Exam Strategies

A. General Strategies

1. On the day of examination
- Get up early so as not to be late or not to rush around.
- Have enough breakfast to get the energy.

2. Before the examination
- Allow plenty of time to get to the examination centre.
- Take everything you need with you such as admission form, ruler, pencils, pens with different colours and calculator.
- Make a final visit to the toilet before entering into the examination centre.
- Get into the examination centre early so as to calm down and regain concentration.

3. In the examination centre
- Get yourself organised by placing your stationery and admission form on the top right hand corner of the desk.
- Make sure your watch matches with that of the examination centre.
- Take a deep breath and keep calm.
- Listen carefully to the invigilator for any errors and changes in the examination papers.
- Fill in your candidate number and examination centre number according to the invigilator's instructions.

4. During the examination
- Read the Instructions.
    - For Section A of Paper 1, **DO NOT start each question on a new page.**
    - For Section B of Paper 1, **start each question on a new page.**
    - For Paper 2, use HB pencil to fill in the box on the answer sheet provided.
- Spend a sensible proportion of your time on each question.
    - Since Paper 1 lasts 90 minutes and has 90 marks, the average time for 1 mark is **1 minute** and for 5 marks is 5 minutes.
    - Since Paper 2 lasts 60 minutes and has 50 questions, the average time for 1 mark is **1.2 minutes.**

Exam Question Distribution

Year / Topic	1996	1997	1998	1999	2000	2001	2002	2003
The Basic Economic Problems	1, 10 (d)	11 (b)	1	1	1, 10 (bii)	10 (d)	1, 10 (c)	11 (bi)
Demand, Supply and Price	11 (a), 12 (a)	2, 9 (b) 10 (b), 11 (c)	2, 9 (c) 10 (b), 11 (b)	2, 9 (b), 10 (b), 11 (a)	2, 9 (bi), 11 (b)	2, 9 (b), 10 (ci), 11 (b, d)	2, 10 (b), 11 (b)	1, 9 (a), 10 (b), 11 (d)
Production	2, 4 (b), 12 (b)	1, 3, 9 (a), 10 (c)	4, 11 (a)	3	3, 4, 10 (bi), 11 (c)	1, 3, 9 (c)	3, 12 (bi)	2, 10 (a)
Units of Production	3 (a), 11(b)		3, 9 (b)	4, 11 (b)	10 (bi)	10 (cii), 11 (c)	4, 11 (d)	3, 9 (bii)
Market Structure	5	5	10 (cii)	9 (d)	9 (c)	4	5	4
National Income	3 (a), 4 (a), 6, 8, 10 (c), 12 (c)	8, 11 (aii)	7, 9 (d), 11 (ci)	7, 9 (c), 10 (a, d), 11 (c)	6, 7, 9 (bii), 10 (biii)	6, 9 (d), 11 (a)	10 (d), 11 (a), 12 (bii)	5, 6, 9 (bi, c) 11 (a)
Money and Banking	7, 8, 11 (c)	4, 9 (c)	6, 9 (a)	5, 6 (a), 11 (d)	5, 10 (a)	5, 10 (a, b)	6, 7, 10 (a), 11 (c)	7, 11 (b, c)
Public Finance	10 (b), 12 (d)	7, 9 (d)	5	8, 10 (c)	8, 9 (a)	7	8, 12 (c)	8, 10 (d)
International Trade	9, 10 (a)	6, 10 (a), 11(ai)	8, 10 (a), 11 (cii, ciii)	6 (b), 9 (a), 10 (d)	11 (a)	8, 9 (a)	9, 12 (a)	10 (c)

2 Demand, Supply and Price

When studying this topic, students should focus on the following questions:
* What is the law of demand and supply?
* What are the differences between demand and quantity demanded, and between supply and quantity supplied?
* What are the factors affecting the change in demand and supply?
* What is the price elasticity of demand and supply?
* What are the factors affecting the price elasticity of demand and supply?
* What is the relationship between price elasticity of demand and total revenue?
* How are the equilibrium price and quantity determined?
* How does market intervention affect the quantity transacted and market price?
* How to determine and indicate the shares of tax burden and benefits of subsidy?

Key Definitions

(1) Quantity demanded:

* It is the quantity that one is willing and able to buy at a particular price, or the quantity that one plans to buy at a particular price.

(2) Quantity supplied:

* It is the quantity that one is willing and able to sell at a particular price, or the quantity that one plans to sell at a particular price.

(3) Demand:

* It is a plan of purchase showing the quantities one is willing and able to buy at different prices, other things being constant / *ceteris paribus*.

(4) Supply:

* It is a plan of sale showing the quantities one is willing and able to sell at different prices, other things being constant / *ceteris paribus*.

(5) Law of demand:

* It is an economic law stating that when the price rises (or falls), the quantity demanded falls (or rises), other things being constant / *ceteris paribus*.

