



GENERAL CERTIFICATE OF SECONDARY EDUCATION
ECONOMICS

A591

How the Market Works

Monday 7 June 2010
Morning

Duration: 1 hour

Candidates answer on the Question Paper

OCR Supplied Materials:
None

Other Materials Required:

- Calculators may be used



Candidate Forename		Candidate Surname	
--------------------	--	-------------------	--

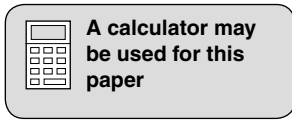
Centre Number						Candidate Number				
---------------	--	--	--	--	--	------------------	--	--	--	--

INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- 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.
- Do **not** write in the bar codes.
- 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 is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- The quality of your written communication will be taken into account in marking your answers to the questions labelled with an asterisk [*].
- This document consists of **16** pages. Any blank pages are indicated.



Answer **all** the questions

Fig. 1 FAS Ltd

FAS Ltd is a private company in the secondary sector of the economy. Chris has recently taken over the company from his father. He believes that it is important for the company to grow in size. Chris has identified the following economies of scale as being particularly important:

- availability of skilled workforce;
- infrastructure, e.g. road building;
- marketing;
- risk bearing.

FAS Ltd operates in a competitive market which gives rise to both advantages and disadvantages to the company.

- 1 (a) A number of economies of scale are listed in Fig. 1.
Tick the **two** boxes that identify **internal** economies of scale.

Economy of Scale	Tick
Availability of skilled workforce	
Infrastructure, e.g. road building	
Marketing	
Risk Bearing	

[2]

- (b) (i) With the aid of an example, explain what is meant by the secondary sector.

.....

 [2]

- (ii) Explain **one** difference between a public enterprise and a private enterprise.

.....

 [2]

- (c) (i) State and explain **one** advantage to a firm such as FAS Ltd of operating in a competitive market.

Advantage

Explanation

.....
.....
.....
.....
..... [3]

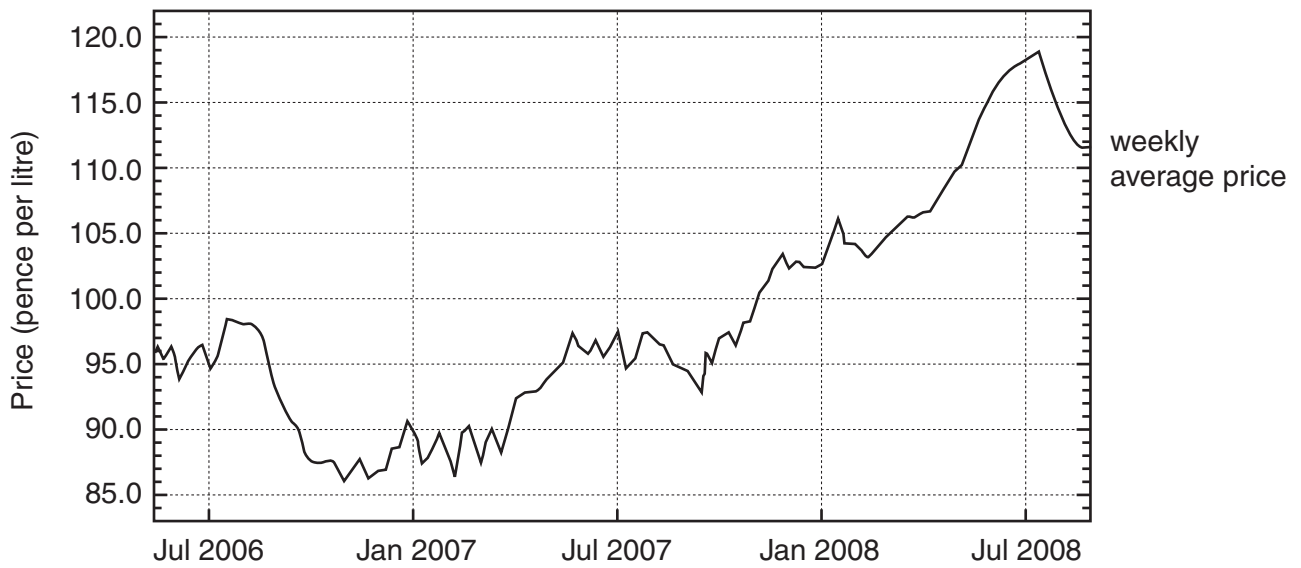
- (ii) State and explain **one** disadvantage to a firm such as FAS Ltd of operating in a competitive market.

