

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

A.M. MONDAY, 13 May 2013

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	3	
2	10	
3	4	
4	4	
5	3	
6	10	
7	8	
8	8	
Total	50	

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

ADDITIONAL MATERIALS

In addition to this paper you may require a calculator and a ruler.

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 13 if necessary, taking care to number the continuation correctly.

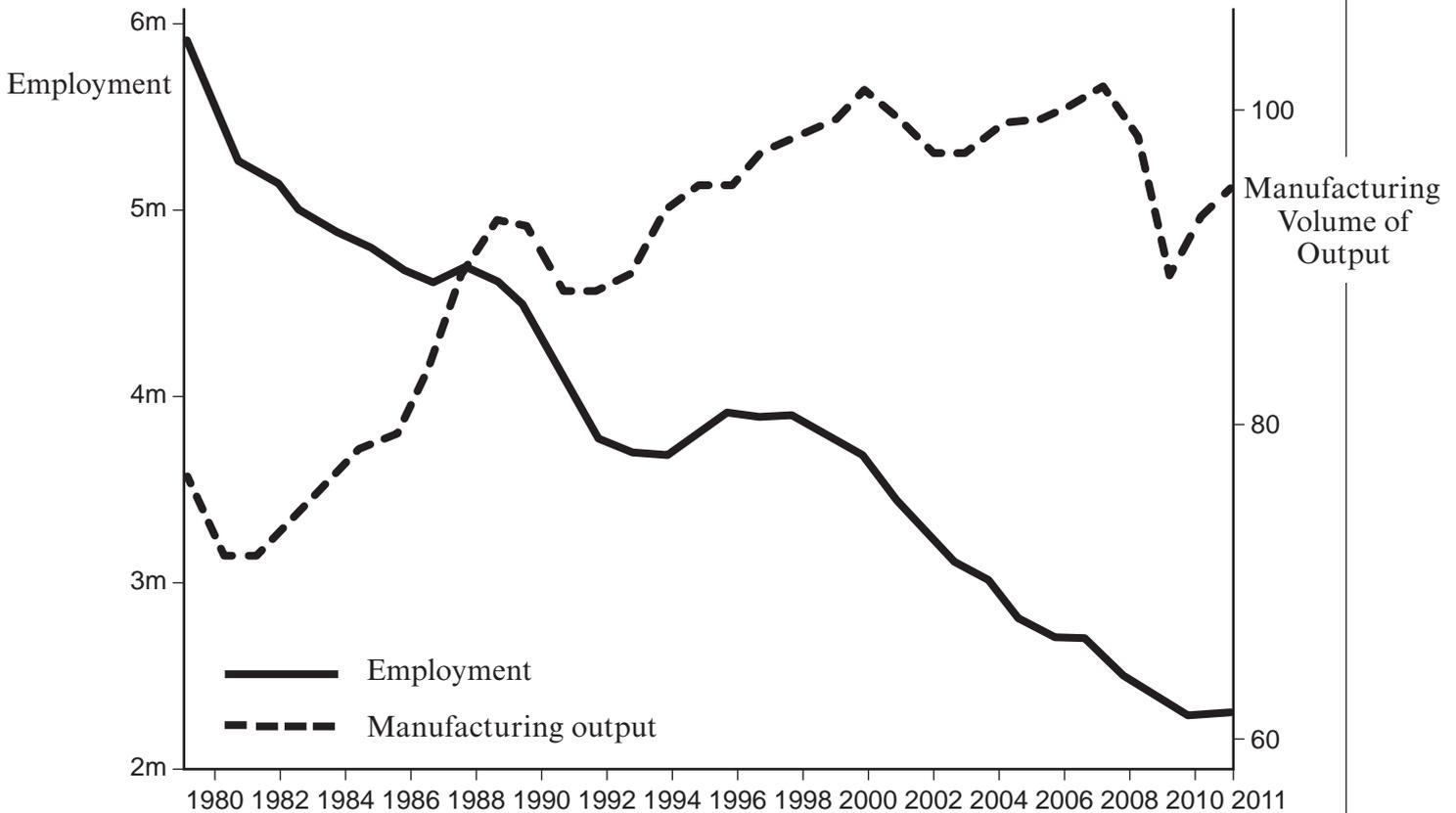
INFORMATION FOR CANDIDATES

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

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

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1. The data below shows the trends in output and employment of UK manufacturing since 1980.



