

Candidate Name	Centre Number	Candidate Number
		2



GCE A level

1133/01

ECONOMICS – EC3

P.M. FRIDAY, 17 June 2011

1 ³/₄ hours

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	4	
2	6	
3	4	
4	6	
5	6	
6	6	
7	8	
8 or 9 or 10	20	
Total	60	

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ADDITIONAL MATERIALS

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

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

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

Answer all the questions in Section A. You may use continuation paper on page 12 if necessary, taking care to number the continuation correctly.

Answer **one** question from Section B.

You are advised to spend no more than one hour on Section A.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question. Section A has 40 marks and Section B has 20 marks.

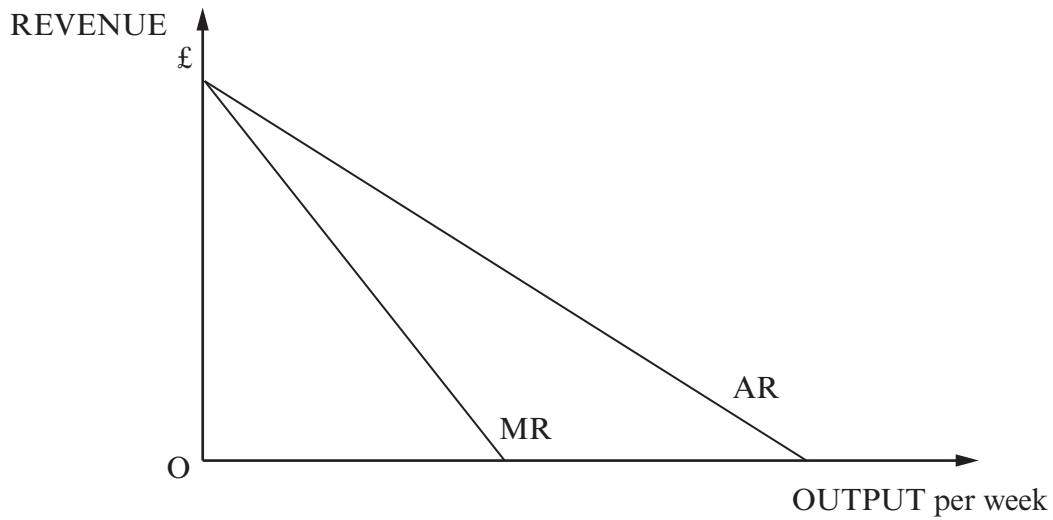
You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (Section B).

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between the different elements of the subject.

SECTION A

Answer all the questions in this section.

1. The diagram below shows the marginal revenue (MR) and average revenue (AR) curves for a firm which is a monopolist.



- (a) Define average revenue (AR). [1]

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- (b) Define marginal revenue (MR). [1]

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- (c) Explain why a monopolist's marginal revenue (MR) curve is always below its average revenue (AR) curve. [2]

