

## SECTION A

- 1 What is always a feature of a mixed economy?
  - A All capital goods are produced in the public sector.
  - B Resources are used in the public and the private sector.
  - C The allocation of all resources is determined by the price mechanism.
  - D The public sector is larger than the private sector.
  
- 2 Which statement best explains why drought is an economic problem?
  - A Drought cannot be controlled.
  - B Rainfall is unreliable.
  - C The effects of drought involve the government.
  - D Water is a scarce good.
  
- 3 In 2002 the government of Zimbabwe diverted US\$18 million, originally intended to support private business, to help feed millions of people threatened by famine. Some of the money was used to import up to 1.8 million tonnes of corn.

What was the opportunity cost to Zimbabwe of this decision?

  - A the cost of the extra food
  - B the cost of the 1.8 million tonnes of corn
  - C the effect on private business
  - D the US\$18 million
  
- 4 What might increase the use of money as a medium of exchange?
  - A an increase in income tax
  - B an increase in interest rates
  - C an increase in savings
  - D an increase in specialisation
  
- 5 What will increase the level of specialisation in an economy?
  - A A computer manufacturer takes over an advertising company.
  - B A retail store issues its own credit card.
  - C A travel agent provides transport to the airport.

D A vehicle assembler reduces its range of vehicles.

Economics

6 Each of the factors of production earns an income.

What are the incomes for land and capital?

	land	capital
A	rent	interest
B	rent	profit
C	wages	interest
D	wages	profit

7 In 2002 the trade union representing workers on the London Underground public transport system called a strike.

Which condition would make a strike least likely to be successful?

- A The demand has to be met at a certain time.
- B The product or service is regarded as a necessity.
- C The union represents a high percentage of the workforce.
- D There is a wide range of alternative services.

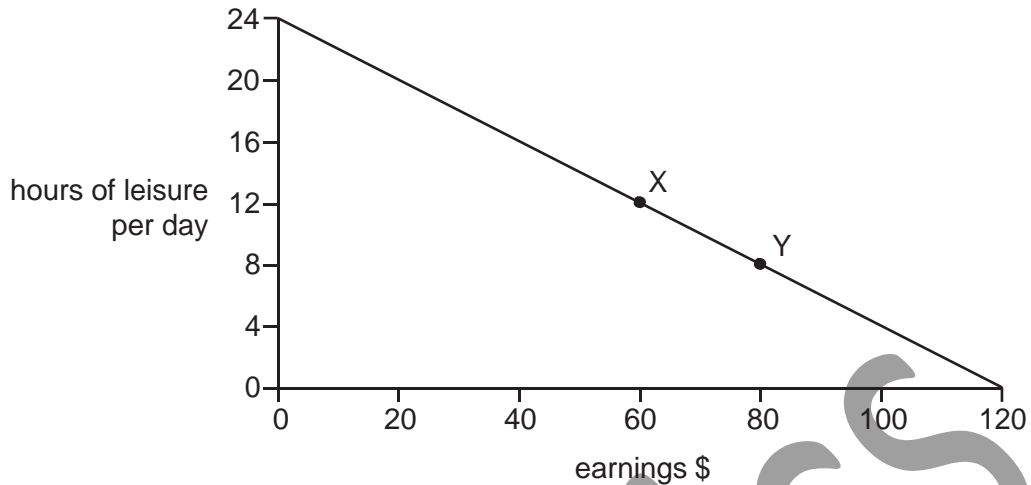
8 What is a function of a central bank?

- A to decide government spending
- B to determine all interest rates
- C to issue new currency
- D to lend to private businesses

9 Which company operates in the primary sector?

	company	description
A	Century City	Hong Kong holding company with property and hotel interests
B	Compass East Industries	Thai ceiling fan manufacturer
C	Delta Gold	rapidly expanding Australian gold and platinum mining company
D	First Bangkok City Bank	medium-sized commercial Thai bank

10 The diagram shows the choices for an individual between leisure and earnings.



What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?

