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## **General Certificate of Secondary Education** 2011

# **Economics**

Paper 2

[G9272]

**MONDAY 6 JUNE, MORNING** 



# TIME

2 hours.

## **INSTRUCTIONS TO CANDIDATES**

You should answer all questions in the spaces provided in this question and answer booklet. If you have do not enough space to complete your answer, extra lined pages are provided at the back of the booklet.

Answer all questions in Section A.

Answer both questions in Section B.

Answer one question from questions 6, 7, 8 and 9 in Section C.

### **INFORMATION FOR CANDIDATES**

The total mark for this paper is 90.

Your quality of written communication will be taken into account in assessing your answers to all parts of the question you choose to answer from Section C.

### **ADVICE TO CANDIDATES**

You should take into account the maximum marks available when deciding how much time to spend on each question.

For Examiner's use only		
Question Number	Marks	
Sect	ion A	
1		
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Section B		
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Section C		
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# **Section A**

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Marks	Remark	

Answer all questions in this section.

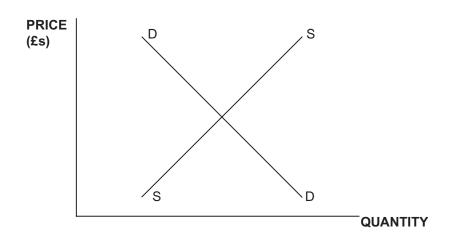
	Allower an quodient in the obotion.
stre Sind bett	ets. Many people are unhappy about this use of scarce resources. ce the money comes from taxpayers, people would like to see it put to er use. For example, it could pay for 1400 extra nurses or be used to d five new primary schools.  **Adapted from the News Letter 2 October 2009 © 2011 Johnston Publishing**
(a)	What is meant by opportunity cost?
	[2]
b)	Using the information above, give <b>one</b> example of an opportunity cost.
	[1]
c)	Give <b>one</b> example of a tax that people pay.
	[1]
d)	Suggest <b>one</b> reason why the government may want to increase taxes.
	[2]

2 In January 2010, the price of carrots rose sharply after a period of heavy snow. Farmers could not harvest their crops and deliveries to supermarkets were disrupted.

Examiner Only

Marks Remark

Source: adapted from: The Observer, 10 January, 2010



(a)	Explain what is meant by market price.
	[2]

- (b) On the diagram above, show the likely effect of heavy snow on the market for carrots. [2]
- (c) Explain how supermarkets might react to the likely change in the price of carrots.

economists are	ares show a slight increase in the rate of inflation and e worried that this will cause problems for the economy. Policy Committee must decide whether the rate of interest	Examiner Marks R
snould rise.	© Crown Copyright – adapted from Office for National Statistics	s
(a) What is m	eant by inflation?	
		_
		[2]
( <b>b)</b> Briefly exp	lain <b>one</b> possible cause of inflation.	
		_
		[2]
(c) Give one	economic effect of rising inflation.	
		_
		[2]
	<b>ne</b> reason why the Monetary Policy Committee might not ne rate of interest.	
		_
		[2]

#### **Section B**

Answer **both** questions in this section.

**4** Carefully study the information below and answer the questions that follow.

Paula is 25 years of age and currently earns £25,000 a year in her job as an IT consultant. Her fiancé John is 28 and earns £22,000 working for an insurance company. They want to buy a house that costs £150,000. They intend to provide £15,000 for the deposit but need to borrow £135,000. They are considering two types of mortgage, each to be repaid over 25 years. The following two-year deals are available.

Type of mortgage	Rate of interest	Arrangement fee
Fixed Rate	6%	£400
Tracker	Base Rate +3%	£1000

Source: adapted from Nationwide Building Society, 10 January 2010

a)	Exp	plain what is meant by each of the following:	
	(i)	Mortgage	
			[2]
	(ii)	Fixed Rate Mortgage	
			[2]
	(iii)	) Tracker Mortgage	
			[2]

(b)	Sug	ggest <b>one</b> advantage and <b>one</b> disadvantage of:		Examin Marks	er Only Remark
	(i)	a Fixed Rate Mortgage		Marks	Remark
		Advantage			
		Disadvantage			
			[4]		
	(ii)	a Tracker Mortgage			
		Advantage			
		Disadvantage			
			[4]		

	[2]	
s		
	[2]	

