



ECONOMICS FOR BUSINESS

December 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 main economic features of a free market economy. [10 marks]
(b) Discuss the reasons why the state might interfere with the free market economy. [10 marks]
2. (a) Explain the reasons why the demand curve for a normal good will slope downwards from left to right. Use a diagram to support your explanation. [8 marks]
(b) Discuss **three** factors other than price which might increase the demand for a normal good. Use examples to support your explanation. [12 marks]
3. (a) Explain what is meant by elasticity in economics. Use an example to support your answer. [4 marks]
(b) Describe the following types of elasticity including how each is calculated:
(i) Price elasticity of demand [8 marks]
(ii) Income elasticity of demand [8 marks]
4. (a) Explain what is meant by an oligopoly including the main features of an oligopolistic market. [12 marks]
(b) Explain the ways in which and reasons why companies in an oligopolistic market may collude. [8 marks]
5. (a) Explain what is meant by Gross Domestic Product (GDP) including the **three** different methods that can be used to measure GDP. [10 marks]
(b) Discuss the main uses of national Gross Domestic Product (GDP) statistics. [10 marks]
6. (a) Explain what is meant by a recession including the effect of recession on an economy. [8 marks]
(b) Explain how the following may be used by a government if an economy is in a recession:
(i) Fiscal policy [6 marks]
(ii) Monetary policy [6 marks]
7. Describe the following different types of trading blocs using examples to support your description:
(a) Preferential trading areas [5 marks]
(b) Free trade areas [5 marks]
(c) Customs unions [5 marks]
(d) Common markets [5 marks]
8. (a) Explain what is meant by globalisation. [4 marks]
(b) Discuss the advantages of globalisation for a developing nation. [8 marks]
(c) Explain the potential harmful effects of globalisation on an economically developing nation. [8 marks]

END OF QUESTIONS