

- 1 Which is **not** a function of money?

A durability B measure of value	C medium of exchange D store of value
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- 2 Which is **not** a problem of bartering as a medium of exchange?

A the need for a double coincidence of wants B the need for divisibility	C the need for portability D the need for trade and exchange
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- 3 Which is **not** a function of a central bank?

A the facilitation of company growth B the government's bank	C the lender of last resort D the sole issuer of bank notes and coins in the country
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- 4 Which is a secondary function of commercial banks?

A accepting deposits B credit creation	C making advances D offering internet banking
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- 5 Which are **not** functions of a commercial bank?

A cheque clearance and foreign exchange dealings B internet banking and money transfer facilities	C lender of the last resort and bankers' bank D loans and credit creation
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- 6 'Money acts as a medium of exchange.' Explain what this means. [4 marks]

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[8 marks]

This image shows a full page of white paper with ten horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and extend across the entire width of the page. There is no text or other markings on the paper.

- 1 What is the main source of income for most people?

A dividends B interest	C profit D wages and salaries
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- 2 Which term describes income earned by an individual after income tax and other charges have been deducted?

A disposable income B gross income	C nominal income D real income
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- 3 Money intended for spending on goods and services within the next twelve months is known as

A capital B capital expenditure	C current expenditure D savings
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- 4 Which type of consumption occurs when people buy goods and services that they feel increase their social status or image?

A capital consumption B conspicuous consumption	C current consumption D household consumption
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- 5 Which is the least likely determinant of the level of spending, saving and borrowing in an economy?

A consumer confidence levels B inflation rates	C interest rates D trade policies
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- 6 Define the term *wealth*. [2 marks]

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- 7 State **two** factors that determine the level of savings in an economy. [2 marks]

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8 Explain **two** reasons why an individual might choose to borrow money.

[4 marks]

9 Explain how the use of interest rates affects the amount of spending and savings in an economy. [4 marks]

10 Some countries, such as Belgium and France, impose high rates of income tax. Explain how direct taxes impact on the amount a person saves or spends.

[4 marks]

- 1 Some professional footballers earn over \$1.5 million per week. What is the most likely reason for this?
 - A Being a footballer is a seasonal job.
 - B Some professional footballers have a unique set of skills and talent.
 - C The job is high-risk so needs to be highly compensated.
 - D The working life of a professional footballer is relatively short.
- 2 In 2017, new graduates in the UK could earn an annual salary of approximately £29 000 working in the public sector and £42 500 working in the legal profession. Identify the most likely reason why a graduate may choose to work in the public sector rather than the private sector of an economy.
 - A better promotion prospects and career progression
 - B greater job security and pension
 - C higher earning potential
 - D more opportunities to earn bonuses
- 3 Following an increase in the national minimum wage (NMW), which is most likely to reduce government expenditure on welfare payments?
 - A greater productivity of public sector workers
 - B increased consumer spending in the economy
 - C increased tax revenues from higher income taxes
 - D unemployed workers having a greater incentive to work
- 4 Women, in general, earn less than men. Which is a possible reason for this?
 - A A larger number of women work part-time or work flexible working hours.
 - B More women are enrolled on medicine and law courses.
 - C More women are focused on their careers and delaying having children.
 - D There is a greater female participation rate in the workforce.
- 5 A disadvantage of specialisation of labour for a firm is that
 - A the production process may become dependent upon a particular worker
 - B the quality of the products increases
 - C workers become skilled in the job and more productive
 - D workers make fewer mistakes

- 6 Explain **two** non-wage factors that affect a person's choice of occupation. [4 marks]

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- 7 The UK government provides people who wish to train to be teachers of mathematics and physics with a bursary (a sum of money which does not have to be repaid). Explain **two** other ways a government may influence the supply of labour in an economy. [4 marks]

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- 8 Study the following table showing the average earnings over a lifetime in 2017 for all occupations in the USA, and explain the reasons why earnings typically change over a person's lifetime. (All figures are in US dollars.) [4 marks]

