Centre Number

71

Candidate Number

cea
Rewarding Learning

General Certificate of Secondary Education
2013

Economics

Paper 2

[G9272]

MONDAY 3 JUNE, MORNING

G9272
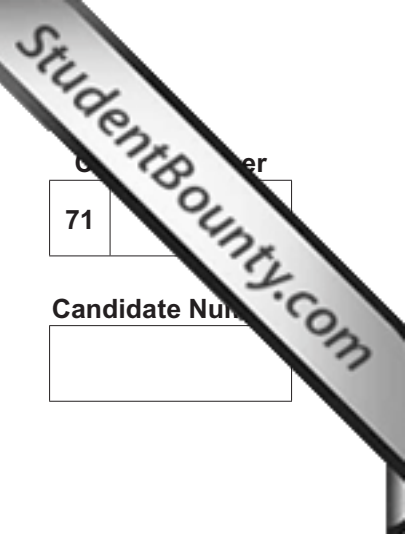
TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

You should answer all questions in the spaces provided in this question and answer booklet. If you do not have enough space to complete your answer, extra lined pages are provided at the back of the booklet.
Answer **all** questions in **Section A**.
Answer **both** questions in **Section B**.
Answer **one** question from questions **6**, **7**, **8** and **9** in **Section C**.

INFORMATION FOR CANDIDATES

The total mark for this paper is 90.
Your quality of written communication will be taken into account in assessing your answers to **all parts** of the question you choose to answer from **Section C**.

ADVICE TO CANDIDATES

You should take into account the maximum marks available when deciding how much time to spend on each question.

For Examiner's use only	
Question Number	Marks
Section A	
1	
2	
3	
Section B	
4	
5	
Section C	
Total Marks	

7957

Section A

Answer **all** questions in this section.

1   A cut in Corporation Tax could see a reduction of £300m in public spending in Northern Ireland.

(a) Give **two** other examples of taxes.

1. _____ [1]

2. _____ [1]

(b) What is the possible opportunity cost to Northern Ireland's economy of a cut in Corporation Tax?

_____

_____

_____ [2]

(c) Give **one** reason why the government might wish to cut Corporation Tax in Northern Ireland.

_____

_____

_____ [2]

7957

2 Thomas Cook, the travel agent, is hoping for good news from the Competition Commission on its proposed merger with Co-operative Travel. If this is approved, it would form a chain of over 1200 shops.

(a) What is meant by a merger?

_____

_____

_____ [2]

(b) Briefly explain the type of integration involved if Thomas Cook and Co-operative Travel were to merge.

_____

_____

_____ [2]

(c) Briefly explain one other type of integration.

_____

_____

_____ [2]

7957

[Turn over

3 Labour is one of the factors of production. It is possible to increase output through the division of labour.

(a) Identify **two** factors of production other than labour.

1. _____ [1]

2. _____ [1]

(b) Briefly explain what is meant by the division of labour.

_____

_____

_____

_____ [2]

(c) Give **one** advantage and **one** disadvantage of the division of labour.

Advantage

_____

_____

_____

_____ [2]

Disadvantage

_____

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_____

_____ [2]

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(Questions continue overleaf)

Section B

Answer **both** questions in this section.

4   Peter runs a farm near Portrush. To earn extra income he is considering
opening a caravan park. The supply of caravans to rent in the Portrush
area is estimated to be 500 per night. Research has indicated that the
demand for caravans to rent per night in Portrush during the summer
season is likely to be as follows:

Price per night in pounds (£s)	Quantity of caravans demanded per night
10	800
15	700
20	600
25	500
30	400
35	300
40	200

(a) Plot the demand and supply for caravans in Portrush on the graph
paper opposite. Label your diagram carefully and show clearly the
equilibrium price and quantity.   [6]

(b) In the following summer, the demand for caravans increases by
200 per night at every price. On your graph, indicate the effect of this
change on equilibrium price and quantity.   [4]

