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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Exchange rates (2.2.3)

International GCSE Economics · Paper 2: Macroeconomics and the Global Economy

39 questions · 91 marks · Mark schemes included

Past papers June 2019 - June 2025 · 2 specification sub-topics

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 Piccadilly Business Centre, Unit C, Aldow Enterprise Park
Blackett Street, Manchester, M12 6AE

HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

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1. Q3(b)	IGCSE Paper 2 November 2021	1	4
2. Q3(a)	IGCSE Paper 2 November 2023	1	5
3. Q3(b)	IGCSE Paper 2 June 2024	1	6
4. Q1(e)	IGCSE Paper 2 June 2019	2	7
5. Q1(e)	IGCSE Paper 2R January 2020	2	8
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QUESTION	SOURCE	MARKS	PAGE
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QUESTIONS

39 questions · 91 marks · 2 sub-topics

SUB-TOPIC 2.2.3 (a-b)

DETERMINATION OF EXCHANGE RATES

Sub-topic 2.2.3 (a-b) · 22 questions · 58 marks · lowest tariff first



3 Figure 3 shows selected UK Government receipts from taxation in 2019.

	£bn
Sales tax (VAT)	186.3
Income tax	268.3
Tariffs	31.9
Business tax	53.4

Figure 3

(a) What is the total amount of revenue raised by direct taxes?

(1)

- ☐ A £454.6bn
- ☐ B £321.7bn
- ☐ C £218.2bn
- ☐ D £85.3bn

(b) A government can try to stop its exchange rate from appreciating by

(1)

- ☐ A increasing interest rates
- ☐ B selling its reserves of foreign currency
- ☐ C buying its own currency
- ☐ D selling its own currency



- 3 (a) How many UK pounds (£) can be bought with \$50 if the exchange rate is \$1 = £0.75?

(1)

- ☐ A £25
- ☐ B £37.50
- ☐ C £66.66
- ☐ D £75

Many governments provide parks.

- (b) Which **one** of the following is a reason for this provision?

(1)

- ☐ A To reduce the number of tourists
- ☐ B To reduce property values in the area
- ☐ C To reduce damage to the environment
- ☐ D To reduce space for leisure and recreation

South Korea had a current account surplus of \$880m in October 2022.

- (c) Explain **one** reason why an increase in the price of imports may have had a positive impact on South Korea's current account.

(3)

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3 (a) Which **one** of the following is an example of foreign direct investment (FDI)?

(1)

- ☐ A A Japanese car company buying an Indonesian car company
- ☐ B An Indonesian supermarket buying produce from a farm in India
- ☐ C A Malaysian gift shop selling souvenirs to a Malaysian tourist
- ☐ D An Australian mining company selling coal to an Indonesian power station

The exchange rate between the US dollar (\$) and the British pound (£) is $\$1 = \text{£}0.80$

(b) How many US dollars (\$) would it take to purchase £150?

(1)

- ☐ A \$120.00
- ☐ B \$150.80
- ☐ C \$187.50
- ☐ D \$230.00

The UK Government has removed the 12% import tariff on palm oil from Malaysia.

(c) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

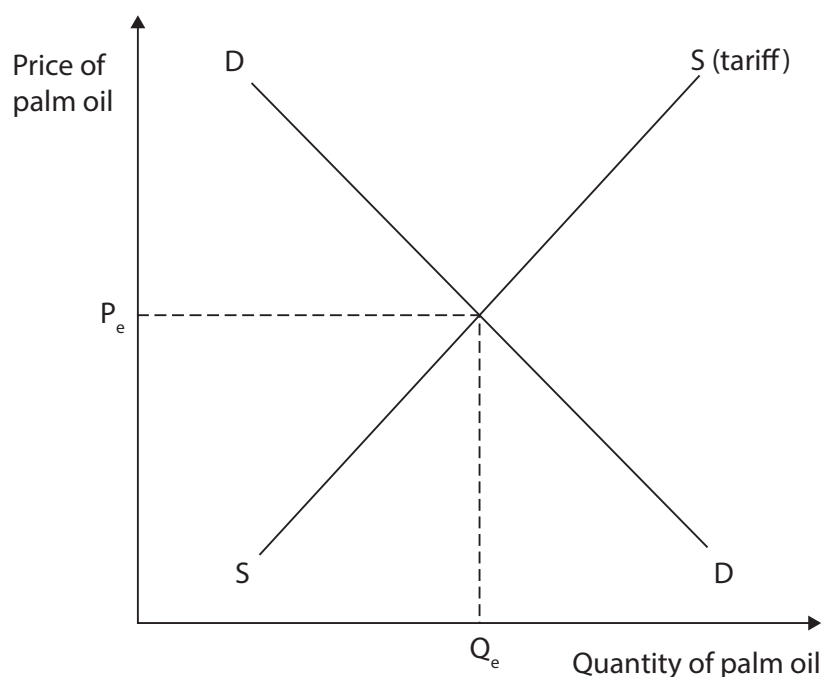


Figure 4



(d) Describe **one** impact on consumers of a decrease in interest rates.

(2)

Rachel buys a t-shirt for 1 000 Kenyan shillings (KES) when she is on holiday.
The exchange rate is £1 = 137.73 KES.

(e) Calculate, to two decimal places, the price in sterling (£) of Rachel's t-shirt. You are advised to show your working.

(2)



(d) What is meant by the term shoe leather costs?

(2)

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(e) Calculate **the price in Indian Rupees (INR)** of machinery which costs \$150 000 when the exchange rate is \$1 = 70.66 INR. You are advised to show your working.

(2)

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(b) Which supply-side policy involves the removal of government controls?

(1)

- ☐ **A** Deregulation
- ☐ **B** Education and training
- ☐ **C** Lower business taxes
- ☐ **D** Infrastructure spending

(c) State **one** disadvantage of free trade.

(1)

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(d) What is meant by the term exchange rate?

(2)

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(d) What is meant by the term infant industries?

(2)

In August 2019 Inter Milan, an Italian football club, paid £73m to Manchester United for the transfer of footballer Romelu Lukaku. The exchange rate was $\text{£}1 = \text{€}1.08$.

(e) Calculate **the price Inter Milan paid in euros (€)** for the transfer of Romelu Lukaku. You are advised to show your working.

(2)



(d) Describe **one** negative impact of economic growth.

(2)

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(e) Calculate the **price in euros (€)** of a UK manufactured car priced at £15 000 when the exchange rate is £1 = €1.10. You are advised to show your working.

(2)

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- (d) Describe the impact on the demand for a currency after an increase in interest rates.

(2)

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Figure 1 shows Canada's imports and exports for the year ending 2020.

	CAD\$bn
Imports	561
Exports	524
Total Trade	1 085

Figure 1

(Source: <https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414a-eng.htm>)

- (e) Using the data in Figure 1, calculate in CAD\$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

(2)

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4 Figure 5 shows the adult entry fee into the Corcovado National Park in Costa Rica and the current exchange rate between the British pound (£) and the Costa Rican colón (CRC).

Entry fee for 1 adult	1 600 CRC
Exchange rate: £ to CRC	£1 = 672 CRC

Figure 5

(a) Calculate, to two decimal places, **the price in British pounds (£)** of a park entry fee for 1 adult into the Corcovado National Park. You are advised to show your working.

(2)

(6)



(d) Describe **one** benefit to a country of using quotas for imported goods.

(2)

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(e) Calculate the **price in euros (€)** of a UK-manufactured smartphone priced at £750 when the exchange rate is £1 = €1.18. You are advised to show your working.

(2)

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- (f) The UK exports goods to eurozone countries. Using the diagram below, draw the effects of an increase in exports from the UK to the eurozone on the exchange rate of the £. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

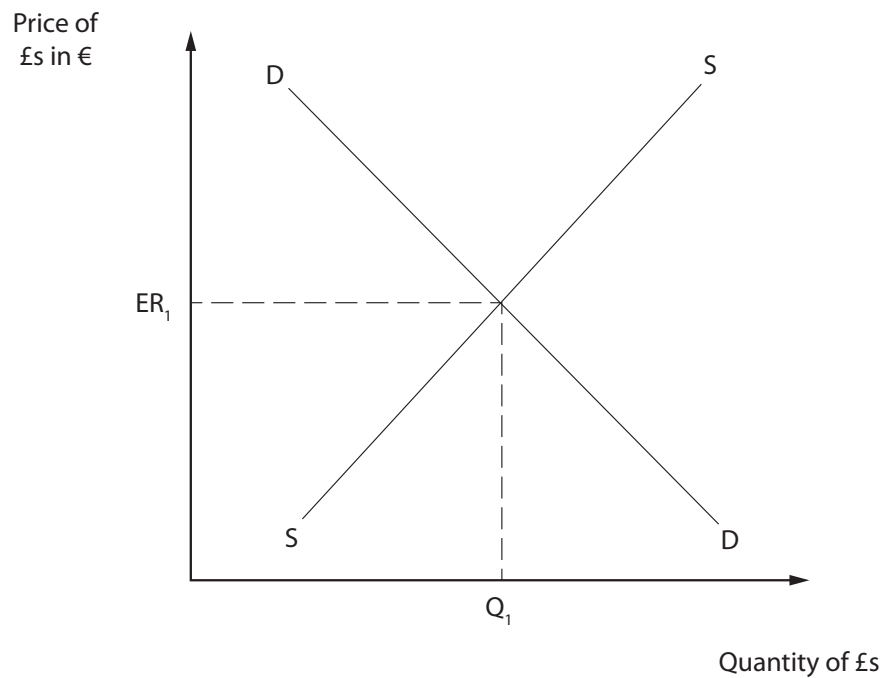


Figure 2

In September 2017, the growth rate of the gross domestic product (GDP) in the UK was 0.4%, a slight increase of 0.1% on the previous quarter.

- (g) Explain **one** reason why economic growth is a key macroeconomic objective for a country such as the UK.

(3)

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Figure 1 shows the supply and demand of the pound (£) in terms of the euro (€).

