



ECONOMICS FOR BUSINESS

Tuesday 7th June 2022

Time allowed

Three hours

Instructions

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

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.

ANSWER ANY FIVE QUESTIONS FROM THE FOLLOWING EIGHT QUESTIONS

1. (a) Explain the reasons organisations benefit from large scale production. [12 marks]
(b) Explain the ways in which companies rapidly increase in size through either horizontal integration or vertical integration. [8 marks]
2. (a) Explain the reasons suppliers typically plan to supply more product at a higher price. [10 marks]
(b) Explain the method by which the short run average cost curve can be derived from the relationship between fixed and variable costs. Use a diagram to support your explanation. [10 marks]
3. (a) Describe the requirements for the existence of a perfectly competitive market. [10 marks]
(b) Describe the short-run equilibrium position of a perfectly competitive organisation. Use a diagram to support your description. [10 marks]
4. (a) Outline the sources of market failure in an economy. [12 marks]
(b) Explain the ways in which a government can manage any **one** source of market failure. [8 marks]
5. (a) Outline the **four** functions of money in the business context. [8 marks]
(b) Explain what is meant by the term 'financial intermediary' including the purposes of financial intermediation. [12 marks]
6. (a) Describe **one** method of calculating the national income of a country. [8 marks]
(b) Explain the reason national income data may not be an effective indicator of a nation's standard of living for each of the following:
(i) Over a period of time [6 marks]
(ii) Relative to another nation [6 marks]
7. (a) Outline the effects of a period of high inflation on the economy. [10 marks]
(b) Suggest the ways in which a government can reduce the inflation rate. [10 marks]
8. (a) Explain the way in which tariffs and quotas are used to restrict imports into a country. [10 marks]
(b) Explain the reasons a government will use protectionist measures such as tariffs. [10 marks]

END OF QUESTIONS