



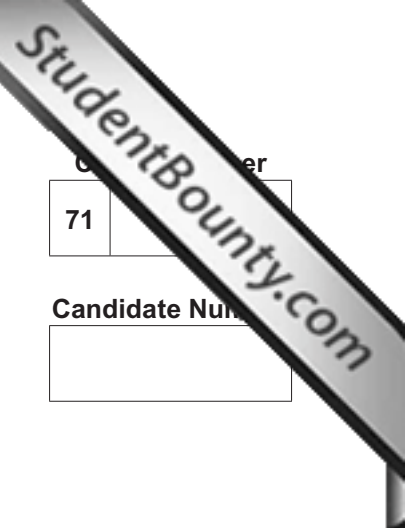
General Certificate of Secondary Education
2012

Economics

Paper 2

[G9272]

FRIDAY 25 MAY, AFTERNOON



TIME

2 hours.

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**.

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
Section A	
1	
2	
3	
Section B	
4	
5	
Section C	
Total Marks	

Section A

Answer **all** questions in this section.

1 The number of people unemployed in the UK in July 2010 was 2.47 million.

(a) What is meant by unemployment?

[2]

(b) Outline **two** costs to the economy of rising unemployment.

1. _____

[2]

2. _____

[2]

Examiner Only	
Marks	Remark

2 A new traffic study has revealed that Belfast is one of the top ten most congested cities in Europe. This has led to increased external costs.

(a) What is meant by external costs?

_____ [2]

(b) Give **two** examples of external costs of increased road traffic.

1. _____

_____ [2]

2. _____

_____ [2]

Examiner Only	
Marks	Remark

3 The UK's goods trade deficit widened to a record high in July after imports rose sharply and exports fell from the previous month.

(a) What are exports?

[2]

(b) Explain what is meant by a trade deficit.

[2]

(c) Outline **two** disadvantages of a rising trade deficit.

1. _____

[2]

2. _____

[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.

Provider	Type of Mortgage	Interest Rate
Post Office	2 year fixed	3.5%
HSBC	5 year fixed	5.1%
Santander	2 year tracker	Base rate + 2.6%
First Direct	tracker	Base Rate + 3.5%

At the most recent meeting of the Bank of England’s Monetary Policy Committee, one member called for a rise in the rate of interest. However, others were concerned about the impact this could have on the housing market.

(a) What is a mortgage?

[2]

(b) Explain briefly how a “tracker” mortgage works.

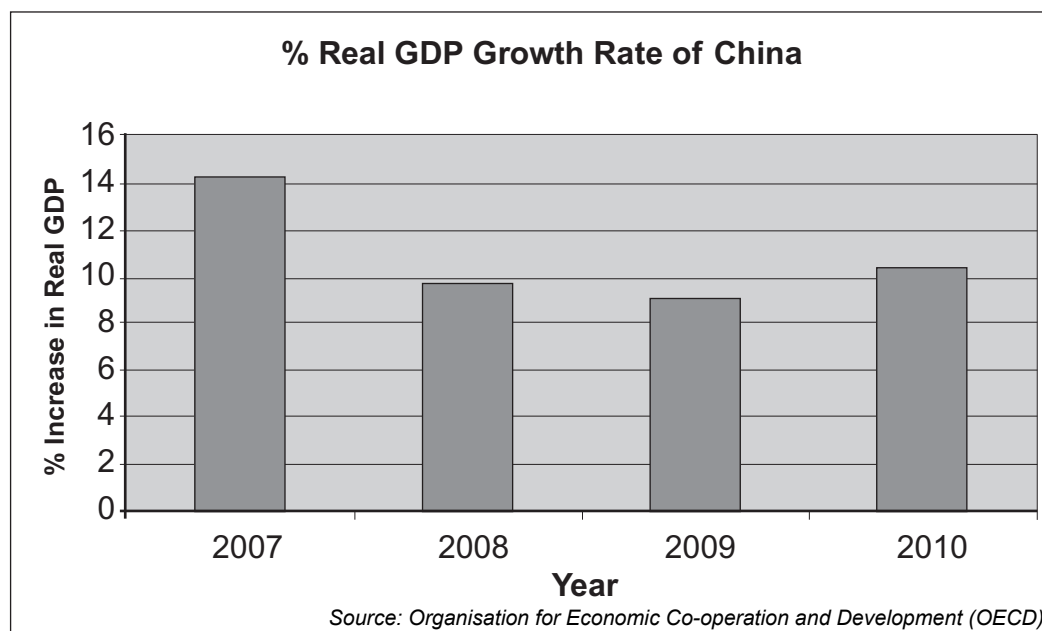
[3]

