

Answer ALL the questions.

Question 1

In 2007, difficult weather conditions in California, USA, caused the orange crop to fall by 70%. The effect of the crop failure on the price of oranges between 2006 and 2007 is shown in the following table and on Figure 1a below.

Year	Price of oranges (\$ per kilo)
2006	0.5
2007	1.5

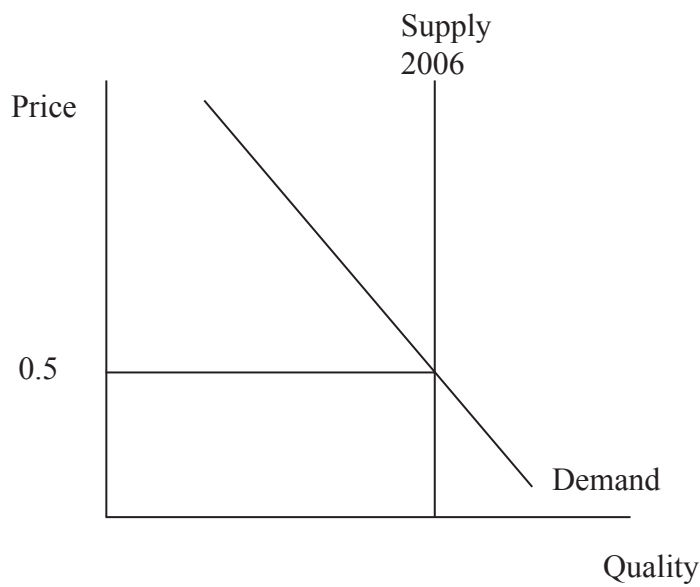


Figure 1a

On Figure 1a

- (a) (i) Draw and label the supply curve for oranges in 2007. (2)
- (ii) Show the new equilibrium price and quantity in 2007. (2)
- (iii) If the price elasticity of demand for Californian oranges is elastic, what will happen to the incomes of orange farmers from 2006 to 2007? Place a cross in the correct box.
- Incomes will rise
- Incomes will fall
- Incomes will stay the same
- (1)



(iv) Explain your answer to (iii).

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(2)

(v) Oranges can be squeezed to make fresh orange juice. Explain why the supply of fresh orange juice is likely to be less elastic than the supply of soft drinks like cola.

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(4)



Question 2

Figure 2a shows the sectors of the economy of Georgia in 2006.

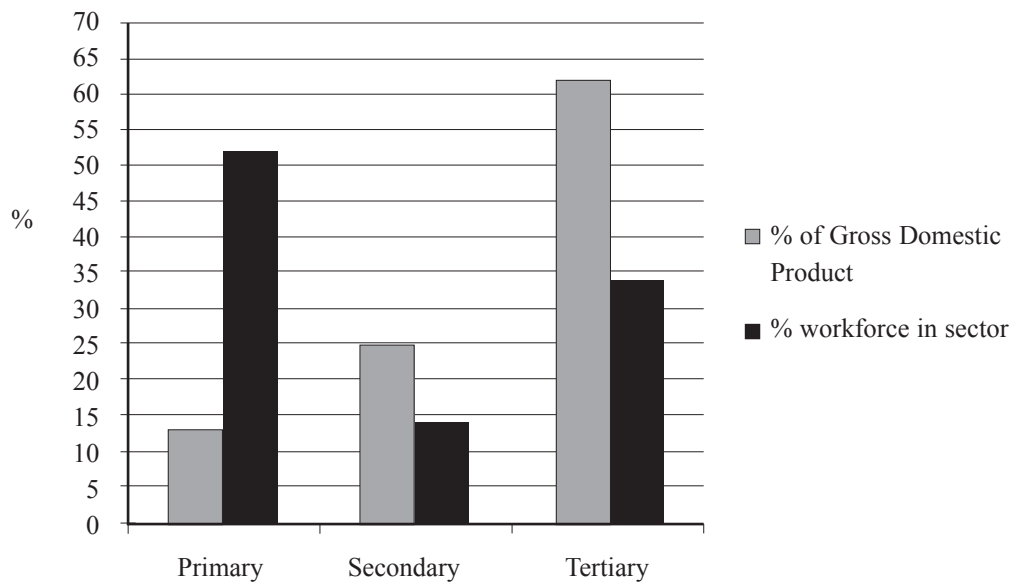


Figure 2a

(a) Use the information in Figure 2a to identify the sector which:

(i) contributed the highest percentage to Gross Domestic Product in 2006.

