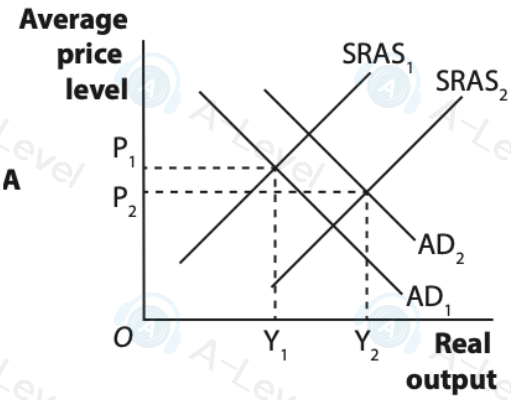
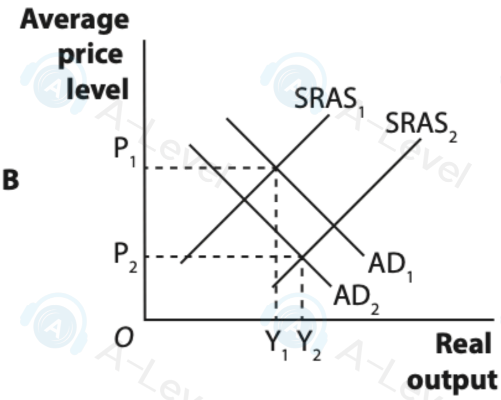
6 Which **one** of the following aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the likely effect of a substantial currency appreciation?

In each diagram the original equilibrium is represented by P_1 and Y_1.

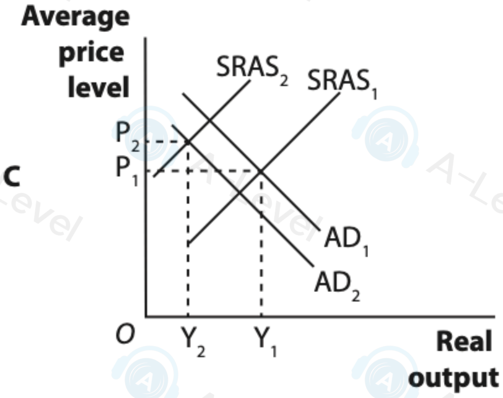
A



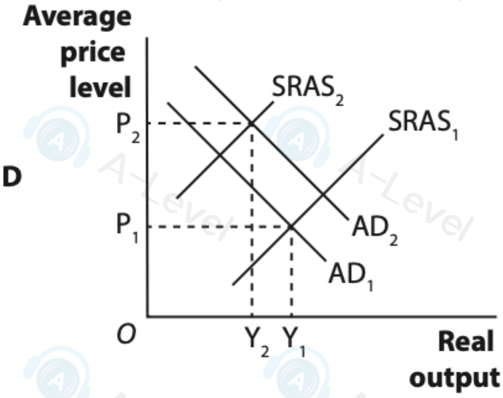
B



C



D



☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 6 = 1 mark)

2 In 2023 the Government of Ghana removed fuel subsidies paid to fuel producers.

This is an example of which **one** of the following?

☒ **A** An interventionist strategy to promote economic growth and development

☒ **B** A reflationary fiscal policy to reduce inflationary pressures

☒ **C** A deflationary monetary policy to reduce inflationary pressures

☒ **D** A market-orientated strategy to promote economic growth and development

(Total for Question 2 = 1 mark)

