

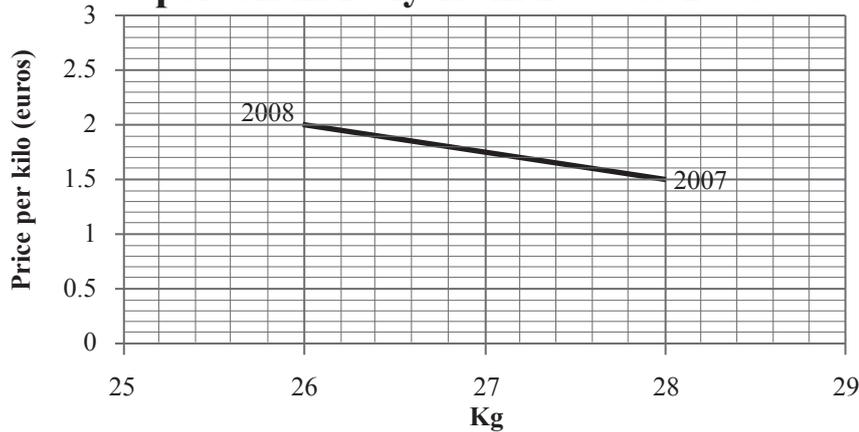
Answer ALL the questions.

Question 1

Italians consume more pasta than any other nation. Figure 1a shows the change in the average amount of pasta consumed by each person in Italy from 2007 to 2008.

Figure 1a

Annual pasta consumption per person in Italy from 2007 to 2008



- (a) (i) With reference to the data in Figure 1a, describe the change in the relationship between the price of pasta and the quantity demanded from 2007 to 2008.

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(2)



(ii) The demand for pasta is price inelastic. With reference to the total amount spent on pasta in 2007–2008 explain this statement.

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(4)

(iii) Place a cross in the correct box to explain why the demand for pasta is price inelastic in Italy.

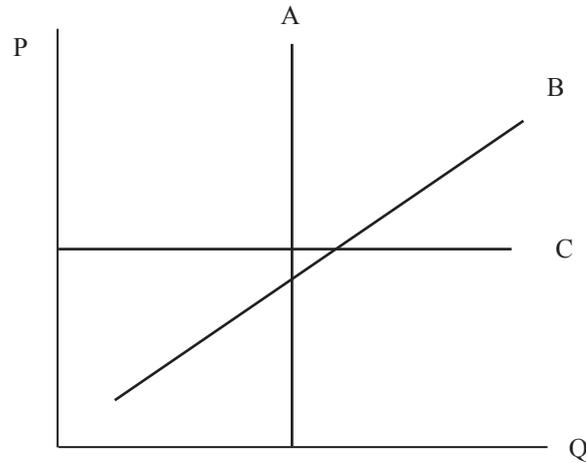
- It has many close substitutes
- It is a luxury good
- It is made from wheat
- It is a necessity

(1)



Figure 1b

The supply of wheat in 2007



(ii) In 2007 the price elasticity of supply of wheat = 0.

Which of the curves, A, B or C, shown on Figure 1b shows the supply of wheat in 2007?

Answer

(1)

(iii) Explain your answer.

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(2)

(c) (i) Define income elasticity of demand.

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(2)



Figure 1c

Year	Income (euros)	Quantity demanded of pasta (kg)
2009	10,000	30
2010	11,000	32

(ii) With reference to Figure 1c explain why pasta is a normal good.

.....

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(2)

Figure 1d

Year	Income (euros)	Quantity demanded (kg)
2009	40,000	25
2010	44,000	20

(iii) What is the economic term given to a good with the characteristics shown in Figure 1d?

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(1)

Q1

(Total 20 marks)



Question 2

Paul Chung owns a shop which prints digital photos for its customers. Paul has taken a loan from the bank to purchase a printer and employs a student, Sam, to work in his shop at weekends.

Table 2a shows Paul’s business costs.

- (a) (i) As in the examples shown below, place a cross in the correct box to indicate whether the cost is variable or fixed.

Table 2a

Cost	Variable	Fixed
<i>Example: Electricity</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Example: Wages</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Paper	<input type="checkbox"/>	<input type="checkbox"/>
Loan repayment	<input type="checkbox"/>	<input type="checkbox"/>
Rent	<input type="checkbox"/>	<input type="checkbox"/>
Ink cartridges for photocopier	<input type="checkbox"/>	<input type="checkbox"/>

(4)

Paul prints 20,000 photos for his customers each week. He charges 10 cents per print. (100 cents = \$1)

- (ii) Calculate his total revenue for a week. Show your workings.

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(2)

- (iii) Paul’s variable costs for 20,000 photos are \$500.
 His fixed costs are \$600 a week.

Calculate his total costs for a week.

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(1)



(iv) Calculate Paul's weekly profit when he produces and sells 20,000 photos.

.....

 (1)

(v) Complete the table below

Factor of production	Example from Paul's business
<i>Example: Entrepreneur</i>	<i>Paul</i>
Capital
Labour

(2)

(b) PhotoPlus, a business with many print shops in different towns, benefits from economies of scale.

(i) With the aid of **one** example, define 'economies of scale'.

