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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
GENERAL CERTIFICATE OF SECONDARY EDUCATION**

A591/02

ECONOMICS

How the Market Works

MONDAY 6 JUNE 2011: Morning

DURATION: 1 hour

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the question paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

**A calculator may
be used for this
paper**

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.**
- **Answer ALL the questions.**

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 [*].**

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Answer ALL the questions.

FIG.1 PLUMRITH BUSINESS AND ENTERPRISE COLLEGE

Plumrith Business and Enterprise College is in the tertiary sector. The Headteacher knows that there is enough money to either employ an additional English teacher or to re-equip the Economics classrooms.

The Headteacher has started to prepare a memo to send to the governors on this matter.

MEMO

TO: THE GOVERNORS

FROM: THE HEADTEACHER

TOPIC: BENEFITS OF EMPLOYING NEW ENGLISH TEACHER OR RE-EQUIPPING ECONOMICS CLASSROOMS

English teacher:

- improve results
- introduce more drama
- reduce class sizes

Re-equip Economics classrooms:

- attract more funding from local business
- improve the image as a specialist college
- improve teaching

1 The College would need to purchase some new desks if the re-furbishment of the Economics classroom is chosen.

(a) (i) Select ONE example in the table below which relates to the tertiary sector. [1]

| EXAMPLE OF THE TERTIARY SECTOR | TICK |
|---|-------------|
| Cutting the wood to make new desks | |
| Making the new desks | |
| Teaching | |

(ii) The Headteacher and the Governors chose to re-equip the Economics classrooms. What was the opportunity cost of this decision?

_____ [1]

(iii) Explain how this decision shows the basic economic problem.

[2]

(b) In re-equipping the classrooms the College has used its money as a medium of exchange. State TWO other functions of money.

