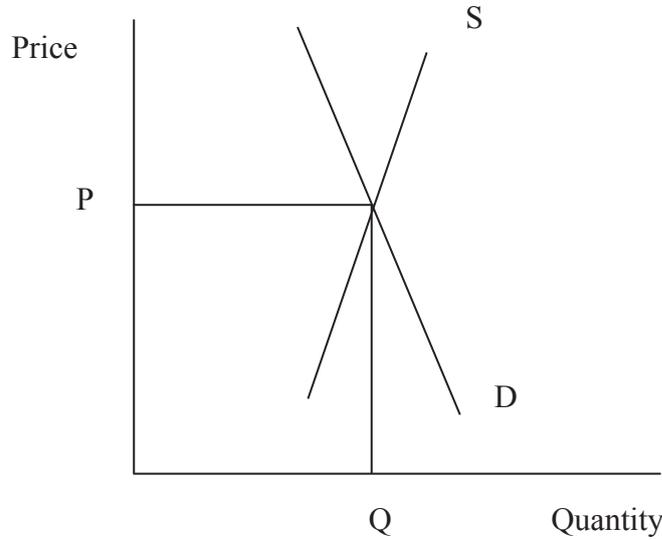




Answer ALL the questions.

**Question 1**

Figure 1a shows the demand and supply of cigarettes.



**Figure 1a**

(a) On Figure 1a

(i) Draw a new demand curve,  $D_1$ , to show the effect of a government health campaign which warns that cigarettes can lead to ill health. (1)

(ii) Label the new equilibrium price  $P_1$  and new equilibrium quantity  $Q_1$ . (2)

(iii) Identify and briefly explain **one** other factor which may cause a shift in the demand curve for cigarettes.

.....

.....

.....

(2)

(iv) If government spending on the health campaign leads to reduced spending on education, this is an example of

- Opportunity cost
- A subsidy
- An inferior good
- Division of labour

(1)



The price elasticity of demand for cigarettes is inelastic.

(b) (i) Define “price elasticity of demand”.

.....  
.....  
.....

(2)

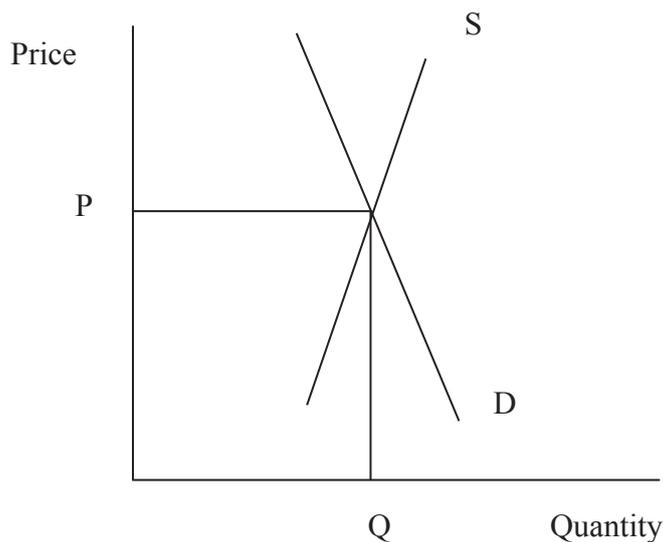
(ii) Briefly explain **one** reason why the demand for cigarettes is likely to be price inelastic.

.....  
.....  
.....

(2)

(iii) On Figure 1b illustrate the impact of an indirect tax on the demand and supply for cigarettes.

**Figure 1b**



(3)





**Question 2**

In 2000 Deutsche Post, the German post office, was privatised. Until January 2008 it was a monopoly and the only firm allowed to deliver letters weighing under 50 grams within Germany. From January 2008 other postal firms were allowed to compete with Deutsche Post.

Study the paragraph above.

(a) From the list below complete the following sentences.