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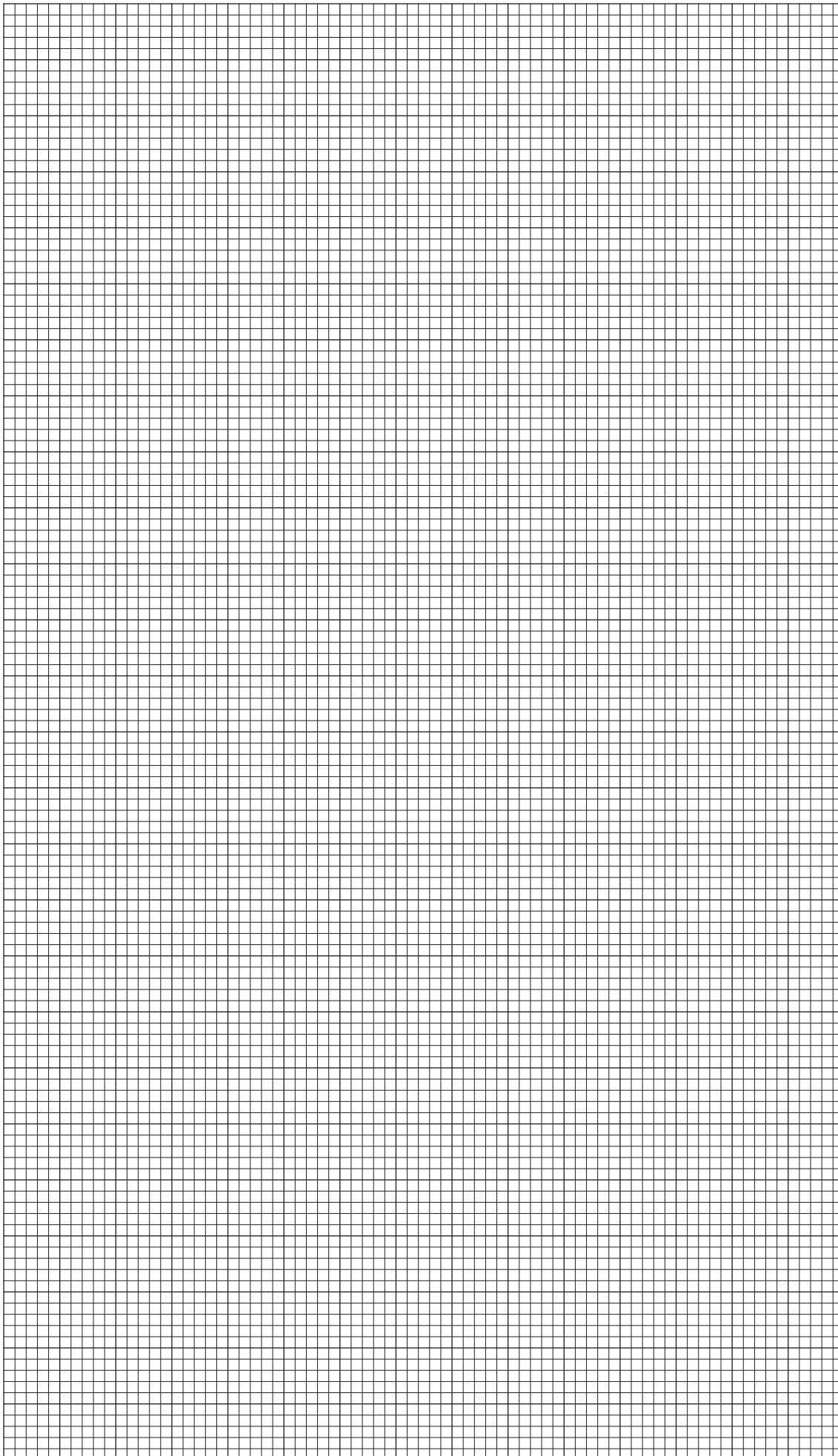
(c) Outline **two** factors which could cause an increase in the demand for caravans.

1. _____

_____

_____

_____ [2]

2. _____

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_____ [2]

(d) In order to set up the caravan site Peter needs to raise finance. Identify **two** possible sources of finance for Peter's business idea.

1. _____

_____ [1]

2. _____

_____ [1]

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(e) Discuss which of these sources of finance would be more suitable for Peter to choose.

