

FUKIEN SECONDARY SCHOOL  
S6 First Term Uniform Test (2021-2022)  
Economics  
(1 hour 30 minutes)

Date: 8<sup>th</sup> November 2021

Name: \_\_\_\_\_

Time: 10:15 a.m. – 11:45 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 **20** 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. This section carries 30% of the whole paper.
5. Section B is Structured Questions. There are **8** 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	/ 3
2	/ 5
3	/ 7
4	/ 7
5	/ 5
6	/ 3
7	/ 13
8	/ 17
Total	/ 60

Section	Total Marks	Weighted Marks
A	/ 20	/ 30
B	/ 60	/ 70
Total		/ 100

**Section A Multiple-choice Questions (30%, 20 marks)**

There are 20 questions in this section. Choose the **BEST** answer for each question.

1. Tom can either work in a fast food shop or take a Japanese-language course. Which of the following will increase the opportunity cost of taking a Japanese-language course?

- (1) The fast food shop provides free meals to its workers.
- (2) Working conditions in the fast food shop are poor.
- (3) The class time of the Japanese-language course is lengthened by 30 minutes.
- (4) Japanese-language course is shifted to online teaching, leading to a lower teaching quality.

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

2. The following table shows the cost-output relationship of a price-taking firm.

Output (units)	Total cost (\$)
2	12
3	21
4	33
5	48
6	64

Suppose the market price has decreased from \$16 to \$15. The total variable cost of the firm will \_\_\_\_\_, and its profit will \_\_\_\_\_.

- A. decrease by \$16 ..... decrease by \$5
- B. decrease by \$16 ..... increase by \$10
- C. remain unchanged ..... decrease by \$5
- D. remain unchanged ..... increase by \$10

3. The table below shows the ticket pricing of a concert.

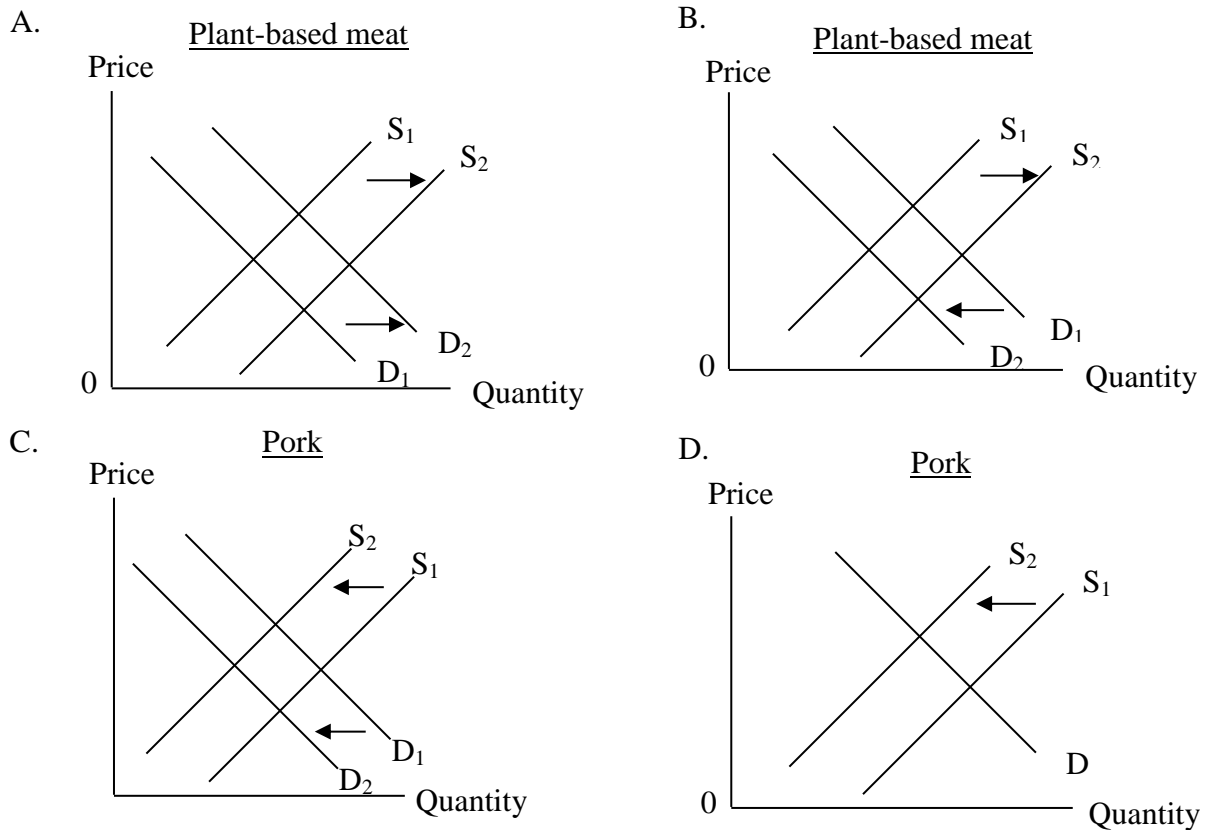
Seating type	Price (\$)
Premium seat	980
Regular seat	380