Source: Daily Mail 11 December 2011

With reference to the data, explain one factor that could explain the change in manufacturing productivity over the period shown. [3]

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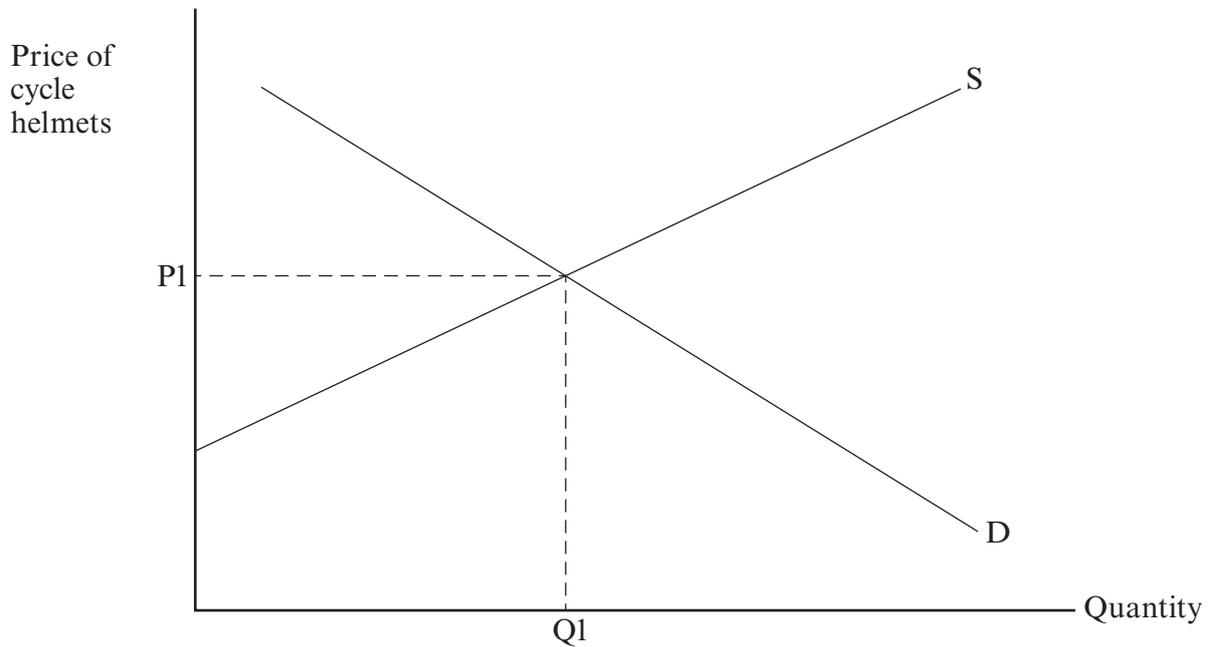
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2. The diagram below shows the market for cycle helmets.



Suppose, as a result of an increasing number of serious accidents involving cyclists, firstly the government made the wearing of cycle helmets compulsory and secondly, at the same time, reduced the rate of VAT on cycle helmets.

(a) Adapt the above diagram to discuss whether the policy changes are likely to increase or reduce the price of cycle helmets. [6]

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(b) Explain how the policies outlined above may help to correct market failure.

[4]

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3. A football club charges a £15 admission fee to their home games and its average attendance is 5,000 per game. It then reduces its admission fee to £12 and as a result average attendances rise to 7,000 per game.

Calculate the price elasticity of demand for this football club and explain why the club's revenue has been affected by the price change. [4]

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4. An antiques expert has bought a valuable religious painting dating back 1,000 years at a car boot sale for £13. The painting has since been valued at several thousand pounds.

