黎 sir 教室 A Lai Learning Center
HKDSE / IB Diploma / GCE AS AL / AP / SAT / HSC
IGCSE / GCSE / IB MYP / KS3 / MO / F.1 - F.6 / Y9 - Y13

2017 HKDSE Economics Paper 1 Suggested Solutions

Prepared by Andy Lai

HKDSE Economics 5** Teacher
HKDSE Physics 5** Teacher
HKDSE Mathematics 5** Teacher

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Enrollment Hotline: 6772 3001 Website: www.andylai.hk MSN: mrandylai@hotmail.com
Address: Rm706, Prosper Commercial Building, 9 Yin Chong Street, Mong Kok, Kowloon, Hong Kong.

2017 HKDSE Economics Paper 1 Suggested Answers

1.	C	2.	C	3.	D	4.	D	5.	D
6.	A	7.	B	8.	D	9.	C	10.	B
11.	C	12.	A	13.	A	14.	C	15.	B
16.	B	17.	D	18.	C	19.	D	20.	A
21.	D	22.	C	23.	D	24.	A	25.	A
26.	A	27.	B	28.	C	29.	D	30.	A
31.	B	32.	A	33.	C	34.	C	35.	A
36.	C	37.	B	38.	B	39.	D	40.	B*
41.	B	42.	C	43.	B	44.	A	45.	D

*** May be deleted in live paper**

MC 係分 ABC Grade 既地方,
越出越煩, 越出越難! 轉數快, 概念清!
缺一不可! 同學一定要快又要好小心!

Andy's predicted M.C. Grade boundaries:
5: 43 / 45 5*: 40 / 45 5: 38 / 45**
4: 34 / 45 3: 30 / 45 2: 24 / 45

Section A		
1.	C	黎 Sir 提提你 : ● Selling Sushi … earn a higher profits ⇒ Market mechanism ! ● Decides to sell sushi and not burgers ⇒ What to produce ! ● Remarks: ➢ How to produce ⇒ Involving choosing method to solve problems ➢ Government command ⇒ Nothing to do with earning higher profits or not

2.	C	黎 Sir 提提你 : ● Interests still exists without money or inflation, not a monetary phenomenon. (If you are my students, you should know even "friendship" can also be counted as interests !) ● Interest: compensation for deferring consumption in Lender's point of view! ● Without scarcity ⇒ Resources are enough to satisfy enough wants ⇒ Need not to borrow resources from others ⇒ Interest does not exist

3.	D	黎 Sir 提提你 : ● Public good ⇒ Non-excludable and non-rival ! ● Public good ⇒ Marginal cost of serving additional consumer is zero ! ● Public good ⇒ May not be zero marginal cost of production ! (Imagine Andy Lai upload his economics 2017 exam video solution on youtube.com for free browsing, there should be extra cost of production of Economics 2016, 2015, 2014, … etc. exam video. However, there is no additional cost for his economics video to be watched by an additional student. ● Public good ⇒ May be provided by the government or private sector ! (TVB programs is an example of public good provided by private sector) ● Public good ⇒ Many individuals can consume it concurrently.

4.	D	黎 Sir 提提你 : ● Losses of delaying the completion of a new railway to an ECONOMY includes all the options because both the passengers, the railway and the shops and residents nearby the construction site of a new railway are parts of the ECONOMY ! The losses to all of the above people should be counted as losses to ECONOMY !

5.	D	黎 Sir 提提你 : ● Partnership ⇒ More sources of capital, Not more capital ! (Imagine you and me compared with Li Ka Shing himself, who is poorer?) ● Partnership is unlimited company ⇒ Not a legal person ! ● Limited company ⇒ A legal person ! ● Partnership to limited company ⇒ May not have lower average cost unless it is in economics of scale ! ● Partnership is unlimited company ⇒ Profit tax rates (15%) is lower than that of limited company (16.5%)!

6.	A	黎 Sir 提提你 : ● Sliver bond is issued by Hong Kong government ⇒ The risk of Hong Kong government going bankrupt is normally lower than that of a listed company ! ⇒ The risk of holding sliver bonds is lower than that of the shares of a listed company ● The return of the sliver bonds would increases during inflation because its interests rates is linked with inflation in Hong Kong. However, the return of the shares of a listed company is uncertain, depending on the business performance of the listed company, which may not be directly related with inflation.

7.	B	黎 Sir 提提你 : ● Using robots to replace some workers ⇒ ↑ Labour Productivity ● Using robots to replace some workers ⇒ ↓ Demand for labour ⇒ ↓ Quantity supplied of labour ● Geographical Mobility ⇒ The degree of ease at which a factor can move from one place of work to another ⇒ Nothing to do with using robots ● Occupational Mobility ⇒ The degree of ease at which a factor can change from one form of occupation to another ⇒Nothing to do with using robots ● Remarks: ➢ Some candidates may think that using robots may leave labour handicapped in changing jobs of different nature and so their occupational mobility of restaurant workers will decrease. However, the keyword in this question is "introduce robots to REPLACE some workers", which implies that some workers are laid off, but the workers stayed behind will do the same job duties as before. Therefore, the labour stayed behind or laid off will not become handicapped because of introduction of robots.

