



Rewarding Learning

General Certificate of Secondary Education
2017

Centre Number

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Candidate Number

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Economics

Paper 2



G9272

[G9272]

THURSDAY 8 JUNE, AFTERNOON

TIME

1 hour 45 minutes.

INSTRUCTIONS TO CANDIDATES

You should answer all questions in the spaces provided in this question and answer booklet. If you do not have 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**.

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

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.

Section A

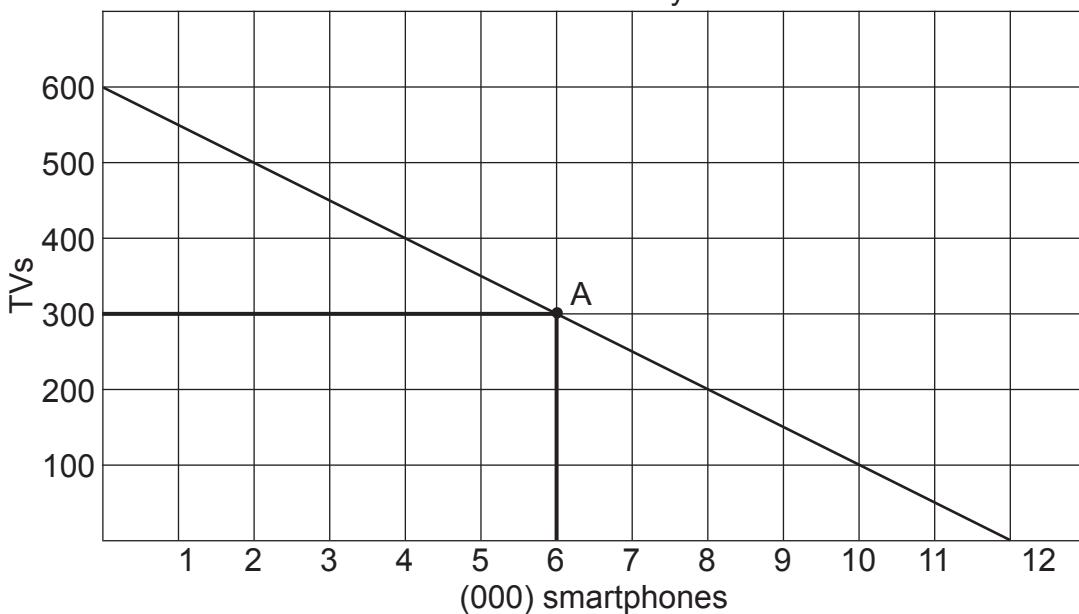
Examiner Only

Marks

Remark

Answer **all** questions in this section.**1**

Production Possibility Frontier



(a) What does a production possibility frontier show?

[2]

(b) What is meant by opportunity cost?

[2]

(c) At present the economy is producing at point A. What is the opportunity cost if production of TVs increases to 400?

[2]

2 In July 2015, UK mortgage lending reached its highest level for seven years as borrowers rushed to take advantage of the new mortgage deals at low fixed interest rates.

Adapted from © Mortgage lending hits highest level in seven years as sales pick up and borrowers rush to lock into fixed rates by Simon Lambert. Published by thisismoney.co.uk, 20 August 2015

(a) What is a mortgage?

[2]

(b) What is a fixed rate mortgage?

[2]

(c) Give **one** advantage and **one** disadvantage of an increase in mortgage lending.

Advantage

[2]

Disadvantage

[2]

Examiner Only	
Marks	Remark

3 In June 2016, the UK's rate of inflation as measured by the Consumer Prices Index (CPI), was a very low rate of 0.5%.

(a) What is meant by the rate of inflation?

[2]

(b) Give one effect of the UK's low rate of inflation on each of the following:

(i) consumers

[2]

(ii) businesses in the UK

[2]

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(Questions continue overleaf)

Section B

Answer **both** questions in this section.

