



Oxford Cambridge and RSA

Tuesday 03 November 2020 – Morning

GCSE (9–1) Economics

J205/01 Introduction to Economics

Time allowed: 1 hour 30 minutes



You can use:

- a scientific or graphical calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions.

INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **24** pages.

ADVICE

- Read each question carefully before you start your answer.

Section A

Answer **all** the questions in this section.

Write your answer for each question in the box provided.

1 When a society does not use money to exchange goods and services it is called

- A** a barter economy
- B** a market economy
- C** equilibrium
- D** specialisation in production

Your answer

[1]

2 Which of the following is an example of a market in operation?

- A** A country experiences inflation
- B** Consumers buy services from producers
- C** The government taxes producers
- D** Workers pay taxes out of their wages

Your answer

[1]

3 Which of the following would shift the supply curve for a good to the right?

- A** A fall in the firm's costs of production
- B** A positive change in consumer tastes
- C** A successful advertising campaign
- D** A tax on the good

Your answer

[1]

- 4 A chemist earns £40 000 a year. She has £100 000 in a bank account and the bank pays interest at 3% per year. Her gross income per year is

- A £3000
- B £40 000
- C £43 000
- D £140 000

Your answer

[1]

- 5 Demand is defined as

- A the desire to purchase a good or service over time
- B the relationship between the quantity of a good or service sold and consumer incomes
- C the relationship between the total revenue a firm receives and the price
- D the willingness and ability to purchase a good or service

Your answer

[1]

6

	2018
Fixed cost	£12 000
Variable cost	£20 per unit
Output	300 units

The table shows some cost and output data for 2018 for a firm producing gloves. In 2019, variable costs increased by 15% but fixed costs and output did not change. Calculate the firm's total costs in 2019.

- A £6900
- B £18 000
- C £18 900
- D £20 700

Your answer

[1]

7 A business which operates in the secondary sector

- A grows agricultural products
- B manufactures goods
- C mines for commodities such as copper ore
- D produces services

Your answer

☐

[1]

8 Which of the following is the **most** likely effect of an increase in advertising on the market for breakfast cereals?

- A The market demand curve shifts to the left
- B The market demand curve shifts to the right
- C The market supply curve shifts to the left
- D The market supply curve shifts to the right

Your answer

☐

[1]

9 Traditionally, the main function of a building society is to

- A help the government to fund any shortage in tax receipts
- B insure properties against damage
- C provide funds for individuals to purchase a house
- D provide funds for industry to invest

Your answer

☐

[1]

10

Sector	Percentage share of national output
Primary	10
Secondary	40
Tertiary	50

The table shows the share of national output for each sector of an economy in a year. Which conclusion can be made from the data?

- A The economy is smaller than most other economies
- B The secondary sector is four times larger than the primary sector
- C The tertiary sector is the fastest growing sector
- D The total value of national output is £100

Your answer

☐

[1]

11 Which of the following is **most** likely to increase the wage rate of teachers in the UK?

- A A fall in the number of children of school age
- B A shortage of qualified teachers
- C An increase in the number of qualified teachers coming to the UK from abroad
- D An increase in the number of young people training to teach

Your answer

☐

[1]

12 A market system allocates scarce resources through

- A government taxes and subsidies
- B prices and incentives
- C the allocation of state benefit payments
- D the control of wages

Your answer

☐

[1]

13 If there is an increase in demand, how will this affect the equilibrium price and quantity when a supply curve is unitary price elastic?

- A** The equilibrium price and equilibrium quantity will both increase
- B** The equilibrium price will increase but equilibrium quantity will not change
- C** The equilibrium quantity will increase but equilibrium price will not change
- D** There will be no change because the market is already in equilibrium

Your answer

☐

[1]

14 Which of these workers produces output in the primary sector?

- A** A farmer
- B** A nurse
- C** A waiter in a restaurant
- D** A worker on a building site

Your answer

☐

[1]

15

Price (£)	Quantity demanded (per week)	Quantity supplied (per week)
5	600	150
10	500	300
15	400	400
20	300	350

The table provides information about the market for a good. The current price is £10. Which of the following statements is correct?

- A** Only a government price control can bring about equilibrium
- B** The current price is above the market equilibrium price
- C** There is excess demand of 200 units per week
- D** There is excess supply of 200 units per week

Your answer

☐

[1]

16 A firm's labour productivity will have increased when

- A the level of output and the labour force both decrease by 50%
- B the level of output and the labour force both increase by 100%
- C the level of output increases by 100% as the labour force increases by 80%
- D the level of output increases by 100% as the labour force increases by 120%

Your answer

☐

[1]

17 Which of the following is true for all factor markets?

- A Demand is derived
- B Final goods and services are bought and sold
- C Households are the buyers
- D Prices are determined by the government

Your answer

☐

[1]

18 A flower seller increases her prices by 10% and finds that it has **no effect** on the amount that she sells. This suggests that demand for the flowers is

- A perfectly price elastic
- B perfectly price inelastic
- C price inelastic
- D unitary price elastic

Your answer

☐

[1]

19

Year	Wage rate (£ per week)	Quantity of workers
1	440	4000
2	400	5000

The table shows the wage rate and employment level for two years in a particular industry. What would explain the change from Year 1 to Year 2?