Which of the following is **CONSISTENT** with the law of demand?

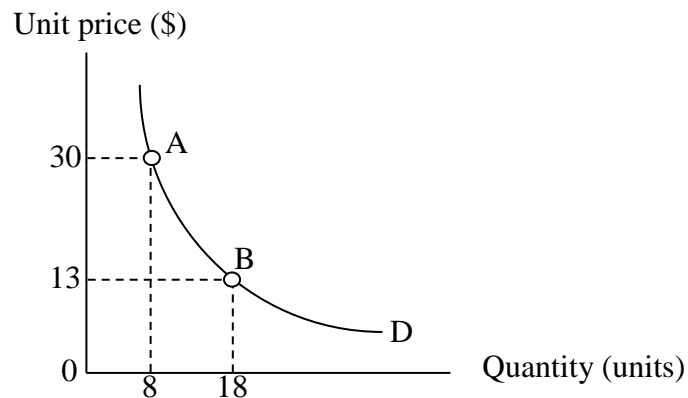
- (1) When the fixed service charge for ticket purchases increases, the ratio of premium seat tickets sold to regular tickets increases.
- (2) When the price of the premium seat tickets increases, fewer people will buy them.
- (3) Audience from abroad are more likely to buy regular seat tickets than the local audience.

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

4. More people have become vegetarians in recent years. At the same time, the price of pig feed has increased. Which of the following diagrams could represent a result of the above events?



5. The diagram below shows the market demand curve for good X.



The arc elasticity of demand between A and B is \_\_\_\_\_.

- A. 0.45  
B. 0.97  
C. 1.03  
D. 2.20

6. Refer to the following supply and demand schedules for good X.

Unit price (\$)	Quantity supplied (units)	Quantity demanded (units)
10	15	60
12	20	50
14	25	40
16	30	30
18	35	20
20	40	10
22	45	5

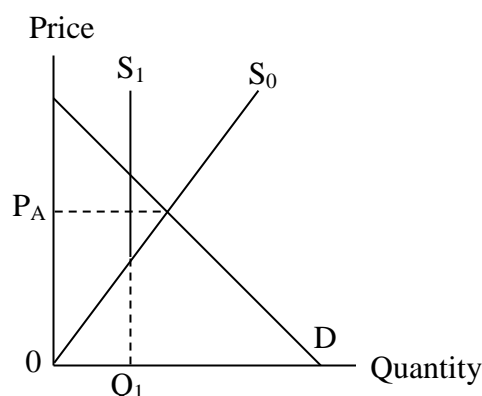
After the government has imposed a per-unit tax on good X the quantity transacted changes by 10 units. Which of the following statements is **CORRECT**?

- A. The amount of per-unit tax is \$2.
- B. The ratio of consumers' tax burden to producers' tax burden is 1:2.
- C. Buyers' total expenditure on good X would decrease by \$60.
- D. Sellers' total sales revenue would decrease by \$240.

