

FUKIEN SECONDARY SCHOOL  
S5 First Term Uniform Test (2021-2022)  
Economics  
(1 hour)

Date: 10<sup>th</sup> November 2021

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 **7** 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.

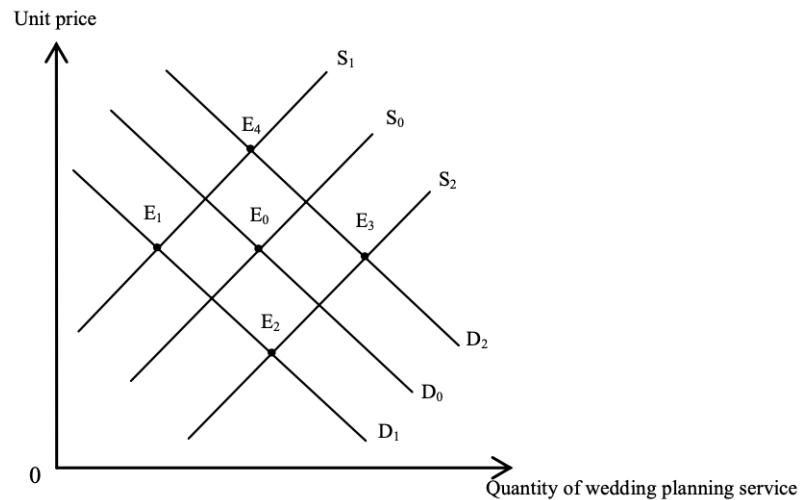
Question No.	Marker's Use Only
	Marks
1	/ 2
2	/ 5
3	/ 10
4	/ 7
5	/ 4
6	/ 4
7	/ 3
Total	/ 35

Section	Total Marks	Weighted Marks
A	/ 15	/ 30
B	/ 35	/ 70
Total		/ 100

**Section A Multiple-choice Questions (30%, 15 marks)**

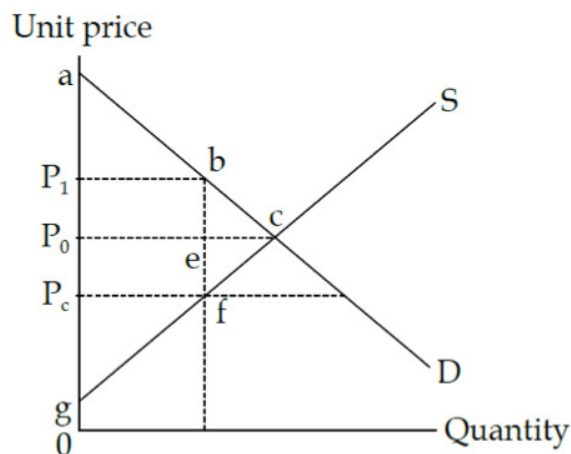
There are **15** questions in this section. Choose the **BEST** answer for each question.

1. The following diagram shows the wedding planning service market in Country X. E0 is the original equilibrium point..



In recent years, the number of people getting married has been increasing. The promising prospects also attract new firms into the market. The new equilibrium point will be at \_\_\_\_\_.

- A. E1
  - B. E2
  - C. E3
  - D. E4
2. The diagram below shows the demand for and the supply of a good in a perfectly competitive market.



Suppose the government sets a price ceiling of  $P_1$  on the good. Which of the following is the result of setting the price ceiling?

- A. The total social surplus is equal to area  $acg$ .
- B. The consumer surplus is equal to area  $abfPc$ .
- C. The producer surplus is equal to area  $P_1bfg$ .
- D. The deadweight loss is equal to area  $ecf$ .