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 (1)

(ii) employed the highest percentage of the workforce in 2006.

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 (1)

(iii) With the aid of an example, explain what is meant by the tertiary sector.

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 (2)



(iv) What is meant by 'division of labour'?

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(2)

(v) With reference to the secondary sector, to what extent do the advantages of division of labour outweigh the disadvantages in the secondary sector?

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(vi) Identify and briefly explain **one** other factor, apart from division of labour, which could increase labour productivity in the secondary sector.

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Figure 2b shows the percentage Gross Domestic Product of Georgia in 2002 and 2006.

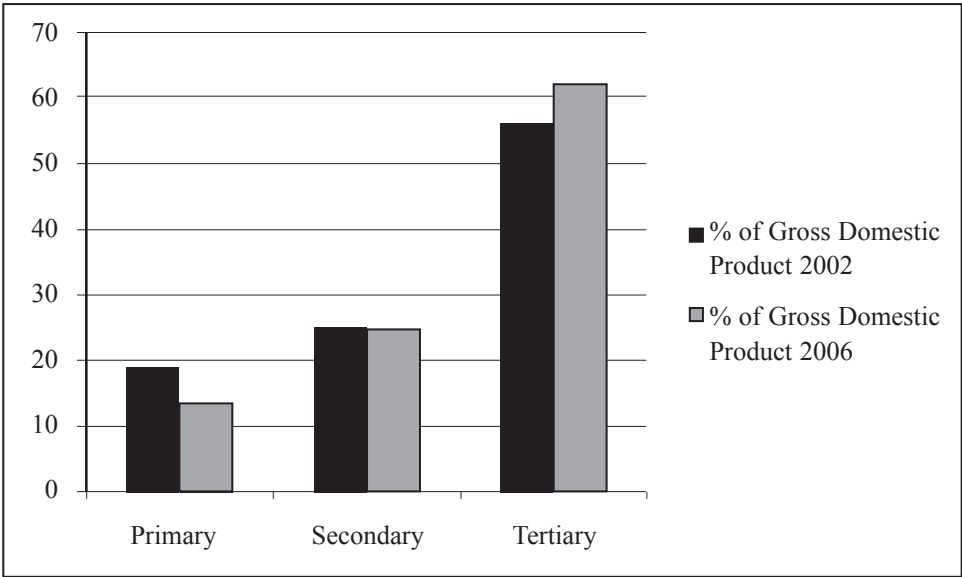


Figure 2b

(b) Using the data in Figure 2b, explain why Georgia can be seen as a developing economy.

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(c) Figure 2c shows the combined market share of the largest 5 firms in the UK's soft drinks industry.

5 Firm Market Share in UK's Soft Drinks Industry

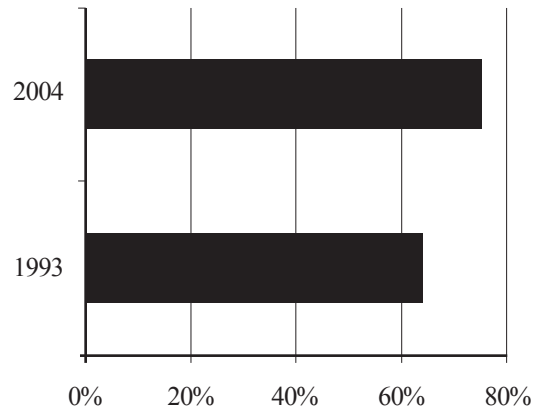


Figure 2c

(i) Place a cross in the correct box to identify the structure of the industry shown in Figure 2c. Explain your answer.

- Oligopoly
- Monopoly
- Public

(1)

Explanation:

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(2)



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(ii) In your opinion is an industry with a few large producers good for consumers?
Give reasons for your answer.

