PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 2: AGGREGATE SUPPLY (AS)

SCORE	PERCENTAGE
/64	%

STEMUP

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Q1.

Net migration in Lithuania fell from 1.4% of the population in 2003 to –6.1% in 2017.

Explain **one** possible effect of this change in net migration on Lithuania's long-run aggregate supply.

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(Total for question = 4 marks)

Q2.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following statements about the classical long-run aggregate supply (LRAS) curve is correct?

☒ **A** It is relatively elastic at high levels of spare capacity

☒ **B** It is perfectly inelastic at the full employment level of real output

☒ **C** It is perfectly inelastic at high levels of spare capacity

☒ **D** It is relatively elastic at the full employment level of real output

(Total for question = 1 mark)

Q3.

Study Figure 1, Extract A and Extract B in the Source Booklet before answering this question.

With reference to Extract A, examine the likely impact on Japan's real output of the fall in domestic consumption.

(Total for question = 8 marks)

Q4.

Between January 2020 and May 2020 the global oil price decreased from $63 a barrel to $31 a barrel.

Evaluate the view that falling global oil prices will always benefit a country's macroeconomy.

(Total for question = 20 marks)

Q5.

Study Figure 1, Figure 2, Extract A and Extract B in the Source Booklet before answering this question.

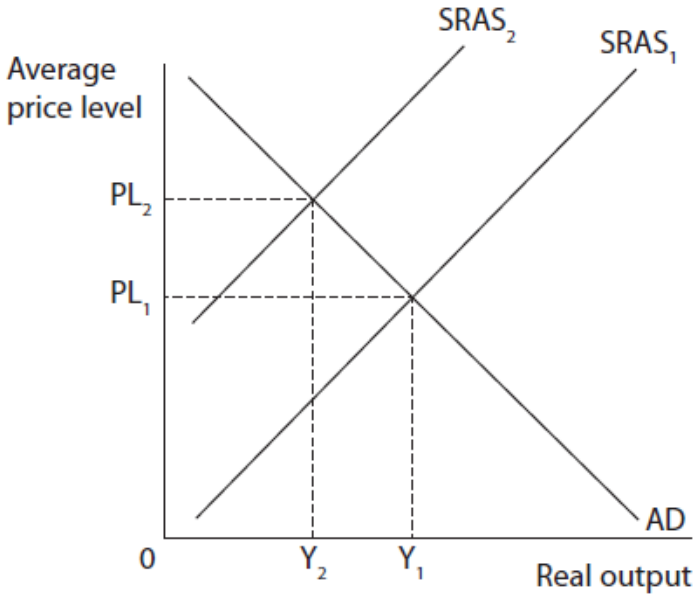
Examine the likely impact on the UK's real output of 'the rising cost of energy' (Extract A, line 4).

(Total for question = 8 marks)

Q6.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows the short-run aggregate supply curve and the aggregate demand curve for China's economy.



Which **one** of the following was the most likely cause of the change from $SRAS_1$ to $SRAS_2$?

☒ **A** An increase in energy prices

☒ **B** A decrease in indirect tax rates

☒ **C** An increase in investment in education

☒ **D** A decrease in bank lending to consumers

(Total for question = 1 mark)

Q7.

The Ethiopian Government has made significant investments in the agricultural sector and has plans to allocate a further US$15 billion to irrigation development by 2020. The UK Government paid a subsidy for a windfarm. Which **one** of the following is also an interventionist supply-side policy?

☒ **A** Deregulation of the labour market

☒ **B** Privatisation

☒ **C** A reduction in interest rates

☒ **D** Regional policy

(Total for question = 1 mark)

Q8.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In Austria investment was $98 billion in 2012 and it increased to $129 billion in 2022.

Which **one** of the following is most likely to have caused this increase in investment?

☒ **A** An increase in the availability of credit

☒ **B** An increase in the rate of tax on company profits

☒ **C** An increase in the base rate of interest

☒ **D** An increase in commodity prices

(Total for question = 1 mark)

Q9.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following statements about the Keynesian long-run aggregate supply (LRAS) curve is correct?

☒ **A** The curve is perfectly inelastic at the full employment level of real output

☒ **B** The curve is relatively elastic at the full employment level of real output

☒ **C** The curve is relatively inelastic at high levels of spare capacity

☒ **D** The curve is perfectly inelastic at high levels of spare capacity

(Total for question = 1 mark)

Q10.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following statements about the classical long-run aggregate supply (LRAS) curve is correct?

☒ **A** It is perfectly inelastic when there is a high level of spare capacity

☒ **B** It is relatively elastic at the full employment level of real output

☒ **C** It is relatively inelastic at high levels of spare capacity

☒ **D** It is perfectly inelastic at the full employment level of real output

(Total for question = 1 mark)

Q11.

Study Figure 1, Figure 2 and Extract A in the Source Booklet before answering this question.

Examine **two** likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy.

(Total for question = 8 marks)

Q12.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following would cause a leftward shift in a country's short-run aggregate supply (SRAS) curve?

☒ **A** A decrease in bank lending to consumers

☒ **B** A decrease in the rate of indirect tax

☒ **C** An increase in the price of natural gas

☒ **D** An increase in investment in healthcare

(Total for question = 1 mark)

Q13.

Between January 2020 and December 2022 the global price of coal per tonne increased from $64.25 to $172.30. Japan is a net importer of coal.

Draw a SRAS and AD diagram to show the effect of this increase in the price of coal on the price level **and** real output for Japan.

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(Total for question = 4 marks)

Q14.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following will result in a movement along the AS curve?

☒ **A** An increase in the cost of raw materials

☒ **B** A decrease in the cost of energy

☒ **C** An increase in the price level

☒ **D** A decrease in the rate of indirect tax

(Total for question = 1 mark)

Q15.

In 2018 oil prices fell by 4.8% because of excess supply in the global market. Germany is a net importer of oil.

Draw an AD and SRAS diagram to show the possible impact of the fall in oil prices on the price level **and** real output on the German economy.

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(Total for question = 4 marks)