3. Thanks to warming seas, there was a good harvest of Boston lobsters. Suppose the demand for Boston lobsters remained unchanged. Which of the following statements about the good harvest are correct?
- (1) The supply of Boston lobsters increased.
  - (2) The price of Boston lobsters increased.
  - (3) The consumer surplus for people buying Boston lobsters increased.
  - (4) The quantity transacted of Boston lobsters increased.
- A. (1) and (4) only  
B. (1), (2) and (3) only  
C. (1), (3) and (4) only  
D. (2), (3) and (4) only
4. A higher average salary in the information technology industry has attracted more young people to enter the industry and work as programmers.  
The above case illustrates the \_\_\_\_\_ function of price.
- A. rationing  
B. purchasing  
C. allocative  
D. adjustment
5. A poor harvest of coffee beans raised the price of coffee at a coffee shop. Which of the following statements is correct?
- A. Consumer surplus of people buying the coffee at the coffee shop decreased.  
B. Demand for the coffee of the coffee shop decreased.  
C. Sales revenue of the coffee shop decreased.  
D. None of the above.
6. Under which of the following situation may efficiency not be attained?
- A. Total social surplus is maximised.  
B. The consumer surplus is equal to the producer surplus.  
C. The marginal benefit is equal to the marginal cost.  
D. There is no deadweight loss.

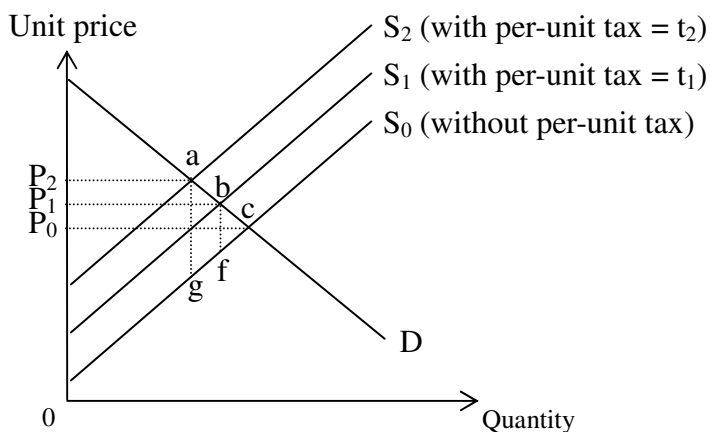
7. After the imposition of an effective price ceiling, which of the following is incorrect?

- A. Producer surplus must decrease.
- B. Consumer surplus must increase.
- C. Total social surplus must decrease.
- D. Market price must decrease.

8. After the government lowers an effective price floor on a good,

- A. consumer surplus will decrease.
- B. deadweight loss will decrease.
- C. producer surplus will decrease.
- D. excess supply will increase.

9. The following diagram shows the demand and supply curves of good X.

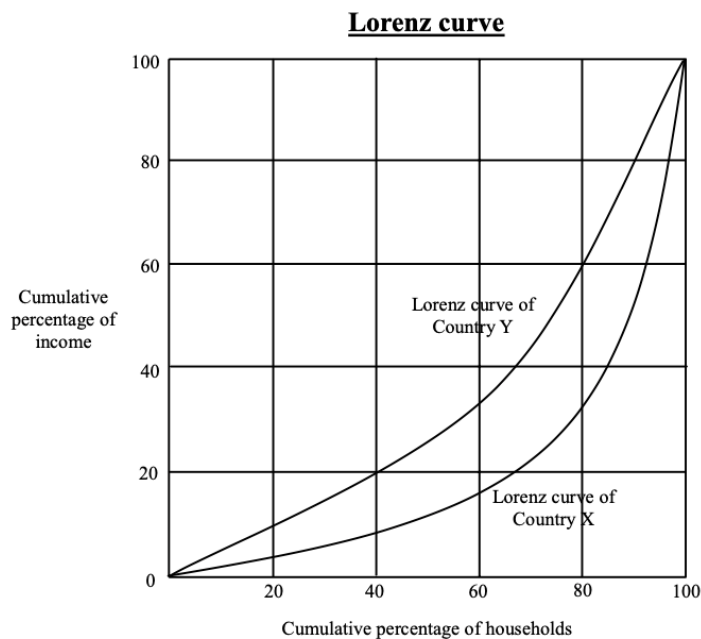


Suppose the government increases the per-unit tax on good X from  $t_1$  to  $t_2$ . Which of the following statements is correct?

- A. The consumer surplus will increase by area  $abP_1P_2$ .
- B. The producer surplus will increase by area  $abP_1P_2$ .
- C. The deadweight loss will decrease by area  $abfg$ .
- D. The new deadweight loss is area  $acg$ .

