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

Paper Reference(s)

7120

London Examinations GCE

Exam	iner's us	e only
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Question

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Economics Ordinary Level

Thursday 8 May 2008 - Morning

Time: 2 hours 30 minutes

Materials required for examination	Items included with question papers
Vil	Nil

Instructions	to	Can	didata	6

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

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

Answer ALL questions in Section A and THREE questions in Section B in the spaces provided in this question paper.

In Section B indicate which question you are answering by marking the box (☒).

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

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 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.

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Turn over

Total



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SECTION A Answer ALL of the questions in this section.

		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.	Wit	h the aid of examples, explain what is meant by	
	(a)	horizontal integration	
		(2)	
	(b)	vertical integration.	
	(0)	vertical integration.	
		(2)	Q1
		(Total 4 marks)	

2. Chocolate consumption is increasing 25% a year in the Asia/Pacific region. Chocolate producers fear that cocoa bean growers will not be able to keep up with demand.

Figure 1 below shows the demand and supply of cocoa beans, the main ingredient of chocolate.

Demand and supply of cocoa beans

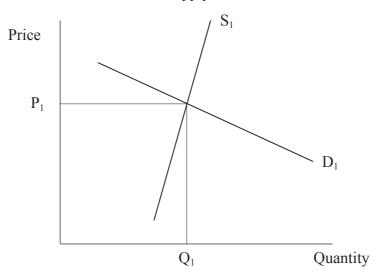


Figure 1

(a) On the diagram draw a new demand curve, D_2 , to show the effect of an increase in the demand for chocolate. Indicate the new price, P_2 , and new quantity, Q_2 .

(2)

(b)	(i)	Define elasticity of supply.	
			(2)
			(2)
	(ii)	Is the elasticity of supply of cocoa beans likely to be elastic or inelastic?	
			(1)

		Lea
(c)	Briefly explain two reasons why the elasticity of supply of cocoa beans is less elastic than the elasticity of supply of chocolate bars.	
	(4)	Q2
	(Total 9 marks)	
	(

3. Figure 2 shows the current account of the balance of payments of a country.

Visible Exports	\$150 bn	Invisible Exports	\$90 bn
Visible Imports	\$125 bn	Invisible Imports	\$100 bn
Balance of trade:	+\$25 bn	Balance of invisibles:	-\$10 bn

Figure 2

	(4)
Salculate the halance o	of payments on current account.
Salediate the balance of	r payments on earrent account.
	(1)
Briefly explain two nexports.	methods a government could use to increase the value of
	(4)



4.	(a)	Complete	the	following	table
----	-----	----------	-----	-----------	-------

	Public limited company	Public corporation
Ownership	(i)	(ii)
Source of Finance		
(give one example of each)	(iii)	(iv)

(4)

(b) (i)	What is meant by the term "privatisation"?

(2)

(ii)	Briefly consum	•	one	advantage	and	one	disadvantage	of	privatisation	to

Q4

(Total 10 marks)

(4)

Leave blank 5. (a) With the aid of examples, distinguish between geographical and occupational immobility of labour. **(4)** (b) Briefly explain (i) one method a government can use to increase the geographical mobility of labour **(2)** (ii) one method a government can use to increase the occupational mobility of labour. **(2) Q5** (Total 8 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) .

Question	$\delta \square$
(a) (i	What is the likely income elasticity of demand for public transport? Briefly explain your answer.
	(4)
(i) What is the likely cross elasticity of demand for public transport in relation to the price of cars? Briefly explain your answer.
	(4)



		(12)
		(Total 20 marks)



	e m	ember countries of the European Union (EU) want the customs union to impose uping measures on textiles coming from Far Eastern countries.
(a) (Explain what is meant by the term "dumping".
		(2)
(:		Briefly explain three reasons why some countries want to impose anti-dumping measures on imported textiles.
		(6)
(iii)	Describe two anti-dumping measures which could be used to reduce the amount of imported textiles.
		(4)

4.		Leave blank
(b)	Examine the reasons why the main objective of the World Trade Organisation (WTO) is trade liberalisation.	
	(8)	Q7
	(Total 20 marks)	

		en the proportion of people over the age of 65 years is expected to rise from 17.4% to 30.4% in 2050.
(a)		tify and briefly explain three causes of an increase in the proportion of people the age of 65 years.
(b)	Evar	(6)
(b)		(6) mine the effects of an increase in the proportion of people over 65 years of age on government expenditure and revenue
(b)		mine the effects of an increase in the proportion of people over 65 years of age on
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(ii)	economic growth.	Leave blank
	(7) (Total 20 marks)	Q8



Ques	stio	n 9	
			Inited Kingdom there is a shortage of nurses in the public sector. An increasing of nurses prefer to work in the private sector of the economy.
((a)	Wh	at is meant by a "shortage of nurses"?
			(2)
((b)	(i)	What is meant by the public sector of an economy?
		(ii)	Briefly explain two reasons why nurses in the United Kingdom might prefer to work in the private sector.
			(4)

supply of nurses.
(6)
(6)
(6) (Total 20 marks)
(6) (Total 20 marks)

ıestio	n 10⊠
of t	Mozambique from 2000 to 2005 the amount contributed to GDP by the primary see the economy fell from 26% to 23%. The amount contributed by the secondary see from 26% to 30%.
(a)	Define, with the aid of examples, primary and secondary sectors of an economy.
(b)	Briefly explain three factors which can affect the location of secondary industry country of your choice.

