

Candidate Name	Centre Number	Candidate Number



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced Subsidiary GCE

ECONOMICS

2881/AB

THE MARKET SYSTEM

Friday **10 JUNE 2005** Afternoon 1 hour

Additional materials:
 Separate question paper.
 Candidates answer in this designated Answer Booklet.

TIME 1 hour

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided at the top of this page.
 Answer **all** questions.

Write all your answers in the spaces in this answer booklet.

The spaces should be sufficient for your answers but if you require more space use the lined page at the end of this booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.
 The quality of your written communication will be taken into account in marking your answer to the question labelled with an asterisk(*).

FOR EXAMINER'S USE	
TOTAL MARK	

This answer booklet consists of 5 printed pages, 1 lined page and 2 blank pages.

- (a) 'Prices are ... determined by the market' (line 7).
Draw a diagram to show what this means.

[4]

- (b) (i) With the aid of a diagram, explain how the market for take-away food in Bradford might be affected by a successful advertising campaign for take-away food.

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- (ii) With the aid of a diagram, explain how the market for take-away food in Bradford might be affected by an increase in the cost of ingredients used in take-away food products.

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- (c) Researchers at a local college have estimated that the income elasticity of demand for take-away food in Bradford is + 1.5.

- (i) Explain what this estimate means.

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- (ii) Comment on its business significance to take-away food shop owners.

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(d) If a take-away food shop grows in size, it can benefit from economies of scale.

(i) Define the term 'economies of scale.'

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(ii) Identify and explain **one** example of an economy of scale that might be of benefit to a take-away food shop.

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(e) Owners of take-away food shops do not always maximise profits. Explain **two** reasons why this might be the case.

Reason 1

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Reason 2

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.....[6]

(f) (i) Explain **two** characteristics of monopolistic competition.

Characteristic 1

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Characteristic 2

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*(ii) Using the information provided, discuss the extent to which the market for take-away food in Bradford is monopolistically competitive.

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