



Write your name here

Surname

Other names

Scholarship Paper

Subject: Business Studies & Economics

Paper:

Time: 1 Hour

You must have:

Pen
Pencil

Total Marks
50

Instructions

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Section A (Economics case study)

- Answer **ALL the questions**.
- Use **black** ink or ballpoint pen.

Section B (Business Studies case study)

- Answer **ALL the questions**.
- Use **black** ink or ball-point pen.

Information

- The total mark for this paper is **50**
- The marks for **each** question are shown in brackets
 - *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Write your answers neatly and in good English.

Section A

Read the source material carefully before answering Question 1.

Source material: The advantages of visiting, producing and living in Bermuda

Bermuda fact file	2018
Population	72 000
Labour force	33 500
Unemployment rate	7%
Inflation rate	2%

Bermuda is a well-known holiday destination. It offers luxury holidays which are expensive.

Bermuda bans foreign fast-food outlets. It does have one foreign outlet selling fried chicken in the island's capital, Hamilton. This was opened before the ban was introduced in 1997. Some foreign multinational companies (MNCs), which produce other goods and services, operate in Bermuda. Bermuda is considered a tax haven. It does not have any corporation tax, but it does charge high import tariffs particularly on demerit goods which are harmful to health.

Bermuda has a higher literacy rate and a lower population growth rate than most other countries. Its GDP per head is high. Fig. 1.1 shows the relationship between GDP per head (\$) and life expectancy (years) in selected countries in 2018.

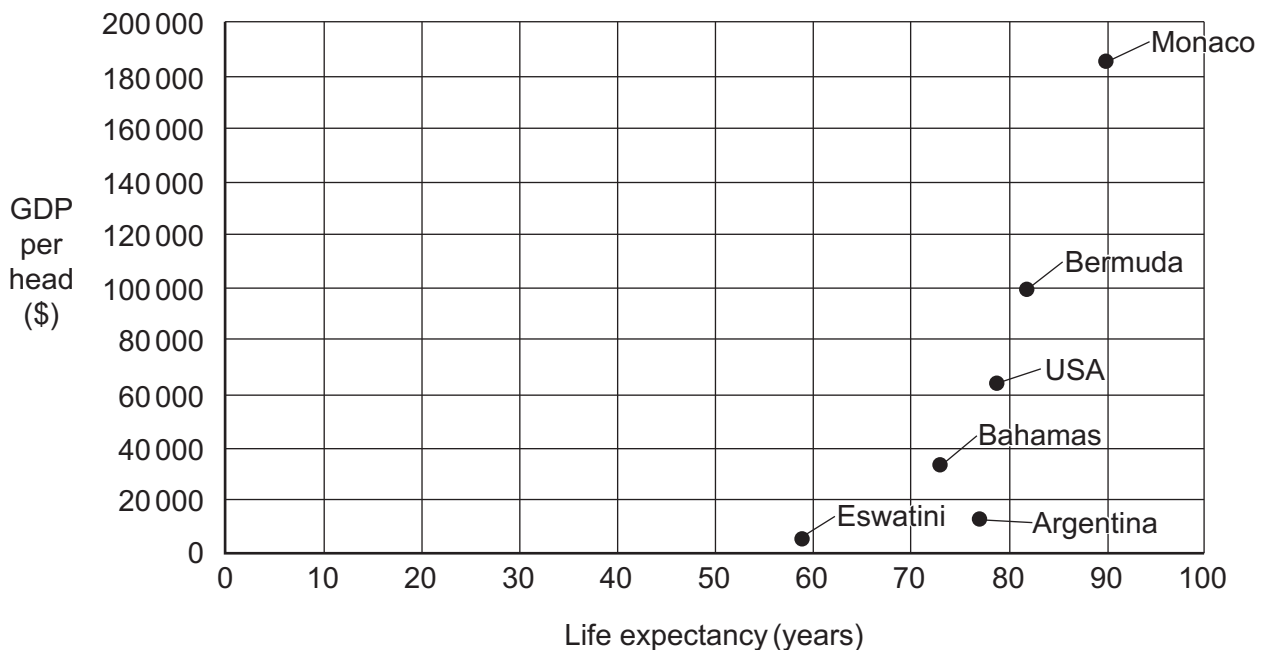


Fig. 1.1 The relationship between GDP per head (\$) and life expectancy (years) in selected countries 2018

