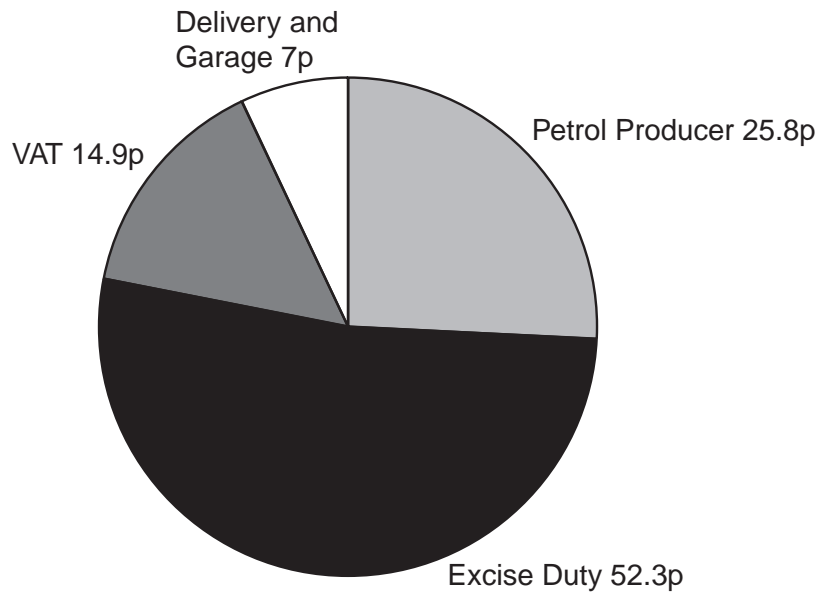




### Question 1

Fig. 1 shows what happens to £1 paid by a UK motorist for a litre of petrol.



**Fig. 1**

- (a) Calculate the percentage of the price which is made up of excise duty. Show your working.

---



---

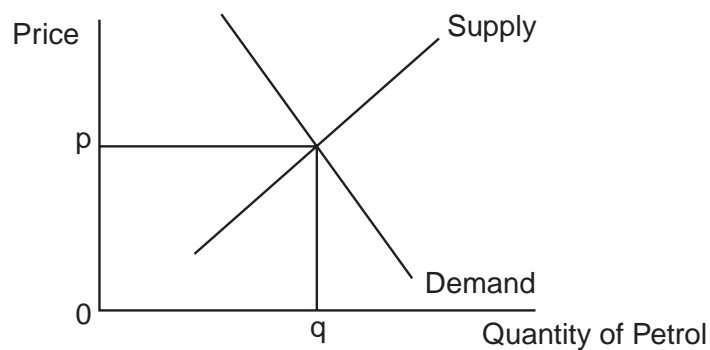


---

[2]

- (b) Petrol is made from oil. The diagram below shows the demand for and supply of petrol.

- (i) On the diagram, show the effect on the price and sales of petrol of a rise in the price of oil.



[3]

- (ii) State what happens to:

the market price of petrol; \_\_\_\_\_

the quantity of petrol sold. \_\_\_\_\_

[2]

- (c) With the help of a demand and supply diagram, explain what will happen to the market for **cars** if there is a large rise in the price of petrol.

---

---

---

---

---

---

---

---

[6]

- (d) Car manufacturers use the four factors of production to make cars. Name the **four** factors of production.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

[4]

- (e) Car manufacturers have both fixed and variable costs of production. Explain the difference between a fixed cost and a variable cost.

---

---

---

---

[2]

- (f) Identify **two** costs paid by car users.

1. \_\_\_\_\_
2. \_\_\_\_\_

[2]

- (g) Identify **two** external costs of car use.

1. \_\_\_\_\_
2. \_\_\_\_\_

[2]

**TOTAL MARK 23**  
[Turn over]

## Question 2

- (a) (i) What is meant by the term opportunity cost.