16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and over
21 840	27 456	39 416	49 400	50 024	49 608	46 176

Source: United States Bureau of Statistics

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9 Koh Lanta is an island in southern Thailand and the main industries are fishing, farming and tourism. During the peak season, a large number of workers is required to work in hotels, guesthouses, restaurants and other businesses related to the tourism trade. Analyse the factors that affect the demand and supply of labour in the tourism industry in Koh Lanta. [6 marks]

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10 Frederica is an expert in producing hand-knitted garments. Analyse the advantages and disadvantages of specialisation of labour for an individual. [6 marks]

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- 1 A request by a trade union for a pay rise for its members who work in a toy factory is likely to be successful if
 - A the productivity of workers in the toy factory has fallen.
 - B there is a large pool of people willing to work in the toy factory.
 - C there is high demand for toys produced in the factory.
 - D there is low inflation in the economy.
- 2 Which is a reason why a trade union may ask for a wage increase for its members?
 - A a higher rate of inflation
 - B higher unemployment in the economy
 - C lower productivity in the industry
 - D lower profits in the industry
- 3 Which is an example of action taken by a trade union?

A go-fast	C sit-down
B lie-in	D work-to-rule
- 4 The main aim of a trade union is to
 - A call its members out on strike action.
 - B cause disruptions to employers and the economy.
 - C gain publicity for its members.
 - D improve pay and working conditions for its members.
- 5 A group of workers in a Bangladesh garment factory is concerned about the low pay, poor working conditions and extended hours of work. They decide to work only for their contracted hours of work and put a ban on overtime. This type of industrial action is known as

A go-slow.	C strike action.
B sit-in.	D work-to-rule.
- 6 Describe the process of collective bargaining. [2 marks]

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19 TRADE UNIONS

7 Trade union membership in the UK decreased from 13 million members in 1979 to 6.2 million members in 2016. Describe **two** reasons for the decline in trade union membership during this period. [4 marks]

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8 In some countries, such as China, there has been an increase in membership of trade unions. Explain **two** reasons why more people are becoming members of trade unions. [4 marks]

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9 Describe **two** functions of a trade union. [4 marks]

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- 10** Some governments have made deliberate efforts to reduce the power of trade unions. For example, in Britain a trade union must have at least 50% of its members voting 'yes' in favour of taking industrial action before it can do so. Discuss the costs and benefits of trade unions to an economy.

[8 marks]

20 Firms

- 1 Which sector of the economy contains firms that provide services to the general public and other firms?
A primary **C** secondary
B public **D** tertiary
- 2 Which is **not** a method used to measure the size of firms?
A costs of production **C** sales revenue
B market share **D** the number of employees
- 3 Which is **not** an advantage of small firms?
A easier to set up **C** opportunities to gain economies of scale
B greater degree of control **D** quicker decision making
- 4 Which type of growth occurs when firms expand using their own resources?
A external **C** mergers and acquisitions
B inorganic **D** organic
- 5 Which type of economies of scale arise due to the location of the firm?
A external **C** internal
B financial **D** risk-bearing

- 6 Define the term *diseconomies of scale*. [2 marks]

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- 7 Give **two** examples of external economies of scale. [2 marks]

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- 8 McDonald's uses franchising to grow its business. Define the term *franchise*. [2 marks]

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9 Explain the difference between backward and forward vertical integration. [4 marks]

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10 Explain **two** disadvantages of (challenges facing) small firms. [4 marks]

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- 1 Which is **not** a factor of production?

A enterprise B labour	C land D money
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- 2 The production of which goods or services is least likely to be labour-intensive?

A a Hollywood movie B a made-to-measure wedding dress	C carbonated soft drinks D private piano lessons
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- 3 Which economic term is used to describe or measure how well resources are used in the production process?