Using the above passage explain the concept of asymmetry of information. [4]

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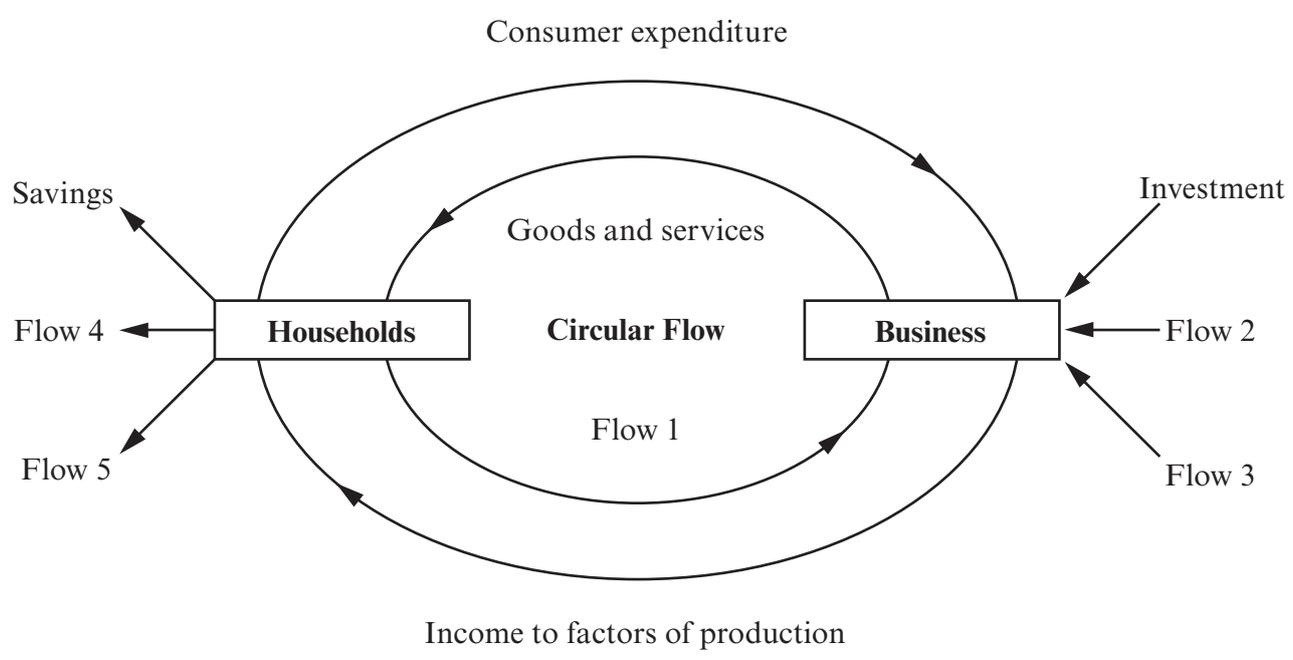
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5. Complete the circular flow diagram below by identifying flows 1 to 5.

[3]

