

2022

4. The Government purchased the broadcasting rights of the Tokyo 2020 Olympic Games. This enabled all Hong Kong people to watch the events for free. The Olympic Games broadcast is a _____ because _____.

A. public good the Government paid for the broadcasting rights
B. private good one individual's consumption reduces its amount available to others
C. free good more is not preferred
D. consumer good it can directly satisfy human wants

8. The _____ of labour in Hong Kong will increase if _____.

A. occupational mobility a professional labour union tightens the requirements for entering the industry
B. occupational mobility the Government waives the examination for foreign-trained doctors to work in Hong Kong
C. geographical mobility Tuen Ma Line connecting Tuen Mun and Ma On Shan is open
D. geographical mobility the Government reduces the travel subsidy to the low-income group

9. In the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, Hong Kong is an international financial and transportation centre; Macao is a leisure and tourism centre; Guangzhou is an international commercial centre.

This is an example of _____ division of labour because _____.

A. simple each city has its own comparative advantage
B. simple each city engages in different production stages
C. regional multiple cities cooperate to build the Greater Bay Area
D. regional each city has its own specialty of production

9. The Mainland government introduced the Targeted Poverty Alleviation Campaign (精準扶貧政策) in 2014. After analysing the situations of people living in poverty, the government officials came up with tailor-made measures. The following are two examples of the campaign.

Example 1	A village in Yunnan province has beautiful natural landscape. The government of Yunnan province promoted the village to attract more travellers. Apart from farming, the villagers also set up hostels to serve travellers in order to earn more income.
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- (a) Refer to Example 1.
- In which types of production did the villagers engage after the introduction of the campaign? Explain. (4 marks)
 - Explain how labour mobility of the villagers would be affected. (3 marks)

10. The Olympic Games attract billions of international television viewers to watch the competitions among thousands of top athletes.

- Some restaurants in shopping malls find their businesses increase sharply when the malls broadcast Olympic events. Explain how the broadcast of Olympic events may result in a divergence between private and social benefits. (3 marks)
- Suppose the divergence in part (a) does exist. How can market mechanism help reduce this divergence? (2 marks)

Athletes compete in the Olympic Games with their support teams consisting of sport psychologists, physical therapists, nutritionists, etc.

- Which economic principle is illustrated in the above practice? State TWO reasons why such a practice can increase labour productivity. (3 marks)

Some professional athletes receive a monthly salary and share a proportion of the prize money whenever they win in competitions.

- Instead of paying the athletes a monthly rate only, explain why some employers of professional athletes use the above wage payment arrangement. (2 marks)

For part (e), candidates are required to present their answers in essay form. Criteria for marking will include use of sources and economic theories, relevant content, logical presentation and clarity of expression.

- (e) Suppose the Government plans to spend another sum of money to cope with the pandemic. The following are two suggestions.

Scheme C	Distribute the sum of money using the same mechanism as the existing Consumption Voucher Scheme.
Scheme H	Spend the sum of money on building new hospitals and hiring additional medical staff.

With reference to the above sources and your own knowledge in Economics, discuss which scheme the Government will prefer in order to achieve EACH of the following policy objectives respectively.

Objective 1: to relieve unemployment in an industry severely affected by the pandemic

Objective 2: to increase average labour productivity

Objective 3: to increase aggregate output (in the short run and/or in the long run)

(14 marks)

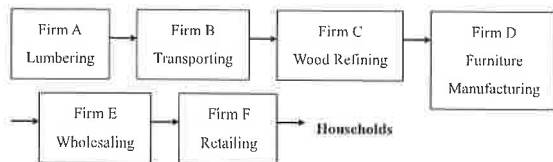
[Use a separate paragraph for comparing the effects of the two schemes under each policy objective.]

SECTION 2: PRODUCTION

2.1 TYPES OF PRODUCTION

Multiple Choice Questions

1990/CE/II/27



The following shows the production stages of furniture manufacturing. Which firms belong to the tertiary production?

- A. Firms A, B and C
- B. Firms A, C and D
- C. Firms B, E and F
- D. Firms D, E and F

1991/CE/II/04

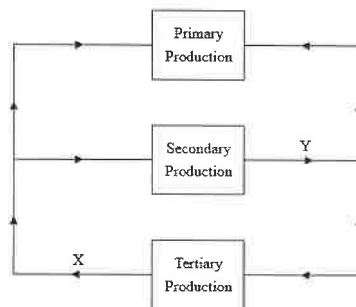
Mr. Wong, who is a fireman, also works as a part-time taxi-driver. Which stage(s) of production is he engaged in?

- A. secondary production only
- B. tertiary production only
- C. primary and tertiary production only
- D. secondary and tertiary production only

1991/CE/II/05

The above diagram shows the interdependence among the three stages of production. The flows of 'X' and 'Y' should be labelled respectively as

- A. natural resources and consumer goods
- B. natural resources and capital goods
- C. services and consumer goods
- D. services and capital goods



1992/CE/II/04

Which of the following is classified as consumption?

- A. A student saves up unused Christmas cards until next Christmas.
- B. A student helps to clean his classroom.
- C. Mrs. Hong teaches a TV audience how to cook.
- D. A student watches a music TV programme.

1993/CE/II/04

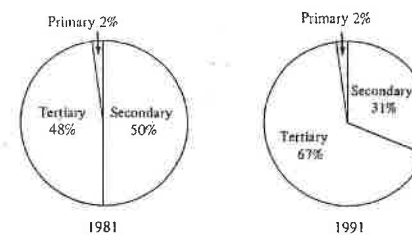
Which of the following are examples of tertiary producers?

- (1) a pop singer
- (2) a baker
- (3) a bank teller
- (4) a truck driver
- (5) a film-developing operator

- A. (1), (2) and (5) only
- B. (1), (3) and (4) only
- C. (1), (3) and (5) only
- D. (2), (3) and (4) only

1993/CE/II/05

Employment in primary, secondary and tertiary industries in 1981 and 1991



Based on the above information,

- A. the primary sector employed the same number of workers in 1981 and 1991
- B. the total value of secondary products was lower in 1991
- C. tertiary production is becoming more important in terms of its contribution to employment
- D. real income earned in the tertiary sector was higher in 1991

1994/CE/II/60

Which of the following activities is **NOT** classified as production?

- A. a mother teaching her child to read
- B. a son helping his mother to serve dinner at home
- C. a father repairing a TV set at home
- D. a daughter playing with her cat at home

1995/CE/II/04

Mary is a sewing worker in a garment factory in the daytime. In the evening, she works as a waitress in a restaurant. Mary is a _____ producer.

- A. secondary
- B. tertiary
- C. primary and secondary
- D. secondary and tertiary

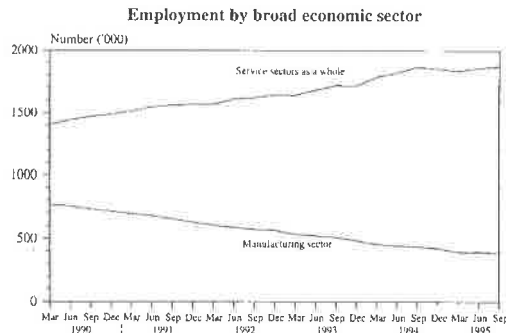
1995/CE/II/15

	% share in total employment	
	1982	1992
Manufacturing sector	45%	19%
Services sector	50%	78%
Others	5%	3%
Total	100%	100%

From the above table, we can conclude that

- A. the manufacturing sector had a big fall in employment in 1992 as compared to 1982.
- B. the services sector had a great increase in employment in 1992 as compared to 1982.
- C. the services sector employed the largest number of working people in 1992.
- D. the services sector accounted for a greater proportion of gross domestic product (GDP) than the manufacturing sector in 1992.

1997/CE/II/28



Source : HONG KONG 1996, Hong Kong government

According to the above graph, which of the following descriptions of the labour force in Hong Kong from March 1990 to September 1995 is correct?

- A. In terms of employment, the manufacturing sector was declining while the service sector was growing.
- B. The output per employee in the manufacturing sector was falling.
- C. One major source of manpower in the service sector was imported labour, including domestic servants.
- D. The real wage of the service sector was increasing.

2002/CE/II/12

Which of the following statements about production is correct?

- A. Developed countries have no primary production.
- B. Students selling flags for charity organizations are engaging in production.
- C. An Indian restaurant engages in tertiary production only.
- D. The car repair work belongs to secondary production.

2003/CE/II/15

Which of the following activities are classified as production in economics?

- (1) a man delivering newspapers
- (2) a girl sewing her own dress
- (3) a boy selling pirated compact discs (CD)

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

2004/CE/II/19

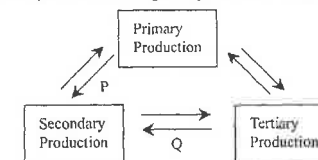
	% share of total employment	
	Country A	Country B
Primary production	3	1
Secondary production	46	25
Tertiary production	51	74

From the above table, we can conclude that

- A. most people in country B enjoy a higher living standard than most people in country A.
- B. most people in each of the countries engage in tertiary production.
- C. more people engage in tertiary production in country B than in country A.
- D. All of the above are correct.

2005/CE/II/14

The following graph shows the relationship of the three stages of production. What does P and Q stand for respectively?



- A. services; consumer goods
- B. producer goods; consumer goods
- C. raw materials; services
- D. natural resources; producer goods

2007/CE/II/13

The following table shows the employment distribution of Hong Kong.

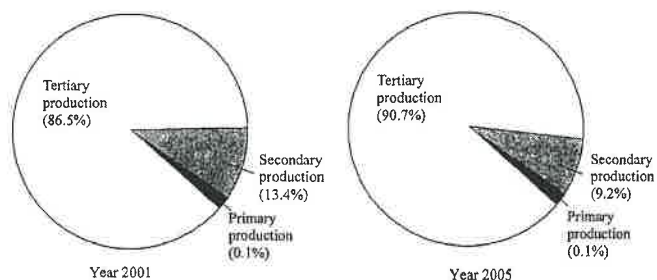
Sector \ Year	1985	1997	2005
Primary	2.2%	0.5%	0.4%
Secondary	43.5%	20.4%	13.7%
Tertiary	54.3%	79.1%	86.0%
(Total)	100%	100%	100%

From the above table, we can conclude that from 1985 to 2005,

- the number of people engaged in the primary and secondary sectors decreased while that in the tertiary sector increased.
- the overall unemployment rate remained constant.
- the contribution to gross domestic product (GDP) of the tertiary sector increased.
- the relative importance of the secondary sector in terms of employment decreased.

2008/CE/II/13

Hong Kong's gross domestic product (GDP) at factor cost was higher in 2005 than in 2001. The charts below show the contribution to GDP at factor cost by sectors in 2001 and 2005, respectively.



Based on the above information, we can conclude that in the year 2005

- workers in the tertiary sector on average earned more than those in the secondary sector.
- the labour productivity of the secondary sector decreased.
- the output value of the primary sector increased.
- the number of workers in the tertiary sector increased.

