

Surname	Centre Number	Candidate Number
Other Names		2



## GCE AS/A level

1131/01

## ECONOMICS – EC1

A.M. THURSDAY, 12 January 2012

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	3	
2	3	
3	3	
4	3	
5	6	
6	4	
7	4	
8	12	
9	12	
<b>TOTAL</b>	<b>50</b>	

**DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.**

### ADDITIONAL MATERIALS

In addition to this 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 the spaces provided. You may use continuation paper on page 12 if necessary, taking care to number the continuation correctly.

### INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

*Answer **all** the questions in the spaces provided.*

1. According to a study by the accountants PricewaterhouseCoopers, the increase in lifetime earnings for a medical graduate relative to not going to university is £340,000. According to the Universities and College Union, under new government proposals, the lifetime cost to a doctor of paying for a degree in medicine will be £105,000.

With the aid of the data, define **and** calculate the opportunity cost for a potential medical student of deciding not to go to university. [3]

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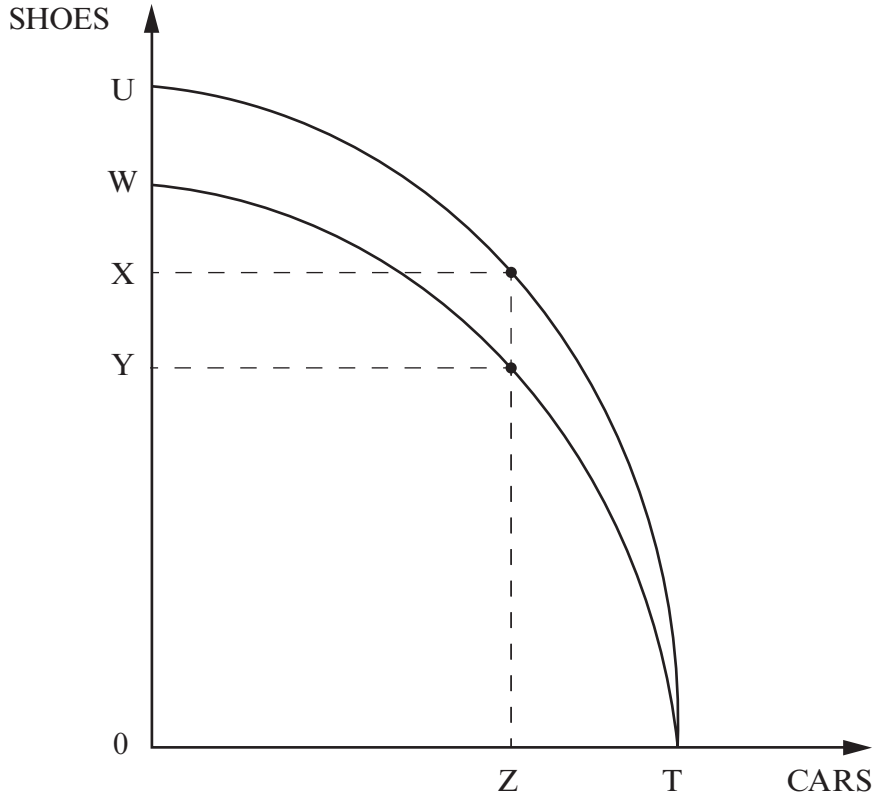
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**Total Mark** / 3

- 2. The production possibility frontier below, which shows a country producing only shoes and cars, has shifted from TW to TU.



- (a) Identify the opportunity cost of producing 0Z cars when the production possibility frontier is TW. [1]

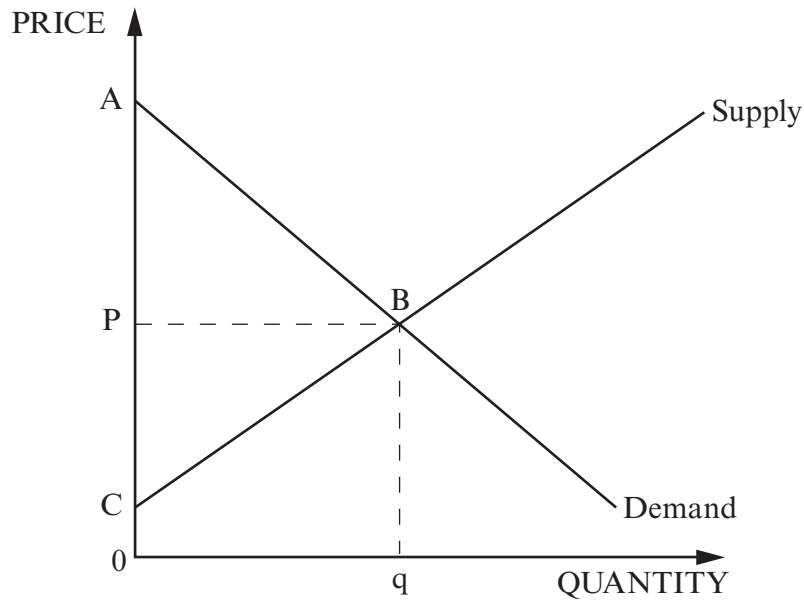
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- (b) Explain **one** factor which could have shifted the production possibility frontier to TU. [2]

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**Total Mark** / 3

3.



Define consumer surplus **and** identify it on the demand and supply diagram above.

[3]

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**Total Mark**

/ 3

4. The price of a firm's product rises from 50p to 60p and as a result its weekly production rises from 2000 to 2500 units. Calculate the price elasticity of supply for the product and comment on its value.

