

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.

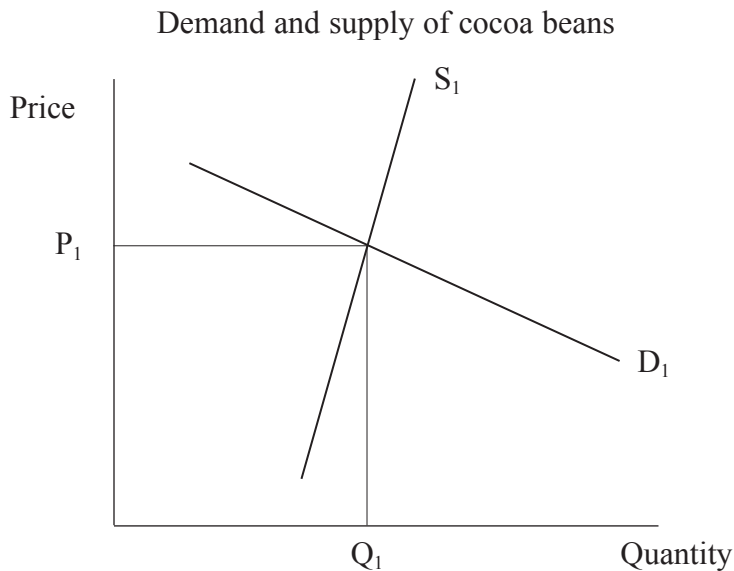


Figure 1

- (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)



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(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)

Q2

(Total 9 marks)



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

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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)

Q5

(Total 8 marks)

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)



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)



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)



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)



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