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_____ [4]

[Turn over

5 **UK Inflation and Bank of England Interest Rates (%)**

Per cent

© Reuters / EcoWin
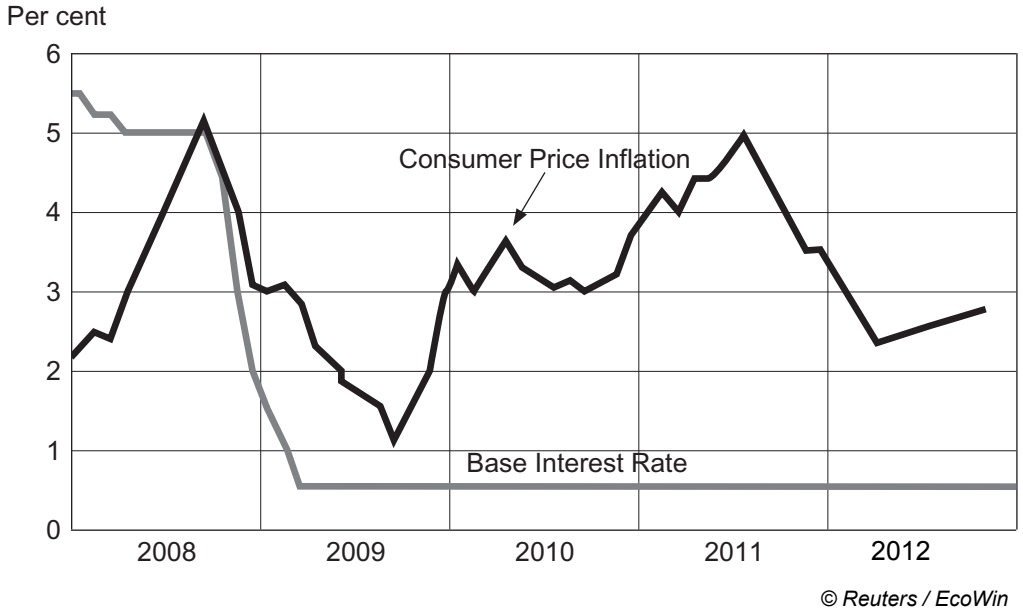
The UK base rate of interest has been kept at the record low of 0.5%
despite the rise in the Consumer Prices Index (CPI) to 4.5%.

© BBC News @bbc.co.uk/news

(a) Explain what is meant by the following:

(i) The Consumer Prices Index (CPI).

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_____ [3]

(ii) The base rate of interest.

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_____ [3]

(b) Describe what has happened to the CPI since January 2008.

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(c) Explain how a rise in the base rate of interest may affect the rate of inflation.

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_____ [4]

[Turn over

(d) Explain how low interest rates at a time when there is significant inflation would affect:

1   Savers

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_____ [3]

2   Borrowers

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_____ [3]

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Section C

Answer **one** question from questions **6**, **7**, **8** and **9**.

6   Unemployment rose by 80 000 to reach 2.51 million in the three months to July 2011. According to the Office for National Statistics, 77 000 of the newly unemployed were 18 to 24 year-olds.

Source: Daily Telegraph 14 September 2011

(a) Explain what is meant by unemployment.

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[Turn over

(b) Examine the main causes of unemployment in the UK.

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(c) Discuss some of the policies that the government may use to reduce unemployment.

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[Turn over

7   During the banking crisis which began in 2007, the Bank of England and the Financial Services Authority (FSA) were criticised for not having looked after the interests of consumers. The Chancellor has announced the creation of a new Financial Conduct Authority (FCA) which will be given responsibility for protecting consumers of financial services.

Source: Guardian 27 June 2011

(a) Explain how the financial services industry contributes to the UK economy.

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_____ [6]

(b) Examine why the financial services industry needs to be regulated.

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_____ [9]

[Turn over

(c) Discuss how well the financial services industry has been regulated.

[15]

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8 Northern Ireland's electricity market for household consumers is no longer a monopoly. Households now have a choice between Power NI and a number of new providers that have been allowed to enter the market including Airtricity, Budgetpower and Electricity Ireland. Airtricity expects to undercut prices by about 14% initially.

© BBC News @bbc.co.uk/news

(a) Explain what is meant by a monopoly.

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_____ [6]

[Turn over

(b) Examine the ways in which new firms entering a market might compete with existing businesses.

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_____ [9]

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(c) Discuss the view that competition is always better than a monopoly.

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_____ [15]

[Turn over

9 The number of people in the UK aged over 65 is expected to increase by 64% by 2032. This means that this age group will make up almost a quarter of the population.

(a) Explain what is meant by an "ageing population".

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_____ [6]

(b) Examine the economic effects of an ageing population.

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_____ [9]

(c) Discuss how the UK government should respond to an ageing population.

[15]

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Continuation page (Use this page if you need extra space to complete your answers.)

[Turn over

Continuation page (Use this page if you need extra space to complete your answers.)

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THIS IS THE END OF THE QUESTION PAPER

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