8. D

黎 Sir 提提你 :

- Price Taker ⇒ Perfectly competitive market
  ⇒ Marginal Revenue = Market price = $20 (Why?)

- To achieve profit maximization ⇒ Marginal cost = Marginal revenue

Output (units)	5	6	7	8	9
Average Cost ($)	10	11	12	13	14
Total Cost ($)	50	66	84	104	126
Marginal Cost ($)	/	16	18	20	22
Marginal Revenue ($)	20	20	20	20	20
Average Revenue ($)	20	20	20	20	20
Total Revenue ($)	100	120	140	160	180

- Therefore, Profit-maximizing output, Q = 8

- Total Profit = Total Revenue – Total Cost = 160 – 104 = 56

- After adding $2 for every unit of output, the table would become

Output (units)	5	6	7	8	9
Average Cost ($)	12	13	14	15	16
Total Cost ($)	60	78	98	120	144
Marginal Cost ($)	/	18	20	22	24
Marginal Revenue ($)	20	20	20	20	20
Average Revenue ($)	20	20	20	20	20
Total Revenue ($)	100	120	140	160	180

- Therefore, Profit-maximizing output, Q = 7

- Total Profit = Total Revenue – Total Cost = 140 – 98 = 42

- Therefore, The decrease in total profits = 56 – 42 = $14

9.	C	黎 Sir 提提你 : ● Lateral expansion: Goods and services are related but not competitive ! ● Casual wear and Luxury clothes using similar raw materials ⇒ Related ! ● Casual wear and Luxury clothes are different market ⇒ Non-competitive !

10.	B	黎 Sir 提提你 : ● Variable costs: Costs increases with outputs ● Fixed costs: Costs will not change with outputs ● Extending business hours for one hour to offer more painting classes ⇒ ↑ Electricity to use ⇒ ↑ Electricity fee ⇒ ↑ Variable costs ● Extending business hours for one hour to offer more painting classes ⇒ ↑ Paints usage for drawing ⇒ ↑ Expense on paints ⇒ ↑ Variable costs ● Extending business hours for one hour to offer more painting classes ⇒ Rental payment remains unchanged no matter how many business hours ⇒ Fixed costs ● Extending business hours for one hour to offer more painting classes ⇒ Salary of the accountant remains unchanged since his working hours should be the same unless an accountant is also a professional painting teacher ! ⇒ Fixed costs ● Remarks: ➢ Salary, normally paid on monthly basis, you can regard it as fixed costs ➢ Wages, normal paid on hourly basis, you can regards it as variable costs. Do you remember "Minimum wages"?

11.	C	黎 Sir 提提你 : ● Labour supply for year 1 = 10 x 30 = 300 man-hours ● Labour supply for year 2 = 8 x 35 = 280 man-hours ● Average labour productivity for year 1 = 3000 / 300 = 10 outputs / man-hour ● Average labour productivity for year 2 = 2900 / 280 = 11.4 outputs / man-hour

12.	A	黎 Sir 提提你 : ● Rationing function of price: existing supplies are distributed to users with highest value. ● Therefore, it illustrates the ration function of price because the tickets are rationed to the highest-valued buyers. (Self-explained !) ● Allocative function: Demand is derived from marginal benefit, supply is derived from marginal cost; the interaction between demand and supply then determines price and resources allocation; changes in relative prices and resource deployment. ● Therefore, this question is not related to the allocative functions.

13.	A	黎 Sir 提提你 : ● Law of demand: ↑P ⇒ ↓Qd, vice versa, ceteris paribus. ● Price stated in law of demand ≠ nominal price only ⇒ Relative price, too! ● Abolishment of per unit import tariff on garment ⇒ ↑Relative price of garment with lower quality ⇒ ↓Quantity demanded of garment with lower quality ⇒ ↑Average quality of imported garment ● Quality of live fishes > Quality of fozen fishes ⇒ ↑ Demand of live fishes and ↓ Demand of frozen fishes ⇒ ↑ Prices for live fishes and ↓ Prices for frozen fishes ● Ad valorem sales tax applied ⇒ No change in relative price of both white wine of high-quality and that low-quality still remains unchanged ⇒ No change in quantity demanded of both of them relatively ⇒ No change in ratio of high-quality white wine sold to total white wine sold ● ↑ Quality of View of a piece of land ⇒ ↑Relative price of building lower-quality housing units ⇒ ↓Quantity demanded of lower-quality housing units ⇒ ↑Average quality of housing units