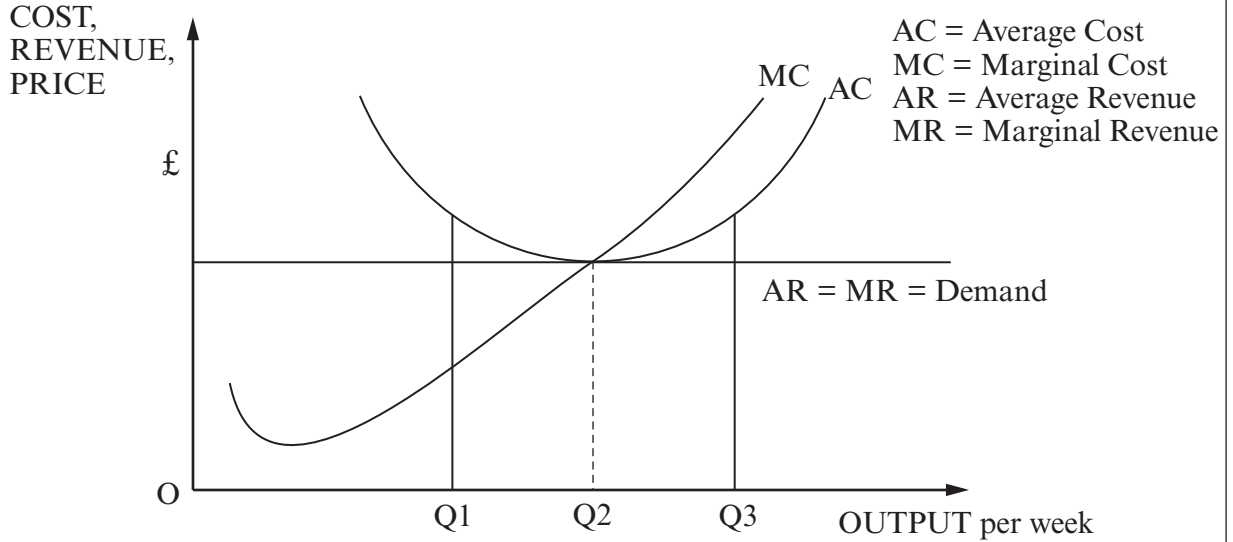
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2. The diagram below shows the long-run equilibrium for a profit-maximising firm in perfect competition. The firm produces an output of OQ2.



- (a) Explain why OQ2 is the profit maximising level of output. [2]

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- (b) At the profit maximising level of output at OQ2 what does the diagram show about the firm's

- (i) productive efficiency; [2]

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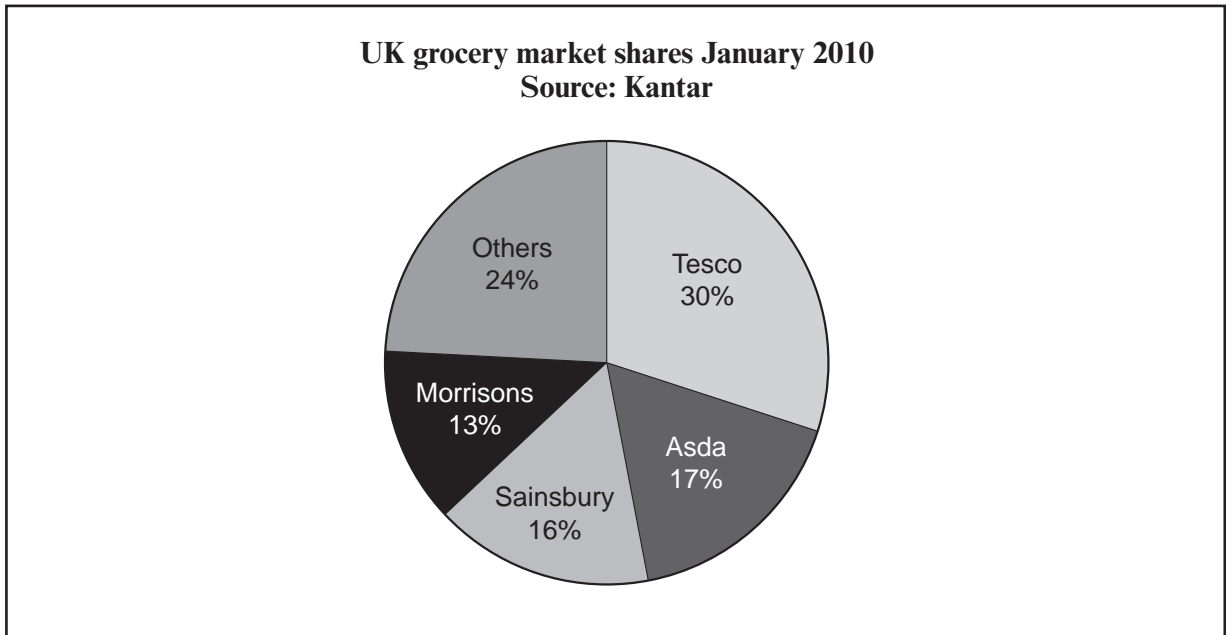
- (ii) allocative efficiency? [2]

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3.