A competitiveness B economies of scale	C innovation D productivity
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- 4 The commercialisation of new ideas and products as an essential source of productivity is known as

A efficiency. B entrepreneurial spirit.	C innovation. D productivity.
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- 5 The demand for factors of production is dependent on the demand for the goods and services which they will be used to produce. This concept is known as

A competitiveness. B derived demand.	C factor inputs. D investment.
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- 6 Define the term *capital-intensive production*. [2 marks]

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- 7 'The demand for factors of production (land, labour, capital and enterprise) is derived in demand.' Explain what this means. [2 marks]

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8 Explain how productivity can improve due to an increase in investment expenditure in the economy. [4 marks]

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9 Study the data below for two car sales firms over a typical month. The sales revenue for each firm is shown, as well as the number of cars sold and the number of sales staff involved.

Firm	Sales revenue (\$)	Cars sold	Sales staff
Morganics Cars	284 850	15	5
Agent Cars	366 440	30	8

a Calculate the labour productivity as measured by the monthly sales per worker for both Morganics Cars and Agent Cars. [2 marks]

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b Describe your findings. [2 marks]

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c Explain why it might be difficult to determine whether Morganics Cars or Agent Cars is the more productive firm. [4 marks]

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10 Using relevant examples, explain why productivity is vital for the survival of firms. [4 marks]

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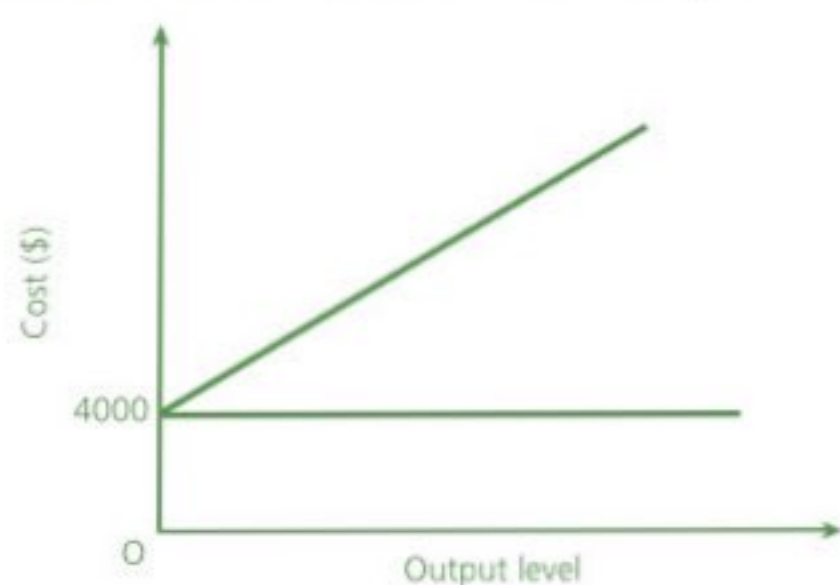
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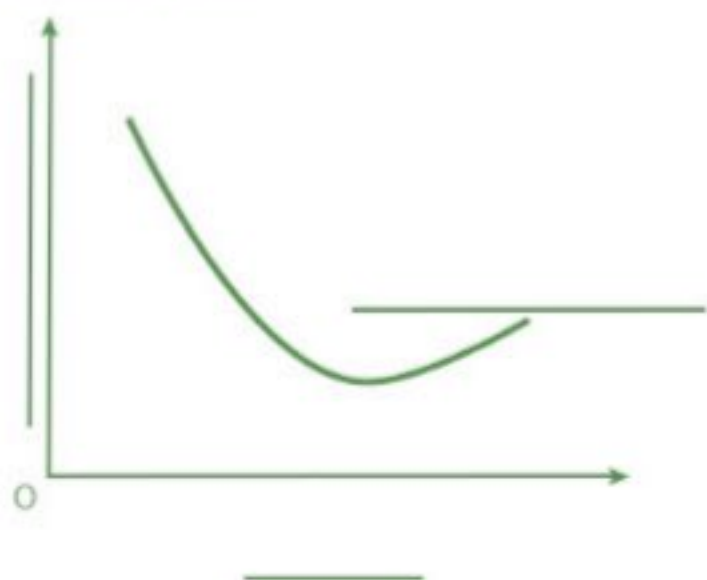
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22 Firms' costs, revenue and objectives

- Which is a fixed cost of production for a manufacturing firm?
 - electricity charges
 - overtime pay
 - rental payments
 - workers' wages
- What is the term used to describe the costs of production that have to be paid regardless of how much a firm produces or sells?
 - average
 - fixed
 - total
 - variable
- What is the correct label for the upwards sloping line shown in the graph below?