14.	**C**	**黎 Sir 提提你 :** ● **A model of Samsung smartphone is banned by many airlines** ⇒ **↑Demand for iPhone because they are substitutes.** ● **A technological breakthrough in the battery industry** ⇒ **↓Production cost of iPhone** ⇒ **↓Supply of iPhone** ● **People expect the next model iPhone** ⇒ **↓Incentive of people will buy iPhone** ⇒ **↓Demand of iPhone** ● **Apple reduces the selling price of iPhone** ⇒ **↓Downward movement along the original demand curve** ⇒ **↓Quantity Demanded of iPhone**

15.	**B**	**黎 Sir 提提你 :** ● **No matter how its price changes … SAME AMOUNT of coffee …** ⇒ $PED = \frac{\%\Delta QD}{\%\Delta P} = \frac{0}{\%\Delta P} = 0$ ⇒ **Perfectly inelastic demand !** ● **No matter how its price changes … SAME AMOUNT of money on coffee …** ⇒ $PED = \frac{\%\Delta QD}{\%\Delta P} = \frac{Same}{Same} = 1$ ⇒ **Unitarily inelastic demand !**

16. B

黎 Sir 提提你 :

- **The supply and demand schedules for good X is as shown below:**

Price	6	7	8	9	10	11	12	13
Qd	140	130	120	110	100	90	80	70
Qs (Old)	60	70	80	90	100	110	120	130
Qs (New)	-	-	60	70	80	90	100	110

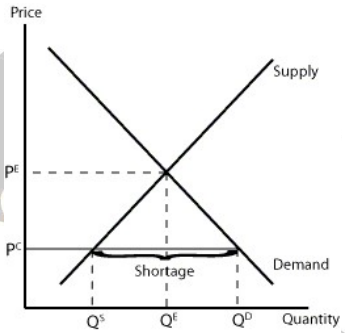
- **Sellers' revenue (net of tax) = (11-2) x 90 = $ 810**
- **Tax burden borne by the sellers = (10 – (11-2)) = 1 x 90 = $ 90**
- **Tax revenue = 2 x 90 = $ 180**
- **Decrease in buyers' total expenditure on Good X = 10 x 100 – 11 x 90 = $ 10**
- **Remarks:**

➢ **Remember, no matter per unit tax or per unit subsidy, rewrite the quantity supplied is the best way to solve it ! Don't modify the price row !**

17. D

黎 Sir 提提你 :

- **↑(Real) Income ⇒ ↓Demand of Inferior goods**
- **↑Production costs ⇒ ↓Supply**
- **If** $\begin{cases} \downarrow SS >> \downarrow DD \Rightarrow P\uparrow \\ \downarrow SS << \downarrow DD \Rightarrow P\downarrow \\ \downarrow SS = \downarrow DD \Rightarrow P \text{ no change} \end{cases}$

18.	C	黎 Sir 提提你 : ● Effective rent control on living units ⇒ Effective price ceiling !  Effective price ceiling ● Effective price ceiling < Equilibrium price ⇒ Qd < Qs ⇒ Shortage exists ● Short exists ⇒ No. of people able to pay the controlled rents > No. of living unit ⇒ Some poor people cannot rent a living even they are able to pay the controlled rents !!! ● Shortage exists ⇒ Non-price rationing may occur, e.g. black market ! ● ↓ Maximum rents can be charged to tenants ⇒ ↓ Returns of renting landlord's living unit to tenants ⇒ ↓ Incentive to renovate their living units for rent
19.	D	黎 Sir 提提你 : ● Monopolistic competition: ➢ A large numbers of sellers and buyers ⇒ Choose what price to set to maximize his profit and and sell differentiated (Heterogeneous) goods and services ⇒ Price-Searchers ➢ Other sellers are free to enter the market. ⇒Free entry and exit

20.	**A**	**黎 Sir 提提你 :** ● **Unconditional gifts … to lower average household income** ⇒ ↑ **Disposable income of lower average household income** ⇒ ↓ **Income inequality in the society** ● **Unconditional gifts … to lower average household income** ⇒ **Only equalizing income, not equalizing opportunity ! (Do you know why?)**

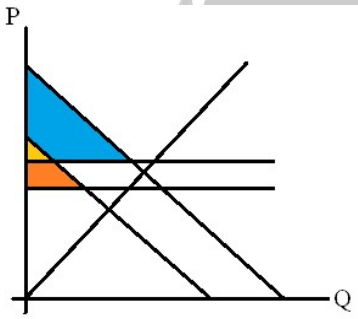
21.	**D**	**黎 Sir 提提你 :** ● ↑ **Gini coefficient** ⇒ ↑ **Income gap !** ● **Changes Gini coefficient doesn't reveal changes in Income level !** ● **There are many reasons causing the income gap become widen, not only due to the failure of welfare policy.** ● **There are many reason causing the income gap become widen, the rise in income for high income household and the decrease in income in low income household may be the reason, not a MUST !** ● **Remarks:** ➢ **Candidates have to pay attention to the keyword like "implies", "conclude", etc. which is different from "may be".**