2010/CE/II/15

Study the following information about an economy:

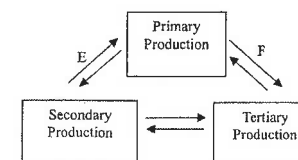
	% of total employment	
	In 1999	In 2009
Primary production	39	5
Secondary production	21	30
Tertiary production	40	65
(Total)	100	100

From the above table, we can conclude that

- the primary sector's relative importance in total employment has decreased in 2009 because its average labour productivity has increased.
- most people have a higher living standard in 2009 than in 1999.
- the number of workers engaged in the secondary sector in 2009 may be larger or smaller than that in 1999.
- the tertiary sector contributes the largest share to the gross domestic product (GDP) for 2009.

2014/DSE/I/10

The following graph shows the relationship of the three stages of production. What do E and F stand for respectively?



- consumer goods; raw materials
- producer goods; services
- raw materials; services
- producer goods; raw materials

Short & Structured Questions

- 1990/CE/11(a)(ii)
Mrs Wong is a lawyer and is also good at doing housework, but she employs a Filipino maid to do her housework.
To what stage of production does the work done by Filipino maids belong? Explain. (2 marks)
- 1996/CE/1/2
'Sphagetti House' is a fast-food shop selling pizzas and other Italian dishes. Name and explain the type(s) of production that the shop is engaged in. (4 marks)
- 2004/CE/1/9(d)
Explain which type of production car agents belong to. (2 marks)
- 2015/DSE/11(a)
Many electronic product retailers are located in Mong Kok.
To which type of production do electronic product retailers belong? Explain your answer. (2 marks)
- 2017/DSE/11/13(a)(i)
To cope with the problem of a rapidly aging population in Hong Kong, the government has proposed a retirement protection scheme under which eligible elderly would receive \$38 760 per year.
Mr. Chan, a street sleeper, is eligible to receive \$38 760 under this scheme. He would be able to afford the service of an elderly care centre and would spend \$30 000 of the money to pay the yearly charges.
To which type of production does elderly care service belong? (1 mark)

MARKING SCHEME

- | | | | | |
|--------------------|--------------------|--------------------------|--------------------------|--------------------------|
| 1990/CE/11/27
C | 1993/CE/11/04
B | 1995/CE/11/15
C | 2004/CE/11/19
B (43%) | 2010/CE/11/15
C (49%) |
| 1991/CE/11/04
B | 1993/CE/11/05
C | 1997/CE/11/28
A | 2005/CE/11/14
C (81%) | 2014/DSE/1/10
D (67%) |
| 1991/CE/11/05
D | 1994/CE/11/60
D | 2002/CE/11/12
B (54%) | 2007/CE/11/13
D (35%) | |
| 1992/CE/11/04
D | 1995/CE/11/04
D | 2003/CE/11/15
D (26%) | 2008/CE/11/13
C (19%) | |
- Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.*
- 1990/CE/11/1(a)(ii)
Tertiary production, because provision of service. (1)
- 1996/CE/1/2
Secondary production - food materials are cooked in the shop and turned into cooked food. (2)
Tertiary production - when having meals, customers are served by waiters in the shop. (2)
- 2004/CE/1/9(d)
Tertiary production, because they provide services. (1)
- 2015/DSE/11(a)
Tertiary production, because it provides retail services. (1)
- 2017/DSE/11/13(a)(i)
Tertiary production. (1)

2.2 CONSUMER GOODS AND PRODUCER GOODS

Multiple Choice Questions

1992/CE/II/06

Air-conditioners used in restaurants can be classified as

- (1) capital goods
 - (2) consumer goods
 - (3) scarce goods
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)

1995/CE/II/14

Electric fans installed in classrooms are classified as

- (1) consumer goods.
 - (2) capital goods.
 - (3) economic goods.
- A. (1) only
B. (2) only
C. (1) and (3) only
D. (2) and (3) only

1996/CE/II/02

A department store reduced the price of its television sets but there was still unsold stock. These television sets are

- A. free goods because the quantity supplied is greater than the quantity demanded.
- B. consumer goods because they are sold at a department store.
- C. capital goods because they are man-made.
- D. economic goods because people have to pay a price for them.

1999/CE/II/02

Jenny won a cooking competition and was awarded a famous brand microwave oven. This microwave oven is

- A. a free good because Jenny does not need to pay for it.
- B. a consumer good because it is a prize in the competition.
- C. an economic good because other competitors want to have it.
- D. a capital god because it has a market value.

1999/CE/II/10

Which of the following are capital goods of a school?

- (1) teacher's knowledge of economics
 - (2) notes taken by the students
 - (3) watch-dogs
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)

2007/CE/II/12

Flour is a _____ when _____.

- A. capital good it is used by Mrs Chan to make a cake for her daughter's birthday
- B. consumer good it is for sale in the market
- C. capital good it is used in a cooking program shown on the television
- D. consumer good it is packed for delivery to customers

2009/CE/II/14

Some resort hotels in Japan provide natural hot springs for their customers. These resort hotels are engaged in and these hot springs are classified as

- A. primary production producer goods
- B. tertiary production producer goods
- C. secondary production consumer goods
- D. tertiary production consumer goods

2016/DSE/II/02

During the Hong Kong Computers and Communications Festival, the organisers distribute USB flash drives to the participants as gifts. To the organisers, these USB flash drives are _____.

- (1) economic goods
- (2) producer goods
- (3) consumer goods

- A. (2) only
- B. (3) only
- C. (1) and (2) only
- D. (1) and (3) only

MARKING SCHEME

1992/CE/II/06 B	1996/CE/II/02 D	1999/CE/II/10 B	2009/CE/II/14 B (55%)
1995/CE/II/14 D	1999/CE/II/02 C	2007/CE/II/12 C (56%)	2016/DSE/II/02 C (66%)

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

2020/DSE/II/4

2.3 FACTORS OF PRODUCTION

Multiple Choice Questions

1990/CE/II/13

Which of the following is an example of 'land' in economics?

- A. reservoirs
- B. factories
- C. rubber plantations
- D. mineral deposits

1991/CE/II/10

Which of the following is an example of land in economics?

- A. reclaimed land
- B. crude oil underground
- C. gasoline stored underground
- D. Victoria Harbour following improvements

1992/CE/II/07

The war in the Middle East has led to fires in the oil wells in Kuwait. Teams of firemen were there risking their lives to put out the fires. Economists classify crude oil as _____, oil pumps as _____, firemen as _____ and the owners of the oil wells as _____.

- A. capital capital entrepreneurs entrepreneurs
- B. capital land labour labour
- C. land land capital entrepreneurs
- D. land capital labour entrepreneurs

1993/CE/II/08

Which of the following belongs to the factor of production 'land'?

- A. the reclaimed land in West Kowloon
- B. the fishing grounds in the South China Sea
- C. the MacLehose Trail
- D. the killer whale in the Ocean Park

1996/CE/II/15

Which one of the following is an example of land?

- A. solar energy collected from sunlight by a power plant
- B. rainwater collected in reservoirs
- C. land reclaimed from the sea
- D. dew on farmland in the morning

1997/CE/II/13

Which of the following is classified as land in economics?

- A. live fishes sold in a seafood restaurant
- B. silver ore in a mine
- C. the newly reclaimed land in Western Kowloon
- D. a piece of cultivated land

1998/CE/II/12

Which of the following is classified as land in economics?

- A. Land reclaimed along the Victoria Harbour
- B. Fish caught in the high seas (公海)
- C. Plants grown in the country parks
- D. Crude oil newly discovered underground

1999/CE/II/11

Land is different from capital in that

- A. Land cannot be increased but the capital can.
- B. Land is more demand inelastic than capital.
- C. The use of land does not cost anything but the use of capital does.
- D. Land is less occupationally mobile than capital.

2000/CE/II/14

'Wild birds in the forests are classified as land in economics,' This statement is

- A. true, because they are free goods
- B. true, because they are natural resources.
- C. false, because they can move while land is geographically immobile.
- D. false, because their supply is not fixed.

2003/CE/II/16

Which of the following statements about 'land' is correct?

- A. The supply of land may be increased through human effort.
- B. The supply of land may change over time.
- C. Land is a free good because it is part of nature.
- D. Land is a scarce good because it cannot be produced.

2005/CE/II/15

Which of the following is classified as land in economics?

- A. soil with chemical fertilizers added to it
- B. trees in a plantation area
- C. underground coal reserves
- D. a piece of cultivated land

2007/CE/II/16

Which of the following statements about land is correct?

- A. Crude oil unextracted is land because it is fixed in supply.
- B. Ocean is land because it is geographically immobile.
- C. Rainfall on a piece of farmland is land because it is a gift of nature for production.
- D. Wood being cut in the tropical forest is land because it is used for production.

2008/CE/II/14

Which of the following are land in economics?

- (1) the Chinese white dolphins living in the waters around Lantau Island
- (2) the giant pandas living in Ocean Park Hong Kong
- (3) migratory birds found in the Deep Bay (后海湾)

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

2009/CE/II/15

Which of the following belongs to the factor of production 'land'?

- A. endangered species of Tibetan antelope (藏羚羊) found on the Tibetan Plateau (青藏高原)
- B. flowers planted in Hong Kong Disneyland
- C. crocodiles living in Hong Kong Wetland Park
- D. oxygen provided in the trains running across the Tibetan Plateau

1994/CE/II/16

Capital differs from land in that, for example,

- A. capital is produced from scarce resources but land is not.
- B. capital has a smaller supply elasticity.
- C. the demand for capital is a derived demand but that of land is not.
- D. capital generates a higher return to its owners.

1995/CE/II/18

The payment for the use of some well-known franchised names such as 'McDonald's' and '7-Eleven' can be regarded as

- A. interest.
- B. rent.
- C. profit.
- D. wage.

1998/CE/II/16

Knowledge

- A. is not capital because it does not have a physical form.
- B. is not capital because its ownership is not transferable.
- C. is capital because it is desired by everybody.
- D. is capital because it can increase wealth in the future.

2000/CE/II/13

Which of the following is classified as capital?

- A. The singing skill of a superstar
- B. The sunlight people enjoy on the beach
- C. A strong current in the ocean
- D. An oasis in the desert

2001/CE/II/09

Which of the following statements about land and capital is correct?

- A. Land has no occupational mobility but capital does.
- B. There is no cost of producing land but there is cost of producing capital.
- C. Land is a free good but capital is an economic good.
- D. Over time, the quantity of land is fixed but that of capital is not.

2001/CE/II/11

Which of the following is classified as 'capital'?

- A. sunshine in California
- B. oil wells in Kuwait
- C. sand in the Sahara Desert
- D. fresh air in the Alps

2002/CE/II/15

In economics, which of the following statements about capital is correct?

- A. The quantity of fixed capital cannot be changed in the short run.
- B. Capital earns the highest rate of return among all factors of production.
- C. Capital is produced to satisfy consumers' wants directly.
- D. The geographical mobility of capital is greater than that of land.

2007/CE/II/17

Land is different from capital in that

- A. the supply of land cannot be controlled, whereas that of capital can be.
- B. land is a free good but capital is an economic good.
- C. land has a lower occupational mobility than capital.
- D. land has a greater supply elasticity than capital.

2007/CE/II/18

In Economics, a taxi is classified as _____ and the income of the taxi owner from renting the taxi to a driver is classified as _____

- A. land rent
- B. capital interest
- C. land interest
- D. capital profit

2010/CE/II/17

Which of the following about 'land' and 'capital' is correct?

