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OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Wednesday 18 May 2022 – Afternoon

GCSE (9–1) Economics

J205/01 Introduction to Economics

Resource Booklet

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21 EXTRACT 1
Periff Construction Ltd

Alex and Zayn are joint owners of Periff Construction Ltd which specialises in housebuilding and extensions. They are looking to expand their business and so need to buy more equipment. They hope to buy this at an auction, but have heard that other competitors will also be there, which could lead to higher prices. Alex and Zayn have looked at previous auctions and have seen that if prices rise, this leads to more supply in the future.

Price (£)	Quantity supplied at the first auction	Quantity supplied at the next auction
1000	5	5
2000	5	6
3000	5	8
4000	5	12
5000	5	20

The extra equipment is needed as consumer income is rising. The government has also tried to help the construction industry by cutting income tax. Alex has explained to Zayn that to make the most of the tax cuts they will need to increase output and improve productivity. This is because the tax cuts are likely to increase the competition they face.

22 EXTRACT 2

Mia and her pay

Mia is looking for her first job, having just gained a good degree in Economics. Layla, her Economics tutor, has explained that the labour market lacks perfect mobility and that Mia will be part of a factor market. With the current low demand for and high supply of labour, Layla has told Mia that she should not expect to earn as much as someone similar did last year.

Mia has told Layla that she has already been offered a job by Ricomo Ltd. Mia will receive a starting wage of £30 000 a year, plus an extra £200 for each month she stays with the firm. She will also receive an extra 10% of her starting wage, as a bonus, at the end of her first year.

Mia says that this wage package is because Ricomo's Ltd owners think that employing her will lead to an increase in total revenue. This will enable the business to gain more

profit and to supply more products to the market. This is because the owners claim that their products have a perfectly price elastic supply.

23 EXTRACT 3

Tom's baked potato business

Tom owns and runs a baked potato business from a mobile unit in the main street of Voreda. Consumers can buy the potatoes with a variety of fillings, in exchange for money. Each morning, Tom transports his equipment and food by car and trailer which are insured with Durdar Insurance. He also has a life insurance policy with the same firm.

Demand for Tom's food varies a lot, although he has many regular customers. There has been an increase in the number of cafés and food takeaway shops within a short distance of his site.

Last year, Tom closed a savings account with RNC Bank and moved it to Voreda Building Society (VBS), to gain a higher return. VBS has also agreed to provide Tom with an overdraft facility, similar to the one he had with RNC Bank.

Financial institution	Value of savings (£)	Rate of interest (%)
RNC Bank	1 or more	0.01
VBS	1 to 999	0.10
VBS	1000 to 4999	0.15
VBS	5000 or more	0.20

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