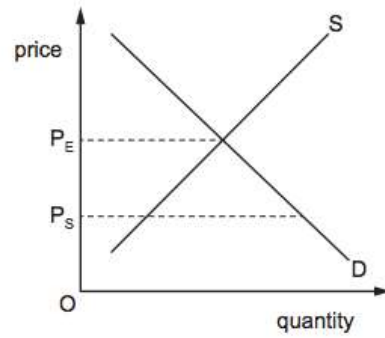


- 1 The Norwegian government chose to spend the profits from oil on stocks, bonds and property. The possibility of improving domestic infrastructure, therefore, was not taken.

Which economic concept does this best illustrate?

- A cost of production
 - B finite resources
 - C opportunity cost
 - D production possibility frontier
- 2 What would be classified by an economist as the factor of production known as land?
- A a discovery of oil in the South China sea
 - B an oil rig bought by an oil company
 - C money held by the oil companies in their bank accounts
 - D the productivity of oil workers
- 3 What is the cause of the economic problem facing all countries?
- A climate change and global warming
 - B significant quantities of unemployed resources
 - C uneven distribution of income and wealth
 - D unlimited wants in relation to limited resources
- 4 Which activity takes place in the tertiary sector?
- A assembling computers
 - B giving legal advice
 - C harvesting grain
 - D making bread

- 5 In the diagram, suppliers have set the price of a product at P_S . Economic theory predicts that the equilibrium price of the product will rise to P_E .



- What is the reason for this movement in price?
- A Demand for the product will increase.
 - B No more of the product can be supplied.
 - C Some consumers are willing to pay higher prices.
 - D Suppliers are facing rising costs.
- 6 A government approved the construction of a new railway line connecting major cities. It would be built by a private company but be funded partly through taxation. It would create many jobs. People living on the route worried about the harm to their environment.

Which concepts are directly involved in this statement?

- A excess demand and public corporation
- B government subsidies and perfect competition
- C market system and income distribution
- D private benefit and external cost

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Section A

Answer this question.

1 Banking and unemployment in Morocco

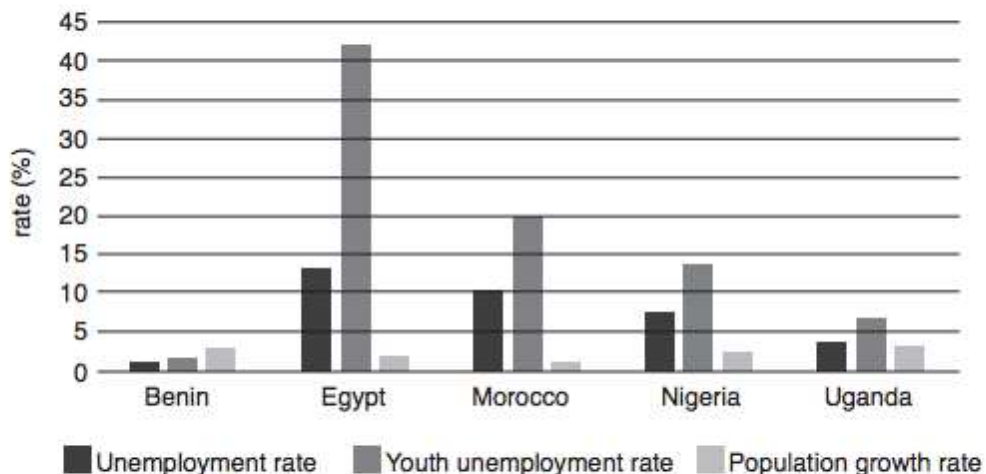
Morocco’s banking industry has been described as one of the best in Africa. It has some of Africa’s largest commercial banks, but three out of nineteen control more than two-thirds of the market. These three have grown mostly through mergers and it is expected more mergers will occur between Moroccan banks in the future.

The banks make use of brand names, set their own interest rates on loans and provide some different services. The larger banks tend to lend to large firms. Small and medium sized firms find it more difficult to get loans.

More than 60% of the population now make use of the services of commercial banks. The proportion of families opening savings accounts at commercial banks is increasing.

Moroccan banks now have branches in 22 African countries as well as a number of European countries. They are also expanding in Morocco, creating more jobs. Morocco has a relatively high unemployment rate. Fig. 1 shows the unemployment rate in 2015 in a range of African countries including Benin, a relatively poor country. Benin has a large labour-intensive, subsistence farming sector. Fig. 1 also shows youth unemployment and population growth. Unemployment rates vary between different groups. Youth unemployment is often twice the rate of the overall unemployment rate.

Fig. 1 The unemployment rate, youth unemployment rate and population growth rate in selected African countries in 2015



In Morocco, the population is increasing at a faster rate than new jobs are being created. The rising unemployment rate is affecting wage rates in the country. As with unemployment, wage rates vary between different groups. Older workers, for example, tend to be paid more than younger workers.

