Modified Enlarged 24pt

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Wednesday 18 May 2022 – Afternoon

GCSE (9–1) Economics

J205/01 Introduction to Economics

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

YOU MUST HAVE:
the Resource Booklet

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

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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. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.

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.

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SECTION A

Answer ALL the questions in this section.

Write your answer for each question in the box provided.

1 Which of the following refers to the role of the consumer? [1]

A Acts as the end-user of a good or service

B Acts to protect buyers of goods and services

C Can decide what goods and services to supply

D Can introduce regulations about goods and services

Your answer ☐

2 What is meant by unlimited wants? [1]

A Goods which do not have an opportunity cost

B Resources which are essential for survival

C The ability to buy whatever is required

D The infinite desire for goods and services

Your answer ☐

3 Prices change to show where resources are needed. This process is called

A efficiency

B rationing

C signalling

D transmission of preferences

Your answer ☐ [1]

4 Which of the following is the BEST explanation of equilibrium price and quantity? [1]

A Price is the interaction of demand and supply to set the quantity

B Price is unlikely to change given existing demand and supply conditions

C Quantity has the same percentage change as any price change

D Quantity is fixed in relation to changes in demand and supply movements

Your answer ☐

5

Age of driver	Cost of insurance (£)
20	1302
30	756
40	662
50	534

The table shows the cost of insurance for a car, depending on the age of the driver. Which of the following statements is correct? [1]

A A 20-year-old driver pays twice as much as a 50-year-old driver

B A 30-year-old driver pays £500 less than a 20-year-old driver

C The smallest change in insurance payment is between the ages of 30 and 40

D The largest percentage change in insurance payment is between the ages of 40 and 50

Your answer ☐

6 As a result of its growth, a business can now afford to advertise on local radio. This is an example of which economy of scale? [1]

A Financial

B Increased dimensions

C Marketing

D Purchasing

Your answer ☐

7 **A village is over 10 miles away from the nearest two towns. The village shop sells bread. For someone living in the village wanting to buy bread, the shop is a**

A **competitor**

B **monopolist**

C **oligopolist**

D **specialist**

Your answer ☐ **[1]**

8

Which of the diagrams shows a supply curve with a unitary elasticity of supply? [1]

A W

B X

C Y

D Z

Your answer ☐

9 Which of the following is the BEST explanation of the difference between price and worth? [1]

A Price is determined by the interaction of demand and supply whereas worth is how consumers indicate their choices

B Price is how resources are efficiently distributed whereas worth is the opportunity cost of using the resources

C Price is the cost of a product whereas worth is how that price is determined by the market

D Price is the sum of money needed to pay for a product whereas worth is how much someone values the product

Your answer ☐

10 Medium of exchange refers to anything that sets the

A cost of goods and services acceptable to all parties in a transaction

B payment of goods and services acceptable to all parties in a transaction

C price of goods and services acceptable to all parties in a transaction

D the standard of value of goods and services acceptable to all parties involved in a transaction

Your answer ☐ [1]

11 When is a cut in the rate of interest MOST LIKELY to lead to an increase in investment? [1]

A When consumer confidence is low

B When firms do not expect an increase in demand

C When firms know that there is a lack of available credit

D When there is an increase in exports

Your answer ☐

12 Enterprise requires the individual concerned to organise the

A factors of production to minimise the opportunity cost

B market for the factors of production

C production and to bear the risks of the project

D risk involved in borrowing the necessary finance

Your answer ☐ [1]

13 The market supply curve for goods and services normally slopes upwards. Which of the following BEST explains the reason for this? [1]

A Average costs of production fall as output increases

B Higher prices attract new firms to the market

C Opportunity costs of not producing rise as output increases

D Production costs fall as output increases so profits rise

Your answer ☐

14 The prices of branded goods, such as Heinz baked beans, are usually higher than a supermarket's own label. This is likely to be due to

