Introduction to the national economy – GCSE Economics Paper 2

1. No.1

A budget surplus is best described as which of the following?

[1 mark]

A Where government expenditure is greater than government revenue

B Where government revenue is greater than government expenditure

C Where the value of exports is greater than the value of imports

D Where the value of imports is greater than the value of exports

2. No.16

State **two** examples of direct taxes used in the UK.

[2 marks]

Example 1 ____

Example 2 ____

3. No.19

19 **Table 4** shows data relating to tax rates and personal allowances in an economy.

Table 4 – Income tax rates and allowance for yearly income

Tax-free personal allowance	£14 000
Tax rate on income above £14 000	25%
Tax rate on income above £40 000	50%

19.1 A person earns an annual income of £35 000 from working.

Using **Table 4**, calculate the amount of income tax this person pays.

Show your working.

[2 marks]

Answer £ ____________

19.2 Explain what is meant by a progressive tax.

[2 marks]

4. No.20

Table 5 shows the taxes collected by a government in 1 year.

Table 5

Tax revenues collected	**£ billions**
Income tax	225
Value-added tax	75
National Insurance contributions	150
All other taxes combined	150
Total tax revenue collected	**600**

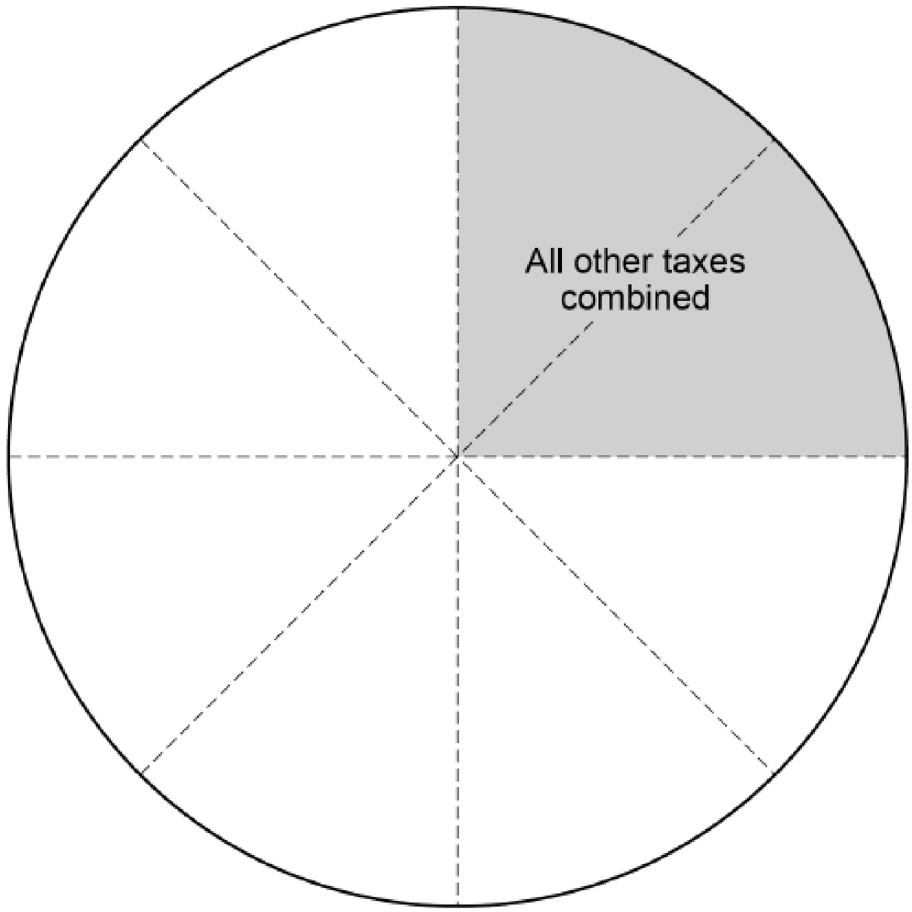
Use **Table 5** to complete the pie chart on the opposite page to show the proportions of total tax revenue collected for each of the following taxes:

- income tax
- value-added tax
- National Insurance contributions.

Additional information:

- the area for 'All other taxes combined' has already been completed
- each segment shown on the pie chart represents 45 degrees
- use of a protractor is **not** required.

Different taxes collected by a government in 1 year
by proportion of overall tax calculated



[3 marks]

5. No.21

Figure 3 – Obesity in the UK

Obesity is a growing problem in the UK. Latest official statistics indicate around 36% of the UK population are overweight and close to 30% are classed as obese. Poor diet and lack of exercise are common factors which account for the increased problem of obesity. Obesity costs the economy in a number of ways – with more days off work and increased pressure on the National Health Service (NHS) as more people require treatment of medical diseases and conditions related to obesity.

Governments aim to correct market failures where possible. The market failure associated with obesity is connected to the overconsumption of junk food – food that is high in fats, salt and other factors contributing to poor diets. A potential solution to this problem would be to tax junk food. This would help reduce consumption and help reduce obesity. However, some people believe that a tax would not be effective – especially when considering the price elasticities of various items, shown in the table below. Other solutions are recommended, such as improved education on the nutritional content of certain foods.

Estimates for price elasticity of demand for food and drink items

Junk food	–0.8
Fruit/vegetables	–1.5
Soft (fizzy) drinks containing sugar	–2.1

Using **Figure 3**, assess whether an indirect tax on junk food can help solve the market failure caused by obesity.

[9 marks]