

Answer all questions.

- 2 (a) Define the term capital and explain why this factor of production is important in the production process. [4]
- (b) Explain what is meant by enterprise and analyse the effect that an entrepreneur can have on a business. [6]
- (c) Discuss why the concept of opportunity cost is important for (i) firms, (ii) consumers and (iii) governments to consider when making choices. [10]
- 3 (a) Explain what is meant by price elasticity of **supply**. [5]
- (b) Explain what influences the price elasticity of **demand** of a product. [7]
- (c) Discuss how knowledge of price elasticity of supply and of price elasticity of demand could be of use to a business. [8]
- 4 (a) What are the benefits of owning shares in a company? [3]
- (b) Describe the role that a stock exchange can play in a country's economy. [4]
- (c) Explain the reasons why an individual might want to work in financial services, such as banking. [5]
- (d) Some workers in financial services are members of a trade union. Discuss to what extent trade unions can benefit an economy. [8]
- 5 (a) Describe the difference between a tax and a subsidy. [4]
- (b) Explain why a government may want to subsidise a good or service. [6]
- (c) Discuss whether a government should increase income tax. [10]