Name:		Index Number:		Class:	5C_____

DUNMAN HIGH SCHOOL
Weighted Assessment 2 (Mock Paper A)
Year 5

Economics (Higher 1) 8843/01

Paper 1 Case Study Questions **50 Minutes**

Changes in household expenditure

Extract 1 UK families spending more during recession

UK households spent an average of £471 per week in 2008, an increase of 2.6% from £459 in 2007, despite the credit crunch, rising unemployment and the widespread pay freeze. Household spending is analysed according to an internationally-agreed classification system, shown in Figure 1 below.

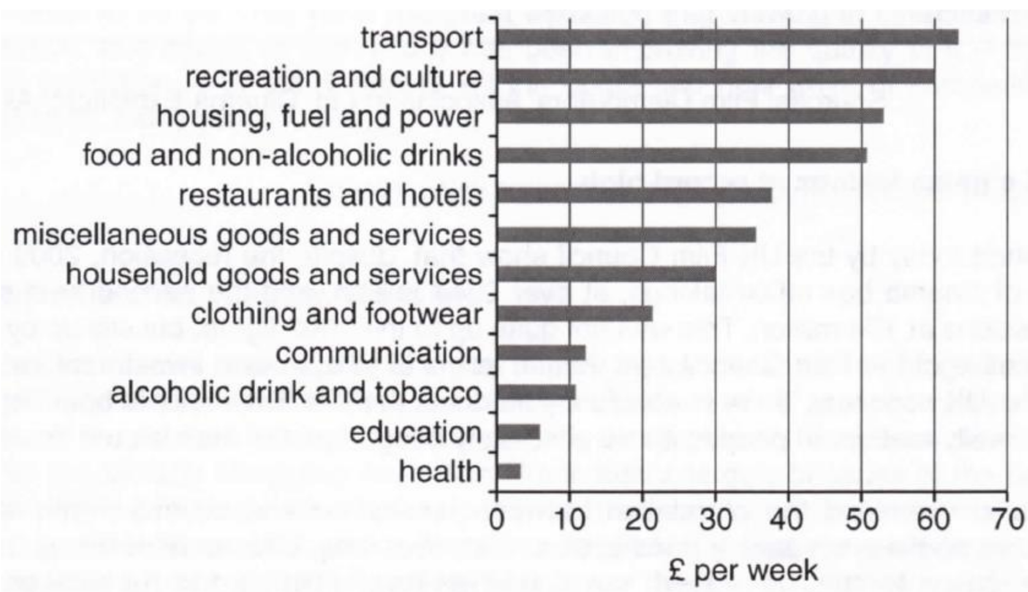

Figure 1 Spending by UK households, 2008

Source: www.statistics.gov.uk, accessed 13 September 2010

While spending on non-essentials and clothing fell between 2007 and 2008, the cost of heating the family home and running a car increased, according to the figures produced by the Office for National Statistics' (ONS) Annual Family Spending Review. Transport remained the largest single area of expenditure, with people on average spending over £63 per week on travelling - and petrol accounted for as much as £21 of that (up by 15% since 2007). One retail analyst said 'There was a huge rise in fuel prices in the middle of 2008, and this seems to be reflected in the figures.'

To try to balance the rise in the cost of essentials, families have made cutbacks in other areas such as clothing, alcohol and tobacco consumption and computer games - though, in the case of alcohol, this may merely reflect discounted prices in supermarkets. However, families do not seem to have been prepared to sacrifice spending on leisure activities; spending on recreation and culture - which includes such categories as package holidays, sport, gambling and admission to the cinema - was the second largest category of spending, and up by 4.7% on 2007.

The divide between rich and poor was illustrated by the fact that average weekly spending by the 10% of households in the highest income group was £1045, while those in the lowest 10% spent just £154 per week.

