

Answer ALL the questions.

Question 1

Figures 1a and 1b show the demand curves for two products, Product A and Product B.

Figure 1a
Product A

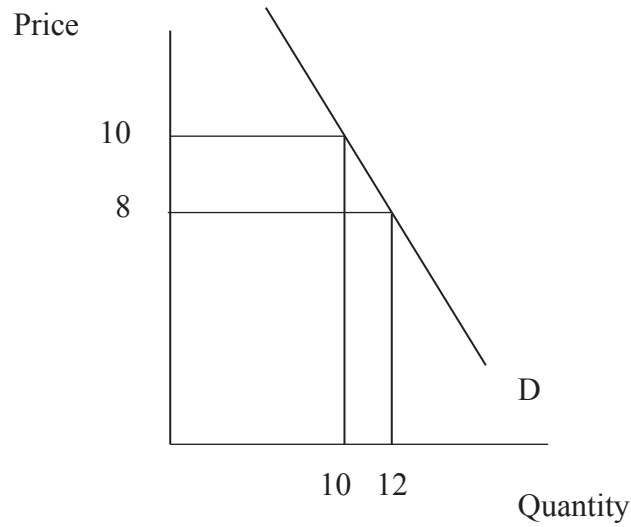
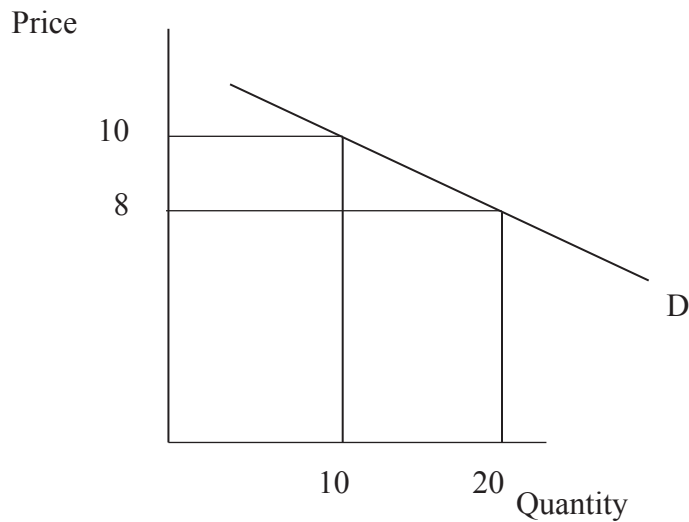


Figure 1b
Product B



- (a) (i) On Figure 1a (Product A) draw a supply curve, S, at quantity 10, with a price elasticity = 0.

(1)



(ii) Give an example of a product which might have a short run supply curve with a price elasticity of supply = 0.

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(1)

(iii) Place a cross in the correct box to identify the product which has an **elastic** demand curve.

Product A

Product B

(1)

(iv) Using the numerical data in Figures 1a and 1b, explain your answer to (iii).

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(3)

(v) The price elasticity of demand for rice is less elastic than the price elasticity of demand for chocolate. Do you agree with this statement? Give reasons for your answer.

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(5)

(b) (i) Identify and explain **two** main characteristics of a mixed economy.

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(ii) Briefly explain **two** reasons why wage rates might rise in a mixed economy.

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(iii) Examine the impact of an increase in wage rates on unemployment in a mixed economy.

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(6)

Q1

(Total 25 marks)

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| 5 | |
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Question 2

The table below shows the daily costs of an Italian pizza restaurant.

| Number of pizzas | Total Fixed Costs € | Total Variable Costs € |
|------------------|---------------------|------------------------|
| 40 | 60 | 100 |

(a) Calculate the total cost of producing 40 pizzas.

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..... (1)

(b) (i) The restaurant is closed every Monday. What are the total costs on this day?

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..... (1)

(ii) Explain your answer to (b)(i).

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..... (3)

(c) Pizza Hut is a pizza restaurant chain which owns over 34,000 restaurants worldwide. It benefits from economies of scale.

