

**GENERAL CERTIFICATE OF SECONDARY EDUCATION
ECONOMICS**

1985/03

Paper 3
(Higher Tier)

Candidates answer on the question paper

OCR Supplied Materials:
None

Other Materials Required:
• Calculators may be used

**Wednesday 17 June 2009
Afternoon**

Duration: 1 hour 30 minutes



Candidate Forename		Candidate Surname	
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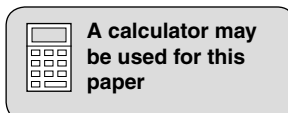
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- 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.
- 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 is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (*).
- This document consists of **20** pages. Any blank pages are indicated.



Examiner's Use Only:			
1			
2			
3			
4			
Total			

Question 1

Sarah owns and runs a pizza takeaway business. Sarah's fixed costs are £3000 a week and her variable costs are £5 a pizza. The maximum Sarah can produce and sell is 1000 pizzas a week.

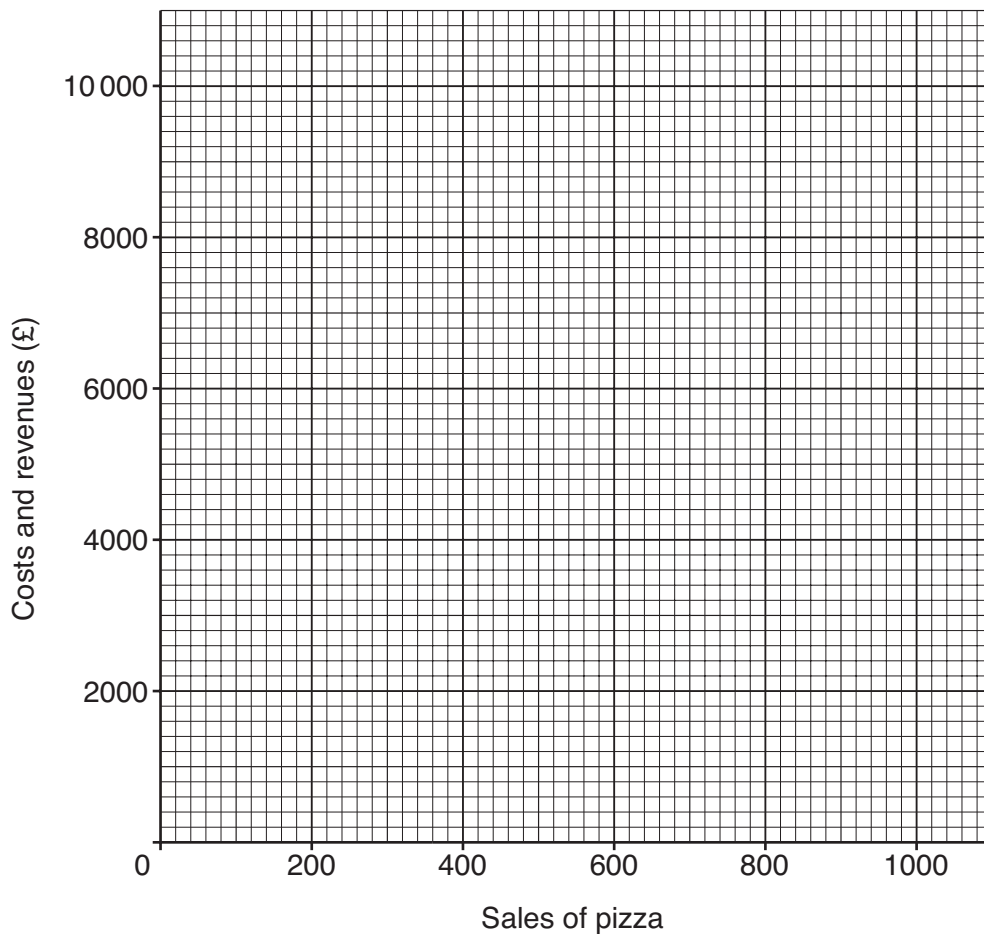
- (a) Fig. 1 shows some of Sarah's costs and revenues. Complete the blank boxes in Fig. 1.