- A. Both land and capital can be increased by human effort.
- B. Both land and capital are fixed factors of production.
- C. Land is more elastic in supply than capital.
- D. Land is less geographically mobile than capital.

2016/DSE/II/6

A school is a production unit which provides educational services. The following are people and objects that are usually found at a school:

- (1) the school building
- (2) teachers
- (3) students
- (4) private cars owned by teachers
- (5) sanitisers (洗手液) in the toilets

Which of the above items are capital of the school?

- A. (1) and (4) only
- B. (1) and (5) only
- C. (2) and (3) only
- D. (1), (4) and (5) only

1990/CE/II/28

Which of the following factors of production would have its return determined only after the products are sold?

- A. land
- B. labour
- C. capital
- D. entrepreneurship

1991/CE/II/07

Which factor return has all of the following characteristics?

- I It can be negative
- II It can be very large
- III It is not known before sale of finished products

- A. rent
- B. wages
- C. interest
- D. profits

1992/CE/II/08

The main function of entrepreneurship is

- A. to design new products
- B. to bear risks
- C. to provide technical expertise
- D. to make routine business decisions

1995/CE/II/19

Which of the following about the return for entrepreneurship is true?

- A. It can be determined before the commodity is sold.
- B. It can be positive or negative.
- C. It does not vary with the business performance of the firm.
- D. It is higher than the return for labour.

1997/CE/III/57

Mrs. Lee is a hawker. She sells fresh flowers in Mong Kok. Which of the following is **INCORRECT**?

- A. She is a secondary producer.
- B. She is a tertiary producer.
- C. She provides entrepreneurial skills.
- D. She provides labour service.

2001/CE/II/12

Dennis opened a convenience store and he has employed his friend, John, as a storekeeper. Dennis' work is classified as _____ and John's work is classified as _____.

- A. secondary production labour
- B. tertiary production entrepreneurship
- C. labour secondary production
- D. entrepreneurship tertiary production

2004/CE/II/14

Michael Owen is a famous football player for Liverpool Football Club. In economics, he provides the service of _____ and he engages in _____ production.

- A. entrepreneurship secondary
- B. entrepreneurship tertiary
- C. labour secondary
- D. labour tertiary

2006/CE/II/13

Mr Chan is the owner of a printing factory and he employs Mary as an accountant. The factory engages in _____ production and Mary provides the service of the factor _____.

- A. secondary labour
- B. secondary entrepreneurship
- C. tertiary labour
- D. tertiary entrepreneurship

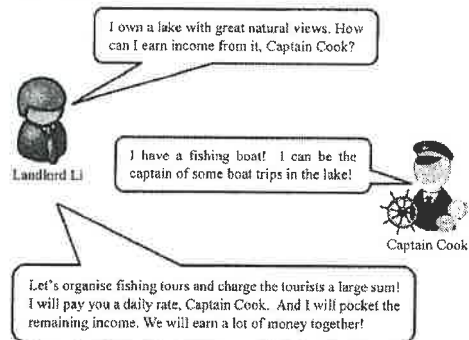
2019/DSE/II/08

Which of the following are capital of a cafe?

- (1) coffee machines
- (2) coffee beans
- (3) video game consoles brought by its customers for party
- (4) comic books which can be borrowed by its customers free of charge

- A. (1) and (2) only
- B. (1), (2) and (4) only
- C. (1), (3) and (4) only
- D. (2), (3) and (4) only

Refer to the following dialogue.



Given the return of land is rent, the return of labour is wage, the return of capital is interest while the return of entrepreneur is profit. The income earned by Captain Cook consists of _____ while the remaining income earned by Landlord Li consists of _____.

- A. wage.....profit
- B. interestrent and profit
- C. wage and interest.....rent
- D. wage and interestrent and profit

Microeconomics by Topic

2. Production

Short & Structured Questions

1991/CE/1/4(a)(i)

Mr. Chan was a lorry driver of a construction company. Last year, he left the company and began to work on his own with his lorry, taking orders directly from customers.

Explain whether Mr. Chan runs a firm.

(3 marks)

1995/CE/1/11(b)

Mr. Ip owns a property agency (物業代理行) and hires Mary as a clerk of his firm. Distinguish between the economic roles played by Mr. Ip and Mary. Explain your answer.

(4 marks)

1996/CE/1/4(b)

A traffic light, which was worth \$1 500, was knocked down in a traffic accident. The driver was fined \$3 000 and the government used \$2 000 to install another traffic light.

Explain why the traffic light is a kind of capital.

(2 marks)

1997/CE/1/1

Peter owns a plot of land for farming in the New Territories. He hires workers to work together with him on his farm. To what **TYPES** of factor of production does Peter belong? Explain your answer.

(4 marks)

2000/CE/1/3

Explain why an incinerator (焚化爐) is a capital.

(2 marks)

2004/CE/1/9(e)

Explain which type of factors of production the cars displayed in the showrooms belong to.

(2 marks)

2005/CE/1/2

Ka Ming is the owner of an air-conditioner repair company. He also repairs air-conditioners for his customers. To what types of factors of production does Ka Ming belong? Explain.

(4 marks)

2014/DSE/II/2(a)

Ah Wing runs a store selling mobile phone accessories in Mong Kok. To what factor of production does Ah Wing belong? Explain your answer.

(2 marks)

2016/DSE/II/10(b)

Solar energy becomes an increasingly important energy source in the sunny western provinces, like Gansu and Xinjiang, in China.

Solar panels are installed atop the roofs of many residential buildings to generate solar energy in those western provinces. Explain to which type of factors of production the sunshine belongs in the production of solar energy.

(2 marks)


2018/DSE/II/2(b)

Last year, Peter operated a sole proprietorship. Recently he invited Paul and Mary to form a partnership to expand the business to other markets.

Mary has invested in the firm but would not take part in its management. To what type of factor of production does Mary belong? Explain your answer.

(2 marks)

The following is the advertisement of an online food delivery firm for recruiting riders.

Riders Wanted !!!	
	
<u>Earn great money</u>	<u>Bring your own equipment</u>
<ul style="list-style-type: none"> • High salary for each delivery! • Keep 100% tips from customers 	<ul style="list-style-type: none"> • A smartphone • A motorcycle with the necessary safety equipment

- (b) Explain whether the smartphones and motorcycles of the riders are consumer goods or capital goods. (2 marks)

MARKING SCHEME

1990/CE/11/13 D	1999/CE/11/11 A	1994/CE/11/16 A	2007/CE/11/17 A (69%)	1995/CE/11/19 B
1991/CE/11/10 B	2000/CE/11/14 B	1995/CE/11/18 A (deleted)	2007/CE/11/18 B (28%)	1997/CE/11/57 A
1992/CE/11/07 D	2003/CE/11/16 B (20%)	1998/CE/11/16 D	2010/CE/11/17 D (82%)	2001/CE/11/12 D
1993/CE/11/08 B	2005/CE/11/15 C (80%)	2000/CE/11/13 A	2016/DSE/1/06 B (84%)	2004/CE/11/14 D (84%)
1996/CE/11/15 D	2007/CE/11/16 C (41%)	2001/CE/11/09 B	1990/CE/11/28 D	2006/CE/11/13 A (79%)
1997/CE/11/13 B	2008/CE/11/14 B (84%)	2001/CE/11/11 B	1991/CE/11/07 D	2019/DSE/1/08 B
1998/CE/11/12 D	2009/CE/11/15 A (83%)	2002/CE/11/15 D (50%)	1992/CE/11/08 B	2020/DSE/1/6 D

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

1991/CE/11/4(a)(i) Yes, because he makes decisions and bears risks in a firm.	(1) (2)
1995/CE/11/11(b) The distinctive economic role is that Mr Ip belongs to entrepreneurship, because he has to bear the risk of the business / formulate policies. Mary does not belong to entrepreneurship / she belongs to labour, because she does not have to bear risk / she provides human effort in production.	(1) (1) (1) (1)
1996/CE/11/4(b) A traffic light is a man-made resource used for production.	(2)
1997/CE/11/1 Entrepreneurship, because he bears risk / makes decisions. Labour, because he provides human effort in production.	(1) (1) (1) (1)
2000/CE/11/3 It is man-made and it is used for production.	(2)
2004/CE/11/9(e) Capital, because those cars are man made resources (used for production).	(1) (1)

2005/CE/1/2

Entrepreneurship, because
he bears risks / makes decisions
Labour, because
he provides human effort in production.

(1)
(1)
(1)
(1)

2014/DSE/11/2(a)

Entrepreneurship, because
he bears business risk and makes business decisions.

(1)
(1)

2016/DSE/11/10(b)

Land, because
it is a natural resource which is a gift of nature.

(1)
(1)

2018/DSE/11/2(b)

Entrepreneurship, because
she bears business risk.

(1)
(1)

2021/DSE/11/1b

(b) Capital good
They are used in provision of delivery services.

2.4 LABOUR SUPPLY AND PRODUCTIVITY

Multiple Choice Questions

1990/CE/11/20

Which of the following will increase the supply of labour?

- (1) The legal minimum working age is raised.
- (2) The government introduces an unemployment benefit scheme.
- (3) Workers are willing to work for longer hours at the same wage rate.
- (4) The retirement age is raised.

- A. (1) and (2) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (3) and (4) only

1991/CE/11/09

Which of the following will improve the average productivity of labour?

- A. a larger population
- B. longer working-hours
- C. more opportunities for tertiary education
- D. the emigration of skilled workers

1991/CE/11/56

The supply of labour does **NOT** depend on

- A. the size of the population.
- B. the composition of the population.
- C. the legal minimum working age.
- D. the productivity of workers.

1992/CE/11/10

Which of the following can increase the productivity of factory workers?

- (1) abandoning the piece-rate system
- (2) installing more machinery
- (3) importing labour from Mainland China
- (4) providing a better working environment

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (4) only
- D. (3) and (4) only

1992/CE/11/14

The Hong Kong government is expanding the tertiary education. This means that

- A. the provision of tertiary education no longer involves opportunity cost.
- B. the provision of tertiary education is not subject to diminishing returns.
- C. resources allocation will definitely be more efficient.
- D. the future labour productivity will increase.

1993/CE/II/06

Which of the following will improve the average productivity of labour in an economy?

- (1) extending compulsory education to a higher level
- (2) raising the retirement age
- (3) increasing the quantity of capital goods
- (4) raising unemployment benefits

- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (2) and (4) only

1993/CE/II/19

The following table shows the output of dresses from a factory in 1991 and 1992.

Year	1991	1992
Number of workers employed	20	25
Units of dresses produced	90 000	80 000
Number of working hours per worker	3 000	2 000

The factory employed a _____ quantity of labour in 1992 and the average labour productivity was _____ in that year.

- A. larger higher
- B. larger lower
- C. smaller higher
- D. smaller lower

1994/CE/II/17

Which of the following factors would tend to increase the labour supply in Hong Kong?

- (1) The government re-employs some retired civil servants.
- (2) There are more public holidays each year.
- (3) There is greater proportion of males in the population.
- (4) The educational level of workers becomes higher.

- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (2) and (4) only

1995/CE/II/16

Which of the following will increase the average productivity of labour?

