



Question 5(a)(i)

Candidate A

5a(i)	Inflation is one factor. If UK's inflation rate is it can lower than elsewhere, then more more pounds will be demanded for by people. [If inflation is higher in UK, people will go elsewhere & exchange £ for other currencies.]
	Speculation is another factor. If speculators expect an increase/decrease in the exchange rate it will mean people/speculators will change & demand more pounds to gain profit off it now increase it changes.
	Other currencies is another factor. If other economies capital is a concern, the people will exchange their currency &

Question 5(a)(i) cont.

Candidate A cont.

	choose £ (pounds) the in order to get more for their money.	
	Another is increased competition. If the British pound sterling is seen as best currency to buy people will demand more of it as it is worth more than their currency & therefore increases competition.	

1/4

Candidate B

sai	[If there is high inflation, UK products are less price competitive than other countries therefore there is less demand for them.] then there is less demand for pound sterling in order to buy them, this decreases the exchange rate. [If interest	
sai	rates are low, there are low returns on investments in UK banks therefore people do not wish to invest in the UK so there is less demand for sterling.] [If there is speculation that the pound will fall in value, there will be less demand for pounds.] The exchange rate is dependent on the demand for UK exports and derived demand for £ to buy them, so demand is dependent on quality of British products. [If more people go on	

Question 5(a)(i) cont.

Candidate B cont.

holiday abroad they convert their
 pounds to foreign currency which will
 decrease the supply of sterling.] The
 exchange rate will decrease if there is
 low demand for pounds sterling and
 people are converting their pounds into
 foreign currency. REP such as UK firms
 investing overseas, ~~investing overseas~~
~~investing~~ in overseas banks or in
 stocks and shares overseas. A decrease in
 exchange rate is dependent on the supply and
 demand of british pounds.] Also dependent on reserve
 assets of currency, if ^{foreign} countries sell their £ it will weaken.] MAX

Max
4/4

Candidate C

a)		
i)	[If there is a low interest rate - this will	
	reduce investor investing in the UK, for example	
	hot money, and will therefore reduce the value of	
	the Sterling.] ^{DEV}	
	- Any factor in general which decreases the value of	
	the Sterling will decrease the exchange rate.	
	- [If the value of exports decrease - the UK will	
	not be high in demand for exporting goods	
	so the value of Sterling will decrease.]	
	- A persistent trade deficit - if the government	
	constantly spends a larger amount importing goods	^{FLIP}
	than exporting them, this will worsen the	
	exchange rate and decrease the value of the pound.	

3/4

Question 5(a)(ii)

Candidate A

ii)	<p>Increased attraction from tourists as holidays are cheaper will decrease the unemployment rates. This leads to individuals having more disposable income. This leads to a higher standard of living.</p>
}	<p>There may be more investments from Multinationals as it is cheaper to buy raw materials. This will lead to increased revenue for the government through corporation tax. This can lead to increased subsidies for firms.</p>
[<p>Increased attraction from ^{ID} tourists will mean more revenue for ^{EXP} firms.] There will also be more less unemployment.</p>
}	<p>This will leave individuals with more disposable income. This will then be spent on firms.</p>

Candidate B

5a(iii)	A weak exchange rate for sterling means that they can get cheaper exports.	
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0/3

Candidate C

5a(iii)	<p>Raw materials which a firm may import would become more expensive, increasing costs of production and possibly leading to lower profits for those firms. However, imported goods will also be more expensive to UK consumers, so a firm may become more competitive in domestic markets] and thus be able to turn a higher profit. UK firms will also have cheaper exports, so they can be more competitive with foreign firms in foreign markets, increasing their revenue from other countries]</p>	
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2/3

Question 5(b)

Candidate A

b)	Capital Account	
	[The transfer of fixed assets overseas], eg. buying a holiday home in Spain.	
	Financial Account	
	[The transfer of monetary accounts overseas], eg. [*] FDI which is the investment from abroad ^{to} of UK firms.	
	[portfolio investments, the transfer of the stocks ^{and} and shares overseas] MAX	
	[Reserve assets, reserved foreign currency held by the Bank of England.] MAX	

Max
2/2

Candidate B

sb	[The financial account measures increases and decreases in the international ownership of assets.] It includes the capital account which shows the transfer of funds associated with buying fixed assets such as land. It also shows [direct investment between UK and abroad such as firms setting up in the UK from abroad.] [It includes portfolio investment which shows investment in stocks and shares.] It [also contains the	
sb	balancing item which is net errors and omissions.]	

Max 2/2

Candidate C

b)	The capital account shows [transfer of ownership of fixed assets.] For example, a new holiday home in France.	
	[The financial account records monetary transactions between the UK and other countries.]	
	The [it shows FDI which is investment in land, premises and equipment by UK firms setting up overseas and vice versa] [it also shows portfolio investment which records transactions in stocks and shares] [it also shows reserve assets. for example, reserves of foreign currency managed by the Bank of England.] [it also shows the balance item which is net errors and omissions] [it also shows other investments like bank lending]	

Max 2/2

Question 5(c)

Candidate A

c)	one characteristic of a developing economies is	
	[low economic growth.] Another characteristics is	
	low unemployment and [lack of government	
	intervension (public sector)] there would be a	
	corrupt government who diverts aid. A developing	
	economy would prob ^{REP} have low national	
	income, low GDP per capita. [Finally there is	
	prob a lack of infrastructure] in the	
	developing economies.	

3/4

Candidate B

c) [Old underdeveloped underdeveloped technology that is not up to date.]	
[Little amount of government spending in the public sector]	
[Very low level GDP compared to emerging economies]	
[Large amount of the population on very low income.]	
[Low standard of living] ^{MAX}	
	Max 4/4

Question 5(d)

Candidate A

5d developed countries can [provide debt relief ID
 such as writing off debts so the money
 can be spent elsewhere to grow the EXP
 economy.] [They can provide soft loans ID
 or grants so that they have access to
 cheaper funding to use to create growth EXP
 [They can provide technical aid to help ID
 their employees so that they can increase
 the output EXP] in the economy and educational
 aid so there are higher education levels
 leading to greater efficiency and output. REP

5e [They could give developing countries free ID
 trade agreements in order to boost
 exports to improve balance of payments EXP
 by making exports cheaper. [They could ID
 provide capital aid by giving things such
 as machinery to use in production EXP MAX] to
 increase their output and efficiency. [Food ID
 and health aid to keep working
 population healthy to increase productivity EXP MAX]
 such as vaccinations.

Max
4/4

Question 5(d) cont.

Candidate B

<p>d) one way is through ^{ID} capital aid. This is aid to help with productivity improvements and so increase output. This would help increase economic growth. For example, new equipment or machinery. ^{EXP}</p>	
<p>^{ID} Another is educational aid. This will improve the skills and knowledge of individuals. This will increase ^{EXP} efficiency and therefore economic growth.</p>	
<p>^{ID} Another is health aid. This ensures the population is fit to work. For example, vaccines and medicines. This will increase economic growth by ensuring the work days of ^{EXP} not to all hours.</p>	
<p>^{ID} Another is debt relief. This helps reduce the burden of the country's country's debt. Therefore, it's finance can be used for investment and ^{EXP} not tied up in debt.</p>	

Candidate B

e) [Emerging economies have	
a growing middle class, which	
is a new market for the UK to	
aim to gain ^{EXP} revenue from.]	
[They increase the demand for	
worldwide finite resources, thus	
increasing the cost factor, ^{EXP} of production.]	

2/3