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

# **London Examinations GCE**

Examiner's use only							
Toom I	eader's u	iso only					
Team L	eader s t	ise only					

Ouestion

1

2

3

4

5

6

7

8

9

10

11

12

## **Economics Ordinary Level**

Friday 11 January 2008 – Morning

Time: 2 hours 30 minutes

Materials required for examination	Items included with question papers
Vil	Nil

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 (X).

If you change your mind, put a line through the box (X) and then indicate your new question with a cross (X).

Do not use pencil. Use only blue or black ink.

#### **Information for Candidates**

**Instructions to Candidates** 

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 12 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.

This publication may be reproduced only in accordance with

W850/U7120/57570 7/4/2/

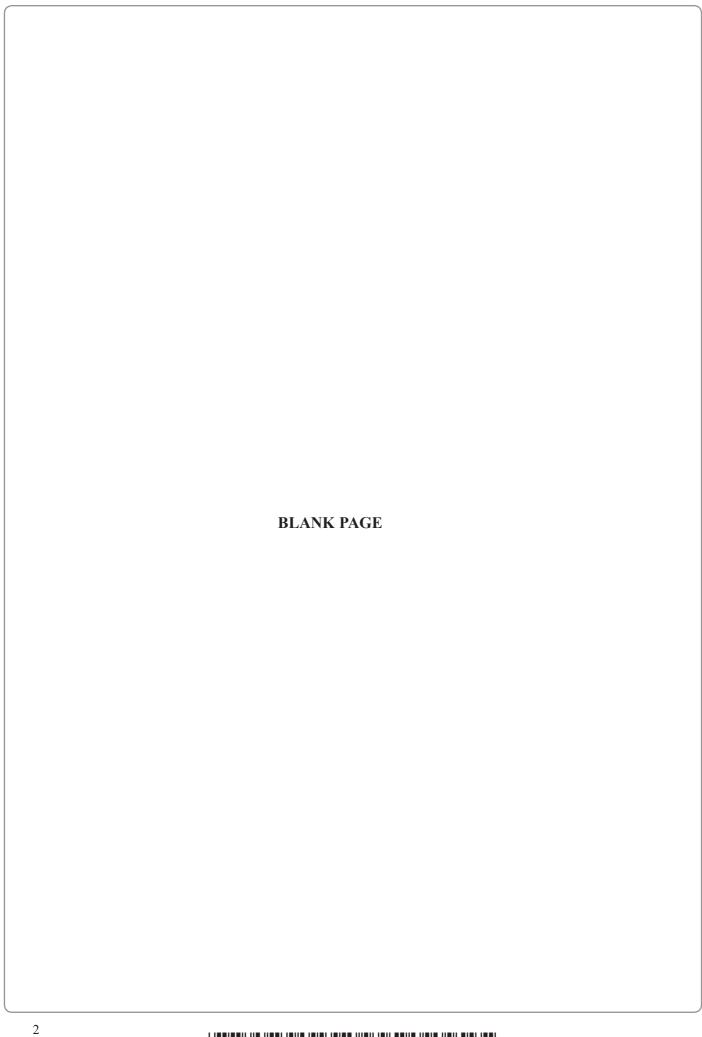


Turn over

**Total** 



M28983A\_O\_GCE\_Economics\_Jan\_20081 1 29/08/2007 09:13:56



### **SECTION A** Answer ALL of the questions in this section.

(a)	You are also advised to make use of the data provided in your answers.)  Identify the four factors of production.					
		(2)				
(b)	b) Explain what is meant by:					
	(i)	the rate of interest,				
	<b></b>	(2)				
	(11)	profit.				
		(2)				
		(Total 6 marks)				



3

(a) Draw a demand and supply	diagram to show:
(i) the equilibrium price an	nd quantity before the drought, (3)
(ii) the equilibrium price an	nd quantity after the drought. (2)
(b) (i) Define price elasticity of	of demand.
(b) (i) Define price elasticity of	of demand.
(b) (i) Define price elasticity of	of demand.
	(2) ben to the revenue of olive oil farmers after the drought if
(ii) Explain what will happ	(2) ben to the revenue of olive oil farmers after the drought if
(ii) Explain what will happ	(2) ben to the revenue of olive oil farmers after the drought if
(ii) Explain what will happ	(2) ben to the revenue of olive oil farmers after the drought if

**3.** The following table shows the change in the exchange rate between the US\$ and the Icelandic Krona 2004–2005.

	2004	2005
Icelandic Krona	US\$1=70	US\$1=63

(a) Which currency, US\$ or Icelandic Krona, has depreciated in value?

**(1)** 

(b) An importer in Iceland bought an American car for US\$10000. How much would this cost in Icelandic Krona in:

(i) 2004,

(1)

(ii) 2005?