- (f) Using the diagram below, draw the effects on the exchange rate of the pound (£) of a decrease in UK exports to Eurozone countries. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

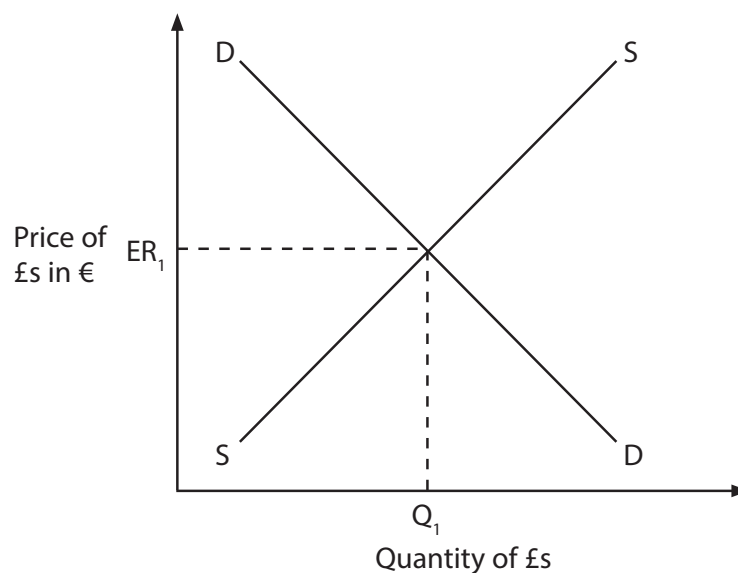


Figure 1

In November 2018, China launched its first ever anti-dumping investigation against Australia over the export of Australian barley.

- (g) Explain **one** reason why a country such as Australia might export its products below the cost of production.

(3)

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Figure 3 shows the supply of and demand for the UK pound (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effects on the exchange rate of the UK pound (£) from an increase in UK exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

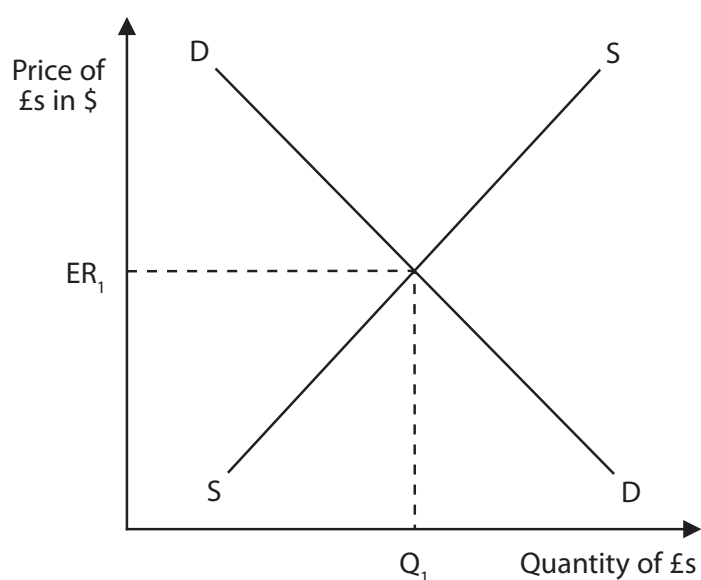


Figure 3



In 2020, the UK Government introduced subsidies for firms that provide renewable energy.

- (f) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of renewable energy. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

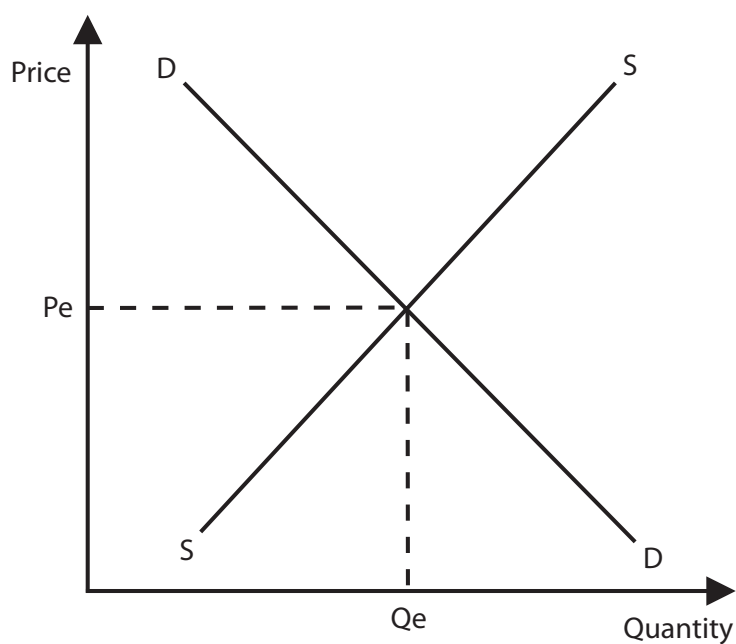


Figure 1

In March 2020, the Bank of England reduced interest rates from 0.75% to 0.10%. This decision affected the UK pound (£).

- (g) Explain the likely impact of a decrease in UK interest rates on the UK pound (£).

(3)

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Figure 1 shows the supply of and demand for UK pounds (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

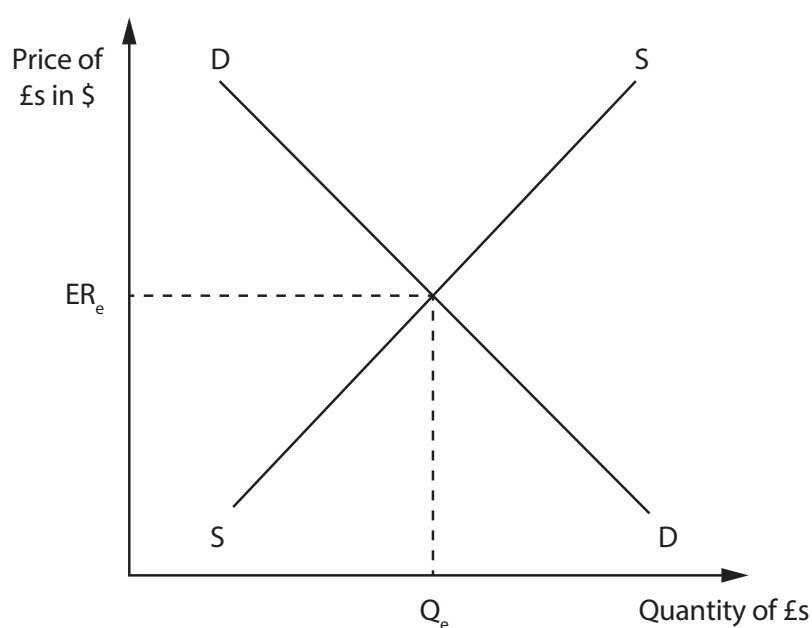


Figure 1



Figure 2 shows the supply of and demand for UK pounds (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effect of an increase in UK exports to the US on the equilibrium exchange rate of the UK pound (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

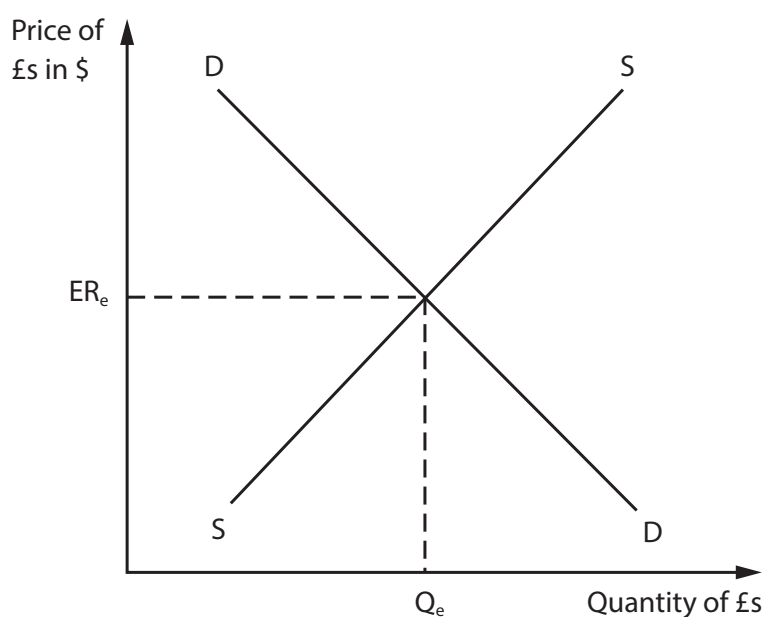


Figure 2

In April 2023, the UK Government increased the business tax rate from 19% to 25%. The higher rate is expected to raise around £18bn in additional tax revenue per year. The change brings the UK's business tax rate to the same rate as other large economies.

Due to this tax change, Associated British Foods, the owner of Primark and other firms, is expected to pay an additional £20m in tax per year.

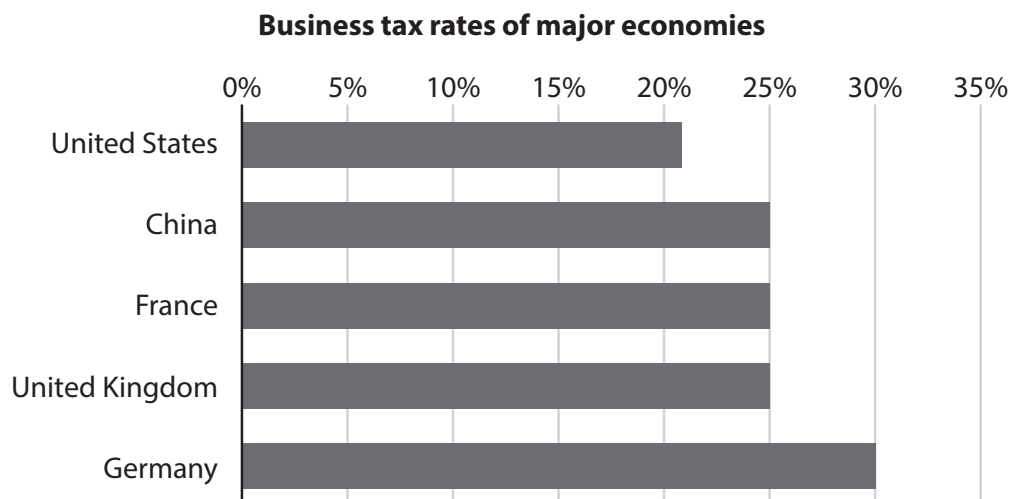


Figure 3

- (g) With reference to the data above and your knowledge of economics, assess the disadvantages of higher business tax rates on investment in a country such as the UK.

