OXFORD CAMBRIDGE AND RSA EXAMINATIONS

GCSE

A591/02

ECONOMICS

How the Market Works

MONDAY 1 JUNE 2015: Afternoon

DURATION: 1 hour
plus your additional time allowance
MODIFIED ENLARGED 24pt

Candidate forename		Candidate surname	

Centre number						Candidate number				

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:
None

OTHER MATERIALS REQUIRED:
Calculators may be used

A CALCULATOR MAY BE USED FOR THIS PAPER

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the boxes on the first page. 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.

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 (*).

Any blank pages are indicated.

BLANK PAGE

Answer ALL the questions.

FIG. 1

TRANSPORT

Nyeke plc is a large global transport company. The company owns ships, trains and lorries.

Kevin Nyeke is the Operations Director. He has to advise the company on the type of transport in which it should invest in each year. Kevin recommends that the company should spend all the money available for investment in 2015 on new ships. Investing in ships should achieve larger economies of scale. This would also help reduce the effects that increased competition is having on the company.

To support his advice he has produced the following.

For the same amount of energy one tonne of freight can be carried:

370 kilometres on a ship

300 kilometres on a train

100 kilometres on a lorry

1 (a) From Fig. 1, identify ONE example of:

capital

_____

labour

_____ **[2]**

(b) (i) **Using the information in Fig. 1, what could be the opportunity cost to Nyeke plc of only investing in new ships?**

_____ **[1]**

(ii) **Why do businesses have to make choices when deciding on how to invest?**

_____

_____

_____

_____

_____

_____

_____

_____ **[3]**

(c) State and explain TWO effects which increased competition might have on a business such as Nyeke plc.

Effect 1 _____

Explanation _____

_____

_____

_____

_____

_____

_____

_____

_____

Effect 2 _____

Explanation _____

_____

_____

_____

_____

_____

_____

_____ [6]

(d)*Discuss the extent to which a business such as Nyeke plc could benefit from achieving increased economies of scale. [8]

FIG. 2

Petterill Valley Cakes

Petterill Valley Cakes makes cakes for birthdays, weddings and other occasions. Lauren, the owner, specialises in the making of cup cakes. She has recently reviewed the past year with her staff. In doing so she made the following points:

the demand for birthday and wedding cakes has changed very little, even though prices have risen

the cost of materials to make the cakes has risen

the demand for cup cakes has increased.

2 (a) Using TWO of the words below, complete the following sentence so that it defines the term 'demand'.

BUY

PRODUCTIVITY

QUANTITY

SUPPLY

Demand is the _____ consumers are willing and able to _____ at a given price in a given period of time. [2]

(b) **Other than a change in the cost of materials, explain TWO factors which could lead to a shift in the supply curve of Petterill Valley Cakes.**