(6)

	ctor.		
			(10)
		(Tota)	20 marks)
		(Total	20 marks)

on 11 ⊠	
Define the term "inflation".	
	(2)
D. G. d.	()
Briefly explain two main causes of inflation.	
	(6)

(6)
(6)
(6) (Total 20 marks)

Leave

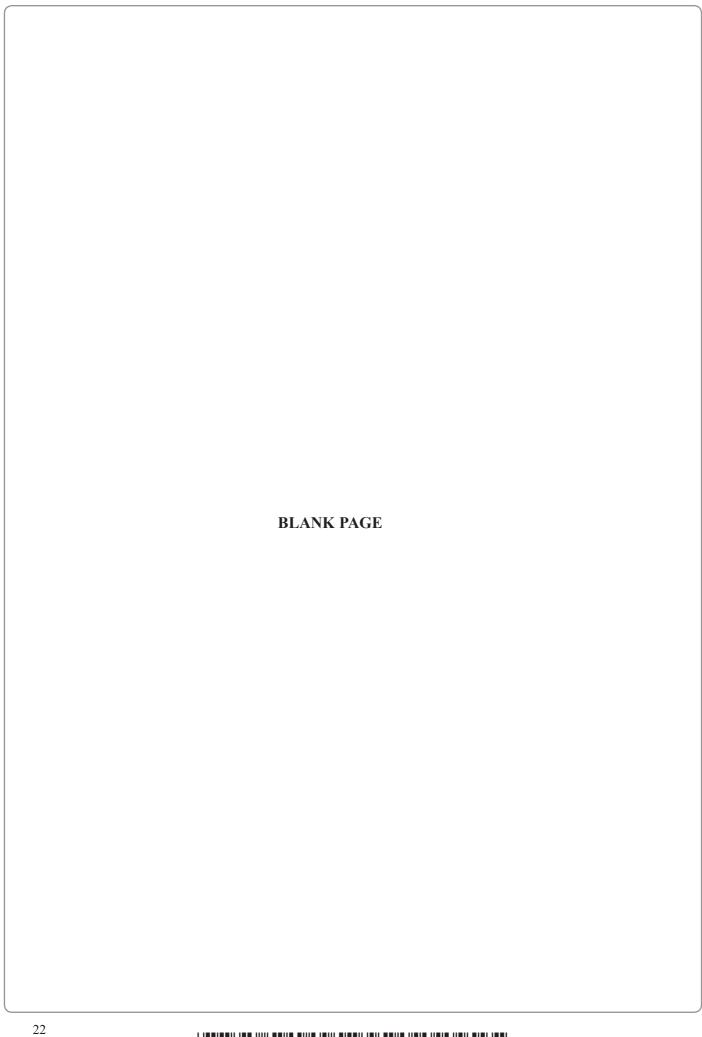
	e 2012 Olympics are to be held in London. It is estimated that the cost to the UK vernment will be £5.3 bn.
(a)	Briefly explain three advantages to the UK economy of hosting the 2012 Olympics.
	(6)

(b) (i)	With the aid of examples distinguish between direct and indirect taxation.

(4)

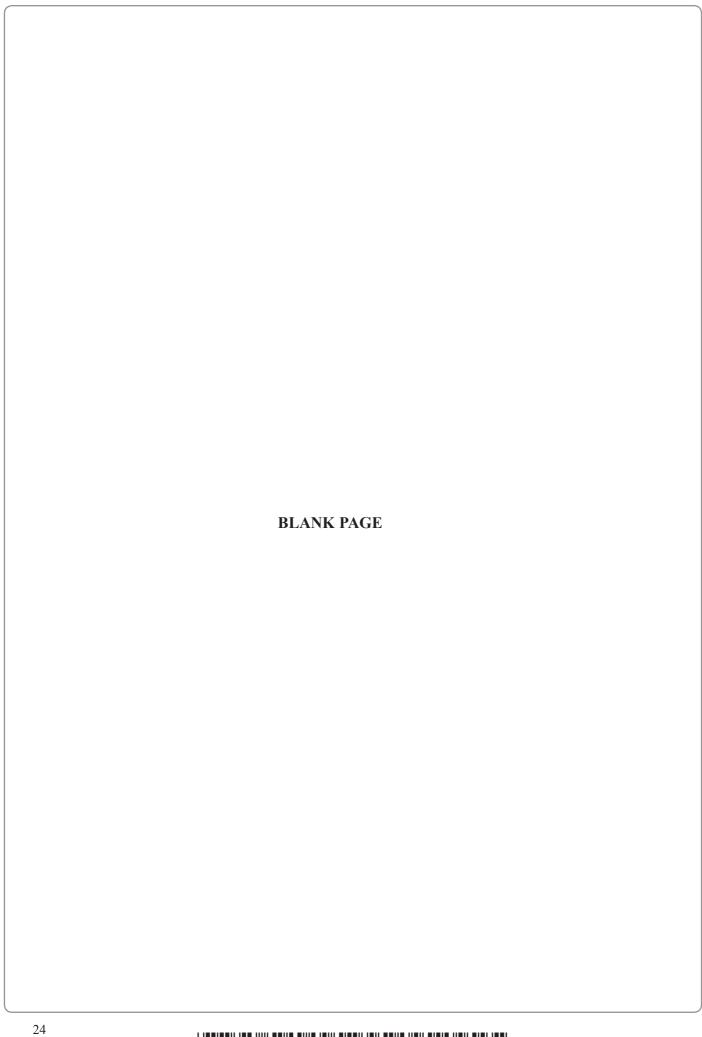
	(2)
(iii)	Discuss the advantages and disadvantages of increasing the rate of indirect taxation.
	(8)
	(8) (Total 20 marks)
	(Total 20 marks)











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