(9)



Figure 3 shows the supply of and demand for UK pounds (£), as well as the equilibrium exchange rate against the euro (€). UK interest rates increased from 4% to 4.25% in March 2023.

- (f) Using the diagram below, draw the likely effect of this rise in UK interest rates on the equilibrium exchange rate of the UK pound (£) against the euro (€). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

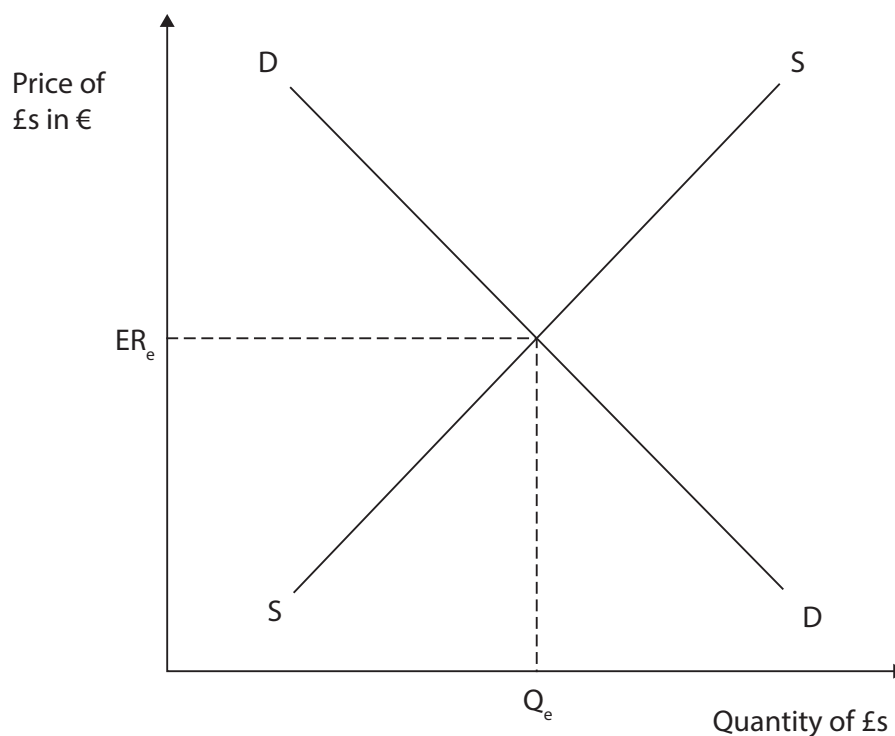


Figure 3



The Chinese economy only grew by 3% in 2022. However, in 2023 exports increased by 14.8% compared to the previous year, suggesting that China would achieve its growth target of 5%.

By March 2023, China was experiencing an economic recovery with the services and construction sectors reaching a 12-year high.

However, China's export recovery is expected to be temporary. This is because of possible weaker global demand due to interest rate rises in many economies.

(g) With reference to the data above and your knowledge of economics, assess how a recovery may affect unemployment for a country such as China.

(9)

This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings present.

Figure 3 shows the supply of and demand for UK pounds (£) and the equilibrium exchange rate against the US dollar (\$).

- (f) Using the diagram below, draw the likely effect of a decrease in imports from the US on the equilibrium exchange rate of the UK pound (£) against the US dollar (\$). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

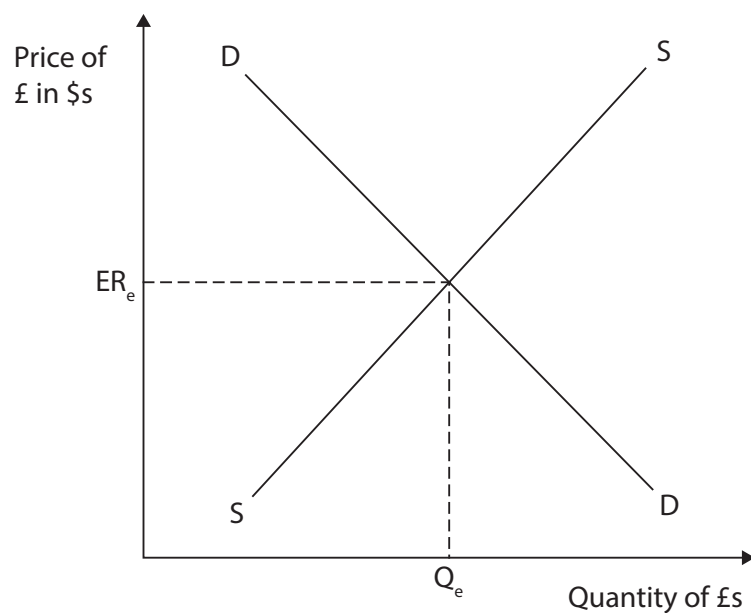


Figure 3

ChatGPT is the latest example of artificial intelligence (AI)* technology. There are increased concerns that AI will cause the loss of jobs for millions of workers. This includes Wall Street traders, salespeople, writers of basic computer code and journalists.

IBM has stopped recruiting for 7,800 jobs that could be eventually replaced by AI. British Telecom (BT) predicted that AI would replace 10,000 jobs by 2030.

**The use of computer systems to perform tasks normally undertaken by humans.*

- (g) With reference to the data above and your knowledge of economics, assess the possible impact of the introduction of AI on the levels of structural unemployment.

(9)



Figure 3 shows the supply of and demand for UK pounds (£) against the US dollar (\$). Currency speculators think the value of the UK pound (£) is going to rise in the future.

- (f) Using the diagram below, draw the likely effect of currency speculators on the equilibrium exchange rate of the UK pound (£) against the US dollar (\$). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

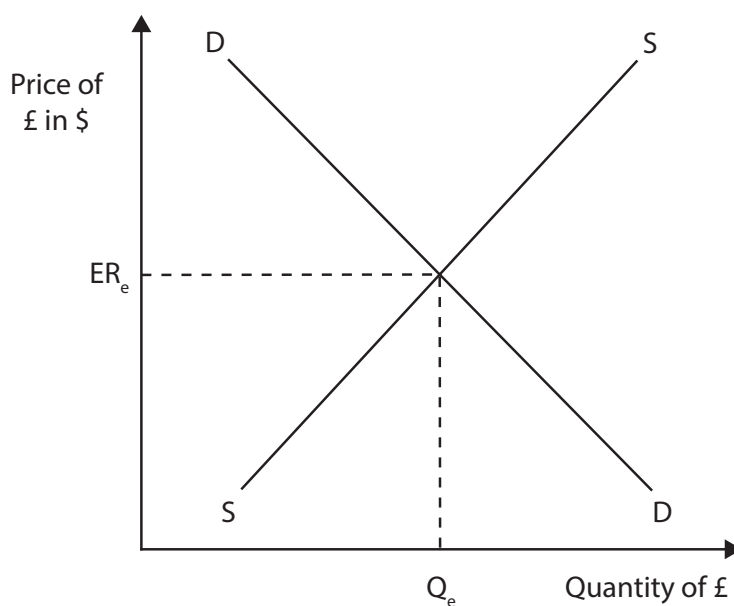


Figure 3

(d) Analyse the likely impact of an increase in interest rates on the currency of South Africa.



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QUESTION 3(e) BEGINS ON PAGE 18



US President Donald Trump introduced lower business taxes in the hope of making the US more competitive globally. In 2017, business taxes in the US were 35% and a new lower rate of 21% was introduced in 2018. Donald Trump has plans to lower this to 15% in the future.

Business tax rates for selected OECD* countries 2018 (%)

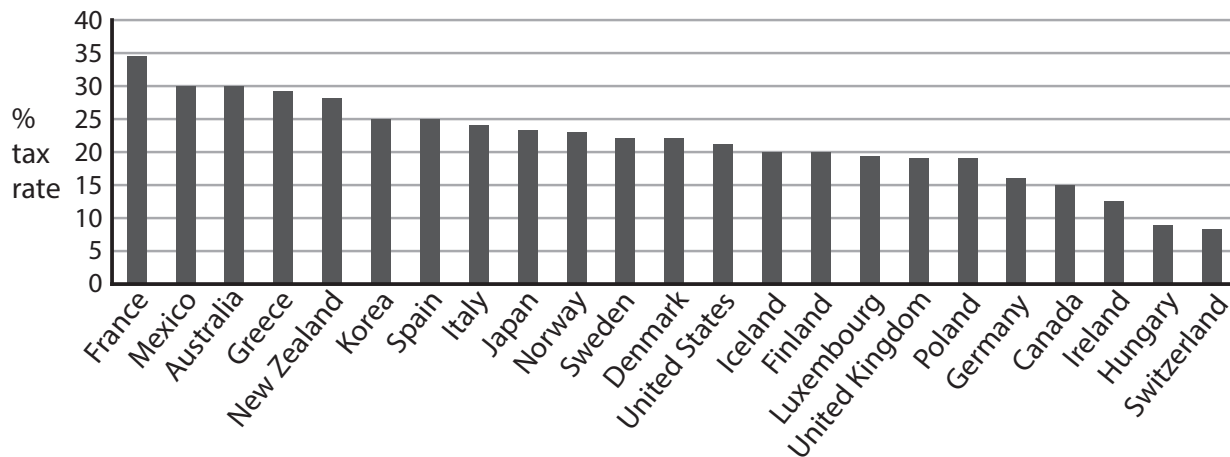


Figure 3

***OECD: Organisation for Economic Cooperation and Development.**

(Source: https://stats.oecd.org/index.aspx?DataSetCode=TABLE_II1)

- (e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of lower business taxes in stimulating investment in a country such as the US.