10. Suppose the supply curves of clothing and fabric are upward sloping. Imposing an effective quota on fabric will result in
- (1) a decrease in producer surplus in the fabric market.
  - (2) a decrease in total social surplus in the fabric market.
  - (3) a decrease in consumer surplus in the clothing market.
- A. (1) and (2) only  
B. (1) and (3) only  
C. (2) and (3) only  
D. (1), (2) and (3)
11. As compared to weekdays, the number of tourists visiting the Hong Kong Disneyland increases during public holidays. As a result, the queuing time for photo shooting with the Disney cartoon characters increases. Which of the following is correct?
- A. A divergence between private and social costs is implied.  
B. The divergence between private and social costs declines when an extra fee is charged by the Disneyland for photo shooting with the Disney cartoon characters.  
C. From the viewpoint of society, the number of visitors in the Disneyland during public holiday is beyond its optimal quantity.  
D. All of the above are correct.
12. The construction of the South Island Line (East) by the MTR Corporation shortens the travelling time between Ocean Park, Wong Chuk Hang, Lei Tung and South Horizons to Admiralty. As a result, people need to pay more for buying private housing units in these districts. Which of the following is correct?
- A. There is a divergence between private and social costs, and the government should provide subsidies to people who are going to buy private housing units in these districts to reduce the divergence.  
B. There is a divergence between private and social benefits, and the government should provide subsidies to people who have already bought private housing units in these districts to reduce the divergence.  
C. There may be no divergence between private and social costs.  
D. There is no divergence between private and social costs unless the government provides subsidies to people who are going to buy private housing units in these districts.

13. The higher the Gini coefficient of a country,
- the lower the income of the low-income group of the country.
  - the smaller the difference between the incomes of the low-income group and the high-income group.
  - the lower the degree of income inequality.
  - None of the above.
14. The diagram below shows the Lorenz curves of Country X and Country Y.



Which of the following statements is/are correct?

- The Gini coefficient of Country Y is higher than that of Country X.
  - The income distribution of Country Y is more even than that of Country X.
  - The average income of households in Country Y is higher than that of Country X.
- (2) only
  - (1) and (3) only
  - (2) and (3) only
  - (1), (2) and (3)
15. Which of the following government policies can reduce income inequality?
- changing the salaries tax system from progressive to proportional
  - reducing subsidies for primary and secondary education
  - imposing a general sales tax
  - raising the property tax on luxury flats

1. Korean fashion has become more popular recently. The price of Korean-style clothing has increased. A garment manufacturer has decided to produce more Korean-style clothing and reduce the production of Japanese-style clothing. Explain ONE function of price which can be found in the above case. (2 marks)

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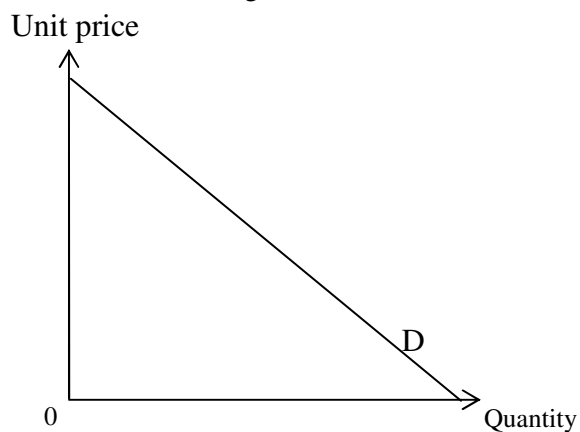
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- The graph illustrates the relationship between unit price and quantity. The vertical axis is labeled 'Unit price' and the horizontal axis is labeled 'Quantity'. An upward-sloping supply curve 'S' and a downward-sloping demand curve 'D' intersect. Two specific quantities,  $Q_1$  and  $Q_2$ , are marked on the horizontal axis with vertical dashed lines extending to the curves.

[illegible]

[illegible][illegible]

7. Drink-driving has caused many casualties in economy A. Politicians in economy A propose that the government should impose a per-unit tax on alcoholic beverages.

Figure 1



‘The imposition of the per-unit tax would result in inefficiency.’ Defend the statement by comparing marginal cost and marginal benefit in Figure 1. (3 marks)

- END OF PAPER -