

Surname	Centre Number	Candidate Number
First name(s)		2



GCE AS

B520U10-1



S24-B520U10-1



MONDAY, 13 MAY 2024 – MORNING

ECONOMICS – AS component 1
Introduction to Economic Principles

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	6	
2.	11	
3.	6	
4.	9	
5.	8	
6.	9	
7.	11	
Total	60	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

You may use a pencil for graphs and diagrams only.

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

Answer **all** questions.

Write your answers in the spaces provided in this booklet. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

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

You are reminded of the necessity for good English and orderly presentation in your answers.



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ON THIS PAGE**



[6]

-
- The graph illustrates a linear demand curve. The vertical axis represents Price, and the horizontal axis represents Quantity demanded. The curve shows that as the quantity demanded increases, the price decreases linearly.
- | Quantity demanded | Price |
|-------------------|-------|
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 7 |
| 5 | 6 |
| 6 | 5 |
| 7 | 4 |
| 8 | 3 |
| 9 | 2 |
| 10 | 1 |



2. In 2021 a shop in Australia sold 3 main products as shown in **Table 1**.

Table 1:

Product type	% of sales (in 2021)	Estimated income elasticity of demand
Product 1	55	−2.1
Product 2	5	+0.2
Product 3	25	−0.3

- (a) Using the data in column 3 of **Table 1**, outline the differences between the types of products sold by the shop using income elasticity of demand.

[5]

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Period	Number of employees (thousands)
Jan 2021	518
Jul 2021	532
Jan 2022	541
Jul 2022	549
Jan 2023	555

- [6]



3. In July 2018 the world's two largest economies became engaged in a trade battle. The dispute saw the US and China impose tariffs on each other's goods.

Figure 2: US–China Trade War



US tariff on China exports/imports into US	
Worth of goods affected	\$375 bn

China tariff on US exports/imports into China	
Worth of goods affected	\$145 bn

In August 2019 the US labelled China as a 'currency manipulator' following an increase in the value of the dollar against the Chinese Yuan (CNY) from \$1 : 6.30 CNY to \$1 : 7.20 CNY.

The US Treasury department defines currency manipulation as being when a country's monetary authorities deliberately manage the exchange rate between their currency and the US dollar to gain "unfair competitive advantage in international trade".

- (a) Using a demand and supply diagram, outline how China might be able to manage their exchange rate below their free market exchange rate. [3]

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- (b) Using **Figure 2**, explain why China's monetary authorities would argue that the recent increase from \$1 : 6.30 CNY to \$1 : 7.20 CNY is not the result of any management of the exchange rate. [3]

