Surname	Centre Number	Candidate Number
Other Names		2

GCE AS/A level

1131/01

ECONOMICS – EC1

P.M. FRIDAY, 18 May 2012

1 hour

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1.	**2**	
2.	**2**	
3.	**6**	
4.	**4**	
5.	**6**	
6.	**8**	
7.	**8**	
8.	**6**	
9.	**8**	
Total	**50**	

1131 010001

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

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 the spaces provided. You may use continuation paper on page 12 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

Examiner only

Answer **all** *the questions in the spaces provided.*

1. NHS could have employed 10,000 nurses with the £314m it spent on management advisors.

Use the above information to explain the concept of opportunity cost. [2]

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Total mark /2

2. The price of crisps in a school canteen rose from 40p per bag to 50p and as a result sales fell from 200 bags to 180 bags per day. Calculate the price elasticity of demand for crisps at the school. [2]

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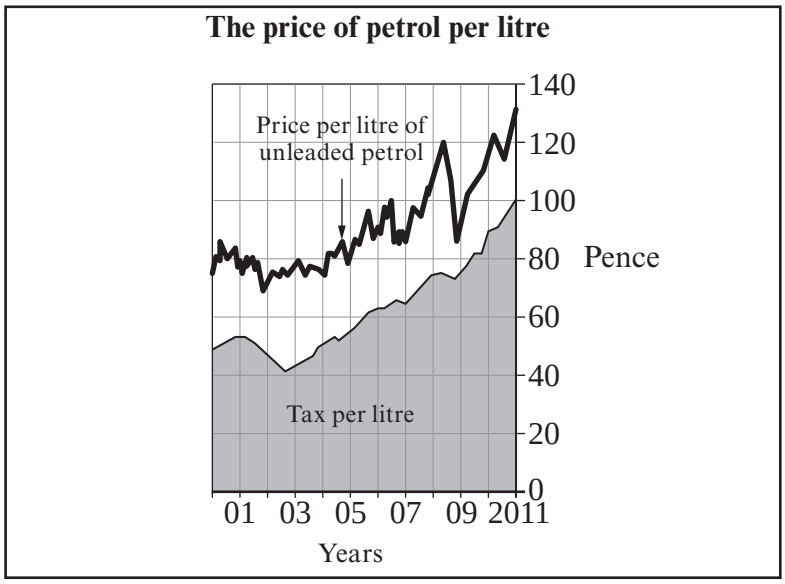
Total mark /2

Examiner only

3.



With reference to the data **and** using a diagram, explain why petrol retailers are able to shift a large proportion of the tax on petrol onto consumers. [6]

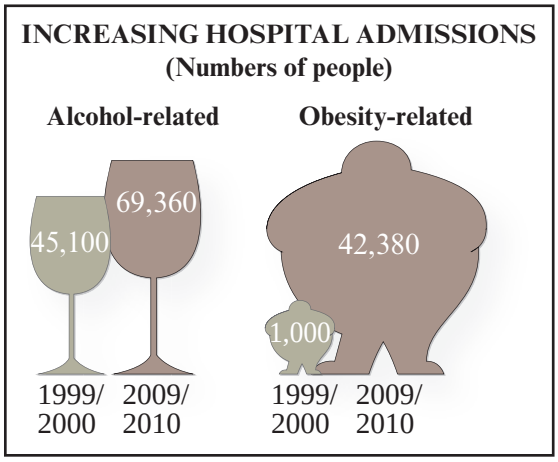
Total mark /6

Turn over.

Examiner only

4. Between 2000 and 2010 hospital admissions for obesity and alcohol related conditions rose sharply. The combined cost of treating alcohol and obesity is around £6.5bn per year.

