



**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. (a) Define the term opportunity cost.

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**(2)**

(b) Identify a possible opportunity cost when

(i) a government increases its expenditure on health care,

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**(1)**

(ii) a student decides to go to the cinema instead of revising for an examination.

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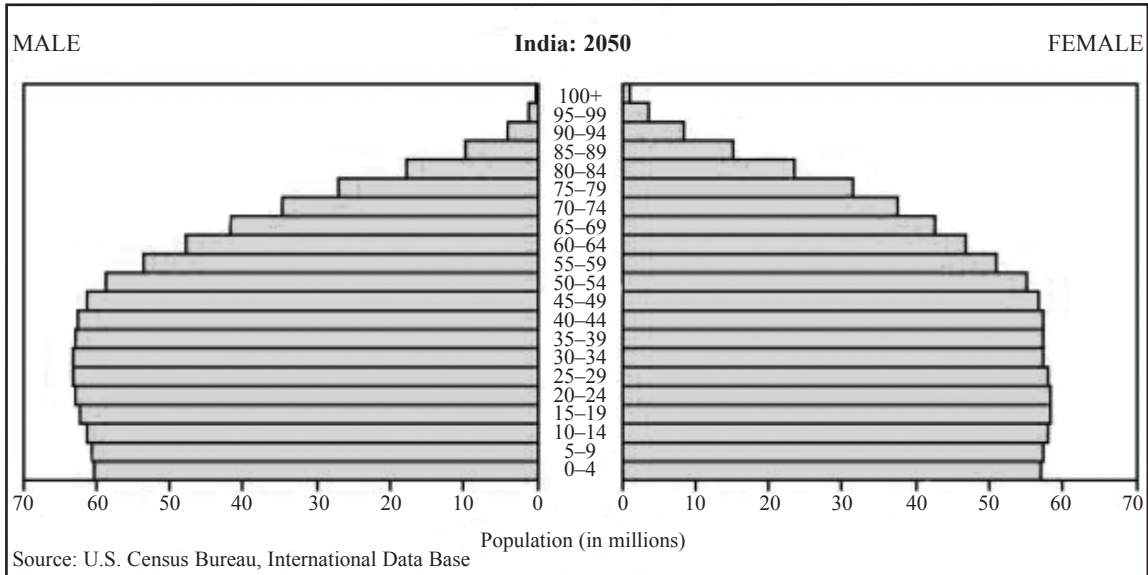
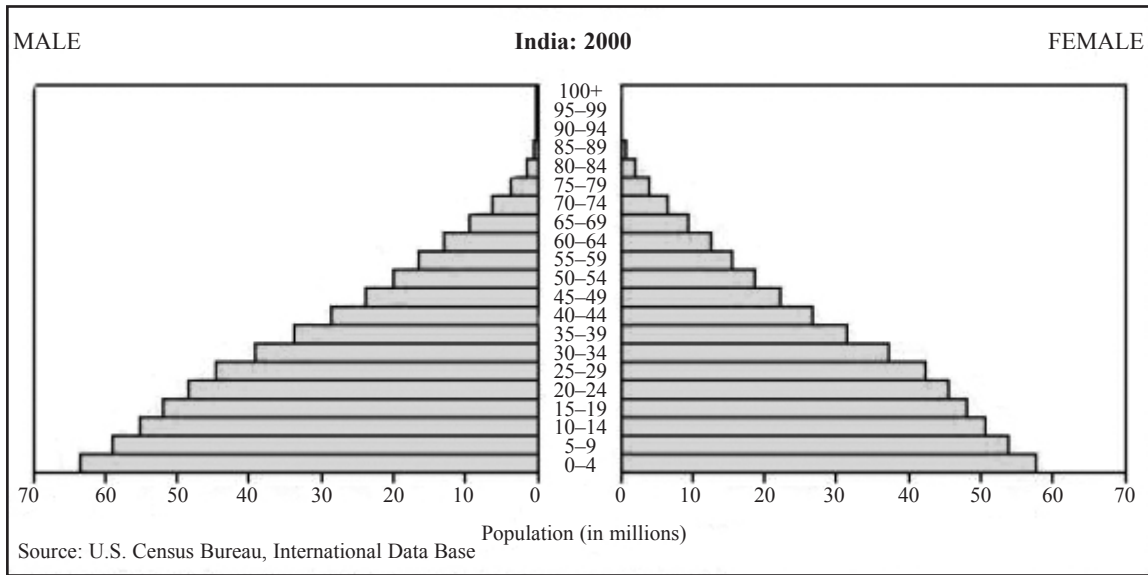
**(1)**

**(Total 4 marks)**

Q1



2. The population pyramids below show the population of India in 2000 and the projected changes by 2050.



Study the population pyramids for 2000 and 2050.

(a) (i) With reference to the population pyramids, briefly describe **two** major changes in the age distribution between 2000 and 2050.

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(4)



(ii) Briefly explain **one** possible cause of a change you have identified in (a)(i).

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(2)

(iii) Define the term 'dependency ratio'.

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(2)

(iv) What is likely to happen to the dependency ratio in India from 2000 to 2050? Briefly explain your answer.

