

Please write clearly in block capitals.

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I declare this is my own work.

INTERNATIONAL A-LEVEL ECONOMICS

Unit 4 Economic Development and the Global Economy

Wednesday 15 January 2025

07:00 GMT

Time allowed: 2 hours

Materials

For this paper you must have:

- the Source Booklet, provided as an insert (enclosed)
- a calculator, which you are expected to use where appropriate.

Instructions

- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Sections A, B and C**.
- Answer **EITHER** Question 15 **OR** Question 16 in **Section D**.
- You must answer the questions in the spaces provided. Do **not** write outside the box around each page or on blank pages.
- Do **not** write in the Source Booklet.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

For Examiner's Use	
Question	Mark
1–10	
11	
12	
13	
14	
15	
16	
TOTAL	



Section A

Answer **all** questions in the spaces provided.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD 

WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

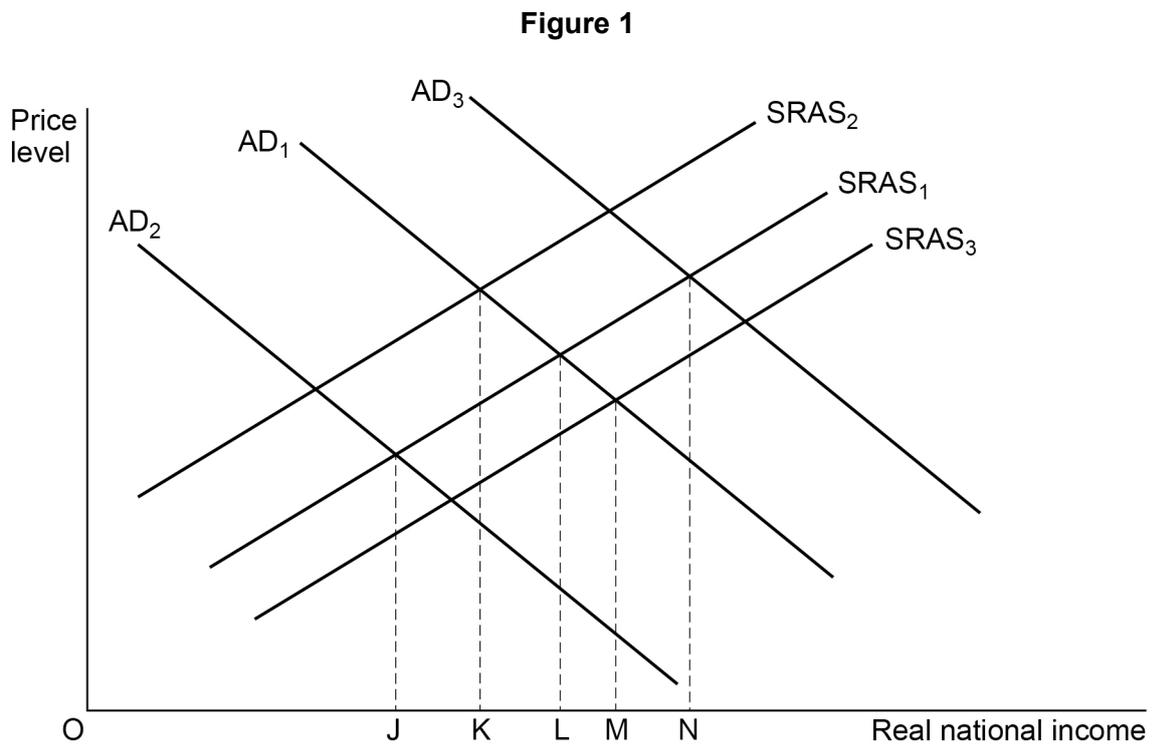
0 1 Which one of the following best describes how transnational corporations (TNCs) operate? **[1 mark]**

- A** TNCs import products from other countries and sell them in their home market. 
- B** TNCs invest all their profits in the countries in which they are earned. 
- C** TNCs produce and sell their products in a number of different countries. 
- D** TNCs produce in one country and export their products to other countries. 



0 2

Figure 1 shows the initial aggregate demand (AD_1) and short-run aggregate supply ($SRAS_1$) curves for a country.



The surplus on the country's balance of trade in goods and services increases.

All other things being equal, how is this most likely to affect the country's equilibrium level of real national income?

[1 mark]

- A** Real national income falls from L to J
- B** Real national income falls from L to K
- C** Real national income rises from L to M
- D** Real national income rises from L to N

Turn over for the next question

Turn over ►



0 3

The control of inflation is an important role of a central bank.

If inflation in a country is too high, its central bank may

[1 mark]

- A** increase taxes.
- B** lower the exchange rate.
- C** reduce interest rates.
- D** sell government bonds.

0 4

Speculation and herding behaviour may cause large fluctuations in an exchange rate.

This can happen when

[1 mark]

- A** speculators buy a currency that is appreciating because they believe that the exchange rate will continue to rise.
- B** speculators buy a currency when the demand for the country's imports and exports are both price elastic.
- C** speculators sell a currency that is depreciating because they believe that the exchange rate will start to appreciate.
- D** speculators sell a currency when the demand for the country's imports and exports are both price inelastic.