(9)

The demand for the US\$ changed following the publication in 2019 of the latest US growth rate report.

- (d) Analyse the impact of currency speculators on the supply and demand of the currency for a country such as the US.

(6)



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In Western Australia, single-use plastic bags were banned in July 2018 but fines were not enforced. However, from 2019, under new regulations, any shops providing customers with the banned plastic bags may face prosecution, with fines of up to AUS\$5 000. The government is relying on shoppers to report retailers that break the rules.

The Environment Minister Stephen Dawson said the ban is well supported by the community. He said "Taking plastic bags out of litter is a significant step towards protecting our environment".

- (e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of regulation to protect the environment in a country such as Australia.

(9)

[illegible]

SUB-TOPIC 2.2.3 (c-d)

APPRECIATION AND DEPRECIATION

Sub-topic 2.2.3 (c-d) · 17 questions · 33 marks · lowest tariff first



3 (a) A fiscal surplus occurs when

(1)

- ☐ A a country exports more than it imports
- ☐ B government revenue is greater than government expenditure
- ☐ C a country imports more than it exports
- ☐ D government expenditure is greater than government revenue

(b) In an exchange rate system without government intervention, a rise in the exchange rate is known as

(1)

- ☐ A appreciation
- ☐ B devaluation
- ☐ C depreciation
- ☐ D revaluation



3 (a) Which **one** of the following policies is most likely to reduce the rate of inflation?

(1)

- ☐ A Lower interest rates
- ☐ B Increased money supply
- ☐ C Higher government spending
- ☐ D Higher taxation

(b) In an exchange rate system with no government intervention, a decrease in the exchange rate is known as

(1)

- ☐ A appreciation
- ☐ B devaluation
- ☐ C depreciation
- ☐ D revaluation

In 2018, the annual rate of inflation in Egypt was 16% in September and 17.7% in October.

(c) Explain **one** likely impact of this change in inflation on the current account of the balance of payments for a country such as Egypt.

(3)

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2 In 2018, the Indonesian rupiah depreciated to its lowest levels since 1997 against other major currencies.

(a) This depreciation is likely to have caused

(1)

- ☐ A an increase in exports and a decrease in imports
- ☐ B a decrease in exports and a decrease in imports
- ☐ C an increase in exports and an increase in imports
- ☐ D a decrease in exports and an increase in imports

(b) Which of the following is used as a measure of economic growth?

(1)

- ☐ A ILO
- ☐ B CPI
- ☐ C GDP
- ☐ D FDI

(c) State **one** reason why a government wants to reduce poverty and inequality.

(1)

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(d) What is meant by the term infrastructure?

(2)

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2 (a) An appreciation in a country's exchange rate is most likely to lead to which **one** of the following? (1)

- ☐ A An increase in exports and a decrease in imports
- ☐ B A decrease in exports and a decrease in imports
- ☐ C An increase in exports and an increase in imports
- ☐ D A decrease in exports and an increase in imports

(b) Which **one** of the following is likely to result in poverty? (1)

- ☐ A High literacy rates
- ☐ B Low GDP per capita
- ☐ C Low rates of tax
- ☐ D High employment rates

(c) State **one** effect on the balance of payments of improved quality of foreign goods. (1)

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(d) What is meant by the term free trade? (2)

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2 (a) A depreciation in a country's exchange rate is most likely to lead to which **one** of the following? (1)

- ☐ A Lower inflation
- ☐ B Higher exports
- ☐ C Increased unemployment
- ☐ D Increased budget surplus

(b) Which **one** of the following terms may refer to someone having a lower standard of living in comparison to the average person in society? (1)

- ☐ A Absolute poverty
- ☐ B Income distribution
- ☐ C Relative poverty
- ☐ D Poverty trap

(c) State **one** effect on the balance of payments of improved quality of domestic goods. (1)

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(d) What is meant by the term fiscal policy? (2)

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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 ☒.

1 (a) Which **one** of the following is an example of cyclical unemployment?

(1)

- ☐ **A** Factory workers lose their jobs as more machines are used
- ☐ **B** Hotels employ fewer workers in the winter months
- ☐ **C** Workers are waiting to start a new job
- ☐ **D** An airline cuts jobs during a global recession

(b) A decrease in the exchange rate caused by government intervention is known as

(1)

- ☐ **A** depreciation
- ☐ **B** devaluation
- ☐ **C** revaluation
- ☐ **D** appreciation

(c) What is meant by the term exports?

(2)

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3 (a) Which **one** of the following is an example of Foreign Direct Investment (FDI)?

(1)

- ☐ **A** An Indian garment factory selling clothes to the UK
- ☐ **B** The Indian Government investing in the Indian rail network
- ☐ **C** The construction of a factory in India by a Chinese firm
- ☐ **D** An Indian supermarket opening new stores in India

(b) If the exchange rate changes from £1 = \$1.40 to £1 = \$1.30 then

(1)

- ☐ **A** the UK pound (£) has appreciated against the US dollar (\$)
- ☐ **B** US holidays will be cheaper for UK tourists
- ☐ **C** US exports to the UK will be cheaper
- ☐ **D** UK exports to the US will be cheaper



- 2 (a) When a central bank buys government bonds from commercial banks it is known as

(1)

- ☐ A asset purchasing
- ☐ B privatisation
- ☐ C payment of interest
- ☐ D deregulation

The euro (€) is the currency used in Italy and the pound sterling (£) is the currency used in the UK.

- (b) If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then

(1)

- ☐ A UK pound sterling (£) has appreciated against the euro (€)
- ☐ B holidays in Italy will be cheaper for UK tourists
- ☐ C imports from Italy to the UK will be cheaper
- ☐ D UK exports to Italy will be cheaper

- (c) State **one** possible trade-off with economic growth.

(1)

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- (d) What is meant by the term devaluation?

(2)

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2 (a) What is the main reason for a government to devalue its currency?

(1)

- ☐ A To increase the demand for its exports
- ☐ B To decrease the demand for its exports
- ☐ C To increase the demand for imports
- ☐ D To decrease foreign investment

(b) Which **one** of the following is the most likely reason for increased globalisation?

(1)

- ☐ A An increase in tariffs and quotas
- ☐ B An increase in the cost of transport
- ☐ C An increase in the significance of MNCs
- ☐ D An increase in the cost of communication

(c) State **one** possible macroeconomic objective for a government.

(1)

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(d) What is meant by the term seasonal unemployment?

(2)

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2 (a) Which **one** of the following is a rise in the value of an exchange rate in a floating exchange rate system?

(1)

- ☐ A Appreciation
- ☐ B Depreciation
- ☐ C Revaluation
- ☐ D Devaluation

(b) Which **one** of the following is a reason why there is protection for international trade?

(1)

- ☐ A To allow dumping
- ☐ B To promote free trade
- ☐ C To protect domestic jobs
- ☐ D To increase the current account deficit

(c) State **one** possible impact of globalisation on consumers.

(1)

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(d) What is meant by the term asset purchasing?

(2)

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2 (a) The percentage of income tax paid by an individual in a progressive tax system

(1)

- ☐ A remains the same for all income levels
- ☐ B decreases with higher income levels
- ☐ C increases with higher income levels
- ☐ D is capped once income levels reach a certain threshold

(b) A depreciation in a country's exchange rate is most likely to lead to

(1)

- ☐ A an increase in exports and a decrease in imports
- ☐ B a decrease in exports and a decrease in imports
- ☐ C an increase in exports and an increase in imports
- ☐ D a decrease in exports and an increase in imports

(c) State **one** possible trade-off with inflation.

(1)

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(d) What is meant by the term direct tax?

(2)

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(b) Which **one** of the following is likely to result from an increase in free trade?

(1)

- ☐ **A** Increased prices
- ☐ **B** Increased choice for consumers
- ☐ **C** Decrease in standards of living
- ☐ **D** Decrease in market opportunities for business

(c) State **one** macroeconomic objective.

(1)

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(d) What is meant by the term revaluation?

(2)

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- 2 (a) When a central bank buys government bonds from commercial banks it is known as

(1)

- ☐ A asset purchasing
- ☐ B privatisation
- ☐ C payment of interest
- ☐ D deregulation

The euro (€) is the currency used in Italy and the pound sterling (£) is the currency used in the UK.

- (b) If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then

(1)

- ☐ A UK pound sterling (£) has appreciated against the euro (€)
- ☐ B holidays in Italy will be cheaper for UK tourists
- ☐ C imports from Italy to the UK will be cheaper
- ☐ D UK exports to Italy will be cheaper

- (c) State **one** possible trade-off with economic growth.

(1)

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- (d) What is meant by the term devaluation?

(2)

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In October 2017 the currency of the Philippines, the peso, fell to its lowest level against the US dollar in more than 11 years.

- (e) Explain **one** advantage of having a depreciating currency for an economy such as the Philippines.

(3)

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According to the UN there are now over 63,000 multinational corporations (MNCs) and the number is growing daily. Many well-known MNCs, including PepsiCo, the Tata Group and Microsoft, are expanding in India.

- (f) Explain **one** possible reason for the emergence of MNCs in a country such as India.

(3)



In December 2017 the Thai baht appreciated to its highest value in 2 years against the US dollar. The Thai baht is predicted to continue its gradual appreciation in 2018.

- (e) Explain **one** disadvantage of an appreciating currency for an economy such as Thailand.

(3)

President Xi Jinping of China has made environmental protection a priority. This is due to rising public concern over widespread environmental damage caused by years of uncontrolled economic growth.

- (f) Explain **one** possible negative effect on the environment caused by the economic growth of a country such as China.