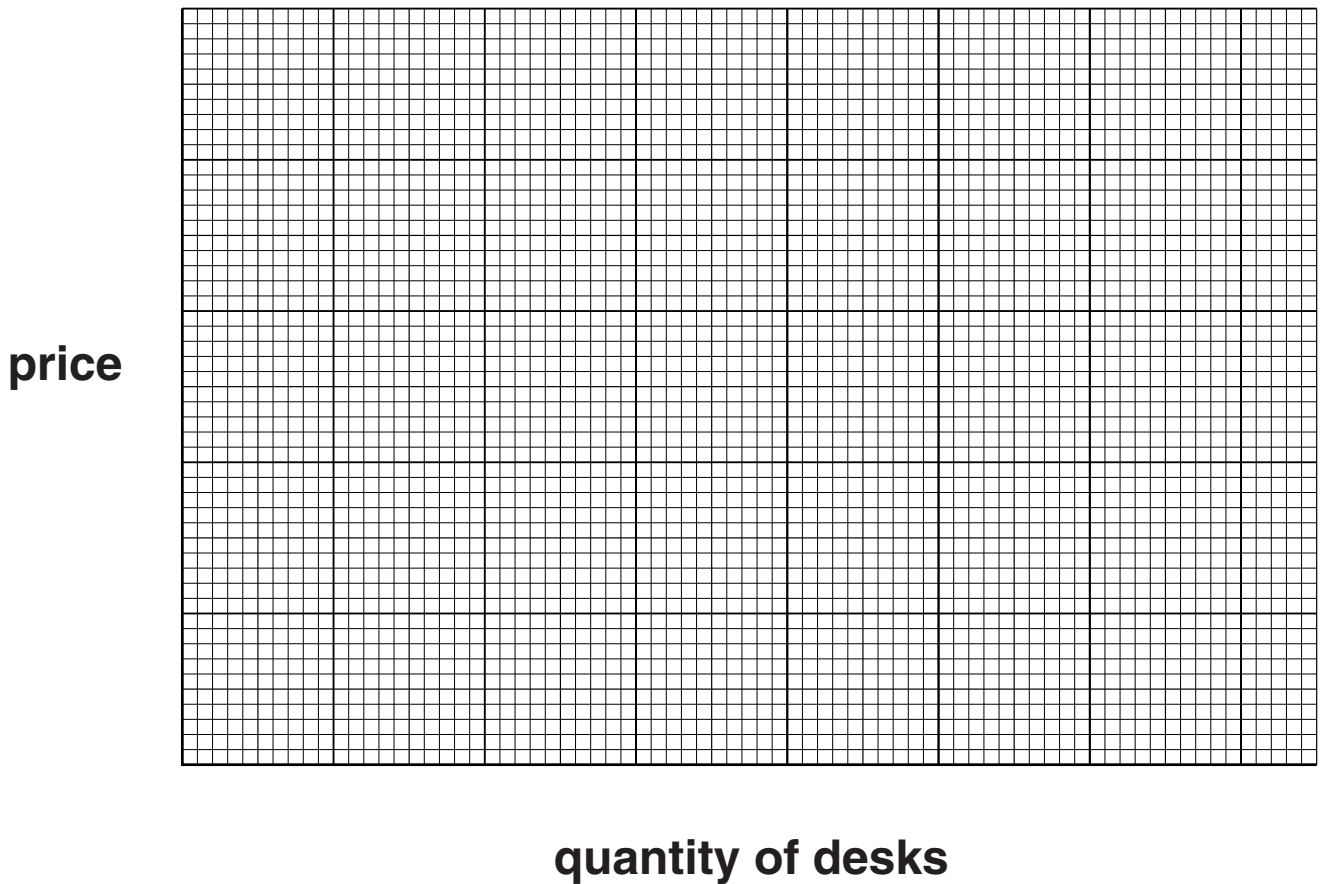
Function 1 _____

Function 2 _____ [2]

(c) (i) The table below shows the demand for and the supply of classroom desks.

| PRICE (£) | DEMAND FOR DESKS | SUPPLY OF DESKS |
|------------------|-------------------------|------------------------|
| 60 | 20 | 100 |
| 50 | 40 | 80 |
| 40 | 60 | 60 |
| 30 | 80 | 40 |
| 20 | 100 | 20 |
| 10 | 120 | 0 |

Using the information in the table opposite,
draw and label a demand and supply diagram.



[4]

(ii) What is the equilibrium:

price? _____

quantity? _____ [2]

(d)* Discuss the factors which are likely to cause the price of classroom desks to increase.

[8]

FIG. 2 CULTHWAITE RAIL

Culthwaite Rail Ltd operates rail services to the Culthwaite Valley, and the surrounding area, which is situated in a National Park.

Jacek Padereski, the Managing Director, considers that Culthwaite Rail has come through the recent economic crisis in a good position because it had:

- **spent money on improving its capital equipment;**
- **a good understanding of the market for its product;**
- **a monopoly of rail services in its area.**

In 2010 its total revenue was £210 000. It carried 14 000 passengers.

2 (a) (i) State a factor of production which is mentioned in Fig. 2.

_____ [1]

(ii) State ONE other factor of production.

_____ [1]

(b) (i) Using Fig. 2, calculate the average revenue in 2010. Show your working.

[2]

(ii) The demand for journeys is price inelastic. Explain how Culthwaite Rail Ltd could increase its total revenue by changing its price.

[2]

(c) Culthwaite Rail Ltd operates in the private sector. State and explain TWO differences between the private and public sectors.