- (a) Identify, using information from the extract, **two** functions of a commercial bank. [2]
- (b) Explain, using information from the extract, **two** reasons why the banking market in Morocco is **not** an example of perfect competition. [4]
- (c) Analyse why a commercial bank may prefer to sell its services in foreign countries rather than in its home country. [5]
- (d) Analyse whether the information in Fig. 1 supports the view that:
- (i) countries with high population growth rates have a high unemployment rate [2]
 - (ii) the youth unemployment rate is usually twice that of the overall unemployment rate. [2]
- (e) Discuss whether or not older workers are always paid more than younger workers. [5]
- (f) Explain, using information from the extract, **one** reason why a relatively poor country may have a low unemployment rate. [4]
- (g) Discuss whether or not commercial banks in Morocco would benefit from further mergers. [6]

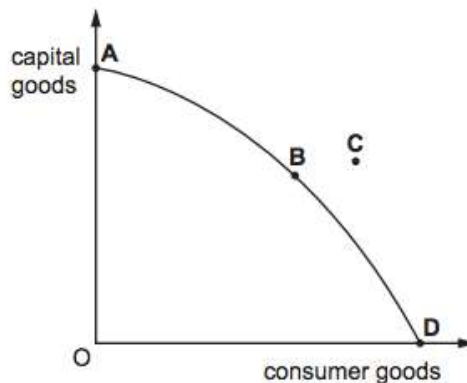
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- 1 Which combination of terms gives the general definition of the economic problem?
 - A bigger families, less food, starvation
 - B falling supply, rising demand, shortage
 - C higher population, fewer jobs, unemployment
 - D limited resources, unlimited wants, scarcity

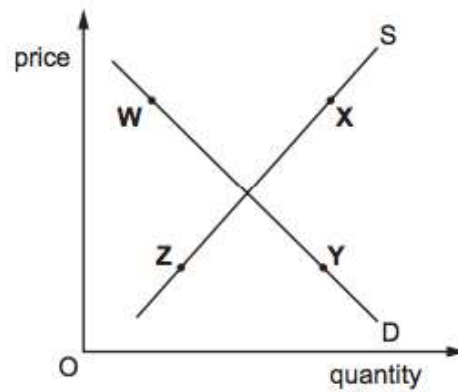
- 2 Helium is a gas that is limited in supply. It takes thousands of years to form from decaying radioactive rocks. The US government holds 35% of the world's supply and has been selling its stocks. Helium is essential in medical scanners. It is also used for party balloons which some say is a wasteful alternative use of a valuable good.

Which concepts can be applied to the above statement?

- A demand and supply, government subsidy
 - B excess demand, resource allocation
 - C factors of production, private monopoly
 - D opportunity cost, public sector
-
- 3 The diagram shows a production possibility curve for an economy.
- Which point on the diagram is the most efficient for the economy to produce both consumer goods and capital goods?



- 4 The diagram shows the market for a product.



Which statement about the points marked on the diagram is correct?

- A The distance from **W** to **X** shows a shortage of the product.
- B The distance from **Z** to **Y** shows a surplus of the product.
- C The movement from **W** to **Y** shows a fall in the quantity demanded of the product.
- D The movement from **X** to **Z** shows a fall in the quantity supplied of the product.

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1 Which is **not** a factor of production?

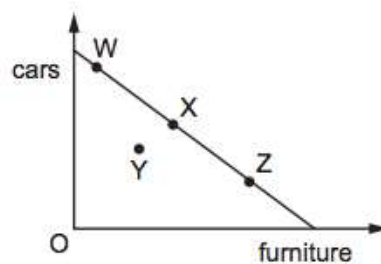
- A a farm
- B a farmer
- C a farmer's bank account
- D a second-hand tractor

2 Heavy rain caused floods in an area of a country.

What may be an opportunity cost of repairing the damage caused?

- A the allocation of government funds to the area instead of on a new airport
- B the cost of providing shelter for those made homeless
- C the decline in the tourist industry in the area
- D the loss of profits from businesses affected by the flood

3 The diagram shows a production possibility curve for cars and furniture.

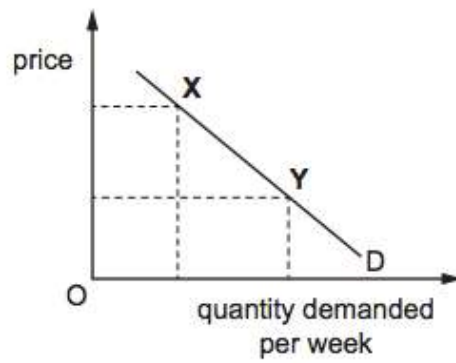


A recession causes a decrease in production in both cars and furniture.

Which movement would represent this change?

- A X to W
- B X to Y
- C Z to W
- D Z to Y

5 The diagram shows the demand for chocolate.



What could cause the movement from point **X** to point **Y**?

- A** a change in tastes
- B** a fall in the price of chocolate
- C** an increase in income
- D** a successful advertising campaign for chocolate