0 5

Moral hazard is most likely to increase when

[1 mark]

- A** a commercial bank increases the amount of cash it has deposited with the country's central bank.
- B** a firm agrees to pay for the insurance on cars owned by workers that are sometimes used on company business.
- C** the central bank increases the liquidity and capital ratios the commercial banks are required to maintain.
- D** the government refuses to rescue a financial institution that has made a large loss.



0 6

A firm buys a new van for \$35 000. To help pay for the van, the firm borrows \$15 000 from a bank for a period of 4 years. The interest on the loan is paid at the end of each year and the amount borrowed is paid back at the end of the period.

A rise in market interest rates means that the annual rate of interest charged by the bank increases from 4.5% to 7%.

How much **extra** interest, in total, will the firm have to pay as a result of the rise in the rate of interest?

[1 mark]

- A** \$375
- B** \$1050
- C** \$1500
- D** \$4200

0 7

In a country whose currency is the pound (£), the nominal exchange rate appreciated from £1 = \$0.60 to £1 = \$0.75 in a year. In the same year, the country's annual inflation rate was 10% higher than in other countries.

What was the approximate change in the purchasing power of the country's currency?

[1 mark]

- A** Decreased by 15%
- B** Decreased by 35%
- C** Increased by 15%
- D** Increased by 35%

Turn over for the next question

Turn over ►



0 8

Table 1 shows the annual net inflow of foreign direct investment (FDI) for Egypt between 2016 and 2022.

Table 1

Year	2016	2017	2018	2019	2020	2021	2022
FDI (\$ billion)	8107	7409	8141	9010	5852	5122	11400

For the period 2016 to 2022, the median value of the annual net inflow of FDI for Egypt was

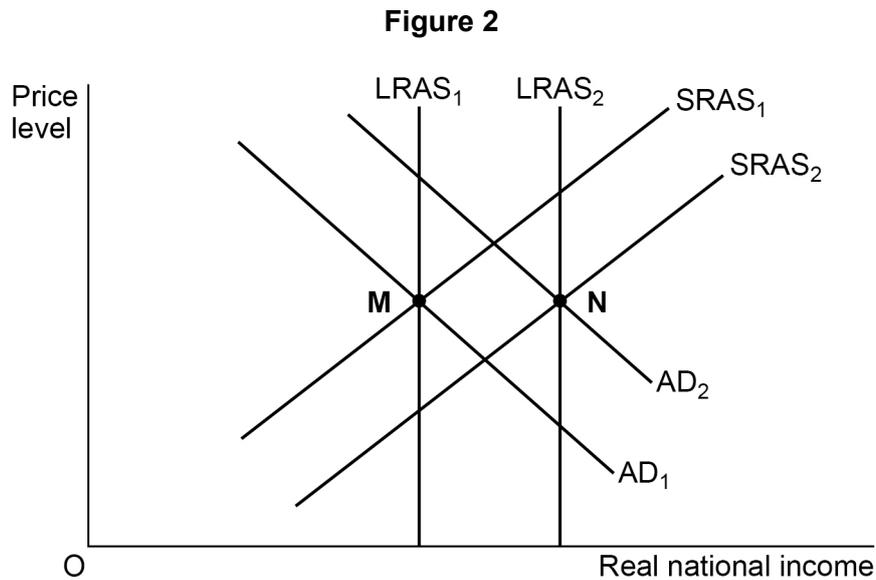
[1 mark]

- A** \$6278 billion.
- B** \$7863 billion.
- C** \$8107 billion.
- D** \$9010 billion.



0 9

Figure 2 shows the aggregate demand (AD), short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) curves for an economy.



All other things being equal, which one of the following economic policies is most likely to cause the country's macroeconomic equilibrium to move from point **M** to point **N**?

[1 mark]

- A** A rise in government spending on education and training
- B** An increase in the benefits given to workers who are unemployed
- C** An increase in the marginal rate of tax on company profits
- D** The introduction of a buffer stock scheme to stabilise commodity prices

Turn over for the next question

Turn over ►



1 0

A French importer buys boxes of soap from a firm in the United Kingdom. The French currency is the euro (€) and the currency of the United Kingdom is the pound (£).

Table 2 shows the price of a box of soap, in pounds, in 2023 and 2024 and the pound/euro exchange rate in 2023 and 2024.

Table 2

Price of a box of soap		Pound/euro exchange rate	
2023	2024	2023	2024
£20	£24	£1.00 = €1.00	£1.00 = €1.20

What is the percentage change in the price, in euros, that the French importer has to pay for each box of soap, between 2023 and 2024?

[1 mark]

- A** 0%
- B** 20%
- C** 40%
- D** 44%

10



Section B

Answer **all** questions in the spaces provided.

1 1

Governments use fiscal policy to help them achieve their economic policy objectives. Fiscal policy can influence economic activity and a country's economic development through changes in taxation and government spending.

1 1 . 1

What is the difference between a direct tax and an indirect tax?

[2 marks]

Question 11 continues on the next page

Turn over ►

1 1 . 2

Table 3 shows a selection of economic data for a country in Year 1 and Year 2.

Table 3

	Year 1	Year 2
National income	\$500bn	\$600bn
Government spending	\$100bn	\$120bn
Taxation	\$80bn	?

The country's marginal propensity to tax is 0.15.

All other things being equal, calculate the country's budget balance in Year 2, as a percentage of its national income.

Give your answer to **two** decimal places.

[4 marks]



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12

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