(i) Define economies of scale.

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(ii) Does expansion always bring benefits to a firm? Give reasons for your answer.

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(iii) Pizza Hut faces competition from many other restaurants. Briefly explain **two** ways in which consumers can benefit from competition.

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(d) In September 2007 China announced it would impose large fines on domestic and foreign companies that pollute.

(i) Place a cross in the correct box to complete the following sentence. Pollution is considered to be

- A private benefit
- A private cost
- An external cost

(1)

(ii) Apart from fines, identify and briefly explain **two** other policies the Chinese government could use to deal with pollution.

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(iii) Do consumers benefit from anti-pollution policies? Give reasons for your answer.

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(4)

Q2

(Total 25 marks)

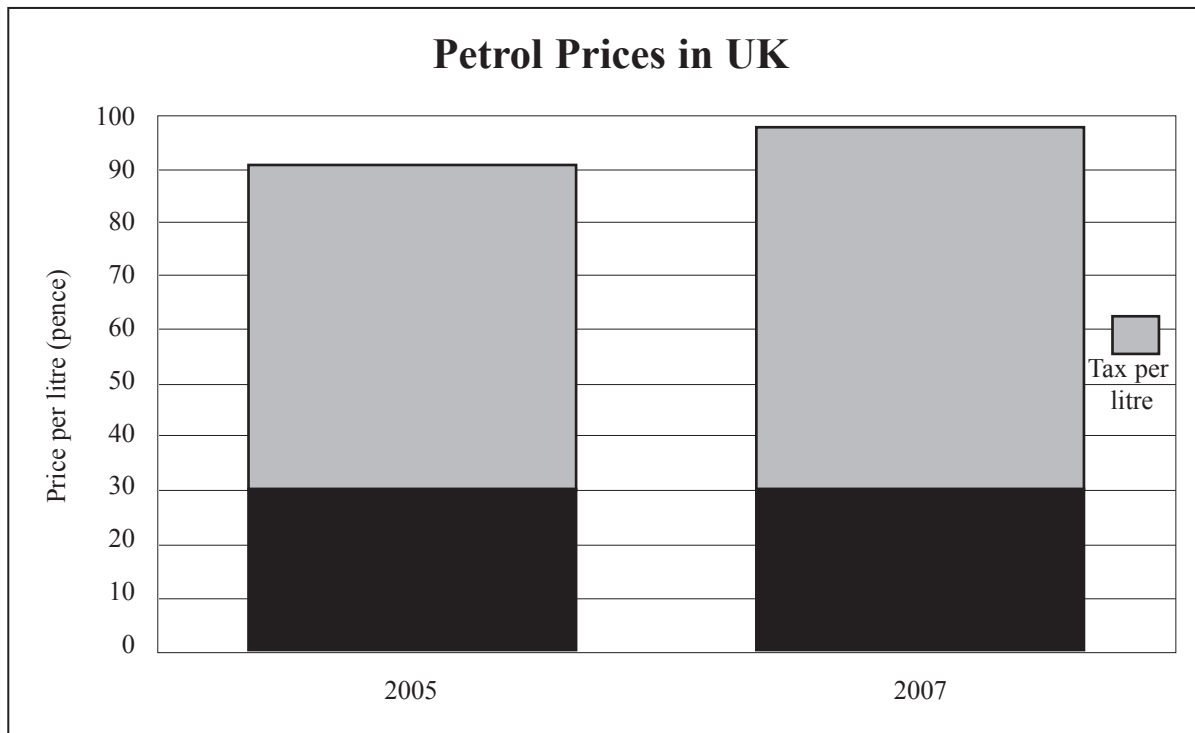
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Question 3

Figure 3a shows the price (in pence) of a litre of petrol in the UK in 2005 and 2007 and the amount of tax on each litre of petrol.

Figure 3a



(a) (i) Using the data in Figure 3a, describe what happened to the tax on petrol from 2005 to 2007.

