

Candidate Name	Centre Number	Candidate Number

WELSH JOINT EDUCATION COMMITTEE
 General Certificate of Education
 Advanced Subsidiary/Advanced



CYD-BWYLLGOR ADDYSG CYMRU
 Tystysgrif Addysg Gyffredinol
 Uwch Gyfrannol/Uwch

371/01

ECONOMICS – EC1

A.M. THURSDAY, 18 January 2007

(45 minutes)

Examiner's Use Only

TOTAL MARK	
-----------------------	--

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 9 if necessary, taking care to number the continuation correctly.

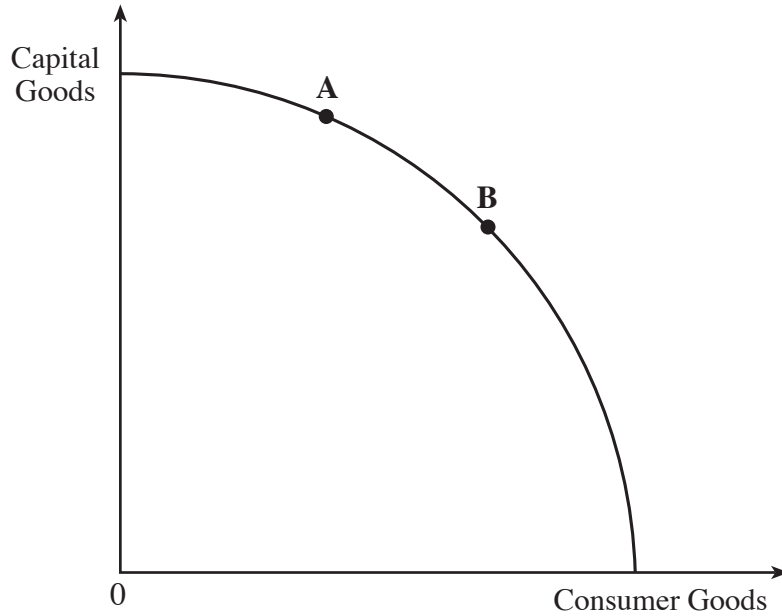
INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

1. The diagram below shows the production possibility frontier for a country that produces consumer goods and capital goods.



Explain why operating at point A is likely to lead to higher eventual economic growth than operating at point B. [3]

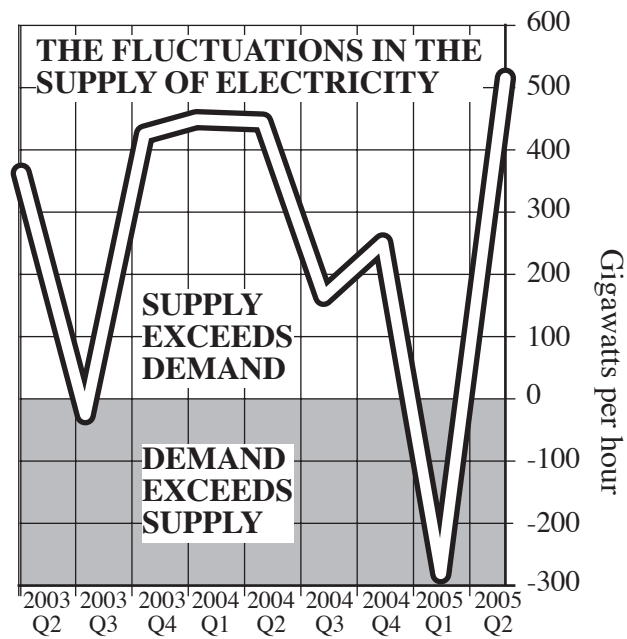
.....

.....

.....

.....

