



ECONOMICS FOR BUSINESS

September 2021

Time allowed

Three hours

Instructions

- Write the question number next to each answer in your answer booklet.
- You are not required to rewrite the question in your answer booklet.
- Ensure that you pay particular attention to words in **bold**.

Information

- Different questions may carry a different number of marks.
- Marks for each question are shown in [].

Advice

- Read each question carefully before you start to answer it.
- Use the full time permitted and check all your answers.

Materials

- Notes or books are not permitted.
- Non-programmable calculators are permitted.



ICM

ANSWER ANY FIVE QUESTIONS FROM THE FOLLOWING EIGHT QUESTIONS

1. (a) Describe the **four** factors of production. Use examples to support your description. [12 marks]
(b) Economics has been defined as the study of how scarce resources are allocated to fulfil the unlimited wants of consumers.
Discuss this statement in terms of scarcity, choice and opportunity cost. [8 marks]
2. (a) Explain the way in which the price mechanism works to bring demand and supply into equilibrium. Use a demand and supply diagram to support your explanation. [10 marks]
(b) Explain the effects on price and quantity sold of imposing a maximum price below equilibrium for a product. Use a demand and supply diagram to support your explanation. [10 marks]
3. (a) Explain what is meant by the concept of the long run in economics. [4 marks]
(b) Explain what is meant by economies of scale and diseconomies of scale. Use examples from the business context to support your explanation. [16 marks]
4. (a) Draw a graph to show the profit maximising position of a monopolist earning supernormal profit. [10 marks]
(b) Discuss the barriers to entry which can help create monopoly power. [10 marks]
5. (a) Describe the stages of the business cycle (the trade cycle). [12 marks]
(b) Discuss the macro-economic objectives of national governments. [8 marks]
6. Describe the categories of unemployment that occur in a developed economy. Use examples to support your description. [20 marks]
7. (a) Explain the way in which the following are used to restrict imports into a country:
(i) Tariffs [5 marks]
(ii) Quotas [5 marks]
(b) Analyse **three** reasons why governments use protectionist measures such as tariffs. [10 marks]
8. (a) Describe the structure of the balance of payments current account. [10 marks]
(b) Explain what is meant by a currency exchange rate, including the difference between a fixed exchange rate and a floating exchange rate. [10 marks]

END OF QUESTIONS