7. The market of the banking industry in Hong Kong is an example of

- A. perfect competition because the market information of banking services in Hong Kong is perfect.
- B. monopolistic competition because there are many licensed banks in Hong Kong.
- C. monopolistic competition because services provided by banks are heterogeneous.
- D. oligopoly because the banking service market is dominated by a few banks.

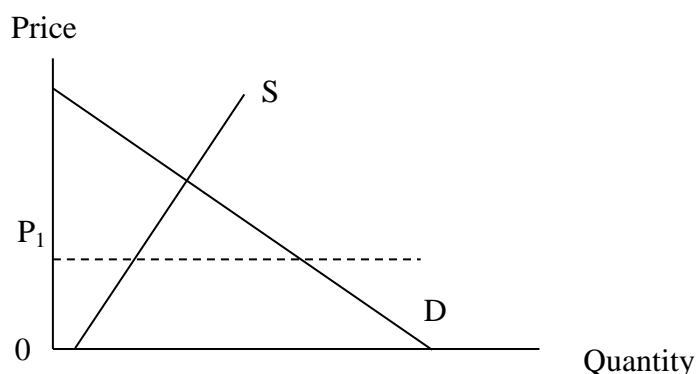
8. Refer to the demand-supply diagram of a good with the government setting a quota at  $Q_1$ .



Suppose the government raises the quota on the good while the quota is still effective. Which of the following statements is **CORRECT**?

- A. There will be an excess supply of the good.
- B. Consumers' total expenditure on the good will decrease.
- C. The market price of the good will be higher than  $P_A$ .
- D. The price of the complement of the good will decrease.

9. The diagram below shows the demand-supply diagram of agricultural products in Country A.



If the government sets a price ceiling of  $P_1$  on agricultural products,

- A. consumer surplus in the agricultural product market will decrease, and consumer surplus in the fertiliser market will increase.
- B. the producer surplus in the agricultural product market may increase or decrease, and the producer surplus in the fertiliser market will decrease.
- C. the total social surplus in the agricultural product and fertiliser markets will decrease.
- D. deadweight loss exists in both the agricultural product and fertiliser markets.

10. Which method can lessen the problem of divergence between private and social benefits?

- A. To impose a road user charge on drivers during peak hours
- B. To provide scholarships to outstanding students
- C. To reduce subsidies to universities
- D. To raise tariffs on imported cigarettes

11. Which of the following will increase both aggregate output and price level in the short run?

- A. There is a decrease in the desire to save.
- B. There is an appreciation in the currency of the economy.
- C. Firms expect the future price level to rise.
- D. More people go travelling abroad.

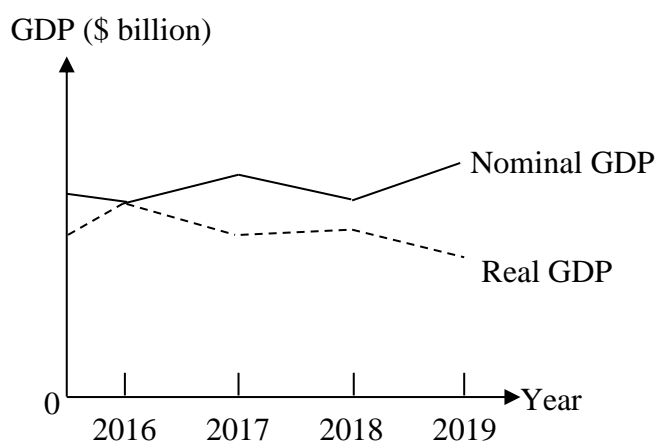
12. Refer to the table below.

Components	\$ million
Gross national income	620
Private consumption expenditure	300
Gross domestic fixed capital formation	100
Changes in inventories	−15
Total exports of goods	120
Imports of goods	85
Exports of services	185
Imports of services	115
Net factor income from abroad	−30
Depreciation	10
Indirect taxes	20

Government expenditure is \$\_\_\_\_\_ million.

