

Centre Number

71	
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Candidate Number

General Certificate of Secondary Education  
2011

## Economics

Paper 2

[G9272]

MONDAY 6 JUNE, MORNING



G9272

### TIME

2 hours.

### INSTRUCTIONS TO CANDIDATES

You should answer all questions in the spaces provided in this question and answer booklet. If you have do not enough space to complete your answer, extra lined pages are provided at the back of the booklet.

Answer **all** questions in **Section A**.

Answer **both** questions in **Section B**.

Answer **one** question from questions **6, 7, 8 and 9** in **Section C**.

### INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Your quality of written communication will be taken into account in assessing your answers to **all parts** of the question you choose to answer from **Section C**.

### ADVICE TO CANDIDATES

You should take into account the maximum marks available when deciding how much time to spend on each question.

For Examiner's use only	
Question Number	Marks
<b>Section A</b>	
1	
2	
3	
<b>Section B</b>	
4	
5	
<b>Section C</b>	
Total Marks	

## Section A

Answer **all** questions in this section.

1 It costs £30 million each year to clean up litter from Northern Ireland's streets. Many people are unhappy about this use of scarce resources. Since the money comes from taxpayers, people would like to see it put to better use. For example, it could pay for 1400 extra nurses or be used to build five new primary schools.

*Adapted from the News Letter 2 October 2009 © 2011 Johnston Publishing*

(a) What is meant by opportunity cost?

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[2]

(b) Using the information above, give **one** example of an opportunity cost.

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[1]

(c) Give **one** example of a tax that people pay.

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[1]

(d) Suggest **one** reason why the government may want to increase taxes.

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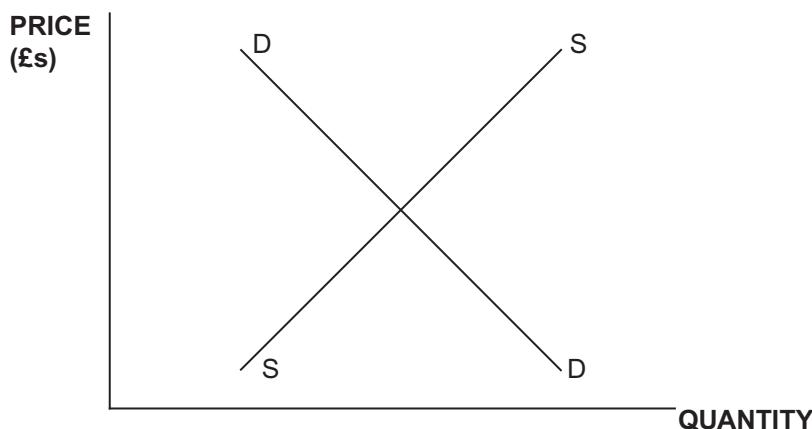
[2]

Examiner Only	
Marks	Remark

2 In January 2010, the price of carrots rose sharply after a period of heavy snow. Farmers could not harvest their crops and deliveries to supermarkets were disrupted.

Source: adapted from: *The Observer*, 10 January, 2010

Examiner Only	
Marks	Remark



(a) Explain what is meant by market price.

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[2]

(b) On the diagram above, show the likely effect of heavy snow on the market for carrots. [2]

(c) Explain how supermarkets might react to the likely change in the price of carrots.

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[2]

3 “The latest figures show a slight increase in the rate of inflation and economists are worried that this will cause problems for the economy. The Monetary Policy Committee must decide whether the rate of interest should rise.”

© Crown Copyright – adapted from Office for National Statistics

(a) What is meant by inflation?

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[2]

(b) Briefly explain **one** possible cause of inflation.

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[2]

(c) Give **one** economic effect of rising inflation.

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[2]

(d) Suggest **one** reason why the Monetary Policy Committee might not increase the rate of interest.

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[2]

Examiner Only	
Marks	Remark

## Section B

Answer **both** questions in this section.

4 Carefully study the information below and answer the questions that follow.

Paula is 25 years of age and currently earns £25,000 a year in her job as an IT consultant. Her fiancé John is 28 and earns £22,000 working for an insurance company. They want to buy a house that costs £150,000. They intend to provide £15,000 for the deposit but need to borrow £135,000. They are considering two types of mortgage, each to be repaid over 25 years. The following two-year deals are available.

