1 **Statement 1**: In 2017 the Kenyan Government spent Sh172.5 billion on healthcare. This is 8% of its annual budget.

Statement 2: The African Union believes African countries should spend 15% of their annual budgets on healthcare.

Which **one** of the following best describes the two statements above?

☒ **A** Both statements are positive

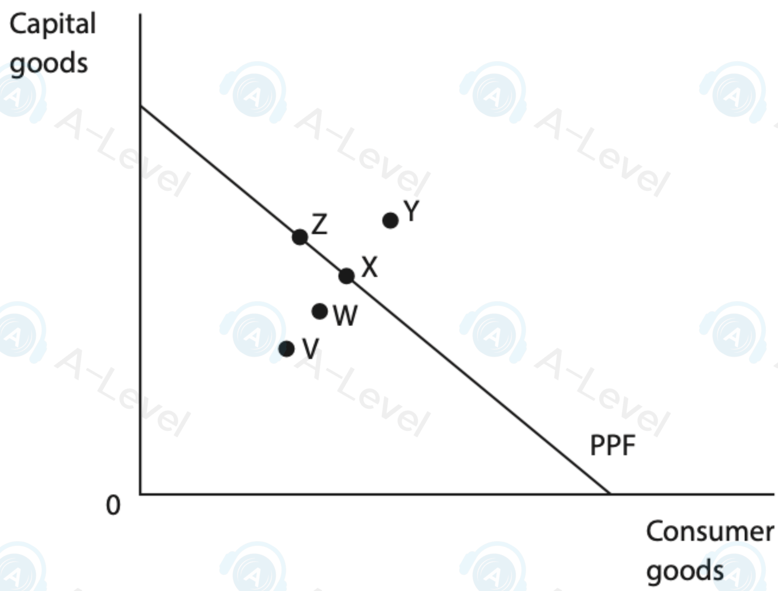
☒ **B** Statement 1 is positive and statement 2 is normative

☒ **C** Both statements are normative

☒ **D** Statement 1 is normative and statement 2 is positive

(Total for Question 1 = 1 mark)

6 The diagram shows the production possibility frontier (PPF) for a small country.



Which **one** of the following can be deduced from the diagram?

☒ **A** The movement from Z to Y is obtainable using currently available resources

☒ **B** The movement from Z to X has an opportunity cost in terms of consumer goods

☒ **C** The movement from V to W results in a decrease in unemployment

☒ **D** The movement from X to W results in an increase in efficiency

(Total for Question 6 = 1 mark)

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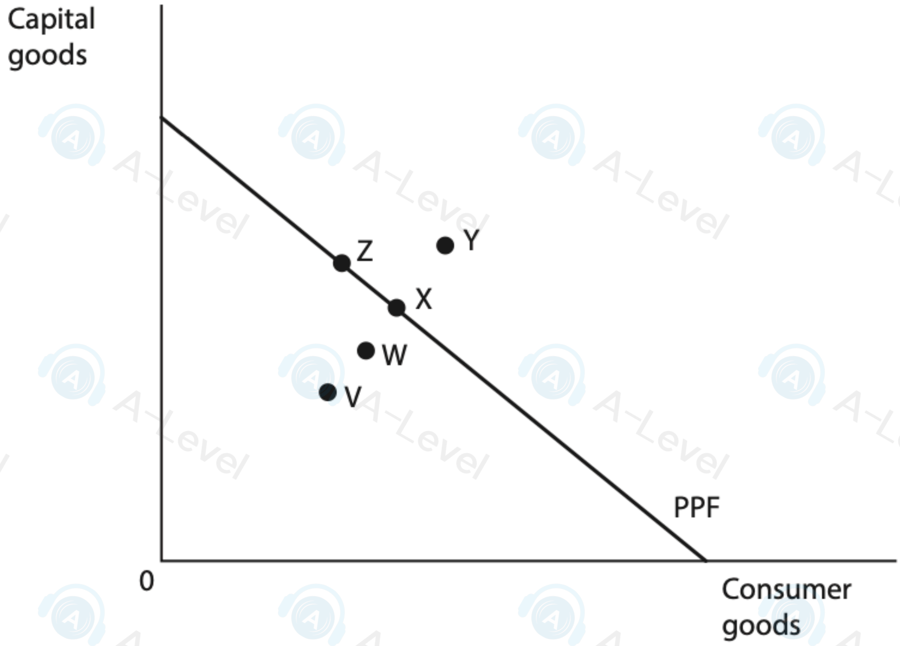
6 The diagram shows the production possibility frontier (PPF) for a small country.