- (1) a larger labour force
- (2) better education and training of workers
- (3) better organization of production
- (4) fewer public holidays

- A. (1) and (2) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (3) and (4) only

1995/CE/II/59

Real GDP value-added per employee		
Year	1982	1992
Manufacturing sector	\$41 000	\$165 000
Services sector	\$103 000	\$280 000

Which of the following statements is **NOT** a conclusion drawn from the above table?

- A. The manufacturing sector had a higher labour productivity in 1992 than in 1982.
- B. The services sector had a higher labour productivity in 1992 than in 1982.
- C. The services had a higher labour productivity than the manufacturing sector in 1992.
- D. The services sector had a higher labour productivity growth rate than the manufacturing sector.

1996/CE/II/12

Which of the following will decrease the labour supply of a country?

- A. fewer job vacancies
- B. more universities place for students
- C. an increase in the retirement age of workers
- D. an increase in the number of immigrants

Refer to the table below for Question 13 and 14:

	Firm A	Firm B
Number of workers employed	200	120
Number of working hours per worker	1 000	1 900
Units of output produced	100 000	110 000

1996/CE/II/13

Which of the following comparisons is correct?

- A. Workers in Firm B has higher productivity.
- B. Firm B employed more labour services.
- C. Firm B enjoys a greater economies of scale.
- D. Production in Firm B is more capital-intensive.

1996/CE/II/14

Which of the following is a possible reason for the difference in labour productivity of a Firm A and Firm B?

- A. better training of workers in Firm A
- B. better working environment in Firm B
- C. a larger labour force in Firm A
- D. a higher wage rate in Firm B

1997/CE/II/55

An increase in the number of Form 7 graduates studying in the universities will result in

- (1) a decrease in the present labour supply.
- (2) a decrease in the present unemployment rate.
- (3) an increase in future average labour productivity.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

1998/CE/II/14

The average productivity of labour will increase if

- (1) there is an increase in the number of machines.
 - (2) there is an increase in the size of the labour force.
 - (3) there is an improvement in the health conditions of workers
 - (4) workers work more hours per day
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (4) only
 - D. (3) and (4) only

1998/CE/II/15

Which of the following would increase the labour supply of Hong Kong?

- A. The demand for imported workers increase
- B. All women are not allowed to work overtime.
- C. More employers provide child care services to their employees.
- D. More job vacancies are available.

1999/CE/II/14

Which of the following would increase the labour supply of Hong Kong?

- A. The provision of more day-time child-care services
- B. A change in the payment system from piece rate to time rate
- C. An increase in the number of public holidays in a year
- D. A decrease in the number of people migrating to other countries.

1999/CE/II/20

Refer to the following table:

	Firm A	Firm B
Number of workers employed	100	60
Number of working hours per worker	350	650
Output (Units)	140 000	156 000

Which of the following concerning Firm A and Firm B is correct?

- A. Firm B has a higher average labour productivity than Firm A.
- B. Firm A has a higher average labour productivity than Firm B.
- C. Firm A has large labour supply than Firm B.
- D. Firm B has a large labour supply than Firm A.

2001/CE/II/13

Under which of the following situations would the labour supply in Hong Kong decrease?

- A. All universities in Hong Kong admit fewer full time students.
- B. More Hong Kong companies provide training courses to their staff during office hours.
- C. Fewer Hong Kong people are allowed to emigrate to the US.
- D. The Hong Kong government provides subsidies to private firms for installing high-tech equipment.

2001/CE/II/15

Refer to the following table:

	Firm A	Firm B
Number of workers employed	60	40
Total number of working hours	1 200	1 000
Total output (Units)	10 800	9 500

Which of the following is a possible reason for the difference in the labour productivity of Firm A and Firm B?

- A. Firm B has a better working environment.
- B. Firm A has a higher degree of division of labour.
- C. Firm A enjoys greater economies of scale.
- D. Firm B uses a more labour intensive method of production.

2002/CE/II/14

A higher average labour productivity means a higher

- A. average output per worker.
- B. marginal product per man.
- C. total output per worker.
- D. total product per unit of labour.

2005/CE/II/16

Study the following table:

Economy	A	B	C	D
Number of workers	20	5	30	15
Weekly working hours per worker	5	25	5	20
Total output	11 000	12 000	9 000	10 000

Which economy has the largest labour supply?

- A. A
- B. B
- C. C
- D. D

2005/CE/II/17

Which of the following situations will increase the average labour productivity?

- A. employing more workers
- B. extending the working hours
- C. changing from time rates to piece rates
- D. reducing the degree of division of labour

2006/CE/II/14

Which of the following would raise the average labour productivity?

- A. a larger working population
- B. fewer public holidays
- C. a larger quantity of advanced equipment
- D. a lower degree of occupational mobility of labour

2007/CE/II/15

	Country A	Country B
Number of workers	100	X
Average working hours of workers per day	8	Y
Total output (unit)	7 200	7 200

In the above table, if the labour productivity in Country B is higher, the possible value of X and Y would be ____ and ____ respectively.

- A. 140 6
- B. 150 5
- C. 200 4
- D. 300 3

2009/CE/II/16

If the government raises the legal retirement age,

- A. the occupational mobility of workers will increase.
- B. the average labour productivity will increase.
- C. the supply of labour will increase.
- D. more division of labour will be practised.

2010/CE/II/18

Which of the following will increase the average labour productivity?

- (1) The number of promotion posts increases.
- (2) The number of retired workers increases.
- (3) Production becomes more capital-intensive.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

2010/CE/II/20

Which of the following would decrease the labour supply of Hong Kong?

- A. better and more job opportunities in mainland China
- B. the imposition of a minimum wage law for low-skilled workers in Hong Kong
- C. a lower average salaries tax rate in Hong Kong
- D. an increase in the retirement age in Hong Kong

2012/DSE/I/06

Which of the following policies will result in an increase in the labour force of Hong Kong?

- A. extension of free education from 9 years to 12 years
- B. an increase in the minimum capital requirement of the Capital Investment Entrant Scheme (資本投資者入境計劃)
- C. an increase in the immigration scheme quota for talented persons from the mainland
- D. introduction of maximum working hours

2012/DSE/I/10

Refer to the table below.

	Factory A	Factory B
Number of workers employed	60	10
Total number of working hours	2 000	5 000
Total output (units)	12 000	20 000

Which of the following is a possible reason for the difference between the labour productivity of Factory A and Factory B?

- A. Factory B provides more training for its workers.
- B. More machines are used in Factory B.
- C. The working environment in Factory A is poorer.
- D. Factory A pays its workers at piece rate while Factory B pays at time rate.

2014/DSE/I/09

Which of the following will increase the labour supply of an economy?

- A. More firms allow male employees to take paternity leave.
- B. More companies offer free transport to employees working overtime.
- C. Universities provide more full-time associate degree programmes for secondary school graduates.
- D. The government adopts maximum working hours for the civil servants.

2015/DSE/I/06

Refer to the following table:

	Factory A	Factory B
Number of full-time workers	25	0
Number of part-time workers	0	50
Average working hours of full-time workers	8	0
Average working hours of part-time workers	0	6
Total output (units)	12 000	15 000

- A. Factory A uses time rate while Factory B uses piece rate to pay its workers.
- B. Factory A provides more training for its workers.
- C. The part-time workers employed by Factory B are more skilled.
- D. Factory B uses more capital goods.

2016/DSE/I/08

The labour supply of a country will increase if

- A. more training is provided for the existing labour force.
- B. the legal minimum working age is lowered from 16 to 15.
- C. foreign direct investment increases.
- D. the government increases the salaries tax rate.

In the 2018-19 Budget, the Hong Kong Government raised the subsidy ceiling of the Continuing Education Fund from \$10 000 to \$20 000 per applicant to encourage members of the public to pursue further education.

This policy will lead to a rise in _____ and _____ in the future.

- A. labour supply geographical mobility
- B. labour supply occupational mobility
- C. labour productivity geographical mobility
- D. labour productivity occupational mobility

Microeconomics by Topic

2. Production

2017/DSE/1/11

The input-output relationship of a firm is as follows:

	Year 1	Year 2
Number of workers	30	35
Number of working hours per worker per day	10	8
Quantity of output (units)	3 000	2 900

Based on the above information, labour supply _____ and average labour productivity _____.

- A. rises rises
- B. rises falls
- C. falls rises
- D. falls falls

2018/DSE/1/09

The labour supply in Hong Kong would increase if

- A. more Hong Kong people migrated to foreign countries.
- B. more Hong Kong students studied in tertiary institutions.
- C. the Government lowered the qualification requirements for the Quality Migrant Admission Scheme.
- D. all working fathers were allowed to take two extra days of paternity leave.

Short & Structured Questions

1990/CE/1/2(b)

The data below refer to Hong Kong's financial sector in 1985 and 1986:

	1985	1986
Value-added (in thousand dollars) at constant (1985) market prices	39 589 000	47 052 000
Employment (in thousands)	177	190

- (i) Use the above data to show how the average labour productivity in the financial sector changed from 1985 to 1986. (4 marks)
- (ii) Suggested **TWO** reasons for the change in (b)(i). (4 marks)

1994/CE/1/2

What is meant by the average labour productivity? Suggest **TWO** methods of raising labour productivity. (6 marks)

2000/CE/1/11(c)

Suppose Country B has a higher average labour productivity than Country A. Define average labour productivity and give **THREE** reasons for the higher average labour productivity of Country B. (5 marks)

2002/CE/I/3

	Firm A	Firm B
Number of workers employed	100	120
Number of working hours per worker	500	800
Output (units)	100 000	144 000

Calculate the average labour productivity of each firm and state **TWO** reasons why the two productivities are different. (4 marks)

2005/CE/I/10(a)(ii)

The two countries have a different output of watches, with each country using the same amount of resources in their production. State **THREE** possible reasons for such a difference. (3 marks)

2007/CE/I/2

Study the following information on a factory.

Year	2006	2007
Number of workers employed	40	50
Number of working hours per worker	300	200
Units of output produced	36 000	40 000

(a) Calculate the labour productivity of the factory in 2006 and 2007, respectively. (2 marks)

(b) Give **TWO** possible reasons to explain why the labour productivity has changed. (2 marks)

2010/CE/I/2

Refer to the following data of Firm A and Firm B. Both firms are engaged in the same industry.

