



**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) With the aid of an example, explain the term capital.

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(2)

- (b) Identify **one** other factor of production.

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(1)

**(Total 3 marks)**

Q1

2. Identify and briefly explain **one** important characteristic of money.

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**(Total 3 marks)**

Q2



3. Research in the Ukraine has shown that their price elasticity of demand for cigarettes is  $-0.4$ .

(a) (i) Describe what happens to the demand for cigarettes if the price rises by 10%.

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(2)

(ii) Place a cross in the correct box to indicate the price elasticity of demand for cigarettes.

Elastic

Inelastic

Unitary

(1)

(iii) Briefly explain **one** factor which determines the price elasticity of demand for cigarettes.

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(3)

(b) In Ukraine the income elasticity of demand for cigarettes is 0.06.

(i) If incomes rise by 10% what happens to the demand for cigarettes?

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(2)

(ii) According to the income elasticity of demand, cigarettes are

an inferior good

a normal good

a luxury

(1)

(Total 9 marks)

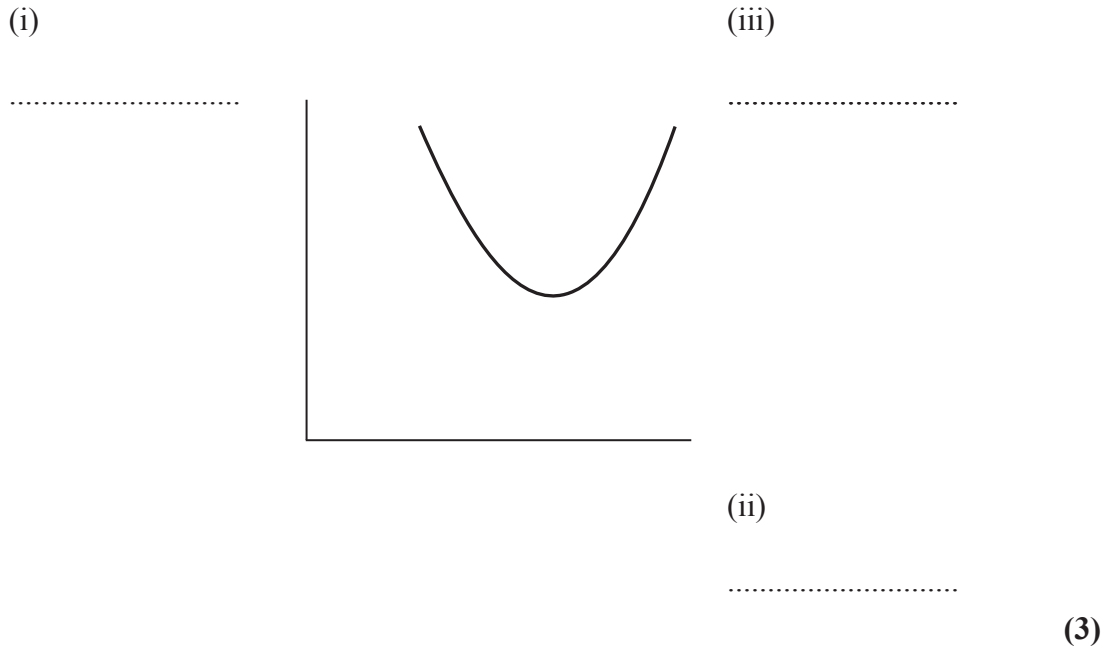
Q3



4. (a) Figure 1 shows economies of scale. Place the following labels in the appropriate place on the diagram.

LRAC (long run average costs)  
Costs  
Quantity

Figure 1



(b) (i) Briefly explain **one** internal economy of scale.

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(2)

(ii) Briefly explain **one** internal diseconomy of scale.

