



Rewarding Learning

General Certificate of Secondary Education

2009

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Centre Number

71

Candidate Number

Economics

Paper 2 Foundation Tier

[G2702]



G2702

FRIDAY 15 MAY, AFTERNOON

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

Write your answers in the spaces provided in this question paper.

Answer **all six** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 120.

Quality of written communication will be assessed in questions **3(c)**, **4(c)**, **5(d)**, **6(b)**, **6(c)** and **6(d)**.

Electronic calculators may be used in this examination but all working of answers involving calculations must be shown.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are recommended to study the mark allocation for each question and part question and to allocate your time accordingly.

For Examiner's use only	
Question Number	Marks
1	
2	
3	
4	
5	
6	
Total Marks	

Section A

Answer **all four** questions in this section.

Examiner Only	
Marks	Remark

- 1** The price of a loaf rose by 8 pence yesterday. Bread producers blamed this increase on a rise in the cost of wheat and a decrease in the amount of land used for growing wheat.

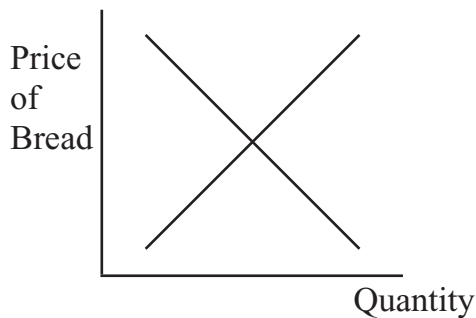
(Adapted from: telegraph.co.uk, 5 September 2007)

- (a)** Explain what is meant by equilibrium (market clearing) price.

[2]

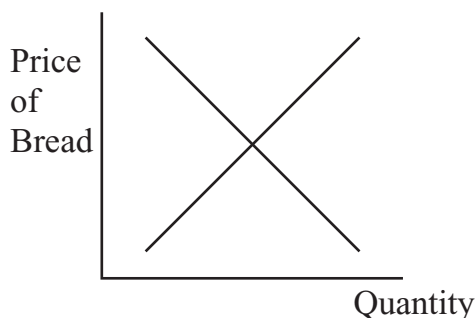
- (b)** On the diagrams below, label the demand and supply curves, and illustrate the effect that each of the following economic events will have on equilibrium (market clearing) price and quantity of bread.

- (i)** A rise in the cost of wheat.



[3]

- (ii)** A decrease in the amount of land used for growing wheat.



[3]

(c) Explain **one** economic advantage and **one** economic disadvantage of a rise in the price of wheat.

Advantage

[2]

Disadvantage

[2]

Examiner Only	
Marks	Remark

2 Falling house prices are good news for some people. First time buyers may benefit but others may be disadvantaged.

(Adapted from Rob Williams 'Falling house prices? Good news!' January 17 2008, www.guardian.co.uk)

(a) What is meant by a mortgage?

[2]

(b) Explain **two** other forms of consumer credit.

1. _____

[3]

2. _____

[3]

Examiner Only	
Marks	Remark

(c) Discuss **two** advantages and **two** disadvantages of falling house prices on the economy.

Advantages

- 1. _____

- 2. _____

_____ [4]

Disadvantages

- 1. _____

- 2. _____

_____ [4]

Examiner Only	
Marks	Remark

[Turn over

3 The UK job market is in its worst state for nearly a decade, according to a new report. Unemployment is expected to rise by around 150,000 to 1.8 million, or 5.8% of the workforce.

(Source: BBC News: Bleak prospects for UK job market, 28 December 2007)

(a) What is meant by unemployment?

[2]

(b) Describe **two** causes of unemployment.

1. _____

[3]

2. _____

[3]

Examiner Only	
Marks	Remark

(c) To reduce unemployment, the government plans to increase its spending and reduce taxes.

Discuss how these policies could reduce unemployment.