(3)



In 2018, Germany had a current account surplus of €268bn. Germany uses the euro (€) which had recently weakened against other major currencies.

- (e) Explain **one** reason why a fall in the value of the euro (€) may have resulted in a positive impact on Germany's current account.

(3)

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- (f) Using the diagram below, label the remaining **three** stages of the economic cycle in the boxes on the diagram.

(3)

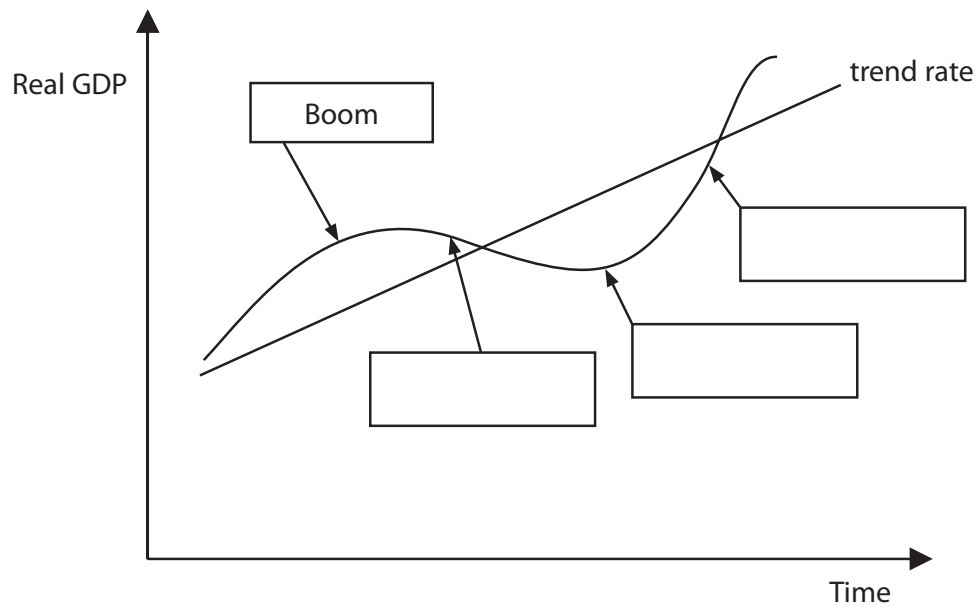


Figure 3

(g) With reference to the data above and your knowledge of economics, assess the likely impact on the demand for US exports to Australia after the depreciation of the US dollar.



(Total for Question 2 = 20 marks)

MARK SCHEMES

official mark schemes, in the same order as the questions



Question Number	Answer	Mark
3(a)	AO2 1 mark The only correct answer is: B £321.7bn A is not correct because it includes indirect tax C is not correct because it does not include business tax D is not correct because it does not include income tax	(1)

Question Number	Answer	Mark
3(b)	AO1 1 mark The only correct answer is: D selling its own currency A is not correct because this will increase demand for its currency B is not correct because this will increase demand for your own currency C is not correct because this will cause it to appreciate	(1)

Question Number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for identifying an advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context - One advantage is an increase in exports (1). Subsidising clothing by 4% can make exports more competitive (1). This can result in greater export earnings and improve the current account (1) - One advantage is more domestic firms may enter the market (1). Subsidising home appliances by up to 10% makes them more price competitive (1). This can result in an increase in employment (1) Accept any other appropriate response	(3)

Question Number	How many UK pounds (£) can be bought with \$50 if the exchange rate is \$1=0.75? Answer	Mark
3(a)	A01 1 mark The only correct answer is: B £37.50 A is not correct because this is \$75-£50 C is not correct because this is \$50/£0.75 D is not correct because this is £0.75 x 100	(1)
Question Number	Which one of the following is a reason for this provision? Answer	Mark
3(b)	A01 1 mark The only correct answer is: C To reduce damage to the environment A is not correct because parks increase the number of tourists B is not correct because parks increase property values in the area D is not correct because this increases the space for leisure and recreation	(1)
Question Number	Explain one reason why an increase in the price of imports may have had a positive impact on South Korea's current account. Answer	Mark
3(c)	A02 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context One reason is demand may have decreased for imports (1) as consumers switch to cheaper domestically produced goods rather than imports (1). This means less money is flowing out of the country resulting in a positive impact on the current account (1) Accept any other appropriate response	(3)

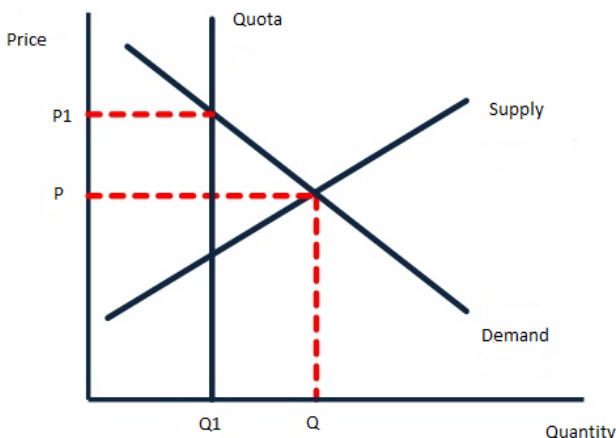
Question Number	Which one of the following is an example of Foreign Direct Investment (FDI)? Answer	Mark
3(a)	A02 1 mark The only correct answer is: A A Japanese car company buying an Indonesian car company B is not correct because this is an example of importing goods C is not correct because this is an example of domestic trade D is not correct because this an example of exporting goods	(1)
Question Number	How many US dollars (\$) would it take to purchase £150? Answer	Mark
3(b)	A02 1 mark The only correct answer is: C \$187.50 A is not correct because this 0.80×150 B is not correct because this is $150 + 0.80$ D is not correct because this is $150 + 80$	(1)



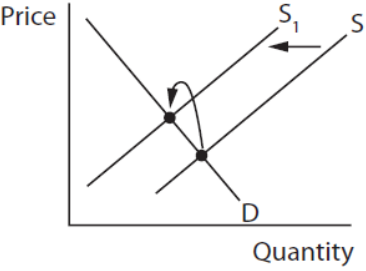
Question Number	Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
3(c)	A02 3 marks Award 1 mark for a right shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled (3)	



Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation. Award 1 mark for the correct answer. $1000/137.73$ (1) = £7.26 (1) Award 2 marks if the correct answer is shown, with sterling symbol, even if no calculations are shown. Do not award marks for the formula	(2)

Question Number	Answer	Mark
1(f)	A02 3 marks Award 1 mark for perfectly inelastic supply curve, labelled. Award 1 mark for higher equilibrium price, labelled. Award 1 mark for lower equilibrium quantity, labelled. 	(3)

Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation. $150\,000 \times 70.66 \text{ INR}$ (1) Award 1 mark for the correct answer. $= 10\,599\,000 \text{ INR}$ (1) Award 2 marks if the correct answer of 10 599 000 INR is shown, with Indian Rupee symbol, even if no calculations are shown. Award 1 mark if correct answer is shown, but with no Indian Rupee symbol, even if no calculations are shown. Do not award marks for the formula.	(2)

Question Number	Answer	Mark
2(a)	AO2 1 mark c  (1)	

Question Number	Answer	Mark
2(b)	AO1 1 mark A Deregulation (1)	

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one correct disadvantage • Foreign competition • Increasing unemployment Accept any other appropriate responses (1)	

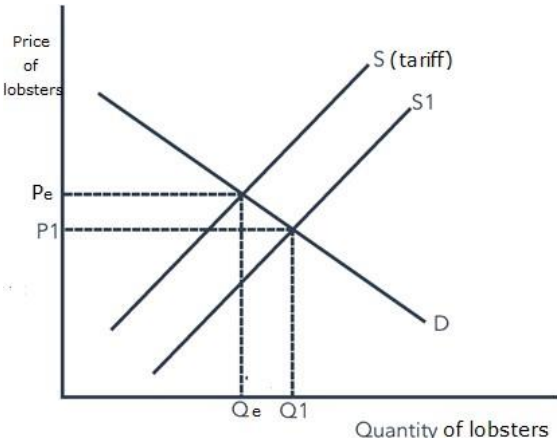
Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to price of a currency and 1 mark for reference to another currency The price of one currency (1) in terms of another currency (1) Accept any other appropriate response (2)	

Question Number	Answer	Mark
1(d)	A01 2 marks Award 1 mark for reference to new industry and 1 mark for reference to not well known in the market New/fledgling industries (1) that have yet to establish themselves (1) Accept any other appropriate response	(2)

Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation £73m x €1.08 (1) Award 1 mark for the correct answer. = €78 840 000 or €78.84m (1) Award 2 marks for the correct answer of €78 840 000 or €78.84m even if no calculations are shown Award 1 mark if the answer given is 78 840 000 or 78.84m with or without calculations shown Do not award marks for the formula	(2)

Question Number	Describe one negative impact of economic growth. Answer	Mark
1(d)	A01 2 marks Award 1 mark for reference to environmental damage and 1 mark for reference to economic activity Environmental damage (1) caused by factories making more goods/services (1) Accept any other appropriate response	(2)

Question Number	Calculate the price in euros (€) of a UK manufactured car priced at £15 000 when the exchange rate is £1 = €1.10. You are advised to show your working. Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation £15 000 x €1.10 (1) Award 1 mark for the correct answer = €16 500 (1) Award 2 marks if the correct answer €16 500 is shown, with € sign, even if no calculations are shown Award 1 mark if correct answer 16 500 is shown, but with no € sign, with or without calculations Do not award marks for the formula	(2)

Question Number	Using the diagram below, draw the effects of the decrease in the tariff on the equilibrium price and quantity of US lobster imports into the EU. Label the new curve, the new equilibrium price and new equilibrium quantity. Answer	Mark
1(f)	A02 3 marks Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Describe the impact on the demand for a currency after an increase in interest rates. Answer	Mark
1(d)	AO1 2 marks Award 1 mark for reference an increase in demand and 1 mark for reference to investing savings/ rise in exchange rate There is likely to be an increase in demand for the currency (1) because foreign savers choose to put their savings in the bank with the higher rate of interest (1) Accept any other appropriate response	(2)