22.	**C**	**黎 Sir 提提你 :** ● **…. Helps low-income earners reduce their cost of travelling …** ⇒ ↑ **Incentive to work for low-income earners** ⇒ ↑ **Labour supply** ● **Geographical mobility: The degree of ease at which a factor can move from one place of work to another.** ● **…. Helps low-income earners reduce their cost of travelling …** ⇒ ↓ **Costs of moving from one place of work to another** ⇒ ↑ **Degree of ease of labour moving from one place of work to another.** ⇒ ↑ **Geographical mobility of labour** ● **Labour productivity = Outputs / man hour, which is nothing to do will the existence of transport subsidy scheme or not** ● **…. Helps low-income earners reduce their cost of travelling …** ⇒ ↑ **income of the low-income earners only, not all people** ⇒ ↓ **Income inequality in the society**

23. D

黎 Sir 提提你 :

- **The diagram showing the consumer surplus before and after the rise of the effective price floor on Good X and the price of its substitute increases is drawn below:**

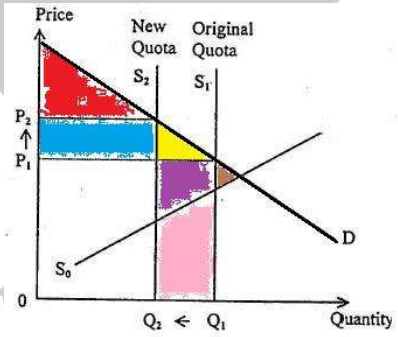


- **Old Consumer surplus: Orange + Brown**
- **New Consumer surplus: Blue + Brown**
- **We cannot know whether the consumer surplus in the market of Good X increases or not because we cannot decide which area, blue or brown one, is bigger.**

- **Remarks:**

➢ **Candidates should know that if the question stated that "assume demand curve and supply curve are shifted in parallel manner", the answer will be totally different!**

➢ **For your reference, please refer to 2012 Sample Paper 2 Q9b and 2016 Paper 1 MC 22.**

24.	**A**	**黎 Sir 提提你 :** ● **The diagram below showing the demand and supply diagram after reduction of quota on the good:**  ● **Δ Total expenditure: Gain (Blue area) Vs Loss (Pink and Purple area) ⇒ may increase or decrease.** ● **Consumer surplus ↓ (Yellow and blue area)** ● **Total social surplus ↓ (Yellow and purple area)**

25.	**A**	**黎 Sir 提提你 :** ● **GDP at market price contributed by the local watch manufactures to the economy = 150 + 120 – 30 – 20 = $ 220**

26.	A	黎 Sir 提提你 : ● Andy's GDP Formula: ➢ % Δ Price Level + % Δ Real (GDP) ≈ % Δ Nominal (GDP) ➢ % Δ GDP - % Δ Population ≈ % Δ GDP per capita ● Assume the GDP stated in the question is Nominal GDP ⇒ % Δ Real (GDP) in 2016 = -2 – 0 = -2 % ⇒ ↓ Real (GDP) ● Assume the GDP stated in the question is Real GDP ⇒ % Δ Real (GDP) in 2016 = -2 % ⇒ ↓ Real (GDP) ● % Δ per capita GDP in 2016 = -2 – 2 = -4% ⇒ ↓ per capita GDP in 2016 ● % Δ Price level in 2016 = 0% ⇒ No change in price level in 2016 ● Assume the GDP stated in the question is Nominal GDP ⇒ % Δ Real (GDP) = -2 – 0 = -2 % (2016) and = -3 -1 = -4 % (2015) ⇒ Growth rate of real GDP in 2016 is higher than that in 2015 (-4% > -5%) ● Assume the GDP stated in the question is Real GDP ⇒ % Δ Real (GDP) = -2 % (2016) and = -3 % (2015) ⇒ Growth rate of real GDP in 2016 is higher than that in 2015 (-2% > -3%)

27.	B	黎 Sir 提提你 : ● Unemployment rate = $\frac{No.\ of\ unemployment}{Labour\ Force} \times 100\%$ ● Admission Scheme for the second generation of Chinese Hong Kong permanent Residents ⇒ ↑ Labour Force ● Some second-generation … fill up the posts … vacant for a long time ⇒ No. of unemployment remains unchanged ! ● Therefore, $\frac{No.\ of\ unemployment}{Labour\ Force\uparrow\uparrow\uparrow} \times 100\%$ = Unemployment rate ↓

28.	C	黎 Sir 提提你 : ● ↓ Number of tourists from mainland ⇒ ↓X ⇒ ↓AD ● ↑ Implicit GDP deflator ⇒ ↑ General Price level ⇒ Upward movement along AD curve, not shift the AD curve ! ● ↑ Retirement age of civil servants ⇒ ↑Labour force ⇒ ↑LRAS ● Mainland stock market boom ⇒ ↑Wealth of mainlander ⇒ ↑X ⇒ ↑AD

