



**Section A**

Answer this question.

**1 Russia's economic problems are getting worse**

Russia's currency, the rouble (RUB), has been falling rapidly in value.

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An index of the real exchange rate fell from a value of 100 in 2010 to 75.8 in 2015 and this should have the effect of eventually helping to encourage exports.

*Source: Adapted from The Economist*

**Table 1.1: Selected economic indicators for Russia 2013–2015**

<b>Economic Indicator</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Annual inflation rate	6.8%	7.8%	15.4%
Economic growth rate	1.3%	0.6%	–3.9%
Nominal exchange rate (RUB per US\$)	38.4	56.3	61.3

*Source: Adapted from The World Fact Book*

**3**

- (a) (i) Using Table 1.1, calculate the percentage fall in the nominal value of the rouble against the US dollar between 2013 and 2015. [2]
- (ii) Explain the difference between a nominal exchange rate and a real exchange rate. [2]
- (b) Explain, using a demand and supply diagram, how the fall in the price of a barrel of oil contributed to a decline in the value of the rouble. [4]
- (c) Analyse the likely impact the depreciation of the rouble could have on the Russian economy. [6]
- (d) Discuss whether the privatisation of some state assets would be of overall benefit to the Russian economy. [6]

**Section B**

Answer **one** question.

- 2 (a) Explain why both merit goods and demerit goods are examples of private goods. [8]
- (b) Discuss whether merit goods and demerit goods are best provided by a market economy. [12]
- 3 (a) Explain the factors that can affect the price elasticity of demand for a product. [8]
- (b) Discuss the extent to which knowledge of a product's cross-elasticity of demand is likely to be important to a firm supplying that product. [12]
- 4 (a) Explain the characteristics that money needs to have in order to perform its functions effectively. [8]
- (b) Discuss the likely consequences for an economy of an increase in the money supply. [12]

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