

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.**

5. Final checking

- Always check your answers if there are any missing questions not answered till the end of time. Go back to any questions you missed out earlier. Also check your other answers for careless mistakes.
- **DO NOT** cross out anything before you find enough time to replace it correctly.
- 5 minutes before the end of the examination:
 - Make sure you have filled in the candidate number on the answer book, supplementary answer sheets and multiple-choice answer sheet and have written down the question numbers in the order you answered the questions.
 - Fasten all supplementary answer sheets in the correct order.
- **DO NOT** be tempted to leave early.

6. After the examination

- **DO NOT** judge how well you have done. Try to forget the examination you have just finished. Focus on what you have to do next.

B. Specific Strategies

- **2 marks** and **4 marks** are allocated for Section A and Section B of Paper 1 for effective communication respectively. Hence, write your answer in logical order and with clarity.
- **DO NOT** write on alternate lines; otherwise marks may be deducted.
- Before answering a question, draft the important points that must be included.
- **Complete sentences** are required in answering the questions, and the use of **simple sentences** is recommended. Each sentence that can get 1 mark or 2 marks can be started **as a new paragraph** in order to facilitate the marking.
- **DO NOT** spend too much time on each question. Only write those points that are necessary to get marks. Irrelevant points cannot get you extra marks but only disclose your weakness or may contradict what you have written.
- Make sure that you have time to answer all the **required** questions. Try to **cover as many questions as possible**. **DO NOT** put all your eggs into one basket; that is the principle of diversification.
- Marks will **NOT** be given for **wrong spelling** of keywords. Hence, spend time to memorise the spelling of keywords.

Exam Question Distribution

Topic \ Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
The Basic Economic Problems	1, 10 (d)	11 (b)	1	1	1, 10 (bii)	10 (d)	1, 10 (c)	11 (bi)	1, 2
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)	3, 9 (c), 10 (a)
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)	9 (d), 9 (e), 11 (ci)
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)	4
Market Structure	5	5	10 (cii)	9 (d)	9 (c)	4	5	4	10 (d)
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)	5, 7, 10 (b), 10 (c)
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)	6, 9 (b), 11 (cii)
Public Finance	10 (b), 12 (d)	7, 9 (d)	5	8, 10 (c)	8, 9 (a)	7	8, 12 (c)	8, 10 (d)	9 (a), 10 (e)
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)	8, 11 (a), 11 (b)

6 National Income



Points to Think

When studying this topic, students should focus on the following questions:

- What is the difference between GDP and GNP?
 - What are the components of external factor income flows?
 - What are the 3 approaches to measuring GDP and GNP?
 - Which transactions are excluded from GDP or GNP?
 - What are the uses and the limitations of GDP or GNP?
 - What are the differences between nominal and real GDP?
 - What are the differences between GDP at market price and GDP at factor cost?
 - What are the demand side factors and the supply side factors that affect GDP or GNP?
 - What are the meanings of 'unemployment rate' and 'under-employment rate'?
 - What are the costs of unemployment?
 - What is inflation / deflation?
 - How do we measure inflation or deflation by the price index?
 - What are the effects of inflation / deflation?
 - What are the 4 phases of the business cycle?
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Key Definitions

(1) Gross domestic product (GDP):

- It measures the total market value of final goods and services produced by all resident producing units of a territory during a period of time, before deducting an allowance for the consumption of fixed capital.

(2) Resident producing unit:

- It refers to a firm which maintains a center of economic interest in territory. A firm is said to have an economic interest in Hong Kong if its operations are mainly in Hong Kong, for example, if the firm has an office in Hong Kong and employs staff in Hong Kong.

Practice

Level 1

Concept 1. Define gross national product and gross domestic product. (6 marks)

Apply 2. Explain whether the purchase of an original Picasso painting should be included in GDP. (3 marks)

Hint 1

Concept 3. Which goods or services does GDP exclude? (5 marks)

Apply 4. Half of a farmer's output is for his family's consumption and the other half is for sale to the market. Explain whether all the output should be included in GDP. **Hint 2** (4 marks)

Section B Structured Questions

Demonstration

1. (a) The government is facing the problem of economic recession and fiscal deficits.

Besides printing money, suggest **FOUR** possible government measures to obtain enough capital to finance the deficits. State **ONE** disadvantage to the economy of each of the methods you have mentioned.

(12 marks)

Guidelines

- The reasons for needing more capital are irrelevant.
- Students should consider revenue, expenditures and borrowings.
- Students are reminded not to miss stating one disadvantage for each measure.