Define external costs and using the data explain why there are external costs resulting from excessive alcohol and food consumption. [4]



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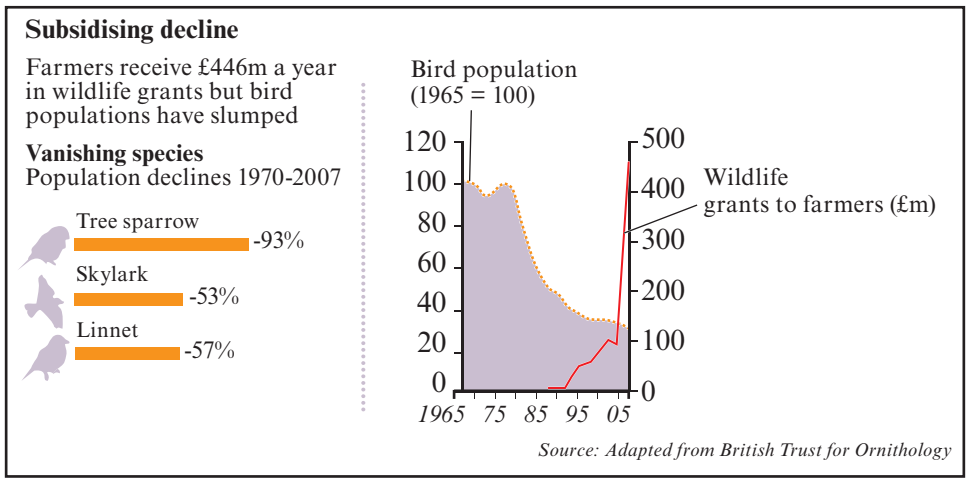
Total mark /4

Examiner only

5.



According to a report by the Game and Wildlife Conservation Trust, government grants to farmers to preserve wildlife were a waste of money. The report found that farmers were given payments for measures that were easy to implement but had no real benefit for wildlife. According to the report farmers can choose options like maintaining hedgerows which often fail to meet the needs of wildlife.

To what extent are these government grants an example of government failure? [6]

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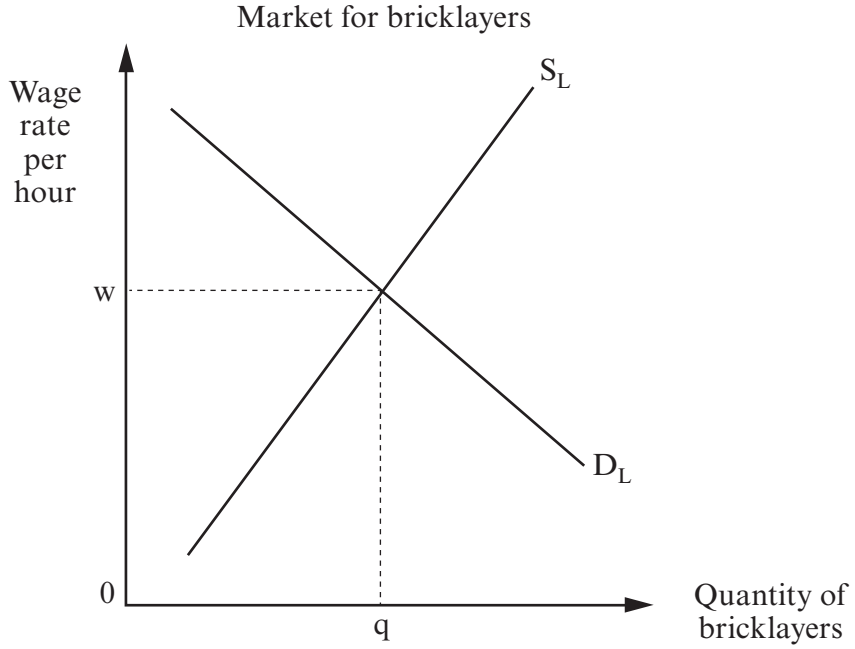
Total mark /6

Turn over.

