

2010-CE
ECON

PAPER 1
(SECTION A)

2010 HKCEE

MOCK EXAM

(By James Lo)

ECONOMICS PAPER 1

SECTION A

This paper must be answered in English

INSTRUCTIONS

1. Write your candidate Number in the space provided on page 1.
2. **ATTEMPT ALL QUESTIONS.**
3. Section A contains eight questions. The whole section carries 38 marks content and 2 marks for effective communication.

SECTION A (40 Marks)

1. In Football games, the Organizer sometimes distributes cheering materials free-of-charge. Are these cheering materials free goods? (3 Marks)
2. States two differences between Capital and Land. (4 Marks)
3. MTR is the only firm to provide railway services in Hong Kong. Which market structure does it belong to? State **THREE** features of the market structure. (4 Marks)
4. The following table shows the monthly production of a factory with only two factors of production.

No. of Machines	No. of Workers	Total Product (Units)
1	2	15
2	3	17
3	4	20
4	5	22
5	6	23

- (a) State the law of diminishing marginal returns. (3 marks)
- (b) Explain whether the above data illustrate the law of diminishing marginal returns. (2 Marks)

5. Study the following balance sheet of a banking system:

Assets (\$mn)		Liabilities (\$mn)	
Reserves	250	Deposits	1000
Loans	750		

Suppose the legal reserve ratio is 10%

(a) Calculate the amount of excess reserve of the banking system. (2 Marks)

(b) Suppose all banks lend out all their excess reserves. Calculate the maximum possible amount of loans and deposits of the banking system. (4 Marks)

6. Define money supply M1 and M2. (4 Marks)

7. The following information shows the trade statistics of an economy in a certain year :

	\$ millions
Visible trade surplus	55
Re-exports	15
Import of goods	20
Import of services	25
Export of services	50

(a) Calculate the value of domestic exports of goods of the economy. (3 Marks)

(b) If Hong Kong dollar revalues, what would you expect the impact on domestic exports ? (3 Marks)

8(a) Give TWO reasons to explain why the direct tax revenue of the Hong Kong government would decrease in times of economic recession. (4 Marks)

(b) State TWO advantages of Hong Kong widening its tax base. (2 Marks)

~ END OF SECTION A ~

2010-CE
ECON

PAPER 1
(SECTION B)

2010 HKCEE

MOCK EXAM

(By James Lo)

ECONOMICS PAPER 1

SECTION B

This paper must be answered in English

INSTRUCTIONS

1. Write your candidate Number in the space provided on page 1.
2. **ATTEMPT ALL QUESTIONS.**
3. Section B contains three questions and carries 50 marks in total – 46 marks for content and 4 marks for effective communication.

SECTION B (50 Marks)

9. The Hong Kong government is considering constructing a luxurious high speed railway connecting West Kowloon and GuangZhou (廣州) It is estimated that it will severe the traffic congestion problem of Nathan road during rush hours (彌敦道).

(a)(i) With the aid of a diagram, explain why the Nathan road would become more congested during rush hours after the construction of the high speed railway. (7 Marks)

(ii) With the aid of a diagram, explain how is the total revenue of MTR (港鐵) affected by the construction of the high speed railway. (4 Marks)

(b)(i) How would the opportunity cost of visiting GuangZhou (廣州) from Hong Kong change after the construction of the luxurious high speed railway? (3 Marks)

(ii) Would the opportunity cost of travelling with the high speed railway be the same among all passengers? Explain. (3 Marks)

10. Hong Kong has hosted East Asian Games (東亞運動會) at 2009.

(a) Explain how the GDP of Hong Kong is affected by the event. (6 Marks)

(b)(i) State the principle of comparative advantage. (2 Marks)

(b)(ii) Based on your answer in (b)(i), would you expect most of the construction works of the East Asian Games are done domestically with domestic workers? (3 Marks)

(c) Which type of production does athletes belong to? (2 Marks)

11. Many countries have introduced protectionism measures to protect their domestic industries during economic recession.

(a) With the aid of a diagram, show the impacts of quota on imported goods.

(6 Marks)

(b) Suppose the output per unit of resources of three economies – Hong Kong, Japan and US – are as follows:

	Machines (units)	OR	Cars (units)
Hong Kong	20	OR	5
Japan	40	OR	4
US	40	OR	10

(i) Calculate the opportunity cost of producing cars for each economy and point out which economy has a comparative advantage in producing cars.

(4 marks)

(ii) Explain whether Hong Kong and Japan would gain from trade if 8 units of machines could be exchanged for 1 unit of car.

(6 marks)

~ END OF SECTION B ~