

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced Subsidiary GCE

ECONOMICS

2881

THE MARKET SYSTEM

Friday

10 JUNE 2005

Afternoon

1 hour

Additional materials:

Designated Answer Booklet [2881/AB]

TIME 1 hour

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.

Answer **all** questions.

Write all your answers on the separate answer booklet provided.

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 (*).

This question paper consists of 4 printed pages.

Answer **all** parts of this question in the accompanying answer booklet.

Curry Houses in Bradford

Bradford, West Yorkshire, is well known as the 'curry capital' of the north of England. The city and its suburbs had an estimated 450-500 small take-away food shops in 2003. Virtually all of these are family-owned and as such, it is not clear whether all owners seek to maximise their profits.

The products sold are diverse and distinctive – each business has its own range of curries, kebabs and Asian snacks. These are often made according to specific family or regional recipes. Prices are competitive and determined by the market. 5

The cost of starting up a take-away food shop amounts to just a few thousand pounds. A major concern for many would-be owners though is the need to have a food hygiene certificate for the premises. Staff must also have a similar certificate to allow them to prepare food for retail sale. 10

- (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. [4]
- (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. [4]
- (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. [2]
- (ii) Comment on its business significance to take-away food shop owners. [4]
- (d) If a take-away food shop grows in size, it can benefit from economies of scale.
- (i) Define the term 'economies of scale.' [2]
- (ii) Identify and explain **one** example of an economy of scale that might be of benefit to a take-away food shop. [3]
- (e) Owners of take-away food shops do not always maximise profits. Explain **two** reasons why this might be the case. [6]
- (f) (i) Explain **two** characteristics of monopolistic competition. [4]
- * (ii) Using the information provided, discuss the extent to which the market for take-away food in Bradford is monopolistically competitive. [12]

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