Disadvantage

Explanation

.....
.....
.....
.....
..... [3]

Fig. 2 UK Price of Petrol



- 2 (a) Using Fig. 2, describe what happened to the price of petrol in the UK between January 2007 and July 2008.

.....

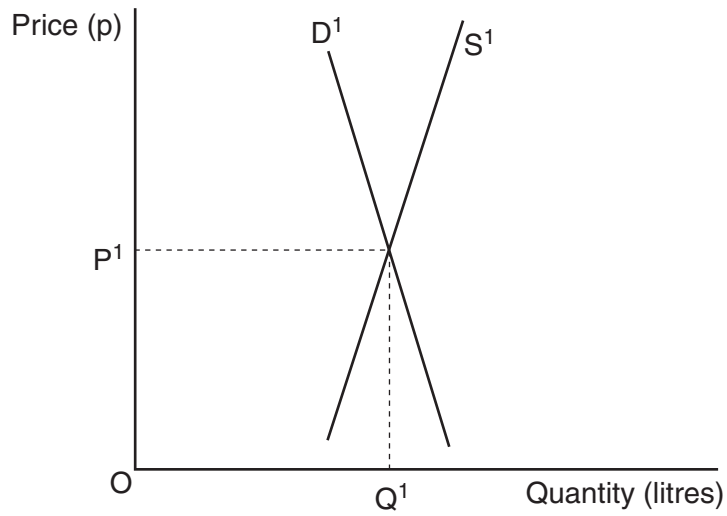
.....

.....

..... [2]

(b)

Fig. 2.1 Market for Petrol



(i) Fig. 2.1 shows the demand for and supply of petrol. On Fig. 2.1, draw and label a new curve to show the effect on the market for petrol of an increase in the price of oil. [2]

(ii) In the tables below, tick the boxes that state what happens to:

- the market price of petrol;
- the quantity of petrol sold.

The market price will:	Tick
Go up	
Stay the same	
Go down	

The quantity sold will:	Tick
Go up	
Stay the same	
Go down	

[2]

(iii) Assume there is a fall in the price of petrol. Explain how the price elasticity of demand for petrol might affect the revenue of petrol companies.

.....

.....

.....

..... [2]

(c) Explain **one** likely effect of a large increase in the price of new cars on the demand for petrol.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

Fig. 3 Costs and Revenue for Trung’s Restaurant

Trung’s sells a mix of Chinese and Vietnamese food. Lan, the owner, deals with all the finances for the restaurant. She has identified the following costs and revenue for 2009.

	£
Total revenue	450 000
Total variable cost	220 000
Total fixed costs	150 000
Profit	<input style="background-color: #cccccc;" type="text" value="?"/>

Lan is worried that the opening of new Chinese and Indian restaurants in the local area will:

- greatly increase competition;
- lead to a fall in profits;
- lead to a rise in the cost of factors of production.

She is also concerned that another rise in the national minimum wage will greatly affect the restaurant’s costs. To help the business, Lan wants to increase consumer demand and improve productivity.

3 (a) Using Fig. 3, calculate the profit made in 2009. Show your working.

.....

.....

.....

..... [2]

(b) State **two** factors of production and explain why the cost of each might rise if competition is increased.

Factor 1

Explanation

.....

.....

.....

Factor 2.....

Explanation

.....

.....

..... [4]

(c) Explain how a business such as Trung’s Restaurant could:

(i) increase consumer demand;

.....

.....

.....

.....

.....

..... [3]

(ii) improve productivity.

.....

.....

.....

.....

.....

..... [3]

Additional answer space. If you use this space please make sure you number your answers carefully.

A series of horizontal dotted lines providing space for writing answers.

A series of horizontal dotted lines spanning the width of the page, intended for handwriting practice or notes.

A series of horizontal dotted lines for writing, spanning the width of the page.

PLEASE DO NOT WRITE ON THIS PAGE



Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations, is given to all schools that receive assessment material and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.

OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.