

Centre No.						Paper Reference					Surname	Initial(s)	
Candidate No.						7	1	2	0	/	0	1	Signature

Paper Reference(s)

7120

**London Examinations
GCE**

**Economics
Ordinary Level**

Thursday 8 May 2008 – Morning

Time: 2 hours 30 minutes

Examiner's use only

--	--	--

Team Leader's use only

--	--	--



Question Number	Leave Blank
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
Total	

Materials required for examination
Nil

Items included with question papers
Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.
The paper reference is shown above. Check that you have the correct question paper.
Answer ALL questions in Section A and THREE questions in Section B in the spaces provided in this question paper.
In Section B 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 (⊗).
Do not use pencil. Use only blue or black ink.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).
There are 12 questions in this question paper. The total mark for this paper is 100.
There are 24 pages in this question paper. Any blank pages are indicated.
You will receive credit for use of diagrams and recent examples where relevant and appropriate.

Advice to Candidates

You should spend the first ten minutes studying the paper.
Write your answers neatly and in good English.

This publication may be reproduced only in accordance with Edexcel Limited copyright policy. ©2008 Edexcel Limited.

Printer's Log. No.
M30694A



M 3 0 6 9 4 A 0 1 2 4

Turn over

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. With the aid of examples, explain what is meant by

(a) horizontal integration

(2)

(b) vertical integration.

(2)

(Total 4 marks)

Q1



2. Chocolate consumption is increasing 25% a year in the Asia/Pacific region. Chocolate producers fear that cocoa bean growers will not be able to keep up with demand.

Figure 1 below shows the demand and supply of cocoa beans, the main ingredient of chocolate.

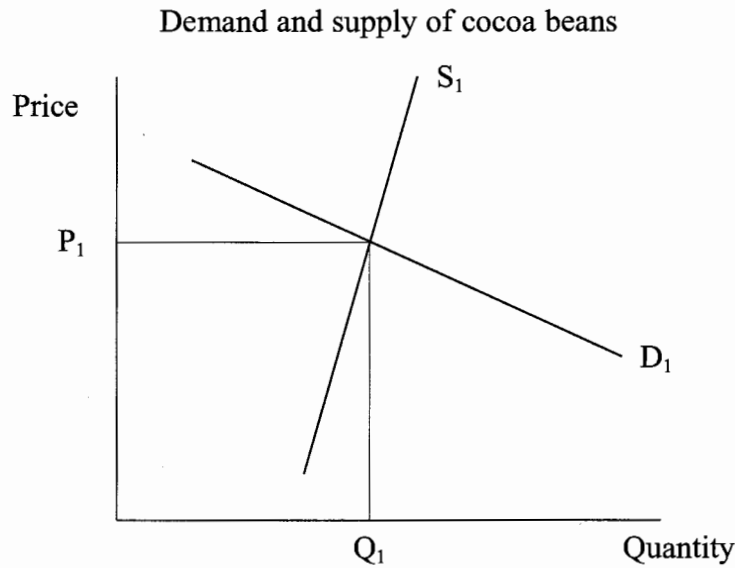


Figure 1

- (a) On the diagram draw a new demand curve, D_2 , to show the effect of an increase in the demand for chocolate. Indicate the new price, P_2 , and new quantity, Q_2 . (2)

- (b) (i) Define elasticity of supply.

(2)

- (ii) Is the elasticity of supply of cocoa beans likely to be elastic or inelastic?

(1)



Leave blank

(c) Briefly explain **two** reasons why the elasticity of supply of cocoa beans is less elastic than the elasticity of supply of chocolate bars.

(4)

(Total 9 marks)

Q2



3. Figure 2 shows the current account of the balance of payments of a country.

Visible Exports	\$150 bn	Invisible Exports	\$90 bn
Visible Imports	\$125 bn	Invisible Imports	\$100 bn
Balance of trade:	+\$25 bn	Balance of invisibles:	-\$10 bn

Figure 2

(a) With the aid of examples, distinguish between the terms “visible” and “invisible” in Figure 2.

(4)

(b) Calculate the balance of payments on current account.

(1)

(c) Briefly explain **two** methods a government could use to increase the value of exports.

(4)

(Total 9 marks)

Q3



4. (a) Complete the following table.

