Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Sample assessment material for first teaching September 2015

Time 1 hour 30 minutes

Paper reference **8EC0/02**

Economics A

Advanced Subsidiary

PAPER 2: The UK economy – performance and policies

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper.
- Answer **all** questions in Section A.
- In Section B, answer **all** of questions 6(a) to 6(e) and **one** question from 6(f) or 6(g).
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 The table below shows UK annual real GDP values for 2011–2013.

	Annual real GDP (£ billion)
2011	1 502
2012	1 506
2013	1 534

(Source: ONS)

(a) Define the term 'economic growth'.

(1)

(b) Calculate the annual UK economic growth rate for 2013.

(2)

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(c) Which **one** of the following can be inferred from the table?

(1)

- ☒ **A** Real GDP was falling between 2012 and 2013
- ☒ **B** The annual UK economic growth rate for 2012 was negative
- ☒ **C** Nominal GDP was falling between 2012 and 2013
- ☒ **D** The annual UK economic growth rate for 2012 was positive

(Total for Question 1 = 4 marks)

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2 In 2011, the Bank of England estimated that the marginal propensity to consume for UK households was on average 0.4.

(Source: http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb110402.pdf)

(a) Define the term 'marginal propensity to consume'.

(1)

(b) Calculate the value of the multiplier for the UK in 2011.

(2)

(c) Which **one** of the following is a likely cause of an increase in the value of an economy's multiplier?

(1)

- ☒ **A** An increase in the marginal propensity to save
- ☒ **B** An increase in the basic rate of income tax in the economy
- ☒ **C** A decrease in the marginal propensity to import
- ☒ **D** A decrease in investment in the economy

(Total for Question 2 = 4 marks)

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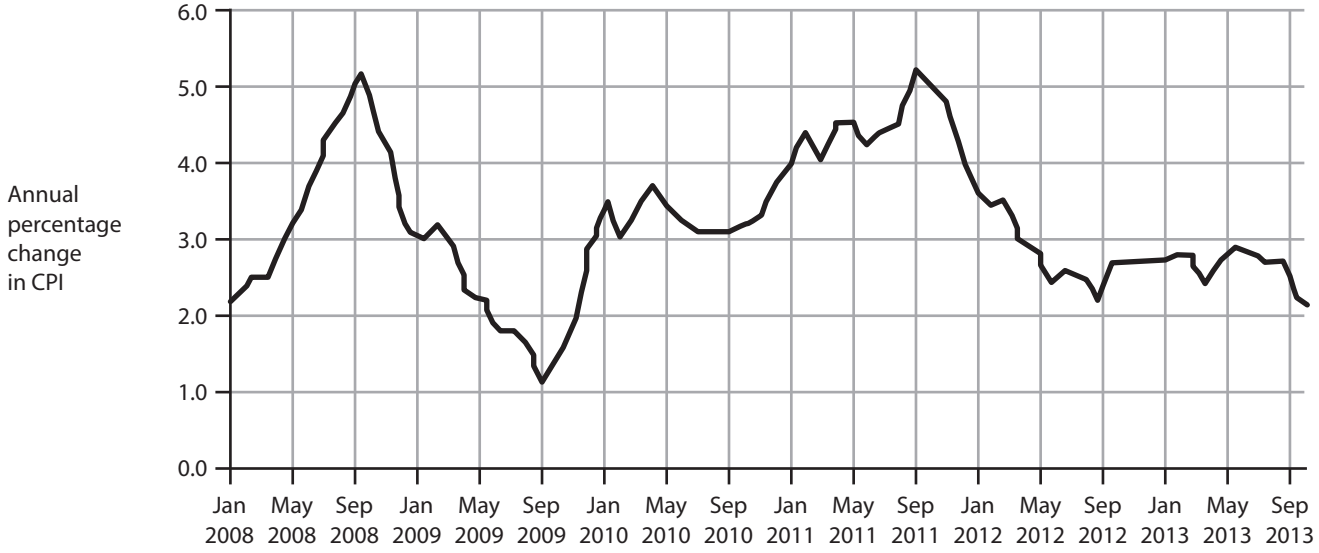
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QUESTION 3 BEGINS ON THE NEXT PAGE.

3 The chart below shows the annual percentage change in the UK Consumer Prices Index (CPI).

Annual percentage change in UK CPI, January 2008 – October 2013



(Source: http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/november-2013/consumer-price-inflation-summary--november-2013.html)

(a) Define the term 'inflation'.

(1)

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(b) Which one of the following can be inferred from the chart?