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(2)

(v) How is the predicted change in the dependency ratio you have identified in (iv) likely to affect the balance of government spending and taxation? Briefly explain your answer.

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(3)

(Total 13 marks)

Q2

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3. (a) With the aid of examples define

(i) savings

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(2)

(ii) investment.

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(2)

(b) Place a cross in the correct box to indicate which of the following is an injection or a withdrawal from the circular flow of income.

	Injection	Withdrawal
(i) Government expenditure	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Imports	<input type="checkbox"/>	<input type="checkbox"/>

(2)

(iii) When injections are greater than withdrawals in the circular flow of income what will happen to the level of national income?

\_\_\_\_\_

(1)

**(Total 7 marks)**

**Q3**



4. In Spain many small farmers are members of producer co-operatives.

(a) With the aid of examples, briefly explain **two** benefits of producer co-operatives to small farmers.

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(4)

(b) Identify **two** ways in which

(i) a small farmer can raise finance

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(2)

(ii) a public limited company can raise finance.

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(2)



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(c) Briefly explain **two** reasons why a firm may remain small.

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(4)

Q4

(Total 12 marks)



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5. Briefly explain **two** functions of the World Trade Organization.

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(Total 4 marks)

Q5

**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 6** ☒

By 2006, supermarkets in the UK had 72% market share of total grocery sales. Supermarkets are large stores selling high volumes of a wide range of groceries. The Competition Commission reported that between 2000 and 2006, during a period of supermarket expansion, real prices of groceries fell by 7.3%.

(a) (i) What is meant by ‘real prices’?

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**(2)**

(ii) Briefly explain **one** reason why the growth of supermarkets may have contributed to the fall in the real prices of groceries between 2000 and 2006.

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**(2)**

(iii) Identify and briefly explain **two** other possible causes of the fall in the real prices of groceries between 2000 and 2006.

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**(4)**



(b) Discuss whether the advantages of supermarket expansion outweigh the disadvantages for

(i) consumers

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**(6)**

(ii) grocery producers such as farmers.

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**(6)**

**(Total 20 marks)**

**Q6**

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**Question 8**

In 2008, European Union candle manufacturers accused China of selling candles in the European Union below cost price. The European manufacturers want tariffs on Chinese candles to be increased.

- (a) (i) What is the economic term for selling a product in a foreign country below cost price?

\_\_\_\_\_ (1)

- (ii) The European Union is a trading bloc. Define the term “trading bloc”.

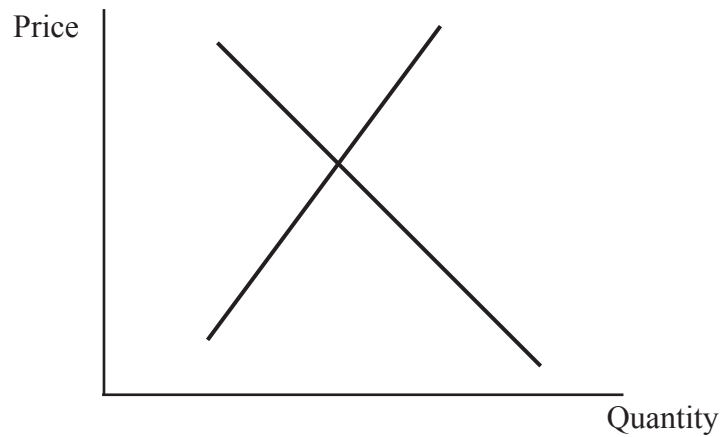
\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ (2)

- (b) On Figure 3 below

- (i) Label the demand and supply curves for candles and the equilibrium price and quantity. (2)

- (ii) Show the effect on price and quantity of the imposition of tariffs on imported candles.

**Figure 3**



(3)









(ii) fiscal policy.

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(6)

(c) Briefly explain **two** effects a recession in the USA might have on other countries.

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(4)

**(Total 20 marks)**

Q9

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**Question 10**

(a) Give an example of an occupation in each of the following sectors:

(i) primary

\_\_\_\_\_ (1)

(ii) secondary

\_\_\_\_\_ (1)

(iii) tertiary.

\_\_\_\_\_ (1)

(b) (i) In a developing country with a free market economy, why are wages in the primary sector likely to be lower than wages in the tertiary sector?

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\_\_\_\_\_ (6)



(ii) With the aid of a diagram, examine how the introduction of a minimum wage rate may increase the wages of primary sector workers, while at the same time making some workers unemployed.



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(7)

(iii) Identify and briefly explain **two** other ways a government could improve the standard of living of primary sector workers.

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(4)

(Total 20 marks)

Q10

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**Question 12**

(a) What is meant by the rate of inflation?

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**(2)**

(b) Explain how each of the following may affect the rate of inflation in a country:

(i) an increase in wages with no change in productivity

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**(3)**

(ii) lower levels of income tax.

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**(3)**



(c) Examine the likely effects of a high rate of inflation on

(i) the balance of payments

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**(5)**

(ii) borrowers and lenders

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**(4)**



(iii) people on fixed incomes.

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(3)

Q12

(Total 20 marks)

**TOTAL FOR SECTION B: 60 MARKS**

**TOTAL FOR PAPER: 100 MARKS**

**END**