3 In 2022 there was an overall deficit of $943.8 billion on the USA's balance of trade

6 In July 2022 the Central Bank of India aimed to increase the value of the Indian rupee against the US dollar.

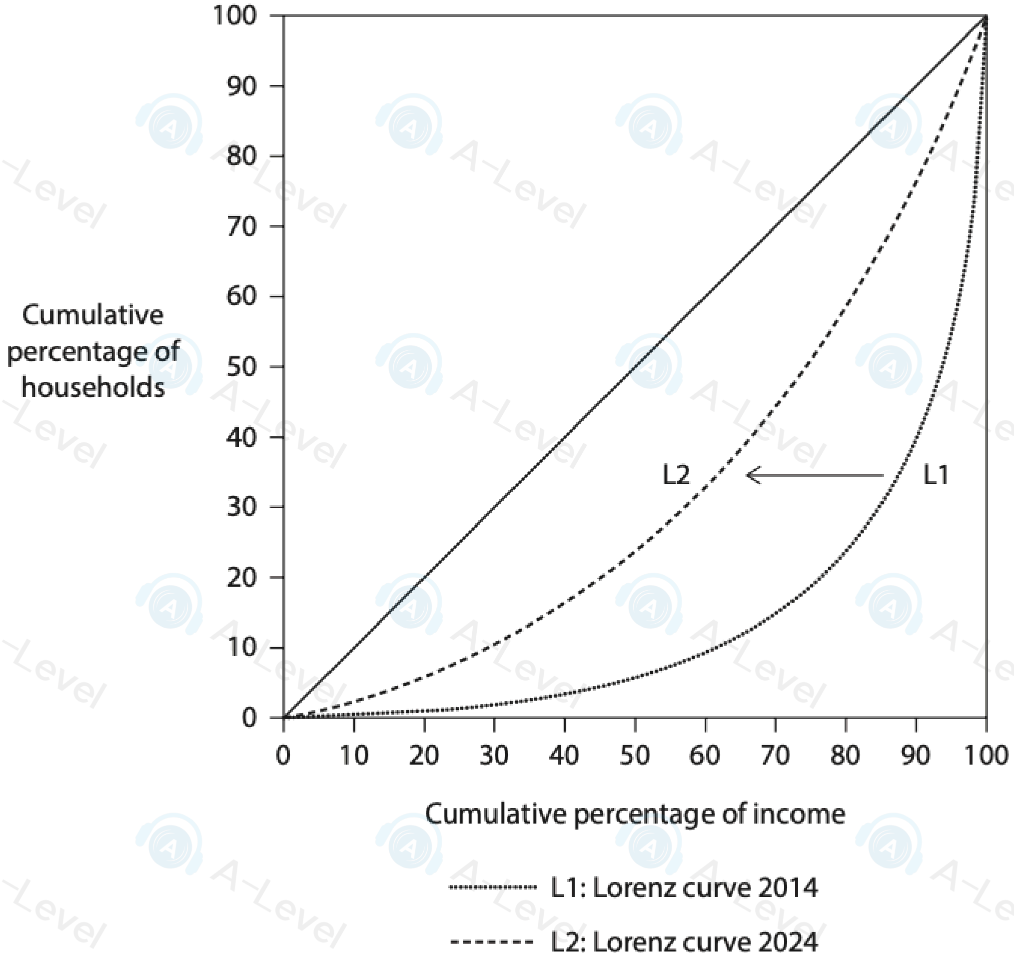
Which **one** of the following combinations of foreign currency transactions would the Central Bank of India use to increase the value of the rupee against the US dollar?

		Rupee	Dollar
☐	**A**	Buy	Buy
☐	**B**	Sell	Buy
☐	**C**	Buy	Sell
☐	**D**	Sell	Sell

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

6 The diagram illustrates the Lorenz curves for an economy in 2014 and 2024.



Ceteris paribus, which **one** of the following is most likely to have caused the shift in the Lorenz curve from L1 to L2?

☒ **A** A decrease in public expenditure on healthcare

☒ **B** A decrease in spending on training for unskilled workers

☒ **C** An increase in the rate of unemployment

☒ **D** An increase in public expenditure on transfer payments

2 Which **one** of the following theories suggests that a *savings gap* is a constraint on growth and development?

☒ **A** The Harrod–Domar model

☒ **B** The Lewis structural dual-sector model

☒ **C** The Marshall–Lerner condition

☒ **D** The Prebisch–Singer hypothesis

(Total for Question 2 = 1 mark)

6 The table shows the maximum possible production of cars and lorries by Country A and Country B in a given year.

Country	Cars		Lorries
A	40000	**OR**	20000
B	16000	**OR**	16000

Which **one** of the following can be deduced from this table?

- ☒ **A** Both countries will not benefit from specialisation and trade
- ☒ **B** Country A has a comparative advantage over Country B in the production of cars and lorries
- ☒ **C** Country B has an absolute advantage over Country A in the production of cars and lorries
- ☒ **D** Country B has a lower opportunity cost of producing lorries whereas Country A has a lower opportunity cost of producing cars

(Total for Question 6 = 1 mark)

5 The table shows the UK's Gross National Income (GNI) between 2018 and 2020.

Year	GNI (£ millions)
2018	2113914
2019	2203701
2020	2073880

(Source: https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmz/ukea)

If 2019 is the base year, what is the index number for 2020?

