

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 15 November 2021 – Morning

GCSE (9–1) Economics

J205/01 Introduction to Economics

**Time allowed: 1 hour 30 minutes
plus your additional time allowance**

YOU CAN USE:
a scientific or graphical calculator
an HB pencil

Please write clearly in black ink.

Centre number

Candidate number

First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF



INSTRUCTIONS

Use black ink. You can use an HB pencil, but only for graphs and diagrams.

Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.

Answer ALL the questions.

INFORMATION

The total mark for this paper is 80.

The marks for each question are shown in brackets [].

Quality of extended response will be assessed in questions marked with an asterisk (*).

ADVICE

Read each question carefully before you start your answer.

SECTION A

Answer **ALL** the questions in this section.

Write your answer for each question in the box provided.

1 The demand for apples is the amount of them that consumers are willing and able to buy at a given

A cost

B income

C price

D supply

Your answer [1]

2 In a market system, decisions about what to produce are determined by the interdependence of

A consumers and government

B consumers and producers

C government and workers

D producers and workers

Your answer [1]

3 Net pay may be less than gross pay because of

- A government subsidies**
- B indirect taxes**
- C interest payments**
- D pension contributions**

Your answer [1]

4

Output per week (units)	Total costs (£)
10	100
20	160
30	240
40	400

The table shows a firm's total costs. Which of the following statements is correct? [1]

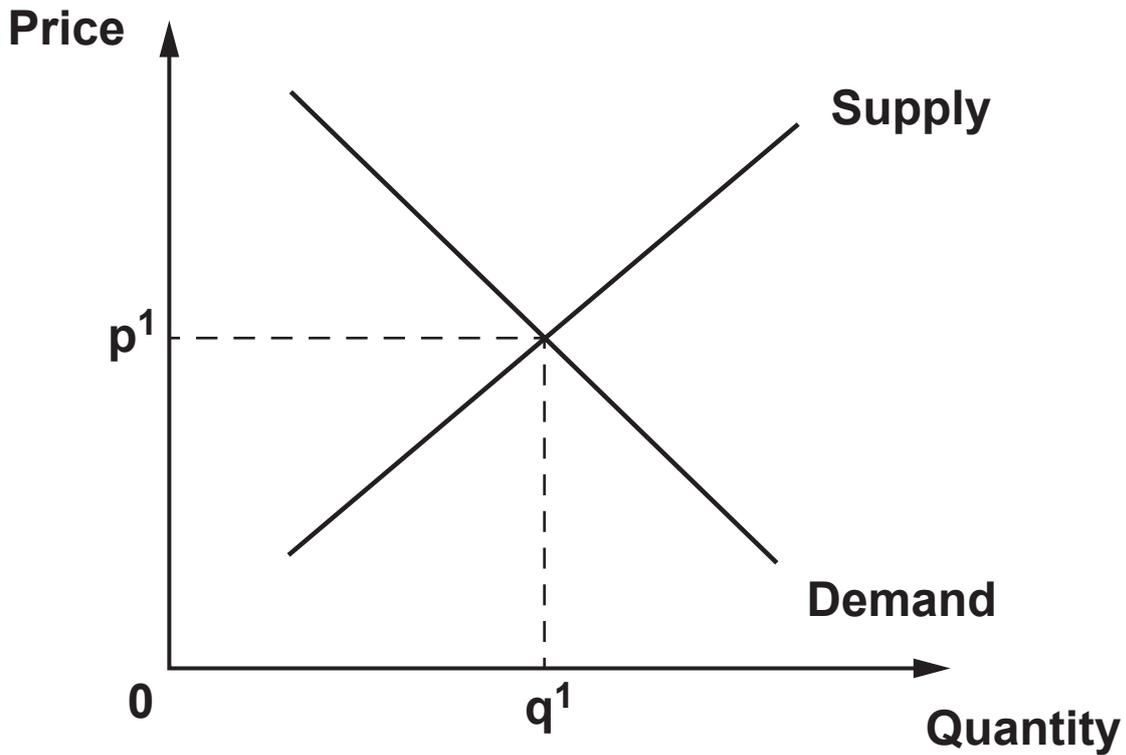
- A The firm gains economies of scale as output increases from 10 to 20 units**
- B The firm gains economies of scale as output increases from 20 to 30 units**
- C The firm gains economies of scale as output increases from 30 to 40 units**
- D There are no economies of scale over any range of output**

