Surname	Centre Number	Candidate Number
Other Names		2

GCE A level

1133/01

S16-1133-01

ECONOMICS – EC3

P.M. MONDAY, 20 June 2016

1 hour 45 minutes

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1.	**12**	
2.	**6**	
3.	**6**	
4.	**6**	
5.	**10**	
6. or 7. or 8.	**20**	
Total	**60**	

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ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in Section A. You may use continuation paper on page 9 if necessary, taking care to number the continuation correctly.

Answer **one** question from Section B.

You are advised to spend no more than one hour on Section A.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question. Section A has 40 marks and Section B has 20 marks.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (Section B).

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between the different elements of the subject.

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SECTION A

Answer **all** *questions in this section.*

1. Study the information below which details the short run costs of a firm.

Output	Total Costs (£)
0	5000
10	9000
20	12000
30	14000
40	15000
50	18000
60	23000
70	29000
80	39000

(a) Calculate the average fixed costs of the firm when output is

(i) 20 [1]

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(ii) 50 [1]

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(b) Explain the change in average fixed cost as output rises. [2]

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(c) Using the data explain the changes in average total cost as output rises. [4]

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(d) Discuss the view that a firm will always shut down if price is less than average total cost. [4]

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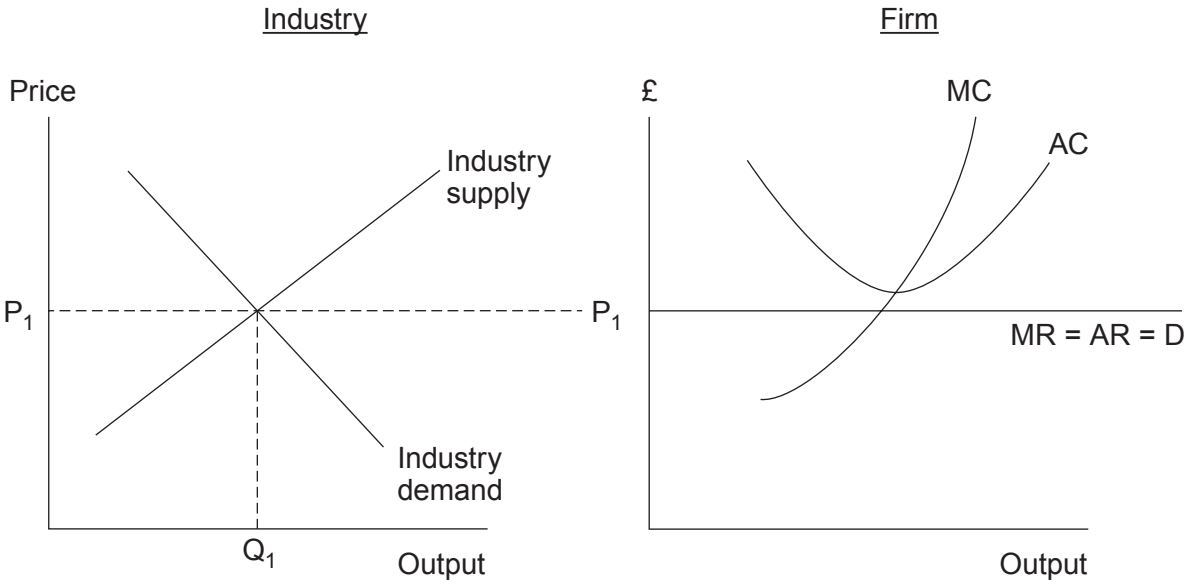
2. The diagram below shows a market in perfect competition in short run equilibrium. All firms in this market are profit maximisers.



(a) Identify on the diagram the area of loss made by the firm. [2]

(b) Adapt the diagram to explain what will happen to this firm and industry in the long run. [4]

