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GCSE (9–1) Economics

J205/02 National and International Economics

Sample Question Paper Version 3.4

Date – Morning/Afternoon

Time allowed: 1 hour 30 minutes

You may use:
- a scientific or graphical calculator

First name	
Last name	
Centre number	
Candidate number	

INSTRUCTIONS
- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION
- The total mark for this paper is **80**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document consists of **20** pages.

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Section A

Answer **all** the questions in this section.

1 Which one of the following is **least** likely to be an economic policy objective for the government?

A Boosting economic growth
B Boosting employment
C Encouraging imports
D Stimulating exports

Your answer ☐

[1]

2 When national output is falling

A economic growth is negative
B economic growth is strong
C prices tend to increase rapidly
D unemployment falls as well

Your answer ☐

[1]

3

Year	2013	2014	2015	2016
Price index	100	106	120	122

Changes in the price index affect consumption and investment decisions. Which one of the following statements is true?

A The economy experienced inflation in every year
B The highest rate of inflation was in 2016
C The lowest rate of inflation was in 2014
D The price level was highest at the end of 2015

Your answer ☐

[1]

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4

	Country A	Country B	Country C
GDP (£)	1000	2000	5000
Number of inhabitants	100	100	1000

Policy makers and producers often decide about investments on the basis of GDP data. Which one of the following statements is correct?

A Country A has the lowest output per capita

B Country A has the same output per capita as country B

C Country B has the highest output per capita

D Country C has five times more output per capita than country A

Your answer ☐

[1]

5 A change in income tax is an example of

A fiscal policy

B international trade policy

C labour market policy

D monetary policy

Your answer ☐

[1]

6 Nazir has saved 10% of his income of £30 000 in 2015. He owns a house worth £200 000 and has no other income, assets or savings. His wealth at the end of 2015 is

A £3 000

B £30 000

C £200 000

D £203 000

Your answer ☐

[1]

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7 Inflation can be measured using the

A consumer price index

B customer price index

C consumer price interest

D customer price interest

Your answer ☐

[1]

8 A nominal value is one which

A has been adjusted for inflation

B has been adjusted for taxation

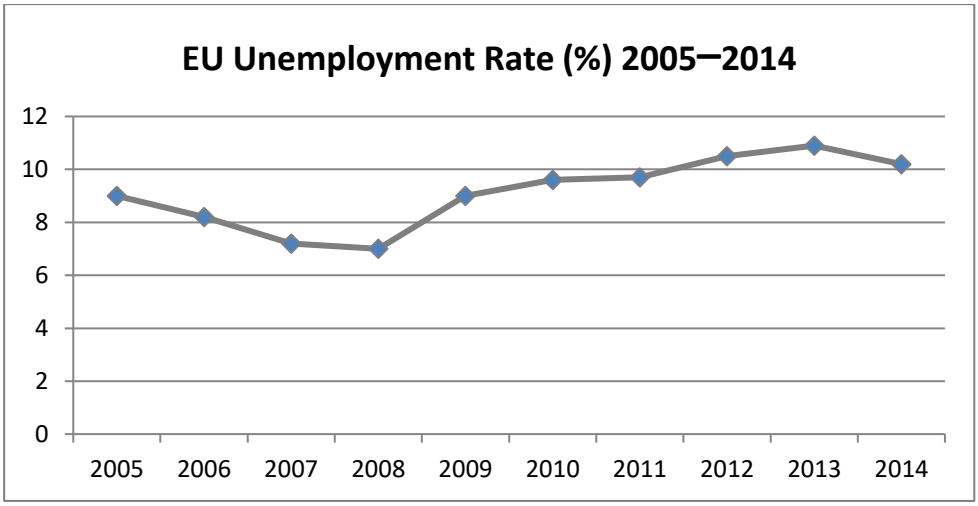
C has not been adjusted for inflation

D has not been adjusted for taxation

Your answer ☐

[1]

9



The graph shows that following the Financial Crisis in 2007/8 jobs were cut across the EU. According to the graph, the unemployment rate

A peaked in 2009

B rose most sharply between 2008 and 2009

C was higher at the beginning of the period than at the end

D was never less than 8%

Your answer ☐

[1]

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10 Which one of the following is **most** likely to reduce unemployment?

A Increased government expenditure

B Increased imports

C Increased interest rates

D Increased taxes

Your answer ☐

[1]

11

Income (£ per year)	Total tax paid (£ per year)
10 000	1 000
20 000	3 000
30 000	10 000

The table provides information about a country's income tax system. Which tax system has the government decided to use?

A Lower tax when income increases

B The same tax for all incomes

C A progressive income tax

D A proportional income tax

Your answer ☐

[1]

12 Which one of the following produces an externality?

A A manufactured good

B A tent

C An imported good

D Education

Your answer ☐

[1]

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13 Why can pollution be seen as an example of an externality?

A Firms will disregard government controls

B Pollution causes inflation

C The firm's costs differ from the costs to society

D The polluting firm's price will be too high

Your answer ☐

[1]

14 A chemical firm is dumping toxic waste into a stream resulting in the death of fish at a fish farm. Which one of the following is the **most** appropriate government policy?