Your answer

- 5 If supply is price inelastic, the value of price elasticity of supply will be
- A greater than one
 - B greater than the price elasticity of demand
 - C infinity
 - D less than one

Your answer [1]

6



The diagram shows the market supply and demand curves for a good. If there is a decrease in supply, how will this affect the equilibrium price and quantity? [1]

- A The price will decrease and quantity will increase
- B The price will increase and quantity will decrease
- C The quantity will increase but price will not change
- D There will be no change because the market is in equilibrium

Your answer

7 Money is different from other assets because it

A can be stored by banks

B is convenient to carry

C is generally acceptable as a medium of exchange

D is made of durable metal

Your answer [1]

8 Which of the following is a feature of a monopoly? [1]

A An inability to supply the market

B Collusion between rivals

C High barriers to entry

D Low prices

Your answer

9 Alpha Company borrows £1000 at 5% interest for a year. How much will Alpha Company have to pay back at the end of the year? [1]

- A £5**
- B £50**
- C £500**
- D £1050**

Your answer

10 A feature of an efficient market is that

- A any costs of environmental damage are met equally by all consumers**
- B firms are unable to make any profit**
- C the prices of products are set at a level that all consumers can afford**
- D the prices of products reflect the worth of resources used in their production**

Your answer **[1]**

11 Which of the following is an example of a factor market? [1]

- A A toy company hires more workers to increase production**
- B A toy company sells a new toy to a consumer**
- C Beth sells her second-hand car to Jack**
- D The government provides healthcare free for all users**

Your answer

12 If interest rates rise

- A consumers pay less for credit**
- B firms can invest more cheaply**
- C people will save less**
- D the government pays more to fund its debt**

Your answer **[1]**

13 Opportunity cost can be defined as

- A the loss as a result of missing a bargain**
- B the minimum average cost of producing a good**
- C the price of a good or service**
- D the sacrifice of the most desired alternative**

Your answer **[1]**

14 The demand for a firm's product is price inelastic. Which of the following statements MUST be true? [1]

- A A decrease in price will lead to excess supply**
- B A decrease in price will reduce the quantity sold**
- C An increase in price will decrease profits**
- D An increase in price will increase revenue**

Your answer

15 A market is an oligopoly if

- A each of the firms in the market has only a few customers**
- B each of the firms in the market makes many products**
- C most of the market is supplied by a small number of firms**
- D there is only one firm in the market**

Your answer **[1]**

16

Price (£)	Quantity demanded (units)
10	80
20	70
30	60
40	50

The table shows the relationship between the price of a good and the quantity demanded. Which of the following statements is correct? [1]

- A It shows that less is demanded when incomes rise
- B It shows that price and quantity demanded are inversely related
- C It shows that price elasticity of demand is equal to 1
- D It shows that the equilibrium price must be £20

Your answer

17 How does the production of a service differ from the production of a good? [1]

- A It is intangible**
- B No capital is required**
- C No labour is required**
- D Specialisation is not possible**