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Q2

(Total 25 marks)



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Question 3

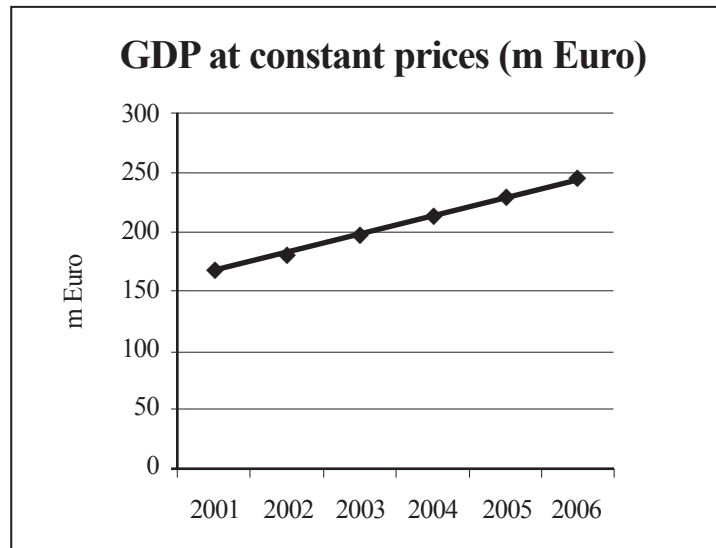


Figure 3a

Figure 3a shows the Gross Domestic Product (GDP) of Greece 2001–2006.

(a) (i) What is meant by Gross Domestic Product (GDP)?

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(2)

Figure 3b shows Investment in Greece 2001–2006.

(ii) With the aid of an example, define investment.

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(2)



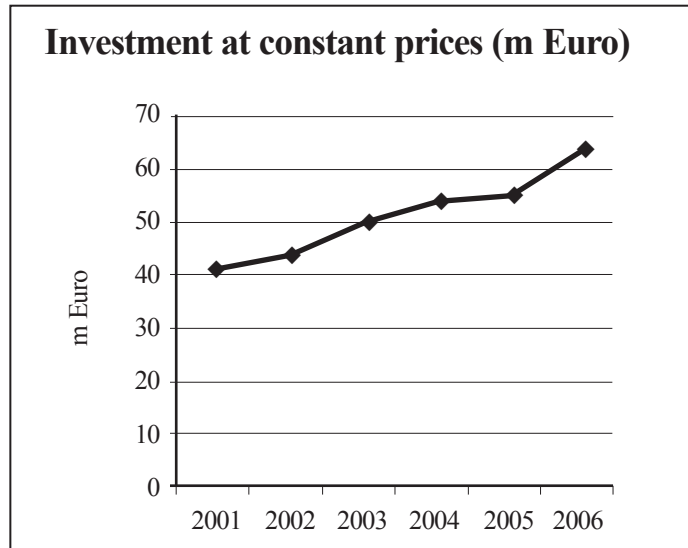


Figure 3b

(iii) Using the data in Figures 3a and 3b, briefly explain the likely relationship between GDP and the level of investment between 2001–2006.

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(iv) Explain how changes in the rate of interest might be used to increase the level of investment in Greece.

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(v) Identify and briefly explain **one** other measure a government could use to increase the level of investment in a country.

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(ii) Examine **one** measure of fiscal policy a government may use to reduce a deficit on the current account of the balance of payments.

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Q3

(Total 25 marks)



Question 4

In 2007 the United States government announced a record trade deficit with China of \$233bn. It blamed the deficit on the low exchange rate of the Chinese currency.

(a) Read the following passage and complete the blank spaces by choosing from the list below. Items in the list may be used more than once:

- supply
- value
- demand
- currency

Exchange rates show the (i) of one currency in terms of another (ii) (2)

(iii) Place a cross in the correct box to complete the following sentence. The United States government thought that imports from China into the United States were

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|---------------|--------------------------|
| Too expensive | <input type="checkbox"/> |
| Too cheap | <input type="checkbox"/> |
| Good quality | <input type="checkbox"/> |

(1)

(iv) Tariffs and quotas can be used to protect domestic firms from foreign imports. Distinguish between tariffs and quotas.

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(4)



(c) Briefly explain **one** advantage and **one** disadvantage of a country receiving foreign aid.

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(4)

Q4

(Total 25 marks)

TOTAL FOR PAPER: 100 MARKS

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