---



---



---

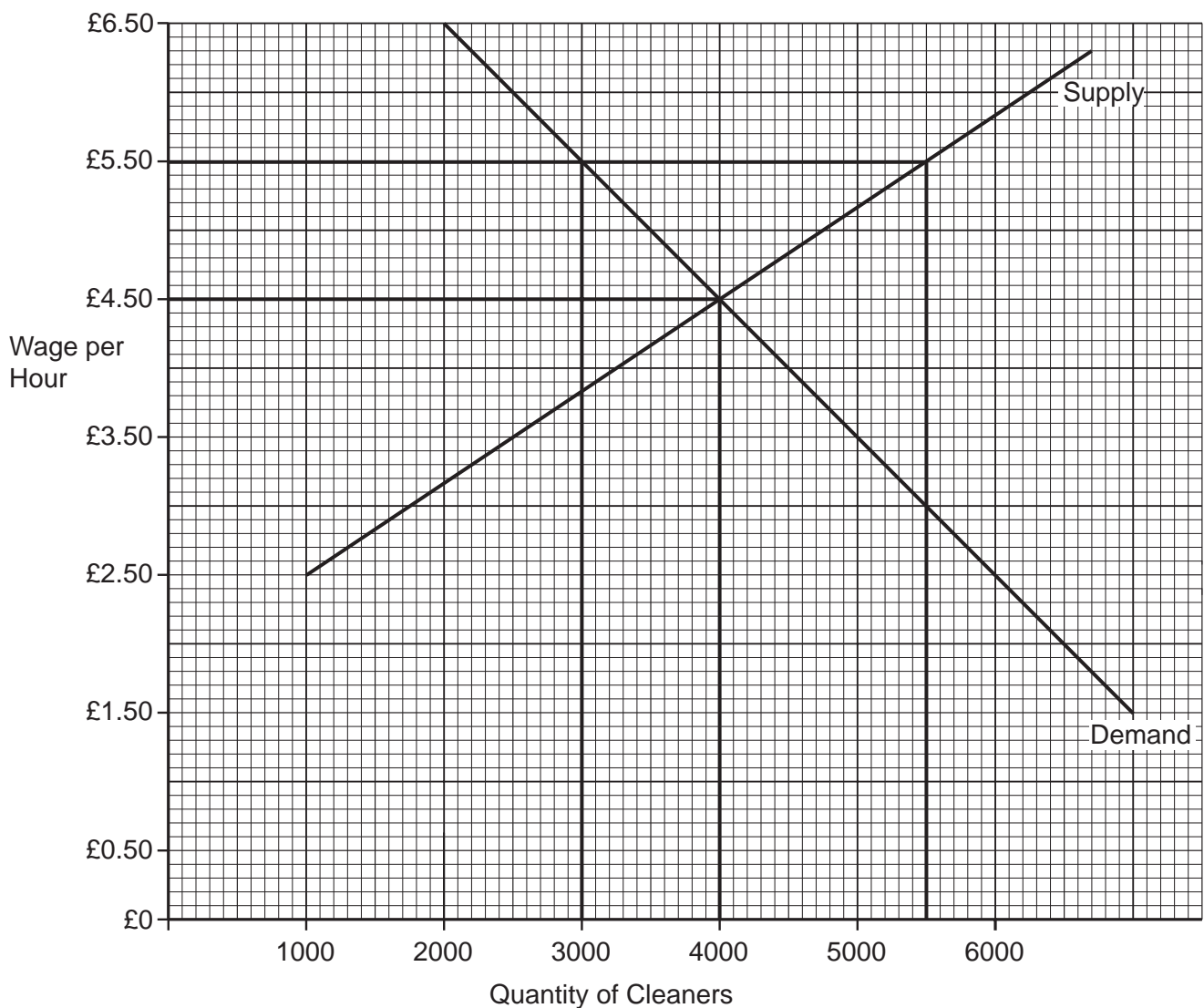
 [2]

- (ii) What might be the opportunity cost to a 16-year old of leaving school to take up a job?

