INSTRUCTIONS TO CANDIDATES:

- Write your answer to each question in the space provided.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Answer all the questions

INFORMATION FOR CANDIDATES:

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 40
Answer all questions

(a) With the help of an example, explain what is meant by the term Opportunity Cost

(b) How is the price of a good or service determined?
(c) Discuss why the government places an indirect tax on goods such as petrol and alcohol.
Over the past few years the Bank of England interest rate has been 0.5%. Discuss the reasons for this rate and whether you think it should be changed.
From your knowledge of economics, evaluate the extent to which the benefits of international trade outweigh the costs for the UK Economy.