

|             |               |                  |
|-------------|---------------|------------------|
| Surname     | Centre Number | Candidate Number |
| Other Names |               | 2                |



**GCE A level**

1133/01

**ECONOMICS – EC3**

A.M. TUESDAY, 3 June 2014

1 hour 45 minutes

| For Examiner's use only |              |              |
|-------------------------|--------------|--------------|
| Question                | Maximum Mark | Mark Awarded |
| 1.                      | 4            |              |
| 2.                      | 8            |              |
| 3.                      | 4            |              |
| 4.                      | 4            |              |
| 5.                      | 6            |              |
| 6.                      | 6            |              |
| 7.                      | 8            |              |
| 8. or 9. or 10.         | 20           |              |
| <b>Total</b>            | <b>60</b>    |              |

**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 10 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.

**SECTION A**

*Answer all questions in this section.*

1.

**Sainsbury's**  
**Respect for our environment**

**At Sainsbury's, respect for our environment is about doing the right thing. We aim to be the UK's greenest grocer, which is great for our business, but even better for the environment.**

In October 2011, we launched our sustainability plan featuring 20 ambitions we intend to achieve by 2020.

By 2020, we'll make sure that our own brand packaging has been reduced by half.

By 2020, we'll reduce our carbon emissions by 30 per cent.

Explain **two** reasons why companies such as Sainsbury's may have environmentally friendly policies as a major objective. [4]

.....

.....

.....

.....

.....

.....

.....

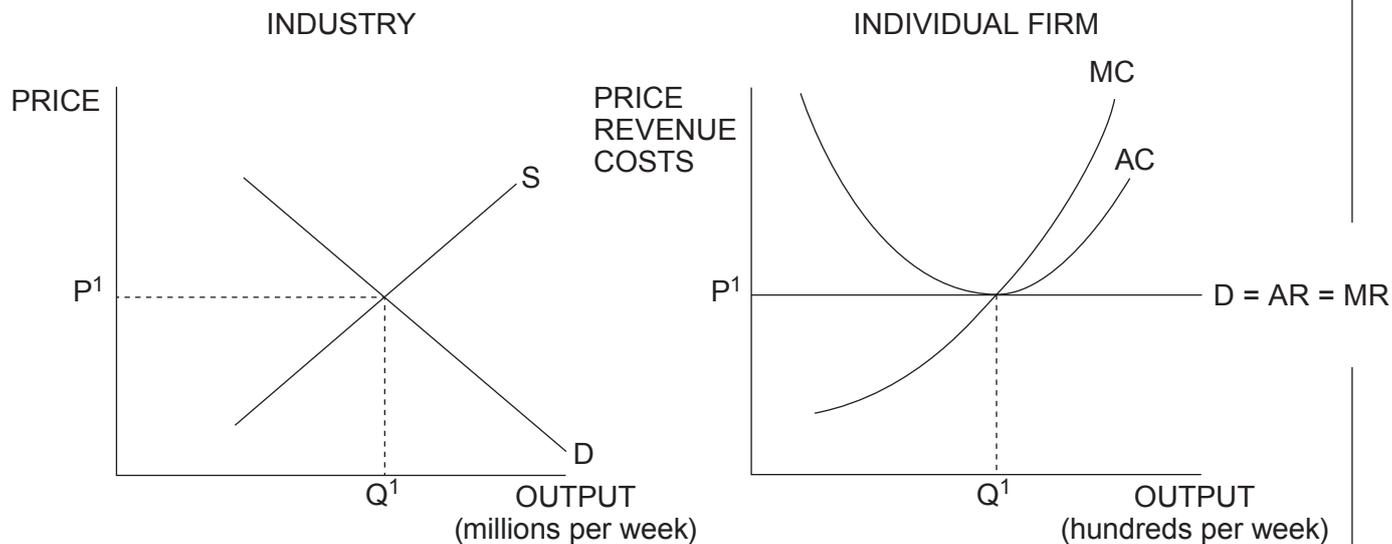
.....

.....

.....

|   |
|---|
|   |
| 4 |

2.



The diagram above shows a firm operating in a perfectly competitive market in long-term equilibrium.

- (a) Adapt the diagrams to show how the firm's price, output and profits will be affected by an increase in demand in the short-run. [4]
- (b) Explain what will happen to the firm's price, output and profits in the long-run. [4]

.....

.....

.....

.....

.....

.....

