Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

Each answer shows the steps, then the **result**.

2.1

(a) C; (b) I

(c) G; (d) X

(e) and (f) not counted: a transfer and a second-hand sale

2.2

value added: farmer 40, mill $90 - 40 = 50$, baker $200 - 90 = 110$

GDP $= 40 + 50 + 110 =$ £**200**, the final sale

2.3

deflator $= \dfrac{550}{500} \times 100 =$ **110**

prices are 10% higher than in the base year

2.4

net exports $90 - 100 =$ **−10**

GDP $= 300 + 80 + 120 - 10 =$ £**490**bn

3.1

(a) $600 + 150 + 220 + 210 - 180 =$ £**1**,**000**bn

(b) $560 + 270 + 40 + 30 + 110 - 10 =$ £1,000bn ✓

(c) $\dfrac{600}{1{,}000} =$ **60**%

(d) spending on imports is already inside C, I and G; it is output made abroad, so it must be taken out to leave only home output

3.2

(a) $\dfrac{1{,}386}{110} \times 100 =$ £**1**,**260**bn; real growth $\dfrac{1{,}260}{1{,}200} - 1 =$ **5.0**%

(b) per person $\dfrac{1{,}260}{20.6} = 61.17$ against $\dfrac{1{,}200}{20} = 60.00$ (£ thousand); growth **1.9**%

3.3

(a) A: $\dfrac{400}{10} =$ £**40**,**000**; B: $\dfrac{900}{30} =$ £**30**,**000**

(b) a pound buys $\dfrac{1{,}000}{750}$ times as much in B: $30{,}000 \times \dfrac{1{,}000}{750} =$ £**40**,**000**

(c) **4**: after the price adjustment the two are equal, so "clearly" is wrong (App); GDP per person still leaves out hours worked, unpaid work and the informal economy (K); and an average hides how income is shared (An); judgement: on these figures neither is clearly better off; look at median income, health and leisure too (Ev). **2**–**3**: limits of GDP stated, little use of the numbers. **1**: one relevant point.

exercises.lol exercises.com.cn