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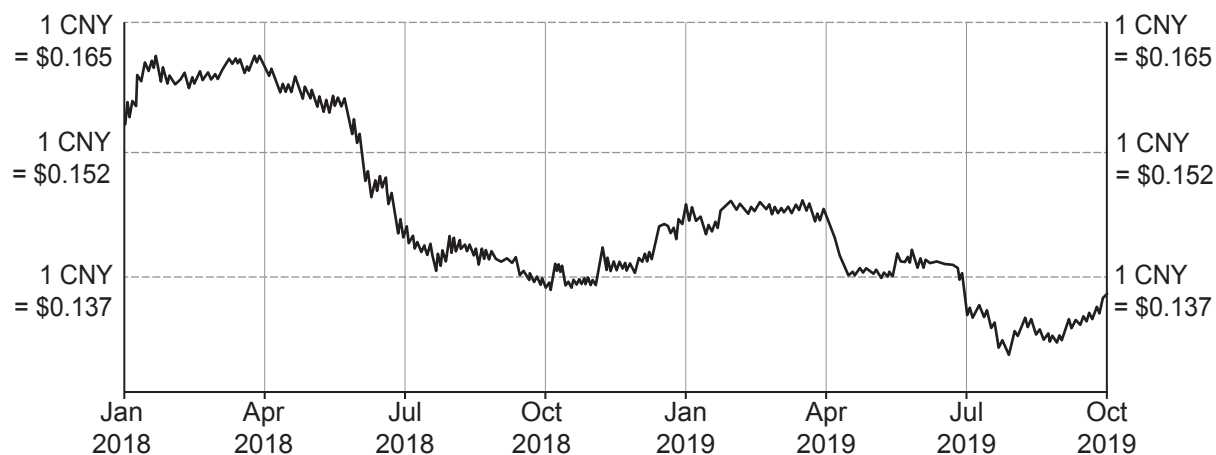
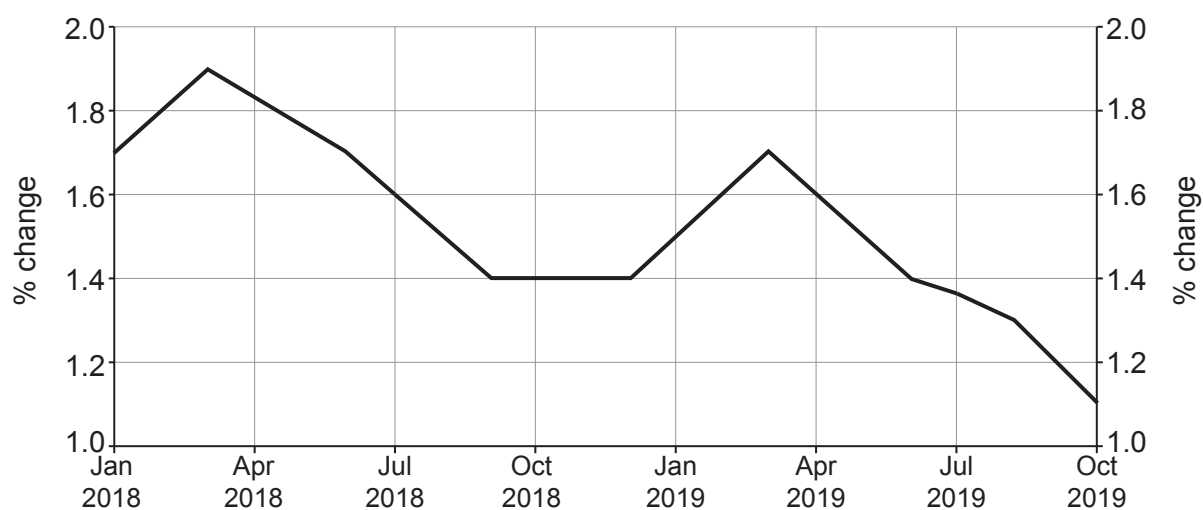
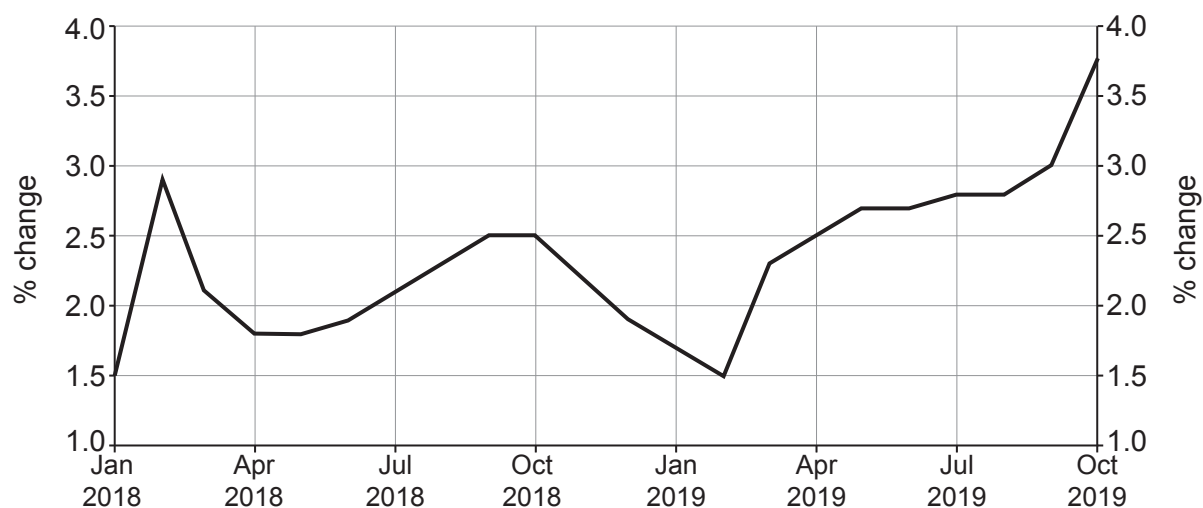
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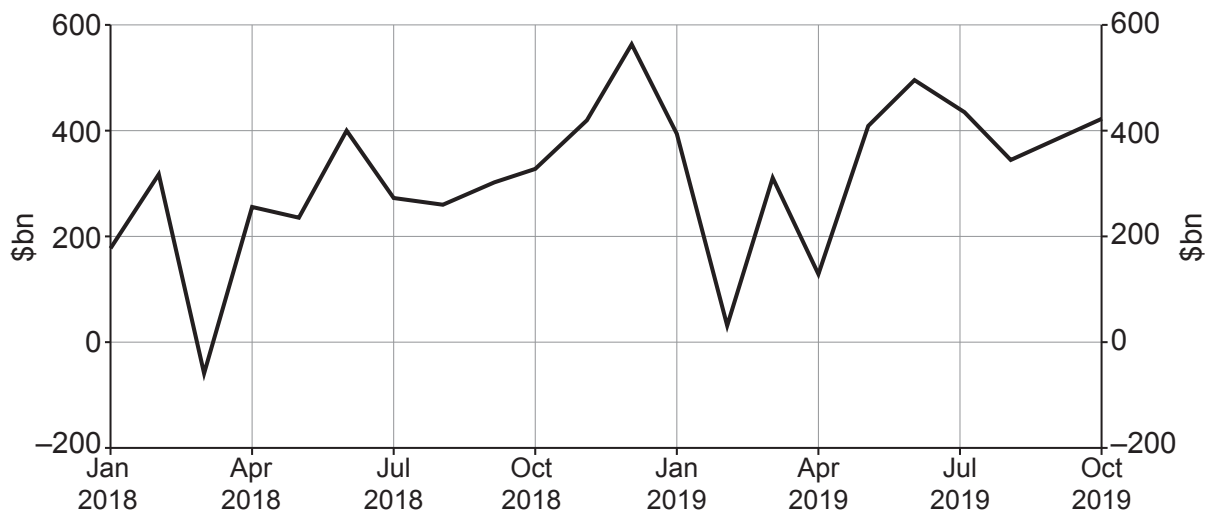
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4.