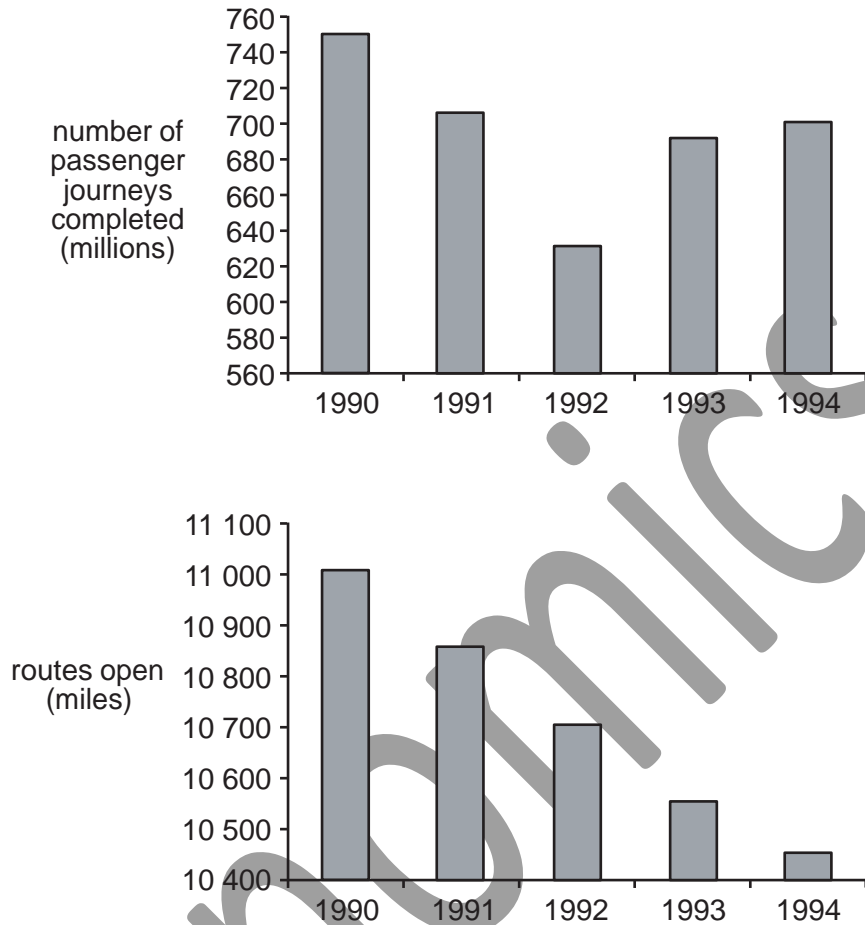
- A \$20
- B \$80
- C 4 hours of leisure per day
- D 8 hours of leisure per day

11 Two telecommunications companies are to merge to finance investments in new technology, which will be more efficient and require smaller buildings. Three hundred workers will lose their jobs.

What will happen to the factors of production used?

	land	labour	capital	enterprise
A	fall	fall	rise	fall
B	fall	fall	uncertain	rise
C	rise	rise	rise	rise
D	uncertain	rise	fall	fall

12 The charts show the number of railway passenger journeys made and the miles of route open.



What can be concluded from the charts?

- A The overall trend in passenger journeys between 1990 and 1994 was upwards.
- B The routes had more people travelling on them in 1994 than in 1992.
- C The revenue of the railway decreased between 1990 and 1994.
- D There were more trains running in 1994 than in 1992.

13 Which method of advertising would be the most cost-effective way of selling economics textbooks to schools?

- A commercial television
- B daily newspapers
- C direct mail
- D local radio stations

- 14 What is meant by the economic problem?
- A how to achieve efficiency with the existence of fixed resources and limited wants
  - B how to allocate resources between public and private sectors
  - C how to balance unlimited wants against finite resources
  - D how to decide which methods to use to exploit all resources
- 15 The ways of making and receiving payments continue to develop. As well as cash, debit cards and credit cards, mobile (cell) phones are now being used to make payments.

Which method of paying for products provides no information to sellers about their customers?

- A cash
  - B debit cards
  - C credit cards
  - D mobile (cell) phones
- 16 The table shows how employment in selected industries changed in a country between 2000 and 2010.

	year 2000 (thousands employed)	year 2010 (thousands employed)
banking and finance	2336	2881
distribution and catering	4678	5323
farming	2278	1594
manufacturing	4102	3128

According to the table, which type of employment has increased?

- A primary
- B secondary
- C tertiary
- D total

17 Which pair of economic institutions can be found in a market economy?

- A commercial banks and public companies
- B public corporations and partnerships
- C public corporations and private companies
- D stock exchange and local government schools

18 The table shows the weekly values of certain items for the average person in each group.

Which group saves the most on average?

		income (\$)	spending (\$)	borrowing (\$)
A	employed workers	500	400	50
B	retired people	150	140	0
C	school students	25	30	5
D	unemployed	200	300	100

19 What is an advantage of the market economic system?

- A It aims for equality of income.
- B It ensures the provision of defence and law and order.
- C It gives an incentive to produce.
- D It reduces pollution and congestion.

20 What is usually a function of a trade union?

- A It advertises the products that the members make.
- B It appoints company employees.
- C It negotiates with employers for increased wages.
- D It negotiates with suppliers for reduced costs of materials.

## SECTION B

- 1 The economic problem exists everywhere in the world, whatever type of economic system a country may have.
  - (a) Define the **four** factors of production. [2]
  - (b) Explain the nature of the economic problem. [4]
  - (c) Compare how resources are allocated in market and mixed economic systems. [6]
  - (d) Discuss whether people living in a country would benefit if their country's economic system changed from a mixed to a market economy. [8]
  
2. Commercial banks and stock exchanges are playing an increasing role in the Chinese economy with, for instance, more of the Chinese labour force being employed in the financial sector.
  - (a) Define the tertiary sector. [2]
  - (b) Describe the primary, secondary and tertiary sector. [4]
  - (c) Analyse the importance of a central bank in an economy. [6]
  - (d) Discuss how the importance of these sectors change as an economy develops. [8]
  
3. In 2013, an earthquake on the Iran/Pakistan border destroyed many factories and homes. Some officials wanted the Governments to rebuild the factories and homes, even though there would be an opportunity cost. Others suggested that some people should be encouraged to emigrate.
  - (a) Define 'opportunity cost'. [2]
  - (b) Explain why the economic problem can never be solved. [4]
  - (c) Using a production possibility curve diagram, analyse the effect of the destruction of some of its resources on an economy. [6]
  - (d) Discuss whether a country will benefit from the emigration of some of its people. [8]