- A A decrease in the demand for labour
- B A decrease in the supply of labour
- C An increase in the demand for labour
- D An increase in the supply of labour

Your answer

[1]

20 Which of the following is an **incorrect** statement about consumers?

- A Goods and services are bought for personal use
- B They compare the satisfaction of consumption against the price when making a purchase
- C They decide what goods and services will be produced
- D They have little power in the market

Your answer

[1]

Section B

Answer **all** the questions in this section.

21

Cressida and Ulrika have started a travel business, Plumwith Holidays. They have decided to specialise in art, music and cultural holidays. Cressida wants to arrange a cultural holiday to Italy. Ulrika is not sure what the equilibrium price and quantity will be, due to competition. However, Cressida says that she is sure that demand for this holiday would be price elastic, so any movement along the demand curve would benefit them.

To help them make a decision, Cressida has produced forecast costs and revenues for the Italian cultural holiday.

Number of holidays sold	Total cost (£)	Total revenue (£)
2	10 000	24 000
4	18 000	46 000
6	24 000	60 000
8	28 000	68 000
10	40 000	70 000

Ulrika reminds Cressida that while the business exists to provide the service of holidays, they need to ensure that they are able to charge a high enough price to make a profit.

Extract 1: Plumwith Holidays

- (a) State what is meant by 'the equilibrium price and quantity'.

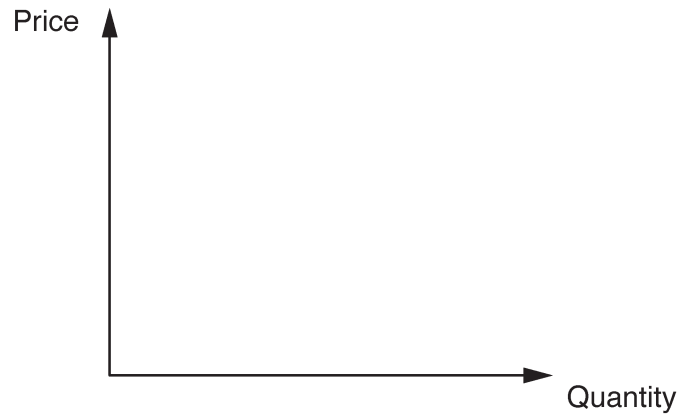
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..... [2]

(b) Draw a diagram showing equilibrium price and quantity.



[2]

(c) Using a diagram, analyse the consequences of a movement along the demand curve for Plumwith Holidays. [6]

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- (d) (i) Explain how Plumwith Holidays acts as a producer of services.

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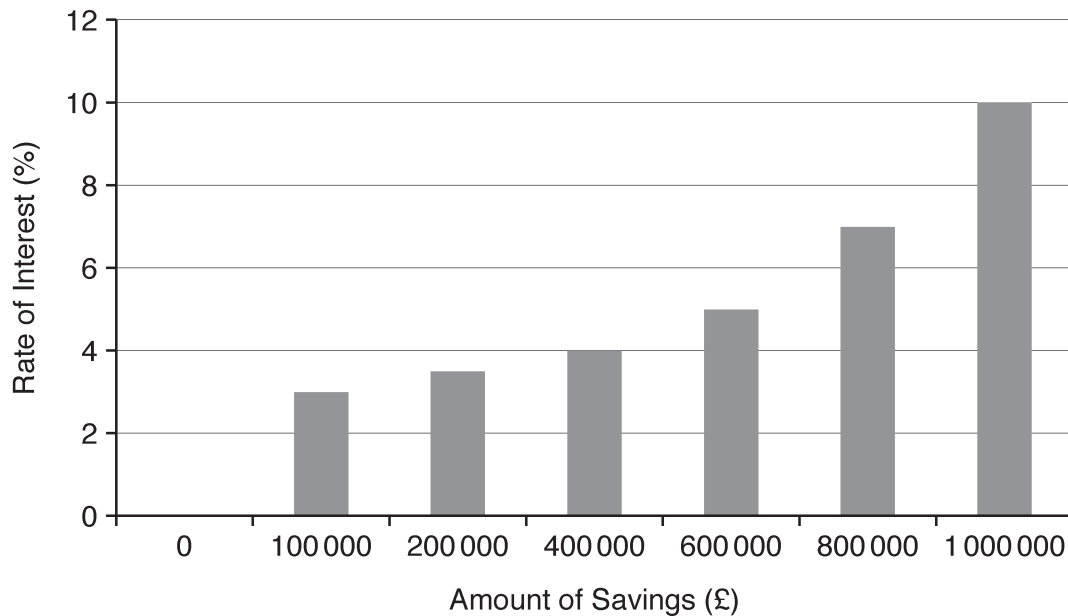
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..... [2]

- (ii) Calculate the average cost to Plumwith Holidays of providing eight holidays. Show your working.

