

X038/101

NATIONAL
QUALIFICATIONS
2009

TUESDAY, 26 MAY
9.00 AM – 10.15 AM

ECONOMICS
INTERMEDIATE 1

40 marks are allocated to this paper:

20 marks for Item A and 20 marks for Item B.

Attempt **all** questions.

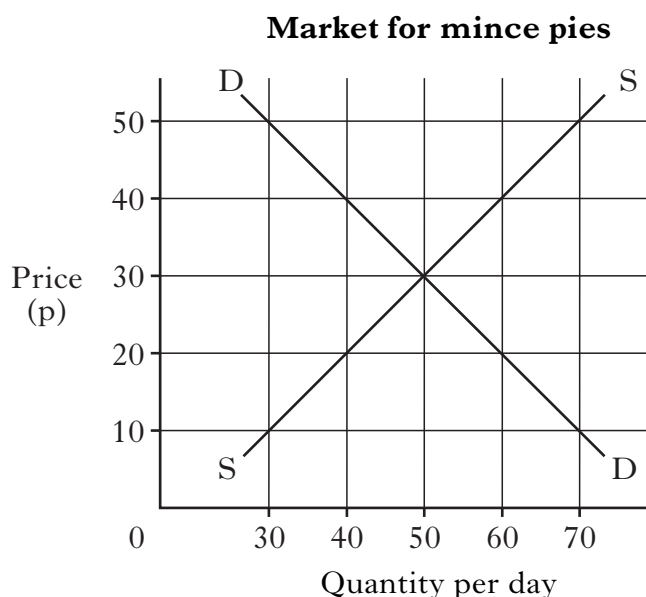
All answers are to be written in the answer book provided.



ITEM A

Read the information below, then answer the questions which follow.

The following diagram shows the daily demand and supply for mince pies in a small town.



Marks

- (a) What is meant by the term “market for mince pies”? 2
- (b) (i) How many pies would be demanded at a price of 40p? 1
(ii) How many pies would be supplied at a price of 20p? 1
- (c) (i) What is the equilibrium price and equilibrium quantity in the above diagram? 2
(ii) What does the term “equilibrium price” mean? 2
- (d) Draw a demand and supply diagram to show what would happen to the equilibrium price of mince pies if there was an increase in the supply of mince pies. 3
- (e) Pizzas are substitutes for mince pies. If the price of pizzas increases, would the demand for mince pies increase or decrease? 1
- (f) In which sector of production is a mince pie producer—primary, secondary or tertiary? 1
- (g) (i) What is meant by the term “variable cost of production”? 2
(ii) Give **2** examples of variable costs for a mince pie producer. 2
- (h) (i) What is meant by the term “opportunity cost”? 2
(ii) Suggest **one** possible opportunity cost for a consumer of buying a mince pie. 1

(20)

ITEM B

Read the information below, then answer the questions which follow.

In his Budget speech, the Chancellor announces future changes in the levels of Government spending and taxation. These changes can result in the Budget being in surplus or deficit. Budget deficits and budget surpluses can affect the rate of inflation, unemployment and national income. National income per head is much higher in the UK than it is in developing countries.

Marks

- | | | |
|-----|---|-------------|
| (a) | Give 2 examples of government spending. | 2 |
| (b) | What is meant by the terms: | |
| | (i) "budget deficit"; | 1 |
| | (ii) "budget surplus"? | 1 |
| (c) | (i) Will a budget surplus increase or decrease the level of inflation? | 1 |
| | (ii) Will a budget deficit increase or decrease the level of unemployment? | 1 |
| (d) | What is meant by the term "progressive taxation"? | 2 |
| (e) | (i) What is meant by the term "national income"? | 2 |
| | (ii) Are exports an injection into or a withdrawal from national income? | 1 |
| (f) | (i) Describe 2 reasons why countries trade. | 2 |
| | (ii) Name 2 barriers to trade. | 2 |
| | (iii) Name a country that uses sterling as its currency. | 1 |
| (g) | (i) Suggest 2 reasons for the low level of national income in developing countries. | 2 |
| | (ii) Describe one way countries, such as the UK, can help developing countries increase their national income. | 2 |
| | | (20) |

[END OF QUESTION PAPER]

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