Centre No.			Paper Reference				Surname	Initial(s)			
Candidate No.			7	1	2	0	/	0	1	Signature	

Paper Reference(s)

### 7120/01

# **London Examinations GCE**

Exam	Examiner's use only					
Team I	ise only					

Question

1

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Leave Blank

## **Economics Ordinary Level**

Wednesday 12 May 2010 - Morning

Time: 2 hours 30 minutes

Materials required for examination	Items included with question papers
Nil	Nil

#### **Instructions to Candidates**

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 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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W850/7120/57570 1/1/1/1/

### Leave blank **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.) (a) With the aid of an example, explain the term capital. **(2)** (b) Identify **one** other factor of production. **(1)** Q1 (Total 3 marks) Identify and briefly explain **one** important characteristic of money. Q2 (Total 3 marks)

is –	(i)	Describe what happens to the demand for cigarettes if the price rises by 10°	0/2
a)	(1)	Describe what happens to the demand for eigarettes if the price rises by 10	/0.
			(2)
	(ii)	Place a cross in the correct box to indicate the price elasticity of demanding cigarettes.	
		Elastic	
		Inelastic	
		Unitary	
			(1)
		cigarettes.	
			(3)
b)	In U	Jkraine the income elasticity of demand for cigarettes is 0.06.	(3)
(b)			(3)
(b)		Jkraine the income elasticity of demand for cigarettes is 0.06.	(3)
(b)	(i)	Jkraine the income elasticity of demand for cigarettes is 0.06.  If incomes rise by 10% what happens to the demand for cigarettes?	
(b)	(i)	Jkraine the income elasticity of demand for cigarettes is 0.06.  If incomes rise by 10% what happens to the demand for cigarettes?  According to the income elasticity of demand, cigarettes are	
(b)	(i)	Jkraine the income elasticity of demand for cigarettes is 0.06.  If incomes rise by 10% what happens to the demand for cigarettes?  According to the income elasticity of demand, cigarettes are an inferior good	
(b)	(i)	Jkraine the income elasticity of demand for cigarettes is 0.06.  If incomes rise by 10% what happens to the demand for cigarettes?  According to the income elasticity of demand, cigarettes are an inferior good  a normal good	
(b)	(i)	Jkraine the income elasticity of demand for cigarettes is 0.06.  If incomes rise by 10% what happens to the demand for cigarettes?  According to the income elasticity of demand, cigarettes are an inferior good	

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

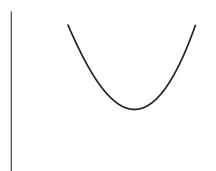
LRAC (long run average costs) Costs Quantity

Figure 1

(i)

(iii)

.....



(ii)

.....

(3)

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

(2)

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

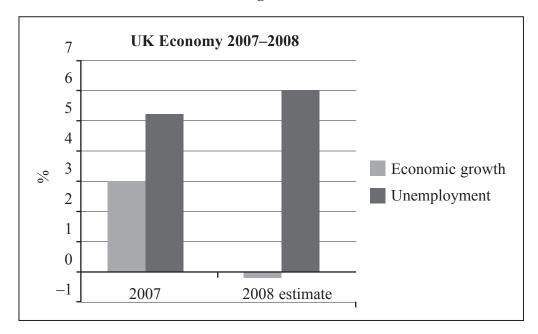
(2)

Q4

(Total 7 marks)

**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?	
		(2)

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

(2)

(i)	structural unemployment,
(1)	Sudetarar unemproyment,
	(3)
(ii)	seasonal unemployment.
	(3)
	(Total 10 marks)

Leave blank

**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.

(2)

(b) disposable income in 2008.

**(2)** 

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

Progressive

Indirect

Regressive

(1)

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

**(3)** 

**Q6** 

(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 7		
Many d	eveloped countries have high dependency ratios caused by ageing populatio	ns.
Explain	what is meant by	
(a) (i)	dependency ratio,	
(ii)	ageing populations.	(2)
()	agenig populations.	
(b) Bri	efly explain <b>two</b> causes of an ageing population in a developed country.	(2)
_		(4)



Leave

<b>Ouestion</b>	

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,

(2)

(ii)	secondary sector worker.	
		(2

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


(4)

_	
_	(2)
	dentify and briefly explain <b>two</b> problems associated with localisation of ndustry.
-	
-	
_	(4)
	Explain how government policies can overcome the problems identified n (c)(ii)
	Explain how government policies can overcome the problems identified
	Explain how government policies can overcome the problems identified
	Explain how government policies can overcome the problems identified
	Explain how government policies can overcome the problems identified
	Explain how government policies can overcome the problems identified

estion 9		
(a) (i)	How are prices determined in a free market economy?	
(ii)	What is meant by a mixed economy?	(2)
		(2)
(b) (i)	With the aid of a diagram, explain what is meant by a subsidy.	

blank (ii) Identify two reasons why a government might subsidise food production in its country. **(2)** (iii) Do the advantages of subsidising food production outweigh the disadvantages? **Q9 (8)** (Total 20 marks)

Leave

(a)	Wh	at is meant by a balance of trade deficit?
(b)	(i)	Identify and briefly explain <b>two</b> ways in which a government can help firms increase exports.
	(ii)	Identify and briefly explain <b>two</b> ways in which a government can reduimports.

(ii) In what ways does membership of a trading bloc benefit a country of your choice?		(2)
choice?		(3)
(6)	(ii)	In what ways does membership of a trading bloc benefit a country of your choice?
(6)		
(6)		
(6)		
(6)		
(6)		
(6)		
(6)		
		(6)
(Total 20 marks)		

(a)	With the aid of an example, briefly explain what is mean	t by
	(i) monetary policy,	
		(2
	(ii) fiscal policy,	
		(2
	(iii) supply side policy.	



(Total 20 marks)

(2) (2) (2) (2) (2) (2) (4) (5) (6) (6) (6) (6) (6) (6) (6) (6) (6) (6
explain explain
explain explain
ne reason why a government might wish to increase the working population,
(2
wo ways in which the government can increase the working population.

(Total 20 marks)

(a) in	ncreasing taxes on petrol,	
-		_
-		_
-		_
-		
-		
-		_
-		_
_		_
-		_
_		
_		
_		_
_		
-		_
-	(7)	- 7)
- (b) at		<del>7</del> )
(b) at	tracting a multinational to set up a factory in the country,	<del>-</del> 7)
(b) at		<del>7</del> )
(b) at		<del>7</del> )
(b) at		
(b) at		
(b) at		7)
(b) at		



(c) developing the tourist industry in the country.		blank
(Total	(6) 20 marks)	Q13
TOTAL FOR SECTION D. G	OMADES	
TOTAL FOR SECTION B: 60 TOTAL FOR PAPER: 100		
TOTAL FOR SECTION B: 60  TOTAL FOR PAPER: 100  END		
TOTAL FOR PAPER: 10		