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(2)

(ii) Place a cross in the correct box. In developed countries, a tax on petrol can be described as

- Progressive
- Regressive
- Direct

(1)



(iii) Explain your answer to (a)(ii).

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(2)

(iv) Briefly explain **two** reasons why a government might impose a tax on petrol.

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(4)

A tax on petrol might affect a government's economic objectives.

(v) Identify **one** economic objective that may be affected by an increase in the tax on petrol.

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(1)



(vi) Examine whether the benefits of taxing petrol outweigh the disadvantages for the economy.

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(b) Education and training can be used to help overcome structural unemployment in the long term.

(i) With the aid of an example, define structural unemployment.

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(3)



(ii) To what extent is increased expenditure on education and training likely to reduce the level of structural unemployment?

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(iii) Briefly explain **one** other policy a government can use to overcome structural unemployment.

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(2)

(Total 25 marks)

Q3

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Question 4

In 2004 Poland joined the European Union (EU).

(a) (i) Place a cross in the correct box to complete the following sentence.
The European Union is a

- cartel
- trading bloc
- central bank

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(ii) Briefly explain **one** reason why trade between Poland and the members of the European Union increased after 2004.

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(2)

(iii) Briefly explain **one** reason why trade between Poland and countries outside of the European Union decreased after 2004.

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(2)

Complete the following table.

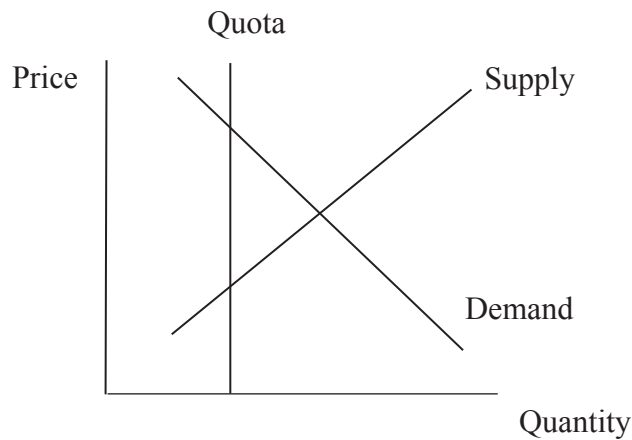
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| Value of visible exports from Poland to EU countries | \$70 billion |
| Value of visible imports to Poland from EU countries | (iv) (1) |
| Balance of Trade with EU countries | \$6.5 billion |



(c) The EU is changing its import restrictions on bananas from Latin American countries. Under the proposals Latin American countries will no longer be limited by quotas but will pay higher duties of 230 Euros per tonne of bananas.

(i) On Figure 4a show the impact on price of removing quotas from Latin American banana producers.

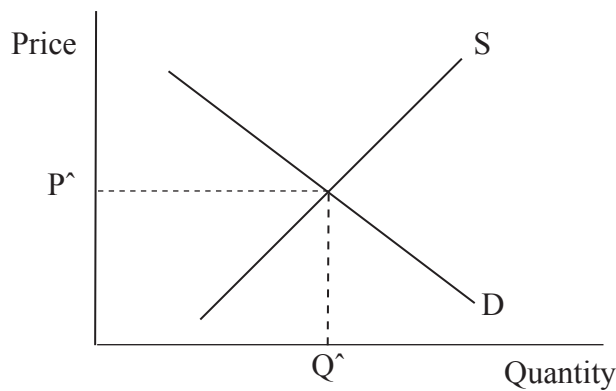
Figure 4a



(2)

(ii) On Figure 4b show the impact of introducing import duties/tariffs on Latin American banana producers.

Figure 4b



(2)

(iii) In your opinion which form of protection, tariffs or quotas, is more beneficial to a country? Give reasons for your answer.

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(4)

(d) The World Trade Organization aims to promote free trade between countries. To what extent do you consider the WTO to have been successful in recent years? Give reasons for your answer.

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(Total 25 marks)

Q4

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