Answer: [2]

Arin and Fara own Muncaster United, a small football club. They are considering whether to spend £1m on new players to try and win promotion and to increase the number of supporters, or to increase the club's savings for future use. The opportunity cost of increasing savings could be a failure to win matches. The rate of interest available for any savings depends on how much is saved.



Arin and Fara know that the transfer market for players is very competitive. This means that they need to be both more efficient in finding the right players and better at marketing the club to these potential players. However, the market for attracting the good players that they want, is more like an oligopoly.

Extract 2: Muncaster United

(a) State what is meant by 'opportunity cost'.

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..... [2]

- (b)** Explain how the rate of interest payable to Muncaster United varies with the amount of savings.

..... [2]

- (c)** Analyse how an increase in the rate of interest could affect Arin and Fara's decision whether to invest in buying new players or to increase the club's savings for future use.

[6]

- (d) (i) Explain what is meant by 'an oligopoly'.

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..... [2]

- (ii) Explain **one** reason why Muncaster United would compete in the market for players.

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..... [2]

(iii)* Evaluate the economic impact of competition on Muncaster United.

Use the information given in **Extract 2** on page 13 and your own knowledge.

..... [6]

Calwith Farmers is a producer of eggs, laid by free range chickens (where chickens are kept outdoors), which are sold in its own farm shop. The shop also sells produce from surrounding farms. Calwith Farmers has relied on gaining economies of scale and making a good profit from a high quantity of sales.

Twenty years ago, the owners of Calwith Farmers decided that keeping free range chickens was more environmentally sustainable. This specialisation has resulted in considerable benefits, but also some costs.

Alex, who is in charge of egg production, assumes that the supply of eggs is price elastic. He knows that while this allows him greater flexibility in responding to changes in demand, it does make him partly dependent on the other farms for the extra supply.

Alex keeps a careful record of the quantity of eggs supplied to the farm shop (by both Calwith Farmers and the other farms) and the price he can charge.

Price of eggs per dozen (£)	Dozens of eggs supplied (per week)
1.60	20
1.80	30
2.00	45
2.20	60
2.40	85
2.60	115

Extract 3: The Supply of Eggs

(a) State what is meant by 'economies of scale'.

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..... [2]

..... [2]

[6]

- (d) (i) Explain what is meant by 'the supply of eggs is price elastic'.

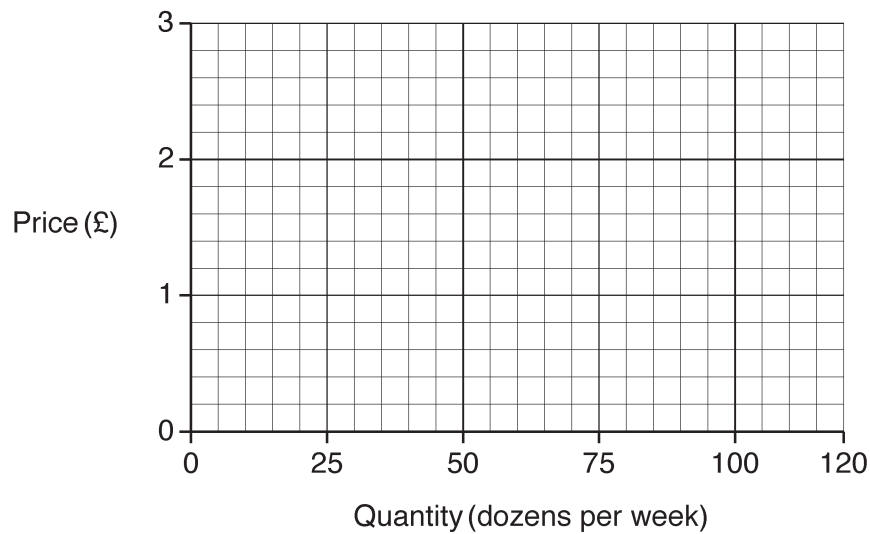
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..... [2]

- (ii) Using the information in **Extract 3** on page 17, draw a supply curve showing the supply of eggs to the farm shop.



[2]

- (iii)* Evaluate the importance of price elasticity of supply for the consumers of Calwith Farmers' products.

Use the information given in **Extract 3** on page 17 and your own knowledge.

[6]

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END OF QUESTION PAPER

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