(1)

☒ **A** There was deflation in the UK economy between September 2008 and September 2009

☒ **B** The CPI inflation rate was higher in September 2012 than in September 2009

☒ **C** From January 2011 to January 2012, the average price level in the UK fell

☒ **D** From May 2010 to September 2010, the cost of living in the UK fell

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(c) Explain **one** limitation of using the CPI to measure the rate of inflation.

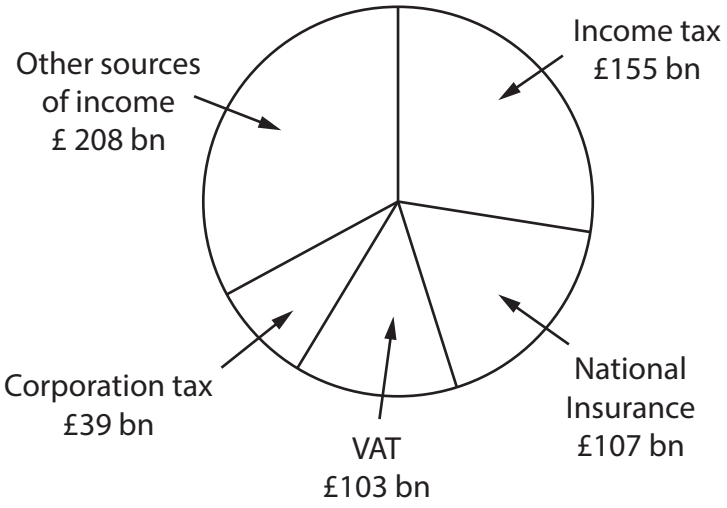
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(Total for Question 3 = 4 marks)

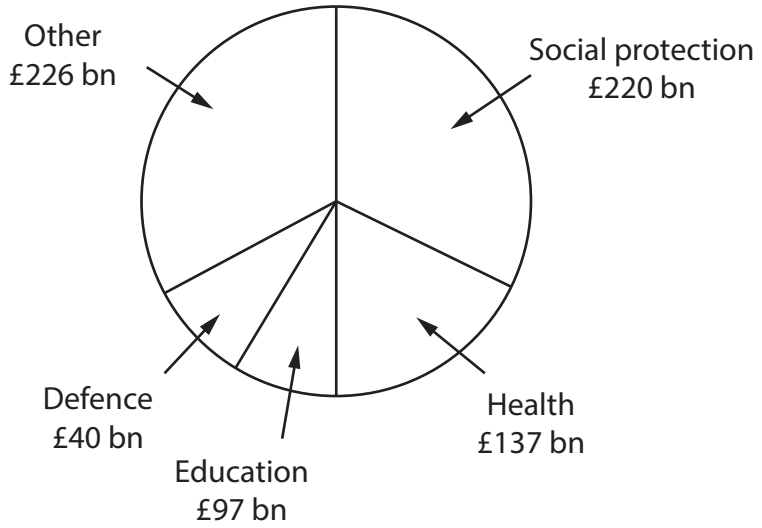
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4 The charts below show forecast UK government revenue and government spending for the financial year 2013/2014.

Source of government revenue = £612 bn
(forecast 2013/2014)



Areas of government spending
(forecast 2013/2014)



(Source: Budget 2013, HM Treasury, https://www.gov.uk/government/publications/budget-2013-documents)

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(a) Which **one** of the following can be inferred from the charts above?

The UK government forecast that for the financial year 2013/2014:

(1)

- ☒ **A** it would earn five times as much revenue from income tax as from corporation tax
- ☒ **B** it would spend more on health, than on education and defence added together
- ☒ **C** more than one quarter of its revenue would come from VAT
- ☒ **D** spending on social protection would comprise more than 30% of its total spending

(b) Using the data in the two charts, calculate the size of the UK government's forecast budget deficit for the financial year 2013/2014.

(3)

(Total for Question 4 = 4 marks)

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5 (a) Define the term 'productivity'.