- A. 100
- B. 140
- C. 160
- D. 170

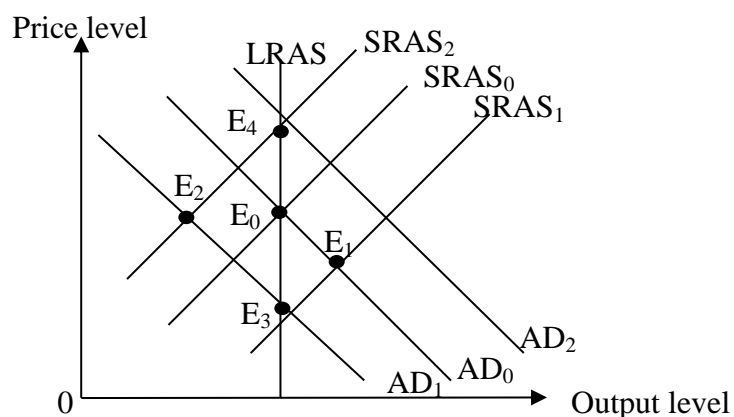
13. The following diagram shows the gross domestic product (GDP) of Country A.



Which of the following statements about Country A is **CORRECT**?

- A. Inflation has prevailed since 2016.
- B. The nominal GDP has been increasing since 2016.
- C. The price level increased every year between 2016 and 2019.
- D. Since 2017, the price level has always been higher than that in 2016.

14. The diagram below shows the aggregate demand curve, short run aggregate supply curve and long run aggregate supply curve of an oil-importing country, it is at  $E_0$  initially.



If the international oil price decreases sharply, the short run equilibrium of the country will be at \_\_\_\_\_, and the long run equilibrium will be at \_\_\_\_\_.

- A.  $E_1$  .....  $E_0$
- B.  $E_1$  .....  $E_3$
- C.  $E_2$  .....  $E_3$
- D.  $E_2$  .....  $E_4$



15. Some bakeries sell mooncake coupons before the Mid-Autumn Festival. These coupons can be used in exchange for mooncakes. Mooncake coupons are **NOT** money because
- A. they are not issued by the government.
  - B. they are not generally acceptable as a medium of exchange.
  - C. it is difficult to divide them into smaller denominations.
  - D. they are issued only during a particular period.
16. Kate received HK\$500 000 from overseas remittance. She put HK\$300 000 as demand deposit in a bank, and the remainder as time deposit in a licensed bank. What is the immediate effect of the above actions on the money supply of Hong Kong?
- A. M1 increases by HK\$300 000 and M2 increases by HK\$200 000.
  - B. M2 increases by HK\$300 000 and M3 increases by HK\$500 000.
  - C. M1 increases by HK\$300 000 and M3 remains unchanged.
  - D. M2 and M3 both increase by HK\$500 000.
17. Which of the following is/are possible reason(s) for the actual amount of deposits created to be less than the maximum possible amount?
- (1) Banks decide to hold excess reserves.
  - (2) There is insufficient demand for loans.
  - (3) The required reserve ratio is 100%.
- A. (1) only
  - B. (3) only
  - C. (1) and (2) only
  - D. (1), (2) and (3)

18. Study the balance sheet of a banking system. The amount of excess reserves is \$80 million.

Assets (\$ million)		Liabilities (\$ million)	
Reserves	800	Deposits	3 600
Loans	2 800		

If the central bank issues some newly printed banknotes worth \$150 million, excess reserves will increase by \$20 million and the cash held by the non-bank public will increase by \$100 million. The money supply of the economy will increase by \$ \_\_\_\_\_ million.

- A. 50
- B. 100
- C. 250
- D. 0

19. Which of the following will offset the effect of widespread use of electronic payment tools on nominal interest rate?

- A. The expected inflation rate decreases.
- B. The risk of holding interest-bearing assets increases.
- C. The central bank buys government bonds in the open market.
- D. The central bank lowers the required reserve ratio.

20. May is a Hong Kong resident and she plans to take a three-month English-language course in Britain. Which of the following will be included in the calculation of the balance of payments of Hong Kong?

