

Economics and Business Examination

2nd May 2021

Instructions to candidates

Read the instructions below before answering any questions

Three hours are allowed for this paper which carries a total of 160 marks, as follows:

Part I

1 compulsory question (case study) 80 marks

Part II

2 questions selected from 3 (scenarios) 40 marks each for a total of 80marks

- You should answer the question in Part I, and two out of the three questions in Part II.
- You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.
- It is recommended that you spend 15 minutes reading and planning your answer to the case study and 75 minutes answering it, and that you spend 10 minutes reading and planning your answer to each scenario and 35 minutes answering it.
- A case study tests extensively across syllabus learning outcomes, whilst a scenario will be more focused on specific learning outcomes.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I

Case study

This question is worth 80 marks

You should include relevant examples and further reading in your answer where applicable

QUESTION 1

CASE STUDY

During the year 2020, the world faced two major challenges that disrupted economies and business plans all over the world. The challenges came in the form of an unprecedented Covid19 pandemic and the consequences of climatic change which brought onto economies, losses and recovery issues. As countries struggled in the face of these challenges, economists busily tried to figure out how to recover and place business activity back on track.

The World Economic Forum undertook a research to determine how these challenges affected countries all over the world and investigated how governments are projecting output and GDP figures for the coming year.

The following is a severed projection data sheet that was published by the World Economic Forum.

Real GDP, Annual % change

| | 2019 | 2020 | 2021 |
|-----------------------------------|-------------|-------------|-------------|
| World Output | 2.8 | -4.4 | 5.2 |
| Advanced Economies | 1.7 | -5.8 | 3.9 |
| Emerging and Developing Economies | 3.7 | -3.3 | 6.0 |

QUESTION

In the light of the scenario above discuss the monetary and fiscal incentives that worldwide governments need to adopt to achieve the 2021 projections. Your discussion should also include how these incentives will benefit the insurance industry that needs to risk manage its operations while preserving its resources and retain competitiveness both locally and internationally.

(80 marks)

PART II Scenarios

Answer TWO of the following THREE questions.

Each question is worth 40 marks

**To gain maximum marks you should include relevant examples
and further reading in your answer**

QUESTION 2

SCENARIO

The UK has officially withdrawn its membership as an EU Member State on the 31st December 2020. A newspaper article featured the following advantages enjoyed by the UK post Brexit:

"....I always believed that the UK is self sufficient and being the largest insurance industry in Europe coupled with a long history of economic and business stability means that EU membership was futile. The insurance industry is now in control of insurance products and pricing and is not tied down to EU imposed regulations. The industry will now be able to develop tailor made insurance products to deal with emergent risks and may focus on the domestic market. By doing so the insurance industry's investment will remain in the UK making more capital available for further development....."

QUESTION

You are a business economist reading this article and is asked to react to the statements and contradict the assumptions made.

Draw up a reply arguing how the UK will face the consequences of Brexit in the light of what has been written in the article.

(40 marks)

QUESTION 3

SCENARIO

ABC insurance company plc deals with commercial lines business and is registered and regulated by the financial services authority in Belgium. It outsources most of its non-technical functions and uses an international broker to reinsure into Asia and the USA.

The directors of ABC insurance company plc have floated the possibility of looking at a prospective merger with an international insurance company through which it could benefit from economic, financial and business advantages.

QUESTION

As an advisor for ABC Insurance company limited, present a report detailing the advantages of such a potential merger, highlighting the possible challenges this initiative might present.

(40 marks)

QUESTION 4

SCENARIO

Corporate misbehaviour has always been hyped by the media possibly due to its impact on the consumer. Regulators on the other hand, work relentlessly to monitor such malpractices through their regular on-site and off-site inspections.

QUESTION

You have been asked to deliver a talk to university students who are following a Business and Economics degree. The talk should focus on how companies might be in breach of their business ethics obligations and how corporate social responsibility and corporate governance seek to address these shortcomings.

Present your talk.

(40 marks)