China: Exchange rate Chinese Yuan (CNY) vs US dollar(\$)**China: Annual Real GDP growth rate (% change)****China: Inflation (% change)**

China: Net exports (\$bn)



Using the data and economic analysis, discuss the strength of the relationship between China's exchange rate and its economic growth, inflation and net exports between January 2018 and October 2019.

[9]



7. In a lower-skilled football competition consisting of teams with 28 players, the average wage per player has increased from £462 per week in 1984 to £4700 per week in 2020.

Recently the regulators of the competition introduced a total wage cap (a maximum total wage cost for labour). The total wage cap was set at £2.5 m for each team per year.

Some teams commented that the total wage cap was “too low”.

- (a) Using calculations in your answer, explain why the total wage cap in 2020 might have been said to be “too low”. [4]

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In a higher-skilled football competition with elite players, pre-1961 there was a maximum price of labour (wage). The table below shows the real wage changes from 1961:

	Elite player real wage per player per week
In 1961 before removal of the maximum price of labour (wage)	£570
In 2010 average wage	£16 120
In 2023 average wage	£60 000

Recently the sport has signed multi-million-pound TV deals, which generates more revenue for the teams.

The elasticity of supply of labour for the elite sports players is said to be inelastic.



- (b) Using a diagram in your answer, discuss if the removal of the maximum price of labour was the main cause of the wage growth of elite players since 1961. [7]

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