Type of mortgage	Rate of interest	Arrangement fee
Fixed Rate	6%	£400
Tracker	Base Rate +3%	£1000

Source: adapted from Nationwide Building Society, 10 January 2010

(a) Explain what is meant by each of the following:

(i) Mortgage

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[2]

(ii) Fixed Rate Mortgage

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[2]

(iii) Tracker Mortgage

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[2]

(b) Suggest **one** advantage and **one** disadvantage of:

(i) a Fixed Rate Mortgage

Advantage

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Disadvantage

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[4]

(ii) a Tracker Mortgage

Advantage

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Disadvantage

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[4]

Examiner Only	
Marks	Remark

(c) Explain **three** ways in which Paula and John might fund the deposit for their house.

1. \_\_\_\_\_

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[2]

2. \_\_\_\_\_

\_\_\_\_\_

[2]

3. \_\_\_\_\_

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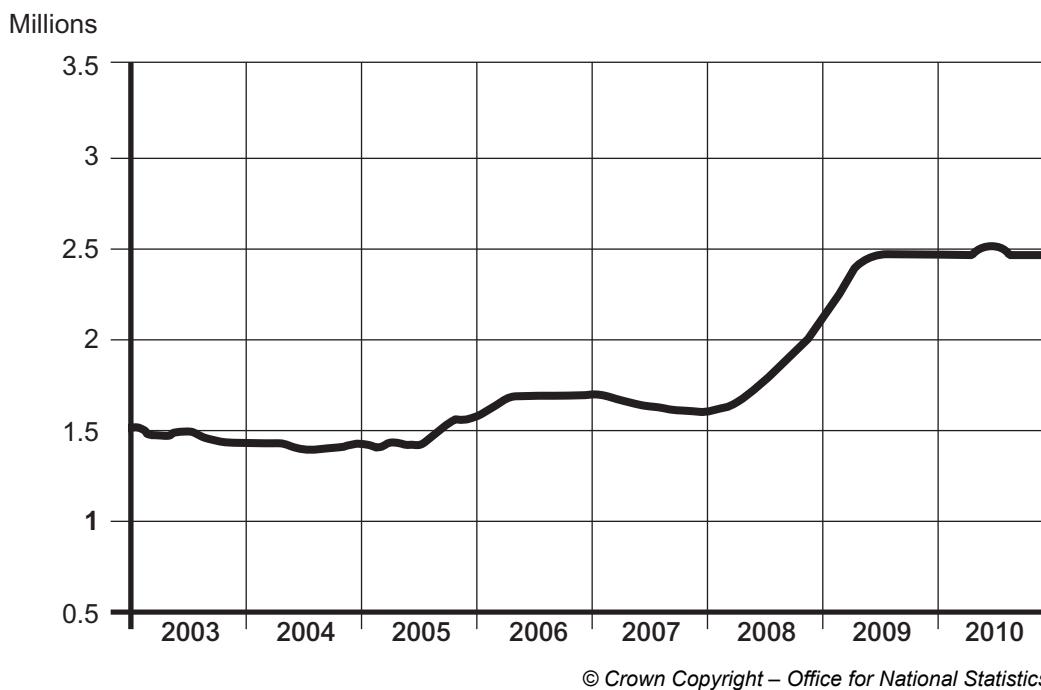
[2]