Difference 1 _____

Explanation _____

Difference 2 _____

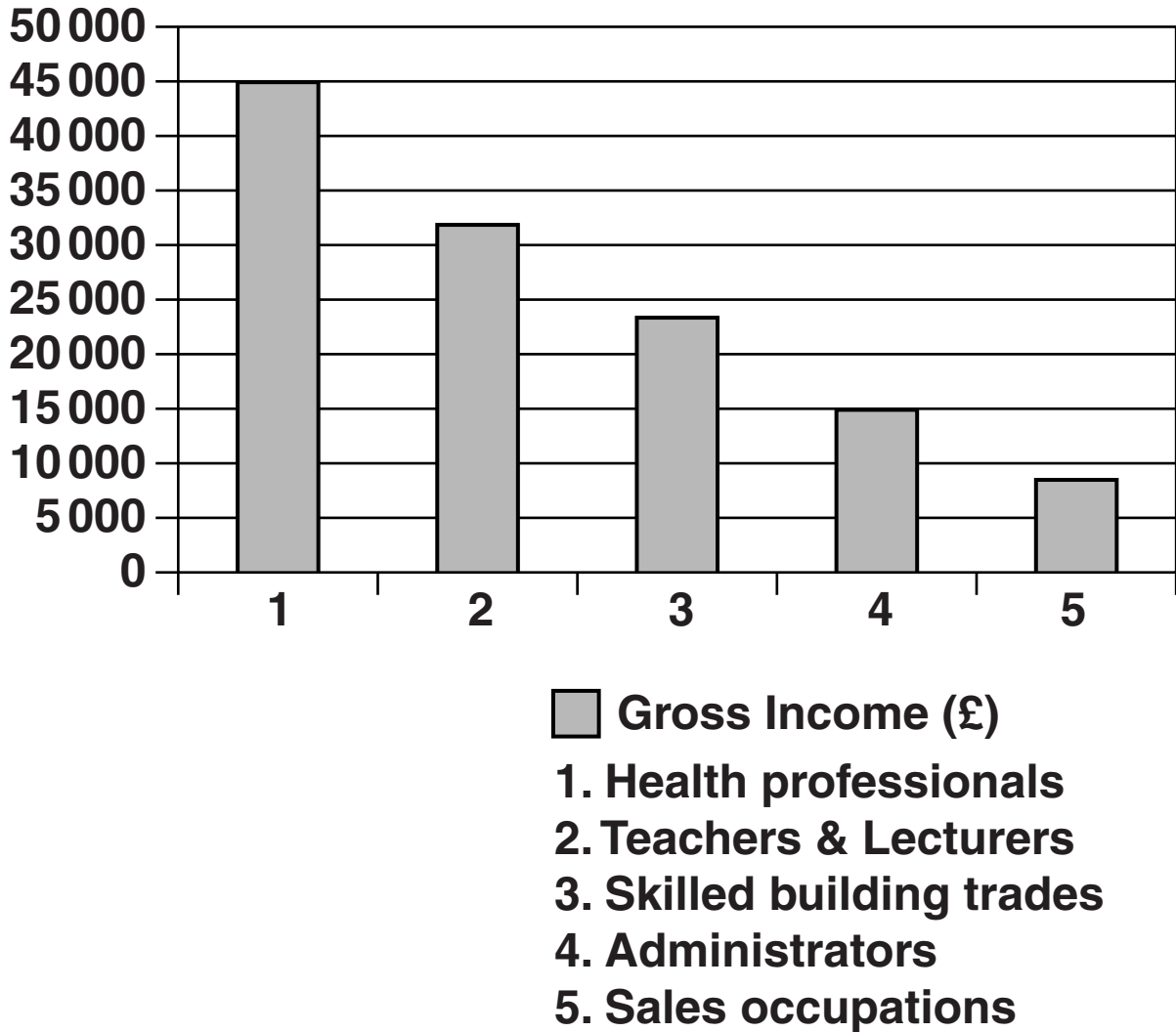
Explanation _____

[6]

[8]

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FIG. 3 AVERAGE GROSS INCOME OF WORKERS (£)



3 (a) Using Fig. 3, calculate the difference in the average gross income per year between Health professionals and Administrators. Show your working.

[2]

- (b) (i) Using TWO of the words below, complete the sentence so that it explains what is meant by gross income.**

DEDUCTIONS

NET

TAXES

TOTAL

Gross income is the _____

amount that a person receives before

all _____ are taken into

account.

[2]

- (ii) In the table below, which TWO payments are taken away from gross income to give net income?**

| PAYMENT | TICK |
|---------------------------|-------------|
| Council Tax | |
| Income Tax | |
| National Insurance | |
| Value Added Tax | |

[2]

(c) (i) Explain what is meant by productivity.

[2]

(ii) State and explain TWO ways in which the productivity of a worker could be increased.

Way 1 _____

Explanation _____

Way 2 _____

Explanation _____

[4]

[8]

Paper Total [60]

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