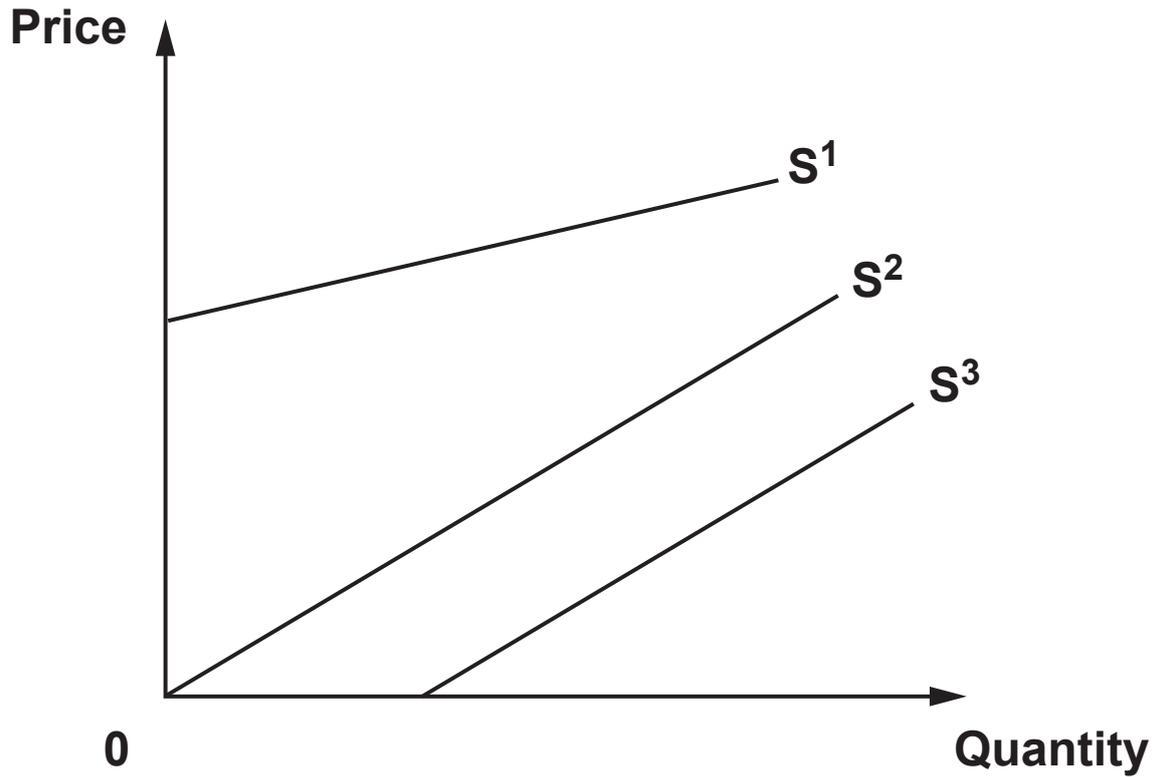
Your answer

18 Which of the following is an example of an external economy of scale? [1]

- A Bulk-buying**
- B Financial**
- C Location**
- D Risk-bearing**

Your answer

19



The diagram shows three supply curves. Which of them has a unitary elasticity? [1]

- A S^1
- B S^2
- C S^2 and S^3
- D S^1 , S^2 and S^3

Your answer

20 A company will need to use the services of different financial institutions. Which of the following financial institutions is the company MOST UNLIKELY to use?

[1]

- A Building society**
- B Central bank**
- C Commercial bank**
- D Insurance company**

Your answer

SECTION B

Answer ALL the questions in this section.

21 EXTRACT 1: Coom Delivery Service (CDS)

Coom Delivery Service (CDS) is a delivery business operating in northwest England and southwest Scotland. It has recently bought more land for its growing number of delivery vehicles. Although most of these are powered by petrol, the aim is to have half of the vehicles to be electric powered by 2024. This is because Natan, the owner of CDS, is aware of the need to reduce the use of scarce resources to help achieve economic sustainability.

Natan has investigated the prices of CDS's competitors. He thinks that if CDS could reduce its prices for next day delivery by either 10% or 20%, it would make considerable gains in the quantity of parcels delivered, as well as total revenue. He has set this out in the table below.

Price	Quantity of parcels per week
£25.00	300
£22.50	350
£20.00	450

(a) Explain, using an example, what is meant by 'land'.

[2]

