

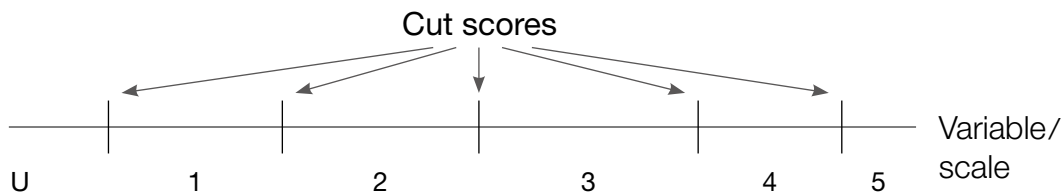
Public Assessment of the HKDSE Economics Examination

1. Public Examination

Paper	Section	Question types	Weighting	Duration	Curriculum
Paper 1	–	Multiple-choice questions	30%	1 hour	Compulsory part
Paper 2	Section A	Short questions	26%	2 hours 30 minutes	Compulsory part
	Section B	Structured / Essay-type / Data response questions	35%		
	Section C	Structured / Essay-type questions	9%		Elective part (1 out of 2)

2. Standards-referenced Reporting

The HKDSE will make use of standards-referenced reporting, which means candidates' levels of performance will be reported with reference to a set of standards as defined by cut scores on the variable or scale for a given subject. The following diagram represents the set of standards for a given subject:



Within the context of the HKDSE there will be five cut scores, which will be used to distinguish five levels of performance (1–5), with 5 being the highest. The Level 5 candidates with the best performance will have their results annotated with the symbols ** and the next top group with the symbol *. A performance below the threshold cut score for Level 1 will be labelled as 'Unclassified' (U).

The Scope of the Exam and the Distribution of Questions

The following table lists the content and the distribution of multiple-choice questions in Paper 1 of HKDSE Examination 2017–2024. This helps students to understand the significance of different topics and to set their strategies for revision.

Compulsory Part: Microeconomics	HKDSE Examination Paper 1 (multiple-choice questions)							
	2024	2023	2022	2021	2020	2019	2018	2017
A Basic Economic Concepts	3	4	3	4	2	3	4	2
B Firms and Production	7	5	7	7	8	7	8	8
C Market and Price	7	8	9	8	10	8	8	7
D Competition and Market Structure	1	1	1	1	0	1	1	1
E Efficiency, Equity and the Role of Government	5	5	3	2	3	3	2	6
Total:	23	23	23	22	23	22	23	24
Compulsory Part: Macroeconomics								
F Measurement of Economic Performance	3	4	4	4	3	4	2	3
G National Income Determination and Price Level	3	1	2	4	1	1	3	2
H Money and Banking	6	5	4	4	5	4	5	4
I Macroeconomic Problems and Policies	4	8	7	7	9	9	7	7
J International Trade and Finance	6	4	5	4	4	5	5	5
Total:	22	22	22	23	22	23	22	21

There are 45 questions in this paper. Choose the **BEST** answer for each question.

1. Jeremy may travel to work by bus or train. Which of the following will increase his opportunity cost of taking a bus ride?
 - A. Loud and disturbing programmes are shown on the televisions installed in the bus.
 - B. The bus ride takes a longer time due to heavy traffic congestion as there is a protest.
 - C. The carriages of the trains are always crowded with passengers.
 - D. None of the above.

2. Which of the following about interest is **CORRECT**?
 - A. Interest exists in a one-man economy.
 - B. Interest is the premium received from advancing consumption.
 - C. When the market interest rate increases, the amount of money available for borrowing decreases.
 - D. None of the above.