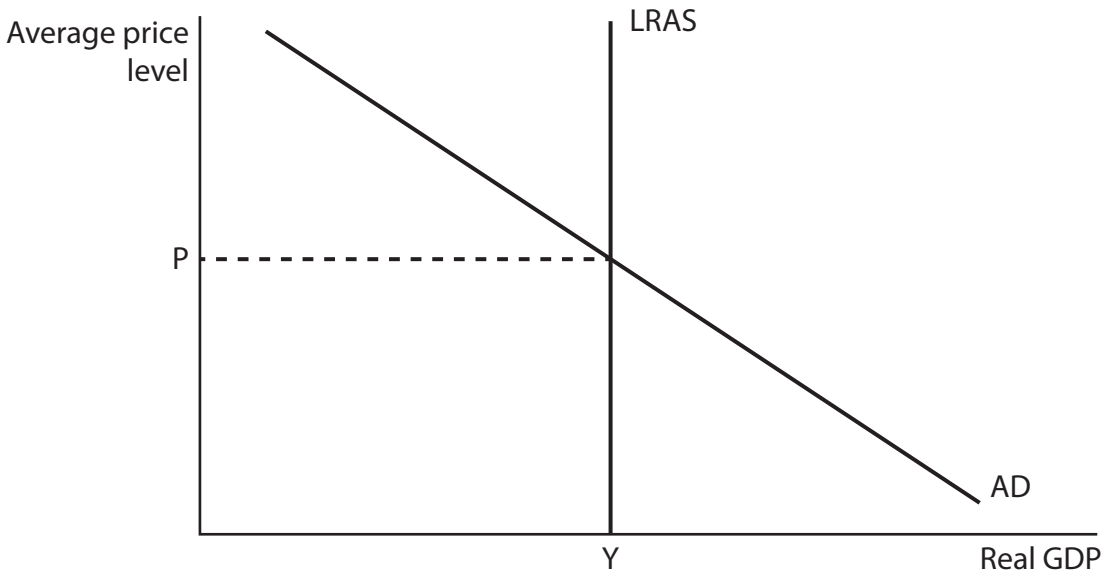
(1)

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(b) Using a classic long-run AS curve, annotate the diagram below to show the effect of an increase in productivity on the equilibrium level of real national output and the average price level of the economy.

(2)



(c) Which **one** of the following statements is correct?

(1)

- ☒ **A** The Keynesian long-run AS curve implies that an economy may have a negative output gap in the long run
- ☒ **B** The Keynesian long-run AS curve is perfectly inelastic at all levels of real national output
- ☒ **C** The classic long-run AS curve implies that an economy may have spare capacity in the long run
- ☒ **D** The classical long-run AS curve is perfectly elastic at all levels of real national output

(Total for Question 5 = 4 marks)

TOTAL FOR SECTION A = 20 MARKS

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SECTION B

Read Figures 1–2 and Extract A in the Source Booklet before answering Question 6.

Answer ALL Questions 6(a) to (e), and EITHER Question 6(f) OR Question 6(g).

Write your answers in the spaces provided.

You are advised to spend 1 hour 5 minutes on this section.

6 (a) With reference to Figure 1, explain what has happened to real annual business investment since 2008.

(4)

(b) With reference to Figure 2, explain the likely effect of an appreciation of the British pound (£) against the US dollar ($) on the volume of UK imports from, and UK exports to, the USA.

(5)

(c) With reference to Extract A, explain **two** reasons why consumer spending rose in 2013.

(6)

(d) Assess the importance of interest rates in determining the level of business investment in the UK.

(10)

(e) Discuss the likely impact of both a lack of new investment and an appreciation of the British pound (£) on 'inflationary pressures' in the UK (Extract A line 37).

(15)

EITHER

(f) Evaluate whether the UK government should focus on achieving economic growth as its key macroeconomic objective.

(20)

OR

(g) Evaluate the use of monetary policy to achieve the UK's macroeconomic objectives.

(20)

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(a) With reference to Figure 1, explain what has happened to real annual business investment since 2008.

(4)

(b) With reference to Figure 2, explain the likely effect of an appreciation of the British pound (£) against the US dollar ($) on the volume of UK imports from, and UK exports to, the USA.

(5)

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(c) With reference to Extract A, explain **two** reasons why consumer spending rose in 2013.

(6)

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(d) Assess the importance of interest rates in determining the level of business investment in the UK.

(10)

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(e) Discuss the likely impact of both a lack of new investment and an appreciation of the British pound (£) on 'inflationary pressures' in the UK (Extract A line 37).

(15)

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EITHER

(f) Evaluate whether the UK government should focus on achieving economic growth as its key macroeconomic objective.

(20)

OR

(g) Evaluate the use of monetary policy to achieve the UK's macroeconomic objectives.

(20)

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 6(f)** ☒ **Question 6(g)** ☒

Write your answer here:

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TOTAL FOR SECTION B = 60 MARKS
TOTAL FOR PAPER = 80 MARKS

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