11 The table shows the proportion of disposable income spent on three different goods by four different households.

Which household is likely to have the lowest income?

	food %	transport %	holidays %
A	50	15	5
B	35	18	10
C	30	20	15
D	20	25	20

28 An economy raises its tariffs on imported goods.

What is the most likely result?

A a fall in the rate of inflation

B an increase in consumer choice

C an increase in domestic production

D the current account of the balance of payments moves into a deficit

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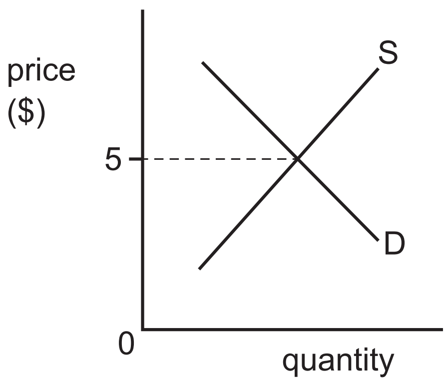
9 The diagram shows the equilibrium price for bread.



What will be the short-term effect if the government sets a maximum price below $5?

A a shift in the demand curve

B a shift in the supply curve

C an excess of demand over supply

D an excess of supply over demand

19 Monetary policy often involves a change in which variables?

A government expenditure or taxes

B interest rates or the money supply

C labour market or trade union laws

D tariffs or quotas

10 The table shows the average wage in four countries, **A**, **B**, **C** and **D**.

In which country is there the greatest relative wage discrimination against female employees?

	male $	female $
A	100	80
B	120	60
C	140	100
D	300	200

12 A restaurant employs two chefs who make all of the meals that are served to customers.

What is most likely to increase the productivity of the chefs?

A a decrease in the number of customers in the restaurant

B a decrease in the chefs' pay

C an increase in the quality of the food

D an increase in training for the chefs

13 What are fixed costs?

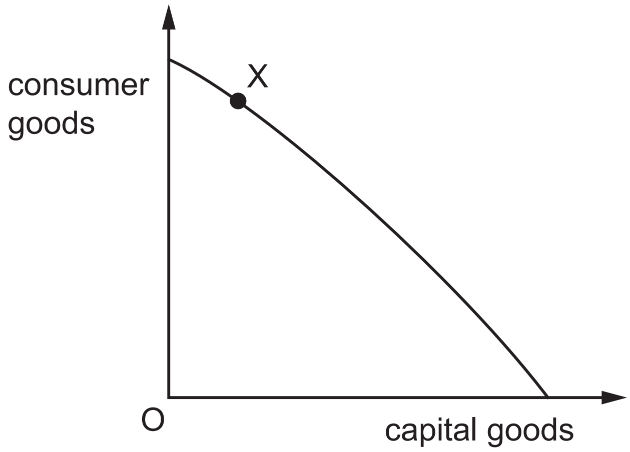
A costs that are divided by the amount produced

B costs that are present when output is zero

C costs that change according to the level of output

D costs that decrease when output increases

3 An economy produces different types of goods using its limited resources. This can be illustrated by a production possibility curve (PPC).



What does point X on the PPC show?

A All resources are used for the production of consumer goods.

B More resources are allocated to producing capital goods than consumer goods.

C Resources are allocated to produce a mixture of consumer goods and capital goods.

D Total resources are not being fully utilised for production of these goods.

Section A

Read the source material carefully before answering Question 1.

Source material: Gabon's industries and labour force

Gabon fact file	**2022**
GDP	$22bn
GDP per head	$13 800
Oil output	$6.6bn
Unemployment rate	23.2%
Youth unemployment rate	38.4%

Gabon is a small West African country. Its rainforests reduce air pollution, provide wood for timber production, protect against floods and reduce soil erosion. The Gabonese Government wants to conserve the country's rainforests. It has created some national parks which has increased tourism, affecting the current account of the balance of payments.