- (1) She pays tuition fees to an English-language school in Britain.
- (2) She rents a flat in Britain.
- (3) She buys an air ticket from Hong Kong to London with a Hong Kong-based airline.

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

**END OF SECTION A**

**Section B Structured Questions (70%, 60 marks)**

1. Some food delivery platforms charge a delivery fee for each order. Consumers need to pay more than dine-in for the same food. 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)

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2. 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) Explain what type of integration this is. (2 marks)
- (b) List THREE possible motives for the above integration. (3 marks)

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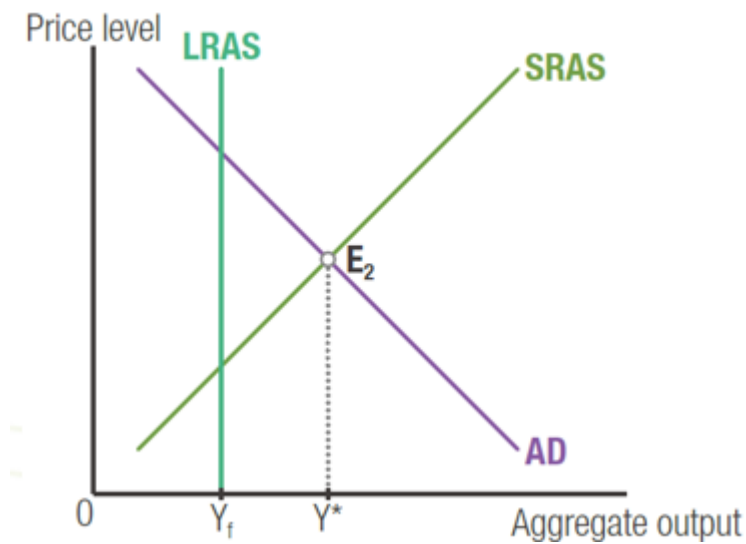
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4. Figure 1 shows the AS-AD diagram of an economy. Point E2 is initial short run equilibrium of the economy.

Figure 1



With the aid of Figure 1, explain how an adjustment of the required reserve ratio by central bank can lower the output level to  $Y_f$ . (7 marks)

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5. The table below shows the year-on-year percentage change in the Composite Consumer Price Index from 2016 to 2019. Assume the interest rate of time deposit is 0% from 2016 to 2019.

2016	2017	2018	2019
2.4%	1.5%	2.4%	2.9%

(Source: Census and Statistics Department, HKSAR Government)

Suppose people did not expect any change in the general price level from 2016 to 2019. Explain whether each of the following parties would gain or lose when the change in the price level in the above table occurred.

- (a) In 2016, Wilson deposited a sum of money in a bank as a time deposit. (2 marks)
- (b) In 2016, Mary purchased 3-year bonds of a Hong Kong company with a nominal rate of return of 5% per year. (3 marks)