29.	D	黎 Sir 提提你 : ● ↑ Government subsidy on private research and development ⇒ ↑G ⇒ ↑AD ● ↑ Government subsidy on private research and development ⇒ ↑Technology and resources ⇒ ↑LRAS ● ↓ Desire in people's desire to save ⇒ ↑C ⇒ ↑AD ● ↑ Production technology ⇒ ↑LRAS ● ↑ National income of the economy's trading partners ⇒ ↑X ⇒ ↑AD

30.	A	黎 Sir 提提你 : ● More shops accept electronic payment systems as a method of payment ⇒ ↓ frequency of using cash to settle transactions ⇒ ↓ Cost of handling coins and notes ● More shops accept electronic payment systems as a method of payment ⇒ ↑ Deposits in bank ⇒ ↓ Actual reserve ratio (Maybe, not necessarily) ⇒ ↑ Actual banking multiplier (Maybe, not necessarily) ● More shops accept electronic payment systems as a method of payment ⇒ ↓ Cash to be brought out for consumption ⇒ ↓ Transaction demand for money

31. B

黎 Sir 提提你 :

- **The balance sheet of a banking system is as shown below:**

The balance Sheet of a Banking System			
Assets (HKD)		**Assets (HKD)**	
Reserves:	**300**	**Deposits**	**900**
Loans:	**600**		

- **The public does not hold cash ⇒ Cp = 0 !**

- **Required reserve ratio is reduced to 25%**

⇒ Excess reserves = 300 – (900 x 0.25) = HKD 75, by deposit creation,

⇒ DEPOSIT INCREASES but RESERVES REMAINS UNCHNAGED !!!

- **After credit creation, the balance sheet is shown below:**

The balance Sheet of a Banking System			
Assets (HKD)		**Assets (HKD)**	
Reserves:	**300**	**Deposits**	**1050**
Loans:	**750**		

- **↑ Money supply = ↑ M1 = ↑ (Cp + DD) = 0 + (1050 – 900) = HKD 150**

- **Actual banking multiplier = 1 / actual reserve ratio**
  = 1 / (300 / 1050) = 3.5

- **↑ Deposit = 1050 – 900 = HKD 150**

- **Bank reserves = HKD 300**

- **Remarks:**

➢ **This is a special type of deposit creation problem. However, if you are my students, you should know that RESERVE will not change any more except withdrawal or deposit of money ! Then everything should be fine!**

32.	A	黎 Sir 提提你 : ● ↑ Risk of holding interest bearing assets (such as bonds) ⇒ ↑ Preference of holding cash as asset ⇒ ↑ Asset Demand of money ⇒ Money demand curve shift to the right ● ↓ Discount rate by the central bank ⇒ ↓ Cost of borrowing from central bank ⇒ ↑ Money Supply ⇒ Money supply curve shift to the right ● Combined effect ⇒ Equilibrium point goes from point E to point A
33.	C	黎 Sir 提提你 : ● Money Supply M2 = (Cp) + (DD + SD + TD + NCDs) of L.B. = (300 – 80) + (3000) = HKD 3220 billion
34.	C	黎 Sir 提提你 : ● Unexpected inflation ⇒ ↓ Real value of a fixed monthly pension received by a retired civil servant ⇒ ↓ He will lost ! ● A firm owner paying his workers a fixed wage ⇒ ↓ Real value of the workers' wages ⇒ ↓ He will gains ! ● A flat owner charging a rental with adjustment according to the change to price level ⇒ Real value of the rental income remains unchanged ⇒ ↓ He will lost !

35.	A	黎 Sir 提提你 : ● Slope of the tangent to the curve of tax payment against taxable income = Tax rate paid at difference taxable income ● Regressive Tax: ↓ Tax rate when taxable income ↑ ● Option 1: The slope of the curve decreases as the taxable income rise ⇒ ↓ Tax rate when taxable income ↑ ⇒ Regressive Tax !!! ● Option 2: Tax payment remains unchanged when taxable income rises ⇒ ↓ Tax rate when taxable income ↑ ⇒ Regressive Tax !!! ● Option 3: Tax rate rises when taxable income rises ⇒ ↑ Tax rate when taxable income ↑ ⇒ Progressive Tax !!! ● Option 4: Tax rate rises at a slower rate when taxable income rises ⇒ ↑ Tax rate when taxable income ↑ ⇒ Progressive Tax !!!
36.	C	黎 Sir 提提你 : ● By Quantity theory of money, Assume v is unchanged. ● According to quantity equation: ➢ $M \times v = P \times Y \Rightarrow \%\Delta M + \%\Delta v \approx \%\Delta P + \%\Delta Y$ $\Rightarrow \%\Delta M \approx \%\Delta PY \Rightarrow$ Increase in nominal outputs !