- ☒ **A** 94.1
- ☒ **B** 98.1
- ☒ **C** 104.2
- ☒ **D** 106.3

(Total for Question 5 = 1 mark)

5 The East African Community (EAC) is a trading bloc that implements a common external tariff on non-member countries outside the bloc.

Which **one** of the following can be deduced from this information?

- ☒ **A** The EAC is a common market where member countries can benefit from the free movement of labour
- ☒ **B** The EAC is a trading bloc where member countries follow rules set by the World Bank
- ☒ **C** The EAC is an economic and monetary union where member countries share the same currency
- ☒ **D** The EAC is a customs union where member countries can benefit from trade creation

(Total for Question 5 = 1 mark)

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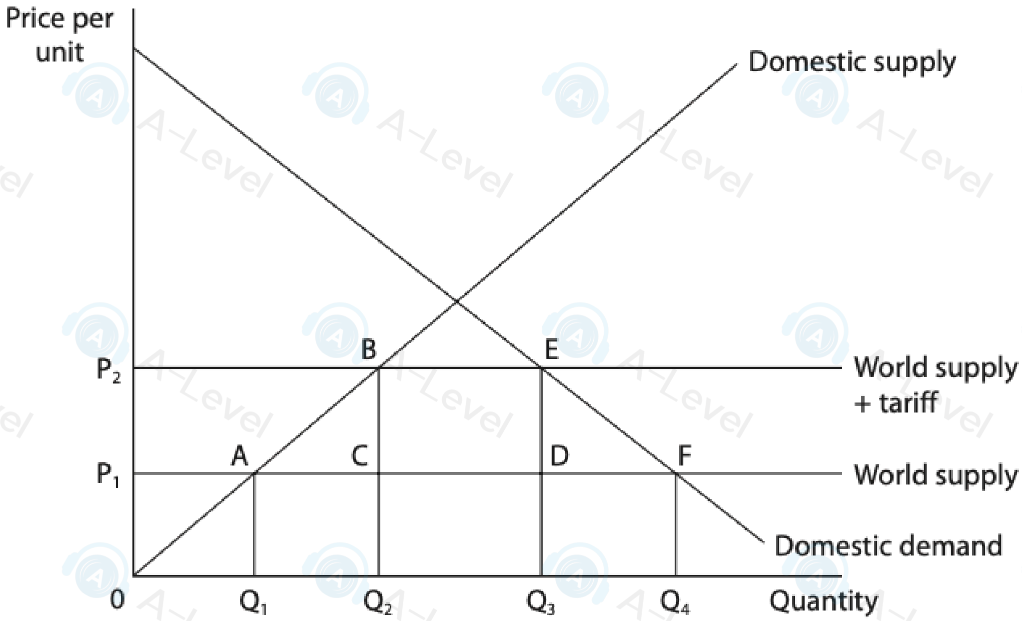
5 The diagram illustrates the imposition of a tariff.



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

- ☒ **A** Consumer surplus has increased by the area P_1P_2EF
- ☒ **B** Government tax revenue is the area ABEF
- ☒ **C** Net welfare loss areas are ABC and DEF
- ☒ **D** Producer surplus has decreased by the area P_1P_2BA

(Total for Question 5 = 1 mark)

5 The chart shows Austria's terms of trade between 2000 and 2018, (2000 = 100).

Which **one** of the following can be deduced from the chart over the period 2000–2018?

