

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced Subsidiary GCE

ECONOMICS

THE MARKET SYSTEM

Revised Specimen Answer Book

2881/AB

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 provided on this separate answer booklet.

The spaces should be sufficient for your answers but if you require more space use the lined page(s) 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(*).

The total mark for this paper is 45.

7812/3812/SP/EN/02

This answer booklet consists of 8 printed pages.

Theme Parks – An Industry Riding for a Fall

1.(a)(i) Define the term opportunity cost.

.....
.....
.....
.....
.....[2]

(ii) Explain how opportunity cost could be applied to a family deciding on whether to visit a particular theme park such as Chessington’s World of Adventures.

.....
.....
.....
.....
.....
.....
.....
.....[2]

(b) Use a diagram **in each case** to explain how the demand for visits to Chessington's World of Adventures might be affected by

(i) a general increase in household income

Explanation:.....
.....
.....
.....
.....
.....
.....
.....
.....[4]

(ii) the opening of a new leisure attraction such as the London Eye.

Explanation:.....
.....
.....
.....
.....
.....
.....
.....[4]

- (iii) The company is considering increasing the average ticket price from £15 to £18 but is concerned about the effect that this increase might have on its revenue. What advice can you provide?

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

.....[5]

- (d) All theme parks have high fixed costs which might deter new firms from entering the industry. Chessington’s Samurai ride, for example, cost £3m to build.

- (i) Explain the difference between the fixed and variable costs of the theme park industry.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

.....[4]

- (ii) Excluding the high costs of entry, state and explain **two** other likely barriers to entry into the theme park industry.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[4]

- (e)* Chessington’s World of Adventures aims to maximise its profits each year; economists have stated that this is not the case with most smaller, family-owned theme parks.

Discuss whether profit maximisation is the **only** objective for all firms in the theme park industry.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

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

Lined page with 25 horizontal dotted lines for writing.