Sales of pizza	Fixed costs £	Variable costs £	Total costs £	Total revenue £
200				2000
400				4000
600				6000
800	3000	4000	7000	8000
1000				10 000

Fig. 1

[6]

- (b) Draw and label a break-even chart from the information in Fig. 1, showing the fixed costs, total costs and the total revenue lines.



[6]

(c) State the break-even level of sales of pizza.

..... pizzas.

[1]

***(d)** Sarah operates in a competitive market. Discuss the extent to which this benefits Sarah **and** her customers.

[8 + 2]

[8 + 2]

TOTAL MARKS 23

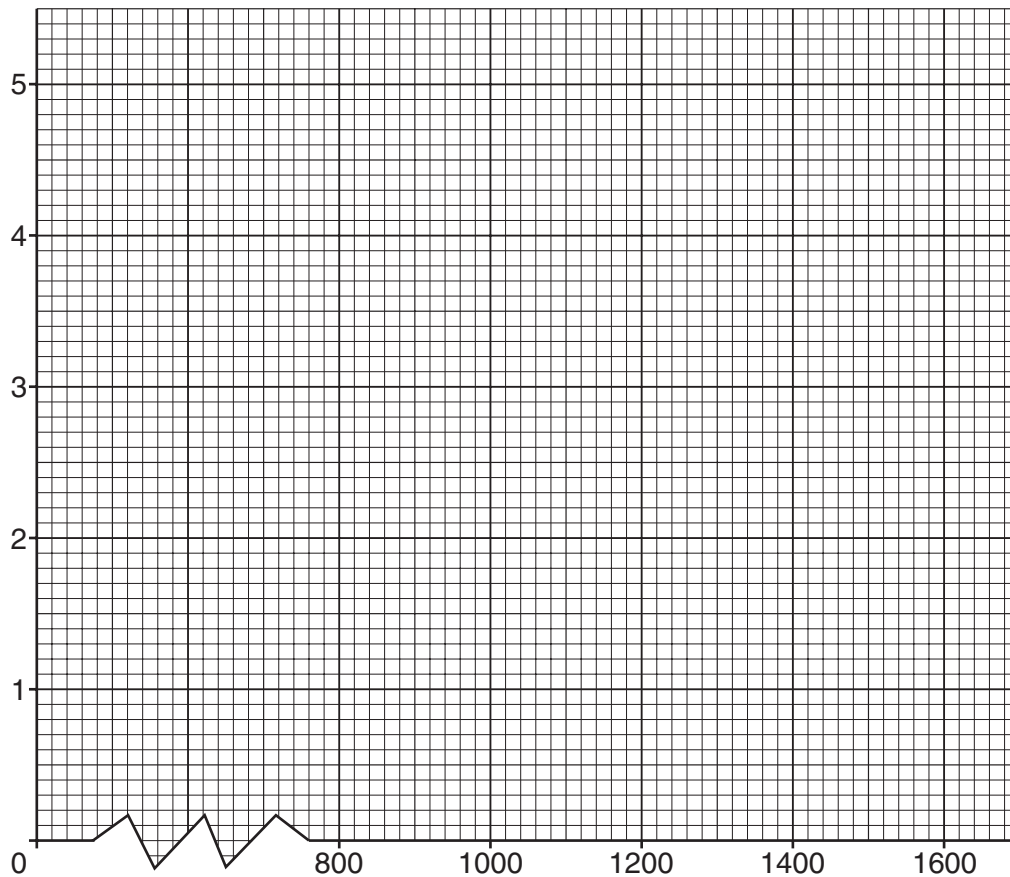
Question 2

Fig. 2 shows the demand for parking spaces per day in Franton town centre.

Price of a parking space (£ per day)	Demand for parking spaces (per day)
1	1600
2	1400
3	1200
4	1000
5	800

Fig. 2

- (a) Using the information in Fig. 2, draw and label the demand curve for parking spaces, **and** label the axes.

**[3]**

- (b) There are 1000 parking spaces in Franton town centre. On your graph:

(i) draw and label the supply curve for parking spaces.

[1]

(ii) label the equilibrium price.

[1]

- (c) What term would economists use to describe the supply of parking spaces in Franton town centre?

.....
 [2]

- (d) The price of parking spaces is fixed at £3 a day in Franton. Use information from Fig. 2 to explain what will happen in this market.

.....