37.	B	黎 Sir 提提你 : ● Bought bonds from the public + ↑ Tax allowance ⇒ ↑ Money supply + ↑ Taxable income ⇒ ↓ Interests rates + ↑ Taxable income ⇒ ↑ I + ↑ C ⇒ ↑ AD ● Sold bonds from the public + ↓ Transfer payment to the public ⇒ ↓ Money supply + ↓ C ⇒ ↑ Interests rates + ↓ C ⇒ ↓ I + ↓ C ⇒ ↓ AD ● ↓ Required reserves ratio + ↑ Progressivity of income tax ⇒ ↑ Money supply + ↓ Incentives to pursue higher level of income ⇒ ↓ Interests rates + ↓ Disposable income ⇒ ↑ I + ↓ C ⇒ Δ AD is uncertain ● ↑ Discount rate + ↓ Profits tax ⇒ ↓ Money supply + ↑ Investment incentives ⇒ ↑ Interests rates + ↑ I ⇒ ↓ I + ↓ C + ↑ I ⇒ Δ AD is uncertain.

38.	B	黎 Sir 提提你 : ● Fiscal deficits: T < G ● Expansionary monetary policy: ⇒ ↑ Money Supply or / and ↓ Interests rates ⇒ ↓ Interests rates or / and ↑ incentive to investment ⇒ ↑ C or / and ↑ I ⇒ ↑ AD ⇒ ↑ Employment of output (Y) or / and ↑ Price level (P) ● ↑ Price level (P) ⇒ ↓ Amount of goods and services can be bought by a fixed amount of money ⇒ ↓ Purchasing power of money

39.	D	黎 Sir 提提你 : ● Import value = Export value ⇒ Trade balance (X = M) ● Deflationary gap: Ye < Yf ● ↓ Social security assistance to the elderly ⇒ ↓ C and ↓ M ⇒ ↓ AD ⇒ ↓ Ye ⇒ ↑ Deflationary gap ● ↓ Social security assistance to the elderly ⇒ ↓ C and ↓ M but X remains unchanged ⇒ X > M ⇒ Trade surplus !

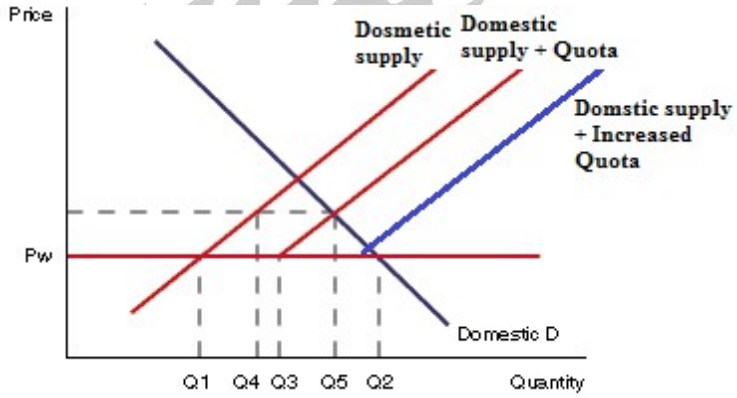
40.	B*	黎 Sir 提提你 : ● Waving business registration fees ⇒ ↑ Incentive to investment ⇒ ↑I ⇒ ↑AD ● ↑ Personal basic allowance ⇒ ↑ Disposable income ⇒ ↑C ⇒ ↑AD ● Remarks: ➢ Some candidates may think that waving business registration fees will decrease the cost of production ⇒ ↑SRAS. However, there is no such a choice for both ↑AD and ↑SRAS, So option B is the best answer.

41.	B	黎 Sir 提提你 : ● Mainland resident owning an apartment in Hong Kong receives rental payment from his tenant ⇒ Net Income from abroad (Negative) ⇒ Involved in Current account of balance of payments in Hong Kong. ● An Indonesian working in Hong Kong as a domestic helper remitting money to her husband living in Indonesia. ⇒ Net Income from abroad (Negative) ⇒ Involved in Current account of balance of payments in Hong Kong. ● Japanese resident selling the shares of a Hong Kong firm to a Korean resident. ⇒ Not involving Hong Kong exports and imports ⇒ Not involved the calculation of the balance of payments in Hong Kong. ● A Hong Kong resident buys an air ticket to London from a Hong Kong based airline. ⇒ Not involving Hong Kong exports and imports ⇒ Not involved the calculation of the balance of payments in Hong Kong.