---

 [1]

Fig. 2 shows the labour market for cleaners in a town.



**Fig. 2**

- (b)** Fig. 2 shows the equilibrium wage for cleaners is £4.50 an hour. The cleaners are, however, paid a minimum wage of £5.50 an hour. Using Fig. 2, explain what happens in this market for cleaners now that a minimum wage is paid.

---

---

---

---

---

---

---

---

---

---

[4]

- (c)** Should doctors be paid more than cleaners? Give reasons for your answer.

---

---

---

---

---

---

---

---

---

---

[4]

**(d)** A national minimum wage is good for the economy. Do you agree? Give reasons for your answer.

[illegible]**TOTAL MARK 19**

**7**  
**BLANK PAGE**

**PLEASE DO NOT WRITE ON THIS PAGE**

**Question 3**

In April 2006 the following report appeared in a newspaper.



**Fig. 3**

- (a) State **one** reason given by Peugeot for the closure of its Coventry factory.

---

[1]



- (b) Explain **three** possible reasons why Peugeot may prefer to locate car production in Slovakia rather than in the UK.

1 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [6]

- (c) The UK and Slovakia are both European Union (EU) countries. Name **two** other EU countries.

1 \_\_\_\_\_

2 \_\_\_\_\_ [2]

- (d) Explain **two** advantages which companies such as Peugeot can gain from locating production within the European Union.

1 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [4]

- (e) The descriptions in Fig.4 below are of four types of unemployment. Using the words below, match each type of unemployment with its description. Write your answers in Fig. 4.

**Cyclical****Structural****Technological****Voluntary**

Description	Type of unemployment
Unemployment caused by the permanent closure of car factories.	
Unemployment caused by machines taking the place of labour.	
Unemployment caused by lack of demand in a recession.	
Unemployment caused by people who prefer to rely on state benefits for their income.	

[4]

**Fig. 4**

- (f) Over 60% of Peugeot's cars made in the UK were exported.

- (i) What is an export?

\_\_\_\_\_ [1]

- (ii) How would the closure of the Peugeot factory in Coventry affect UK exports and imports of cars?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ [2]

- (g)** Would the closure of the Peugeot factory in Coventry lead to problems for the local community? Give reasons for your answer.

---

---

---

---

---

---

---

---

---

---

---

---

---

[6]

- \*(h)** Below are **two** economic measures that the government could use to improve the employment prospects of unemployed car factory workers. Explain **each** method and discuss how well it is likely to work.

## Providing training schemes

---

---

---

---

---

---

12

Reducing taxes (such as VAT) on new cars

---

---

---

---

---

---

---

---

[8+2]

QWC

☐

**TOTAL MARKS 36**

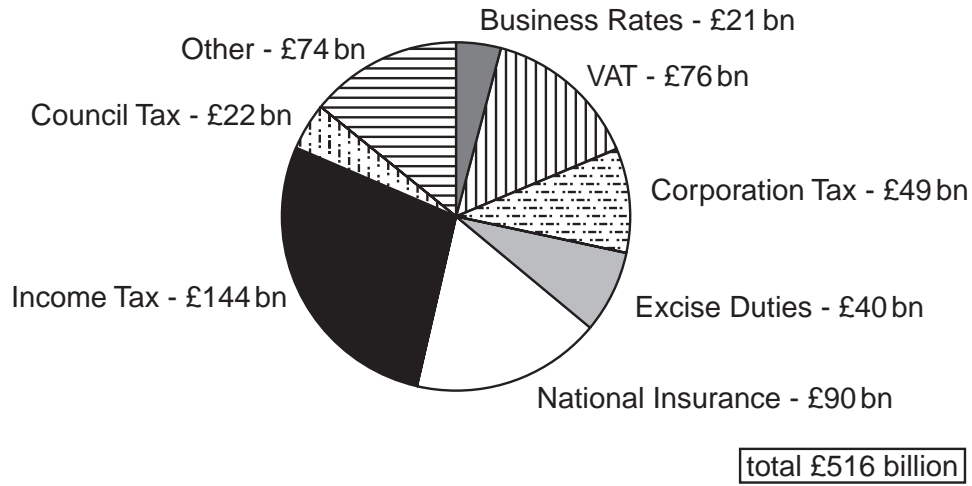
**13**  
**BLANK PAGE**

**PLEASE DO NOT WRITE ON THIS PAGE**

### Question 4

Figs 5 and 6 show UK government taxation and spending for the year 2006/7.

