Surname

PMT

Other Names

Number



**GCE AS/A level** 

1131/01

## **ECONOMICS – EC1**

P.M. FRIDAY, 18 May 2012

l hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	2	
2.	2	
3.	6	
4.	4	
5.	6	
6.	8	
7.	8	
8.	6	
9.	8	
Total	50	

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

#### **ADDITIONAL MATERIALS**

In addition to this examination paper, you will need a calculator.

### **INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

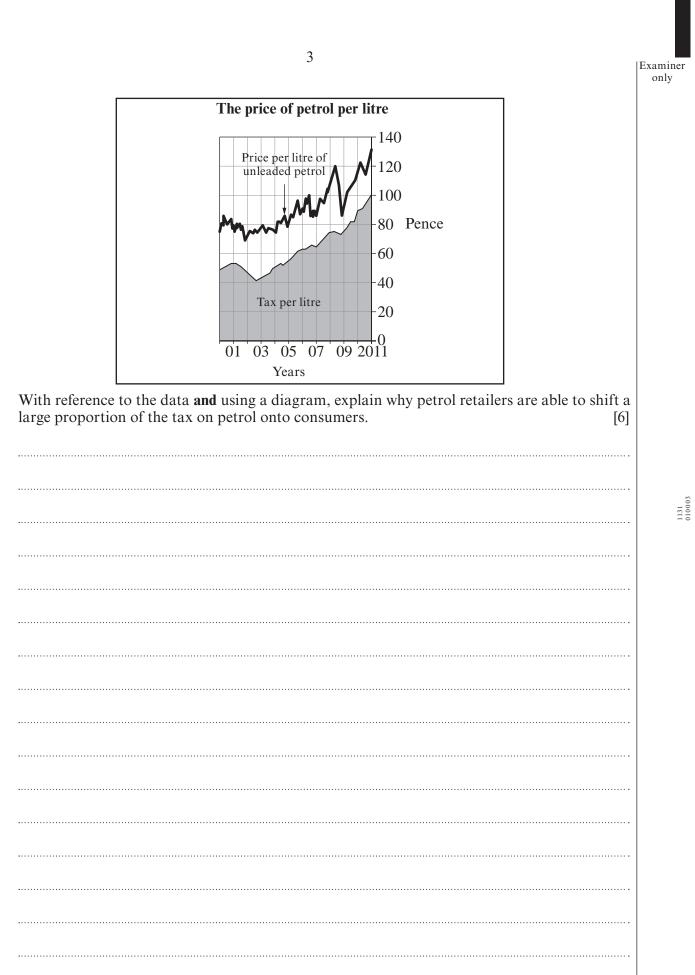
Write your name, centre number and candidate number in the spaces at the top of this page.

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.

	2	Examiner only
	Answer all the questions in the spaces provided.	
1.	NHS could have employed 10,000 nurses with the £314m it spent on management advisors.	
	Use the above information to explain the concept of opportunity cost. [2]	
	Total mark	/2
2.	The price of crisps in a school canteen rose from 40p per bag to 50p and as a result sales fell from 200 bags to 180 bags per day. Calculate the price elasticity of demand for crisps at the school. [2]	;
	Total mark	/2



Total mark

/6

4

Examiner only

INCREASING HOSPITAL ADMISSIONS (Numbers of people)

**Obesity-related** 

Alcohol-related

69,360

**4.** Between 2000 and 2010 hospital admissions for obesity and alcohol related conditions rose sharply. The combined cost of treating alcohol and obesity is around £6.5bn per year.

Define external costs and using the data explain why there are external costs resulting from excessive alcohol and food consumption.

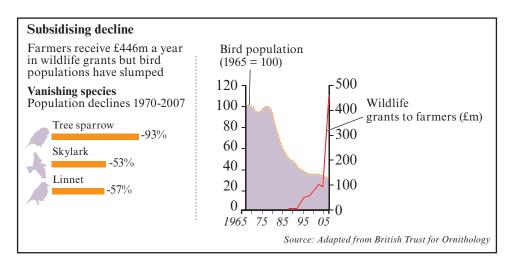
[4]	1999/ 2009/ 2000 2010 1999/ 2009/ 2000 2010 2000 2010

**Total mark** 

/4

Examiner only

5



According to a report by the Game and Wildlife Conservation Trust, government grants to farmers to preserve wildlife were a waste of money. The report found that farmers were given payments for measures that were easy to implement but had no real benefit for wildlife. According to the report farmers can choose options like maintaining hedgerows which often fail to meet the needs of wildlife.