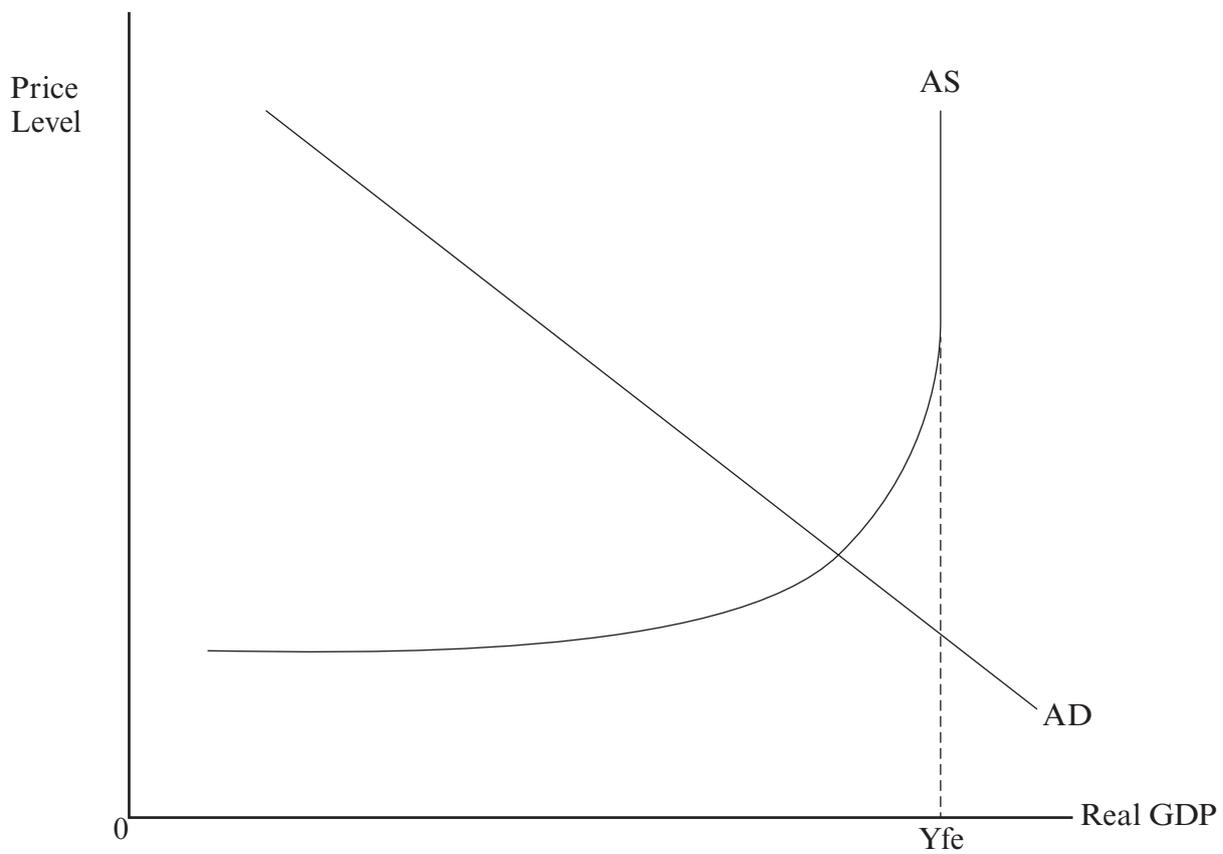


- Flow 1
- Flow 2
- Flow 3
- Flow 4
- Flow 5

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6.



(a) In the above diagram explain the shape of both the aggregate demand and aggregate supply curves. [4]

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(b) Explain how fiscal policy can shift both the aggregate demand and aggregate supply curves to the right. [6]