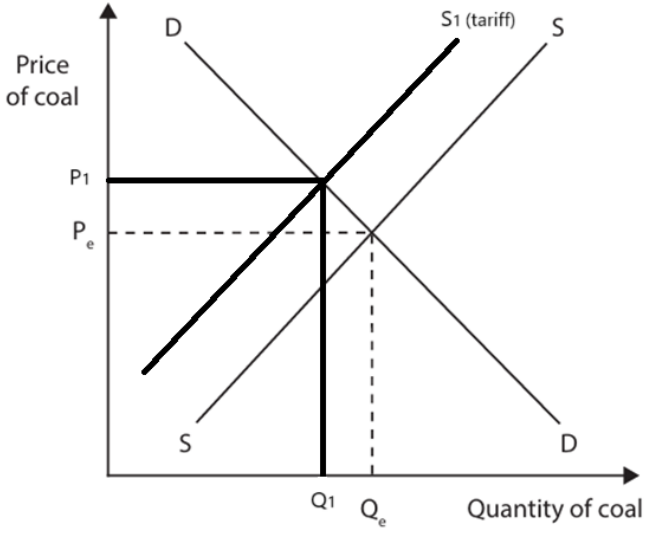
Question Number	Using the data in Figure 1, calculate in CAD\$bn, the current account for Canada for the year ending 2020. Answer	Mark
1(e)	AO2 2 marks Award 1 mark for showing the calculation CAD\$524bn - CAD\$561bn (1) Award 1 mark for the correct answer = -CAD\$37bn (1) Award 2 marks if the correct answer of -CAD\$37bn is shown even if no calculations are shown Award 1 mark if -37bn is shown, but with no CAD\$ sign, with or without calculations shown Do not award marks for formula	(2)

Question Number	Calculate, to two decimal places, the price in British pounds (£) of a park entry fee for 1 adult into the Corcovado National Park. You are advised to show your working. Answer	Mark
4(a)	A02 2 marks Award 2 marks for calculating the price in £ sterling $\frac{1600}{672} \quad (1)$ $= £2.38 \quad (1)$ Award 2 marks if the park entry fee is accurately calculated as £2.38 even if no calculations are shown Award 1 mark if £ is missing i.e. 2.38 with or without calculations shown Do not award marks for the formula	(2)

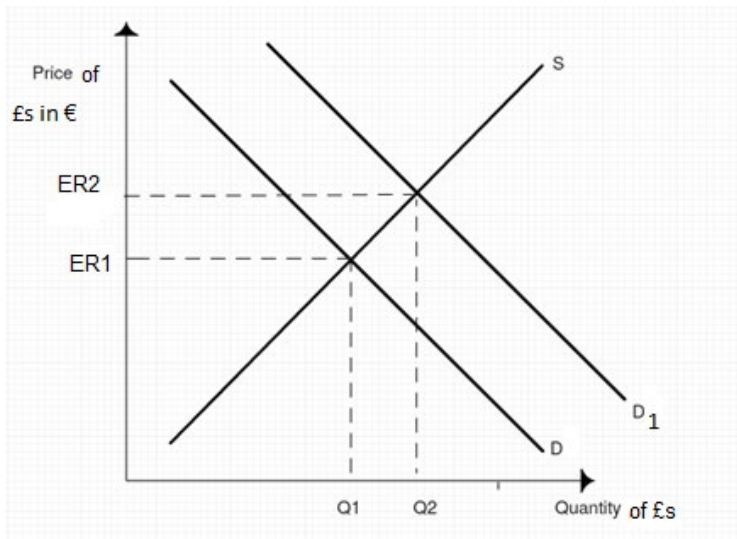
Question Number	With reference to the data above and your knowledge of economics, analyse how the trade patterns may differ between a developed and a developing country. Indicative content	Mark
4(b)	A02 (3 marks)/A03 (3 marks) A02 and A03 - Developed countries, such as the UK, tend to have more diversified economies with a higher share of manufacturing and services sectors in their GDP - This allows developed countries to produce a wide range of goods and services making them less dependent on a few primary products for their exports - Developed countries such as the UK have exhausted many raw materials and moved away from agriculture so need to import these commodities - In contrast, developing countries such as Costa Rica may have a narrower range of products to offer with a higher share of agricultural exports - Costa Rica relies heavily on agricultural exports such as fruit and vegetables accounting for 73.4% of exports to the UK - The patterns of trade are different for developed and developing economies due to the different sizes of the primary, secondary and tertiary sectors	(6)

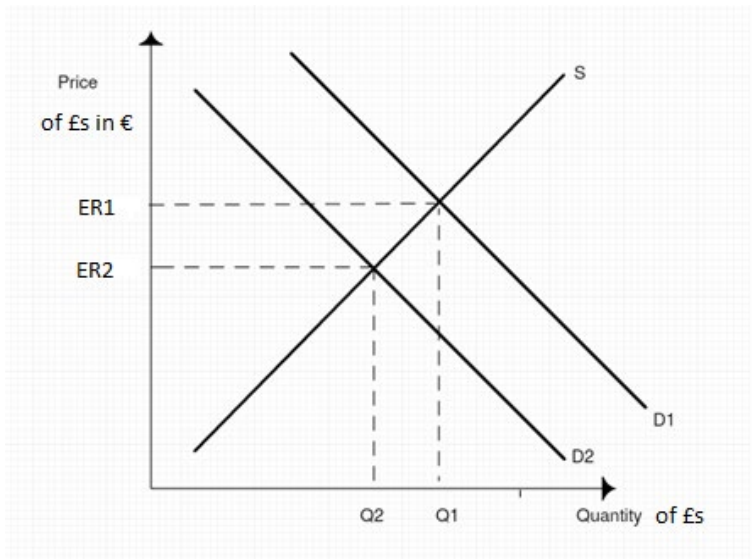
Question Number	Describe one benefit to a country of using quotas for imported goods.	Mark
	Answer	
1(d)	A01 2 marks Award 1 mark for reference to the benefit and 1 mark for the development of the benefit One benefit is quotas can protect domestic industries (1) due to restricting the quantity of certain imports (1) Accept any other appropriate response	(2)

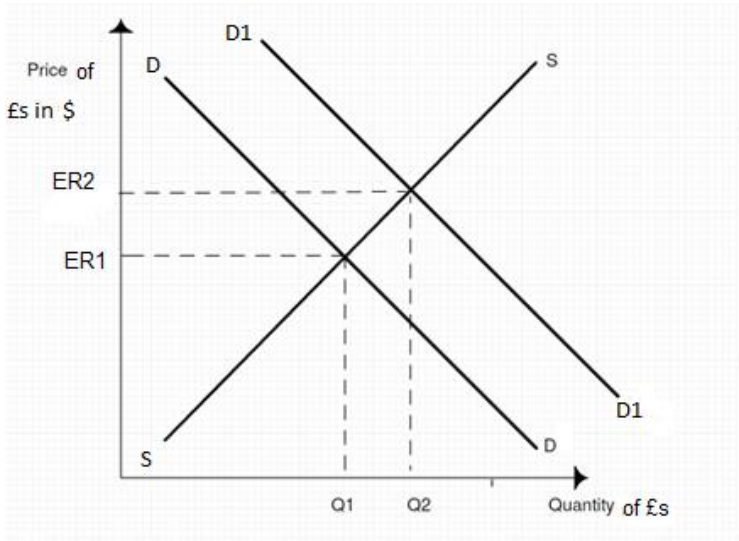
Question Number	Calculate the price in euros (€) of a UK-manufactured smartphone priced at £750 when the exchange rate is £1 = €1.18. You are advised to show your working.	Mark
	Answer	
1(e)	A02 2 marks Award 1 mark for calculation of the price in euros $750 \times €1.18$ (1) Award 1 mark for the correct answer $= €885$ (1) Award 2 marks if the correct answer is €885 even if no calculations are shown Award 1 mark if the answer given is 885 even if no calculations are shown Do not award marks for the formula.	(2)

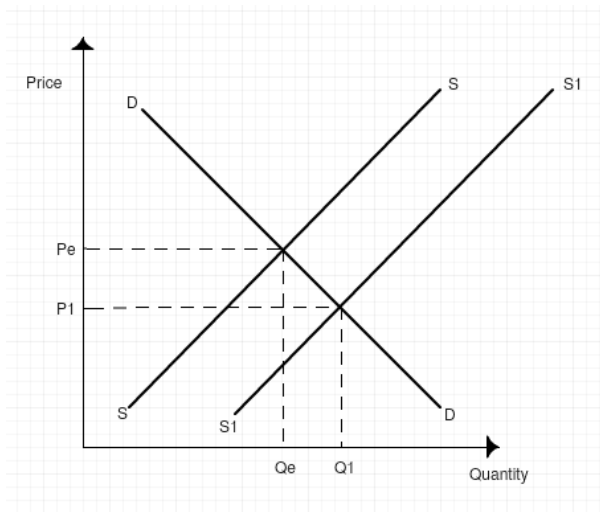
Question Number	Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of coal in China. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
1(f)	Answer A02 3 marks Award 1 mark for a leftward shift of the supply curve, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a lower equilibrium quantity, labelled 	(3)

Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation Award 1 mark for the correct answer $271.7 + (-22.4) \text{ (1)} = \text{€}249.3\text{bn (1)}$ Award 2 marks if the correct answer is shown, with euro symbol, even if no calculations are shown Do not award marks for formula	(2)

