

Grade 10 – Solutions

Question 1:

- a) (i) - The burning of waste materials and substances from production processes could cause harmful air pollution. - The oil spills and the dumping of waste into seas and rivers is destroying fish stocks and damaging coastlines. A decision to build a large out-of-town supermarket could destroy trees, farmland and wildlife habitats and create visual, noise and air pollution once it is opened, for example, by generating additional traffic congestion and engine emissions on local roads to and from the retailer. — external cost
- (ii) Anti-pollution and dumping laws can make it illegal to burn, waste or dump untreated waste into rivers and seas. Firms that break these laws may be forced to pay large financial penalties. Planning laws can prevent businesses from building new factories or other premises in environmentally sensitive areas or near residential areas Taxes can also be imposed on products that can harm the environment. For example, high taxes on petrol and cars can reduce consumer demand for these products. Sometimes announcements by governments that they are considering new laws and taxes to control harmful business activities may create enough bad publicity and falling consumer sales for businesses to make them change their behaviour.
- b) (i) An increase in interest rates will make borrowing by consumers more expensive. Consumers may borrow less and spending will fall. Consumers with existing loans will have higher costs and this could result in falling sales for many products. However, bread is a basic food for many people and also a relatively low-cost item. Demand for bread may not fall very much. It may even rise as consumers cut their demand for more expensive foodstuffs and buy more bread instead.
- (ii) In contrast, cars are expensive and non-essential for many people. Consumers will often spend many to buy them. A rise in interest rates will increase the cost of borrowing money to buy a car significantly. Sales of cars may fall as consumers keep their old cars or use public transport instead to travel. Car manufacturers may have to cut production and lay off workers as their sales and profits fall. However, a rise in interest rates also increases the cost of loan repayments for business. Borrowing money may be more

expensive for a small bakery than a large car manufacturer which may be able to raise finance from selling shares instead of taking out loans.

c) (i) The public sector in an economy consists of all those activities that are owned, run or controlled by the government.

(ii) The public sector is a major employer and producer in many modern economies. Some public sector enterprises may operate for profit but many will have other objectives. Many public sector organizations employ resources to deliver essential public services. These are considered to be services that it is in the best interests of public welfare or the economy to make widely available, such as street lighting, health care and education. Some of these services may be provided free of charge or at a low cost to people and organizations that need them the most.

Question 2:

(a) Value added is the difference between the price for a good or service by a customer and the cost of the natural and man-made resources used to make the product (furniture). Total value added is therefore equal to wages or salaries paid to workers who make product and the profits earned by the business owners or entrepreneurs who organise production.

(b) – use resources as efficiently as possible to produce as much output with the least input (raw-materials)

- Reduce waste/ Reduce costs of natural resources/ manmade resources
- Making products more attractive to consumers/ willingness to pay for higher prices.
- Making the products more appealing to consumers through advertising
Creating a recognised brand/ brand loyalty