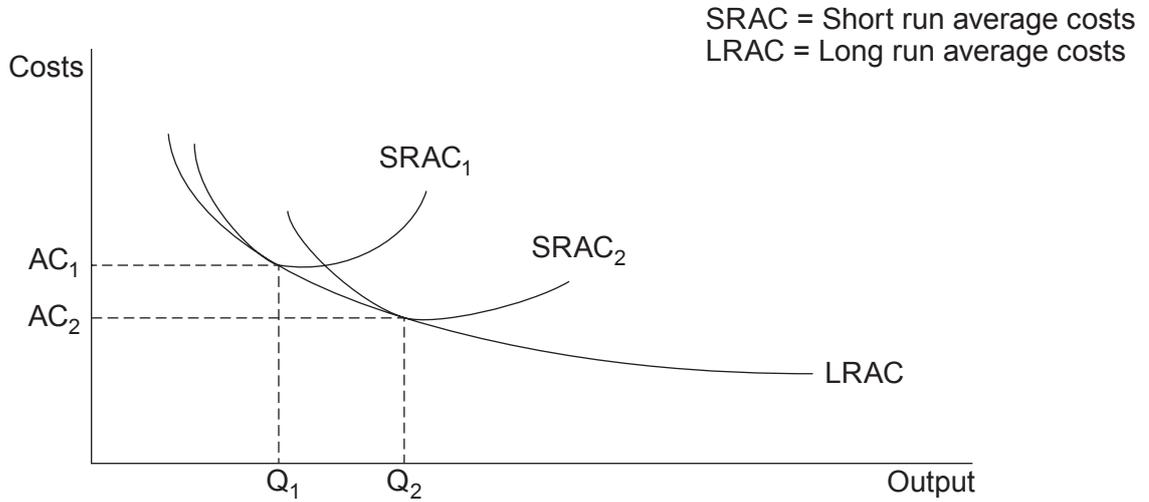
.....

.....

.....

1133 010003

3. A car manufacturer is faced with a large increase in demand for its product. As a result it needs to increase its production.



Using the diagram explain why its long run costs fall when its output expands from Q<sub>1</sub> to Q<sub>2</sub>.

[4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

|   |
|---|
|   |
| 4 |

4. The European Union Competition Commission has announced that it will be issuing its highest cartel fines ever against four car glass windscreens and sunroof producers. The companies Asahi, Pilkington, Saint-Gobain and Soliver will be collectively fined over €1.3 billion for illegal market sharing. These four companies controlled about 90% of the market for glass used in new cars and in replacement glass.

Source: <http://ec.europa.eu>

(a) Explain why companies such as Asahi and Pilkington might form a cartel. [2]

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

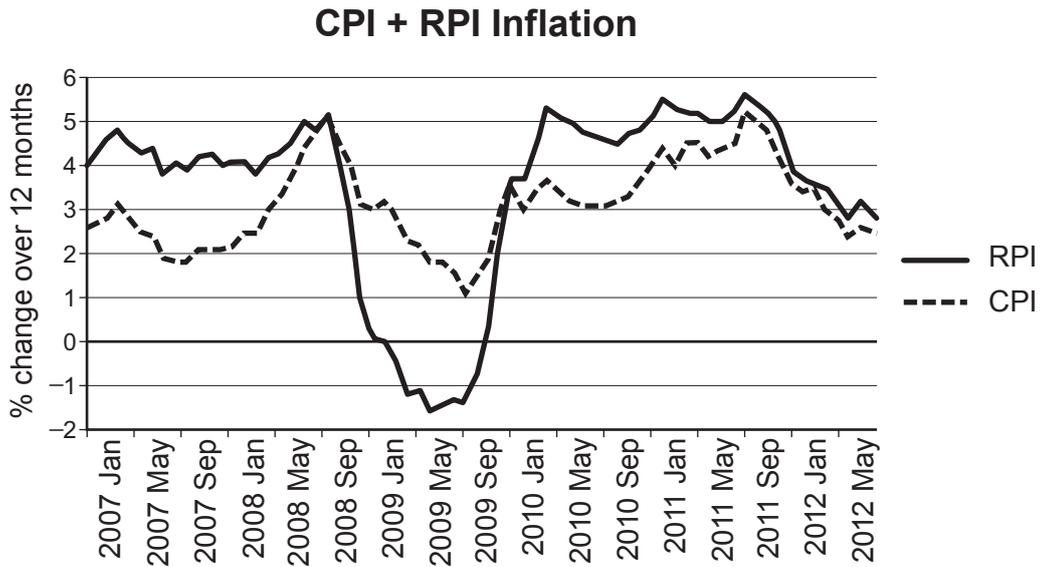
(b) Explain why the EU might fine companies for taking part in such cartels. [2]

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

1133  
010005

|   |
|---|
|   |
| 4 |

5.