A Do nothing

B Subsidise the chemical firm

C Tax the chemical firm

D Tax the fish farm

Your answer ☐

[1]

15 All other things being equal, what would increase the volume of imports?

A A fall in interest rates

B A fall in the price level

C A new tax on imported goods

D A rise in the exchange rate

Your answer ☐

[1]

16 If a country has no international trade, which one of the following is always correct?

A Exports are greater than imports

B Imports are greater than exports

C The government budget is balanced

D There are no exports or imports

Your answer ☐

[1]

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17 One reason why countries engage in international trade is that

A it reduces the budget deficit

B some countries are worse off as a result

C specialisation increases countries' standards of living

D transport costs are high

Your answer ☐

[1]

18 A government can prevent the country's exchange rate from rising by

A buying its own currency

B increasing interest rates

C selling its own currency

D selling its reserves of foreign currency

Your answer ☐

[1]

19 If the Chinese government introduces a tax on imported cars, this may

A decrease the price of cars in China

B decrease the production of cars in China

C increase the Chinese government's income

D increase the quantity of car imports into China

Your answer ☐

[1]

20 Member states of the EU agree to

A only trade with each other

B share a common income tax rate

C share a common interest rate

D trade with each other without trade barriers

Your answer ☐

[1]

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Section B

Answer **all** the questions in this section.

21

The UK steel industry supported 280,000 jobs in 1970. By the end of 2015 this had reduced to 30,000 jobs. Many of these jobs were in a Welsh town called Port Talbot.

The unemployment rate for Port Talbot was higher than the UK rate between 2013 and 2015.

	2013	**2014**	**2015**
Port Talbot unemployment rate (%)	8.9	6.9	6.9
UK unemployment rate (%)	7.5	6.2	5.3

At the start of 2016, it was announced that further jobs in the steel industry might be at risk due to the fall in demand for UK steel. This could have serious consequences for the people who live in the town.

Some economists have suggested that the government should use fiscal policy to reduce unemployment in places like Port Talbot.

Extract 1: Port Talbot

(a) Explain **two** possible economic reasons why there has been a fall in demand for UK steel.

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…… **[2]**

(b) Calculate the average unemployment rate for Port Talbot between 2013 and 2015. Round to one decimal. Show your working.

Answer: …… **[2]**

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(c) Analyse the likely effects of job losses on the town of Port Talbot.

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(d) **(i)** State **two** types of unemployment.

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2..... **[2]**

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(ii) Explain what is meant by fiscal policy.

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(iii)* Evaluate the costs and benefits of fiscal policy as a means of achieving lower unemployment.

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22

Tax on Tobacco

The following information relates to the year 2015:

- consumer spending on tobacco products in the UK amounted to an estimated £19 billion; around 90% of this on cigarettes
- tax revenue from tobacco amounted to £9.5 billion; £7.6 billion in excise duty and £1.9 billion in VAT
- the total tax on a packet of 20 cigarettes priced at £9.16 was £6.82
- a government spokesperson said that high taxes were needed to discourage smoking, which causes negative externalities.

Extract 2: Tax on Tobacco

(a) Explain how a rise in tax on tobacco could affect the price and sales of cigarettes.

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…… **[2]**

(b) Using the information above, calculate the percentage of a packet of 20 cigarettes priced at £9.16 that accounts for tax. Show your working.

Answer: …… **[2]**

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(c) Analyse why smoking may cause negative externalities.

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(d) **(i)** State **two** areas of government spending in the economy.

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2…… **[2]**

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(ii) Explain the difference between direct and indirect taxation.

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(iii)* Evaluate costs and benefits of increasing taxation on tobacco products.

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23

UK balance of payments current account data for 2014	
Export of goods	£292 867m
Import of goods	£412 472m
Balance of trade in goods	-
Export of services	£214 856m
Import of services	£128 993m
Balance of trade in services	£85 863m
Balance of trade in goods and services	-

Extract 3: UK balance of payments

(a) Calculate the balance of trade in goods and services. Show your working.

Answer: ..... **[2]**

(b) In 2014 the USA imported goods from the UK worth 54,692 million US Dollars, USD ($). Calculate the value in pounds, GBP (£). The exchange rate was 1 GBP = 1.5586 USD. Round to two decimals.

Show your working.

Answer: ..... **[2]**

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(c) Analyse, with the aid of a diagram, how an increase in demand for the pound (£) may affect its exchange rate.

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(d) **(i)** State **two** ways of measuring how developed a country is.

1……

2…… **[2]**

(ii) Explain what is meant by a rise in the exchange rate.

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(iii)*Evaluate whether a rise in the exchange rate would benefit the economy of a developed country. Use the information given in **Extract 3** on page 14 and your own knowledge.

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END OF QUESTION PAPER

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Summary of updates

Date	Version	Details
January 2022	3.4	Updated copyright acknowledgements.

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