

**GENERAL CERTIFICATE OF SECONDARY EDUCATION  
ECONOMICS**

**1985/04**

Paper 4 (Higher Tier)

**MONDAY 23 JUNE 2008**

Afternoon

Time: 1 hour 30 minutes

Candidates answer on the question paper

**Additional materials (enclosed):** Clean copy of case study (1985/02 & 04(CS))

**Additional materials (required):**

None



Candidate  
Forename

Candidate  
Surname

Centre  
Number

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Candidate  
Number

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**INSTRUCTIONS TO CANDIDATES**

- Refer to the Case Study given in a separate booklet.
- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or 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.
- Do **not** write in the bar codes.
- Show your workings for **all** calculations.
- Additional answer space is available on the lined pages at the back of the book.
- Answers on these pages **must** be clearly numbered.
- Write your answer to each question in the space provided.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **80**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (\*).
- You may use an approved calculator.

**FOR EXAMINER'S USE**

Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
Question 6	
Question 7	
Question 8	
TOTAL	

This document consists of **11** printed pages and **1** lined page.

**Question 1**

Use Fig. 1 to answer the following questions.

- (a)** Compare the time taken to travel to work on Merseyside and in London.

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[2]

- (b)** Discuss the costs and benefits of charging motorists to drive in congested areas.

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[6]

**TOTAL MARKS 8**

**Question 2**

Use Fig. 2 to answer the following questions.

- (a)** Calculate the number of people employed in the public sector in the UK. Show your working.

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[2]

- (b)** Should health care in the UK be provided by the public or private sector? Give reasons for your answer.

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[6]

**TOTAL MARKS 8**

### Question 3

Use Fig. 3 to answer the following questions.

- (a) Calculate the average cost per customer if Jane has 40 customers per week. Show your working.

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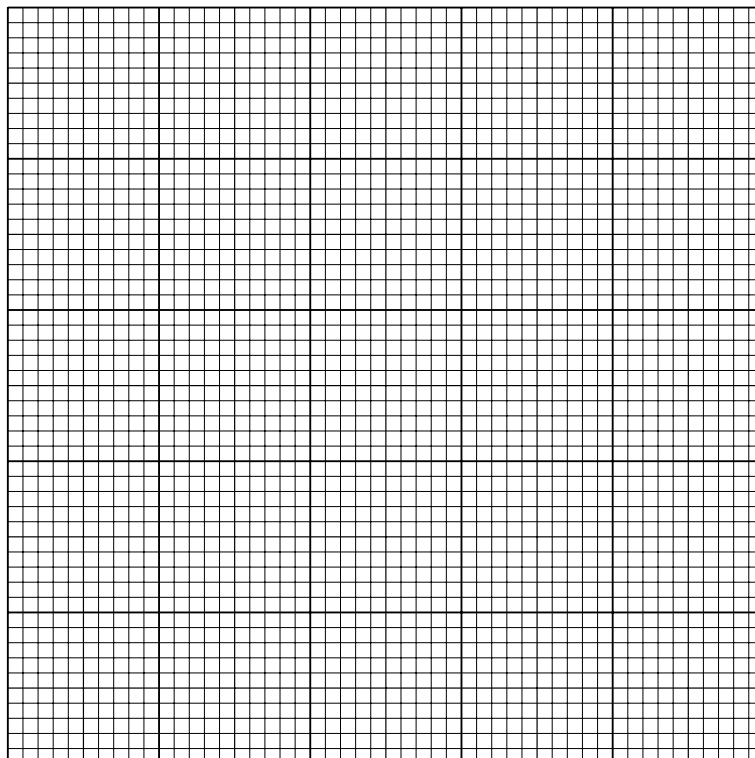


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[2]

Number of customers	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
10	1000	50	1050	
20	1000	100	1100	
30	1000	150	1150	750
40	1000	200	1200	
50	1000	250	1250	
60	1000	300	1300	

- (b) Using the table above and information from the case study, construct and label a break even chart for Jane's business *Cuts Both Ways*.



[5]

- (c) State the break even output of Jane's business.

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[1]

- (d) The market for hairdressing on Merseyside is very competitive with price elastic demand. How should Jane change price in order to increase total revenue? Justify your answer.

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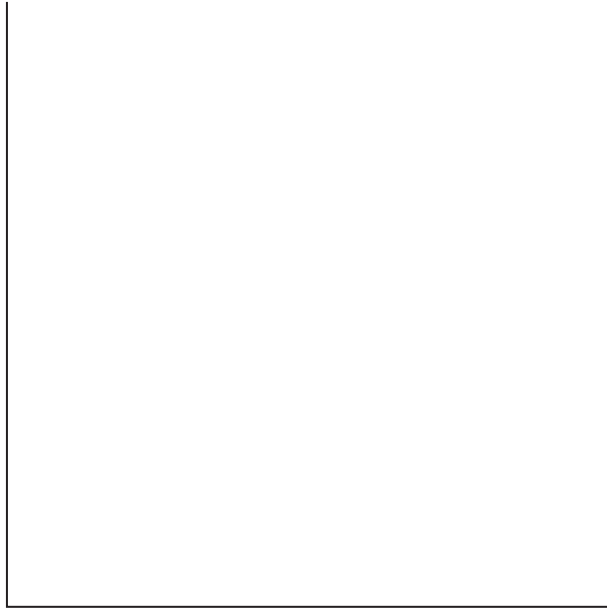
[4]

**TOTAL MARKS 12**

**Question 4**

Use Fig. 4 to answer the following questions.

Using a demand and supply diagram, explain how increased interest rates would affect the price and sales of houses.



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[5]

### Question 5

Use Fig. 5 to answer the following questions.

- (a) State **three** economic variables which the Monetary Policy Committee of the Bank of England might take into account when setting its interest rate.

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

3. \_\_\_\_\_[3]

- (b)** Using Figs. 5 and 6 and your knowledge of economics, do you agree that reducing the Bank of England interest rate benefits the UK economy? Justify your answer.

[illegible]

**TOTAL MARKS 15**

**Question 6**

Use Fig. 6 to answer the following questions.

- (a) Explain what happened to prices between 2004 and 2006.

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[2]

- (b) Explain **one** cause of inflation.

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[3]



**\*(c)** Discuss how increased inflation might affect the Jackson family.

[illegible]

**TOTAL MARKS 13**

**Question 7**

Use Fig. 7 to answer the following questions.

- (a)** Explain how exchange rates are determined.

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[4]

- (b)** Would it have been better for the Jackson family to have gone on holiday to France in May or September 2006? Give reasons for your answer.

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[4]

**TOTAL MARKS 8**

**\*Question 8**

Using the information from the case study and your knowledge of economics, discuss how the lives of the Jackson family might have been affected by changes in the UK economy between 2000 to 2006.

[illegible]

[14+2]

**TOTAL MARKS 16**

If you use the following lines to complete the answer to any question, the question number **must** be clearly shown.

[illegible]

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