Source: Office of National Statistics

(a) Explain **one** reason why there may be significant differences in the rate of inflation as measured by the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). [2]

.....

.....

.....

.....

.....

(b) In 2010 the Government announced plans to make pensions rise in line with the CPI rather than the RPI as previously. Discuss the possible effects of this decision. [4]

.....

.....

.....

.....

.....

.....

.....

.....

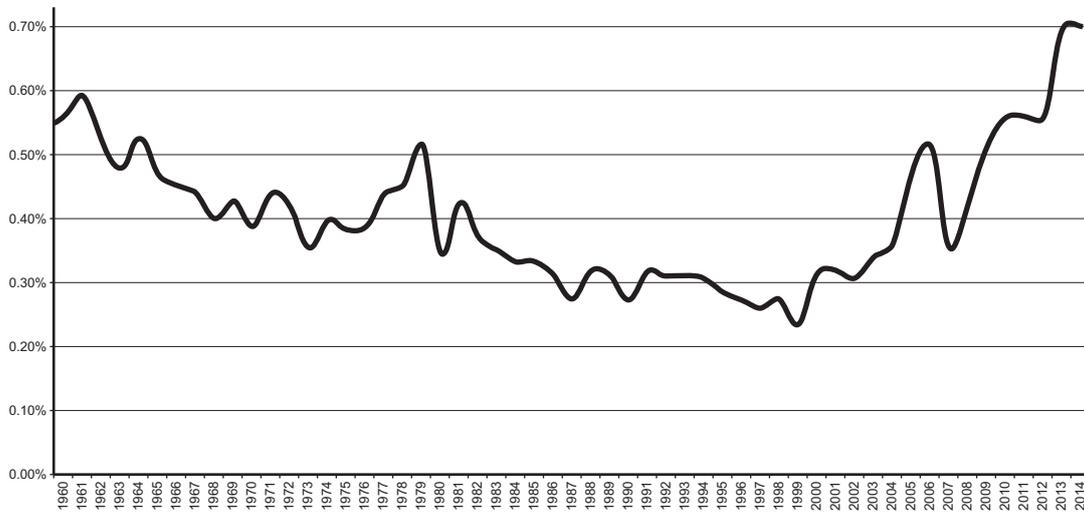
.....

.....



7.

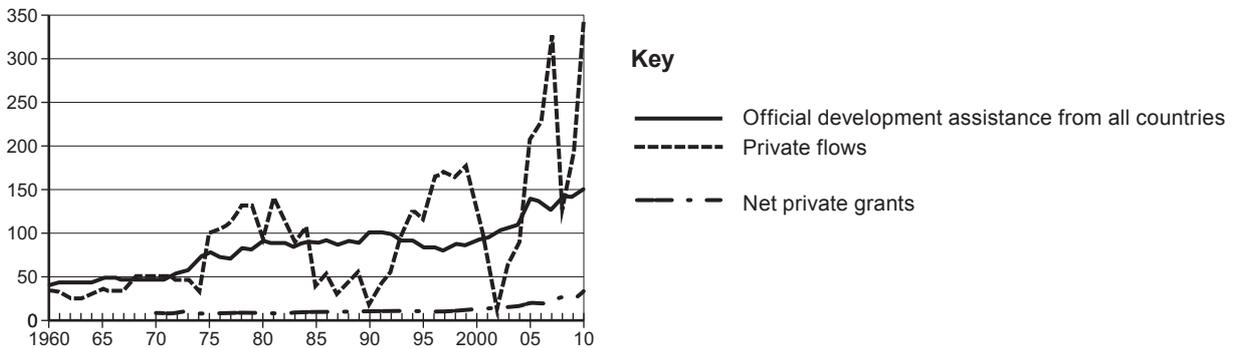
### UK Development aid as a percentage of national income



#### Going up

Total aid, investment, and grants to developing countries has risen over the past 50 years.

(billion dollars)



Source: Department for International Development, Organisation for Economic Co-operation and Development

The UK Government yesterday announced its spending plans for 2011-15. This will reduce planned spending by £81 billion a year, and result in the loss of about half a million public sector jobs.

However the Chancellor of the Exchequer, George Osborne, said "this will be the first UK Government to honour the United Nations commitment on international aid, and the only major economy to do so". Overseas development spending will reach 0.7% of national income in 2013.

The UK Department for International Development (DFID) budget will increase by 37% after taking account of inflation. The National Health Service budget will increase by just 1.3% in real terms over the same four years and many Government departments face reductions of 20% to 30%.

Source: <http://www.owen.org/>