To what extent are these government grants an example of government failure?	Тс	what extent	are these gov	vernment grants	an example of	government failure?
	I C	what extent	are these gov	or minorite granto	an example of	government fanale.

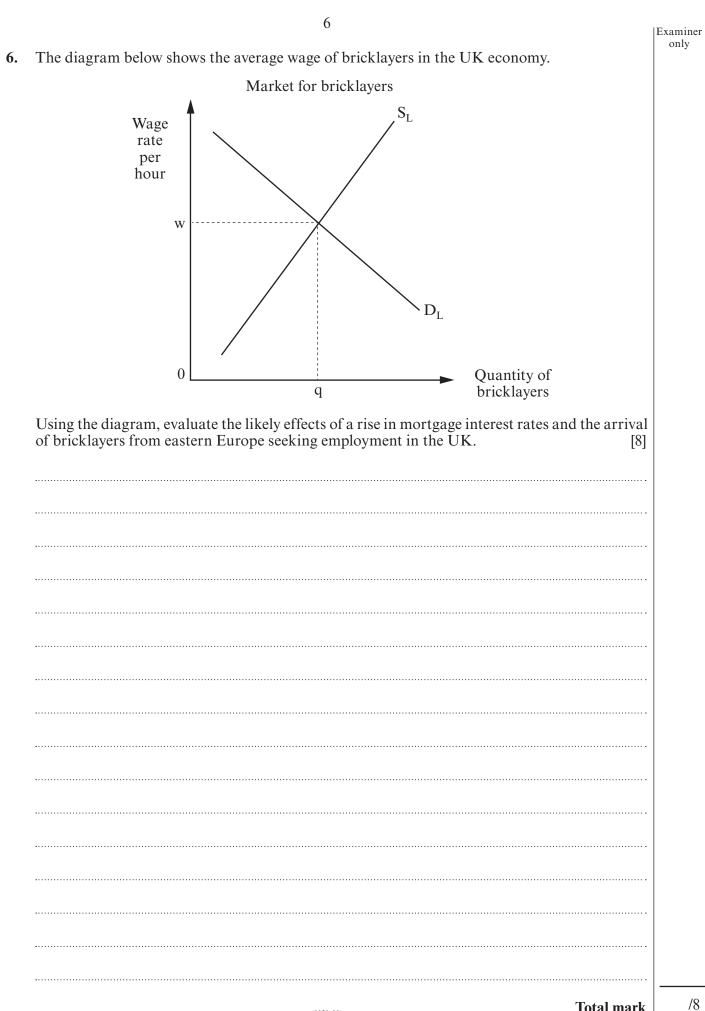
**Total mark** 

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/6

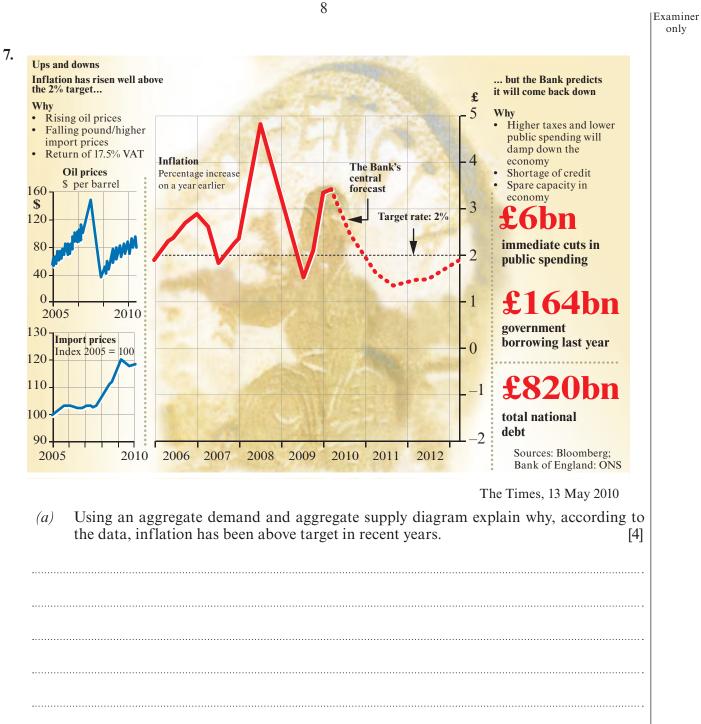
[6]

5.