Bermuda also has a relatively larger tertiary sector than most other countries. Insurance and other financial services contributed 85% of its GDP in 2018. The Bermudian Monetary Authority (BMA) carries out most of the functions of a central bank. For example, it acts as banker to the government, holds the country's reserves of foreign currency and implements the government's monetary policy. The BMA has been relatively successful in keeping inflation low. However, government policy measures designed to reduce unemployment may affect the inflation rate. This is because policy measures can influence total demand, productivity and firms' costs of production.

Bermudian government policy may change, not only to cut unemployment, but also to reduce market failure. For example, higher indirect taxes on demerit goods may be used but it can be difficult to change people's spending patterns.

Answer all parts of Question 1. Refer to the source material in your answers.

- 1 (a) Calculate the number of Bermudian workers who were unemployed in 2018. [1]
- (b) Identify **two** reasons why demand for holidays in Bermuda may be price-elastic. [2]
- (c) State **two** reasons why a foreign MNC may want to operate in Bermuda. [2]
- (d) Explain **two** reasons why Bermuda has a higher level of economic development than many other countries. [4]
- (e) Analyse the role of the Bermudian Monetary Authority (BMA). [4]
- (f) Analyse the relationship between GDP per head and life expectancy. [5]
- (g) Discuss whether or not Bermudian government policy measures designed to reduce unemployment would increase the inflation rate. [6]
- (h) Discuss whether or not higher indirect taxes can reduce the market failure caused by demerit goods. [6]

2 Gareth is planning to start a car washing business using government support. He is analysing market research data to help him make important decisions about his business. Extracts from this data are shown in Figure 3.1 and Figure 3.2. Gareth said: 'I will need to set business objectives.' He plans to keep his business small. Gareth is worried about the possible effects of higher taxes.

Do you have a car?

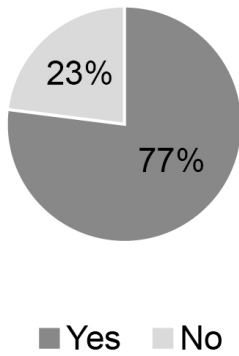


Fig. 3.1

Average price paid for a car wash

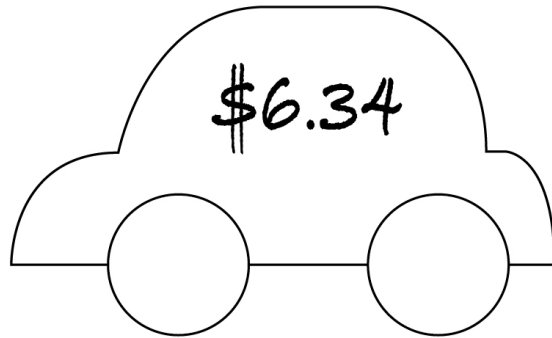


Fig. 3.2

(a) Identify **two** reasons why businesses need objectives.

Reason 1:

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Reason 2:

..... [2]

(b) Identify **two** possible reasons why an owner might want their business to remain small.

Reason 1:

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Reason 2:

..... [2]

(c) Outline **two** ways higher taxes might affect Gareth's business.

Way 1:
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Way 2:
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[4]

(d) Explain how the data shown in Figure 3.1 and Figure 3.2 could be useful to Gareth.

Figure 3.1:
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Figure 3.2:
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[6]

(e) Do you think offering financial help, such as grants, is the best way for a government to support business start-ups? Justify your answer.

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[6]