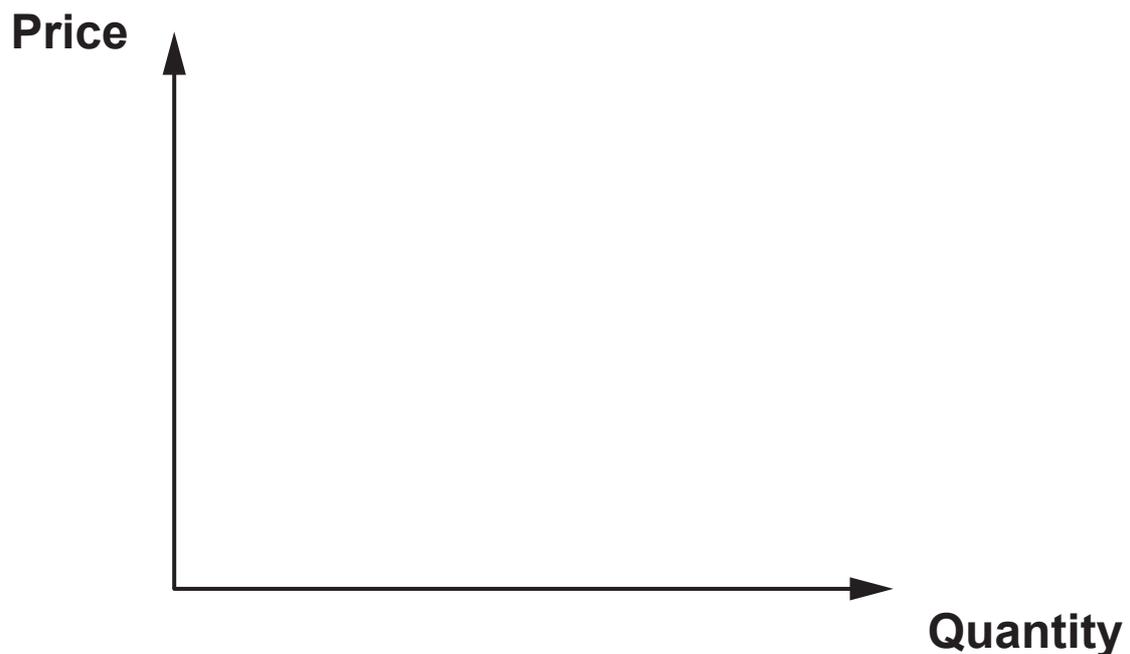
(b) Explain ONE way the government may encourage a reduction in the use of scarce resources.

[2]

- (d) (i) Calculate the change in total revenue if Natan reduces the price from £25 to £20. Show your working.

Answer = £ _____ [2]

- (ii) Draw and label a diagram showing a price elastic demand curve. [2]





22 EXTRACT 2: Northlisle Airport & Air Madeira

Northlisle Airport reported a 42% increase in passenger traffic in 2019. Its annual report says this was due to an increase in both the number of different airlines operating from the airport and the total supply of flights available. Together, these affected the market equilibrium price and quantity.

One new route operated by Air Madeira had proved especially popular. It flew 16 000 passengers between Northlisle and Madeira during 2019, earning a sales revenue of £1 024 000. However, Air Madeira still found it difficult to make a profit on this route.

The flights to Madeira incurred the following total costs during 2019:

Costs of flights, including fuel, staff, etc.	£650 000
Landing fees at both airports	£175 000
Salaries and wages for staff at both airports	£225 000
Other costs	£ 50 000

The struggle to make a profit was due to competition from other airlines and the costs involved in entering the market. Alex Flandie, the owner of Air Madeira, recently stated that it is essential for Air Madeira to make a profit if it is to continue operating.

(a) Explain what is meant by 'supply'.

[2]

(b) Explain ONE cause of an increase in supply.

[2]

(c) Using a diagram, analyse how the market forces of demand and supply could affect the equilibrium price and quantity of airline flights for passengers at Northlisle Airport. [6]

(d) (i) Explain ONE way in which competition could affect Air Madeira.

[2]

(ii) Calculate the profit or loss made by Air Madeira on the route between Northlisle and Madeira in 2019. Show your working.

Answer = £ _____ [2]

23 EXTRACT 3: Production, productivity and specialisation in Oxbria

Anika and Ben are economists. They have been asked to advise Oxbria Economic Development Forum (OEDF) about production, productivity and worker specialisation. OEDF is an organisation where businesses, trade unions and politicians meet to try to improve the economy of the county of Oxbria in the UK. The following is a summary of Anika and Ben's presentation to the OEDF.

OEDF should aim to increase both productivity and production.

Increased production could lead to a rise in demand for labour.

Higher productivity would benefit workers, employers and the local economy.

At present, labour mobility is very low in Oxbria.

