



EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

CANDIDATE
NAME

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CENTRE
NUMBER

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NUMBER

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ECONOMICS

6899/01

Paper 1

October/November 2020

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 **12** printed pages.

SECTION AAnswer **all** questions.**1** Why does scarcity exist?

- A** Each year workers tend to produce less than previously.
- B** Machines wear out with time.
- C** There are insufficient resources to meet all people's wants.
- D** There is a limit to people's wants.

[1]

2 Which factor of production does a factory building represent?

- A** capital
- B** enterprise
- C** labour
- D** land

[1]

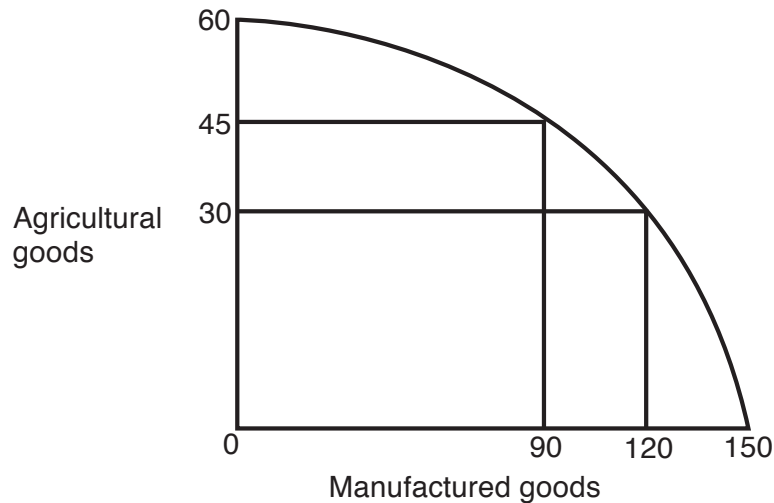
3 A person decides to go to study at the university for 4 years. If he had not gone, he could have taken up a job which would have paid him E6 000 a month.

What is his opportunity cost of going to the university?

- A** E6 000
- B** E24 000
- C** E72 000
- D** E288 000

[1]

- 4 The diagram shows a country's production possibility curve.



Calculate the opportunity cost of increasing the output of agricultural goods from 30 to 45.

- A 15 Agricultural goods
- B 30 manufactured goods
- C 45 Agricultural goods
- D 90 manufactured goods

 [1]

- 5 What is the likely effect on resources and wants as an economy becomes more developed?

	Resources	Wants
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

 [1]

- 6 What is meant by economic growth?

- A an increase in exports
- B an increase in population
- C an increase in productivity
- D an increase in real gross domestic product

 [1]

7 What is most likely to be found in a developing country?

- A a high level of education
- B a high level of spending on entertainment
- C a small average family size
- D a small percentage of very old people

[1]

8 The price of a product rises from E60 to E90. This causes demand to contract from 800 to 600.

What type of price elasticity of demand does this product have?

- A perfectly inelastic
- B relatively elastic
- C relatively inelastic
- D unitary elastic

[1]

9 Which group is most likely to benefit when there is an increase in inflation?

- A borrowers
- B consumers
- C lenders
- D savers

[1]

10 What is the definition of a tariff?

- A tax on expenditure
- B tax on goods and services
- C tax on imports
- D tax on income

[1]

SECTION B

Answer **all** questions.

1 Define the terms, giving an example in each case.

(i) direct tax

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..... [2]

(ii) regressive tax

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..... [2]

2 Explain the effect of imposing tax on books, using a demand and supply diagram.

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..... [5]

3 Discuss any **two** reasons that could make clothing have price-elastic demand.

- (i)
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- (ii)
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..... [4]

4 Explain any **two** features of a private limited company.

- (i)
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- (ii)
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..... [4]

5 Identify the type of unemployment that is defined by the statements **(i)–(iii)**;

- (i) Arises when workers do not accept the first job offered but spend time looking around for jobs.
..... [1]
- (ii) Arises from workers being made redundant due to introduction of technology.
..... [1]
- (iii) Arises from lack of aggregate demand.
..... [1]

6 State any **three** factors that affect population growth.

(i)

(ii)

(iii) [3]

7 Calculate the price elasticity of supply, indicating the type of elasticity when the price increases from E4 to E5 and supply of a product increases from 5000 to 7000.

Calculation

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Type of elasticity

..... [4]

8 State any **three** reasons for integration between firms.

(i)

(ii)

(iii) [3]

SECTION C

Answer **all** questions.

1 Multinational Companies

Hobbs plc is a UK-owned multinational company producing dishwashers with subsidiaries in Cowland and Beeland. The Cowland factory produces components which are then exported to the Beeland factory for the production of the final product. Half of the profits made by each of the subsidiaries are remitted to the UK head office. Hobbs management has discovered that there is a potential new market for their dishwashers in Deeland, a developed country.

Table 1 shows the profits of each of the subsidiaries and the exchange rate to the UK£.

Table 1

Company	Cowland	Beeland
Year 1 Profits in local currency (millions)	C18	B28
Year 1 exchange rate £1 =	C20	B35
Year 2 exchange rate £1 =	C15	B32

Note: The UK currency is known as the Pound sterling (£), Cowland's currency is known as Combas (C) and Beeland's currency is known as the Beurries (B).

(a) Identify the type of exchange rate that is illustrated in the case. Support your answer.

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..... [2]

(b) Explain any **one** economic characteristic that Deeland might have.

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..... [2]

(c) Calculate the year 1 profit received from each of the subsidiaries by the UK head office in pounds sterling. (show your working)

(i) From Cowland

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..... [2]

(ii) From Beeland

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..... [2]

2 Kitchen Masters

Mac and Kat are brothers who jointly own a business called Kitchen Masters. The business fits luxurious kitchens in the upmarket part of Mbabane area. The business uses quality materials and all kitchens are handmade and fitted. Recently, the company has been concerned about the level of efficiency and has decided to look at the costs and revenue of making its fitted kitchen. In the previous year, fixed costs were E91 000 and total variable costs were E17 000. The kitchen produced and sold 2 units per month and each unit was sold at E20 000.

(a) What type of business organisation is Kitchen Masters? Support your answer.

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..... [2]

(b) Define fixed costs, giving an example of a fixed cost that Kitchen Masters may incur.

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..... [3]

(c) Calculate the average cost of producing one kitchen unit at Kitchen Masters.
(show your working)

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..... [3]