☒ **A** Export prices and import prices have fallen at the same rate

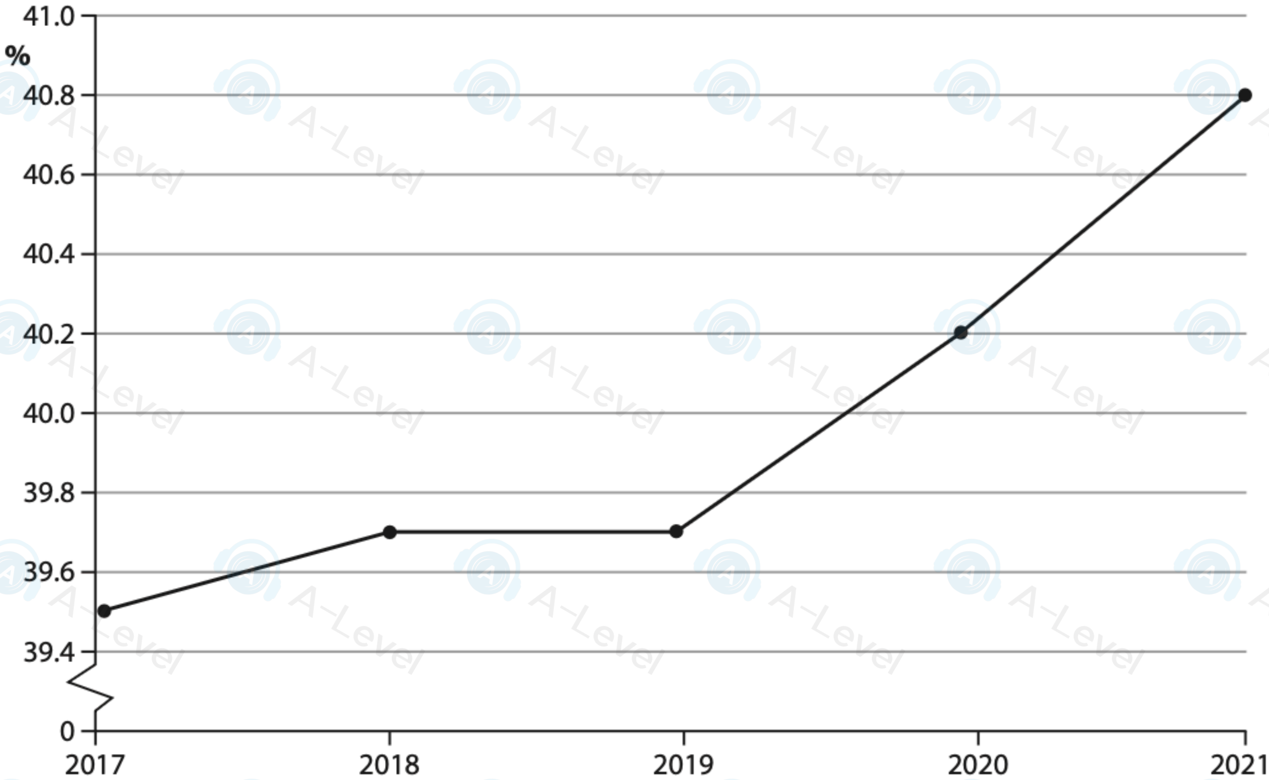
☒ **B** Import prices have risen at a faster rate than export prices

☒ **C** Export prices have risen at a faster rate than import prices

☒ **D** Import prices have fallen relative to export prices

(Total for Question 5 = 1 mark)

6 The chart shows Uruguay's Gini coefficient, expressed as a percentage, between 2017 and 2021.



Which **one** of the following can be deduced from this chart?

☒ **A** Uruguay's Lorenz curve shifted closer to the line of perfect equality

☒ **B** Uruguay experienced perfect income inequality

☒ **C** Uruguay's Lorenz curve shifted away from the line of perfect equality

☒ **D** Income inequality in Uruguay decreased by 1.3 percentage points

(Total for Question 6 = 1 mark)

2 In 2022 the Australian Government announced that it would invest nearly $13.6 billion in major infrastructure projects.

This change in public expenditure is an example of an increase in which **one** of the following?

☒ **A** Transfer payments

☒ **B** Automatic stabilisers

☒ **C** Current expenditure

☒ **D** Capital expenditure

(Total for Question 2 = 1 mark)

6 Between 2019 and 2020 France's rank on the Global Competitiveness Index decreased from 31st to 32nd. This was as a result of a significant decrease in its labour productivity.

Which **one** of the following combinations is the most likely effect of a decrease in labour productivity?

	Unit labour costs	**Export prices**
☒ **A**	Fall	Fall
☒ **B**	Fall	Rise
☒ **C**	Rise	Fall
☒ **D**	Rise	Rise

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

1 India has experienced a significant increase in its economic development since 2002.

Which **one** of the following is likely to have caused the increase in India's economic development?

