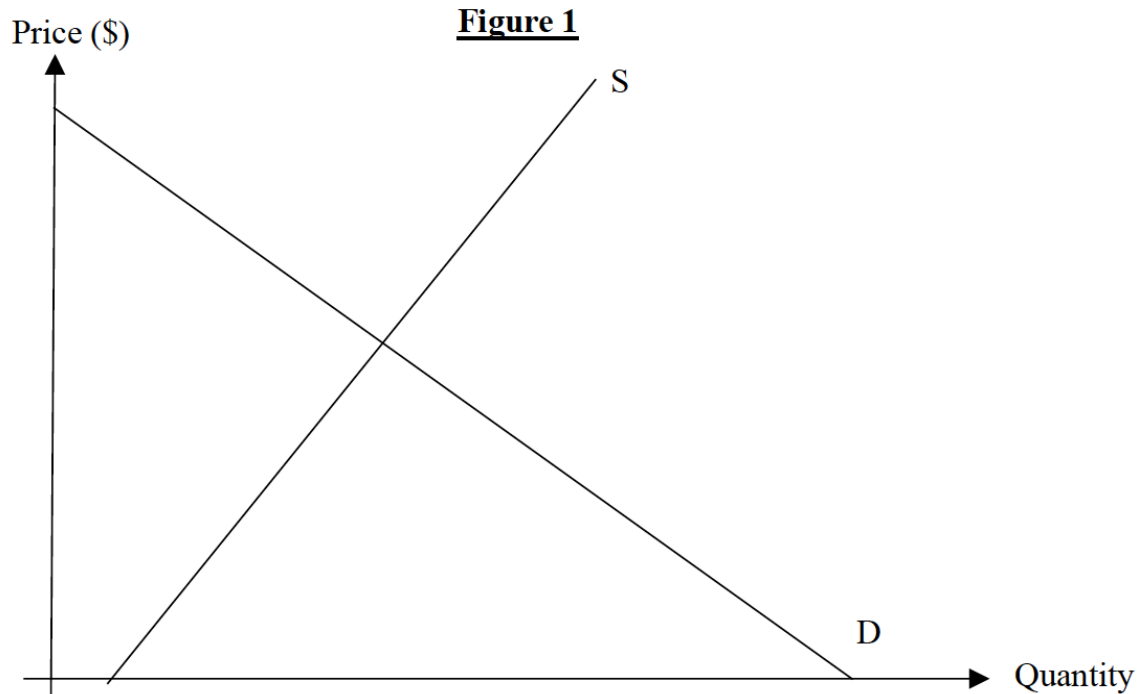
8. Tourism is one of the 'pillar industries' in Hong Kong. Due to the COVID-19, the Hong Kong government and local residents are finding ways to satisfy the needs of travelling around.



Source: Hotel Occupancy rate from September 2019 to September 2020

- (a) As the epidemic spread, the decreasing trend of hotel occupancy rate implies that there are a lot of vacant rooms in hotels. Explain the above phenomenon with the aid of Figure 1. (2 marks)

- (b) With the strategy of cutting price and the promotion of 'Staycation', illustrate how the above changes will lead to an increasing hotel occupancy rate with the aid of the Figure 1. (3 marks)
- (c) 'As the amount of the COVID-19 testing fee imposed on every incoming foreigner is the same irrespective of the length of hotel stay, the average number of nights staying in hotel will increase.' Explain this argument using the law of demand. (5 marks)



- | Airline companies (Code) | Maximum percentage change in share price from February to April 2020 compared with the share price before border closures |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Cathay Pacific (0293) | -27% |
| Air China (0753) | -32.5% |
| China Eastern (0670) | -36.7% |
| China Southern Airlines (1055) | -40% |

- The airline pilots are paid by a basic salary and extra amount of salary linked with the actual flying hours each month. However, many pilots are worried that they are unable to find jobs in other industries if they are fired during the pandemic period.

- [illegible]

- END OF PAPER -

Question No. _____