

Wednesday 22 May 2013 – Afternoon

GCSE ECONOMICS

A591/02 How the Market Works

Candidates answer on the Question Paper.

OCR supplied materials:

None

Other materials required:

- Calculators may be used

Duration: 1 hour



Candidate forename		Candidate surname	
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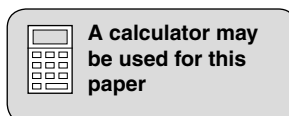
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- The quality of your written communication will be taken into account in the marking of your answers to the questions labelled with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.



Answer **all** questions.

1

Triangle

Triangle is an organisation which provides music lessons for disadvantaged young people. It operates in a mixed economy.

Catherine, the Head of Triangle, is concerned that if the organisation fails to award a substantial pay rise this year, many of its highly skilled staff will look for other jobs. These skilled staff would be difficult to replace due to the training which would be needed, meaning that the supply of employees for these jobs is very limited.

There are, however, many unskilled workers who could be used to do some of the less specialist jobs at Triangle.

Fig. 1

(a) (i) In the table below, place a tick (✓) against the sector of the economy in which Triangle operates.

Sector of the Economy	Tick (✓)
Primary	
Secondary	
Tertiary	

[1]

(ii) Triangle operates in a mixed economy.

What is meant by a 'mixed economy'?

.....

.....

.....

..... [2]

- (b) (i) Triangle provides musical instruments for its music lessons.

In the table below, place a tick (✓) against the factor of production represented by these musical instruments.

Factor of Production	Tick (✓)
Capital	
Enterprise	
Labour	
Land	

[1]

- (ii) Using **two** of the words below, complete the following sentence so that it explains what is meant by the term 'inelastic supply'.

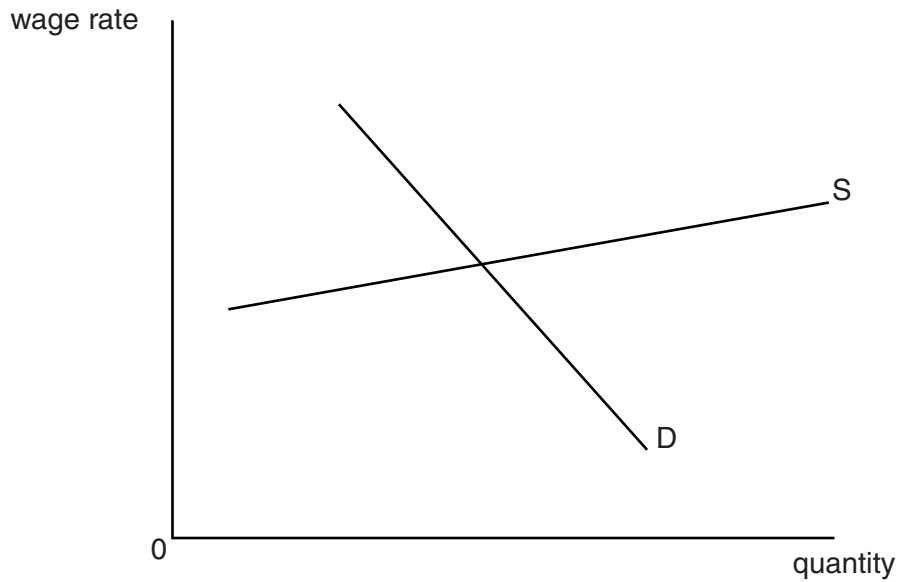
amount **income** **price** **quantity**

Supply is inelastic when any percentage change in results in a smaller percentage change in [2]

(c) (i) The diagram below shows the supply of and the demand for unskilled workers which Triangle might employ.

On the diagram below:

- label the original equilibrium wage rate and quantity
- draw and label a new supply curve showing an increase in the supply of unskilled workers
- label the new equilibrium wage rate and quantity. [4]



(ii) State what has happened to:

- the wage rate
.....
- the quantity.
.....

[2]

Supermarkets in Plumscar

In 2012, Plumscar, a market town with a population of around 17 000, had one large supermarket and a number of independent food shops. In 2013, two more major supermarkets will open in the town. The new supermarkets will make the market more competitive.

The original large supermarket had monopoly power as it was estimated in 2012 that it accounted for about 60% of the total expenditure on groceries and household goods in Plumscar.

The in-store bakery at that supermarket produced 5000 loaves per week at a total cost of £3000 per week.

Some local people, however, fear that many of the independent food shops will be forced out of the market because of the large economies of scale gained by the supermarkets.

Fig. 2

- (a) Using **two** of the phrases below, complete the following sentence so that it explains what is meant by the terms 'monopoly power' and 'a competitive market'.

twenty-five percent fifty percent many buyers and sellers few buyers and sellers

Monopoly power exists when a supplier has
 or more of the market, whereas a competitive market has
 [2]

- (b) (i) Using Fig. 2, calculate the average cost of producing a loaf of bread in the supermarket's in-store bakery. Show your working.

.....

 [2]

- (ii) State and explain **one** objective which a business, such as a supermarket, might have.

Objective

Explanation

..... [2]

(c) State and explain **two** economies of scale which a supermarket could gain.

Economy of scale 1

Explanation

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Economy of scale 2

Explanation

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[6]

3

Theatre to set a minimum price for performances

The management of Hardendale Theatre has decided to set a minimum price for all performances. It did so after it had asked a local economist to advise on the effects of different prices on ticket sales.

The table below shows how many tickets would be demanded at different prices.

Price (£)	Quantity of Tickets Demanded per Performance
40	250
35	300
30	400
25	600
20	650
15	700
10	800
5	1000

The minimum price chosen was £15 per ticket. The theatre seats 800 people.

Fig. 3

- (a) With reference to Fig. 3, explain the effect on Hardendale Theatre of setting this minimum price.

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..... [2]

(c) Explain the likely effect on ticket sales at Hardendale Theatre if:

- the government withdrew a subsidy which was paid to theatres

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- the local cinema closed down.

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[6]

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

A large rectangular area with a solid vertical line on the left side and horizontal dotted lines extending across the page, providing space for writing answers.

A large grid of dotted lines for handwriting practice. It consists of 32 horizontal rows. A vertical line is positioned on the left side of the page, creating a narrow margin. The dotted lines are spaced evenly down the page.

15
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