



ECONOMICS FOR BUSINESS

June 2019

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

- No other computer equipment, notes or books are permitted.
- For those exams for which numeracy skills are required:
 - a) Non-programmable calculators are permitted.
 - b) Data tables are included at the back of the paper.



ICM

ANSWER FIVE QUESTIONS FROM EIGHT.

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

END OF QUESTIONS