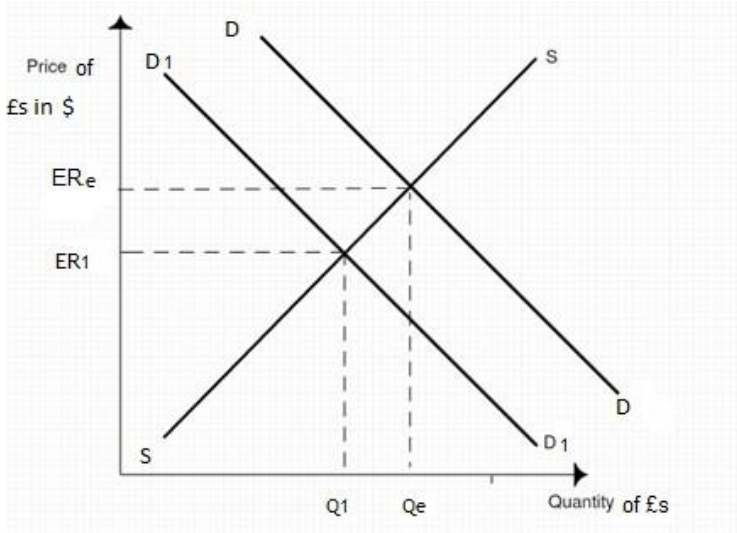
Question Number	Answer	Mark
1(f)	A02 3 marks Award 1 mark for right shift of demand curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Answer	Mark
1(f)	AO2 3 marks Award 1 mark for leftward shift of demand, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled 	(3)

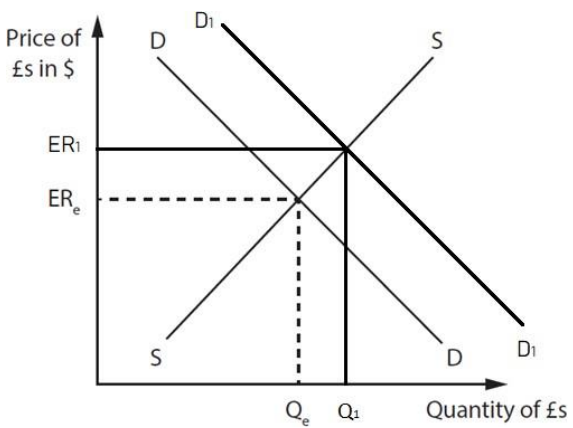
Question Number	Draw the effects on the exchange rate of the UK pound (£) from an increase in exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
2(f)	AO2 3 marks Award 1 mark for right shift of demand curve, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Draw the effects of the introduction of a subsidy on the equilibrium price and quantity of renewable energy. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(f)	A02 3 marks Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Explain the likely impact of a decrease in the UK interest rates on the UK pound. Answer	Mark
1(g)	A02 3 marks Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context One impact is that the currency will depreciate (1). It will become less attractive to deposit money in the UK (1). Therefore, demand for the UK pound (£) will fall (1) Accept any other appropriate response.	(3)

Question Number	Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
1(f)	A02 3 marks Award 1 mark for leftward shift of demand curve, labelled Award 1 mark for lower equilibrium exchange rate, labelled Award 1 mark for lower equilibrium quantity, labelled 	(3)

Question Number	Explain one effect of rising inflation on menu costs in the UK. Answer	Mark
1(g)	A02 3 marks Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context One effect is that menu costs may increase (1). When inflation is high, prices need changing frequently (1). Firms have to spend money to print new brochures/update websites with the higher prices (1) Accept any other appropriate response.	(3)

Question Number	Using the diagram below, draw the effect of an increase in UK exports to the US on the equilibrium exchange rate of the UK pound (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
2(f)	A02 3 marks Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Explain one benefit of asset purchasing by a central bank such as the ECB. Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant benefit Award 1 mark for developing the benefit Award 1 mark for the response being in context - One benefit is that this can lead to higher levels of consumer and business spending (1). Purchasing assets injects money into the economy (1) which can stimulate economic growth (1) - One benefit is (aggregate) demand will increase (1) because of the increase in the flow of money from central banks to commercial banks (1). This extra money can be loaned to consumers and firms (1) Accept any other appropriate response	(3)

Question Number	Using the diagram below, draw the likely effect of this rise in UK interest rates on the equilibrium exchange rate of the UK pound (£) against the euro (€). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
2(f)	AO2 3 marks Award 1 mark for a rightward shift of demand, labelled Award 1 mark for a higher equilibrium exchange rate, labelled Award 1 mark for a higher equilibrium quantity, labelled	(3)

Question Number	Using the diagram below, draw the likely effect of a decrease in imports from the US on the equilibrium exchange rate of the UK pound (£) against the US dollar (\$). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
2(f)	A02 3 marks Award 1 mark for a leftward shift of the supply curve, labelled Award 1 mark for a higher equilibrium exchange rate, labelled Award 1 mark for a lower equilibrium quantity, labelled Figure 3	(3)



Question Number	Explain one way government provision of healthcare can help to reduce poverty.	Mark
	Answer	
2(e)	A02 3 marks Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context One way is that healthcare helps people to stay healthy (1) so they can work more and earn an income (1). With more income, they can improve their living conditions and escape poverty (1) Accept any other appropriate response	(3)

Question Number	Using the diagram below, draw the likely effect of currency speculators on the equilibrium exchange rate of the UK pound (£) against the US dollar (\$). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.	Mark
	Answer	
2(f)	A02 3 marks Award 1 mark for a rightward shift of demand curve, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled	(3)

Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits for the South Korean car industry from the removal of tariffs by the Philippines. Indicative content	Mark
2(g)	A02 (3 marks)/A03 (3 marks)/A04 (3 marks) A02 and A03 • The removal of a 5% import tariff on Korean cars makes them cheaper and more competitive against other foreign brands in the Philippines, potentially increasing market share • With tariffs gone, it is likely that more Korean cars will be exported to the Philippines, benefiting manufacturers through increased sales and revenue • Accessing the large and growing Philippine market, which has the 12th largest population and is a significant car importer, offers a substantial expansion opportunity for Korean car makers • Increased car exports to the Philippines can contribute to economic growth and job creation in South Korea's car industry A04 • However, with Japanese cars dominating 82.5% of the Philippine market, Korean cars might still struggle to significantly penetrate or compete, even without tariffs • The removal of tariffs may lead to increased competition from domestic car manufacturers in the Philippines, making it harder for Korean cars to gain market share • Filipino consumers might prefer other brands or have a strong brand loyalty to existing cars, making it difficult for Korean cars to penetrate the market • Philippine car manufacturers might retaliate against the influx of cheaper Korean cars • Exchange rate fluctuations could affect the profitability and pricing of Korean cars in the Philippines	(9)



Question Number	Indicative content	
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Changes in the interest rates in South Africa will affect whether people will want to deposit money in South Africa • If South Africa has higher interest rates relative to other countries it will become more attractive to deposit money in South Africa • This is often referred to as hot money • Savers will get a better rate of return from saving in South African banks – now 6.75% • Therefore demand for the South African Rand will rise causing an appreciation of the currency	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content	
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Currency speculators have an impact on the exchange rate of a country due to supply and demand factors • Speculators will buy more currency if they believe that the exchange rate of the US\$ will rise in the future. • The increase in demand for the currency causes the value of the exchange rate to rise compared to other currencies. • Conversely, the value of the exchange rate may fall if speculators sell a currency if they believe that the exchange rate will fall. • This causes a fall in the value of the currency due to an increase in the supply available. • The impact of speculators is often that their actions bring about what they predict will happen.	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).



Question Number	Answer	Mark
3(a)	AO1 1 mark B government revenue is greater than government expenditure	(1)

Question Number	Answer	Mark
3(b)	AO1 1 mark A appreciation	(1)

Question Number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for identifying a reason Award 1 mark for developing the reason Award 1 mark for the response being in context - One reason is for business/consumer confidence (1). If prices of goods and services are stable at 3% (1) this can help consumers/firms plan for their future spending (1). - One reason is to keep Cyprus internationally competitive (1). This may lead to higher export sales if competitors have higher than 3% inflation (1), thus reducing unemployment (1). Accept any other appropriate response.	(3)

Question Number	Answer	Mark
3(a)	AO1 1 mark D Higher taxation	(1)

Question Number	Answer	Mark
3(b)	AO1 1 mark C depreciation	(1)

Question Number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for identifying an impact Award 1 mark for developing the impact Award 1 mark for the response being in context - One impact is a fall in demand for Egyptian exports (1). Inflation of 17.7% makes domestic goods more expensive (1) so other countries may not buy Egyptian goods resulting in a deficit on the current account (1). - One impact is an increase in imported goods (1). Inflation of 17.7% makes imports appear cheaper than Egyptian goods and services (1) so consumers prefer to purchase imports therefore having a negative impact on the current account (1). Accept any other appropriate response.	(3)

Question Number	Answer	Mark
2(a)	AO2 1 mark A an increase in exports and a decrease in imports	(1)

Question Number	Answer	Mark
2(b)	AO1 1 mark C GDP	(1)

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one reason • To meet basic needs • To raise living standards • For ethical reasons Accept any other appropriate response	(1)

Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to structures and 1 mark for reference to being needed for the economy The systems/structures such as the transport network (1) needed for the operation of an economy (1) Accept any other appropriate response	(2)

Question Number	An appreciation in a country's exchange rate is most likely to lead to which one of the following? Answer	Mark
2(a)	AO1 1 mark The only correct answer is: D A decrease in exports and an increase in imports A is not correct because an appreciation would result in a decrease in exports and an increase in imports B is not correct because an appreciation would result in a decrease in exports and an increase in imports C is not correct because an appreciation would result in a decrease in exports and an increase in imports	(1)

Question Number	Which one of the following is likely to result in poverty? Answer	Mark
2(b)	AO1 1 mark The only correct answer is: B Low GDP per capita A is not correct because this can result in people gaining jobs and therefore income C is not correct because economic agents would retain more of their income D is not correct because more people are in paid employment	(1)



Question Number	Answer	Mark
2(a)	AO1 1 mark The only correct answer is: B Higher exports A is not correct because this is likely to increase inflation C is not correct because this is likely to create employment D is not correct because this is decided by the government	(1)

Question Number	Answer	Mark
2(b)	AO1 1 mark The only correct answer is: C Relative poverty A is not correct because this is not having the means to survive B is not correct because this describes the range of incomes in an economy D is not correct because this refers to the disincentive effect of benefit payments	(1)