42. **C**

黎 Sir 提提你 :

- **In a small OPEN economy, increase import quata for Good X is as shown below:**



- **Remarks:**

➢ **Option A is the diagram to shows increase in quotas in a small CLOSED economy !**

43. **B**

黎 Sir 提提你 :

- **Input table ⇒ Opportunity Cost table!**

	1 Toys	1 Watch
Country A	4	8
Country B	5	20

⇒

	Toys	Watches
Country A	0.5 Watches	2 Toys
Country B	0.25 Watches	4 Toys

- **Therefore, Country A export Watches while Country B export Toys**

- **Transportation costs of 1 toy = 0.1 watch borne by Country B**

⇒ **Mutually beneficial terms of trade:** $(0.25+0.1)\,Watch<1\,Toy<0.5\,Watch$

⇒ **Mutually beneficial terms of trade:** $0.35\,Watch<1\,Toy<0.5\,Watch$

⇒ **Mutually beneficial terms of trade would be 1 Toy = 0.4 Watch**

44.	A	黎 Sir 提提你 : ● USD 1 : RMB 6.39 (22/11/15) → USD 1 : RMB 6.89 (22/11/16) ⇒ RMB depreciates against USD ● ↑ Price level (in terms of Renminbi) of USA exports goods ⇒ ↓ Quantity demanded of USA export goods (in terms of RMB) ⇒ ↓ Numbers of Chinese tourists to the USA ● ↑ Price level (in terms of Renminbi) of USA exports goods ⇒ ↑ Relative prices of USA export goods (in terms of Renminbi) compared with other countries ⇒ ↓ Competitiveness of USA exports to China ● ↑ Price level (in terms of Renminbi) of USA exports goods ⇒ ↓ Demand of USA export goods (in terms of USD) ⇒ ↓ Total value of USA exports to China (in terms of USD) ● Remarks: ➢ However, The total value of USA exports to China (in terms of Renminbi) may increases, decreases or remains unchanged, do you know why?

45.	D	黎 Sir 提提你 : ● Renminbi depreciates against US Dollars and due to linked exchange rates ⇒ HKD will appreciates against Renminbi ⇒ ↑ Price level (in terms of Renminbi) of Hong Kong exports goods ⇒ ↓ Export demand of Hong Kong export goods (in terms of HKD) ⇒ ↓ Aggregate demand of Hong Kong export goods (in terms of HKD) ⇒ Downward pressure on the price level in Hong Kong ⇒ Downward pressure on consumer price indices of Hong Kong. ● Non-bank public cannot sell their Hong Kong dollars to HKMA in exchange for US dollars! Non-bank public can only sell their Hong Kong dollars to commercial banks or other financial institutions according to the market floating rates. ● HKMA have no monetary policy because money supply is based on linked exchange rate and after the abolishment of interests rate agreement on 3rd July, 2001, the interest rates is floating and determined by the market force. ● The market exchange rate for USD to HKD is floating, not fixed. but the range is normally slightly fluctuated from USD 1 to HKD 7.75 to USD 1 to HKD 7.85 because Hong Kong dollar banknotes are fully backed by Foreign exchange reserves held by HKMA. This is so-called linked-exchange rate system. ● Remarks: ➢ Linked exchange rates is a very important concept in international trade of Economics, I strongly recommend students to know more about this concept in depth, even though it stated "Only brief introduction to the linked exchange rate system in Hong Kong" in the syllabus. However, how brief it should be? Wakakaka…

The end.

黎 Sir 簡介 Andy Lai BEng CUHK, MIEEE

Mathematics
Economics
Physics

- ✧ 畢業於香港中文大學電子工程學系，黎 Sir 教室創辦人之一.
- ✧ 超過 15 年教授中學文憑 / IB Diploma / GCE / HSC / SAT / AP / GCSE / IGCSE / IB MYP 課程經驗.
- ✧ 與學生面對新中學文憑試,黎 Sir 親身上陣,以實力於數學科,物理科和經濟科奪取 5**,證明寶刀未老.
- ✧ 熟悉出題趨勢，教授考試取分技巧；鼓勵同學獨立思考，增強同學理解能力.
- ✧ 善用生活化例子講解，教法生動，增加學習趣味；深入淺出，明白學生學習上的困難和需要.
- ✧ 精心編制筆記，適合中文和英文中學學生就讀；精心編制練習和試題，協助同學盡快掌握答題技巧.
- ✧ 黎 Sir 在中學和大學時代已是一名傑出學生，曾獲取的多項學業上和運動上的獎學金及獎項.
- ✧ 曾代表香港參加國際性運動比賽，取得優異成績，又讀得又玩得，絕不是死讀書的書呆子.
- ✧ 任教科目：所有數學科，物理科，化學科，生物科，經濟科，商業科.

黎 Sir 教室學生佳績: Excellent Results

- ✧ 首屆香港中學文憑 (HKDSE)，多位學生取得 5/5*/5**級以上佳績. 更有學生考獲 5 科 5**級 2 科 5*級 1 科 5 級優異成績，在全港 72620 考生中，排名 28，入讀港大醫學院.
- ✧ 英國高考 (GCE AS/AL)，多位學生取得 A*/A 最高級別，更有學生考獲 5 科 A*.
- ✧ 國際文憑 (IB Diploma)，多位學生取得 6 / 7 級別，更有學生取得 44/45 總分.
- ✧ 英國會考 (IGCSE / GCSE)，多位學生取得 A / A*成績，更有學生取得 8 科 A*。
- ✧ 加拿大大學預科 (CESI) 數學課程 MCV4U，取得 98 / 100, 99 / 100 成績。
- ✧ 學生成功拔尖 (EAS)，提早入讀港大理學院和中大法律學院.
- ✧ 香港中學會考 (HKCEE)，多位學生取得 20 分以上佳績.
- ✧ 保加利亞國際數學競賽 (BIMC 2013) 隊際賽金牌.
- ✧ 奧數華夏杯/港澳杯/華杯，多位學生取得特等獎/金獎/一等獎/全港第二名.
- ✧ 還有更多，怒不能盡錄，詳情請瀏覽以下網址: www.andylai.hk/result.htm

