EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

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| CANDIDATE NAME | |

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| CENTRE NUMBER | | | | | | CANDIDATE NUMBER | | | | | |

**ECONOMICS** **6899/01**

Paper 1 **October/November 2021**

**2 hours 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials Required.

**READ THESE INSTRUCTIONS FIRST**

Write your candidate name, Centre number and candidate number on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do **not** use staples, paper clips, highlighters, glue or correction fluid.

You may use a calculator.
Answer **all** questions in Sections A, B, and C.

**Section A** has **ten** multiple-choice questions. For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the one you consider correct and write the letter in the box to indicate the correct answer.

The number of marks is given in brackets [ ] at the end of each question or part question.

| **For Examiner's Use** | |
|---|---|
| **Section A** | |
| **Section B** | |
| **Section C** | |
| **Total** | |

This document consists of **13** printed pages and **3** blank pages.

## SECTION A

Answer **all** questions.

**1** What could be a drawback of specialisation at regional level?

**A** a fall in consumer confidence

**B** greater purchasing power

**C** reduced export opportunities

**D** structural unemployment [1]

**2** Which one is an example of a free good?

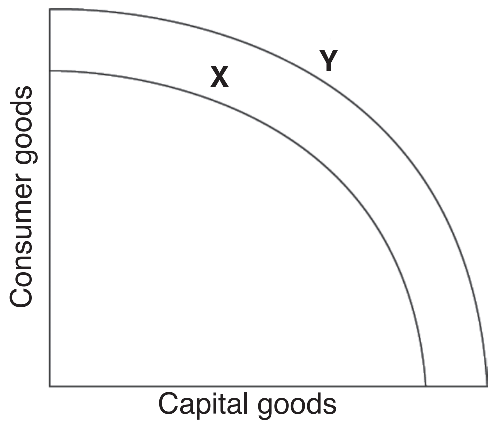
**A** air

**B** free education

**C** grants

**D** public library [1]

**3** The diagram shows a shift of an economy's production possibility curve from **X** to **Y**.




What could cause the production possibility curve to shift from **X** to **Y**?

**A** discovery of new sources of oil

**B** increment of workers' salaries

**C** recycling soft drink bottles

**D** using neglected land to grow crops [1]

4 Which is a characteristic of perfect competition?

**A** A single firm sells all output in a market.

**B** Buyers and sellers are perfectly informed.

**C** Restrictions on entry into and exit out of the industry exist.

**D** Sellers are price makers. [1]

5 The table shows information on the value of output in the different industries for a certain country.

| **Industry** | **$ billion** |
|---|---|
| Farming | 15.0 |
| Mining | 12.5 |
| Insurance services | 22.0 |
| Textile production | 17.5 |
| Transport | 27.5 |

What conclusion can be drawn from this information?

**A** The primary sector was greater than the tertiary sector.

**B** The primary sector was $27.5 billion.

**C** The secondary sector was $39.5 billion.

**D** The secondary sector was greater than primary sector. [1]

6 Which combination of changes in demand and supply is certain to cause an increase in prices?

| | **Demand** | **Supply** |
|---|---|---|
| **A** | decrease | decrease |
| **B** | decrease | increase |
| **C** | increase | decrease |
| **D** | increase | increase |

[1]

For Examiner's Use

**7** Which function of money is most relevant when a cell-phone is expensive than a bicycle?

**A** measure of value

**B** medium of exchange

**C** method of deferred payment

**D** store of value [1]

**8** Which goods are most likely to be overproduced in a market economy?

**A** demerit goods

**B** merit goods

**C** private goods

**D** public goods [1]

**9** Which instrument is used in a fiscal policy?

**A** deregulation

**B** exchange rate

**C** interest rate

**D** taxation [1]

**10** What is most likely to cause a fall in the standard of living of a country?

**A** a fall of 5% in real GDP and a fall of 8% in population

**B** a rise of 4% in real GDP and no change in population

**C** a rise of 7% in real GDP and a rise of 10% in population

**D** no change in real GDP and a fall of 3% in population [1]

For Examiner's Use

## Section B

Answer **all** questions.

1 Explain what is meant by recession in an economic cycle?

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2 Explain **three** advantages of small firms.

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**(ii)** ..........................................................................................................................

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**(iii)** ..........................................................................................................................

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3 Describe a firm's profit-maximising rule?

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**4** Describe with an example of each the difference between fixed and variable costs.

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**5** Explain why weights are used when calculating inflation.

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**6** Calculate the missing figures.

| Output | Variable cost | Fixed cost | Total cost | Average cost |
|---|---|---|---|---|
| 0 | **(i)** | 100 | 100 | – |
| 1 | 100 | **(ii)** | 200 | 200 |
| 2 | 150 | 100 | 250 | 125 |
| 3 | 200 | 100 | **(iii)** | **(iv)** |

**(i)** ...............................

**(ii)** ...............................

**(iii)** ...............................

**(iv)** ............................... [4]

For Examiner's Use

**7** Explain what is meant by absolute advantage of a country.

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**8** Explain why real Gross Domestic Product (GDP) is preferred to nominal GDP when valuing output.

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**9** Explain any **three** aims of taxation.

**(i)** ..................................................................................................................................

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**(ii)** ..................................................................................................................................

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## Section C

Answer **all** questions.

**1 ORGANIC FOOD**

In Mutapaland there has been rising consumption of organic food over the past years. Supermarkets are struggling to keep pace with the demand, leading to fears that quality standards could be compromised. For the past two years, supermarkets have tripled their sales as customers continue to demand organic food regardless of its high price. Most supermarkets are now considering expanding their operations to meet the current demand.

It is anticipated that the rising demand for organic food will continue for the next five years. Supermarkets are now forced to buy most of the organic food from neighbouring countries because there is not enough grown in Mutapaland. Moreover, there is a concern that the country is already buying cars and dairy products from other countries.

**(a)** Identify **two** statements from the extract which show that there is excess demand.

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**(b)** Identify **two** products that are imported by Mutapaland.

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**(c)** Define demand as applied in the extract.

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For Examiner's Use

**(d)** Using a demand and supply diagram, explain the changes in the market for organic food as discussed in the extract.

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For Examiner's Use

**(e)** The extract suggests that supermarkets are now considering expanding their operations. Discuss whether it is wise for the supermarkets to grow in size.

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## 2 SWAYLAND EXPERIENCES A LARGE TRADE GAP

In 2018, Swayland's international trade remained in deficit from October to December. This deficit on the current account of balance of payments was approximately $8 million. The service transactions were estimated to be a deficit of $2 million and income and current transfers were zero. The trade deficit in Swayland was higher than its trading countries and its currency had drastically depreciated against the other currencies. One economist commented that the depreciation of the currency in Swayland would lead to a recovery in non-oil exports.

**(a)** Give **two** examples of possible service transactions in Swayland.

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**(b)** Explain what is meant by the following terms;

**(i)** International trade

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**(ii)** A current account deficit on the balance of payments.

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**(c)** Calculate the deficit in the trade in goods. Show your working.

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For Examiner's Use

**(d)** How would the depreciation of the Swayland's currency lead to a recovery of non-oil exports?

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**(e)** Discuss whether the balance of payment deficit is harmful in an economy.

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