2. The data below shows the fluctuations in the supply of electricity in the UK in recent years. In which years and quarters would you expect electricity prices to have risen? [2]

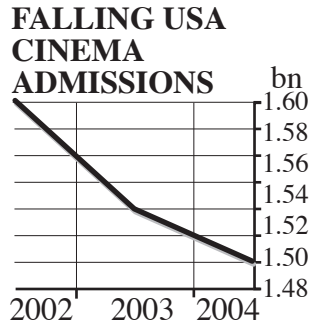


Source: DTI latest figures available

.....

.....

3. The price of DVDs fell in the USA between 2002 and 2004. Using the data below, explain the cross-elasticity relationship between DVDs and cinema admissions in the USA. [4]



.....

.....

.....

.....

.....

.....

4. **GLOBAL GDP RISING BY 5%**
SALES OF MOBILE PHONES WORLDWIDE RISE BY 20%

Using the above information, comment on the income elasticity of demand for mobile phones. [4]

.....

.....

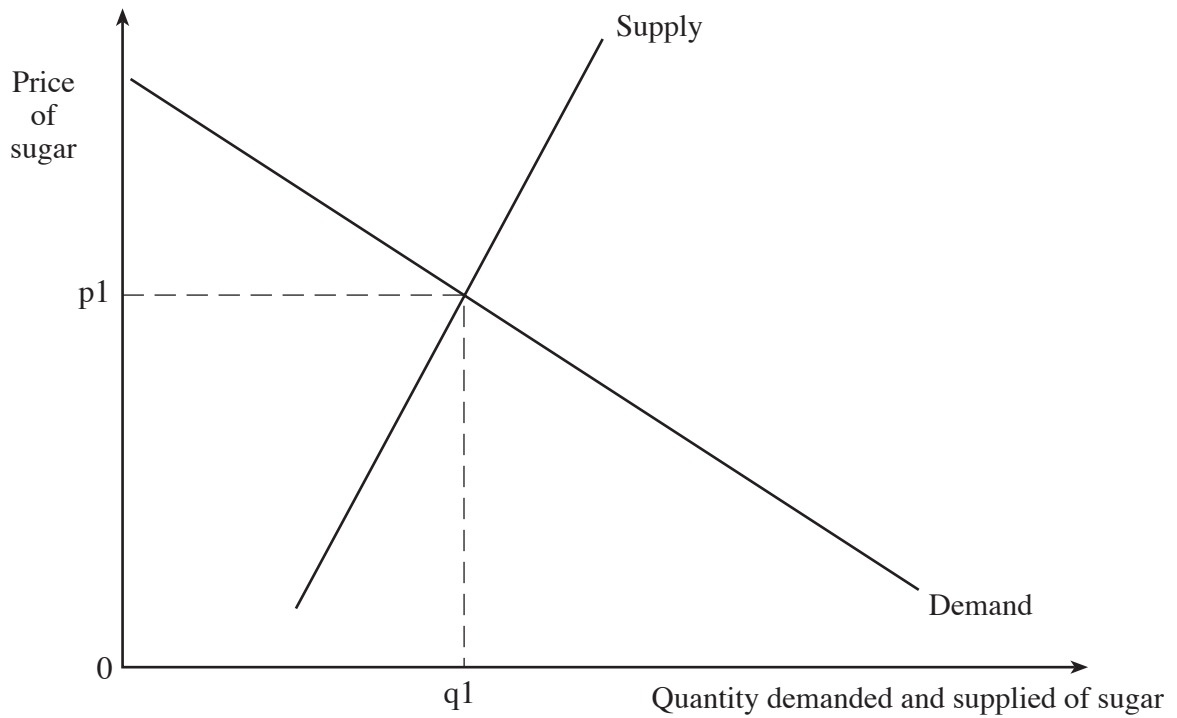
.....

.....

.....

.....

5. A government in a developing country runs a scheme to ensure that sugar does not fall below a certain minimum price.



- (a) Adapt the diagram above and explain the effect of a minimum price, set above the equilibrium, on the market for sugar. [4]

.....

.....

.....

.....

- (b) Explain **one** reason why a government might want to set a minimum price for sugar. [2]

.....

