

Economics

Time Allowed – 1.5 hours

Instructions for candidates:

a) Attempt any two questions

b) Standard non-programmable calculators are allowed.

1. Discuss the causes of the 2008 financial crisis and the effects of the crisis on the UK economy. **(50 marks)**

2. Discuss the potential effects of the UK leaving the EU on the UK economy. You may illustrate your answer by referring to an industry or sector of which you have some knowledge. **(50 marks)**

3. Answer all questions below:
 - a. Explain the difference between comparative and absolute advantage. **(15 marks)**
 - b. Discuss the benefits of free trade. **(20 marks)**
 - c. Outline different methods for protecting domestic producers. **(15 marks)**

4. Answer all questions below:
 - a. Discuss the different functions of money. **(20 marks)**
 - b. In which ways can the Bank of England influence the money supply in the UK economy? **(30 marks)**

See over

5. Answer all questions below:

- a. Define public goods. **(25 marks)**
- b. Using an example of a public good, discuss why markets cannot produce the socially optimal level of these goods. **(25 marks)**

6. The table below shows the quantity of oranges demanded at different prices:

Price (£ per kilo)	5	4	3	2	1
Quantity demanded ('000 kilos)	10	20	30	40	50

- a) Derive the linear demand curve for oranges. **(15 marks)**
 - b) Suppose that the supply curve in the market for oranges is : $Q = 5P + 30$. Find the equilibrium price and quantity in the market. **(15 marks)**
 - c) Discuss changes in the market that can shift the demand curve for oranges. **(20 marks)**
7. Discuss the characteristic features of a perfectly competitive market, a monopoly and an oligopoly. **(50 marks)**
8. Using the Aggregate Demand (AD) - Aggregate Supply (AS) framework, explain the adjustment process that occurs over time in response to an increase in Aggregate Demand. **(50 marks)**