Examiner Only	
Marks	Remark

5 Carefully study the information below and answer the questions that follow.

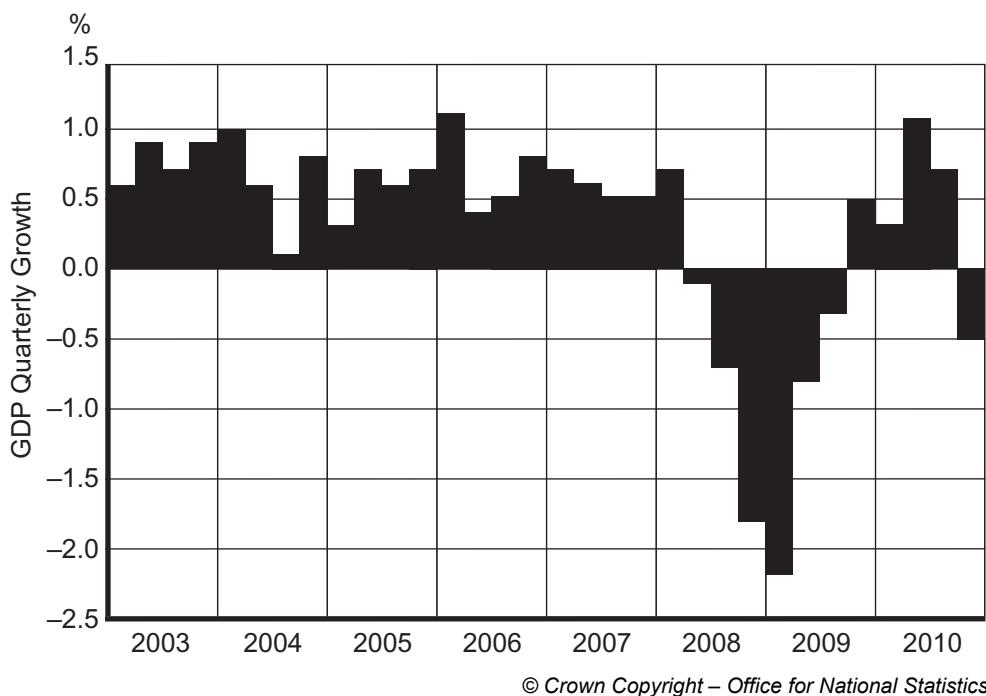
Examiner Only	
Marks	Remark

**Unemployment in the UK 2003–2010**



**Fig. 1**

**Economic growth and recession in the UK 2003–2010**



**Fig. 2**

UK Budget Deficit 2006–2010	
2006–2007	– £5.2 billion
2007–2008	– £5.8 billion
2008–2009	– £51.7 billion
2009–2010	– £131.6 billion

Examiner Only

Marks

Remark

Source: adapted from the Institute for Fiscal Studies

Fig. 3

(a) By how much did unemployment change between the start of 2008 and the end of 2010?

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[2]

(b) Describe what happened to economic growth between the start of 2008 and the end of 2010.

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[3]

(c) Explain why changes in economic growth can affect the level of unemployment.

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[3]

(d) Describe how the UK's budget deficit has changed since 2006.

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[4]

(e) Explain two policies the government could use to help the economy recover from recession.

1. \_\_\_\_\_

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[4]

2. \_\_\_\_\_

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[4]

Examiner Only	
Marks	Remark

**Section C**

Answer **one** question from questions **6, 7, 8 and 9.**

**6** A new report shows that 8% of the population in the UK live in poverty and that the gap between rich and poor is still very wide. In order to reduce poverty, the government must implement policies that redistribute income from richer to poorer households.

© BBC News at [bbc.co.uk](http://bbc.co.uk)

**(a)** Explain what is meant by scarce economic resources.

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[6]

Examiner Only	
Marks	Remark

**(b)** Explain how a market economy allocates its scarce resources.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss the view that the UK government should try to achieve a more equal distribution of income.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

[15]

7 In 2009, Kraft, the US food company, bought Cadbury, the UK chocolate manufacturer. Kraft owned the well-known Toblerone brand that is popular in Europe. Cadbury dominates markets in the UK and Australia with brands such as Crunchie and Flake. Experts predicted that a new joint company could earn £30 billion each year.

*Source: adapted from Times Online, November 9 2009 www.times.co.uk*

(a) Describe **two** types of merger between companies.

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[6]

Examiner Only	
Marks	Remark

(b) Examine **three** ways in which companies such as Cadbury can compete.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss the advantages and disadvantages of mergers between companies.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

[15]

8 UK house prices fell sharply in 2009. This was good news for buyers but bad news for sellers. Many houses were no longer worth what the owners had paid for them. These changes in the housing market caused serious problems for the economy.

Examiner Only	
Marks	Remark



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(a) Explain what is meant by the market for housing.

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[6]

**(b)** Explain **three** factors that could lead to changes in house prices.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss the possible costs and benefits of falling house prices to the UK economy.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

[15]

9 The European Union (EU) has been expanding in recent years, with other countries, like Turkey, also wanting to join. One of the main benefits of EU membership is that countries can enjoy more opportunities to trade. Most EU countries have adopted the euro as their currency.

*Source: adapted from European Commission Enlargement  
[http://ec.europa.eu/enlargement/the-policy/index\\_en.htm](http://ec.europa.eu/enlargement/the-policy/index_en.htm) 8 November 2009*

(a) Explain what is meant by the European Union.

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[6]

Examiner Only	
Marks	Remark

**(b)** Examine how EU membership helps countries to compete in a global market.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss the possible costs and benefits of the UK adopting the euro.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

Continuation page (Use this page if you need extra space to complete your answers.)

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

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<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

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**THIS IS THE END OF THE QUESTION PAPER**

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