Centre No.					Pape	r Refer	ence			Surname	Initial(s)
Candidate No.			7	1	2	0	/	0	1	Signature	

Paper Reference(s)

### 7120

## **London Examinations GCE**

Examiner's use only					
Team Leader's use only					
Team L	eader's t	ise only			
Team L	eader's u	ise only			

Question

1

2

3

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12

13

### **Economics Ordinary Level**

Thursday 10 May 2007 - Morning

Time: 2 hours 30 minutes

Materials required for examination	Items included with question papers
Nil	Nil

<b>Instructions</b>	to	Cand	hil	ates
mon actions	w	Canu	пu	ates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and

The paper reference is shown above. Check that you have the correct question paper.

Answer ALL questions from Section A and THREE questions from 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 13 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.

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# 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.	The	circular flow of income shows the flow of money round an economy.
	(a)	Identify <b>one</b> leakage from the circular flow of income.
		(1)
	(b)	Identify <b>one</b> injection into the circular flow of income.
		(1)
	(c)	When leakages are greater than injections what will happen to the level of national income?
		(1)



**2.** The diagram below shows a production possibility curve for a country.

Capital goods

B

A

C

C

C

C

C

Consumer goods

Figure 1

(a) Give one example of a consumer good and one example of a capital good.

**(2)** 

(b) What is the opportunity cost of increasing the production of capital goods from OA to OB?

**(1)** 

(c) (i) Which combination of capital goods and consumer goods, OB/OC or OA/OD, is more likely to generate economic growth? Briefly explain your answer.

(3)

(ii) Identify **two** ways in which a government can achieve economic growth.

 $\overline{(2)}$  Q2

(Total 8 marks)

3

		(3)
(b)	(i)	Give <b>one</b> advantage of localisation of industry to firms.
		(1)
	(ii)	Give <b>one</b> disadvantage of localisation of industry to an economy.
		(1)
	(iii)	Briefly explain <b>one</b> measure a government could use to overcome the disadvantage identified in (ii).
		(3) (Total 8 marks)

(a)	Wh	o owns Barclays Bank?
		(1)
(b)	Wh	at is the main aim of a public limited company?
		(1)
(c)	(i)	Identify <b>one</b> major form of finance available to a public limited company.
		(1)
	(ii)	State $one$ advantage and $one$ disadvantage of the major form of finance identified in $(c)(i)$ .
		(2)
		(Total 5 marks)



5. Study Figure 2 which shows the main interest rate in Japan during 2000–2006.

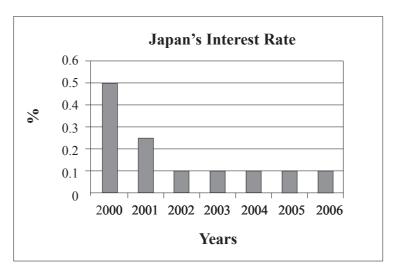


Figure 2

(a) Between which years was the rate of interest unchanged?

(1)

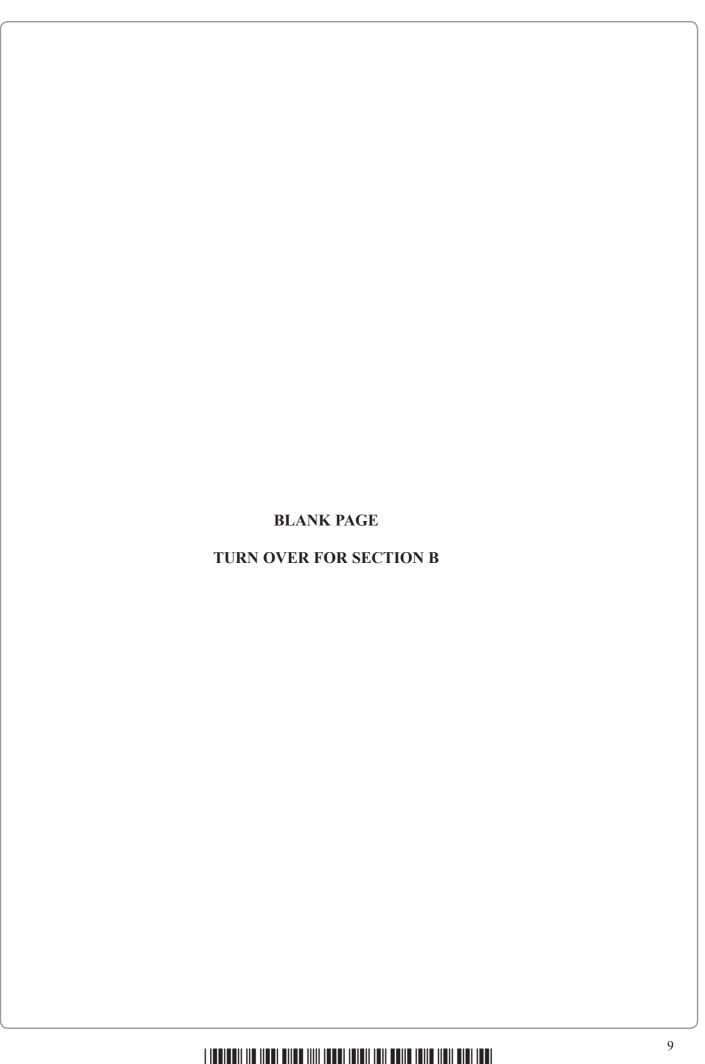
(b) Suggest and briefly explain **one** reason why the government of Japan decided to lower the rate of interest between 2000 and 2002.