4



© Glasty Farm Ice-cream



© Morelli Ice Cream 2017



© Mullins Ice Cream 2017

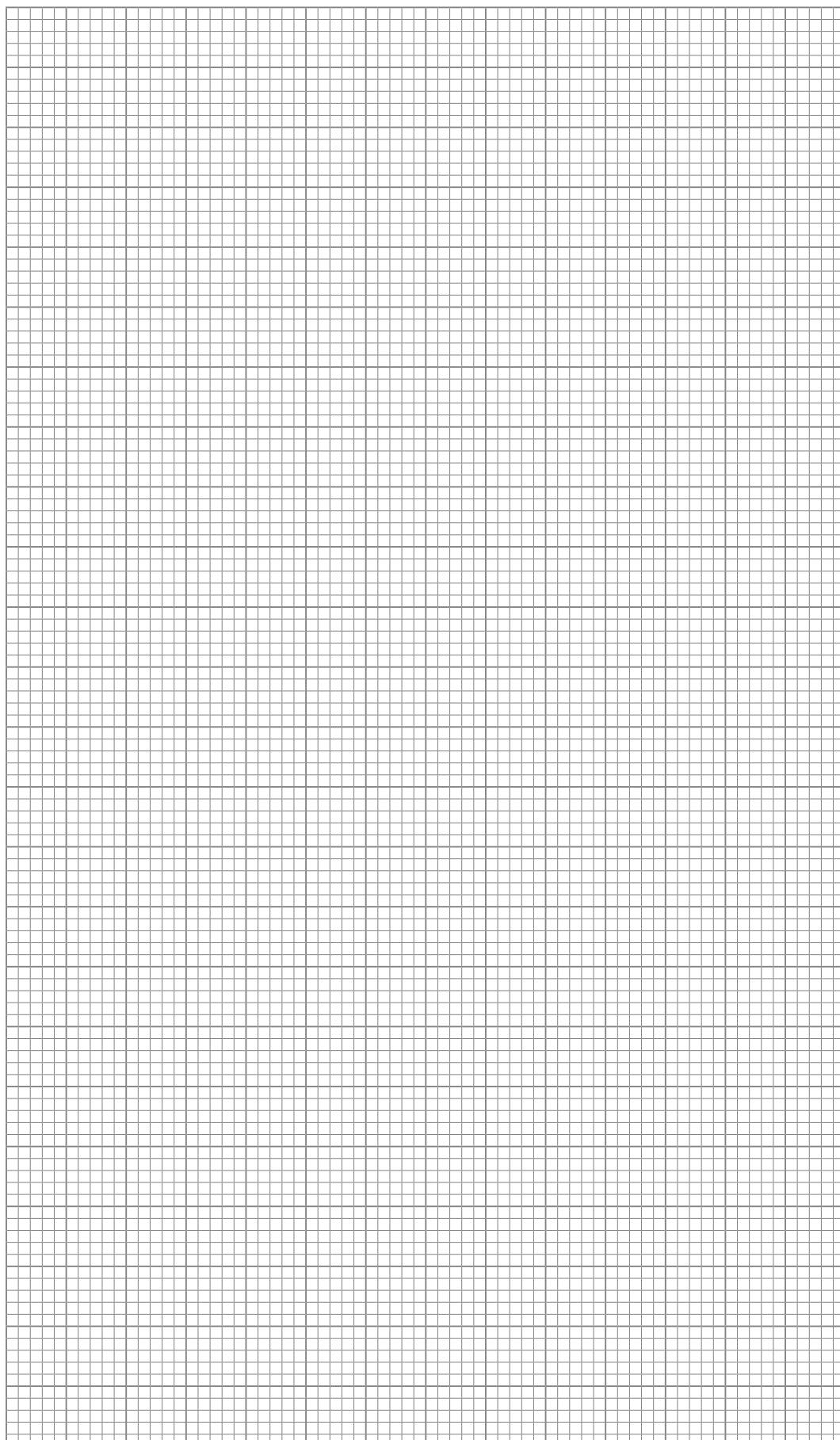
Examiner Only	
Marks	Remark

There is a growing market for luxury ice cream in Northern Ireland that is being met by a number of specialist manufacturers. The table below shows the demand and supply for 1 litre tubs of luxury ice cream in a week.

Price (£)	Quantity Demanded	Quantity Supplied
4.50	1000	5000
4.00	2000	4000
3.50	3000	3000
3.00	4000	2000
2.50	5000	1000

(a) Plot the demand and supply for ice cream on the graph paper on page 7. Label your diagram carefully including the market price and equilibrium quantity. [6]

(b) In the next year, conditions change and the demand for luxury ice cream rises by 2000 tubs at every price. On your diagram indicate the effect of this on equilibrium price and quantity. [4]



Examiner Only

Marks	Remark

(c) Explain how the following might affect the market price of luxury ice cream:

(i) There is a fall in the price of cream, an important ingredient in making ice cream.

[2]

(ii) Consumer incomes in Northern Ireland rise by 3%.

[2]

Examiner Only	
Marks	Remark

(d) A large manufacturer has decided that the best way to compete in the growing market for luxury ice cream is to buy one of the small specialist producers. Explain how this action could affect:

(i) Consumers.

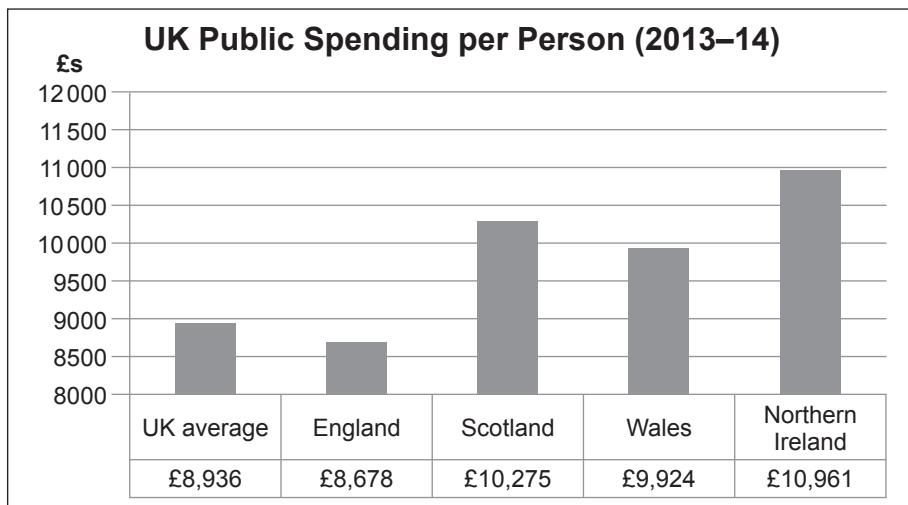
[3]

(ii) Other producers in this market.

