

<b>Candidate Forename</b>						<b>Candidate Surname</b>					
<b>Centre Number</b>						<b>Candidate Number</b>					

**ADVANCED SUBSIDIARY GCE**

**2881/AB**

**ECONOMICS**

**The Market System**

**WEDNESDAY 3 JUNE 2009: Afternoon**

**DURATION: 1 hour**

**SUITABLE FOR VISUALLY IMPAIRED CANDIDATES**

**Candidates answer in this Designated Answer Booklet**

**OCR SUPPLIED MATERIALS:**

**Question Paper 2881**

**OTHER MATERIALS REQUIRED:**

**None**

**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes on the first page.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully and make sure that you know what you have to do before starting your answer.**
- **Answer ALL the questions.**
- **Write your answer to each question in the space provided, however additional paper may be used if necessary.**

## **INFORMATION FOR CANDIDATES**

- **The number of marks is given in brackets [ ] at the end of each question or part question.**
- **The total number of marks for this paper is 45.**
- **The quality of your written communication will be taken into account in marking your answers to the question labelled with an asterisk (\*).**

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

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**[2]**

**(ii) How is the price of package holidays determined in the market?**

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**[2]**

**(b) (i) Using the information provided, state and explain TWO reasons for the fall in demand for package holidays.**

**1.** \_\_\_\_\_

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**2.** \_\_\_\_\_

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\_\_\_\_\_ **[4]**

- (ii) Using a demand and supply diagram, show how the fall in demand for package holidays has affected the market price.**

**[4]**

- (c) Tour operators have reduced supply in order to maintain prices. Using a diagram, explain the effect of a reduction in supply on the market.**

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**[5]**

**(d) (i) Define the term ‘price elasticity of demand’.**

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**[2]**

**(ii) Explain why the price elasticity of demand for package holidays ‘is becoming more price elastic’. (lines 23–24)**

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**[4]**

[illegible]



- (f) (i) Using examples from the information provided, explain the difference between the fixed costs and variable costs of a package holiday.**

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**[4]**

- \*(ii) Discuss the likely effects of a substantial increase in the cost of aircraft fuel on the market for package holidays.**

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[illegible]

[illegible]

[illegible]

[illegible]

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