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(2)

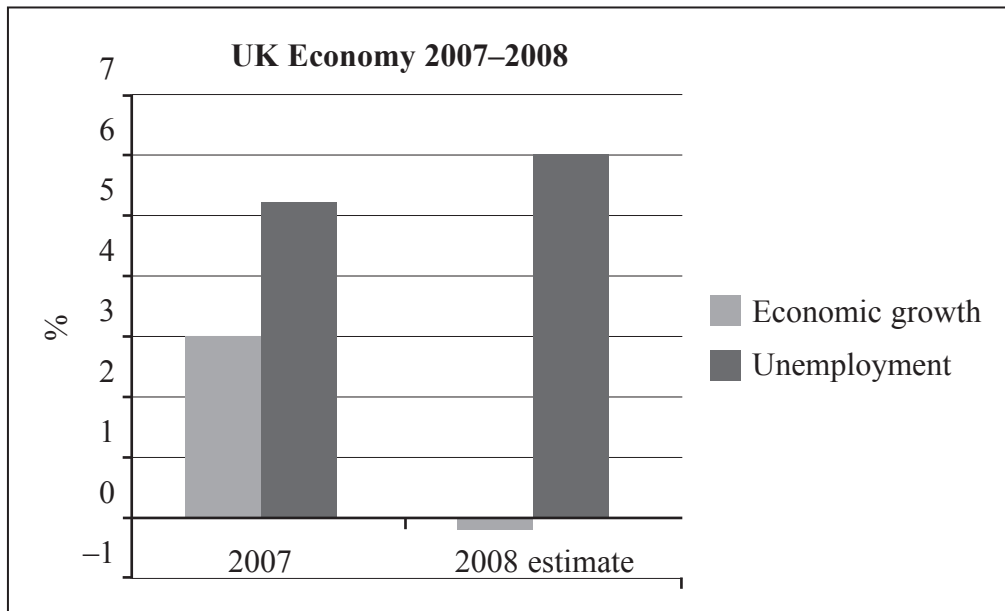
(Total 7 marks)

Q4



5. Figure 2 below shows data for the UK economy.

Figure 2



(a) How does Figure 2 suggest that the UK economy may be in recession in 2008?

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(2)

(b) With reference to the data, describe what has happened to unemployment from 2007 to 2008.

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(2)



(c) With the aid of examples explain what is meant by

(i) structural unemployment,

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**(3)**

(ii) seasonal unemployment.

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**(3)**

**Q5**

**(Total 10 marks)**

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6. Study the table below.

	2008	2009
Income	\$20 000	\$25 000
Income tax	\$2 000	\$5 000
Rate of inflation: 2008–2009 = 10%		

Showing your workings and using the data in the table, calculate

(a) real income in 2009 at 2008 prices.

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

(b) disposable income in 2008.

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

(c) (i) The income tax illustrated in the table is

- Progressive
- Regressive
- Indirect  (1)

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

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\_\_\_\_\_ (3)

(Total 8 marks)

Q6

**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 7** ☒

Many developed countries have high dependency ratios caused by ageing populations.

Explain what is meant by

(a) (i) dependency ratio,

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**(2)**

(ii) ageing populations.

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**(2)**

(b) Briefly explain **two** causes of an ageing population in a developed country.

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**(4)**







**Question 8**

The growth of secondary industry in China has led to many primary sector workers moving to large towns and cities.

(a) With the aid of an example, define

(i) primary sector worker,

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**(2)**

(ii) secondary sector worker.

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**(2)**

(b) Using examples, describe **two** factors which influence the location of secondary industry in a country of your choice.

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**(4)**



(c) (i) With the aid of an example, briefly describe what is meant by localisation of industry.

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(2)

(ii) Identify and briefly explain **two** problems associated with localisation of industry.

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(4)

(iii) Explain how government policies can overcome the problems identified in (c)(ii).

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(6)

(Total 20 marks)

Q8

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**Question 10**

(a) What is meant by a balance of trade deficit?

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**(3)**

(b) (i) Identify and briefly explain **two** ways in which a government can help firms to increase exports.

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**(4)**

(ii) Identify and briefly explain **two** ways in which a government can reduce imports.

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**(4)**





**Question 11**

(a) With the aid of an example, briefly explain what is meant by

(i) monetary policy,

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**(2)**

(ii) fiscal policy,

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**(2)**

(iii) supply side policy.

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**(2)**







Question 12

(a) What is meant by the term “working population”?

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(2)

(b) Briefly explain

(i) **one** reason why a government might wish to increase the working population,

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(2)

(ii) **two** ways in which the government can increase the working population.

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(4)









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