[6]

Examiner Only

Marks Remark

[Turn over

4 The celebrity chef, Jamie Oliver, wants to encourage young people to eat a healthy diet. He is trying to improve the quality of school dinners while keeping them at an affordable price. The government is also trying to discourage the consumption of 'junk food'.

(Source: Jamie Oliver School Dinners <http://www.jamieoliver.com/schooldinners/facts>)

(a) Explain why healthy school dinners might be considered a merit good.

[4]

(b) Explain **two** ways that the government may try to discourage the consumption of 'junk food'.

1.

2.

[6]

Examiner Only	
Marks	Remark

Section B

Answer **both** questions in this section.

5 The table below shows the weekly costs and revenue for Betty's Burger Bar.

Number of burgers	Fixed cost (£s)	Variable cost (£s)	Total cost (£s)	Total Revenue (£s)
0	600	0	600	0
200	600	100	700	300
400	600	200	800	600
600	600	300		900
800	600		1000	1200

(a) Complete the table to show:

(i) Total cost of producing 600 burgers per week.

(ii) Variable cost of producing 800 burgers per week. [2]

(b) (i) Explain what is meant by total revenue.

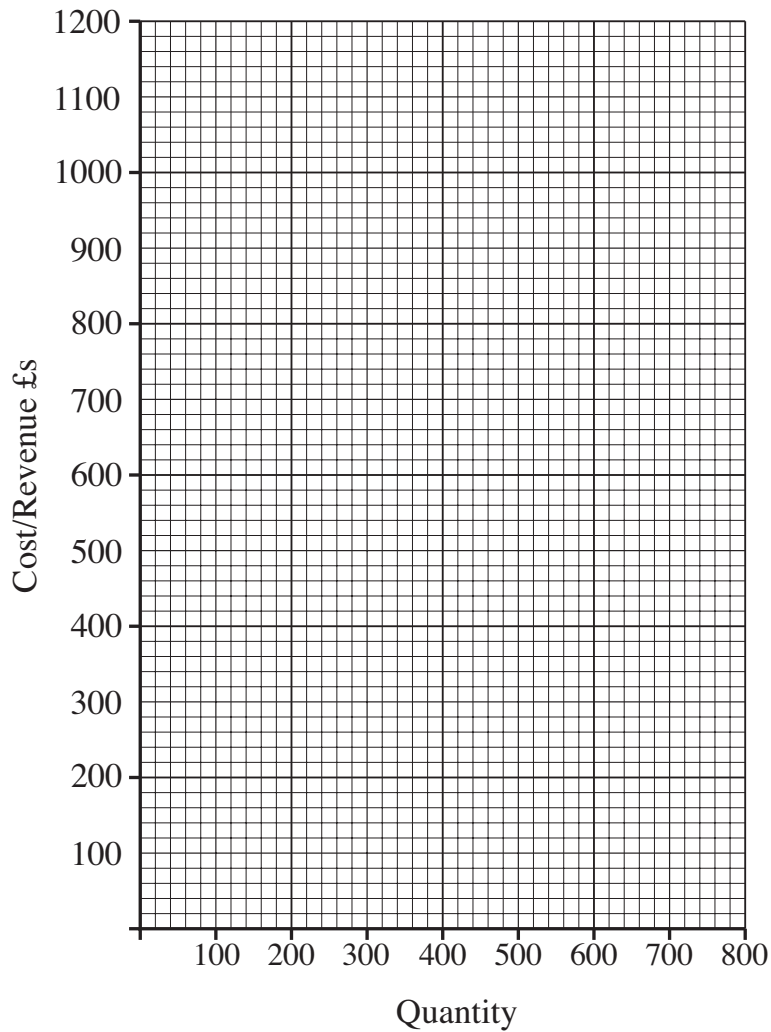
_____ [2]

(ii) Explain the difference between fixed and variable costs. Give an example of each.

_____ [6]

Examiner Only	
Marks	Remark

- (c) (i) Using the diagram below, plot the weekly break-even chart and indicate clearly the break-even position for the business.