	Public limited company	Public corporation
Ownership	(i)	(ii)
Source of Finance (give one example of each)	(iii)	(iv)

(4)

(b) (i) What is meant by the term "privatisation"?

(2)

(ii) Briefly explain **one** advantage and **one** disadvantage of privatisation to consumers.

(4)

(Total 10 marks)

Q4



5. (a) With the aid of examples, distinguish between geographical and occupational immobility of labour.

(4)

(b) Briefly explain

(i) **one** method a government can use to increase the geographical mobility of labour

(2)

(ii) **one** method a government can use to increase the occupational mobility of labour.

(2)

(Total 8 marks)

Q5

TOTAL FOR SECTION A: 40 MARKS



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 6

- (a) (i) What is the likely income elasticity of demand for public transport? Briefly explain your answer.

(4)

- (ii) What is the likely cross elasticity of demand for public transport in relation to the price of cars? Briefly explain your answer.

(4)



(b) Examine the arguments for and against a government subsidising public transport services.

(12)

Q6

--	--

(Total 20 marks)



Question 7 ❏

Some member countries of the European Union (EU) want the customs union to impose anti-dumping measures on textiles coming from Far Eastern countries.

(a) (i) Explain what is meant by the term “dumping”.

(2)

(ii) Briefly explain **three** reasons why some countries want to impose anti-dumping measures on imported textiles.

(6)

(iii) Describe **two** anti-dumping measures which could be used to reduce the amount of imported textiles.

(4)



Leave blank

(b) Examine the reasons why the main objective of the World Trade Organisation (WTO) is trade liberalisation.

(8)

(Total 20 marks)

Q7



Question 8 ☒

In Sweden the proportion of people over the age of 65 years is expected to rise from 17.4% in 2000 to 30.4% in 2050.

- (a) Identify and briefly explain **three** causes of an increase in the proportion of people over the age of 65 years.

(6)

- (b) Examine the effects of an increase in the proportion of people over 65 years of age on

- (i) government expenditure and revenue

(7)



(ii) economic growth.

(7)

Q8

(Total 20 marks)

--	--



Question 9 ✘

In the United Kingdom there is a shortage of nurses in the public sector. An increasing number of nurses prefer to work in the private sector of the economy.

(a) What is meant by a “shortage of nurses”?

(2)

(b) (i) What is meant by the public sector of an economy?

(2)

(ii) Briefly explain **two** reasons why nurses in the United Kingdom might prefer to work in the private sector.

(4)



(c) (i) Identify and briefly explain **three** measures a government can take to increase the supply of nurses.

(6)

(ii) Discuss problems which might arise from the measures identified in (c)(i).

(6)

(Total 20 marks)

Q9

--	--



Question 10

In Mozambique from 2000 to 2005 the amount contributed to GDP by the primary sector of the economy fell from 26% to 23%. The amount contributed by the secondary sector rose from 26% to 30%.

(a) Define, with the aid of examples, primary and secondary sectors of an economy.

(4)

(b) Briefly explain **three** factors which can affect the location of secondary industry in a country of your choice.

(6)



Leave
blank

(c) Examine the advantages and disadvantages of a country transferring resources from the primary to the secondary sector.

(10)

(Total 20 marks)

Q10

--	--



Question 11 

(a) Define the term “inflation”.

(2)

(b) Briefly explain **two** main causes of inflation.

(6)



(c) (i) Briefly examine **two** reasons why governments try to control the rate of inflation.

(6)

(ii) To what extent can interest rate changes help to control the rate of inflation?

(6)

(Total 20 marks)

Q11

--	--



Question 12 

The 2012 Olympics are to be held in London. It is estimated that the cost to the UK government will be £5.3 bn.

(a) Briefly explain **three** advantages to the UK economy of hosting the 2012 Olympics.

(6)

The UK government could fund the 2012 Olympics through an increase in direct and indirect taxation.

(b) (i) With the aid of examples distinguish between direct and indirect taxation.

(4)

(ii) Identify **two** other ways in which the government could fund the 2012 Olympics.

(2)

(iii) Discuss the advantages and disadvantages of increasing the rate of indirect taxation.

(8)

(Total 20 marks)

Q12

TOTAL FOR SECTION B: 60 MARKS

TOTAL FOR PAPER: 100 MARKS

END



BLANK PAGE



BLANK PAGE



BLANK PAGE

