Instructions

- Use black ink or ball-point pen.
- Fill in the boxes at the top of this page with your name, centre number and candidate number.
- Answer all questions.
- Answer the questions in the spaces provided – there may be more space than you need.

Information

- The total mark for this paper is 90.
- The marks for each question are shown in brackets – use this as a guide as to how much time to spend on each question.
- Questions labelled with an asterisk (*) are ones where the quality of your written communication will be assessed – you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.
- A calculator may be used.

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.
1 (a) Which one of the following best describes the term international trade?

Select one answer.

Where there is:

☐ A an increase in inflation in foreign countries
☐ B buying and selling of goods and services between countries
☐ C a change in interest rates in foreign countries
☐ D a new shopping centre in London built by a British firm

(b) Outline one method of measuring the standard of living.

..........................................................................................................................
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................

(c) What is meant by the term exchange rate?

..........................................................................................................................
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................
(d) Explain one effect that a strengthening of the pound could have on UK businesses.

(Total for Question 1 = 8 marks)
In February 2012 Royal Bank of Scotland (RBS) announced a loss of nearly £2 billion. This had an impact on the market share of RBS.

In the same month Stephen Hester, the Chief Executive of RBS, chose not to accept his annual bonus of £963 000. One reason for not accepting the bonus was pressure from some RBS stakeholder groups.

2 (a) Which one of the following best describes the term market share?

Select one answer.

☐ A The percentage increase in the number of competitors in the market
☐ B The number of markets a business operates in
☐ C The number of RBS shares sold in the UK
☐ D The percentage of total market sales made by one business

(b) Identify two stakeholder groups of RBS.

1 ...................................................................................................................................................

2 ...................................................................................................................................................

(c) Describe the opportunity cost to RBS of paying Stephen Hester a bonus of £963 000.

...................................................................................................................................................

...................................................................................................................................................

...................................................................................................................................................

...................................................................................................................................................

...................................................................................................................................................
UK council workers have not had a pay increase for the last three years. This is known as a pay freeze. During the same period, inflation has increased by 4%.

(d) Explain one way that the council workers’ pay freeze might be a problem for the UK economy.

(Total for Question 2 = 10 marks)
Morrisons is the UK’s fourth largest supermarket. In 2012 it grew by opening 25 new stores. Some of the growth was financed by a 7.3% increase in profit. This increase in profit was mainly due to the business changing its marketing mix.

3  (a) Which one of the following is a method of external growth for a business such as Morrisons? (1)

Select one answer.

When there is:

☐ A an increase in government spending
☐ B increased spending on research and development
☐ C a merger with another business
☐ D a rise in interest rates

(b) What is meant by the term marketing mix? (2)

(c) Explain how one change in the marketing mix might achieve growth for Morrisons. (3)
(d) Describe how the growth of *Morrisons* might be affected by an increase in interest rates.

(Total for Question 3 = 10 marks)
Ryanair, an Irish airline, was founded in 1985. It has expanded rapidly and now operates over 280 aircraft. This has given the business the opportunity to take advantage of economies of scale.

Ryanair's competitiveness has improved as it charges low prices and flies to many destinations.

4 (a) Which one of the following best describes economies of scale?

Select one answer.

Where:

- A average costs fall as output rises
- B total costs rise as output rises
- C average costs rise as output rises
- D total costs fall as output rises

(b) Identify two negative externalities associated with air travel.

(c) Explain one policy the government can use to reduce the negative externalities associated with air travel.
Two ways in which *Ryanair* could lose competitiveness are:

- decreased productivity
- increased competition.

(d) Which of these two ways do you think is **more likely** to cause *Ryanair* to lose competitiveness and why?

(Total for Question 4 = 12 marks)

**TOTAL FOR SECTION A = 40 MARKS**
Zambia is a Less Economically Developed Country (LED) in southern Africa. It is one of the world’s poorest countries. Of those employed, 85% work in agriculture. Unemployment in Zambia is a serious problem.

Agriculture, copper mining and tourism account for most of Zambia’s Gross Domestic Product (GDP). International trade has increased at an average of 15% a year over the last few years, largely as a result of the increased output of Zambia’s copper industry.

5 (a) Identify and explain one benefit of international trade to Zambia.

Benefit

(1)

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Explanation

(3)

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
(b) Identify and explain one cost of international trade for Zambia.

Cost

.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................

Explanation

.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................
.......................................................................................................................... ... ......................

(Total for Question 5 = 8 marks)
6  (a) Identify one factor that can cause economic growth in an LEDC such as Zambia. 

....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................

(b) Explain how the factor you identified in (a) causes economic growth. 

....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................

(Total for Question 6 = 4 marks)

7  LEDCs such as Zambia can restrict free trade by imposing:

- tariffs
- non-tariff barriers.

In your opinion, which of these is more likely to help Zambia's economy?

Justify your answer.

....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
....................................................................................................................................................
Microsoft is a company based in the USA that develops and manufactures a wide range of computing products and services.

It spends over $9 billion every year on Research and Development (R & D) – more than any other company.

It has been said that Microsoft has used its monopoly power in a way that is not in the public interest.

8 (a) Outline one disadvantage to Microsoft of spending $9 billion a year on R & D.
*(b) Assess the extent to which monopolies such as Microsoft are of benefit to society.

(Total for Question 8 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS
UK unemployment rose by 48,000 to 2.67 million in the three months to December 2011. The number of young people unemployed in the same period rose by 22,000 to 1.04 million.

Jobsite is a leading online recruitment site. It helps people find jobs by assisting them with their applications and linking them to employers in the UK. Individuals do not have to pay Jobsite for these services. Jobsite’s main revenue comes from employers paying to place job advertisements on its website. Jobsite advertises on national television and sponsors Portsmouth FC, its local football club.

9 What is meant by the term unemployment?
Identify and explain two possible costs to society of high levels of unemployment amongst young people.

Cost 1

Explanation

Cost 2

Explanation

(Total for Question 10 = 8 marks)
*11* Using the evidence and your knowledge of economics and business, assess the extent to which revenue is the most important measure of success for businesses such as *Jobsite*.

(Total for Question 11 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS
BLANK PAGE