	Firm A	Firm B
Number of workers employed	20	12
Number of working hours per worker	100	200
Number of output (units)	100 000	200 000

(a) Explain whether Firm A has a larger labour supply than Firm B. (3 marks)

(b) Explain whether Firm B has a higher average labour productivity than Firm A. (3 marks)

MARKING SCHEME

1990/CE/II/20 D	1994/CE/II/17 A	1998/CE/II/14 B	2005/CE/II/16 D (51%)	2012/DSE/I/06 C (86%)
1991/CE/II/09 C	1995/CE/II/16 C	1998/CE/II/15 C	2005/CE/II/17 C (84%)	2012/DSE/I/10 D (38%)
1991/CE/II/56 D	1995/CE/II/59 D	1999/CE/II/14 A	2006/CE/II/14 C (72%)	2014/DSE/I/09 B (79%)
1992/CE/II/10 C	1996/CE/II/12 B	1999/CE/II/20 D	2007/CE/II/15 B (67%)	2015/DSE/I/06 B (73%)
1992/CE/II/14 D	1996/CE/II/13 B	2001/CE/II/13 B	2009/CE/II/16 C (81%)	2016/DSE/I/08 B (86%)
1993/CE/II/06 A	1996/CE/II/14 A	2001/CE/II/15 A	2010/CE/II/18 B (68%)	2017/DSE/I/11 C (75%)
1993/CE/II/19 C	1997/CE/II/55 B	2002/CE/II/14 D (29%)	2010/CE/II/20 A (84%)	2018/DSE/I/09 C (94%)
2019/DSE/II/06 D	<i>Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.</i>			

1990/CE/I/2(b)

(i) Average labour productivity in 1985: $\$39\,589 \text{ mn} \div 177\,000 = \$223\,666.7$
Average labour productivity in 1986: $\$47\,052 \text{ mn} \div 190\,000 = \$247\,642.1$ (3)

\therefore Higher labour productivity in 1986 (1)

(ii) - better training and knowledge
- more investment in technology and machines
- better management, e.g. division of labour (2@ max :4)
(Mark the **FIRST TWO** points only.)

1994/CE/I/2

Average labour productivity is output per unit of labour, e.g. output per man-hour. (2)

Methods to raise labour productivity:

- division of labour
- increasing quantity / quality of capital goods
- more training of workers
- incentive schemes, e.g. a change from time rate to piece rate (2@, max: 2)

(Mark the **FIRST TWO** points only.)

2000/CE/I/11(c)

Output per unit of labour or output per man-hour
- better education / training
- better capital
- better technology
- better management, e.g. division of labour
- better working conditions (1@, max:3)
(Mark the **FIRST THREE** points only.)

2002/CE/I/3

Firm A: $100\,000 \div (100 \times 500) = 2$ units of output per man-hour
Firm B: $144\,000 \div (120 \times 800) = 1.5$ units of output per man-hour

(1)
(1)

- different education / training
- different capital
- different technology
- different management
- different working conditions

[Mark the **FIRST TWO** points only.]

(1 @, max : 2)

2005/CE/I/10(a)(ii)

- different quality of factor input
- different education and training
- different degree of technological advancement
- different management efficiency / different degree of division of labour
- different working environment
- different labour welfare and incentives

[Mark the **FIRST THREE** points only.]

(1 @, max : 3)

2007/CE/I/2

(a) In year 2006: $[36\,000 / (40 \times 300)] = 3$ units / man-hour
In year 2007: $[40\,000 / (50 \times 200)] = 4$ units / man-hour

(1)
(1)

- (b)
- better capital / mechanization
 - better training / education
 - better working condition
 - better management, e.g. the practice of division of labour
 - higher incentives, e.g. change from time rate to piece rate
 - improvement in technology

[Mark the **FIRST TWO** points only.]

(1 @, max : 2)

2010/CE/I/2

(a) No, because
the labour supply of Firm A = $(20 \times 100) = 2\,000$ man hours is smaller than that of Firm B
= $(12 \times 200) = 2\,400$ man hours.

(1)
(1)
(1)

(b) No, because
the labour productivity of Firm B = $(120\,000 / 2\,400) = 50$ units of output per man hour is
the same as that of Firm A = $(100\,000 / 2\,000) = 50$ units of output per man hour.

(1)
(1)
(1)

2.5 DIVISION OF LABOUR

Multiple Choice Questions

1992/CE/II/11

The Ha family and the Wong family are living next door to each other and their children go to the same kindergarten. The children are taken to school by Mr Ha and brought home by Mrs Wong. This is an example of

- A. division of labour.
- B. diseconomies of scale.
- C. diminishing returns.
- D. absolute advantage.

1993/CE/II/15

Specialization is beneficial to an economy because

- A. more resources are used in producing capital goods.
- B. the threat of protectionism can be avoided.
- C. the risk of unemployment is lowered.
- D. the productivity of the factors of production is raised.

1994/CE/II/59

Which of the following is **NOT** an advantage of division of labour?

- A. higher work incentive
- B. higher labour productivity
- C. a smaller amount of tools required
- D. the right person doing the right job

1997/CE/II/48

The production of good X involves two different tasks. When Mary focuses on one task and Peter on another, their total daily output is greater than that when each of them has to do both tasks. This can be explained by

- (1) economies of scale.
- (2) the principle of comparative advantage.
- (3) the advantages of division of labour.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

1999/CE/II/52

Which of the following is **NOT** an advantage of division of labour?

- A. greater economies of scale
- B. economy in the use of capital
- C. higher labour productivity
- D. improved skill through more practice

2000/CE/II/19

When division of labour is practised,

- A. workers have greater job satisfaction.
- B. machines are used more intensively.
- C. producers produce a greater variety of goods to suit different consumer tastes.
- D. the occupational mobility of workers increases.

2001/CE/II/16

Which of the following is an advantage of division of labour?

- A. A wider choice of goods and services can be provided.
- B. Workers have a greater incentive to work.
- C. Workers have higher occupational mobility.
- D. Less time is required to train workers.

2003/CE/II/17

In a secondary school, different teachers are responsible for teaching different subjects. Which of the following are reasons for the above arrangement?

- (1) It can reduce the cost of training.
 - (2) Practice makes perfect.
 - (3) Different teachers are good at teaching different subjects.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2004/CE/II/17

When division of labour is practised,

- A. firms will enjoy greater economies of scale.
- B. workers will have a higher occupational mobility.
- C. workers will have a higher income.
- D. output per man-hour will increase.

2007/CE/II/14

Division of labour can raise labour productivity. One reason is that

- A. fewer tools are needed.
- B. geographical mobility is increased.
- C. time is saved from not moving from task to task.
- D. there would be a higher degree of interdependence among different production stages.

2009/CE/II/17

Which of the following is a possible reason for the increase in average labour productivity resulting from practising division of labour?

- A. Fewer capital goods are required.
- B. The occupational mobility of workers is higher.
- C. The total wage income of workers is higher.
- D. Time is saved from moving workers between different tasks.

2010/CE/II/16

A large supermarket chain store is composed of different sections: marketing, sales, delivery, accounts and management. An advantage of the above arrangement is:

- A. The staff will have a higher working incentive.
- B. A greater variety of services can be provided to customers.
- C. The supermarket chain store can enjoy economies of scale.
- D. The supermarket chain store can save on the cost of training its staff.

2018/DSE/II/11

A professor has decided to change the way of marking the exam papers of his subject. Instead of asking his teaching assistants to mark the whole paper for their own classes, he assigns each teaching assistant to mark one question of the paper for the entire candidature. Which of the following situations would likely occur?

- (1) The marking will be more accurate since practice makes perfect.
 - (2) Training time will be reduced as each assistant only needs to know part of the marking schemes.
 - (3) The tools required for marking will be reduced such as fewer red pens are needed.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2020/DSE/I/3

Which of the following may exist in a barter economy?

- (1) specialisation
 - (2) inflation
 - (3) interest
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Short & Structured Questions

1995/CE/I/2

In the production of television news reports broadcasted every day, different people perform different duties. For example, there are reporters, editors, cameramen, etc.

What economic principle is illustrated by this? Give **TWO** reasons to explain why the application of this principle can increase the labour productivity in this production. (5 marks)

1997/CE/II/10(c)

Define average labour productivity and give **TWO** reasons why specialization can raise the average labour productivity of a country. (6 marks)

2001/CE/II/1

Given **THREE** reasons why division of labour can increase labour productivity. (3 marks)

2003/CE/II/10(a)

In the production of textbooks, different people perform different duties. For example, there are editors, typists, proofreaders etc.

What economic principle is illustrated by this practice? Suggest **THREE** reasons why the application of this principle can increase labour productivity. (4 marks)

2013/DSE/II/10(a)

There are cooks, waiters, managers and receptionists working in restaurants.

What economic principle is illustrated by the above phenomenon? List **THREE** reasons why the principle can increase labour productivity. (4 marks)

2016/DSE/II/13(a)

The airport corporation of Country H is a public corporation which hires different people to operate the airport. For example, there are security guards, technicians, engineers and financial managers.

What economic principle is illustrated by this practice? Suggest **THREE** reasons why the application of this principle can increase labour productivity. (4 marks)

2018/DSE/II/13(b)

In view of the population projection in Hong Kong, politicians suggest the following measures:

- (i) providing subsidy for firms to improve production technology
- (ii) importing more workers

Analyse how each of the above two measures affects average labour productivity. (5 marks)

2019/DSE/II/5

Wong's family and Chan's family live next door to each other. State **ONE** economic concept involved in each of following arrangements and explain why the arrangement is beneficial to both families.

- (a) Mr Wong teaches the children from both families English while Mrs Chan teaches them Japanese. (3 marks)
- (b) On Christmas Eve, the two families buy food ingredients and cook together instead of buying and cooking separately. (3 marks)

MARKING SCHEME

1992/CE/II/11 A	1997/CE/II/48 C	2001/CE/II/16 D	2007/CE/II/14 C (92%)	2018/DSE/II/11 A (85%)
1993/CE/II/15 D	1999/CE/II/52 A	2003/CE/II/17 D (71%)	2009/CE/II/17 D (94%)	2020/DSE/II/3 D
1994/CE/II/59 A	2000/CE/II/19 B	2004/CE/II/17 D (69%)	2010/CE/II/16 D (55%)	

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

1995/CE/I/2
Division of labour / specialization (1)
- jobs assigned according to talents and skills
- more skillful at jobs due to continuous practice
- time saved from moving from one job to another job
- time saved from learning all the jobs
- encouraged the use of capital / more advanced capital (2@, max: 4)
(Mark the **FIRST TWO** points only)

1997/CE/I/10(c)
Average labour productivity is output per unit of labour input, e.g. output per man-hour:
- getting talented or skilful people to do the job
- continuous practice makes workers even more skilful
- saves time because not need to shift from one task to another task (2@, max: 4)
(Mark the **FIRST TWO** points only)

2001/CE/II/1
- stimulus to mechanization
- practice makes perfect
- saves time in learning the job
- saves time in moving around jobs
- choose the best person to do the job (1@, max: 3)
(Mark the **FIRST THREE** points only)

2003/CE/II/10(a)
Division of labour (1)
- choosing the most suitable persons for the job
- practice makes perfect / learning by doing
- saving time from training
- saving time from moving around tasks
- stimulus to mechanization (1@, max: 3)
(Mark the **FIRST THREE** points only)

2013/DSE/II/10(a)
Division of labour (1)
- choosing the most suitable person for the job
- practice makes perfect
- saving time in training
- stimulus to mechanization (1@, max: 3)
(Mark the **FIRST THREE** points only.)

2016/DSE/II/13(a)
Division of labour / specialization (1)

Reasons:
- practice makes perfect
- choosing the most suitable person for the job
- save time in training
- stimulus to mechanization (1@, max: 3)
[Mark the **FIRST THREE** points only.]

2018/DSE/II/13(b)
(i) Labour productivity would rise as improved technology or higher quality of capital goods would result in an increase in output per unit labour. (2)
(ii) Uncertain. Labour productivity would increase if the imported workers are more productive on average than the existing local ones. (3)

2019/DSE/II/5
(a) Division of labour/ (Principle of) comparative advantage (1)
[Mark the **FIRST** point only.]

