

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

INTERNATIONAL A-LEVEL ECONOMICS

UNIT 4: ECONOMIC DEVELOPMENT AND THE GLOBAL ECONOMY

Additional Specimen 2020

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.
- Fill in the boxes at the top of the 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).
- All working must be shown.
- 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.

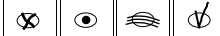
Section A

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

The distinguishing feature of a transnational corporation is that it

[1 mark]

- A** makes supernormal profits.
- B** operates in more than one country.
- C** produces a variety of products.
- D** produces on a large scale.

0 2

An important function of the International Monetary Fund (IMF) is to

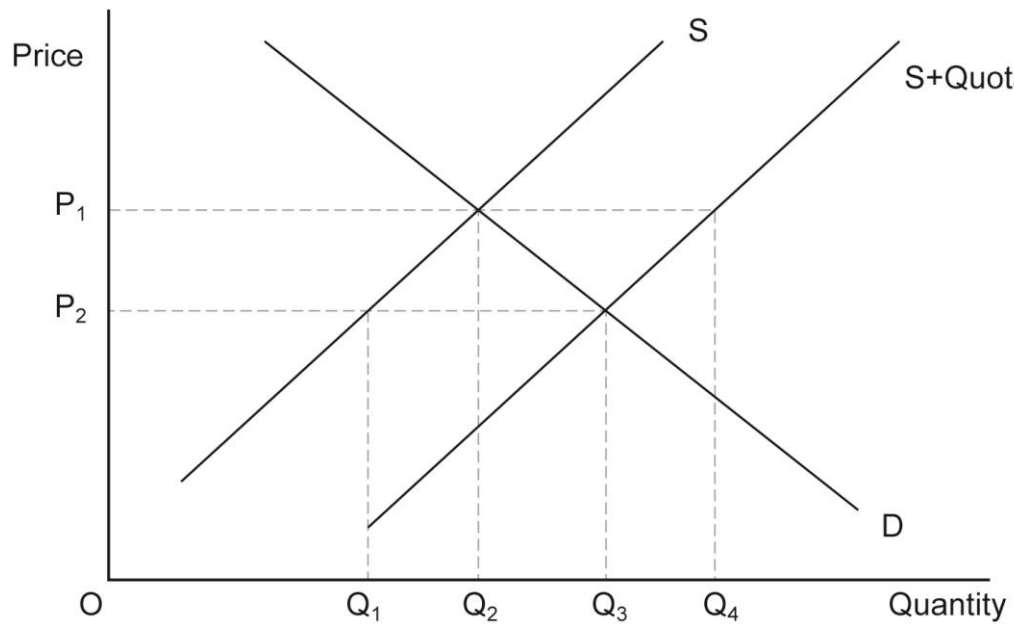
[1 mark]

- A** help countries to settle disputes relating to international trade.
- B** increase competition and promote trade between countries.
- C** provide loans to countries with balance of payments problems.
- D** provide long-term development loans to less economically developed countries (LEDCs).

0 3

The domestic demand and supply curves for a product are D and S and initially imports were banned. The government then opens up the economy to foreign trade but imposes a quota on imports equal to $(Q_4 - Q_2)$, shifting the supply curve to $S+Quota$.

[1 mark]



After the introduction of the quota

- A** domestic output will be Q_2 .
- B** domestic output will be Q_3 .
- C** spending on imports will be $(Q_3 - Q_1) \times P_2$.
- D** spending on imports will be $(Q_4 - Q_2) \times P_1$.

0 4

The table below shows the rate of increase in the population, the increase in nominal gross domestic product (GDP) and the rate of inflation for four countries in 2020.

[1 mark]

	Population growth (%)	Growth in nominal GDP (%)	Inflation rate (%)
Country W	2.0	8.2	6.1
Country X	3.0	6.3	4.3
Country Y	1.5	5.0	2.1
Country Z	1.9	7.0	3.9

Which country had the highest rate of economic growth in 2020?

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

0 5

The table below shows a selection of items from the balance of payments account of a country in two years.

[1 mark]

	Year 1	Year 2
	\$ billion	\$ billion
Balance of trade in goods	500	510
Balance of trade in services	-200	-190
Inward foreign direct investment	300	425
Outward foreign direct investment	100	175
Primary income balance	60	80
Secondary income balance	-40	-90

Between Years 1 and 2, the current account of the country's balance of payments

- A deteriorated by \$10 billion.
- B deteriorated by \$35 billion.
- C improved by \$20 billion.
- D improved by \$70 billion.

0 6

The table below shows the amount of oranges and pineapples two countries can produce with a given amount of resources.

[1 mark]

	Oranges	or	Pineapples
Country A	50	or	30
Country B	20	or	10

Which one of the following is correct?