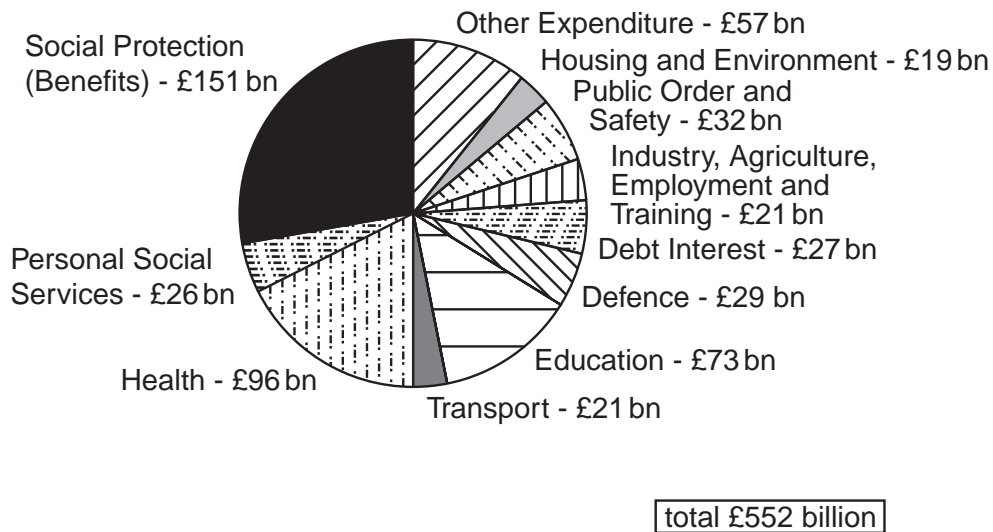
**Where taxes come from 2006/07**



Source: HM Treasury, [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

**Fig. 5**

**Where taxpayers' money is spent 2006/07**



Source: HM Treasury, [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

**Fig. 6**

(a) From Fig. 5:

(i) state **two** deductions from wages;

1. \_\_\_\_\_

2. \_\_\_\_\_

[2]

(ii) state **two** taxes on spending;

1. \_\_\_\_\_

2. \_\_\_\_\_

[2]

(iii) state **two** taxes which provide income for **local** government;

1. \_\_\_\_\_

2. \_\_\_\_\_

[2]

**(iv)** name the **two** taxes which collect the most revenue for the UK government.

1. \_\_\_\_\_

2. \_\_\_\_\_

[2]

**(b)** From Fig. 6, name the **two** largest items of government spending.

1. \_\_\_\_\_

2. \_\_\_\_\_

[2]

**\*(c)** In recent years, the UK government has been spending more on health and education. Should the extra revenue for this come from direct taxes (such as income tax) or indirect taxes (such as VAT and excise duties)? Give reasons for your answer.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

---

---

---

---

---

---

[10 +2]

QWC

☐**TOTAL MARKS 22**



If you use the following lines to complete the answer to any question, the question number **must** be clearly shown.

[illegible]

**18**  
**BLANK PAGE**

**PLEASE DO NOT WRITE ON THIS PAGE**

**19**  
**BLANK PAGE**

**PLEASE DO NOT WRITE ON THIS PAGE**

**PLEASE DO NOT WRITE ON THIS PAGE**

---

*Copyright Acknowledgements:*

Figs. 5 and 6      Source: HM Treasury, [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk). Crown copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland.

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (OCR) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

OCR is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.