Examiner only

6. The diagram below shows the average wage of bricklayers in the UK economy.



Using the diagram, evaluate the likely effects of a rise in mortgage interest rates and the arrival of bricklayers from eastern Europe seeking employment in the UK. [8]

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Total mark /8

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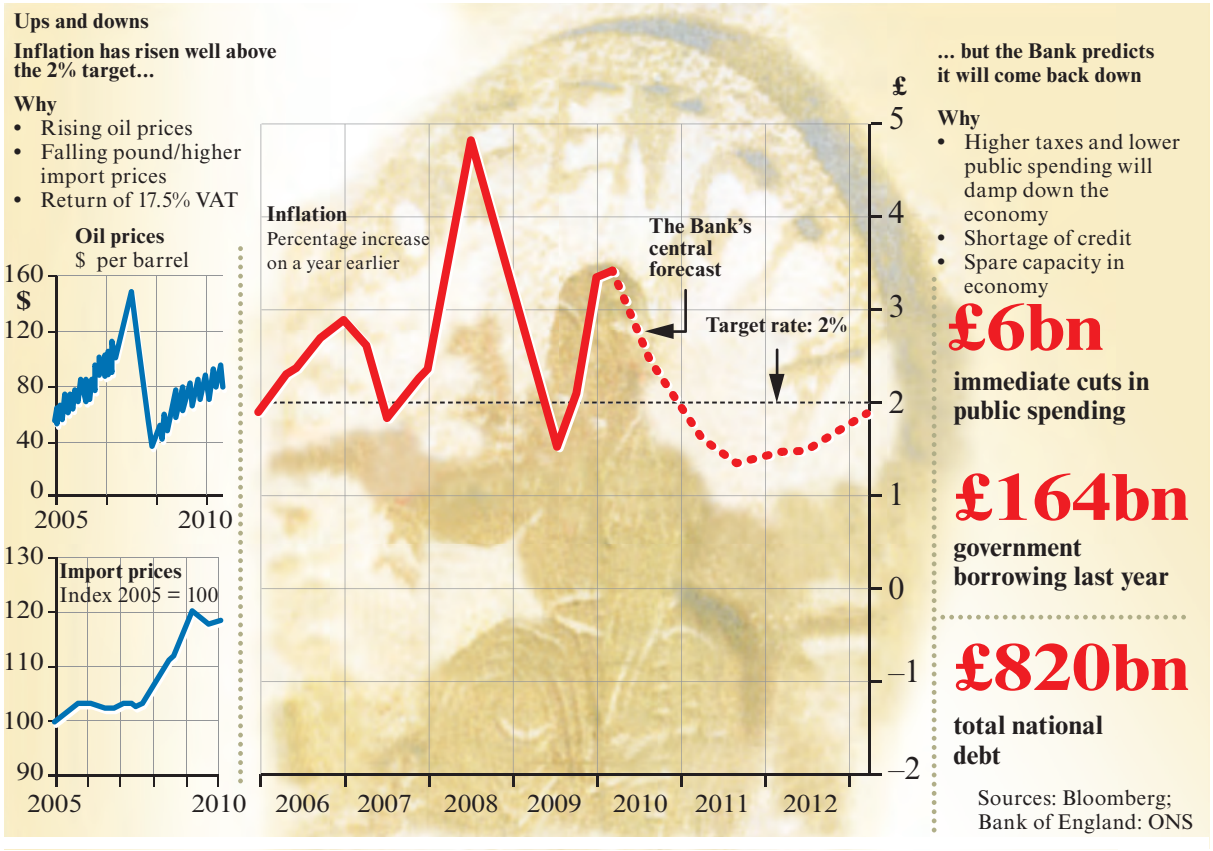
Turn over.

Examiner only

7.



The Times, 13 May 2010

(a) Using an aggregate demand and aggregate supply diagram explain why, according to the data, inflation has been above target in recent years. [4]

Examiner only

(b) Using an aggregate demand and aggregate supply diagram explain why, according to the data, inflation is predicted to come down in 2012. [4]

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Total mark /8

Examiner only

8. 50% top income tax rate could be scrapped by the next election

George Osborne, the Chancellor of the Exchequer, has announced an official review of the higher earners' tax rate which could be scrapped in 2012.

Discuss the view that the abolition of the 50% tax rate would be beneficial to the UK economy. [6]

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Total mark /6

Examiner only

9. In recent years the UK's trade deficit in goods has continued to worsen despite a fall in the value of the pound since 2007.

To what extent can a fall in the value of a currency such as the pound be expected to improve the trade balance? [8]

Total mark /8

Turn over.

Examiner only

For continuation only.