

GENERAL CERTIFICATE OF SECONDARY EDUCATION
ECONOMICS

How the Market Works

A591/02

Monday 6 June 2011
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	
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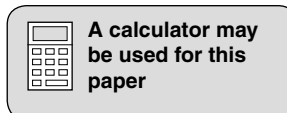
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. 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.
- Do **not** write in the bar codes.

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 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: <ul style="list-style-type: none"> • improve results • introduce more drama • reduce class sizes 	Re-equip Economics classrooms: <ul style="list-style-type: none"> • 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]

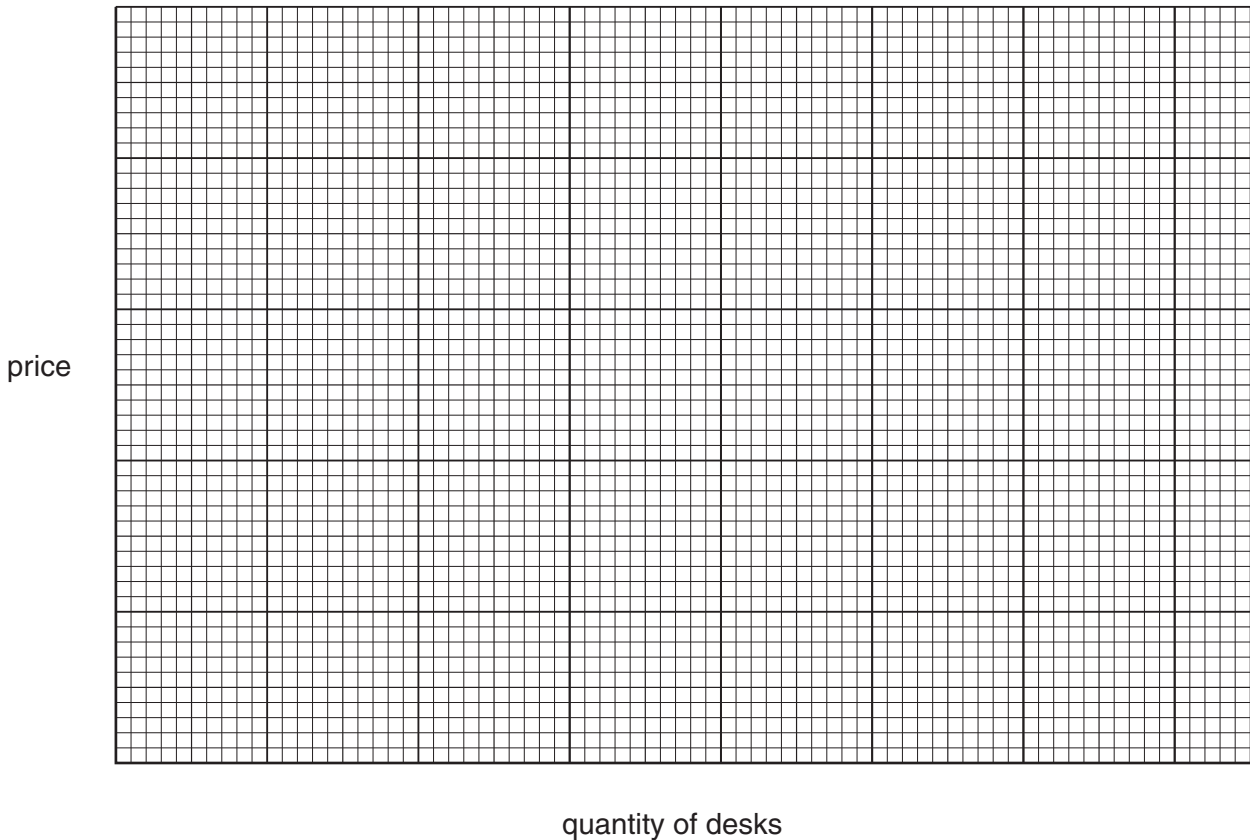
(b) In re-equipping the classrooms the College has used its money as a medium of exchange. State **TWO** other functions of money.

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 above, draw and label a demand and supply diagram.



(ii) What is the equilibrium: [4]
 price?
 quantity? [2]

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

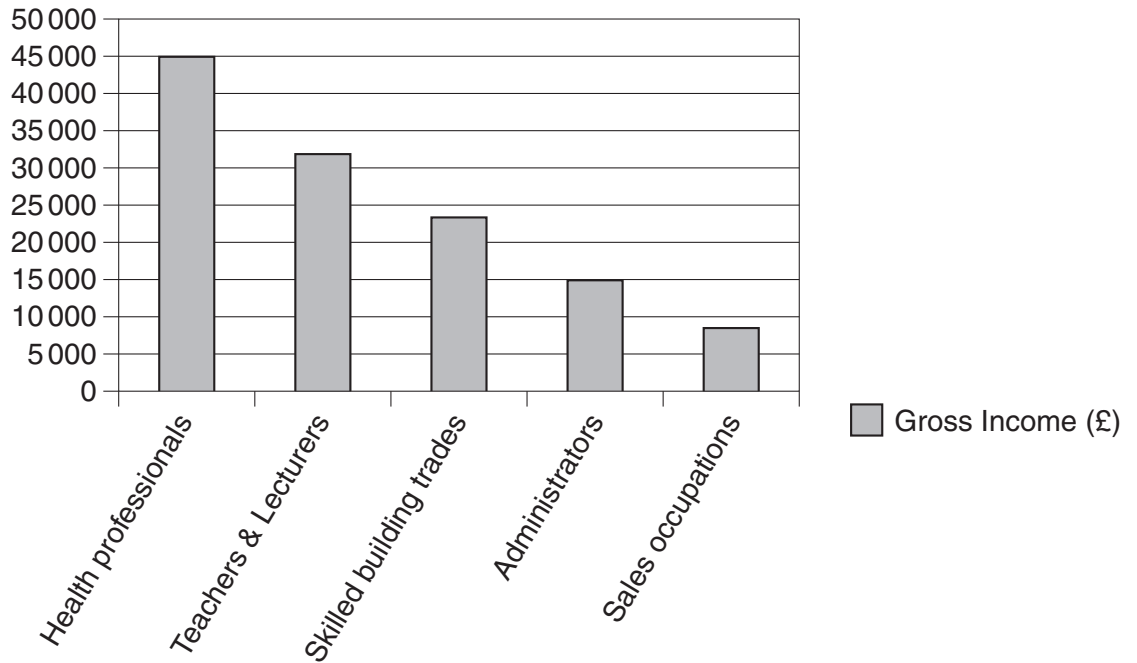
Explanation

.....

.....

..... [6]

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]

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A series of 28 horizontal dotted lines spanning the width of the page, intended for handwriting practice.

A series of horizontal dotted lines for writing.



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