- |                    |                  |                  |
|--------------------|------------------|------------------|
| <i>secondary</i>   | <i>companies</i> | <i>100</i>       |
| <i>tertiary</i>    | <i>private</i>   | <i>state</i>     |
| <i>individuals</i> | <i>50</i>        | <i>invisible</i> |

- (i) Before 2000 Deutsche Post was owned by the ..... and then it was transferred to the ..... sector. (2)
- (ii) Farming is in the primary sector. Car manufacturing is in the ..... sector and the Post Office is in the ..... sector of the economy. (2)
- (iii) Until 2008 Deutsche Post had ..... % of the market for delivering letters under 50 grams. (1)





(ii) Identify and briefly explain **two** financial incentives a government can introduce to encourage firms to set up in an area of industrial decline.

.....

.....

.....

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.....

.....

.....

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.....

.....

**(4)**

(iii) Identify **one** economic problem caused by too many firms locating in the same region.

.....

**(1)**



(iv) Briefly explain **two** government policies to solve the problem you have identified in (c)(iii).

.....

.....

.....

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.....

.....

(4)

Q2

(Total 20 marks)





Figure 3b shows the rate of inflation in Armenia and Germany from 2007 to 2009.

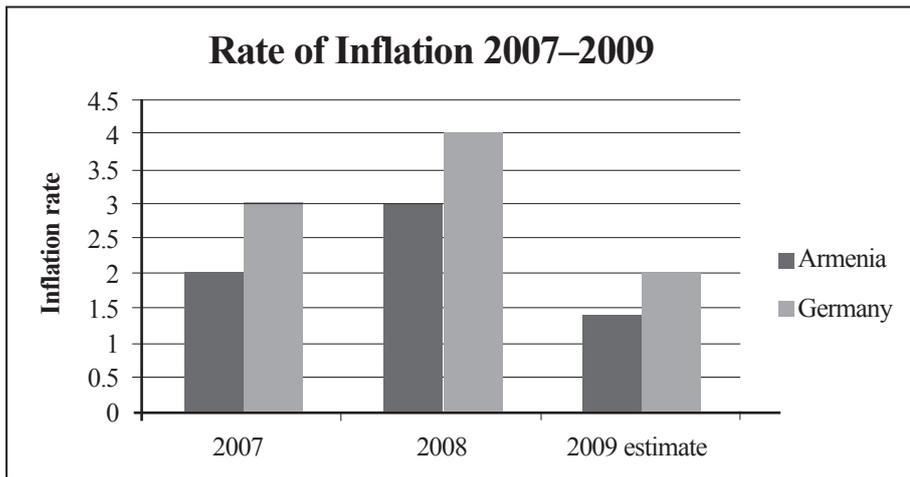


Figure 3b

(b) (i) With reference to the data in Figure 3b, compare the rate of inflation in Armenia and Germany from 2007 to 2009.

.....

.....

.....

.....

.....

.....

(4)

(ii) If a basket of goods in Germany cost 100 euros in 2007 how much would the same basket of goods cost in 2008? Show your calculations.

.....

.....

.....

.....

.....

(2)

(iii) What is happening to prices in Armenia from 2008 to 2009?

.....

(2)





**Question 4**

In 2008 the US multinational company Tyco announced it was to move a manufacturing plant from Ireland to Central America.

(a) (i) What is meant by a “multinational” company?

.....  
.....  
**(1)**

(ii) Identify **two** possible reasons why Tyco decided to move from Ireland to Central America.

1. ....  
2. ....  
**(2)**

(iii) With the aid of examples from a country of your choice briefly explain how multinationals may affect:

1. the level of employment within the country  
.....  
.....  
.....  
.....  
.....  
.....  
**(3)**

2. the international trade of the country.  
.....  
.....  
.....  
.....  
.....  
.....  
**(3)**



(b) Figure 4a shows the current account of the balance of payments for Turkey in 2007. Complete the table below.

	Million US Dollars
Goods: exports	115.0
Goods: imports	162.0
Balance of trade	(i) .....
Invisible exports	35.1
Invisible imports	28.1
Balance of invisibles	7.0
Balance on current account	(ii) .....

**Figure 4a**

**(2)**

(i) Give an example of a “visible export”.

..... **(1)**

(ii) Give an example of an “invisible import”.

..... **(1)**

(c) (i) What is meant by a trading bloc?

.....  
 .....  
 ..... **(2)**





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