

G.C.E ADVANCED LEVEL EXAMINATION
AUGUST- 2023

ECONOMICS – SUGGESTED ANSWERS

- EACH QUESTION PRESENTS A UNIQUE OPPORTUNITY FOR YOU TO SELF ASSES AND PROGRESSIVELY IMPROVE ON YOUR THEORY KNOWLEDGE AND ANSWERING/EXAM TECHNIQUES.
- GOOD WORK TODAY, KEEP WORKING HARD “KEEP IMPROVING YOUR THEORY KNOWLEDGE”

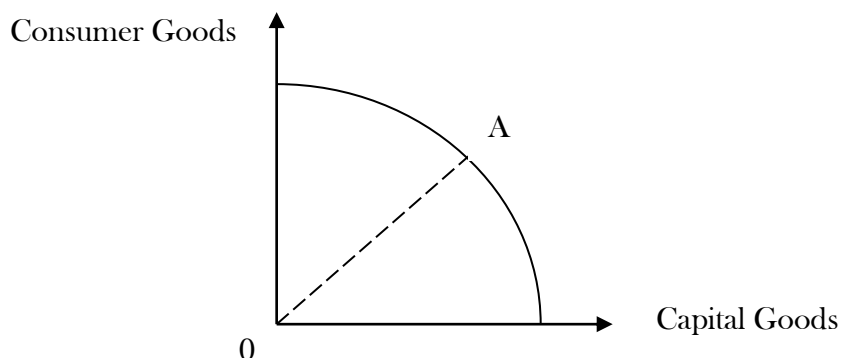
SUB SECTION – [A]

Question	Answer	Question	Answer
01	2	06	1
02	3	07	2
03	2	08	1
04	2	09	2
05	4	10	5

SUB SECTION – [B]

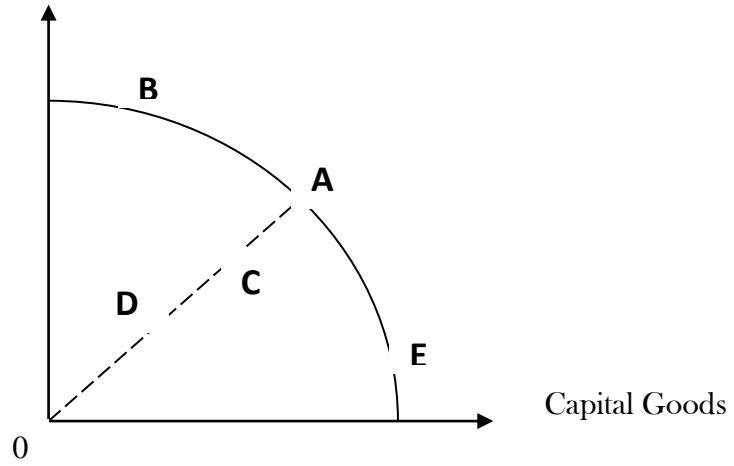
Question – 01

Part (I)



Part (II)

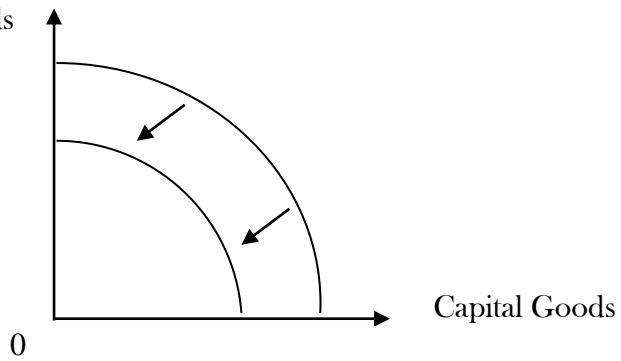
Consumer Goods



Part (III)

(A)