Benefits: (2)
- Finding the most suitable person for the job: the parents in both families can use their expertises in teaching their children so the children can learn both languages better.
- Specialisation and exchange: Mr Wong can specialise teaching English, i.e. the production in which his opportunities cost is lower, then exchange for his children learning Japanese from Mrs. Chan. The children can learn both languages better with a lower cost. (Similar argument applies to Mrs Chan in her teaching of Japanese as well.)
- any other relevant point

(b) Economies of scale. (1)
[Mark the **FIRST** point only.]

Benefits: (2)
- They can have more discounts when food ingredients are purchased in bulk which would reduce the average cost of producing the dinners.
- Cooking together can save the average cooking time and at the same time can have a larger variety of food choices.
- any other relevant point

2.6 LABOUR MOBILITY

Multiple Choice Questions

1990/CE/II/09

The ban on the ivory trade in general harms the _____ craftsmen most because of their relatively _____ mobility

- A. younger low occupational
- B. younger high geographical
- C. older low occupational
- D. older high geographical

1991/CE/II/06

Suppose the government provides housing subsidies to teachers serving in the same school for over 10 years. Such a measure will tend to _____ the occupational mobility and _____ the geographical mobility of these teachers.

- A. increase increase
- B. decrease decrease
- C. increase decrease
- D. decrease increase

1992/CE/II/09

Which of the following can increase the occupational mobility of labour?

- A. the development of industries requiring high technology
- B. the setting up of more professional associations
- C. the expansion of vocational training courses
- D. the extension of the Mass Transit Railway network

1993/CE/II/14

Lawyers generally have a low occupational mobility because

- A. they enjoy social status.
- B. they are not skilful in other professions.
- C. they have high opportunity cost in changing jobs.
- D. they are members of the Hong Kong Law Society.

1995/CE/II/21

Which of the following will raise the occupational mobility of labour?

- (1) a higher degree of specialization of skills
- (2) more information about job vacancies
- (3) greater power of labour unions
- (4) provision of retraining programmes

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (4) only
- D. (3) and (4) only

1997/CE/II/14

Which of the following has the least occupational mobility?

- A. lorry driver
- B. salesman
- C. actor
- D. dental surgeon

1999/CE/II/16

Which of the following types of people is more occupationally mobile?

- A. professors in economics in a university
- B. accountants
- C. salesmen
- D. company secretaries

2001/CE/II/14

Suppose the government starts to recruit experienced Putunghua teachers from Mainland China. This would _____ the _____ mobility of experienced Putunghua teachers in Mainland China.

- A. reduce occupational
- B. reduce geographical
- C. increase occupational
- D. increase geographical

2004/CE/II/15

In order to attract more Mainland professionals to work in Hong Kong, some firms plan to provide a housing allowance for them. This would _____ the _____ of these Mainland professionals.

- A. reduce occupational mobility
- B. increase occupational mobility
- C. reduce geographical mobility
- D. increase geographical mobility

2006/CE/II/15

When division of labour is practiced, workers will have a _____ occupational mobility because _____

- A. **higher** the labour productivity is raised.
- B. **higher** the capital goods are used more fully
- C. **lower** work becomes dull and monotonous
- D. **lower** workers are only trained for a particular skill

2008/CE/II/15

In which of the following situations will the occupational mobility of labour increase?

- A. improvement in the transportation network
- B. tightened restrictions on obtaining a professional licence
- C. provision of more retraining programmes
- D. raising the legal retirement age

2012/DSE/I/05

The occupational mobility of labour in an economy will increase when

- A. the cross-border railway network is improved.
- B. licences are required for more types of job in the labour market.
- C. tax allowances are provided for continuing education.
- D. there is a greater degree of specialisation in production.

2014/DSE/I/11

Which of the following would most likely increase the occupational mobility of labour in an economy?

- A. The labour unions have stronger bargaining power for the welfare of their members.
- B. The labour department provides tuition fee rebates for participants of retraining programmes.
- C. The transport network is improved by the extension of highways.
- D. The government stops granting funding for an online data system about job vacancies.

2015/DSE/I/04

The _____ mobility of labour will decrease if _____.

- A. geographical the government introduces "city-bike rental scheme" in all train stations.
- B. geographical several big companies set up child care centres in their offices.
- C. occupational the travelling subsidy scheme provided by government is reduced due to a budget deficit
- D. occupational licences are required by the government for more professions

2016/DSE/I/09

Which of the following is the most mobile in terms of occupational mobility?

- A. a professional basketball player
- B. a licensed plumber (水喉匠)
- C. a graduate trainee in a law firm
- D. a clerk in an accounting firm

2017/DSE/I/07

Certain restaurants in China found that they can introduce robots to replace some workers in serving customers without reducing their output. This will

- A. increase the quantity supplied of restaurant workers.
- B. increase the labour productivity of those restaurants.
- C. decrease the geographical mobility of restaurant workers.
- D. decrease the occupational mobility of restaurant workers.

Short & Structured Questions

1991/CE/I/2(a)

(i) Define 'opportunity cost' and 'occupational mobility'. (4 marks)

(ii) In terms of cost, explain why medical doctors in Hong Kong seldom change their occupation. (5 marks)

1993/CE/I/2(b)(ii)

More and more workers in Hong Kong are shifting from the manufacturing sector to the tertiary sector. State **THREE** problems these workers may face in changing jobs. (6 marks)

2013/DSE/II/11(b)(i)

The government has launched the "Work Incentive Transport Subsidy Scheme", with the following objectives:

- (1) To relieve the burden of travelling expenses commuting to and from work on the part of low-income households with employed members
- (2) To promote sustained employment

Applicants must meet the monthly income and asset limits of the household (e.g. for a single person, the monthly income cannot exceed \$7 300 and the assets cannot exceed \$72 000) and work no less than 72 hours per month in order to apply for a subsidy of \$600 per month.

Discuss the effects of the scheme on labour mobility. (3 marks)

2015/DSE/II/10(c)

Professional football players often retire in their mid-thirties. Although most of them have once been wellpaid as footballers, some of them can only find low-paid jobs after retirement. Explain the above phenomenon in term of labour mobility. (3 marks)

2017/DSE/II/12(a)

Before the British people voted against staying in the European Union (EU), i.e. Brexit, workers from the EU were free to work in Britain and vice versa. Brexit has shocked the economics in Europe and the following table shows some views on Brexit:

British politicians: Low-skilled EU workers should be required to apply for a visa to work in Britain.

Referring to the view of the *British politicians*, explain how labour mobility of the low-skilled workers from the EU would be affected. (3 marks)

MARKING SCHEME

1990/CE/II/09 C	1995/CE/II/21 C	2004/CE/II/15 D (74%)	2014/DSE/I/11 B (83%)
1991/CE/II/06 B	1997/CE/II/14 D	2006/CE/II/15 D (85%)	2015/DSE/I/04 D (89%)
1992/CE/II/09 C	1999/CE/II/16 C	2008/CE/II/15 C (79%)	2016/DSE/I/09 D (49%)
1993/CE/II/14 C	2001/CE/II/14 D	2012/DSE/I/05 C (70%)	2017/DSE/I/07 B (65%)

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

1991/CE/I/2(a)

- (i) Opportunity cost is the highest-valued option or the best alternative that has to be forgone. (2)
Occupational mobility is the ease with which a factor moves from one occupation / trade / industry to another. (2)
- (ii) In changing occupation, the opportunity cost of a doctor (in terms of income forgone) can be very high. (2)
The value of taking up a new occupation (i.e. a doctor's earnings in another job) is usually lower than the cost of so doing (i.e. income, satisfaction and social status etc. from being a doctor). (3)

1993/CE/I/2/(b)(ii)

- retraining is required / lack of qualifications, experience and skills in the new jobs
 - age problem
 - loss in income earnings
 - licensing requirements / entrance barriers
 - lack of information about the job market
 - adaptation to new working environment
- (2@, max: 6)
- (Mark the **FIRST THREE** points only.)

2013/DSE/II/11(b)(i)

- It increases the geographical mobility, because (2)
workers are more willing to travel to other districts for work. (1)

[Note: The lump-sum subsidy will not change the marginal cost of travelling. But some of the workers originally constrained by high travelling expenses may have the incentive to travel further for work (for a higher paid job).]

2015/DSE/II/10(c)

- Professional football players have low occupational mobility, because (2)
their skills are very specific and not easily transferable to other jobs. (1)

2017/DSE/II/12(a)

- The geographical mobility of low-skilled workers from the EU would be lowered because (2)
the visa requirement would increase the cost for those EU workers to go to work in the UK. (1)

2.7 WAGE PAYMENT METHODS

Multiple Choice Questions

1991/CE/II/08

Private tuition is usually paid for by time rates because

- A. the incentive to work is stronger.
- B. better examination results are guaranteed.
- C. the tuition fee is less.
- D. the output is difficult to measure.

1991/CE/II/22

The employment of part-time workers on Sundays enables Chinese restaurants

- A. to reduce their fixed costs
- B. to enjoy economies of scale
- C. to increase the labour productivity in a less costly way
- D. to meet the higher-than-normal demand in a less costly way

1994/CE/II/18

Instead of receiving only a fixed monthly salary, hotel waiters in Hong Kong generally earn a low basic monthly salary and receive tips from customers. To the hotel owners, which of the following is an advantage of the latter method of payment compared to the former method?

- A. It is easier to calculate the output of the waiters.
- B. Fewer waiters are needed.
- C. There is a better relationship among the waiters.
- D. The waiters provide better service.

1995/CE/II/17

Secondary school teachers in Hong Kong are in general paid by time rates because

- (1) the tasks of a teacher are not standardized
- (2) the output cannot be easily measured
- (3) there is a higher incentive to work

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

1996/CE/II/16

An employer has changed the method of payment to his employees and observed the following results:

	Old System	New System
Output per worker (per day)	200	300
Output with quality below standard	20	50

Most probably the old system is _____ and the new system is _____.

- A. time rate piece rate
- B. piece rate time rate
- C. a profit sharing scheme time rate
- D. piece rate a profit sharing scheme

1998/CE/II/17

Private piano teachers are usually paid at an hourly rate instead of a piece rate. Which of the following statements are true?

- (1) They tend to work longer hours.
 - (2) They are not encouraged to rush through more music pieces in a lesson.
 - (3) Their output is difficult to measure.
- A. (1) and (2) only
 B. (1) and (3) only
 C. (2) and (3) only
 D. (1), (2) and (3)

1999/CE/II/13

Mr Law is a full-time teacher in an aided secondary school in Hong Kong. He is a _____ producer and he is paid using a _____ method.

- A. secondary time rate
 B. secondary piece rate
 C. tertiary time rate
 D. tertiary piece rate

1999/CE/II/51

Assume that the payment system of some civil servants is changed from time rate to piece rate. This change will **NOT** result in

- A. an increase in their income.
 B. an improvement in the quality of their work.
 C. an increase in the monitoring and supervision cost of their work.
 D. an increase in the quantity of work completed by them.

2000/CE/II/15

Refer to the staff recruitment advertisements below:

ABC Company	XYZ Company
Mail Assistant	Mail Assistant
Requirements:	Requirements:
Age: 20 to 30	Age: 20 to 30
Male/female	Male/female
Salary: \$8 000 per month plus \$5 for each delivery of letter/parcel	Salary: \$12 000 monthly

- A. The cost of measuring wage payment is higher in the XYZ Company
 B. The working incentive of mail assistants is higher in the XYZ Company
 C. The income of a mail assistant is higher in the ABC company.
 D. The cost of supervision is lower in the ABC company.