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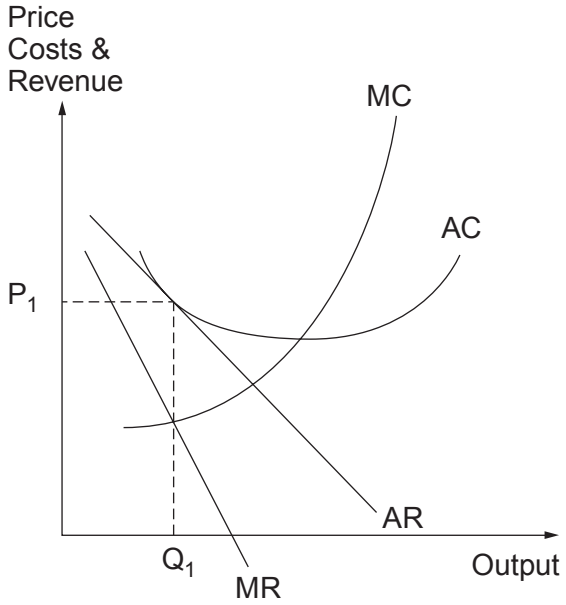
3. The diagram below shows a monopolistically competitive firm in the long run.



Identify the characteristics of a monopolistically competitive market and using the diagram, explain why firms in this market structure are said to be inefficient. [6]

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4. The Quantity Theory of Money proposes a positive relationship between changes in the money supply and the long-term price of goods. It states that increasing the amount of money in the economy will eventually lead to an equal percentage rise in the prices of products and services.

To what extent does this theory provide a credible explanation of the cause of inflation? [6]

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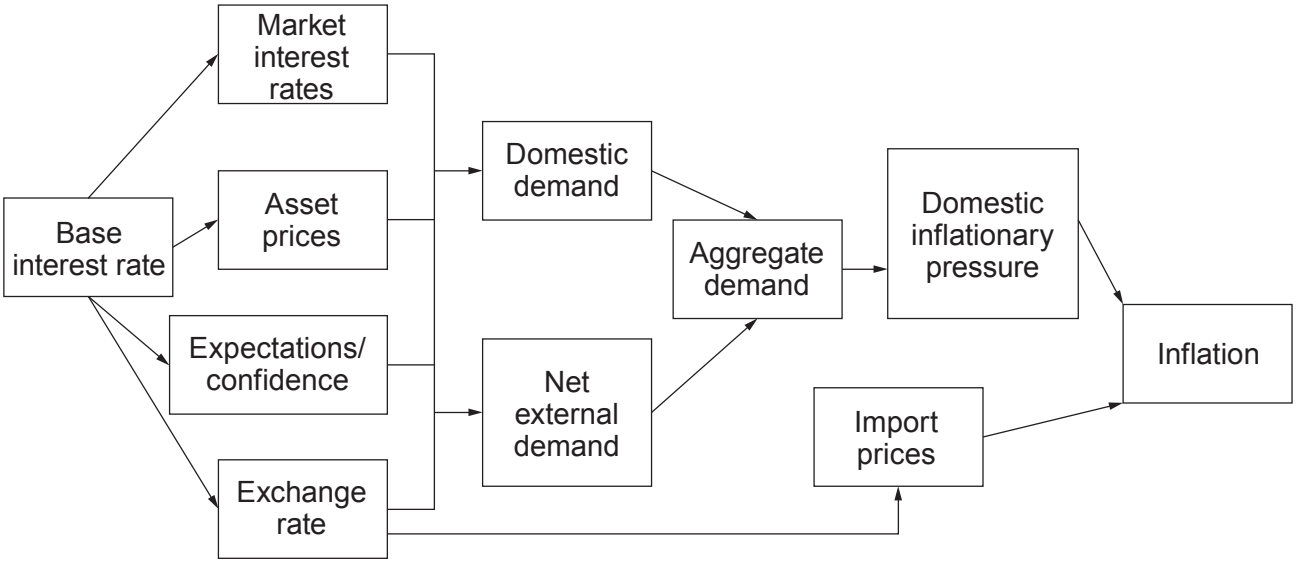
5. The diagram below shows the monetary policy transmission mechanism of the Bank of England.



Using the diagram assess the extent to which a rise in the base interest rate by the Monetary Policy Committee to bring inflation within its target range will be successful. [10]

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For Section A continuation only.

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SECTION B

Answer **one** *question from this section.*

6. Evaluate the benefits of different business objectives of firms on a range of stakeholders. [20]

7. 'Further privatisations by the government would be beneficial to the UK economy.' Discuss this statement. [20]

8. To what extent do you support the view that all monopolies are undesirable and should be broken up? [20]

Answer the question from Section B using the following pages.

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END OF PAPER

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