

內容詳細，應試之選

38 years

HKDSE RELATED
PAST PAPERS
SUGGESTED SOLUTION



ECONOMICS

DSE+CE+AL



之包
詳括
盡選
解答
題

DSE Economics (SP, PP, 2012-19)

CE Economics (P1 1982-2011, P2 1984,87,90-2011)

* AL Economics (2005-10)

*selected questions only

Hong Kong Joint-Us Press Limited

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HKDSE Economics

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HKDSE Economics Mode of Assessment

Public Examination	Weight	Duration
Paper 1 (MC Questions)	30%	1 hour
Paper 2 (Conventional Questions)	70%	2 hours 15 minutes
Part 1: Compulsory Part		
Part 2: Elective Part (a choice of one out of two electives)		

同學如要早年的考評局試題，可到學校圖書館或公共圖書館借閱。
HKEAA past papers of early years are available at school libraries or public libraries.

*Joint-Us Solution makes the road to 5** easier...*

2009 Paper 1

Section A

- Opportunity cost is the value of the highest-valued option forgone.
 - No, this statement is incorrect. Under the concept of full cost, the opportunity cost involves both the monetary cost and non-monetary cost. Even though the monetary cost for the purchase of the banknote is the same, as the time costs of Mary and John are different, Mary's opportunity cost to purchase the Olympic memorial banknote would not be the same as John's.
- HKEx is a public limited company as its shares can be freely transferred in the stock exchange market.

There are several features of this type of business ownership.

First, it has limited liability, i.e. the liability is limited to the amount the investors have invested. The investors are not personally liable for the debt incurred by the company.

Second, the shares of the company are freely transferable in the stock exchange market.

Third, the company has lasting business continuity. Even though there is withdrawal or death of the shareholders, the company is not forced to shut down by law.

Fourth, the company has a separate legal entity. The company can sue or be sued in the company's name, but not in the name of the owners.

(Any TWO of the above)

- The Law of diminishing marginal returns states that when variable factor is added successively to a given amount of fixed factors, other things being constant, the marginal product of the variable factor will eventually diminish.

The data provided illustrate the law as follows:

Labour (Units)	1	2	3	4	5
Total output of labour (Units)	10	24	42	64	85
Marginal product of labour (Units)	---	14	18	22	21

- (c) (i) The visible trade balance = $180 - (300 + 30 - 20)$
 $= -130$ billion dollars
- (ii) The domestic export of goods is \$147 billion and the import of goods is \$2,600 billion. Therefore, the re-export of goods
 $= -130 + 2,600 - 147$
 $= 2,323$ billion dollars

Section B

9. (a) There are several economies of scale that a firm can enjoy.

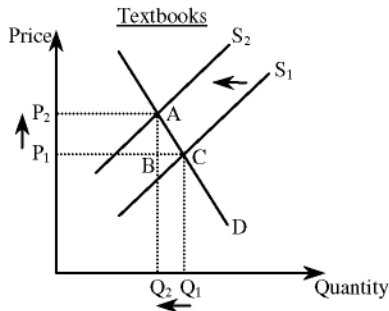
The first one is the marketing economies of scale. With a larger production quantity or scale, the per unit promotion cost can be reduced.

The second one is the financial economies of scale. When it expands its production scale, it will be able to obtain the bank loan at a lower interest rate as banks regard that large production-scale companies have better credit standards.

The third one is the technical economies of scale. With the larger amount of textbook published, the production machines and equipment can be fully utilized, which can reduce the average cost of production.

The fourth one is the managerial economies of scale. With the expansion in the production scale, the publishers can hire more professional managers / specialists of different areas to enhance the operational efficiency of the company. (Any TWO of the above)

- (b) When there is an increase in the price of paper, the supply of the textbooks will shift from S_1 to S_2 due to the increased production cost. The quantity transacted will decrease from Q_1 to Q_2 whereas the price will increase from P_1 to P_2 . The total revenue will change from Q_1P_1 to Q_2P_2 . Under the condition of inelastic demand, the percentage increase in the



2009 Paper 2

1. B
Free goods are goods the available quantity of which is sufficient to satisfy all human wants, so more of them are not preferred. As a result, these goods are not scarce and people are not willing to pay a price to get more.
A is incorrect. Free good refers to the goods that are enough for everyone to have as much as they want. However, it does not mean that free goods are unlimited in supply. For example, sunshine is a free good but is not unlimited in supply.
C is incorrect. Free goods can exist in different types of economies, including a planned economy and a market economy.
D is incorrect. There are many examples of free goods in the real world. Sunshine and water in the ocean are some real world examples.
2. A
(1) is correct. The increase of the university undergraduate programme from 3 years to 4 years will increase the opportunity cost of the Form 7 graduates as the time cost for receiving university education increases. Moreover, they have to forgo the income that could originally be earned in the 4th year.
(2) is correct. The increase in the wage rate of Form 7 graduate will also increase the opportunity cost as the amount of wage forgone increases.
(3) is incorrect. The decline of the academic performance of university graduates will only reduce the value of receiving the university education, but not the opportunity cost. So long as the value of the highest-valued option forgone remains unchanged, the opportunity cost will not increase.
3. B
The suggestion stated concerns the one who can enjoy the public hospital services as the imposition of the additional surcharge 'on these women' are aimed to ensure that the public hospital services are provided to the Hong Kong citizens but not the Mainland pregnant

2005 AL Econ 1

SECTION A

6. C

Inferior good is a good that a person will consume less when his income increases (and, vice versa), i.e. the income elasticity of demand of an inferior good is negative.