The Gabonese Government wants to reduce the country's reliance on timber production, oil production and agriculture. The country is Africa's fifth-largest oil producer but its resources of oil are running out. The oil industry causes water pollution. The country has other natural resources, including gold. In 2022, new deposits of gold were found in Gabon.

Gabon's agricultural industry employs a high proportion of the country's labour force. Fig. 1.1 shows the literacy rate and the percentage of the labour force employed in agriculture in six selected countries in 2022.

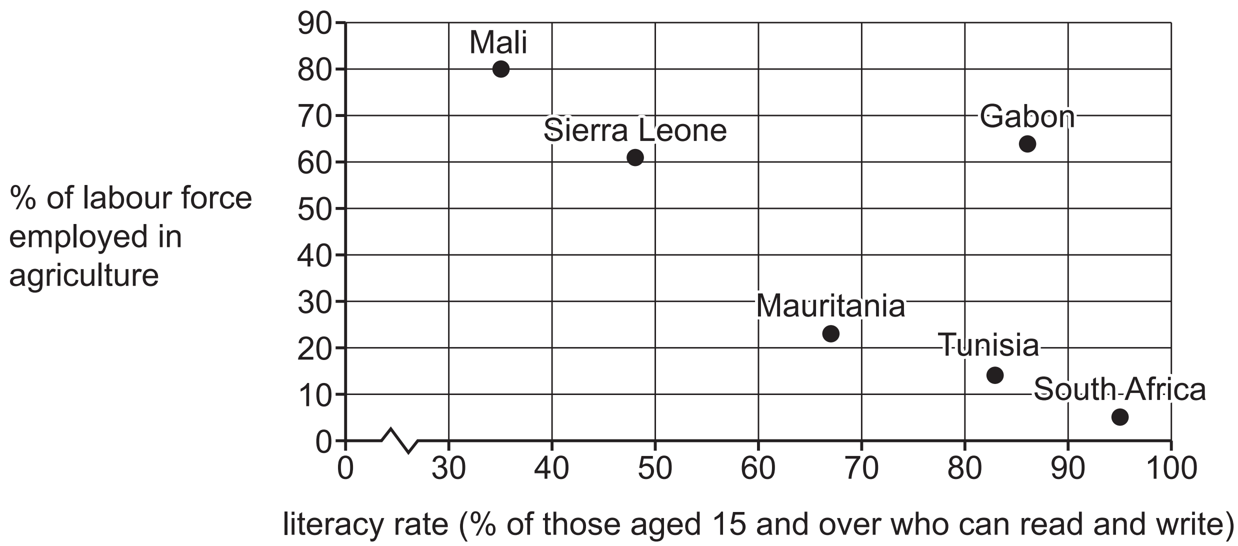


Fig.1.1 The literacy rate and the percentage of the labour force employed in agriculture in selected countries in 2022

In recent years, Gabon has experienced a high rate of unemployment among 15–24 year olds. High rates of youth unemployment can result in young people not gaining the skills and experience needed to achieve high productivity. It can also have a harmful effect on their confidence. Some governments pay private sector firms to give work experience to unemployed young people. The quality of this experience can vary.

The Gabonese Government wants to develop its textile industry, encouraging firms to grow in size. The output of the industry will be affected not only by possible government support but also by its use of technology and specialisation of workers.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate the value of Gabon's oil production as a percentage of Gabon's GDP. [1]

(b) Identify **two** external benefits of rainforests. [2]

(c) Explain what effect an increase in tourism may have on Gabon's current account of the balance of payments. [2]

(d) Explain **two** reasons why the Gabonese Government wants to reduce reliance on oil. [4]

(e) Draw a demand and supply diagram to show the effect of the discovery of new gold deposits on the market for gold. [4]

(f) Analyse the relationship between the literacy rate and the percentage of the labour force employed in agriculture. [5]

(g) Discuss whether or not a government should pay private sector firms to give work experience to unemployed young people. [6]

(h) Discuss whether or not a growth in the size of firms in Gabon's textile industry will reduce their average cost of production. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.