Section B   Structured Questions

Demonstration

Peter operates a factory in Mainland China and plans to increase his production. He employs 105 workers, whose details are as follows:

	Female	Male
Number of workers employed	45	60
Number of working hours per worker	3 000	3 500
Output (units) produced per worker	45	35

Table 3.10

(a) Show whether Peter employs more male workers and whether male workers have a higher average productivity. (6 marks)

(b) Compared to last year, Peter's business is suffering from a decrease in labour productivity. The details are as follows:

	Female	Male
% change in number of workers employed	5%	6%
% change in number of working hours per worker	4%	3.5%
% change in output	7%	8%

Table 3.11

Which type of worker has a greater decrease in average productivity? (3 marks)

(c) Peter pays his workers by time rate. State **TWO** characteristics of time rate. (4 marks)

(d) One of Peter's foremen suggests that paying by piece rate can boost the productivity of labour.
State **FOUR** characteristics of piece rate. (8 marks)

(e) Peter plans to establish a new plant. After the opening of the plant, the unit cost of production is lower. Give **TWO** economic reasons for this phenomenon. (4 marks)

Guidelines
- Employment is measured not by the number of worker, but the number of man-hours.
- Average productivity is measured by total output divided by total working hours.

Guidelines
Decrease in average productivity occurs when the percentage increase in output is less than the percentage increase in labour force.

Guidelines
- In the short run, no new plant can be established.
- In the long run, expanding the scale of production leads to lower average cost.

Suggested Answer

(a) • Labour services in man-hours are shown as follows.
  – Female: 3 000 man-hours × 45 = 135 000 man-hours   1
  – Male: 3 500 man-hours × 60 = 210 000 man-hours   1
  Peter employs more male workers than female workers.   1

 • The average productivity of :
  – female workers: $\dfrac{45 \times 45 \text{ units}}{135\ 000}$ = 0.015 unit per man-hour   1

  – male workers: $\dfrac{60 \times 35 \text{ units}}{210\ 000}$ = 0.01 unit per man-hour   1
  The average productivity of female workers is higher than that of male workers.   1

(b) • Change in the average productivity of:

  – female workers: $\left[\dfrac{1+7\%}{(1+5\%)(1+4\%)} - 1\right] \times 100\% = -2.02\%$ 1

  – male workers: $\left[\dfrac{1+8\%}{(1+6\%)(1+3.5\%)} - 1\right] \times 100\% = -1.56\%$ 1

 • Female workers have a greater decrease in labour productivity.   1

🧭 Guidelines

$$\% \text{ change in average productivity} = \left(\frac{1+\% \text{ change in output}}{1+\% \text{ change in labour force}} - 1\right) \times 100\%$$

(c) • Workers are paid according to the length of time worked.   2

 • It is used when it is very difficult to count and measure labour's contribution.   2

(d) • Workers are paid according to the quantity of output produced.   2

 • Workers favour its use because the pay is fair to those who are willing and able to work hard.   2

 • Workers have a greater incentive to work hard and quickly.   2

 • The employer has to incur a higher cost of quality control.   2

(e) Peter may enjoy the following types of economies of scale:

 • Managerial: Professionals and modern machines are employed.

 • Financial: Capital can be raised more easily and at a lower interest rate.

 • Marketing: Supplies can be bought at a lower price by bulk purchases.

 • Marketing: Advertising costs are spread over a larger output.

 Any **TWO** of the above.   4

Practice

Level 1

Concept 1. Point out the difference between wants and demand. [Hint 1] (4 marks)

_____

_____

Concept 2. Point out **ONE** difference between a free good and an economic good. [Hint 2] (4 marks)

_____

_____

Apply _____

3. Through the Internet, software can be downloaded for a trial period. Explain whether the software is a free good. [Hint 3] (3 marks)

_____

_____

Apply 4. In Hong Kong, nine years free education is provided for students up to Secondary 3. Explain whether this type of education is a free good. [Hint 4] (3 marks)

_____

_____

Concept 5. Explain why a free good is free. [Hint 5] (4 marks)

_____

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_____

Calculate 6. John can use 1 unit of resources to produce either 10 units of Good A or 20 units of Good B. [Hint 6]

(a) Calculate his opportunity cost of producing 1 unit of Good A. (2 marks)

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_____

(b) Calculate his opportunity cost of producing 1 unit of Good B. (2 marks)

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Solution Guide

1　The Basic Economic Problems

Section A

Level 1

1.	• Wants are human desires.	2
	• Demand is the desire supported by the ability to satisfy.	2

2.	• Free good: the quantity available is sufficient to satisfy all our wants.	2
	• Economic good: the quantity available is insufficient to satisfy all our wants.	2

3.	• It is not a free good; it is a scarce good.	1
	• Scarce resources are involved in its production; OR	
	• Its quantity available is insufficient to satisfy all our wants for it.	2

4.	• The nine years free education is not a free good; it is a scarce good.	1
	• It is produced with scarce resources; OR	
	• Students prefer to have more free education, say from Secondary 4 to 7 or even university education.	2

5.	• A free good exists if its quantity available is sufficient to satisfy all our wants for it.	2
	• No one is willing to pay any price for the good to buy more of it.	2

6. (a) • Producing 10 units of Good A involves giving up 20 units of Good B. ... 1

• The opportunity cost of producing 1 unit of Good A $= \dfrac{20}{10} = 2$ units of Good B. ... 1

(b) • Producing 20 units of Good B involves giving up 10 units of Good A. ... 1

• The opportunity cost of producing 1 unit of Good B $= \dfrac{10}{20} = 0.5$ unit of Good A. ... 1

> **Reminder**
> The answer should not omit the units of measurements.

7.	• It is the 'For whom to produce' problem.	1
	• The flats are produced for those who not only are willing and able to buy the flats but who also win the lottery.	2

8.	• It is a market economy.	1
	• The person who is willing and able to pay the highest price will get the land.	2

9.	• Resources are allocated to produce goods which are not desired by consumers.	2
	• Workers have little incentive to work.	2