**(1)** 

(c) Briefly explain **two** possible effects the change in the exchange rate between 2004 and 2005 may have on the balance of payments of Iceland.

**(4)** 

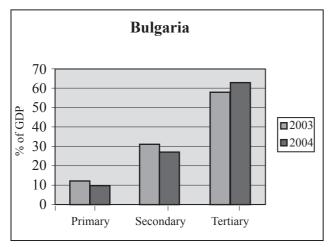
Q3

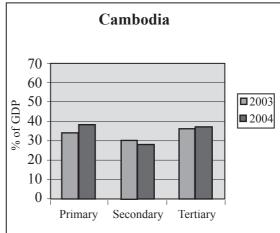
(Total 7 marks)



5

**4.** The graphs below show the % Gross Domestic Product (GDP) of the three sectors of the Bulgarian and Cambodian economies.





(a) What is meant by Gross Domestic Product?

**(2)** 

(b) With the aid of an example, define:

(i) primary sector,

**(2)** 

(ii) tertiary sector.

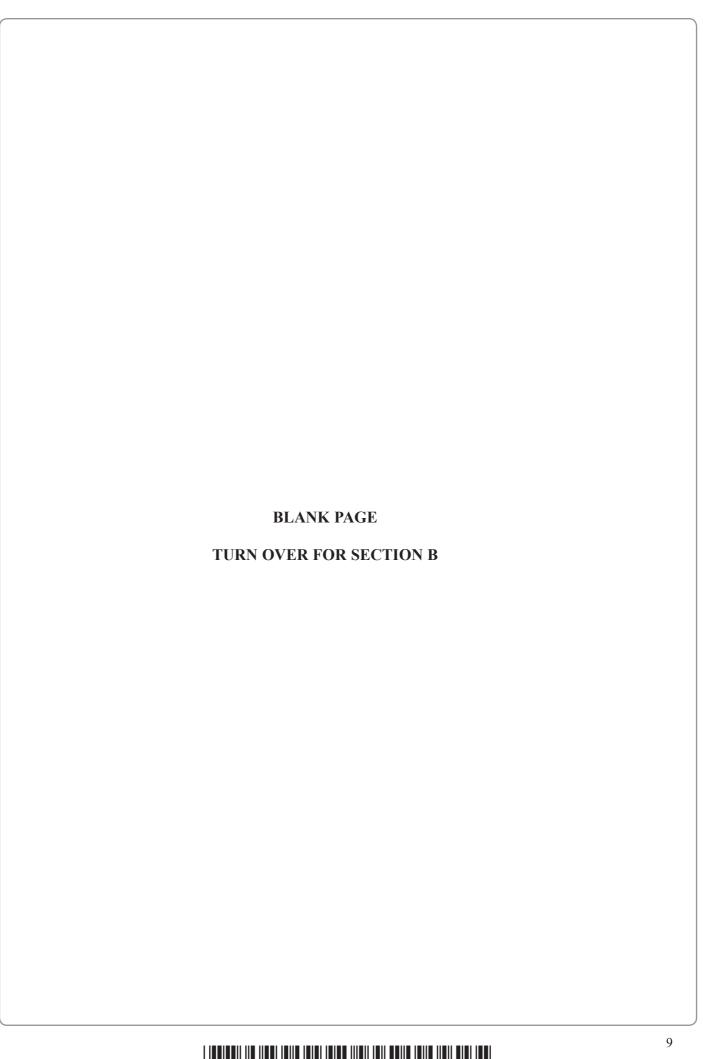


**(2)** 

(c)	Which	h sector experienced the greatest growth in:	
	(i) Bu	Bulgaria,	
	_		(1)
	(ii) Ca	Cambodia?	
	_		(1)
(d)		the data above, identify which country, Bulgaria or Cambodia, can be consa developed country. Give <b>one</b> reason for your answer.	
			(3)
		(Total 11 n	narks)
			·



5. With the	e aid of examples, explain the following terms:	Le
	visible trade,	
(**) (-)		
	(2)	
(ii)	invisible trade.	
,		
	(2)	
(b) Ho	w is the balance of trade calculated?	
(6) 116	The difference of thurs enformed.	
	(2)	Q5
	(Total 6 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  $(\boxtimes)$ . If you change your mind, put a line through the box  $(\boxtimes)$  and then indicate your new question with a cross  $(\boxtimes)$ .

Qu	estio	on 6 🗵						
).	Bet	ween 2003 and 2004 the population of Italy fell.						
	(a)	Briefly explain <b>three</b> possible causes of a fall in the size of a country's population.						
	(b)	Identify and briefly explain <b>two</b> economic problems which could be associated wit a fall in the size of Italy's population.						