(3)

(i)	Identify and according problem the Innances according might feed if consumer
(i)	Identify <b>one</b> economic problem the Japanese economy might face if consumer prices continued to rise in 2006.
	(1)
(ii)	Briefly explain <b>two</b> ways in which an increase in interest rates could overcome the problem identified in (i).
	(4)
	(4)



. (a)	With the aid of a numerical example, briefly explain the term <b>progressive taxation</b> .	
(b)	Briefly explain <b>one</b> advantage and <b>one</b> disadvantage of progressive taxation.	
(0)	Differry explain one advantage and one disadvantage of progressive taxation.	
	(4)	
	(Total 7 marks)	1
	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 (⋈).

Questio The		nese economy has changed from a state planned economy to a mixed economy.
		two main features of each of the following:
(a)	(i)	a state planned economy:
		(2)
	(ii)	a mixed economy.
		(2)
(b)		ny firms in China have been privatised. Identify and explain the main effects of ratisation in China, or a country of your choice, on;
	(i)	consumers;
		(5)



	,		Leave
	ii) firms;		
		(5)	
	iii) government.	( )	
'	m) government.		
		(6)	Q7
		(Total 20 marks)	



11

Questio	n 8	
Sor	ne de	eveloping countries have experienced an increase in their dependency ratios.
(a)	What is meant by <b>dependency ratios</b> ?	
		(2)
	(ii)	Explain the likely causes of an increase in the dependency ratio of a country.
		(6)

(12)
(12)
(12) (Total 20 marks)

Leave

ln r	many economies governments impose maximum and minimum prices.
(a)	With the aid of a diagram, explain what is meant by maximum and minimum prices.
	(6)
<i>a</i> >	
(b)	Explain <b>two</b> effects that:
(b)	
(b)	Explain <b>two</b> effects that:

	(ii)	minimum wage controls may have on the labour market.	Leave blank
		(4)	
(c)	Ider	ntify and explain the factors which determine the demand for factory workers.	
		(6)	Q9
		(Total 20 marks)	



15

Leave
blank

<b>^</b>	10	
Question		DI4
Question	10	

In 2005 the government of India stopped Tesco, a large British supermarket chain, opening supermarkets in India. The main reason given for this decision was that it would lead to a huge loss of employment in small retail shops.

**(4)** 

	(6)
(**)	Examine reasons why a British supermarket chain may wish to open stores in a
()	foreign country.
	(6)
	(6) (Total 20 marks)

Leave

	World Trade Organisation (WTO) is encouraging developed countries to cut subsidie
to fa	armers.
(a)	Describe <b>one</b> main function of the WTO.
(b)	With the aid of a diagram, explain how subsidies may protect domestic farmers fro foreign imports.
(c)	(i) Distinguish between tariffs and quotas.
. ,	

(ii)	Discuss the possible effects on an economy of imposing tariffs on imports.	Leave
	(8)	Q11
	(Total 20 marks)	



19

on 12	
Exp	plain the causes of the following types of unemployment:
(i)	cyclical (demand deficient);
	(4)
(ii)	structural.
	(4)

(i)	cyclical unemployment;	
	(6)	
(ii)	structural unemployment.	
	(6)	
	(6) (Total 20 marks)	



Leave

Ques	stion	13	lacksquare
ŗ		atio	omestic product in Argentina increased from 2003 to 2004 whilst the total on was unchanged. Therefore income per head increased between 2003 and
(	(a) (i	a)	How is income per head calculated?
			(2)
	(i	i)	What is meant by <b>standard of living</b> ?
			(2)
	(i		To what extent can an increase in income per head be used to indicate an increase in the standard of living?
			(8)

		Leave blank
(b) A	A government may use foreign loans to increase the standard of living in its country. Explain the problems which might arise when governments borrow from abroad.	
	(8)	Q13
	(Total 20 marks)	
	TOTAL FOR SECTION B: 60 MARKS	
	TOTAL FOR PAPER: 100 MARKS	
	END	

