

Candidate forename						Candidate surname					
Centre number						Candidate number					

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
GCSE
A592/01
ECONOMICS

How the Economy Works

FRIDAY 18 MAY 2012: Afternoon
DURATION: 1 hour
plus your additional time allowance
MODIFIED ENLARGED

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. HB pencil may be used for graphs and diagrams only.**
- **Answer ALL the questions.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.**

INFORMATION FOR CANDIDATES

- **The number of marks is given in brackets [] at the end of each question or part question.**
- **The total number of marks for this paper is 60.**
- **You will be awarded marks for the quality of written communication on the questions marked with an asterisk (*).**

Answer ALL questions.

- 1 Fig. 1 shows where the money paid for a litre of petrol went in 2010.**

Duty	56.19p
Product	30.27p
VAT	14.2p
Retailer/Delivery	8.24p

Fig. 1

- (a) Tick TWO boxes to indicate which two taxes are put on petrol by the UK government.**

	Tick
Excise duty	
National insurance	
Road tax	
Value added tax	

[2]

- (b) (i) Explain what is meant by a ‘negative externality’.**

[2]

(ii) Identify TWO negative externalities which are caused by car travel.

1. _____

2. _____ **[2]**

(c) Other than tax on petrol, state and explain TWO policies which can be used to reduce car travel.

Policy 1 _____

Policy 2 _____

[6]

[illegible]

[8]

[Total: 20]

2 Fig. 2 gives information about three savings accounts offered by a leading bank.

Instant Access Account 2.50% eSaver	ESAVER. A hassle-free, online savings account with instant, penalty free access 24 hours a day. Save from just £1. Easy to open and manage online. Also comes with a cash card.
ISA Account 2.75% Tax-free ISA	ISA. Open an ISA (Individual Savings Account), offering a 2.00% rate of interest tax free on savings from just £1 and a 2.75% rate of interest tax free on savings over £9000.
Fixed Rate Savings Bond 3.50% Two year Fixed Rate Savings Bond	TWO YEAR FIXED RATE SAVINGS BOND. Lock away your money for two years and receive a great fixed rate of interest of 3.50% on savings over £10,000.

Fig. 2

(a) What is the minimum amount of money required to save in the:

- **eSaver;** £ _____

- **Two year Fixed Rate Savings Bond?**

£ _____ [2]

(b) Using the information in Fig. 2, explain TWO factors which can affect the rate of interest paid on savings accounts.

Factor 1 _____

Factor 2 _____

_____ [4]

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(d)* Discuss the extent to which inflation is harmful to the UK economy. [8]

[illegible]

[Total: 20]

- 3 In the March 2010 Budget, the UK government forecast the budget deficit for the next five years. These forecasts are shown in Fig. 3.

YEAR	BUDGET DEFICIT
2009/10	£167 billion
2010/11	£163 billion
2011/12	£131 billion
2012/13	£110 billion
2013/14	£ 89 billion

Fig. 3

- (a) (i) Tick the correct definition of a budget deficit.

	Tick (✓)
Tax revenue is greater than government spending	
Tax revenue is equal to government spending	
Tax revenue is less than government spending	

[1]

- (ii) Using Fig. 3, state which year shows the largest budget deficit.

Year _____

[1]

(b) Identify TWO main areas of UK government spending, and for each area give a reason for the government spending.

Area 1 _____

Reason _____

Area 2 _____

Reason _____

_____ **[4]**

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[illegible]

[8]

[Total: 20]

[Paper Total: 60]

[illegible]

[illegible]



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