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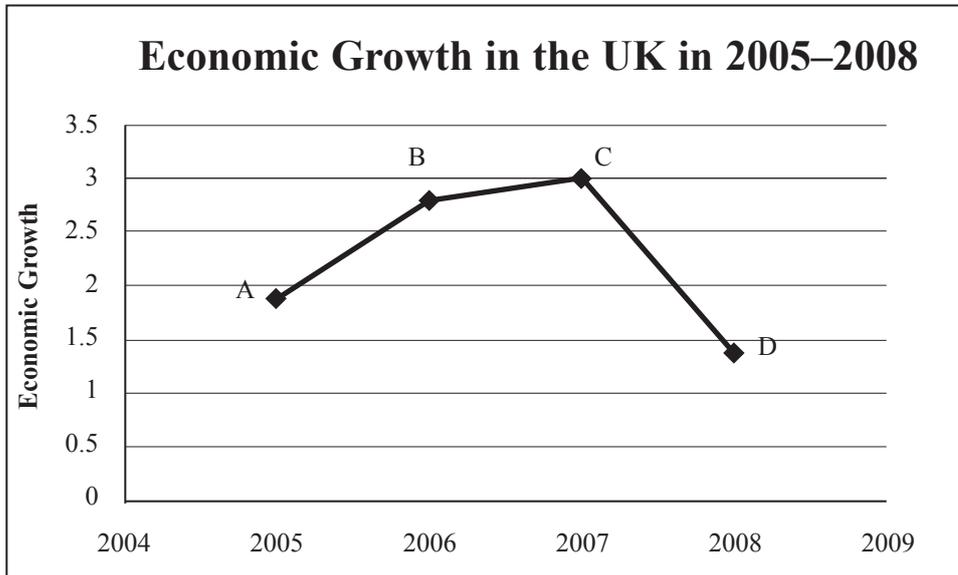
 (3)



Question 3

Figure 3a shows the economic growth of the UK between 2005 and 2008.

Figure 3a



(a) (i) Complete the following definition.

Economic growth measures the change in Gross
..... product.

(2)

(ii) What was happening to the UK's rate of economic growth between 2007 and 2008?

- It was rising
- It was falling
- It was negative
- It stayed the same

(1)



Complete the table below for parts (iii) – (v).

Type of unemployment	Definition + example
<i>Example: Seasonal</i>	Definition: <i>Workers are only employed for part of the year.</i> Example: <i>fruit pickers.</i>
Structural	(iii) Definition (2) (iv) Example (1)
(v) (1)	A fall in demand throughout the economy due to recession.

(vi) Identify **one** other characteristic of recession apart from unemployment.

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 (1)

(b) The rate of interest is an instrument of monetary policy. Complete the following sentences using words from the list below.

- | | |
|---------|----------------|
| demand | increase |
| cheaper | exports |
| save | decrease |
| borrow | more expensive |

In times of recession the government will (i) the rate of interest to combat unemployment. Loans will become (ii) so consumers and firms will (iii) more. This will lead to increased (iv) in the economy.
 (4)



(c) The 2012 Olympic Games are to be held in London. They are to be funded mainly by the UK government.

(i) With the aid of an example, explain what is meant by direct taxation.

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(2)

(ii) Apart from direct taxation identify **one** method by which the government can fund the 2012 Olympics.

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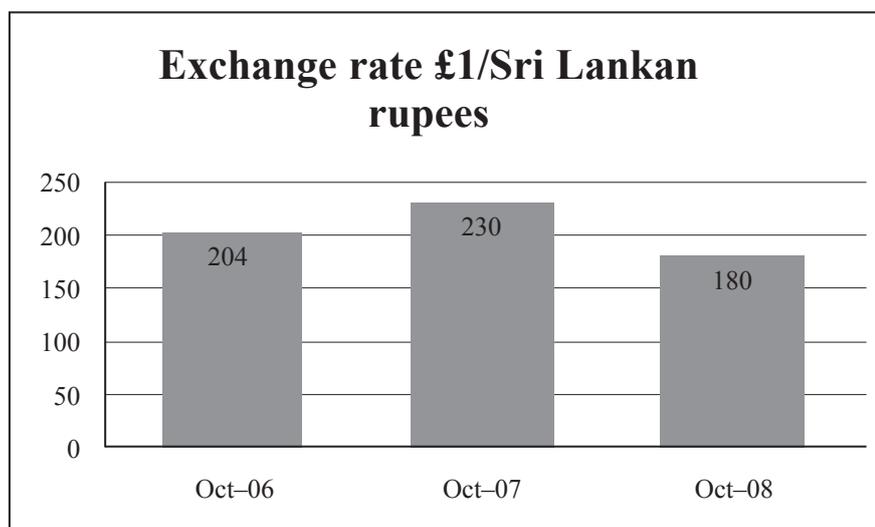
(1)



Question 4

Table 4a shows the exchange rate of the UK pound (£) to Sri Lankan rupees.

Table 4a



(a) How many rupees would a British tourist receive for £100 in

(i) October 2006,

..... (1)

(ii) October 2008?

..... (1)

(iii) The money spent by British tourists visiting Sri Lanka is shown on the balance of payments of Sri Lanka as

- a visible import
- an invisible export
- a visible export
- an invisible import

(1)



(iv) From October 2007 to October 2008 which of the currencies in figure 4a appreciated in value against the other currency?

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(1)

(v) Explain the effect of an appreciation of a country's currency on its exports earnings.

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(4)

(b) (i) Briefly explain **one** reason why a country might borrow from the World Bank (IBRD).

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(2)

(ii) Identify **one** other source of a country's international borrowing apart from borrowing from the World Bank.

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(1)

International debt has to be repaid in foreign currencies.

(iii) Briefly explain **one** policy a government can use to increase private sector earnings of foreign currencies.

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(2)