Which **one** of the following can be deduced from the diagram?

☒ **A** The movement from X to Y is obtainable using current available resources

☒ **B** The movement from X to Z has an opportunity cost in terms of capital goods

☒ **C** The movement from V to W results in an increase in unemployed resources

☒ **D** The movement from W to X results from improved efficiency

(Total for Question 6 = 1 mark)

2 The table shows the maximum production possibilities for a country in 2021 and 2022.

Year	Consumer goods		Capital goods
2021	220	**OR**	105
2022	195	**OR**	96

Which **one** of the following might have caused this change in the country's production possibilities?

☒ **A** A natural disaster

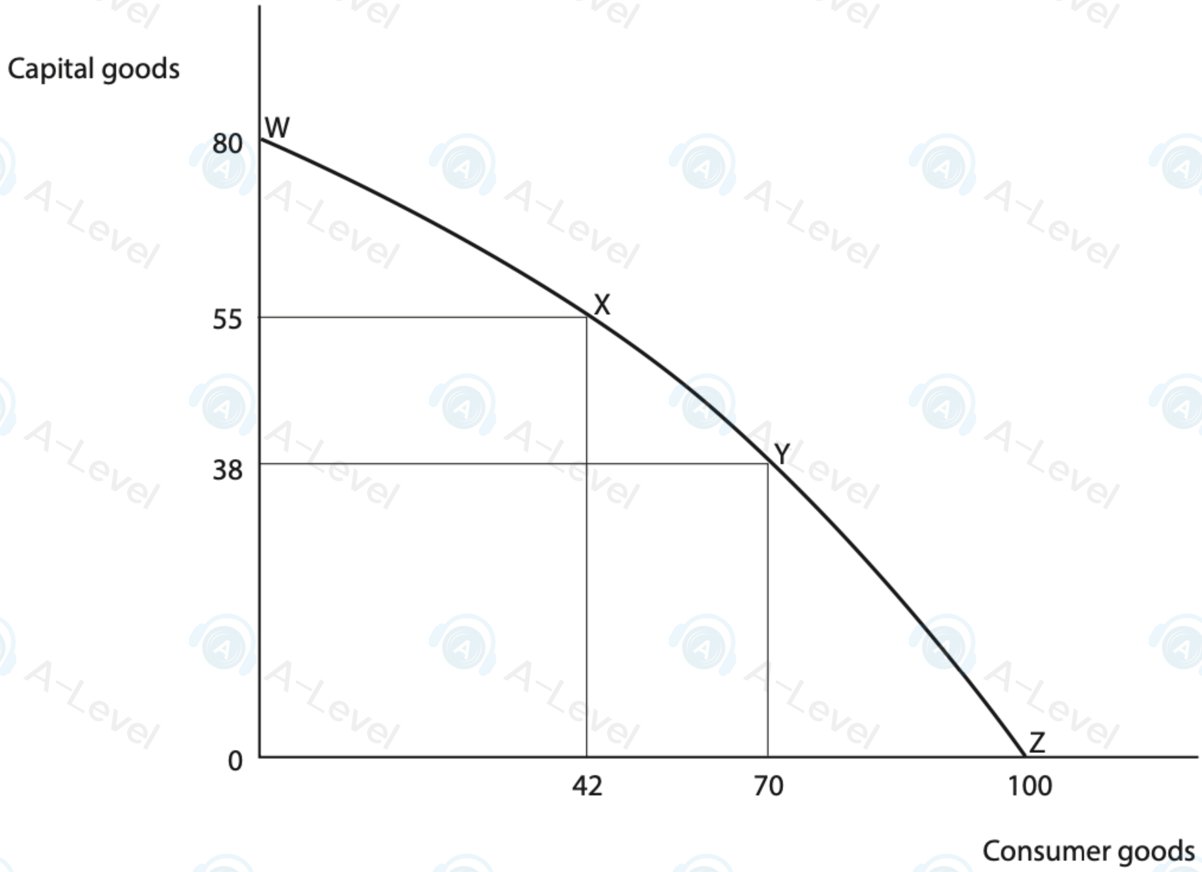
☒ **B** A rise in the rate of unemployment

