Contents

Special Features	
Instructions on Accessing Online Interactive Learning Resources	\
Exam Paper Format	V
Exam Strategies	vi
10	
12 National Income Accounting (I)	
12.1 Gross domestic product	
12.2 Approaches of measuring GDP	į
12.3 Production (value-added) approach	-
12.4 Expenditure approach	(
12.5 Income approach	15
12.6 Gross domestic product vs gross national product	17
12.7 Income and transactions excluded from national income accounting	20
12.8 National income statistics in Hong Kong	21
Demonstration	20
Practice	3^
12	
National Income Accounting (II)	
13.1 Nominal GDP and real GDP	38
13.2 Uses of GDP and related statistics	44
13.3 Factors affecting GDP	45
13.4 Limitations of GDP statistics	47
Demonstration	51
Practice	57
Business Cycle, Unemployment and Changes in	
the General Price Level	62
14.1 Unemployment	64
14.2 Changes in the general price level	7
14.3 Business cycles	80
Demonstration	88
Practice	90

	Nature and Functions of Money	94
	15.1 The problems of barter and how they are solved by money	96
	15.2 The functions of money	98
	15.3 Properties of money	100
	15.4 Different forms of money	101
	15.5 The Hong Kong Three-tier System	104
	15.6 Definitions of money supply	105
	15.7 How currency is issued in Hong Kong	110
	Demonstration	114
	Practice	118
1	Banks: Functions and Services	122
1	16.1 The economic roles of banks	124
	16.2 The services of commercial banks	124
	16.3 The services of merchant banks	125
	16.4 Functions of the central bank	126
	16.5 The development of Hong Kong as a financial centre	129
	Demonstration	131
	Practice	133
1	Multiple Deposit Creation and Contraction	134
		136
	17.1 Assumptions of deposit creation 17.2 The process of multiple deposit creation	138
	17.3 Limitations of deposit creation	145
	17.4 Multiple contraction of deposits	148
	Demonstration	155
	Practice	161
1	1Q	
	O Public Finance	166
	18.1 Sources of revenue of the HKSAR government	168
	18.2 Taxation	169
	18.3 The principle of taxation	178
	18.4 The aims and effects of taxation	179
	18.5 Public expenditure as a proportion of GDP	184

18.6 Public expenditure	185
18.7 Government budget	187
Demonstration	193
Practice	199
10 International Trade	204
19 International Trade	
19.1 How trade is beneficial to countries	206
19.2 Other possible gains from trade	215
19.3 Trade barriers	218
Demonstration	225
Practice	231
20 Exchange Rate and the Balance of Payments.	236
20.1 Exchange rates	238
20.2 The effects of exchange rate movement on trade	239
20.3 The linked exchange rate system	240
20.4 Balance of payments account	243
20.5 The balance of payments of Hong Kong	257
Demonstration	263
Practice	269
21	
Hong Kong's International Trade	
21.1 The importance of trade to the Hong Kong economy	276
21.2 Factors contributing to Hong Kong's development as a trading centre	
21.3 The pattern of trade in Hong Kong	277
21.4 The principle of comparative advantage as applied in Hong Kong	279
21.5 The challenges faced by Hong Kong exporters	280
21.6 Attempts to overcome trade barriers faced by Hong Kong	281
Demonstration	283
Practice	286
Index	287
110000	207