☒ **A** An increase in the proportion of people with access to the internet per thousand of population

☒ **B** A decrease in the proportion of people with access to mobile phones per thousand of population

☒ **C** An increase in terrorism and civil wars

☒ **D** A decrease in life expectancy at birth

(Total for Question 1 = 1 mark)

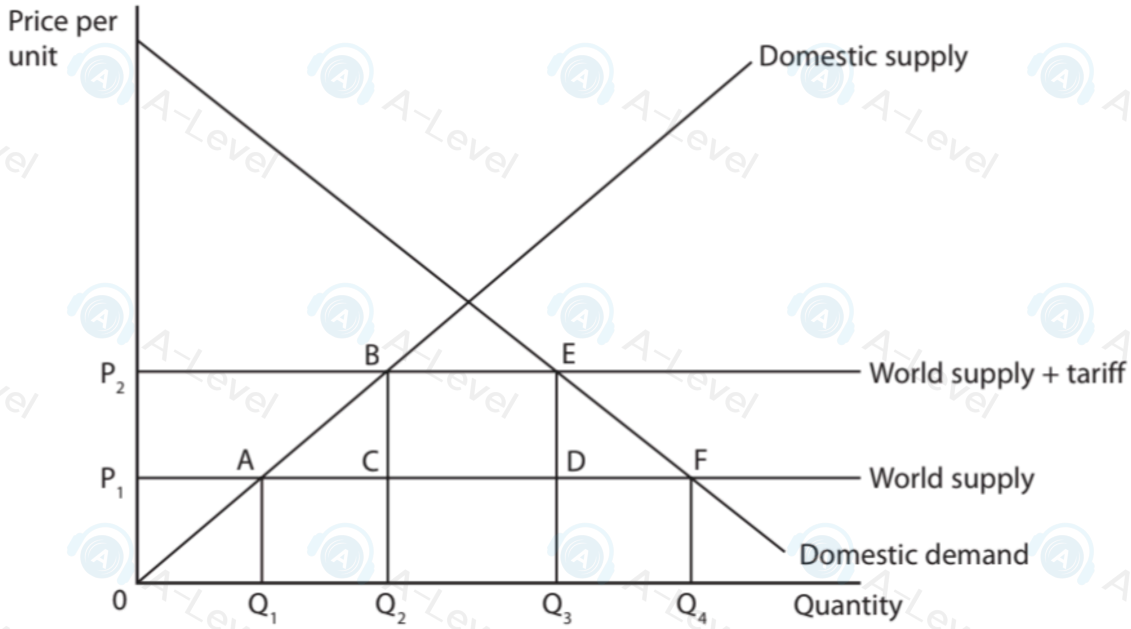
6 Between 2018 and 2019 the Netherlands' rank on the Global Competitiveness Index increased from sixth to fourth. This was as a result of an increase in its labour productivity.

Which **one** of the following combinations is the most likely impact of an increase in labour productivity?

		Unit labour costs	Export prices
☒	**A**	Fall	Fall
☒	**B**	Fall	Rise
☒	**C**	Rise	Fall
☒	**D**	Rise	Rise

(Total for Question 6 = 1 mark)

4 The diagram represents the imposition of a tariff on a commodity.



Which **one** of the following statements is true?

☒ **A** Consumer surplus has decreased by the area P_1P_2EF

☒ **B** Government tax revenue is area ABEF

☒ **C** Net welfare loss areas are ABQ_2Q_1 and EFQ_4Q_3

☒ **D** Producer surplus has decreased by the area P_1P_2BA

(Total for Question 4 = 1 mark)

5 The table shows the maximum production possibilities for Country X and Country Y in a given year.

Country	Bags		Shoes
X	80 000	**OR**	80 000
Y	35 000	**OR**	35 000

Which **one** of the following can be deduced from this table?

☒ **A** Neither country will benefit from specialisation and trade

☒ **B** Country X has a comparative advantage over Country Y in the production of bags and shoes

☒ **C** Country Y has an absolute advantage over Country X in the production of bags and shoes

☒ **D** There is no opportunity cost for either country in producing bags or shoes

(Total for Question 5 = 1 mark)

5 The table shows the maximum production possibilities for Country M and for Country Z in a given year using all available resources.

Country	Televisions		Computers
M	24 000	**OR**	24 000
Z	60 000	**OR**	60 000

Which **one** of the following can be deduced from this table?

☒ **A** Country M and Country Z will both benefit from specialisation and trade

☒ **B** There are zero opportunity costs for both countries in producing televisions or computers

☒ **C** Country Z has an absolute advantage over Country M in the production of televisions and computers

☒ **D** Country M has a comparative advantage over Country Z in the production of televisions and computers

(Total for Question 5 = 1 mark)

8 Between 2000 and 2018 Cambodia's terms of trade fell by 31.3%.

Evaluate the macroeconomic effects of a fall in a country's terms of trade on a government's macroeconomic objectives. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)