Some economists argue that Tesco is too powerful in the grocery market and should be made to sell some of its shops.

(a) Explain **one** argument **for** making Tesco sell some of its shops. [2]

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(b) Explain **one** argument **against** making Tesco sell some of its shops. [2]

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Total mark /4

4.

UK Consumer prices index (CPI) 1996-2009		
	Price indices (2005 = 100)	
	1996	2009
CPI	88.1	110.8
Alcohol & Tobacco	73.3	115.3
Manufactured goods	120.1	95.7

(a) Explain what happened to the **real** price of alcohol & tobacco between 1996 and 2009.

[2]

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The table below shows the weights used in calculating the price indices above.

	Weights	
	1996	2009
CPI	1000	1000
Alcohol & Tobacco	70	40
Manufactured goods	330	313

(b) Using the table explain what factors might have affected the weights given to alcohol & tobacco and manufactured goods in 1996 and 2009.

[4]

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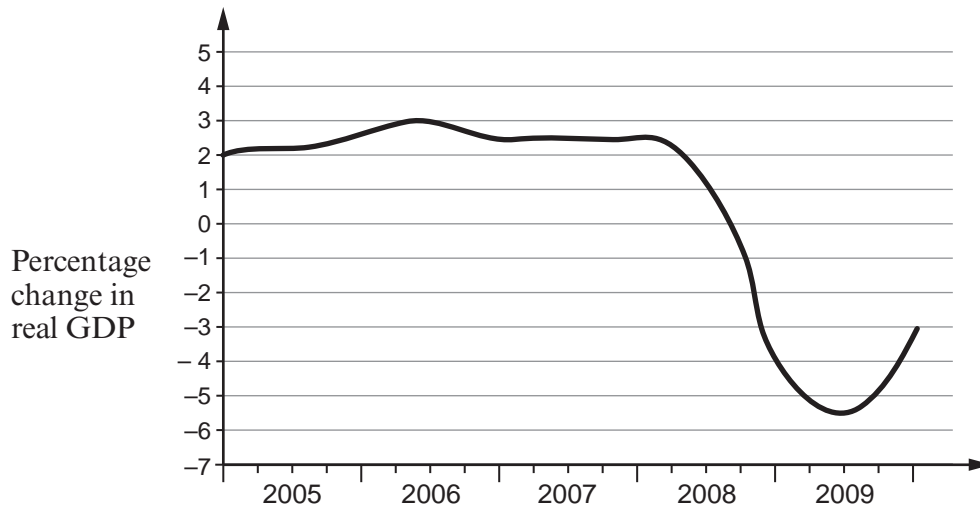
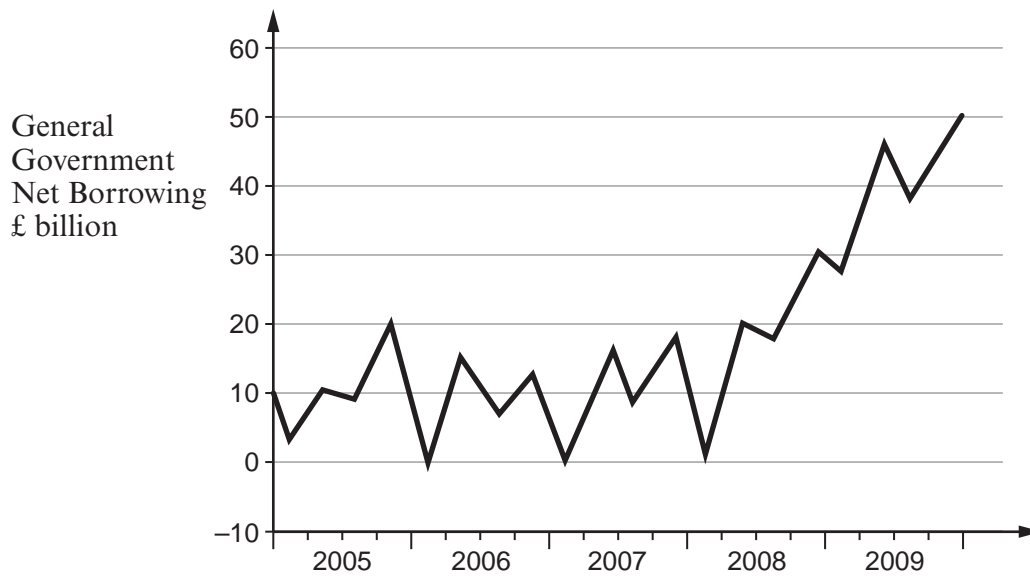
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Total mark**/6****Turn over.**

