

SECTION A
Answer ALL of the questions in this section.

*(You are advised to spend approximately 50 minutes on this section.
You are also advised to make use of the data provided in your answers.)*

1. The circular flow of income shows the flow of money round an economy.

(a) Identify **one** leakage from the circular flow of income.

(1)

(b) Identify **one** injection into the circular flow of income.

(1)

(c) When leakages are greater than injections what will happen to the level of national income?

(1)

(Total 3 marks)

Q1



2. The diagram below shows a production possibility curve for a country.

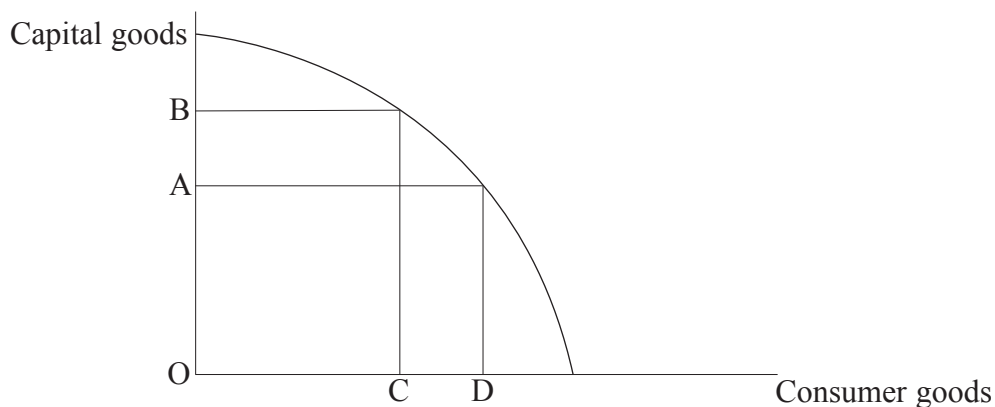


Figure 1

(a) Give **one** example of a consumer good and **one** example of a capital good.

(2)

(b) What is the opportunity cost of increasing the production of capital goods from OA to OB?

(1)

(c) (i) Which combination of capital goods and consumer goods, OB/OC or OA/OD, is more likely to generate economic growth? Briefly explain your answer.

(3)

(ii) Identify **two** ways in which a government can achieve economic growth.

(2)

(Total 8 marks)

Q2



M 2 5 3 7 8 A 0 3 2 4

3. (a) Using an example, explain what is meant by **localisation of industry**.

(3)

(b) (i) Give **one** advantage of localisation of industry to firms.

(1)

(ii) Give **one** disadvantage of localisation of industry to an economy.

(1)

(iii) Briefly explain **one** measure a government could use to overcome the disadvantage identified in (ii).

(3)

Q3

(Total 8 marks)



4. Barclays Bank is a public limited company.

(a) Who owns Barclays Bank?

_____ (1)

(b) What is the main aim of a public limited company?

_____ (1)

(c) (i) Identify **one** major form of finance available to a public limited company.

_____ (1)

(ii) State **one** advantage and **one** disadvantage of the major form of finance identified in (c)(i).

_____ (2)

(Total 5 marks)

Q4



5. Study Figure 2 which shows the main interest rate in Japan during 2000–2006.

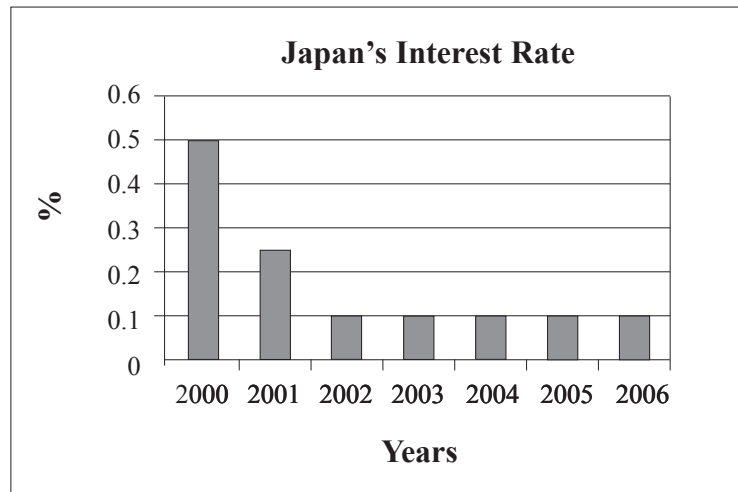


Figure 2

(a) Between which years was the rate of interest unchanged?

(1)

(b) Suggest and briefly explain **one** reason why the government of Japan decided to lower the rate of interest between 2000 and 2002.

(3)



(c) In January 2006 consumer prices began to rise.

(i) Identify **one** economic problem the Japanese economy might face if consumer prices continued to rise in 2006.

(1)

(ii) Briefly explain **two** ways in which an increase in interest rates could overcome the problem identified in (i).

(4)

(Total 9 marks)

Q5



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6. (a) With the aid of a numerical example, briefly explain the term **progressive taxation**.

(3)

(b) Briefly explain **one** advantage and **one** disadvantage of progressive taxation.

(4)

(Total 7 marks)

Q6

TOTAL FOR SECTION A: 40 MARKS



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TURN OVER FOR SECTION B



SECTION B

You should answer **THREE** questions in this section.

Indicate which question you are answering by marking the box (☒).

If you change your mind, put a line through the box (☒)

and then indicate your new question with a cross (☒).

Question 7 ☒

The Chinese economy has changed from a state planned economy to a mixed economy. Identify **two** main features of each of the following:

(a) (i) a state planned economy:

(2)

(ii) a mixed economy.

(2)

(b) Many firms in China have been privatised. Identify and explain the main effects of privatisation in China, or a country of your choice, on;

(i) consumers;

(5)



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(ii) **minimum wage** controls may have on the labour market.

(4)

(c) Identify and explain the factors which determine the demand for factory workers.

(6)

(Total 20 marks)

Q9

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Question 10

In 2005 the government of India stopped Tesco, a large British supermarket chain, opening supermarkets in India. The main reason given for this decision was that it would lead to a huge loss of employment in small retail shops.

- (a) (i) Large supermarket chains benefit from economies of scale. With the aid of a diagram explain the term “**economies of scale**”.

(4)

- (ii) Briefly explain **two** economies of scale which might benefit a large chain of supermarkets.

(4)



Question 12

(a) Explain the causes of the following types of unemployment:

(i) cyclical (demand deficient);

(4)

(ii) structural.

(4)



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