- 4 A firm's variable costs are \$20 000 in a given week when its output is 2000 units, while fixed costs are \$10 000. What is the value of the firm's average costs?
- A \$5 B \$10 C \$15 D \$20
- 5 The payment received by a firm from the sale of its goods and/or services is known as
- A income C salaries
B revenue D total costs
- 6 The diagram below shows economies of scale. Identify appropriate labels to complete the diagram.
- [2 marks]



- 7 The table below shows a firm's fixed and variable costs of production at different levels of output. Calculate the level of output where average costs are at their lowest. [2 marks]

Output (units)	Fixed costs (\$)	Variable costs (\$)	Total costs (\$)	Average costs (\$)
100	2000	400		
200	2000	760		
300	2000	1200		
400	2000	2320		

- 8 The table below shows the total costs of a firm at different levels of output. It sells each unit for \$20.

Quantity produced (units)	20	30	40	50
Total cost (\$)	200	285	360	460
Average cost (\$)				

- a Calculate the level of output required to minimise average costs. [2 marks]

- b Calculate how many units the firm needs to produce and sell in order to maximise profits. [2 marks]

- 9 Study the data for a firm below and answer the questions that follow.

Output (tonnes)	Total cost (\$)	Total revenue (\$)
0	1000	0
100	2000	1500
200	2800	3000
300	3700	4500
400	5200	6000

- a Calculate the unit price from the data above. [2 marks]

- b** Calculate the level of output at which average costs are minimised for the firm. [2 marks]

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- c** Calculate the profit at each level of output. [2 marks]

Output (tonnes)	Total cost (\$)	Total revenue (\$)	Profit (\$)
0	1000	0	
100	2000	1500	
200	2800	3000	
300	3700	4500	
400	5200	6000	

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- 10** Nina's Bakery has fixed costs of \$8000 each month. The firm's average variable costs are \$3 per unit of output. The current level of demand at Nina's Bakery is 20 500 units per month. The average price of its products is \$5.50.

- a** Calculate the monthly total costs of production at Nina's Bakery. [2 marks]

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- b** Calculate the current average costs each month for Nina's Bakery. [2 marks]

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- c** Calculate the profit if demand at Nina's Bakery increases to 25 000 units per month. [2 marks]

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- 1 Which is **not** a characteristic of firms in a highly competitive market?

A barriers to entry B differentiated products	C many buyers and sellers D non-price competition
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- 2 Which characteristic is **not** relevant to the model of monopoly?

A extreme barriers to entry B price setter	C price taker D sole supplier
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- 3 Which is least likely to be an entry barrier to the publishing industry?

A consumer protection laws B economies of scale enjoyed by the leading publishing firms	C existing publishers with established market share D set-up costs
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- 4 Which term is used to describe the market structure where only one supplier of a good or service exists?

A market leader B monopoly	C price maker D price setter
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- 5 Which is **not** a key characteristic of a market?

A degree and intensity of price and non-price competition B nature of barriers to entry	C number of firms in the market D number of price takers and makers
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- 6 Define the term *market structure*. [2 marks]

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- 7 Explain **two** disadvantages of monopoly. [4 marks]

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23 MARKET STRUCTURE

- 8 Using an appropriate diagram, analyse the impact of competition on market price and equilibrium output.

[6 marks]

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- 9 Analyse the benefits of competition in a market.

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- 10 Discuss whether or not monopolies are always bad for consumers.

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