.....

.....

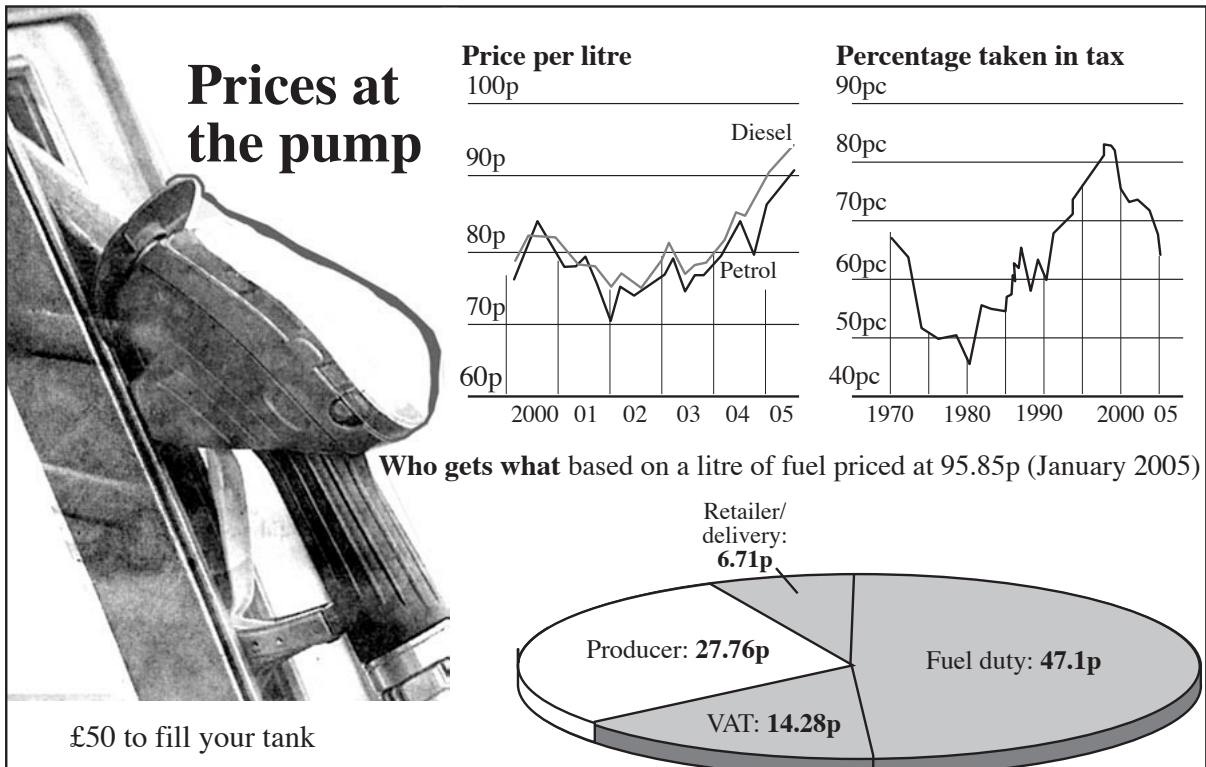
- (c) Explain **one** argument against setting a minimum price for sugar. [2]

.....

.....

.....

6. The data below concerns the price of diesel and petrol in the UK.



Source: Daily Telegraph, 15 August 2005

(a) What type of tax is value added tax (VAT)? [1]

.....

(b) Explain your answer to part (a). [2]

.....

.....

.....

(c) Calculate the percentage of the price of a litre of petrol that went to the producer in 2005. (Show your workings.) [2]

.....

.....

.....

(d) Using the data discuss whether the Government should cut the taxes on petrol and diesel. [8]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

7. GOVERNMENT TO ALLOW MORE PRIVATE FIRMS TO BUILD AND OPERATE MOTORWAYS

Discuss the view that roads are public goods. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