2002/CE/II/16

Under the previous wage payment system, Mrs Chan found that her workers were lazy. Now, she has adopted another wage payment system under which the quantity as well as the quality of the output of her firm has been raised. This improvement could be due to the fact that the previous wage payment system was _____ and the present one is _____.

- A. piece rate time rate
 B. piece rate profit-sharing
 C. time rate piece rate
 D. time rate profit-sharing

2003/CE/II/18

A factory owner has changed the method of payment to his workers and observes a higher labour productivity of his workers, but a lower quality of output. Most probably the old payment system is _____ and the new payment system is _____.

- A. time rate piece rate
 B. piece rate time rate
 C. profit sharing scheme time rate
 D. piece rate profit sharing scheme

2006/CE/II/16

Suppose the wage payment system of the salesmen employed in ABC Company changes as follows :

Salary: \$15 000 per month	⇒	Salary: \$7 000 per month plus commission
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It results in

- A. a lower cost of calculating the wage payments.
 B. a lower cost of monitoring the salesmen's performance.
 C. a lower income for the salesmen.
 D. a lower quality of services provided by the salesmen.

2009/CE/II/18

Whose employer would have the highest cost in monitoring the performance of his work?

- A. an office clerk who is paid with a fixed monthly salary
 B. a property agent who is paid through commission
 C. a tourist guide who is paid with tips
 D. a movie star who shares the profit with his film producer

2012/DSE/II/07

Some property agencies pay their employees a basic salary plus commission because

- (1) it can increase the working incentive of the employees.
- (2) it can transfer part of the business risk to the employees.
- (3) the cost of calculating wages is lower.

- A. (1) and (2) only
 B. (1) and (3) only
 C. (2) and (3) only
 D. (1), (2) and (3)

2013/DSE/II/07

Teachers in secondary schools are usually paid by time rate because

- A. this can improve their work incentive.
 B. they prefer a stable income.
 C. most teachers are hardworking.
 D. it is costly to measure their outputs.

The salespersons in a luxury brand product shop are paid with the following arrangement.

Monthly salary:	HK\$12 000
Target bonus:	Bonus will be given when sales target is attained.

From the viewpoint of the shop, which of the following are possible reasons of the above arrangement instead of time rate only?

- (1) The salespersons' productivity will be higher.
- (2) The cost of monitoring service quality will be lower.
- (3) There is a possibility of earning a higher monthly salary.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

Microeconomics by Topic
2: Production

2016/DSE/I/10

Which of the following is most likely to be paid on a piece-rate basis?

- A. a newspaper columnist
- B. a primary school teacher
- C. a fireman
- D. a bus driver

Short & Structured Questions

1990/CE/I/1(a)(iii)

Mrs Wong is a lawyer and is also good at doing housework, but she employs a Filipino maid to do her housework.

Give **TWO** reasons why Filipino maids are paid by time rates instead of piece rates. (4 marks)

1992/CE/I/1(c)

Suppose a taxi owner employs a driver to provide a taxi service and shares the total revenue with the driver. Suggest and explain **ONE** advantage and **ONE** disadvantage of this payment method to the taxi owner.

(6 marks)

1993/CE/I/1(d)

Yummy Yummy is a fast food shop. The manager of 'Yummy Yummy' is paid a fixed monthly salary and shares part of the profits. Give **ONE** advantage of **EACH** of the above two payment methods to the shop.

(4 marks)

1996/CE/I/12(b)

Piece rate is a common payment method in the manufacturing industry. From an employer's point of view, explain **ONE** advantage and **ONE** disadvantage of this payment method.

(4 marks)

1998/CE/I/11(a)

Car agents in general pay their salesmen a commission for each car sold in addition to their basic monthly salary. From the viewpoint of car agents, explain **TWO** advantages of using such a wage payment method.

(4 marks)

1999/CE/I/3

Study the following two advertisements:

Company A	Company B
Lorry Driver Wanted	Lorry Driver Wanted
Wage: \$10 000 per month	Wage: \$200 per trip

Name the two types of wage payment method and give **ONE** advantage of **EACH** over the other from the viewpoint of the employer. Explain your answer.

(6 marks)

2001/CE/I/9(c)

Mr Chan is the owner of a garment factory and pays his workers at piece rate. State **ONE** advantage and **ONE** disadvantage to Mr Chan of using this payment method over the time rate method.

(2 marks)

2002/CE/I/12(b)(i)

In order to cut expenses, Mr Wong reduces the monthly salaries of the staff working in the bookstore. Give **ONE** advantage and **ONE** disadvantage to Mr Wong of paying his staff by time rate over piece rate.

(4 marks)

2007/CE/I/2

Refer to the following job descriptions of Post A and Post B.

Post A	Post B
Typing clerk Working hours: 9:00am. - 5:00pm. 5 days a week Wage: \$8 000 per month	Typing services Transforming documents into WORD files Payment: \$4 per A4 paper (about 200 words)

- (a) What are the wage payment methods for Post A and Post B, respectively? (2 marks)
- (b) Explain **ONE** disadvantage to the employer when using the wage payment method in
- (i) Post A. (2 marks)
- (ii) Post B. (2 marks)

2008/CE/I/9(c)

Some employees of securities firms (證券行) are paid a basic salary plus commission. Give **TWO** advantages of such a payment method over time rate to the *employers*.

(4 marks)

2009/CE/I/4

Refer to the following descriptions of Job A and Job B.

Job A	Job B
Distilled water delivery driver Payment: \$1 per unit of distilled water delivered	Distilled water delivery driver Wage: \$300 per day

- (a) The wage payment method for Job A is _____ (1 mark)
- The wage payment method for Job B is _____ (1 mark)
- (b) Explain **ONE** advantage and **ONE** disadvantage to the *employer* of using the wage payment method for Job A over Job B. (4 marks)

2010/CE/I/3

The salespersons in many large electrical appliance retailing shops are paid a basic salary plus commission. From the viewpoint of the shop owners, explain **ONE** advantage of using this wage payment method over the payment method of a basic salary only and **ONE** advantage over the payment method of a commission only. (4 marks)

2013/DSE/II/10(b)

The following is a job advertisement for a manager in a restaurant.

Manager
Working hours: 12:00 noon – 10:00 p.m. 6 days a week Salary: \$15 000 per month + performance-related bonus

- (i) From the viewpoint of the restaurant owner, explain **ONE** advantage of the above payment method over time rate. (2 marks)
- (ii) From the viewpoint of the manager, explain **ONE** advantage of the above payment method over a profit-sharing scheme. (2 marks)

2015/DSE/II/10(b)

The following are contracts for two professional football players.

Contract A	Contract B
Player A: \$10 000 per week	Player B: \$8 000 per match \$10 000 for each goal scored

Explain **TWO** advantages of Contract B over Contract A from the viewpoint of the employer. (4 marks)

2017/DSE/II/2(a)

Steven is a restaurant owner. He pays his waiters a monthly salary and allows them to keep the tips from customers.

Compared to time rate, explain why the above arrangement is preferred from the viewpoint of

- (i) the employees.
- (ii) the employer. (4 marks)

2018/DSE/II/10(a)

Foreign domestic helpers are paid with a minimum wage at HK\$4410 per month for a two-year contractual period in Hong Kong.

Explain why foreign domestic helpers are paid by a monthly salary instead of a piece rate. (2 marks)

2019/DSE/II/9


A beauty queen in Hong Kong, Miss Amy Au, is famous for demonstrating the use of cosmetic products with short videos on social media websites. She also sells Japanese cosmetic products on her website.

She plans to hire two staff members to operate her website:

Personal assistant	Video designer
Duties: Arrange daily schedules and meetings Salary: \$12 000 per month	Duties: Produce short videos to be uploaded in social media Salary: \$1 000 per video

- (c) From the viewpoint of Miss Amy Au, suggest **ONE** advantage and **ONE** disadvantage of the payment method of the personal assistant. (2 marks)
- (d) From the viewpoint of the employee, suggest **ONE** advantage and **ONE** disadvantage of the payment method of the video designer. (2 marks)

The following is the advertisement of an online food delivery firm for recruiting riders.

Riders Wanted !!!	
	
<u>Earn great money</u>	<u>Bring your own equipment</u>
<ul style="list-style-type: none"> • High salary for each delivery! • Keep 100% tips from customers 	<ul style="list-style-type: none"> • A smartphone • A motorcycle with the necessary safety equipment

(a) From the viewpoint of the riders, state **TWO** disadvantages of the above arrangements. (2 marks)

MARKING SCHEME

1991/CE/II/08 D	1996/CE/II/16 A	2000/CE/II/15 D	2009/CE/II/18 A (77%)	2021/DSE/II/07 A
1991/CE/II/22 D	1998/CE/II/17 D	2002/CE/II/16 D (66%)	2012/DSE/II/07 A (76%)	
1994/CE/II/18 D	1999/CE/II/13 C	2003/CE/II/18 A (84%)	2013/DSE/II/07 D (83%)	
1995/CE/II/17 A	1999/CE/II/51 B	2006/CE/II/16 B (75%)	2016/DSE/II/10 A (94%)	

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

1990/CE/II/1(a)(iii)
- output is difficult or costly to measure
- work not standardized
- easy to calculate wage payment
(Mark the **FIRST TWO** reasons only.) (2@, max: 4)

1992/CE/II/1(c)
(As compared with the case when the driver is paid a fixed wage.)
Advantages:
- part of the risks can be shifted onto the driver
- the owner may earn a higher income as the driver has a higher working incentive (3@, max: 3)

Disadvantages:
- under-report of the true revenue as the driver tends to cheat
- higher maintenance cost as the driver tends to over-utilize the taxi
(More listing of point elaboration – max. 1 mark. Mark the **FIRST** point only.) (3@, max: 3)

1993/CE/II/1(d)
Time rates
- the manager's output is difficult or costly to measure / work not standardized
- easy to calculate the wage payment (2@, max: 2)

Profit-sharing
- the manager has higher incentive to manage the firm
- better control of production cost
- the manager is more loyal to the firm
(Mark the **FIRST** point only.) (2@, max: 2)

1996/CE/II/12(b)
Advantages:
- higher working incentive
- lower monitoring (2@, max: 2)

Disadvantage:
- less careful in using the machinery
- better quality control is required
(Mark the **FIRST** point only.) (2@, max: 2)

1998/CE/I/1(a)
- basic monthly salary to maintain a team of staff
- commission to increase the incentive to sell
- to lower the monitoring cost because the amount of commission already reflects the output of the salesman
- to share risk of operation with the salesman because commission payment varies with the sales revenue
(Mark the **FIRST TWO** points only.) (2@, max: 4)

1999/CE/I/3
Company A is using time rate (1)
and Company B is using piece rate (1)

Time rate:
- to avoid the disadvantage of using piece rate under which workers may forego quality for quantity
- to maintain a steady supply of workers within a time period
- no need to measure the output for determining the wage payment (2@, max: 2)

Piece rate:
- to improve the incentive to produce more or to increase productivity of workers
- to save the monitoring cost of workers (e.g. quality control)
- less rigid to adjust the total production cost: extra workers can be employed or dismissed according to the business volume (2@, max: 2)
(Mark the **FIRST** point only.)