	(6)
(c)	Discuss <b>two</b> measures the government of Italy could use to overcome the problems identified in (b).

(a)	Wh	at is meant by a budget deficit?
		(2
(b)		ntify and explain <b>one</b> advantage and <b>one</b> disadvantage of an increase in government enditure on education.
	_	
		(4
(c)	(i)	Identify <b>two</b> ways in which a government could fund the increase in expenditure on education.
		(2
	(ii)	Examine the advantages and disadvantages of the two ways of funding the increase in expenditure identified in (c)(i) above.

		Leave
		blank
-		
-		
-		
-		
-		
-		
-		
-		
_		
-		
-		
_		
-		
-		
_		
-		
-		
-		
-		
-		
-		
-		
-		
-		
-		
-		
-		
-		
-		
-		
_		
-	(2x6 marks) (12)	Q7
	(2A) marks) (12)	
	(Total 20 marks)	



Qu	estio	n 8	
8.	£70	mill	Cadbury Schweppes, a British chocolate manufacturer, announced plans to invest ion to build a new chewing gum factory in Poland. Cadbury Schweppes already Vedel, the leading chocolate brand in Poland.
	(a)	(i)	The combination of Cadbury Schweppes and Wedel is an example of which type of integration?
			(1)
		(ii)	Briefly explain <b>two</b> advantages of this type of integration to Cadbury Schweppes.
			(4)
	(b)		ntify and explain <b>three</b> reasons why Cadbury Schweppes might have decided to the its new chewing gum factory in Poland.

			Le
		_	
		(9)	
(c)	Cadbury Schweppes' decision to invest £70 million to build a new chewing gum facto in Poland is an example of foreign direct investment. Briefly explain <b>one</b> advanta and <b>one</b> disadvantage of foreign direct investment for the economy of Poland.	ory	
		<u>(6)</u>	
	(Total 20 mark		



_		
_		
_		
		(4)
(c) Explain	n how monetary policy can be used by a government to control inflation.	
		(8)
	(Total 20 mar	



	Distinguish between a public limited company and a sole	trader in terms or.
(i)	i) ownership,	
		(2)
···		,
(11	ii) finance,	
		(2)
(ii	iii) control.	
(1)	in, control.	
		(2)
		(2)
(b) E:	Explain <b>three</b> main factors which will influence the locat	
(b) Ex	Explain <b>three</b> main factors which will influence the locate	
(b) Ex	Explain <b>three</b> main factors which will influence the locat	
(b) Ex	Explain <b>three</b> main factors which will influence the locat	
(b) E2	Explain <b>three</b> main factors which will influence the locat	
(b) Ex	Explain <b>three</b> main factors which will influence the locat	
(b) Ex	Explain <b>three</b> main factors which will influence the locate	
(b) Ex	Explain <b>three</b> main factors which will influence the locate	
(b) Ex	Explain <b>three</b> main factors which will influence the locate	
(b) Ex	Explain three main factors which will influence the locat	
(b) Ex	Explain three main factors which will influence the locat	
(b) Ex	Explain three main factors which will influence the locate	

							(6)
(c) (i	o Why wo	ould a governm	nent wish to	increase the r	number of si	mall busines	sses in a
(i	Explain	<b>two</b> measures	which a gov	ernment could	l take to acl	nieve this oh	(4)
(i	Explain	<b>two</b> measures	which a gov	ernment could	l take to acl	nieve this ob	
(i	Explain	<b>two</b> measures	which a gov	ernment could	l take to acl	nieve this ob	
(i	Explain	<b>two</b> measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	<b>two</b> measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	d take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	l take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	d take to ach	nieve this ob	
(i	Explain	two measures	which a gov	ernment could	d take to ach	nieve this ob	jective.

Leave blank Question 11 🖾 11. With the aid of demand and supply diagrams discuss the effects on an economy of: (a) the introduction of a minimum wage rate, **(7)** (b) a decrease in subsidies to domestic farmers,

		Le
	(7)	
(c) t	the discovery of additional oil supplies.	
(6)	are discovery of additional on supplies.	
	(6)	Q
	(Total 20 marks)	
	(Total 20 Illal KS)	



	Leave blank
-	
-	
)	
)	

	ı 12	
(a)	Wit	th the aid of examples, explain the terms:
(	(i)	specialisation of labour,
	···\	
(	(11)	international specialisation by a country.
(b)	Exa	maine the advantages and disadvantages of international specialisation to a country
(b)	Exa 	
(b) 1	Exa	
(b)	Exa 	
(b) ?	Exa	
(b)	Exa	
(b) 1	Exa	
(b)	Exa	

(8)
countries.
(6)
(Total 20 marks)