- (b) Tax Payment]

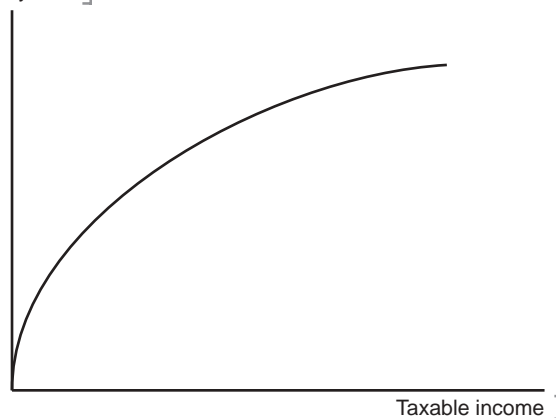


Figure 8.6

Guidelines

- The y-axis represents the tax payment, not the tax rate. Hence, draw a line from the origin to the curve to determine the tax rate.

Guidelines

- Students should find out how the tax rate changes when income increases.

Explain whether the tax is a progressive tax.

(3 marks)

Suggested Answer

- | | |
|--|---|
| (a) • The government can raise direct taxes – the disadvantage is a possible decrease in working incentives or investment incentives. | 3 |
| • The government can raise indirect taxes – the disadvantage is inflationary pressure or a more uneven income distribution. | 3 |
| • The government can use past fiscal reserves – the disadvantage is decrease in the reserves for contingency purposes or giving up the interest return from the investment of the reserves. | 3 |
| • The government can borrow / issue government bonds – the disadvantage is the economy will have to bear the interest cost or the burden will be borne by the future generations when the principal is repaid. | 3 |

- The government can invite private sector participation – the disadvantage is a decrease in the government say in the related services. 3
 - The government can cut other government expenditures – the disadvantage is less provision of public services. 3
 - The government can raise other sources of government revenue, e.g. by the privatization or sale of government assets or increasing fees – the disadvantage is the greater burden borne by the users of the public services. 3
- Any FOUR of the above.
- (b) • It is not a progressive tax; it is a regressive tax. 1
- The tax payment increases at a decreasing rate with an increase in income. 2
- OR
- The average tax rate, which is the slope of the line from the origin to the curve, decreases as income increases. 2

 Guidelines

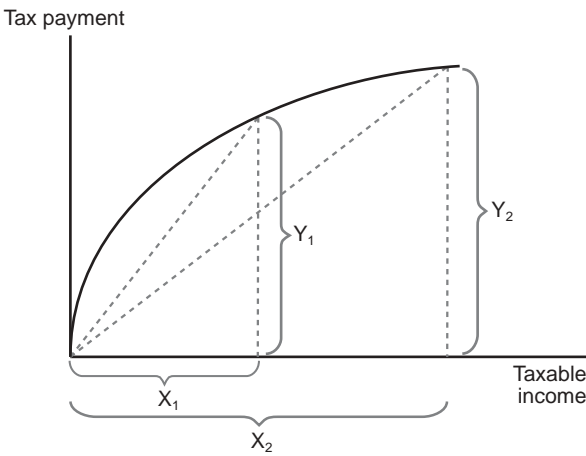


Figure 8.7

When income is X_1 , tax payment is Y_1 and the tax rate is $\frac{Y_1}{X_1}$, which is equal to the slope of the line from the origin to the point corresponding to (X_1, Y_1) .

When income is X_2 , tax payment is Y_2 and the tax rate is $\frac{Y_2}{X_2}$, which is equal to the slope of the line from the origin to the point corresponding to (X_2, Y_2) .

As income increases from X_1 to X_2 , the tax rate decreases from $\frac{Y_1}{X_1}$ to $\frac{Y_2}{X_2}$ or the slope of the line from the origin decreases.

Hence, it is a regressive tax.

(d) Consider the following balance of payments account of an economy:

	\$ million
Exports of goods and services	2 200
Imports of goods and services	4 300
Net income from abroad	X
Capital inflows	7 500
Capital outflows	2 300
Increase in reserve assets	5 800

Table 9.22

Compute X.

(3 marks)

Mid-term Test 1

ECONOMICS PAPER 2

1 hour

This paper must be answered in English

1. Read carefully the instructions on the Answer Sheet and insert the information required in the spaces provided.
2. When told to open this book, check that all the questions are there. Look for the words 'END OF PAPER' after the last question.
3. ANSWER ALL QUESTIONS. All the answers should be marked on the Answer Sheet.
4. Note that you may only mark ONE answer for each question. Two or more answers will score NO MARKS.
5. All questions carry equal marks. No marks will be deducted for wrong answers.