☒ **C** An improvement in technology

☒ **D** An increase in the number of immigrants

(Total for Question 2 = 1 mark)

4 The diagram shows the production possibilities for an economy.



Which **one** of the following can be deduced from the diagram?

- ☒ **A** The movement from W to X has an opportunity cost of 42 consumer goods
- ☒ **B** The movement from Y to Z has an opportunity cost of 30 consumer goods
- ☒ **C** The movement from X to Y has an opportunity cost of 17 capital goods
- ☒ **D** The movement from Y to X has an opportunity cost of 28 capital goods

(Total for Question 4 = 1 mark)

2 In the UK, new consumers paid an average of £130 for home insurance in 2020. Consumers who had remained with the same insurance company since 2015 paid £238 for the same annual home insurance cover. Despite this, many consumers stay loyal to their insurance company.

Which **one** of the following is the most likely reason why consumers stay loyal to their insurance company?

- ☒ **A** Consumers feel undervalued
- ☒ **B** Consumers have good computational skills
- ☒ **C** The free-rider problem
- ☒ **D** Habitual behaviour

(Total for Question 2 = 1 mark)

11 Between January 2020 and May 2020 the price of bananas charged by retailers in the USA increased from $1.17 to $1.30 per kg. This was mainly caused by increased costs of transportation from banana growers to markets in North America.

Explain the likely impact of this change in price on consumer surplus.

Illustrate your answer with a diagram.

11 Between 2017 and 2022 the cost to produce a Tesla electric vehicle decreased, on average, from $84 000 to $36 000. Other electric vehicle manufacturers experienced similar reductions in production costs.

Ceteris paribus, explain the likely impact of this change in production costs on producer surplus in the electric vehicle market.

Illustrate your answer with a supply and demand diagram.

11 In 2019 there were 15.7 million visitors to Legoland's eight theme parks globally. In 2021 this number decreased to 9.4 million.

Ceteris paribus, explain the likely impact of this decrease in visitor numbers on the producer surplus for Legoland.

Illustrate your answer with an appropriate diagram.

(4)

8 The table shows the change in the sales of capital goods and consumer goods compared to the previous month in the USA.

	Capital goods	Consumer goods
April 2020	–6.5%	–14.7%
May 2020	+2.3%	+17.7%

With reference to the table, explain the difference between 'capital goods' and 'consumer goods'.

9 **Statement 1:** "Between 2009 and 2019 extreme weather events and climate-related disasters cost the world economy $1.5 trillion." World Meteorological Organization.

Statement 2: "80% of those surveyed think polluters should pay for their pollution through additional taxes." Survey for the World Economic Forum.

With reference to both statements, explain the difference between normative statements and positive statements.

13 Adam Smith identified that if workers completed every stage of production individually they would each produce 10 to 20 pins per day. The application of the division of labour in a pin factory enabled ten workers to produce 48 000 pins per day.

Evaluate the advantages of the division of labour in organising production.

(Total for Question 13 = 20 marks)