[3]

Examiner Only	
Marks	Remark

5



Examiner Only

Marks

Remark

© Public expenditure by country and region, spending per head, by country and region, House of Commons Library.
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Many businesses want corporation tax in Northern Ireland to be lowered from the UK-wide rate of 20% to match the Republic of Ireland's rate of 12.5% for firms. This possible change is described as a "game changer" by supporters who want to attract more foreign direct investment to create jobs. It is estimated that around 34 000 businesses in Northern Ireland could benefit, including 26 500 small and medium-sized enterprises.

Supporters of a cut in corporation tax believe that it will attract additional private sector jobs to Northern Ireland. However, there is no guarantee that even one new job will be created. Others believe that a more convincing strategy would be to invest as much as possible in improving the quality of our own workforce.

Adapted from © Corporation tax cut to benefit 34,000 firm in Northern Ireland. Published by newsletter.co.uk, 08 January 2015

(a) How does public spending in Northern Ireland compare to the rest of the UK?

[4]

(b) Explain **one** advantage and **one** disadvantage of cutting public spending in Northern Ireland.

Advantage

[3]

Disadvantage

[3]

(c) What is corporation tax?

[2]

Examiner Only	
Marks	Remark

(d) Explain how cutting corporation tax in Northern Ireland could lead to job creation.

[4]

(e) Discuss how investment in improving the quality of the workforce could improve employment in Northern Ireland.

[4]

Examiner Only	
Marks	Remark

Section C

Answer **one** question.

6 Fossil fuels – coal, oil and natural gas – are the major energy sources used in the world today. Concern is growing about the problems that burning these fuels is causing to people's health, the environment and climate change. World leaders have called for fossil fuels to be phased out by the end of the century.

*Adapted from © G7 leaders agree to phase out fossil fuel use by end of century by Kate Connolly.
Published by The Guardian, 08 June 2015*

(a) Explain what is meant by social costs.

[6]

Examiner Only	
Marks	Remark

(b) Explain the social costs and benefits resulting from the production and use of fossil fuels.

Examiner Only	
Marks	Remark

(c) Discuss the economic impact of phasing out the use of fossil fuels on individuals, firms and the economy as a whole.

Examiner Only	
Marks	Remark

7 Changes in the exchange rate are putting pressure on the costs and profits of UK businesses. Imports of many raw materials, including oil, are paid for in US dollars. The increase in the value of the pound against the euro has been a particular challenge to UK exporters as 40% of UK exports are sold to the Eurozone.

*Adapted from ©Exchange rates put squeeze on UK business by Ferdinando Giugliano.
Published 15/03/15 by Financial Times Ltd.*

(a) Explain what is meant by the exchange rate.

[6]

Examiner Only	
Marks	Remark

(b) Examine how a rise in the value of the pound against the euro can affect the costs and profits of UK businesses.

Examiner Only	
Marks	Remark

(c) Discuss how a rise in the value of the pound affects UK government economic objectives.

Examiner Only	
Marks	Remark

8 UK unemployment rose for the first time in two years. Between March and May 2015, 1.85 million people were unemployed, an increase of 15 000 since the start of the year. This brought the average jobless rate to 5.6%.

UK Labour Market: July 2015 by Office for National Statistics. Published 15 July 2015.

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(a) Explain how unemployment is measured.

[6]

Examiner Only	
Marks	Remark

(b) Explain the main costs to the economy of unemployment.

Examiner Only	
Marks	Remark

(c) Discuss whether the government should use supply side policies to reduce unemployment.

Examiner Only	
Marks	Remark

9 The government has introduced a new National Living Wage (NLW) so that workers aged 25 or over and not in the first year of an apprenticeship will be paid £7.20 per hour, 70 pence more than the rate they received under the National Minimum Wage (NMW). By 2020 the NLW will rise to £9 per hour. Six million low paid workers are expected to benefit but critics say it could also cost thousands of jobs.

Adapted from © What the new National Living wage will mean for you by BBC, Newsbeat. 9 July 2015.

(a) Explain what is meant by a national minimum wage.

[6]

Examiner Only	
Marks	Remark

(b) Explain why some workers earn low pay.

Examiner Only	
Marks	Remark

(c) Discuss how the introduction of the National Living Wage might affect individuals, firms and the economy as a whole.

Examiner Only	
Marks	Remark

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

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Marks	Remark

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