2001/CE/I/9(c)
Advantage:
- his workers would have a higher working incentive
- lower cost of supervision (1@, max: 1)

Disadvantage:
- higher cost of monitoring the quality of the products
- more costly to calculate the wage payment
(Mark the **FIRST** point only.) (1@, max: 1)

2002/CE/I/12(b)(i)
Advantage:
- to maintain a team of staff
- lower cost of measuring the contribution of the workers (2@, max: 2)

Disadvantage:
- lower working incentive
- higher supervising cost
(Mark the **FIRST** point only.) (2@, max: 2)

2007/CE/I/2
(a) Post A: time rate (1)
Post B: piece rate (1)

(b) (i) - higher monitoring cost
- lower working incentive
- lower productivity (2)

(ii) - lower quality of product
- higher cost of measuring the output
[Mark the **FIRST** point only.] (2)

2008/CE/I/9(c)
- to increase the working incentive
- to lower the cost of monitoring the performance of the employees
- to spread the business risk between the employer and the employees
(Mark the **FIRST TWO** point only.) (2@, max: 4)

2009/CE/I/4
(a) Job A: piece rate (1)
Job B: time rate (1)

(b) One advantage:
- lower cost of supervising their workers
- higher working incentive
- higher productivity (2)

One disadvantage:
- higher cost in measuring the output
- higher cost of monitoring the quality of service
[Mark the **FIRST** point only.] (2)

2010/CE/I/3
Advantage of this payment method to shop owners over the payment method of a basic salary only:
- to increase the incentive to sell more
- lower the monitoring cost of the work effort
- share risk of operation with the salespersons (2)

Advantage of this payment method to shop owners over the payment method of a commission only:
- to maintain a team of staff / reduce turnover rate as salespersons won't leave easily
- easier to employ staff due to more stable income
[Mark the **FIRST** advantage only.] (2)

2013/DSE/II/10(b)
(i) It improves the work incentive of the manager (2)

(ii) It gives a more stable income as the manager still receives a basic salary even if the business is poor. (2)

2015/DSE/II/10(b)
The owner of the football team can share some business risks with Player B as the former would make less payment to the latter when no match is played and/or no goal is scored (2)
The owner of the football team can have a lower cost of monitoring players' performance as Player B would have a higher work incentive in training and in matches (2)

2017/DSE/II/2(a)
(i) possibility of getting higher income with more effort and/or better service (2)

(ii) lower cost of monitoring the performance of the waiters and/or higher incentives for the waiters to work harder and provide higher-quality service to the customers (2)

2018/DSE/II/10(a)
The cost of measuring the output of the foreign domestic helpers is too high / the work of domestic helpers is not standardised. (2)

2019/DSE/II/9

- (c) **Advantage:** Cost of measuring output of the employees can be saved. (2)
Disadvantage: Work incentive may not be high.
[Mark the FIRST advantage and FIRST disadvantage only.]

- (d) **Advantage:** Higher output will yield higher income. (2)
Disadvantage: Income may be unstable.
[Mark the FIRST advantage and FIRST disadvantage only.]

2021/DSE/II/1

- (a) Disadvantages:
Unstable income as riders are paid by the number of rides they complete
Part of the business risk is shifted to riders
[Mark the FIRST TWO points only.]

Microeconomics by Topic
2: Production

2.8 PRIVATE GOODS & PUBLIC GOODS

Multiple Choice Questions

1985/AL/II/10

A public good is

- A. a good produced by the government and made available to the public.
- B. a good which the private sector is not able to produce profitably.
- C. a good that is not scarce.
- D. a good that can be consumed by many individuals at the same time.

1986/AL/II/08

Which of the following is an example of a public good?

- A. the postal service
- B. a lighthouse
- C. a loaf of bread
- D. public medical services

1988/AL/II/03

A good is a public good if

- A. it is provided by the government free of charge.
- B. it can be consumed concurrently by many individuals.
- C. no one has to give up any other good to get more of the good in question.
- D. it is jointly owned by a large number of individuals.

1989/AL/II/24

A public good is

- A. a free good.
- B. a good produced by the government.
- C. the same as a public utility.
- D. a good that can be consumed by many individuals at the same time.

1990/AL/II/29

In an ocean which is NOT privately-owned, fish

- A. are a free good, because they are so abundant that more of them are not wanted.
- B. are not an economic good if the fishermen are not allowed by the government to compete among themselves.
- C. are a public good, because the fish are publicly-owned.
- D. are an economic good, because we are willing to sacrifice something in exchange for the fish.

1996/AL/II/04

Subscription (fee-paying) television programme broadcast by the Cable TV in Hong Kong is evidence of the fact that

- A. a public good is produced by a private enterprise.
- B. government action is necessary for reducing the divergence between private and social costs.
- C. free riders can be identified without cost.
- D. a public good becomes a private good whenever a fee is charged.

1996/AL/I/16
A public good is

- A. a free good which can be consumed by an unlimited number of consumers.
- B. a common property because no one can exclude others from using it.
- C. a good for which the marginal cost of serving an additional consumer is zero.
- D. a good for which the marginal cost of producing an additional unit is zero.

1997/AL/I/05
A public good

- A. cannot be produced efficiently by private firms.
- B. is free of charge.
- C. can be consumed by many individuals at the same time.
- D. is the same as a free good.

1998/AL/I/25
A public good is

- A. a free good.
- B. owned by the public.
- C. produced by the government.
- D. amenable for consumption by many individuals at the same time.

1999/AL/I/21
Which of the following statements about a public good is correct?

- A. A public toilet (water closet) is an example of a public good.
- B. When the marginal cost of serving a good to an extra consumer is zero, that good is a public good.
- C. A public good is characterized by the fact that one person's use of the good does not reduce the amount available for himself in the future.
- D. None of the above.

2000/AL/I/28
A common property

- A. induces non-price competition.
- B. is a free good because it has no market price.
- C. is a good that can be consumed concurrently by more than one individual.
- D. is a good owned collectively by more than one individual.

2001/AL/I/15
A public good is

- A. a good provided by the government but a price is charged.
- B. a good that must be produced by the government because it is too costly for a private producer to sell and collect payments.
- C. a good that can be consumed by many individuals at the same time.
- D. a good that may be used by the public free of charge.

2002/AL/I/28
Which of the following is an example of a public good?

- A. books in a public library.
- B. a public beach.
- C. the music of Mozart.
- D. a piece of abandoned land.

2003/AL/I/17
A public good

- A. is a free good.
- B. may be consumed by many individuals at the same time.
- C. is a good produced by a public agent.
- D. is a good provided free of charge by the government.

2005/AL/I/28
Which of the following comes closest to a public good?

- A. A public telephone in a booth in Central.
- B. The singing of Teresa Tang (鄧麗君).
- C. The City Hall Library.
- D. The public beach at the repulse Bay.

2007/AL/I/29
Which of the following is a public good?

- A. The music of Mozart.
- B. A public toilet.
- C. A box of candies shared by many people.
- D. A lighthouse serving only one boat.

2008/AL/I/27
Which of the following comes closest to the nature of a public good?

- A. the music of Mozart
- B. a piano performance of Mozart's music
- C. a compact disc of Mozart's music
- D. a performance of Mozart's operas

2010/AL/I/23
Which of the following statements about public goods is correct?

- A. A public good is a good provided free-of-charge by the government.
- B. A public good is a good that can be consumed concurrently by a large number of users.
- C. There is no competition in the production of public goods.
- D. A public good is a good that is not scarce.

2010/AL/I/30
Which of the following is a public good produced privately?

- A. national defence
- B. the poems of Su Dongpo (蘇東坡)
- C. the service of a court judge
- D. the books of Milton Friedman

2011/AL/I/24

A public good is

- A. a good that is not scarce.
- B. a good for which the marginal cost of producing an additional unit is zero.
- C. a common property which is owned by the public.
- D. None of the above.

2011/AL/I/29

Oysters found on a public beach

- A. are not private goods because there are no private property rights governing them.
- B. are public goods because there are common properties.
- C. are economic goods because people are willing to pay a price to get them.
- D. are free goods because they are provided by nature.

2012/DSE/I/04

A parking lot in the government headquarter is reserved for government officials. The parking lot is _____ because _____.

- A. a private good it is for private use only
- B. a private good concurrent consumption is not possible
- C. a public good the government owns it
- D. a public good no one has an exclusive right to use

2013/DSE/I/06

The television broadcast of European football matches is

- A. a public good if citizens can enjoy the broadcast of matches in public areas like restaurants and Karaoke lounges.
- B. a private good if a local television broadcasting company has purchased the exclusive right to broadcast in Hong Kong.
- C. a free good because there is no cost in serving an additional viewer.
- D. a producer good if the broadcast is used to teach the children in a football training school.

2017/DSE/I/03

A public good

- A. is a good with zero marginal cost of production.
- B. can only be provided by the government.
- C. cannot be protected by private property rights.
- D. allows concurrent consumption by many individuals.

2018/DSE/I/05

Which of the following statements about the exhibits in the Louvre Museum is correct?

- A. They are public goods because the Louvre Museum is open to the public.
- B. They are capital because they are man-made resources used in production.
- C. They are consumer goods because more of them are preferred.
- D. They are economic goods because they satisfy human wants.

In Lunar New Year, tourists reserve tables in waterfront restaurants to enjoy firework display. The firework display is a _____ because _____.

- A. public good the government pays for the firework display
- B. public good one individual's consumption will not reduce its availability to others
- C. private good private firms have to use resources to produce the firework display
- D. private good the seats in waterfront restaurants are excludable in consumption

Short & Structured Questions

2015/DSE/II/1(a)(ii)

More and more famous universities offer “massive open online courses” (MOOC) to students from various backgrounds for systematic learning.

Most of the teaching materials in MOOC can be accessed online by anyone free of charge. Explain whether these materials are public goods. (3 marks)

MARKING SCHEME

1985/AL/I/10 D	1996/AL/I/04 A	2000/AL/I/28 A	2007/AL/I/29 A (91%)	2011/AL/I/29 C (73%)
1986/AL/I/08 B	1996/AL/I/16 C	2001/AL/I/15 C	2008/AL/I/27 A (95%)	2012/DSE/I/04 B (72%)
1988/AL/I/03 B	1997/AL/I/05 C	2002/AL/I/28 C	2010/AL/I/23 B	2013/DSE/I/06 D (55%)
1989/AL/I/24 D	1998/AL/I/25 D	2003/AL/I/17 B	2010/AL/I/30 B	2017/DSE/I/03 D (82%)
1990/AL/I/29 D	1999/AL/I/21 B	2005/AL/I/28 B (82%)	2011/AL/I/24 D (63%)	2018/DSE/I/05 B (58%)

2020/DSE/I/2
B

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

2015/DSE/II/1(a)(ii)

Yes, because

a person can download and study the course materials without reducing the availability of those materials to others, i.e., these materials are non-rivalrous in consumption. (1)

(2)

[Note: The answer can be “No” if there exist network capacity constraints (or congestion problems) in downloading the course materials.]