5.

Changes in UK Real Gross Domestic Product (GDP) 2005-09**Government borrowing 2005-09**

Source ONS

With reference to the data, discuss the possible relationship between GDP growth and Government borrowing. [6]

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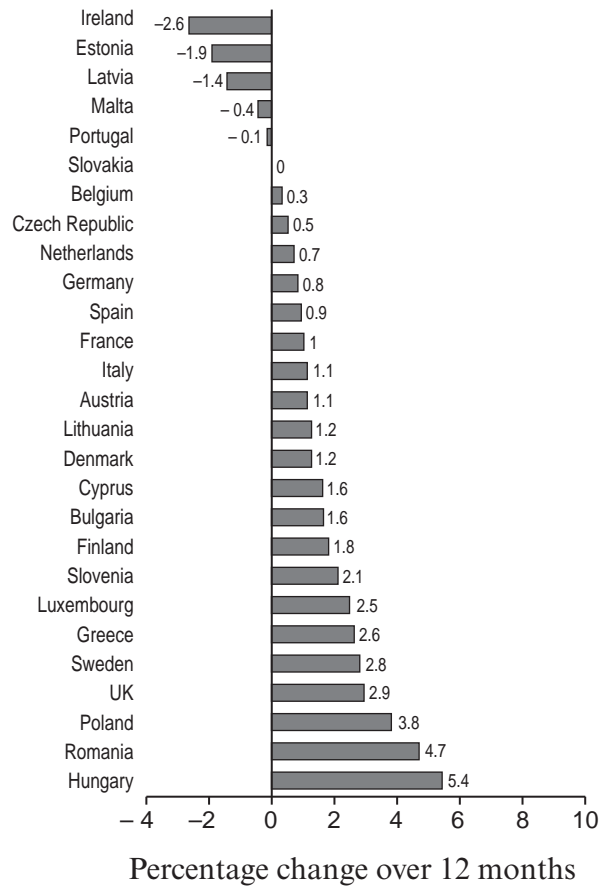
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Total mark /6

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6.

European Union (EU) member states inflation rates 2009

Source: ONS

Hungary is hoping to join the eurozone by 2012.
What problems does the data suggest might occur for its economy?

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Total mark /6

7. The table below shows selected economic indicators for Portugal and Saudi Arabia in 2007.

Indicator	Portugal	Saudi Arabia
GDP (PPP) \$US per head	22 765	22 935
World GDP (PPP) \$US per head ranking	42	40
Human Development Index (HDI)	0.909	0.843
World HDI ranking	34	59
Life Expectancy (Years)	78.6	72.7
Adult Literacy rate % (of population aged 15 and above)	95.0	85.0

GDP = Gross Domestic Product

PPP = Purchasing Power Parity

How useful is the data when comparing the standard of living of Portugal and Saudi Arabia?
[8]

Dotted lines for writing the answer.

Total mark /8

For continuation only.

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