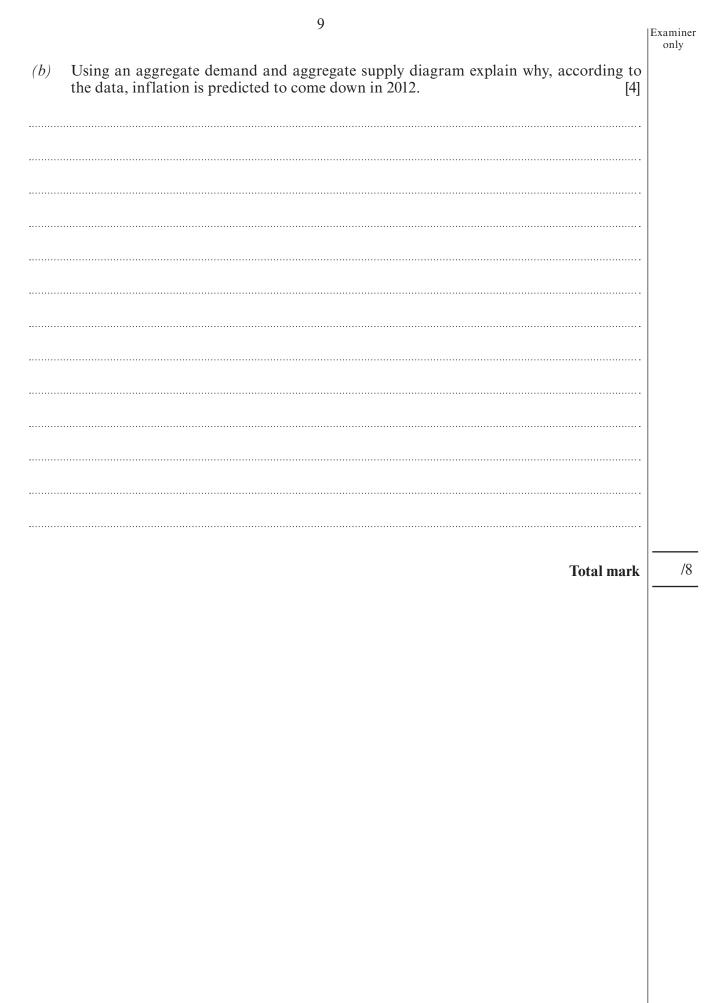


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7



(1131-01)



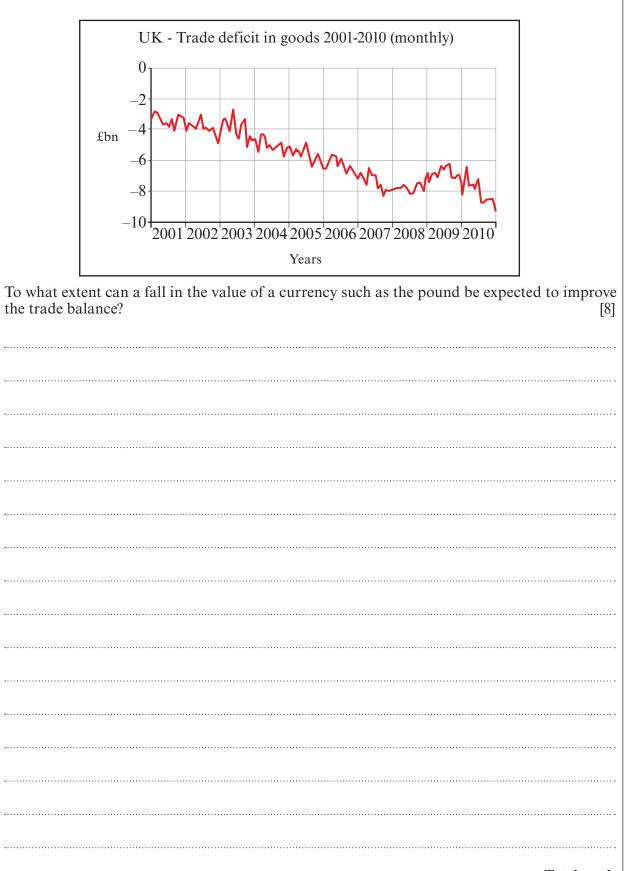
	10	Examiner only
8.	50% top income tax rate could be scrapped by the next election	
	George Osborne, the Chancellor of the Exchequer, has announced an official review of the higher earners' tax rate which could be scrapped in 2012.	
	Discuss the view that the abolition of the 50% tax rate would be beneficial to the UK economy. [6]	

Total mark

/6

Examiner only

9. In recent years the UK's trade deficit in goods has continued to worsen despite a fall in the value of the pound since 2007.



Total mark

/8

12	Examiner only
For continuation only.	