Factor 1 _____

Explanation _____

_____

_____

_____

Factor 2 _____

Explanation _____

_____

_____

_____ **[4]**

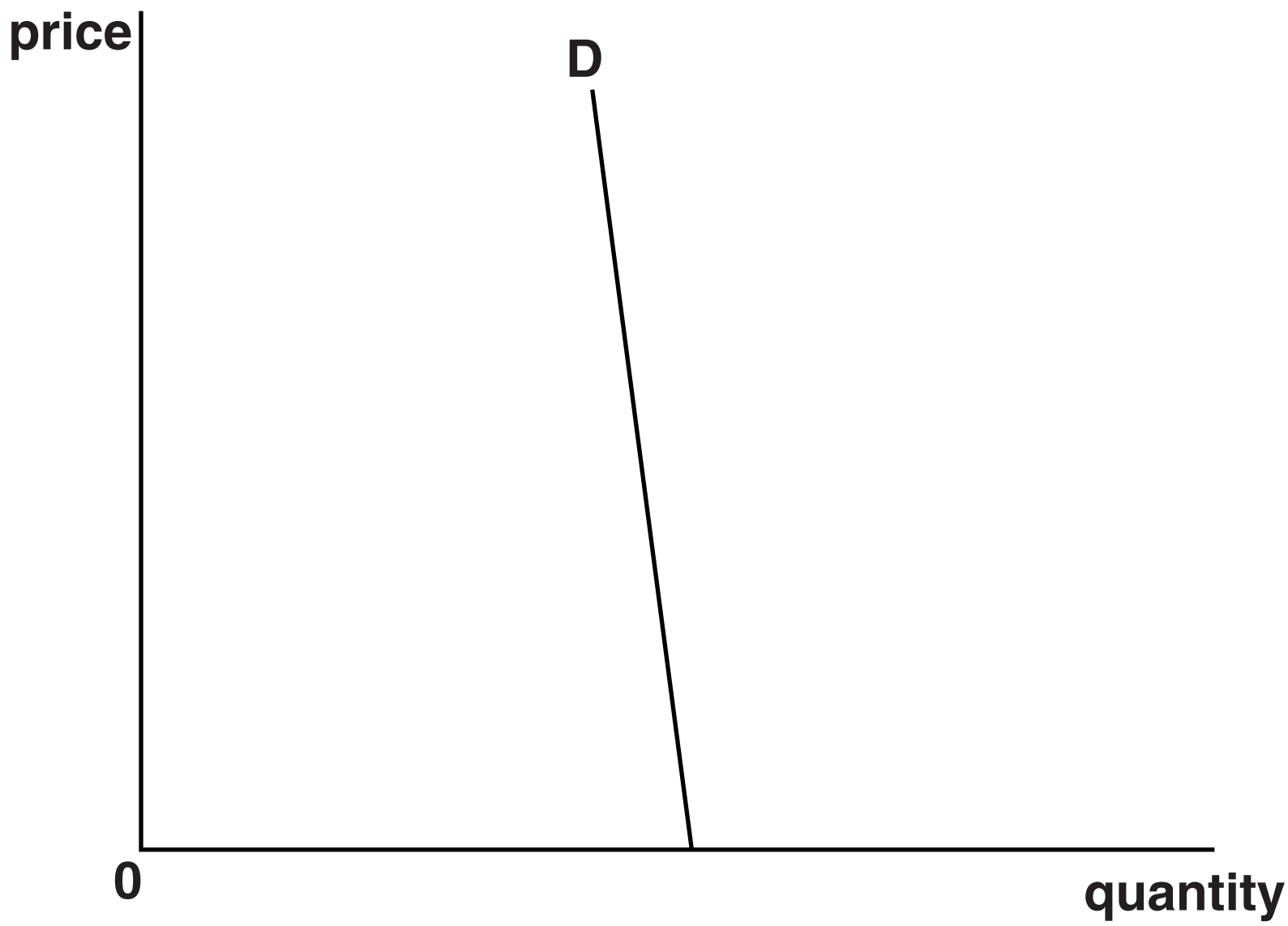
(c) (i) The diagram below shows the demand curve for Petterill Valley Cakes.

On the diagram below:

draw and label a supply curve for cakes

draw and label a new supply curve for cakes to show the effect of a rise in the cost of materials

label the changes in the price and quantity of cakes sold. [4]



(ii) With reference to the diagram in part (c)(i), explain what has happened to Petterill Valley Cakes' total revenue as a result of the change in supply.

_____

_____

_____

_____ [2]

(d)*People often specialise in a specific skill or type of activity.

Discuss the costs and benefits of specialising to an individual worker such as Lauren. [8]

FIG. 3

Incars Ltd

Bill owns Incars Ltd. The business buys and sells second hand cars. Incars Ltd is in the tertiary sector of the economy.

Bill also sells cars for customers. Last year he sold 30 cars for customers and earned an average revenue of £1000 per car sold. His costs were:

Total fixed costs of selling 30 cars	**£7000**
Total variable costs of selling 30 cars	**£3000**

Alan has asked Bill to sell his car. Bill has told Alan that he needs to reduce the price of his car by 10 per cent because the demand for his type of car is price elastic.

Incars Ltd pays one person the national minimum wage to clean and polish cars. The forthcoming rise in the national minimum wage means that Incars Ltd needs more revenue each week so that it can continue to employ this person.

3 (a) Using an example, other than the buying and selling of cars, explain what is meant by the 'tertiary sector'.

_____

_____

_____ **[2]**

(b) Using the information in Fig. 3, calculate the profit made by Incars Ltd from selling 30 customers' cars. Show your working.

_____

_____

_____

_____ [4]

(c) (i) State what is meant by the term 'price elasticity of demand'.

_____

_____

_____

_____ [2]

(ii) Explain why Bill has advised Alan to reduce the selling price of his car.

_____

_____

_____

_____

_____

_____

_____ [4]

(d)*Discuss the advantages and disadvantages of a national minimum wage. [8]

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.

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