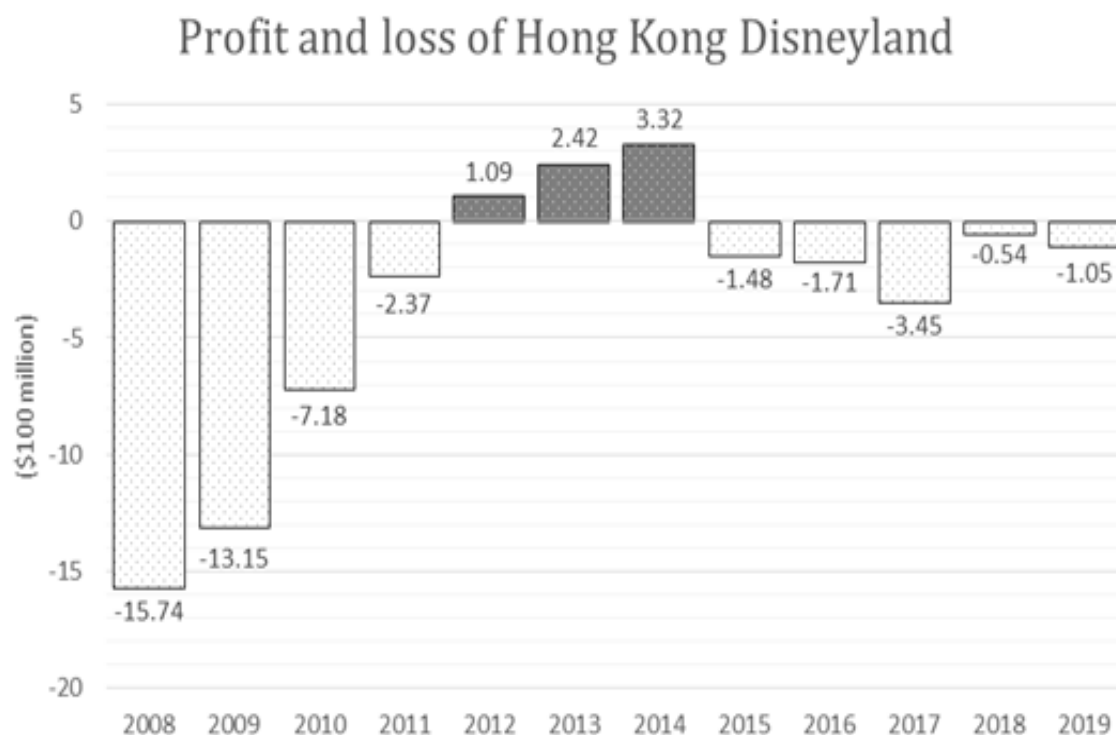
6. Recently, the price of private residential flats has been affected by the following events:

- ◆ The interest rate on mortgage loans decreased.
- ◆ The government announced that it would allocate more land sites for building public housing instead of selling them to property developers.

Use **ONE** supply-demand diagram to illustrate the effect of the above two events on the price of private residential flats. (3 marks)

7. The financial condition of Hong Kong Disneyland has raised public concerns.

**Source A:** Financial results of Hong Kong Disneyland from 2008 to 2019



(Source: Hong Kong Disneyland)

**Source B:** A news report on Hong Kong Disneyland

The Hong Kong government owns 53% of shares in Hong Kong International Theme Parks Ltd, and the Walt Disney Company holds the remaining 47%. According to the data provided by the Hong Kong Tourism Board, in the fiscal year 2019, visitors to Disneyland brought Hong Kong an extra \$15.7 billion in consumption.

(Source: Panel on Economic Development, HKSAR Government)

- (a) According to Source A, describe the profit and loss situation of Hong Kong Disneyland from 2008 to 2019. (1 mark)
- (b) Hong Kong Disneyland hires different people such as performers, engineers, kitchen staff and management staff. What economic principle is illustrated by this practice? Suggest



**THREE** reasons why this principle can increase labour productivity. (4 marks)

- (c) According to Source B, explain how the operation of Hong Kong Disneyland may involve externality. (3 marks)
- (d) Hong Kong Disneyland once offered ‘Buy 2 get 1 Free’ for its tickets. With the aid of a diagram, explain under what condition the total ticket revenue of Hong Kong Disneyland will increase because of this promotion. (5 marks)