(c) Using the information above, explain why someone might choose the HSBC mortgage.

[3]

Examiner Only	
Marks	Remark

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



China has unveiled the fastest train system in the world. China plans to build 42 high speed rail lines by the end of 2012 with trains travelling at 217 miles per hour. Much of the technology has come from France, Canada and Germany.

Source: Daily Mail December 28 2009

China's growth has moved millions of its citizens out of poverty but at a cost. Increased output has generated a rise in pollution and the rise in demand for energy is increasing output of greenhouse gases. Some economists think that China's development is not sustainable.

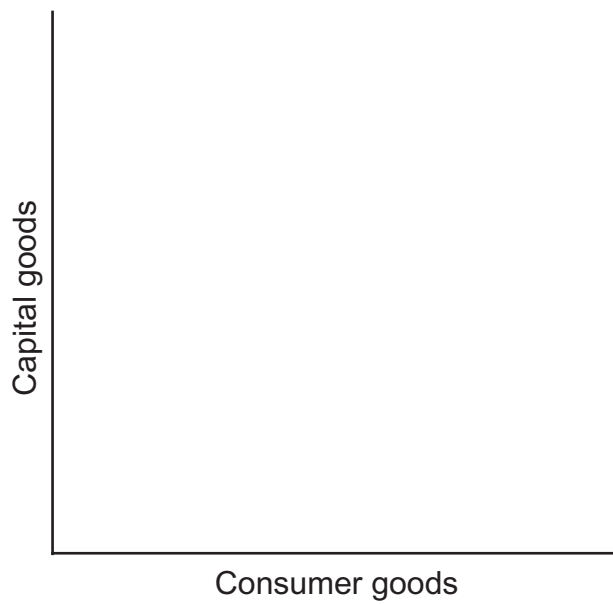
(a) What was China's rate of economic growth in 2009?

_____ [2]

Examiner Only

Marks Remark

(b) Using the axes below, draw a Production Possibility Frontier diagram to illustrate what has been happening to the Chinese economy since 2007.



[3]

(c) What is meant by “sustainable development”?

[3]

(d) Explain **one** cost and **one** benefit of China’s economic growth to:

(i) China

Cost

[3]

Examiner Only	
Marks	Remark

Section C

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

- 6** The value of the pound fell against the euro and finished trading at a six month low as the economic recovery showed signs of slowing down.

Source: Bloomberg Business Week 14 October 2010

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

[6]

Examiner Only	
Marks	Remark

(b) Examine possible causes of a fall in the value of the pound against the euro.

[9]

Examiner Only	
Marks	Remark

[Turn over

(c) Discuss the impact of a fall in the value of the pound on the UK economy.

22 horizontal lines for handwritten answer

[15]

Examiner Only	
Marks	Remark

8 Many small businesses are struggling to obtain loans from the banks. Even when they are successful they often have to pay high interest rates that add to their running costs.

(a) With the aid of examples, explain the difference between fixed and variable costs.

[6]

Examiner Only

Marks	Remark

9 Cocoa is the main ingredient in chocolate products. Poor cocoa harvests in developing countries, along with increased global demand, are being blamed for an increase in the price of chocolate products.

Source: Adapted from the Independent 7 October 2010

(a) Explain what is meant by the supply of cocoa.

[6]

Examiner Only	
Marks	Remark

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

Examiner Only	
Marks	Remark

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