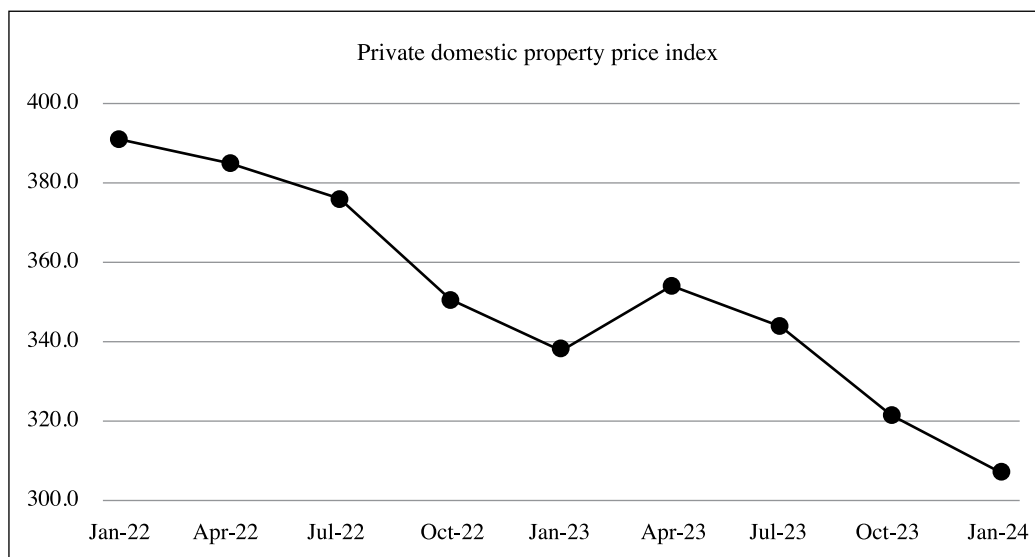
3. The Hong Kong Airport Authority is building the third runway and a new terminal at the Hong Kong International Airport. After completion, it has to decide on the fees it charges different airline companies for the use of the new facilities.

The above case is related to the _____ question(s) in Economics.

- A. 'for whom to produce'
- B. 'what to produce' and 'how to produce'
- C. 'what to produce' and 'for whom to produce'
- D. 'how to produce' and 'for whom to produce'

13. The private housing market in Hong Kong has always been the focus of social discussion.

Source A: Private domestic property price index* of Hong Kong (Jan 2022 – Jan 2024)



* Compiled by the Rating and Valuation Department shows the trend of the sale price of private residential flats in Hong Kong. It equaled 100 in 1999.

Source B: The closing stock prices of some Hong Kong residential property developers

Stock code	Stock name	Closing price on	
		3 Jan 2022	2 Jan 2024
0016	SHK Properties	\$94.55	\$83.5
0173	K. Wah International	\$3.01	\$1.94

Source C: An extract from news reports

On 28 April 2024, the Government announced to cancel all extra stamp duties for residential property transactions, including Special Stamp Duty (SSD), Buyer's Stamp Duty (BSD) and New Residential Stamp Duty (NRSD).

- SSD (10-20%) was levied on properties resold within 24 months.
- BSD (7.5%) was levied on non-permanent residents and businesses buyers.
- NRSD (7.5%) was levied on second-home buyers.

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10. Hong Kong has three harbour crossings: the Cross-Harbour Tunnel, the Eastern Harbour Crossing and the Western Harbour Crossing.

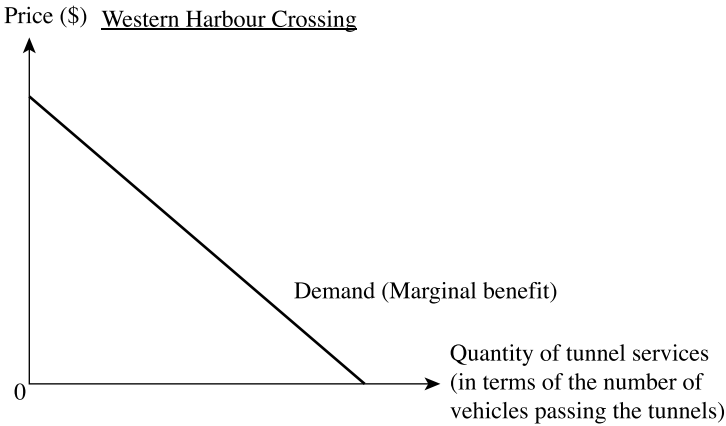
Before, the Western Harbour Crossing toll was much higher than the other two and there was no congestion in the Western Harbour Crossing. However, the Cross-Harbour Tunnel is heavily congested.