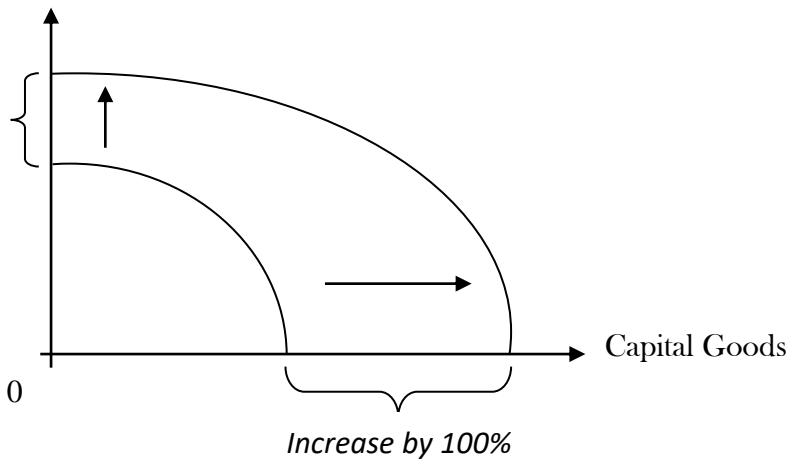
Consumer Goods



(B)

Consumer Goods

Increase by 50%



Question – 02

(I)

- Economic goods are goods created as a result of a human involved production process, which use **limited resources**, with **alternative uses**. Accordingly the production of economic goods results in creating **opportunity cost**.
- A good created without any **human effort or production process**, which is able to satisfy human wants is termed as a free or non-economic good.
- The consumption of free goods **do not created an opportunity cost**. The use of a free good by one person, will not make the good less available to another person party. This is because non-economic goods are **available in abundance** (unlimited in supply), when the supply is available.

Examples:

- ✓ **Fresh air, sunlight**
- ✓ *By-products resulting from the production process*
- ✓ *Goods subject to duplication at zero cost*

[01 mark each, total 03 marks]

(II)

Entrepreneurship is a **special kind of human resource** held by a given individual who takes the initial steps of **organizing the production process**, faces the **risk** of business, produces product and business **innovations** and makes **strategic business decisions**, with the aim of attaining **profits**.

(01 mark)

Attributes of a good entrepreneur

- Ability to identify, exploit and initiating new business
- Ability to successfully face and overcome challenges
- Effective leadership qualities
- Visionary thinking
- Self confidence

(½ mark each, sub-total 02 marks
(Total 03 marks)

(III) **Resource Ownership:**

Capitalist Economic System [**Private** property ownership]

Socialist Economic System [**Public-sector** property ownership]

Mixed Economic System

[½ mark each, sub-total 01 mark]

Method of Resource Allocation:

Traditional Economic System [**Traditions and customs**]

Market Economic System [**Price Mechanism**]

Command (Centrally Planned) Economic System [**Planning Mechanism**]

Mixed Economic System [**Mixed Mechanism**]

[½ mark each, sub-total 02 mark]
[Total 03 marks]

(IV)

- **Information** (Signaling) Function
- **Incentive** Function
- **Rationing** Functions

(01 mark each, total 03 marks)

(V) **What to Produce, in what quantity [Production Decision]**

Liberal Market Economy – The most '**Profitable**' products will be produced, based on '**Price Signals**' issued in Product Markets functioning based on free market demand and supply, i.e. the decentralized 'Price Mechanism'.

Planned (Command) Economy – The products which generate the greatest '**Social Welfare**' and '**Common Benefit**' will be given high priority, by allocating resources based on the centralized economic '**Plans and Commands**' prepared and issued by the Central Planning Authority or Government.

Mixed Economy – The decision is mainly made based on '**Price Signals**' issued in Product Markets, in order to produce the most profitable goods, i.e. the allocation problem is solved mainly based on the Price Mechanism, with frequent and required levels of '**Government Market Intervention**', in situations market failure.

[01 mark each, total 03 marks]



Achieve your 'A' Grade



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IMRAN HASHEEM | MVSEP / MOCK (I) SA / ORIGINAL PUBLICATION / 11 / 09 / 2021 / ECON-HUB / 2023 AL