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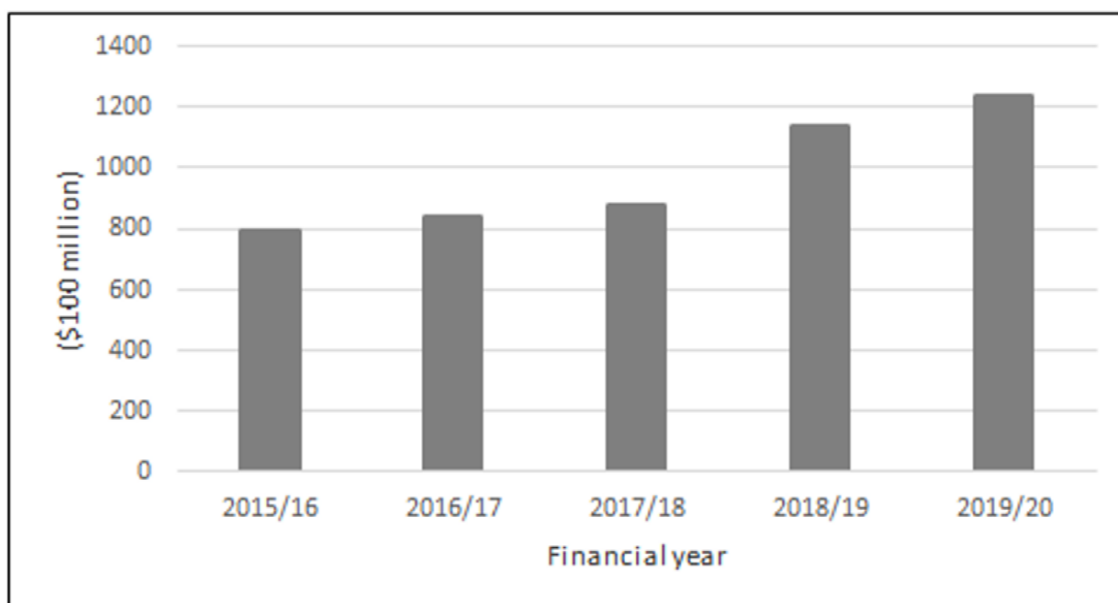
8. The Hong Kong government has adopted various policies to increase human capital.

**Source A:** Median monthly wage of employees in May and June of 2015 - 2019

	2015	2016	2017	2018	2019
Primary and below	\$10 600	\$11 000	\$11 500	\$12 000	\$12 600
Secondary 1 to 3	\$12 200	\$12 800	\$13 300	\$13 800	\$14 500
Secondary 4 to 7	\$14 800	\$15 400	\$16 000	\$16 500	\$17 000
Tertiary education	\$24 800	\$25 600	\$26 400	\$27 200	\$27 800

*(Source: Census and Statistics Department, HKSAR Government)*

**Source B:** Government budget on education for various financial years



*(Source : The Budget , HKSAR Government)*

**Source C:** Projections of manpower supply and demand in Hong Kong in 2027

	Projected manpower supply (number)	Projected manpower demand (number)
Primary and below	605 500	682 100
Upper secondary	1 189 300	1 231 900
Tertiary education	1 775 100	1 825 500



(Source: *Report on Manpower Projection to 2027, HKSAR Government*)

**Source D:** Introduction to Quality Migrant Admission Scheme

The scheme seeks to attract highly skilled or talented persons to settle in Hong Kong. Generally speaking, the higher the qualifications of applicants, the higher the chances of successful application. Meanwhile, the Hong Kong Government has issued the Talent List, which comprises professions for which talents are needed most in Hong Kong. Some of the professions under the list are waste treatment specialists, actuaries, data scientists and cyber security specialists. Professionals from these industries also have higher chances of making successful applications to the scheme.

(Source: *Immigration Department, HKSAR Government*)

**Source E:** Opinions on the government's effort on increasing human capital

 A government official	A continuous increase in expenditure on education will increase the financial burden of the government.
 A university student	Receiving more education will increase my future income, which in turns allows me to buy more goods and services and enjoy a better quality of life.



The owner of a  
cyber security  
company

I have hired some cyber security specialists from Britain who settled in Hong Kong through the Quality Migrant Admission Scheme. The scheme helps introduce much-needed labour to Hong Kong and allows me to carry out my investment plan.

- (a) According to Source E, explain if the income of the British specialists would be counted in Hong Kong's gross domestic product (GDP). (3 marks)

Suppose there are two proposals for increasing human capital in Hong Kong:

Proposal I	Increasing subsidised university places
Proposal II	Increasing the quota of the Quality Migrant Admission Scheme

- (b) Referring to the above sources and applying your economics knowledge, discuss the effects of the above proposals on Hong Kong, including:
- aggregate output,
  - wage rate of local labour,
  - government expenditure and/or revenue, and
  - other economic variable(s).
- (14 marks)

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**END OF SECTION B**

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