### **5** Carefully study the information below and answer the questions that follow.

Examiner Only

Marks Remark

## Unemployment in the UK 2003-2010

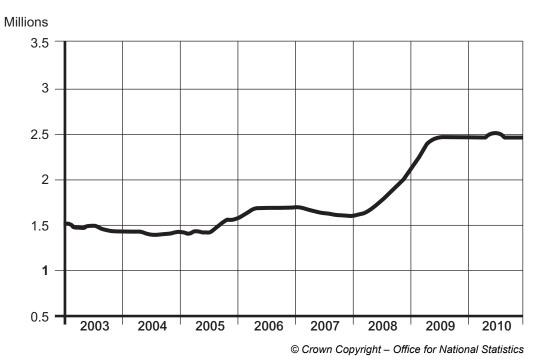


Fig. 1

## Economic growth and recession in the UK 2003–2010

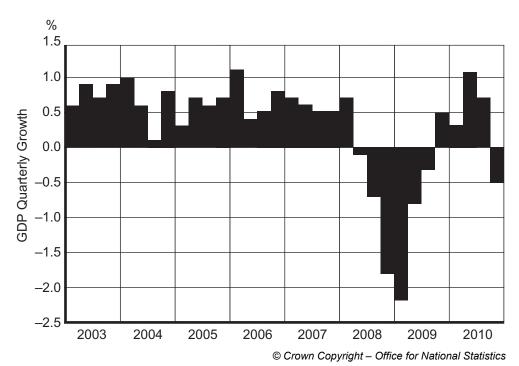


Fig. 2

UK Budget Deficit 2006–2010		
2006–2007	– £5.2 billion	
2007–2008	– £5.8 billion	
2008–2009	– £51.7 billion	
2009–2010	– £131.6 billion	

Source: adapted from the Institute for Fiscal Studies

Fig. 3

(a)	By how much did unemployment change between the start of 2008 and the end of 2010?	
(b)	Describe what happened to economic growth between the start of 2008 and the end of 2010.	
		 [3]
(c)	Explain why changes in economic growth can affect the level of unemployment.	
		[3]

**Examiner Only** 

Describe how the UK's budget deficit has changed since 200	6. Examiner Marks F
	[4]
Explain two policies the government could use to help the eco	onomy
recover from recession.	
1	
	[4]
	[¬]
2	
	[4]

#### **Section C**

Examiner Only Marks Remark

Answer one question from questions 6, 7, 8 and 9.

A new report shows that 8% of the population in the UK live in poverty and that the gap between rich and poor is still very wide. In order to reduce poverty, the government must implement policies that redistribute income from richer to poorer households. © BBC News at bbc.co.uk (a) Explain what is meant by scarce economic resources. \_\_\_\_\_[6]

explain how a market economy allocates its scarce resources.	Examin Marks
	[0]
	[9]

Discuss the view the qual distribution of	of income.	•		Marks	Γ
90.0					
			[15]		J

mar in E brar	009, Kraft, the US food company, bought Cadbury, the UK chocolate nufacturer. Kraft owned the well-known Toblerone brand that is popul urope. Cadbury dominates markets in the UK and Australia with nds such as Crunchie and Flake. Experts predicted that a new joint apany could earn £30 billion each year.  Source: adapted from Times Online, November 9 2009 www.times.co.	ar	Examiner Marks F
(a)	Describe <b>two</b> types of merger between companies.		
(,	- account on a special manager accompanies.		
		_	
		_	
		[6]	

Examine <b>three</b> ways in which companies such as Cadbury can compete.	Examin Marks
	[9]

Discuss the advantages and disadvantages of mergers between	Examiner O  Marks Re
companies.	Marks Re
	[15]

**8** UK house prices fell sharply in 2009. This was good news for buyers but bad news for sellers. Many houses were no longer worth what the owners had paid for them. These changes in the housing market caused serious problems for the economy.

Examin	er Only
Marks	Remark



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Explain what is meant by the market for housing.

	Marks
[9]	
[0]	


	countries have adopted the euro as their currency.  Source: adapted from European Commission Enlargement	
	http://ec.europa.eu/enlargement/the-policy/index_en.htm 8 November 2009	
(a)	Explain what is meant by the European Union.	
	[6]	

Examine how EU membership helps countries to compete in a glonarket.	bal Exami Marks
	_ [9]


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