Source: www.telegraph.co.uk, accessed 11 September 2010

Table 1 Admissions and spending at UK cinemas, 2002 to 2008

Year	2002	2003	2004	2005	2006	2007	2008
Admissions (millions)	175.9	167.2	171.2	164.6	156.6	162.5	164.2
Total spending (£ millions)	755.0	742.0	769.6	776.3	762.1	821.0	854.4

Sources: Film Distributors' Association Ltd; Cinema Exhibitors' Association Ltd

Extract 2 UK cinema takings at record high

Figures published today by the UK Film Council show that, despite the recession, 2009 was the best ever in terms of cinema box office takings, at over £944 million, and the second best since 1971 in terms of admissions at 174 million. This was not quite up to the 2002 figure, but still up by 6% on 2008. The chief executive of the Film Council said that, in terms of jobs, inward investment and contribution of cinema to the UK economy, 'there is absolutely no doubt that the film sector is booming. The figures prove that film really matters to people; it's an absolutely integral part of their leisure time.'

The Council also examined the correlation between recessions and cinema admissions over the past 40 years. Its spokesman said 'It does appear that, over time, cinema admissions are recession-resistant.' One reason for this, he argued, was that when people did start to cut back on luxuries and cancel foreign holidays, they were then even less willing to give up going to the cinema.

Source: www.guardian.co.uk, accessed 25 August 2010

Table 2 Cinema admissions per head in different countries, 2004 to 2008

	2004	2005	2006	2007	2008
Iceland	4.9	4.8	5.2	5.1	5.4
Ireland	4.3	3.9	4.2	4.3	4.2
Singapore	4.5	4.2	3.6	3.8	4.2
Australia	4.6	4.0	4.1	4.1	4.1
US	5.2	4.7	4.8	4.3	4.1

Source: www.screenaustralia.gov.au, accessed 26 August 2010

Extract 3 Factors influencing cinema-going

Australia saw A$895.5 million spent on cinema tickets in 2007, the second-highest ever, with 84.7 million admissions at an average price of A$10.57. However, both the proportion of people over 14 years old visiting a cinema at least once and the average frequency of such visits showed long-term falls, which continued in 2007. Even so, cinema-going continues to be very high in Australia, both compared to other cultural pursuits and to other countries.

One factor that has contributed to the success of cinemas in recent decades has been the growth in the number of cinema screens available - 712 in 1988, 1941 by the end of 2007; this, of course, reflects the development of multiplexes, particularly in suburban areas.

Many diverse factors fundamentally affect peoples' demand to go to the cinema, from the appeal of individual films to how much the sun shines over summer to how high interest rates climb. Potential audiences respond to what is on offer - both at the cinema and elsewhere - and how much disposable income they have.

Such developments as the installation of home entertainment systems, illegal DVD piracy and the growth of internet-based activities such as social networking are understandably having a negative impact on cinema attendance. However, cinemas have been adapting to such challenges, and will no doubt continue to do so. They have the great attraction that viewing in cinemas is an essentially social experience, and improved technology has been improving the quality of it - big screens, big sound, digital projection, 3-D, etc. Cinemas will no doubt find new ways of competing for people's leisure spending for many years to come.

Source: www.screenaustralia.gov.au, accessed 14 September 2010

Extract 4 Australian film industry hits crisis

Despite DVDs, the internet and the rise of digital television, people still love going to the cinema. And in the past, some of the blockbuster films people flocked to see were actually made in Australia. But it might be some time before this is the case again. In fact problems have been developing for more than a year for the already struggling Australian film industry, largely because of the rising Australian dollar. This has made it too expensive for foreign film studio executives to consider making their films in Australia as they did in the past. A senior Australian film industry spokesperson recently claimed that the industry was already beginning to downsize because of the fall-off in demand, and that the problem could only be addressed by the urgent introduction of some sort of tax incentives, grants or other form of protectionism.

[Source: Australian Broadcasting Corporation, The 7.30 Report, 31 January 2011, reporter Sarah Dingle, accessed 20.02.11., www.abc.net.au]

Questions

(a) With reference to Extract 1:

(i) Compare how weekly spending by UK households both on petrol and on recreation and culture increased between 2007 and 2008, relative to overall spending. [2]

(ii) Using examples from the extract, explain the meaning of opportunity cost. [2]

(iii) Using supply-demand diagrams, identify and explain **two** possible reasons why spending on alcohol fell in the UK between 2007 and 2008. [6]

(b) How far does Table 2 confirm the view in the first sentence of Extract 4? [4]

(c) Discuss whether the imposition of a quota on foreign films is the best way for the government to save the "struggling Australian film industry" (Extract 4)? [8]

[Total: 22 marks]

Adapted from N2012/I/2