[3]

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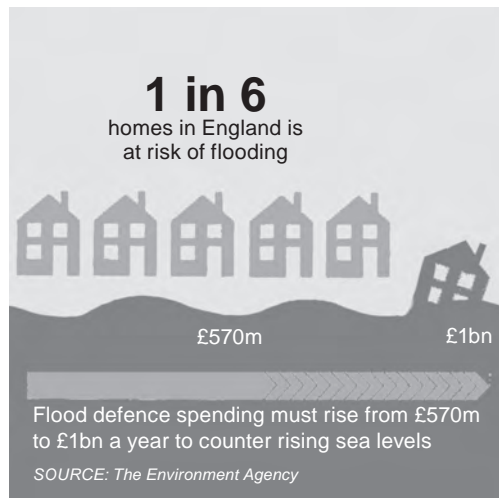
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/ 3



6.

**One in six homes in the UK is under threat of flooding. The Environment Agency says that £20 billion is needed to protect properties from rising seas, which are expected to be up to 65cm higher by 2070.**



Using the data concerning flood defences, explain what is meant by a public good.

[4]

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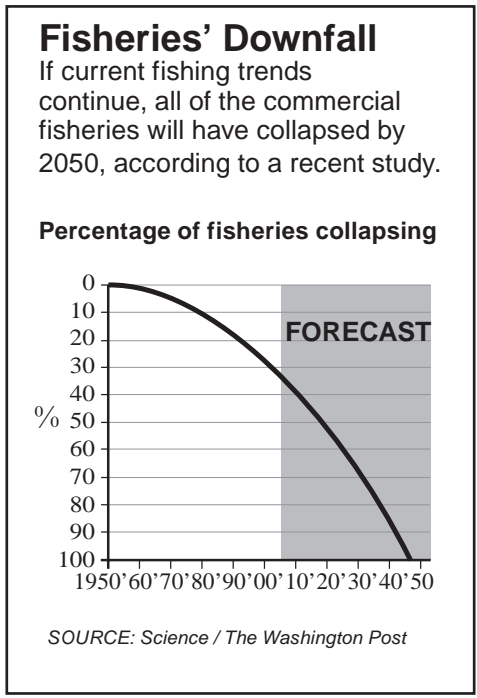
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**Total Mark** / 4

7.



A major international study found that about a third of all fish stocks worldwide have collapsed and that if current trends continue, all fish stocks will have collapsed by 2050. With reference to the data, explain why over-fishing might be seen as an example of market failure. [4]

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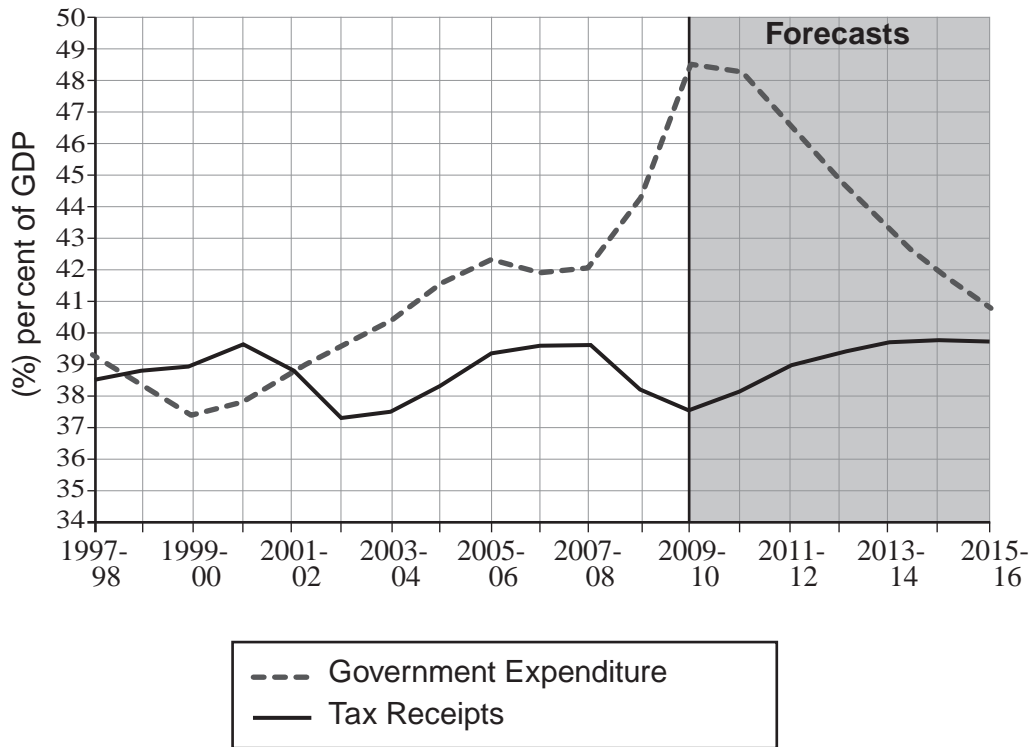
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**Total Mark** / 4

**8. COMPREHENSIVE SPENDING REVIEW OCTOBER 2010**

In 2010 the Government announced its plans for Government spending and borrowing until 2015. Cuts in Government spending totalling £81 billion and various tax rises such as increasing VAT to 20% are designed to reduce the budget deficit as a percentage of Gross Domestic Product (GDP).

**Tax Receipts and Government Expenditure**



However, the Government intends to:

- protect high value transport maintenance and investment, including over £10 billion on road, regional and local transport schemes;
- ensure the UK remains a world leader in science and research by maintaining the science budget of £4.6 billion;
- increase adult apprenticeship funding by £250 million a year by 2014-15.

*Source: HM Treasury*

(a) Distinguish GDP from GNP (Gross National Product).

[2]

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