OXFORD CAMBRIDGE AND RSA EXAMINATIONS

GCSE

A592/01

ECONOMICS

How the Economy Works

MONDAY 6 JUNE 2016: Afternoon

DURATION: 1 hour
plus your additional time allowance

MODIFIED ENLARGED

Candidate forename		Candidate surname	

Centre number						Candidate number				

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

A CALCULATOR MAY BE USED FOR THIS PAPER

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.

Use black ink. HB pencil may be used for graphs and diagrams only.

Answer ALL the questions.

Read each question carefully. Make sure you know what you have to do before starting your answer.

Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

The total number of marks for this paper is 60.

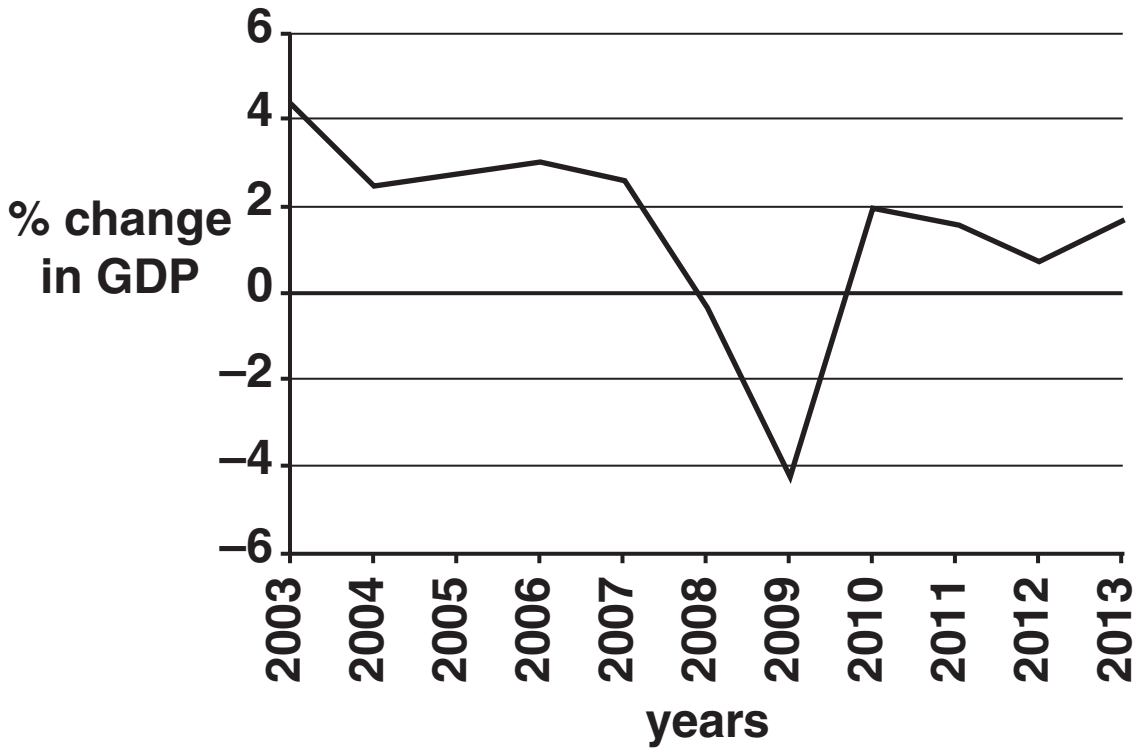
The quality of your written communication will be taken into account in the marking of your answers to the questions labelled with an asterisk (*).

Any blank pages are indicated.

Answer ALL questions.

1 **Fig. 1 shows the annual rate of economic growth in the UK between 2003 and 2013.**

Fig. 1



(a) (i) What is the full name of GDP?

G _____

D _____

P _____ **[1]**

(ii) In Fig. 1 which year had the lowest rate of economic growth?

Year _____ **[1]**

(b) Explain how economic growth is measured.

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_____ **[4]**

(c) **Other than government policies, explain TWO possible causes of economic growth.**

Cause 1 _____

_____

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_____

_____ **[3]**

Cause 2 _____

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_____

_____

_____

_____ **[3]**

(d)* Discuss how effective a reduction in income tax would be in encouraging economic growth. [8]

[TOTAL: 20]

2 **Fig. 2 gives some information about cigarette consumption in the UK.**

Fig. 2

In 2012 it was estimated that the consumption of cigarettes in the UK was as follows: **40.5 billion cigarettes on which UK duty was paid** **11.0 billion cigarettes on which UK duty was not paid.** **(Duty is a form of taxation collected by the UK government on products such as cigarettes, which create negative externalities.)**

(a) Using the information in Fig. 2, calculate the total estimated UK consumption of cigarettes in 2012.

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_____

_____ **[2]**

(b) (i) Explain the meaning of the term 'negative externalities'.

_____

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_____

_____ **[2]**

(ii) Identify TWO possible negative externalities caused by cigarette consumption.

1 _____

2 _____

[2]

(c) Would an increase in the tax on cigarettes be very effective in reducing their consumption?
You should use the concept of price elasticity of demand to explain your answer.

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_____ **[6]**

(d)* Other than taxation on cigarettes, discuss the effectiveness of TWO policies which may be used to reduce cigarette consumption.

Policy 1 _____

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_____ [4]

Policy 2 _____

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_____ **[4]**

[TOTAL: 20]

3 Fig. 3 shows some data for the UK economy in 2003 and in 2014.

Fig. 3

ECONOMIC VARIABLE	2003	2014
GDP growth	2.7%	2.6%
Rate of inflation	1.3%	0.5%
Unemployment rate	4.9% (December 2003)	5.7% (December 2014)
Balance of payments current account deficit	£18.8 billion (year to December 2003)	£97.9 billion (year to December 2014)

(a) Use one of the words below to complete each of the following sentences.

imports interest price tax

The rate of inflation measures the speed at which the general _____ level rises over time.

The current account deficit shows the difference between the value of exports and _____ of goods and services. [2]

(b) In 2014 the UK rate of inflation was 0.5%. Explain how the rate of inflation is measured.

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_____ **[4]**

(c) Using Fig. 3, assess the health of the UK economy at the end of 2014 compared with the end of 2003.

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_____ **[6]**

(d)* Discuss whether policies to achieve one macroeconomic objective might conflict with other macroeconomic objectives. [8]

[TOTAL: 20]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

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