- A** Country A has a comparative advantage in oranges
- B** Country A has a comparative advantage in pineapples
- C** Country B has an absolute advantage in oranges
- D** Country B has an absolute advantage in pineapples

0 7

The Prebisch-Singer hypothesis says that over time the

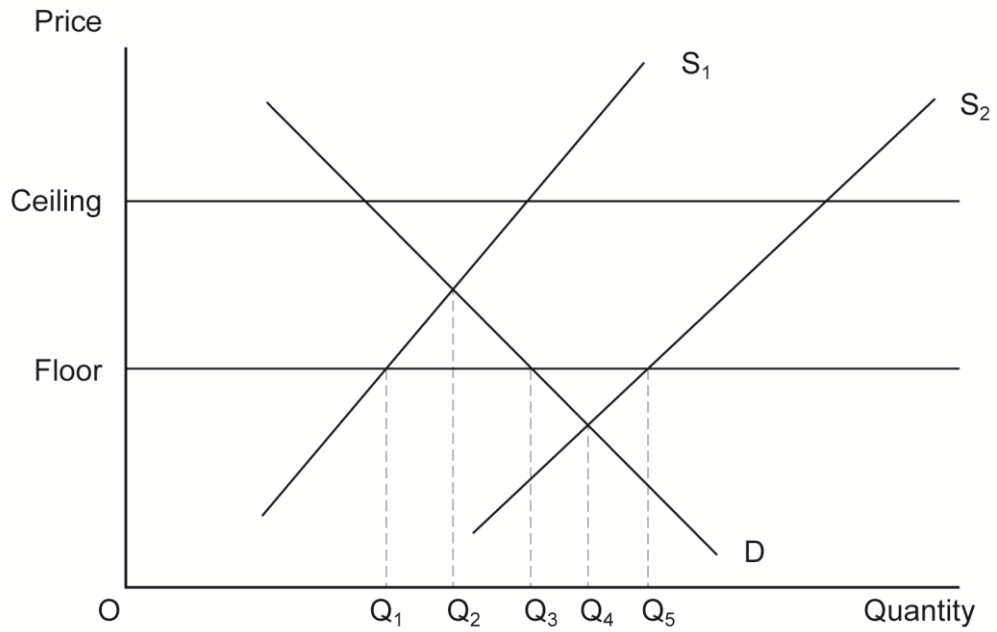
[1 mark]

- A** balance of trade of countries that export mainly primary commodities will improve.
- B** prices of manufactured goods will fall relative to the prices of primary commodities.
- C** prices of primary commodities are more volatile than the prices of manufactured goods.
- D** terms of trade of countries that export mainly primary commodities will deteriorate.

0 8

The diagram below shows the market for an agricultural commodity where the original demand is D and the original supply is S_1 . As the result of a good harvest, supply shifts to S_2 . A buffer stock is used to try to keep the price between the ceiling and floor, as shown in the diagram.

[1 mark]



To prevent the price falling below the floor, the minimum quantity of the commodity that the buffer stock managers would have to buy is

A $(Q_2 - Q_1)$

B $(Q_4 - Q_3)$

C $(Q_5 - Q_1)$

D $(Q_5 - Q_3)$

Turn over for the next question

0 9

The shadow banking market is where financial institutions

[1 mark]

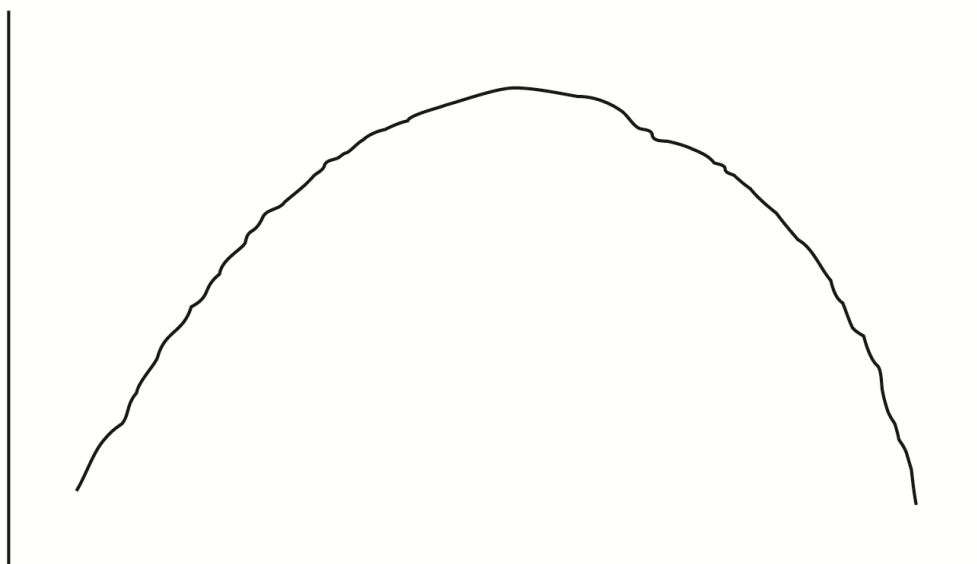
- A** are not regulated by the government.
- B** borrow long term and lend short term.
- C** buy and sell government bonds.
- D** operate illegally.

1 0

The diagram below is a Kuznets curve.

[1 mark]

Inequality



Income per capita

The diagram suggests that

- A** as inequality increases, income per capita increases.
- B** the amount of inequality and income per capita are inversely related.
- C** inequality is maximised when income per capita is maximised.
- D** rising income per capita eventually leads to a more equal distribution of income.

Turn over for Section B

Turn over ►

Section BAnswer **all** questions in the spaces provided

1	1
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The central bank, commercial banks and other financial institutions have an important role to play in the growth and development of an economy.

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State two functions of a commercial bank.

[2 marks]

1	1	.	2
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Draw a diagram to illustrate the impact of a substantial rise in interest rates on the macroeconomy of a country.

[4 marks]

