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RECOGNISING ACHIEVEMENT

ADVANCED SUBSIDIARY GCE UNIT **2881/AB**

ECONOMICS

The Market System

THURSDAY 18 JANUARY 2007 Morning

Time: 1 hour

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

Candidate Name

Centre Number

Candidate Number

INSTRUCTIONS TO CANDIDATES

- Write your name, Centre number and candidate number in the boxes above.
- Answer **all** the questions.
- Write your answers in the spaces provided on this separate answer booklet.
- The spaces should be sufficient for your answers but if you require more space use the lined pages at the end of this booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

- The number of marks for each question 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 (*).

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Total Mark	

This document consists of **6** printed pages and **2** lined pages.

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(a) **(i)** Describe what is meant by a market.

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.....[2]

(ii) Using the information provided, give **two** examples of different markets in which the Royal Mail operates.

1. .....

2. .....[2]

(b) Using a supply and demand diagram, explain how the market for postal services has been affected by the increased use of e-mail and mobile phone texting (lines 8–10).

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.....[4]

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(c) The supply of first and second class postal services was likely to have been relatively inelastic until January 2006.

(i) Describe what is meant by inelastic supply.

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.....[2]

(ii) Using a supply and demand diagram, explain how the market for first and second class postal services might be affected by increased competition from January 2006.

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.....[4]

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(d) **(i)** Define economies of scale.

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.....[2]

(ii) State and explain **one** economy of scale from which the Royal Mail may benefit.

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.....[3]

(e) **(i)** Explain what is meant by the term barriers to entry.

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.....[2]

(ii) State and explain **two** examples of barriers to entry into the UK postal market.

1. .....

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2. .....

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(f) Comment upon why new entrants into the postal market, such as UK Mail and Business Mail, may not necessarily maximise profits.

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.....[6]

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***(g)** Discuss the extent to which the Royal Mail might still be regarded as a monopolist after the changes outlined in the article.

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If you use the following lined pages or additional sheets to complete an answer to any question, the question number must be clearly shown.

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