黎 Sir 教室課程特色:

- ✧ 小組教學 (1 – 6 人)，導師親身教學；照顧每位學生需要，事半功倍.
- ✧ 精心編制筆記，練習以近 30 年本地和外國公開試題為藍本.
- ✧ 概念理解，取分技巧並重；協助同學盡快掌握答題技巧.
- ✧ 歡迎自由組合小組上課，時間及課程內容編排更有彈性.
- ✧ 詳情請瀏覽以下網址: www.andylai.hk

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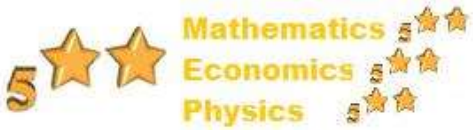
資深中學補習導師 小組補習 事半功倍!!!

黎 Sir 簡介 Andy Lai

BEng CUHK, MIEEE



- ✧ 畢業於香港中文大學, 黎 Sir 教室創辦人之一.
- ✧ 超過 16 年教授 中學文憑 / IB Diploma / GCE / HSC / SAT / AP / GCSE / IGCSE / IB MYP 課程經驗.
- ✧ 與學生面對新中學文憑試,黎 Sir 親身上陣,於數學科,物理科和經濟科奪取 5**,證明寶刀未老.
- ✧ 現於黎 Sir 教室任教補習班, 學生就讀於英文中學, 中文中學, 國際學校及英國留學生.
- ✧ 熟悉近年出題趨勢, 教授考試取分技巧; 鼓勵同學獨立思考, 增強同學理解能力.
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- ✧ 黎 Sir 在就讀大學時曾於全球最大美資電腦公司任實習生超過一年, 大學畢業後旋即於全港大型英資電腦公司, 負責主理該公司所代理的全球大型美資電腦公司儲存系統銷售業務.
- ✧ 於短短半年內將該產品線銷售業績提升超過 50%. 同時更被公司評選為"傑出表現員工 Outstanding Performer", 成功將書本上的知識靈活運用於工作上.
- ✧ 黎 Sir 為了教學理想, 毅然辭去工作, 全身投入教學事業, 希望將自己的一套學習方法教授學生.

黎 Sir 教室 課程特色

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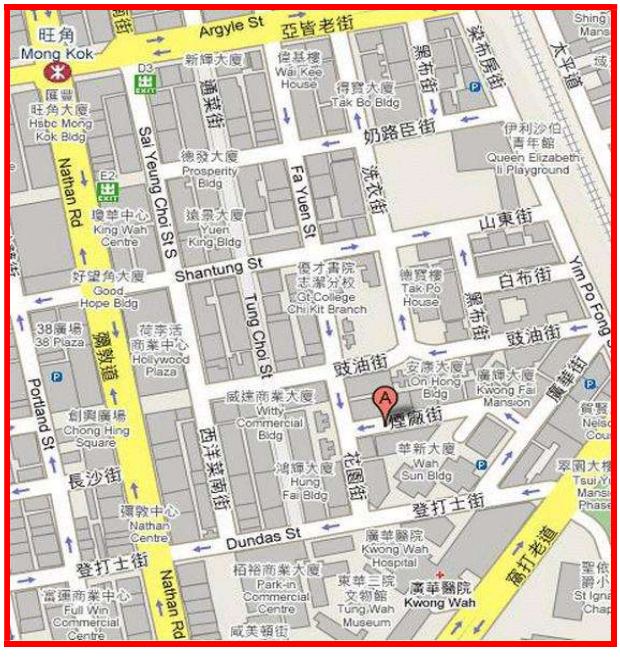

地鐵: 旺角 E2 出口, 油麻地 A2 出口

小巴: 1, 1A, 2, 3C, 6, 6C, 6F, 9, 30X, 35A, 41A, 42A, 60X, 63X, 68X, 69X, 81S, 87D, 93K, 95, 104, 117, 203, 212, 230X, 234P, 234X, 238P, 238S, 259B, 270P, 281A

小巴: 21K, 74, 74S

黎Sir教室 A Lai Learning Center

上課地址: 香港九龍旺角煙廠街 9 號興發商業大廈 706 室.

查詢熱線: 6772 3001

電郵地址: enquiry@andylai.hk

網址: www.andylai.hk