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Question 29 (Answer: **B**)

- The exchange rate falls when the supply of the currency exceeds demand for it.
- More spending on imports means more of the currency is sold.
- Less export revenue means less of it is bought – so falling exports with rising imports causes depreciation.

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Question 27 (Answer: **D**)

- Specialisation raises output and lowers costs, so living standards rise.
- But it increases dependence on other countries and on a narrow range of products.
- It cannot *guarantee* a trade surplus – that depends on prices and demand.

Question 29 (Answer: **C**)

- The rupee's price rises when demand for it rises or its supply falls.
- More foreign demand for Pakistani exports raises demand for rupees.
- Fewer Pakistani imports means fewer rupees sold – so both together raise the rate for certain.

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Question 30 (Answer: **C**)

- The current account balance is the sum of its components.
- So add the trade balance, primary income and secondary income together.
- Work the missing figure out from the total given, remembering that deficits are negative.

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Question 21 (Answer: **C**)

- Real GDP falls when aggregate demand falls.
- Higher interest rates reduce borrowing, consumption and investment.
- Lower income tax or lower interest rates would raise demand instead.

Question 30 (Answer: **A**)

- The current account is the trade balance plus primary income plus secondary income.
- So add exports minus imports, then add the two income items.
- Keep the signs right: a negative figure is an outflow.

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5(d)	**Discuss whether or not a government should aim for an increase in imports.** In assessing each answer, use the table opposite. Why it should: • may save scarce resources • may reduce shortages in the home market • may lower the exchange rate • may increase choice and quality of products in the home market • may import technology • may reduce firms' costs by importing low price raw materials and capital goods • may increase competition, making domestic firms more efficient • may increase revenue from import tariffs • may enable a country to consume more than it produces in the short term • may increase incomes abroad raising demand for this country's exports. Why it should not: • may worsen the current account balance • may cause some domestic firms to go out of business • may reduce exchange rate • may reduce employment • may lower incomes / GDP per head • may lower living standards in the long term • will not want to import demerit goods.	**8**	
5(d)			

Level	Description
3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sided of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.
2	A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.
1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.
0	A mark of zero should be awarded for no creditable content.

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Question 30 (Answer: **C**)

- Compare the two lines year by year.
- Exports above imports is a trade surplus; imports above exports is a trade deficit.
- The *gap* between the lines shows the size of the balance, so watch where they cross.

IGCSE Economics: **w24 13**

Question 30 (Answer: **A**)

- The current account is trade in goods, plus trade in services, plus income flows.
- So add exports and subtract imports for each category.
- Keep the signs consistent: money coming in is positive, money going out negative.