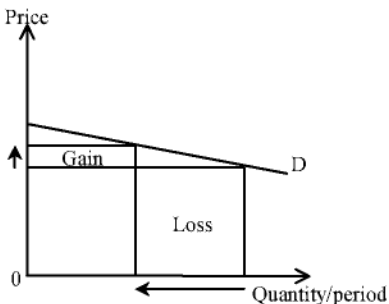
A is incorrect. Quality of a good does not determine the quantity demanded of it because according to the law of demand, other things like quality are kept constant.

B is incorrect. Whether a good is inferior is only determined by the people's demand for it respective to their change in income, but not by which type of people might consume it.

D is incorrect. By definition, it refers to a superior good. A superior good is a good whose demand decreases when one's income falls.

7. D

Price elasticity of demand (E_d) measures the responsiveness of the change in the quantity demanded of a good when there is change in price. The diagram shows a demand curve of an E_d greater than one.



When the price of the good increases, its quantity demanded decreases. The percentage change in price is smaller than the percentage change in quantity demanded. As a result, loss in decrease in quantity demanded will be greater than gain in increase in price. TR will decrease.

A is incorrect. A change in TR caused by change in demand will not necessarily mean that the good has an E_d greater than one. When demand increases, the demand curve will shift outwards. TR, which is calculated by quantity

2008 AL Econ 1

SECTION A

5. C
By definition, consumer surplus refers to the difference between total use value and total exchange value. It is the maximum amount one is willing to pay over and above what he actually pays.

7. D
The law of demand applies to all kinds of economy for its great generalization power.

A and B are incorrect. The law of demand states a negative relationship between price and quantity demanded, *ceteris paribus*. Price can still exist in a one-man economy but in the form of relative price or simply opportunity cost. For example, Robinson, who wants an apple, needs to give up 2 oranges due to scarcity. Because of time constraint, the number of oranges he needs to sacrifice increases to 4 units. The increment of the price or cost of apples will reduce his quantity demanded.

C is incorrect. Since price and opportunity cost exist in a primitive society, the law of demand is applicable.

9. D
By Alchian's generalization, with a higher transportation cost, such as expensive air tickets, the relative price (room rates) of expensive hotels to cheap hotels will decrease. Foreign tourists thus tend to stay in more expensive hotels.

A is incorrect. By charging a lower price on chicken, people's quantity demanded of chicken increases. The restaurant aims at attracting more customers to dine there. It is consistent with the law of demand.

B is incorrect. Although the price of those books is well below the original production cost, this may be only due to the fact that the publisher aims at stimulating sales (raise quantity demanded by reducing the price). It is consistent with the law of demand.

DSE Practice Paper 1

1. **A**
Scarcity exists when the amount available of a good is insufficient to satisfy all human wants. More of it is always preferred. If scarcity is absent, the amounts available of all goods are sufficient to satisfy all human wants.
- (1) is correct. There is discrimination as long as competition exists. The absence of scarcity implies no competition because people do not compete for resources, where their amounts available are sufficient to satisfy all human wants. Therefore, there is neither competition nor discrimination.
- (2) is correct. In the absence of scarcity, there will be no price competition. All people can get the amount of goods they want at zero prices.
- (3) is incorrect. There will be no economic goods, but free goods.
2. **D**
Opportunity cost is the highest-valued option forgone. The opportunity cost of keeping the mobile phone is the resale value of the phone, which is \$7 000.
- C is incorrect. \$5 000 is the cost of the past action of buying the mobile phone, i.e. historical cost. It is no longer relevant to decision-making.
3. **B**
- (1) is correct. Interest is the compensation paid to lenders who forgo current consumption for more future consumption.
- (2) is incorrect. Interest can exist without money. For example, if you borrow an apple, you need to pay back one and a half apple in the future. The additional half apple is an interest.
- (3) is correct. Interest is the cost of earlier availability of resources for consumption, i.e. cost of present consumption. Therefore, a fall in interest rate implies a decrease in cost, thus increase present consumption.

Features

- Full solution to multiple-choice questions
- Graphs and tables for part of the questions for quick understanding
- Past paper question distributions for DSE Economics and CE Economics

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