In 2023, the government lowered the Western Harbour Crossing toll and raised the Cross-Harbour Tunnel toll on private cars during the peak time.

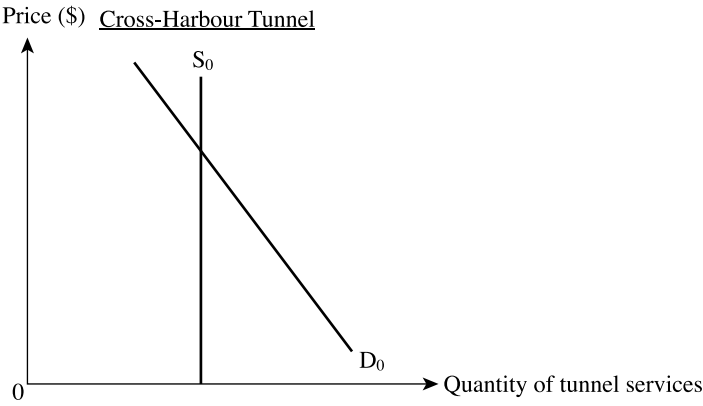
(a) In what sense is the Western Harbour Crossing a public good? Explain. (2 marks)

(b) Assume that the marginal cost for the Western Harbour Crossing to accommodate an extra car is zero.

Illustrate with the diagram below how the total social surplus of the Western Harbour Crossing will change when the Western Harbour Crossing toll is lowered. (3 marks)



(c) With the demand-supply diagram below, explain why the changes in tolls can reduce the congestion of the Cross-Harbour Tunnel. (8 marks)



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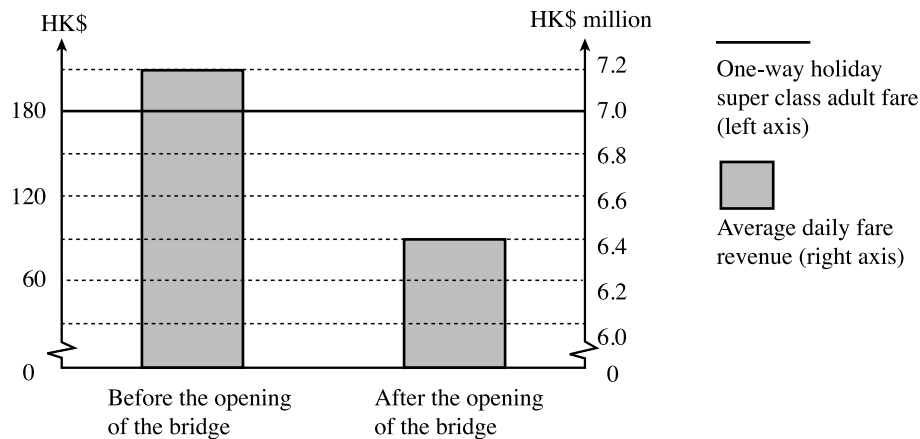
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Source C: An extract from news reports

The influx of tourists causes pressure on the livelihood of Hong Kong people. A spokesman for a livelihood organization said ‘Some districts (such as Tung Chung, Sha Tin, Tuen Mun and Tsing Yi) are under pressure from traffic, people, noise and hygiene.’

Source D: Some business information of an operator of hydrofoil services between Hong Kong and Macau



- (a) Refer to Source A. Which function of price does the table illustrate? Explain your answer. (2 marks)
- (b) With reference to Sources B and D. With the aid of a supply-demand diagram, explain the change in the average daily fare revenue of the operator of hydrofoil services between Hong Kong and Macau as illustrated in Source D. (6 marks)

For part (c), candidates are required to present their answer in an essay form. Criteria for marking will include use of sources and economic theories, relevant content, logical presentation and clarity of expression.

- (c) With reference to the above sources and your knowledge, analyze the favourable and unfavourable impact of the Hong Kong-Zhuhai-Macao Bridge on the Hong Kong economy in various aspects, such as
- Hong Kong’s Gross Domestic Product (GDP),
 - employment level,
 - public finance,
 - labour mobility,
 - efficiency, or
 - other aspects.

(14 marks)

Answers written in the margins will not be marked.