[3]

- (ii) Explain why it is important for a firm to at least break-even.

[3]

Examiner Only	
Marks	Remark

[Turn over

(d) Costs are rising and Betty's needs to increase the price of a burger by 10%. Discuss how this price change may affect:

The number of burgers sold:

Betty's profits:

_____ [6]

Examiner Only	
Marks	Remark

(e) Betty's is expanding the business by opening several new outlets. Discuss **two** possible advantages and **two** disadvantages for a business like Betty's of operating on a larger scale.

Advantages

1. _____

 2. _____

- [4]

Disadvantages

1. _____

 2. _____

- [4]

Examiner Only	
Marks	Remark

[Turn over

6 Study the information below and answer the questions that follow:

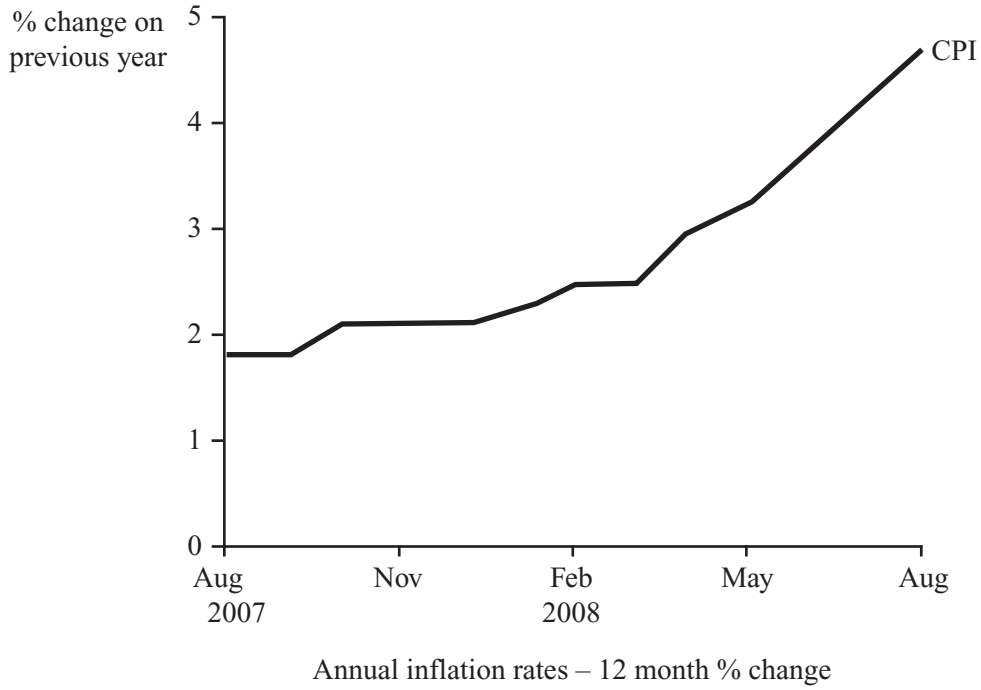


Fig. 1

<p>The Bank of England has the difficult task every month of deciding what to do about interest rates. The economy is suffering from the credit crunch. The cost of living is rising and economic growth has slowed down.</p>

Fig. 2

Examiner Only	
Marks	Remark

(a) (i) Using **Fig. 1**, describe the changes in the rate of inflation since August 2007.

[3]

(ii) Explain what is meant by cost–push inflation.

[4]

Examiner Only	
Marks	Remark

(b) Explain how rising inflation may affect

Consumers

Savers

Businesses

[9]

(c) Explain how an increase in the rate of interest may affect the rate of inflation.

[6]

Examiner Only

Marks	Remark

(d) Using Fig. 2, discuss the possible problems for the economy of an increase in the rate of interest.

[8]

Examiner Only	
Marks	Remark

THIS IS THE END OF THE QUESTION PAPER

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