 [4]

- (e) Using Fig. 2, calculate the price elasticity of demand if the price of a parking space rose from £3 to £4 per day.

Show your working:

Price elasticity of demand = [2]

- (f) Explain what would cause the demand for, and supply of, public transport to change over time. With the help of diagrams, explain how these changes would affect the price and quantity of public transport journeys.

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[12]

Turn over

Question 3

Fig. 3 shows the UK rate of inflation (as measured by the Consumer Prices Index) between January 2000 and June 2007.

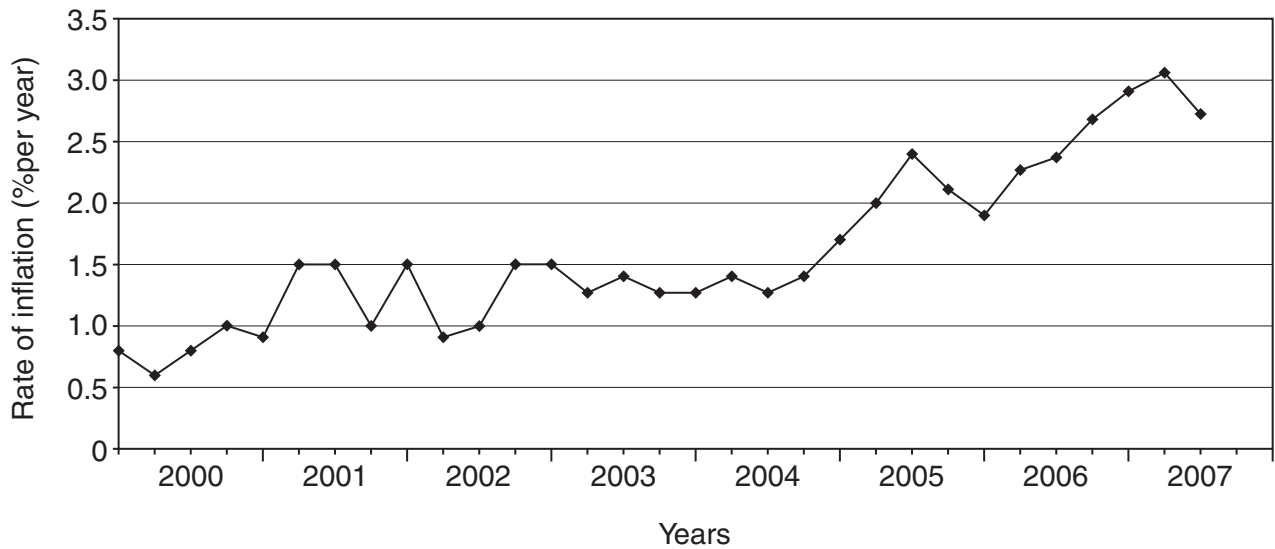


Fig. 3

- (a) Explain what is meant by the term inflation.

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- (b) What happened to prices in the second half of 2005? Explain your answer.

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(c) Explain how a rise in interest rates may help to reduce the rate of inflation.

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(d) Is inflation always bad for an economy? Give reasons for your answer.

[10]

TOTAL MARKS 20

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Question 4

Fig. 4 compares eight countries of the European Union (EU) in 2006.

Country	Gross Domestic Product (GDP) US \$ billions	Population (millions)	Economic growth rate (% rise in GDP per year)	Land area (km ²)	Life expectancy (years)	Infant mortality rate (per 1000 live births per year)
Czech Republic	124	10	6.2	79	76	3.9
France	2126	63	2.3	551	80	4.2
Germany	2791	82	2.2	357	79	3.9
Hungary	109	10	3.8	93	73	8.5
Italy	1765	59	1.6	301	80	5.9
Poland	303	38	5.3	312	75	7.4
Romania	98	22	6.4	238	72	26.0
UK	2229	60	2.7	243	79	5.1

Fig. 4

- (a) \$1 billion = \$1000 million. Using this information, calculate the GDP per person in the Czech Republic.

Show your working:

GDP per person = \$. [2]

- (b) Is there a relationship between a country's land area and its GDP? Explain your answer using evidence from Fig. 4.

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- (c) Which one of the eight countries has the lowest standard of living? Use evidence from Fig. 4 to justify your answer.

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..... [6]

[8 + 2]

[10]

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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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