Level Boosting
Examples

Level 2 answer

10. (a) (i) Division of labour
 – Different people take on different tasks
- (ii) This will reduce the occupational mobility of labour, because it is more difficult for the workers to change occupation.
- (b) (i) Purchases large quantities of input and can bargain for discounts.
- (ii) When container terminal companies work together at the Kwai Chung Container Terminal, large numbers of container lorries cause congestion when entering and leaving Kwai Chung Container Terminal, increasing the average transport costs.

1
0

1
1
0

2

✓ Level Analysis
 Only copy the question information 'Different people take on different tasks' without suggesting reasons for increasing labour productivity.

✓ Level Analysis
 Explain internal economies of scale instead of external economies of scale.

Boost Your Level

- Suggest three reasons why the application of division of labour can increase labour productivity. For example, saving time from training. The company can save time and cost by training staff in carrying goods and warehouse management, rather than maintenance or driving.
- Explain why it is more difficult for the staff to find another job.
- Explain why the expansion of the whole industry leads to saving in production costs.

Level 5 answer

10. (a) (i) Division of labour. The three reasons are: 1
 – choosing the most suitable people for the job 1@, max: 3
 – practice makes perfect / learning by doing
 – saving time from training
 – saving time from moving around tasks
 – more efficient use of capital goods
 (Mark the **FIRST THREE** points only.)
- (ii) This will reduce the occupational mobility of workers, 1
 because employees only receive training in one skill, they may not meet the skills requirements 2
 of other jobs, making it more difficult for them to change occupation.
- (b) (i) – When container terminal companies work together, suppliers of raw materials can transport large quantities of raw materials at the same time, reducing the average transport costs of all firms. 2
 – Other relevant point
 (Mark the **FIRST** point only.)
- (ii) – When container terminal companies work together at the Kwai Chung Container Terminal, frequent container trucks entering and leaving the district may cause traffic congestion and increase the average transport costs to all firms. 2
 – Other relevant point
 (Mark the **FIRST** point only.)

PAPER 1 EXPLANATIONS

1. D When people drive somewhere to enjoy fresh air, they are paying a cost, so fresh air is an economic good.
Option (C) Incorrect. People prefer to have more of an economic good.
2. B (1) Incorrect. Public goods are goods that are not rival in consumption. Public housing units are rival in consumption.
(2) Correct. The quantity supplied of public housing units is independent of the market rental price.
(3) Incorrect. Tenants can exclude other people from using their flats. They enjoy some exclusive rights to use the public housing units.
3. B (1) Incorrect. 'What to produce?' concerns production choices.
(2) Correct. 'For whom to produce?' concerns the criterion of distributing the goods. The way points are awarded affects the distribution of university places.
(3) Incorrect. 'How to produce?' concerns the way goods are produced.
4. D Options (A), (B) and (C) Incorrect. They affect the cost of driving, not the cost of owning a car.
Option (D): The cost of owning a car in a period is determined by the reduction in value of the car in the period.
Higher costs of repairs and maintenance reduces the resale value of the car. This increases the cost of owning the car.

5. C

Output (units)	Total revenue (\$)	Total cost (\$)	Profit (\$)
110	1 100	990	110
120	1 200	1 200	0
130	1 300	1 430	-130

The profit is greater when the output decreases to 110 units.

6. A

Output (units)	Average cost (\$)
200	10
400	9.5
600	9

Option (A): The average cost decreases. Option A is a reason for the average cost to decrease.

7. A (1) Correct. It increases the entry barriers to the industry.
(2) Correct. The cost of production will increase. The market supply will decrease and the price will rise.
(3) Incorrect. The demand for doctors will increase, but the supply will not.
8. B (1) Correct. This tends to increase the demand for workers in elderly care services. The wage rate tends to rise.
(2) Incorrect. The supply, not the demand for elderly care services, is affected.
(3) Correct. With more public elderly care services, the demand for private elderly care services decreases. This leads to a lower price of private elderly care services.
9. B (2) Incorrect. Both share and bond prices fluctuate in the market.
10. A Option (A) Incorrect. For example, an entrepreneur can suffer a loss while the worker may receive a fixed positive income.