



General Certificate of Secondary Education

Centre Number

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Candidate Number

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Economics

Paper 2



[G9282]

G9282

SPECIMEN PAPER FOR STYLE

TIME

1 hour 15 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

You must answer **both** questions in the spaces provided.

Do not write outside the boxed area on each page, or on blank pages.

Complete in black ink only. **Do not write with a gel pen.**

INFORMATION FOR CANDIDATES

The total mark for this paper is 60.

Any working should be clearly shown since marks may be awarded for partially correct solutions.

Your quality of written communication will be taken into account in assessing your answers to questions **1(c)**, **(d)(ii)** and **(e)**, and **2(d)** and **(f)**.

ADVICE TO CANDIDATES

You should take into account the maximum marks available when deciding how much time to spend on each question or part question.



Answer **both** questions

- 1 Study the information below and answer the questions that follow.

The contribution of the financial services industry to the UK economy

The UK has a large financial services industry that makes an important contribution to the UK's economy. The industry is made up of financial institutions such as banks, building societies and insurance companies that sell financial services to customers. Demand for these services comes from businesses and individuals, both within the UK and from other countries. Hence, the financial services industry also contributes to the UK's international trade.

In 2018, the UK's financial services industry was responsible for:

- Creating over 1 million jobs, 3% of the UK's total employment
- Contributing £129 billion in output to the economy, approximately 10% of the total output
- Earning more from exporting financial services to the European Union (EU) than was paid for importing financial services – the trade surplus was £16 billion
- Paying £29 billion in taxation to the UK government.

Table 1 below shows how the financial services industry contributes to the local economies in selected regions of the UK, including Northern Ireland.

Table 1: The contribution of the financial services industry to selected regions in the UK

	Total value to the region's economy (£ billions)	Share of the region's total output (%)	Region's share of the UK's industry (%)
London	63.8	15%	49%
Scotland	9.2	7%	7%
Wales	2.8	5%	2%
Northern Ireland	1.7	4%	1%

In 2018, the UK's "Big Four" banks, Lloyds, Barclays, HSBC and RBS, announced record profits of £24 billion, the highest in the ten years since the financial crisis of 2008. This was a £12 billion increase on the previous year.



The Financial Conduct Authority (FCA), the industry's regulator, has investigated the way banks have sold some financial products and ruled that they should compensate consumers who were disadvantaged. Lloyds alone has set aside £750 million for such payments.

In spite of the added cost of paying compensation to many consumers, in recent years banks have still made large profits. Their situation has been helped by better economic conditions – high levels of employment, low inflation and increased average wages. Family finances have generally been healthy with people more confident about borrowing money and fewer defaulting on loans.

(a) Identify **two** ways in which the financial services industry contributes to the UK economy.

1. _____

2. _____
_____ [2]

(b) (i) Using **Table 1**, identify the region where the financial services industry makes the largest contribution to the local economy.

Explain your answer.

- _____
- _____
- _____
- _____
- _____ [3]

[Turn over



(ii) Is the financial services industry important to the Northern Ireland economy?

Explain your answer by comparing Northern Ireland with Scotland and Wales.

[3]



(d) Read the information in **Table 2** below and answer the questions that follow.

Table 2: Examples of interest rates for a range of financial products (2019)

Financial product/service (examples)	Rate of interest (examples)	Notes
For borrowing money		
Current account: authorised overdraft	19%	Many banks charge a monthly administration fee for current accounts
Personal loan	5%	Based on £10,000 for 5 years, unsecured
Mortgage	3%	Fixed for 2 years; secured
Payday loan	1000%	Short-term loans of up to £1,000 now regulated by the FCA; unsecured
Business loan	10%	£10,000 borrowed; unsecured
For saving money		
Cash ISA	1.15%	Two-year fixed rate; tax free
Savings account online	1.15%	After first 12 months reverts to 0.25%

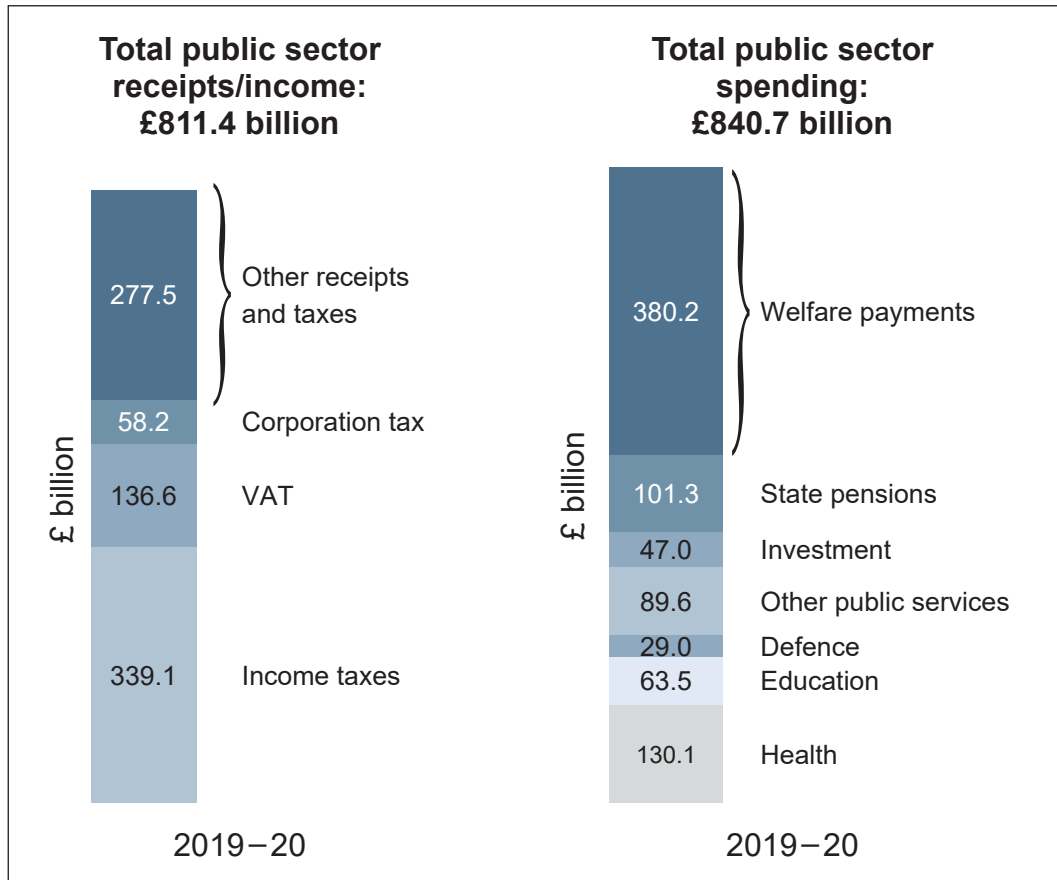
(i) What is the role of interest rates?

[2]



2 Study the information in **Table 3** below and answer the questions that follow.

Table 3: Government income and spending 2019–20



(a) (i) Using **Table 3**, calculate the difference between the government's total income and spending for 2019–20. Show your calculations.

_____ [1]

(ii) What economic term describes this situation?

_____ [1]



(b) Using examples from **Table 3**, identify a tax that each of the following is likely to pay.

You should give a different tax for each answer.

(i) Consumers _____

(ii) Workers _____

(iii) Companies _____ [3]

(c) Using **Table 3**, explain **two** reasons why the government collects taxes.

1. _____

2. _____

_____ [4]

[Turn over



THIS IS THE END OF THE QUESTION PAPER

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Question Number	Marks
1	
2	
Total Marks	

Examiner Number

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