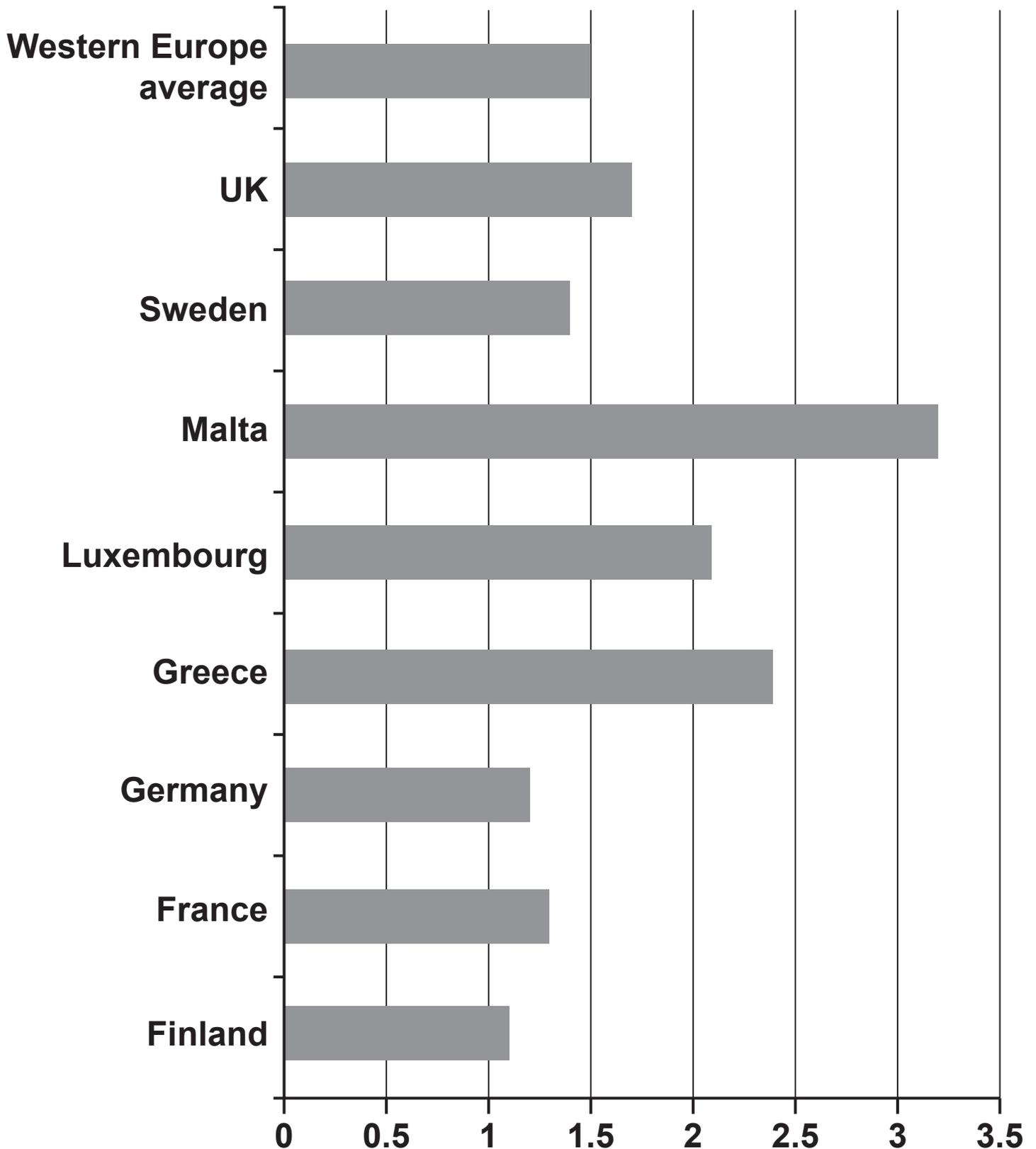
Oxbria would benefit from improving the opportunities for workers to change jobs.

Unemployment levels are quite high in Oxbria and a recent survey about the level of job satisfaction showed workers to be generally unhappy in their jobs.

Greater specialisation by workers would increase the attractiveness of the Oxbria economy to businesses from other parts of the UK.

They also showed a diagram showing the percentage growth in output per worker for the UK and selected European countries for 2018.

Growth in output per worker (%)



(a) Explain what is meant by ‘productivity’.

[2]

(b) Explain ONE way an increase in production could lead to a rise in demand for labour.

[2]

(c) OTHER THAN an increase in demand for labour, analyse why an increase in production could be important for the economy of Oxbria. [6]

(d) (i) Explain how the UK's productivity compares with other European countries.

[2]

(ii) Explain how Oxbria would benefit from improving the opportunities for workers to change jobs.

[2]

(iii)* Evaluate the extent to which specialisation would benefit workers in Oxbria.

Use the information given in EXTRACT 3 on pages 28–29 and your own knowledge. [6]