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one correct effect • Lower demand for imports • Improved balance of payments • Higher demand for exports • Reduced deficit • Improved surplus Accept any other appropriate responses	(1)



Question Number	Answer	Mark
1(a)	AO2 1 mark The only correct answer is: D An airline cuts jobs during a global recession A is not correct because it is structural unemployment B is not correct because it is seasonal unemployment C is not correct because it is frictional unemployment	(1)

Question Number	Answer	Mark
1(b)	AO1 1 mark The only correct answer is: B devaluation A is not correct because this is caused by market forces C is not correct because this is an increase in the exchange rate D is not correct because this is an increase in the exchange rate caused by market forces	(1)

Question Number	What is meant by the term exports? Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to goods and 1 mark for reference to being to another country The sale of goods or services (1) to another country (1) Accept any other appropriate response	(2)

Question Number	Which one of the following is an example of Foreign Direct Investment (FDI)? Answer	Mark
3(a)	A01 1 mark The only correct answer is: C The construction of a factory in India by a Chinese firm A is not correct because this is an example of exporting goods B is not correct because this an example of domestic investment D is not correct because this an example of domestic growth/expansion	(1)

Question Number	If the exchange rate changes from £1 = \$1.40 to £1 = \$1.30 then Answer	Mark
3(b)	A01 1 mark The only correct answer is: D UK exports to the US will be cheaper A is not correct because the UK pound has depreciated not appreciated B is not correct because US holidays will become more expensive C is not correct because US exports will become more expensive	(1)



Question Number	Explain one reason why an improvement in the quality of domestic goods may have resulted in a positive impact on Pakistan's current account. Answer	Mark
3(c)	A02 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context - One reason is that there may be increased demand for Pakistani exports (1) if consumers overseas prefer to buy better quality goods made in Pakistan (1). This may have a positive impact on the current account of Pakistan if there is an overall increase in net exports (1) - One reason is that this may reduce the quantity of imports into Pakistan (1) as it is more advantageous to purchase better quality domestically produced goods rather than import from other countries (1). This could result in a decrease in net imports (1) Accept any other appropriate response	(3)



Question Number	When a central bank buys government bonds from commercial banks it is known as Answer	Mark
2(a)	AO1 1 marks The only correct answer is: A asset purchasing B is not correct because this is when a government sells assets to private investors C is not correct because this is the payment for borrowing funds D is not correct because this is the removal of government controls	(1)

Question Number	If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then Answer	Mark
2(b)	AO2 1 mark The only correct answer is: D UK exports to Italy will be cheaper A is not correct because the £ has depreciated against the € B is not correct because holidays in Italy will be more expensive for UK tourists C is not correct because Italian imports will be more expensive	(1)

Question Number	State one possible trade-off with economic growth. Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one trade-off. • Inflation • Environmental protection • Damage to the environment Accept any other appropriate response	(1)



Question Number	What is the main reason for a government to devalue its currency? Answer	Mark
2(a)	A01 1 mark The only correct answer is: A To increase the demand for its exports B is not correct because devaluation aims to increase not decrease the demand for exports C is not correct because devaluation aims to make exports cheaper rather than affect the price of imports D is not correct because devaluation can make a country's assets and investments cheaper in foreign currency terms, which can attract foreign investors	(1)

Question Number	Which one of the following is the most likely reason for increased globalisation? Answer	Mark
2(b)	A02 1 mark The only correct answer is: C An increase in the significance of MNCs A is not correct because this would reduce trade B is not correct because this would make trade more expensive and less likely D is not correct because this would result in less globalisation	(1)

Question Number	State one possible macroeconomic objective for a government. Answer	Mark
2(c)	A01 1 mark Award 1 mark for one macroeconomic objective. • Economic growth • Low and stable inflation • Low unemployment • Surplus or balance on the current account of the balance of payments • Protection of the environment • Redistribution of income Accept any other appropriate response	(1)

Question Number	Which one of the following is a rise in the value of an exchange rate in a floating exchange rate system? Answer	Mark
2(a)	AO1 1 marks The only correct answer is: A Appreciation B is not correct because this is when there is a fall in the value of the exchange rate C is not correct because this is when a government fixes a new higher exchange rate D is not correct because this is when a government fixes a new lower exchange rate	(1)

Question Number	Which one of the following is a reason for why there is protection for international trade? Answer	Mark
2(b)	AO1 1 mark The only correct answer is: C To protect domestic jobs A is not correct because trade protection aims to stop dumping B is not correct because trade protection reduces free trade D is not correct because trade protection should help to reduce the current account deficit	(1)

Question Number	State one possible impact of globalisation on consumers. Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one possible impact • Rising living standards • Greater choice • Lower prices • Dangerous products Accept any other appropriate response	(1)

Question Number	The percentage of income tax paid by an individual in a progressive tax system	Mark
	Answer	
2(a)	A01 1 marks The only correct answer is: C increases with higher income levels A is not correct because this describes a flat tax system B is not correct because this describes a regressive tax system D is not correct because this does not happen in a progressive tax system	(1)

Question Number	A depreciation in a country's exchange rate is most likely to lead to	Mark
	Answer	
2(b)	A01 1 mark The only correct answer is: A increase in exports and a decrease in imports B is not correct because a depreciation would result in an increase in exports and a decrease in imports C is not correct because a depreciation would result in an increase in exports and a decrease in imports D is not correct because a depreciation would result in an increase in exports and a decrease in imports	(1)

Question Number	State one possible trade-off with inflation.	Mark
	Answer	
2(c)	A01 1 mark Award 1 mark for one possible trade-off • Higher unemployment • Lower economic growth • Worsening current account on the balance of payments Accept any other appropriate response	(1)

Question Number	Answer	Mark
2(a)	AO2 1 mark C	(1)

Question Number	Answer	Mark
2(b)	AO1 1 mark B Increased choice for consumers	(1)

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one correct objective. • Economic growth • Low and stable inflation • Low unemployment • Surpluses or equilibrium on current account • Redistribution of income • Protection of the environment Accept any other appropriate responses.	(1)

Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to fixed exchange rate system and 1 mark for reference to increased When the price of a currency in a fixed exchange rate system (1) is officially increased against other currencies (1) Or When a government fixes (1) new higher exchange rate (1) Accept any other appropriate response	(2)

Question Number	What is meant by the term devaluation? Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to decrease in exchange rate and 1 mark for reference to being caused by the government A decrease in the exchange rate (1) caused by government intervention (1) Accept any other appropriate response	(2)
Question Number	Explain one way government spending on infrastructure can benefit an economy such as the US. Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context - One way is to create jobs (1). The building of roads and bridges will require construction workers (1). This can help to reduce unemployment for the US (1) - One way is to improve the productive potential of an economy (1). Building roads and bridges can help to improve the transport of goods and services around the country (1). This can result in an increase in aggregate supply for the US (1) Accept any other appropriate response	(3)



Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to increasing productive capacity and 1 mark for reference to aggregate supply. Policies designed to increase the productive capacity of the economy (1) by influencing aggregate supply (1) OR Government measures (1) designed to increase aggregate supply in the economy (1)	(2)

Question Number	Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant advantage of having a depreciating currency. Award 1 mark for developing the advantage. Award 1 mark for the response being in context. - An improvement on the current account (1) A weaker value of the peso leads to rising export sales (1) resulting in a larger trade surplus for the economy of the Philippines (1) - Economic growth for the economy of the Philippines (1) The price of exports should fall because of the weaker peso (1) This may result in an increase in demand for goods/services (1) Accept any other appropriate response.	(3)



Question Number	Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant disadvantage of an appreciating currency Award 1 mark for developing the disadvantage Award 1 mark for the disadvantage being in context • A deterioration of the current account (1). A stronger value of the Thai baht leads to falling export sales (1) resulting in a larger trade deficit for Thailand's economy (1) • Reduced economic growth for the economy of Thailand (1) The price of exports should rise because of the stronger baht (1) This may result in a decrease in demand for goods/services (1) Accept any other appropriate response.	(3)

Question Number	Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context - One reason is that there may be increased demand for German exports (1) if consumers overseas are responsive to the cheaper export prices (1). This has a positive impact on the current account of Germany if there is an overall increase in net exports (1) - One reason is that this may reduce the quantity of imports into Germany (1) as it is now relatively more expensive to import goods due to the fall in the euro (1). This could result in a decrease in net imports (1) Accept any other appropriate response	(3)

Question Number	Answer	Mark
2(f)	AO2 3 marks Award 1 mark for identifying a possible way Award 1 mark for developing the possible way Award 1 mark for the response being in context - One way is that privatisation introduces competition into the airport market (1). It creates incentives to lower unit costs (1) to increase productivity and profit (1) - One way is that privatisation may improve the quality of the factors of production of airports (1). This means that an airport can produce more services (1) without increasing inputs (1) Accept any other appropriate response	(3)

Question Number	With reference to the data above and your knowledge of economics, assess the likely impact on the demand for US exports to Australia after the depreciation of the US dollar. Indicative content	Mark
2(g)	A02 (3 marks)/A03 (3 marks)/A04 (3 marks) A02 and A03 • A depreciation is where the value of currency falls relative to another currency • A depreciation of the US dollar against the Australian dollar may result in an increase in the amount of exports of goods between the US and Australia • This is because US exports are now cheaper to purchase as fewer Australian dollars are required to be exchanged for US dollars • This could result in more exports of machinery, vehicles, medical instruments and aircraft between the two countries • This could further improve the trade balance between the US and Australia if more exports are traded compared to imports A04 • However, a depreciation of the US dollar may not result in an overall increase in exports of goods between the US and Australia • The impact will depend on the size and duration of the depreciation • The impact will also depend on PED for US exports • The amount of goods traded between the two countries will not just depend on the exchange rate between the US and Australia • The quality of US exports is a factor in whether Australia will purchase more US made goods, not just the exchange rate	(9)



Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).