A higher advertising costs

B higher productivity

C lower average costs

D lower profit margins

Your answer ☐ **[1]**

15 Excess demand is corrected in a market by changes in

A price

B quantity

C resource allocation

D taxes

Your answer ☐ **[1]**

16 Firms need to survive in a market. Which of the following is an example of a suitable method to survive? [1]

A Encourage existing customers to return

B Enter into competition with consumers

C Provide an external economy of scale

D Reduce total supply

Your answer ☐

17 Which of the following services is ONLY provided by the UK government? [1]

A Education

B Health

C Police

D Prisons

Your answer ☐

18 Market demand is the total demand for goods and services as a result of

A adding together all individual demand

B adding together direct and indirect demand

C changes in prices at each quantity

D consumers' willingness and ability to buy

Your answer ☐ **[1]**

19

Total output	Total revenue (£)
1	10
2	18
3	24
4	28

The table shows the total revenue of a firm. If output increases from 1 to 4, what is the change in the firm's average revenue? [1]

A + £28

B + £18

C – £10

D – £3

Your answer ☐

20 A clothing manufacturer has decided to specialise in making trousers for women. Which of the following would be a direct benefit of this for the producer? [1]

A Creation of jobs for the local skilled workers

B Increase of job satisfaction of the workers

C Increase of productivity of the workers

D Greater likelihood that workers will change jobs

Your answer ☐

SECTION B

Answer ALL the questions in this section.

21 Read EXTRACT 1 in the Resource Booklet.
Periff Construction Ltd

(a) An auction is a form of market.

Explain what is meant by a market.

_____

_____

_____

_____ **[2]**

(b) Explain which sector of the economy Periff Construction Ltd operates in.

_____

_____

_____

_____ [2]

(c) Using a diagram, analyse how a rise in consumer income could affect the market price and quantity of Periff Construction Ltd's products. [6]

(d) (i) Using the information in EXTRACT 1 in the Resource Booklet draw a supply curve showing the supply of equipment at the next auction.

[2]

(ii) **Explain ONE way in which a business could increase productivity.**

_____

_____

_____

_____ **[2]**

(iii)* **Evaluate the likely effect of increased competition on Periff Construction Ltd.**

Use the information given in EXTRACT 1 in the Resource Booklet and your own knowledge. [6]

22 Read EXTRACT 2 in the Resource Booklet.
Mia and her pay

(a) Explain ONE way in which a labour market may lack perfect mobility.

_____

_____

_____

_____ **[2]**

(b) Explain how Mia, looking for her first job, will be part of a factor market.

_____

_____

_____

_____ **[2]**

(c) Using a diagram, analyse why Mia ‘should not expect to earn as much as someone similar did last year’. [6]

(d) (i) **Using the information in EXTRACT 2 in the Resource Booklet, calculate Mia's gross wage for her first year at Ricomo Ltd. Show your working.**

Answer = £_____ [2]

(ii) **Explain, using an example, how the total revenue of a firm could be increased if its supply curve was perfectly price elastic.**

_____

_____

_____

_____ **[2]**

(iii)* **Evaluate the extent to which an increase in total revenue will lead to more profit.**

Use the information given in EXTRACT 2 in the Resource Booklet and your own knowledge. [6]

23 Read EXTRACT 3 in the Resource Booklet.
Tom's baked potato business

(a) State what is meant by 'money'.

_____

_____

_____

_____ **[2]**

(b) Explain why people have a life insurance policy.

_____

_____

_____

_____ **[2]**

(c) **Analyse the effect of market forces on the price and quantity sold at Tom's business. [6]**

(d) (i) Tom has £6000 in another savings account with RNC Bank.

Using the information in EXTRACT 3 in the Resource Booklet, calculate the increase in interest he would receive by moving this money from RNC Bank to VBS. Show your working.

Answer = £_____ [2]

(ii) **Explain why an overdraft facility might be useful for Tom.**

_____

_____

_____

_____ **[2]**

(iii)* **Evaluate the importance of the financial sector for small producers, such as Tom.**

Use the information given in EXTRACT 3 in the Resource Booklet and your own knowledge. [6]

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