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2 One of the world's more expensive roads opened in Montenegro in 2022. To build the road, the Montenegro Government was helped by a foreign commercial bank and another multinational company (MNC). This new road could help the Montenegro Government achieve its macroeconomic aims and increase Montenegro's international trade. MNCs can have a significant impact on the host countries in which they locate.

(a) Define *international trade*. [2]

(b) Explain the importance of commercial banks to governments. [4]

(c) Analyse how building roads can help a government achieve its macroeconomic aims. [6]

(d) Discuss whether or not MNCs benefit host countries. [8]

27 A country has large reserves of oil. It decides to produce a wide range of goods rather than specialise in oil production.

What is **not** an acceptable reason in support of this decision?

A Oil is a non-renewable resource that could be exhausted quickly.

B Producing a wide range of goods increases the benefits from free trade.

C Relying on other countries for vital goods and services makes a country vulnerable.

D The price of oil is volatile, making export revenue unstable.

Section A

Read the source material carefully before answering Question 1.

Source material: Population, household spending and poverty in Romania

Romania fact file	**2022**
Current account deficit on the balance of payments (percentage of GDP)	9%
GDP	\$300bn
Unemployment rate	5.2%
Economic growth rate	4.8%
Inflation rate	13.8%
Percentage of women of working age in the labour force	42%

Between 1990 and 2022, Romania's population fell from 23 million to 19 million. The country's birth rate and death rate both fell over this period. Some workers from other countries, including Sri Lanka and Vietnam, came to live in Romania. However, more Romanian workers left the country to work and live mostly in other European countries.

If the Romanian economy continues to grow at its relatively high rate, fewer of its people may emigrate and more immigrants may be attracted. Recent economic growth has been driven largely by increases in household spending. Romanians have become wealthier, more confident about their future and have experienced low interest rates.

In April 2022, the Romanian Government placed a maximum price on electricity. Romanians spend a relatively high proportion of their income on electricity and on food. Table 1.1 shows selected countries' GDP per head and average spending on food as a percentage of total household spending.

Table 1.1 GDP per head and average spending on food as a percentage of total household spending in 2022

Country	**GDP per head (\$)**	**Average spending on food as a % of total household spending**
Belgium	52 100	13
Cambodia	1 800	42
Egypt	3 850	33
Ethiopia	960	56
Norway	89 200	11
Romania	15 000	26
USA	70 500	6

The poor are particularly affected by changes in electricity prices and food prices. Romania has a relatively high level of poverty. To reduce poverty, some economists have suggested that the government should attract more foreign multinational companies (MNCs) to Romania. More MNCs may affect poverty because of the possible effects on unemployment and prices.

Another way to reduce poverty would be to encourage more women to work. The proportion of women in Romania who work or seek work has fallen in recent years. There is a range of influences on whether women enter the labour force. These include social attitudes, female education and whether childcare facilities and part-time work are available.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate Romania's current account deficit on its balance of payments in $s. [1]

(b) Identify **two** reasons why Romania's population fell between 1990 and 2022. [2]

(c) Explain why immigration into Romania may increase in the future. [2]

(d) Explain **two** reasons why household spending has increased in Romania. [4]

(e) Draw a demand and supply diagram to show the effect of setting a maximum price on electricity. [4]

(f) Analyse the relationship between GDP per head and average spending on food as a percentage of total household spending. [5]

(g) Discuss whether or not foreign MNCs reduce poverty in their host countries. [6]

(h) Discuss whether or not a higher proportion of women is likely to enter Romania's labour force in the future. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.

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5 What necessarily describes the market system?

A all resources used to produce consumer goods

B an economy with both a private and a public sector

C limited resources but unlimited wants

D resources allocated through demand and supply

3 The diagram shows a production possibility curve (PPC) for an economy that produces two goods, X and Y.

Which point shows the greatest opportunity cost of producing one more unit of good X?