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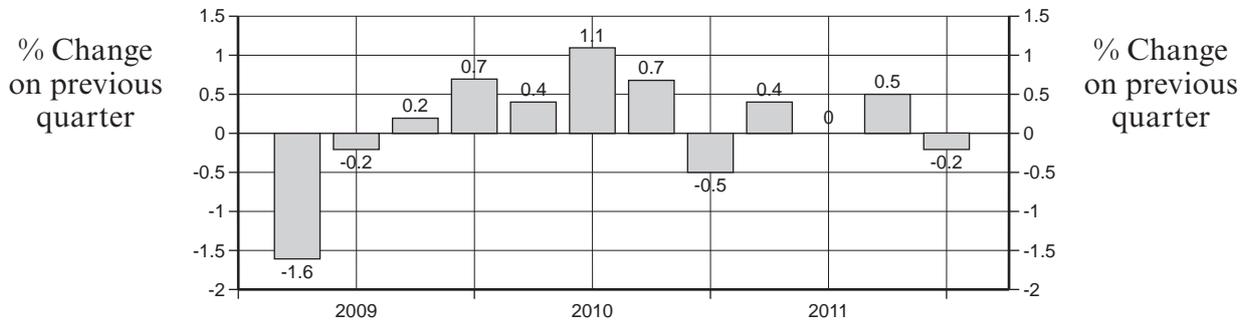
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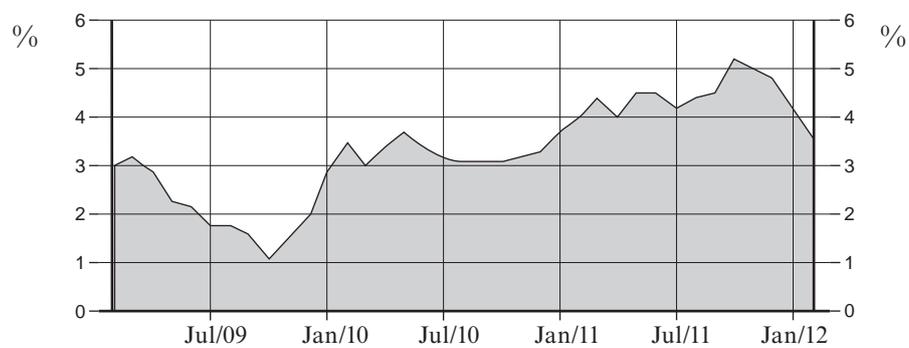
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7. In the 2010 Budget the UK government announced a five year plan to rebuild the economy.

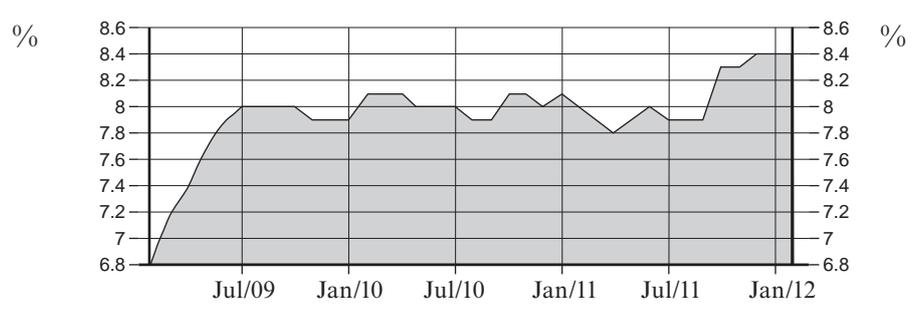
UNITED KINGDOM GDP GROWTH RATE
Percentage Change in Gross Domestic Product



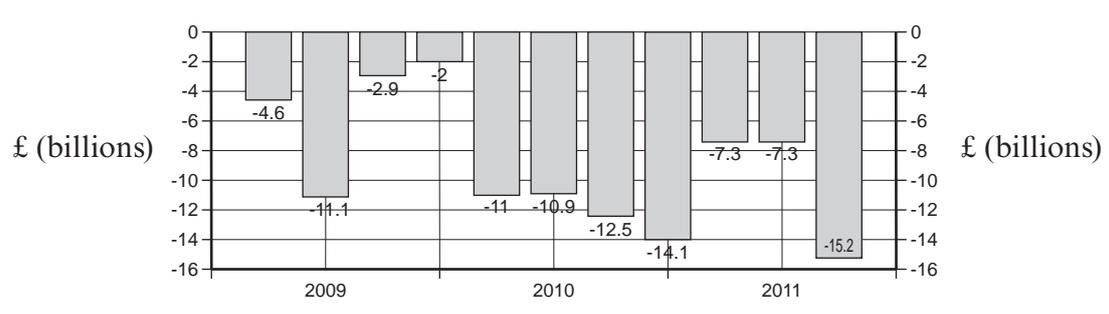
UNITED KINGDOM INFLATION RATE
Annual Change in Consumer Price Index



UNITED KINGDOM UNEMPLOYMENT RATE
Percentage of Labour Force



UNITED KINGDOM CURRENT ACCOUNT
Current Account (Billion)



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