

GENERAL CERTIFICATE OF SECONDARY EDUCATION

ECONOMICS

Paper 1
(Foundation Tier)

1985/01

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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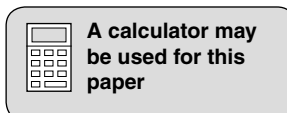
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- 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.

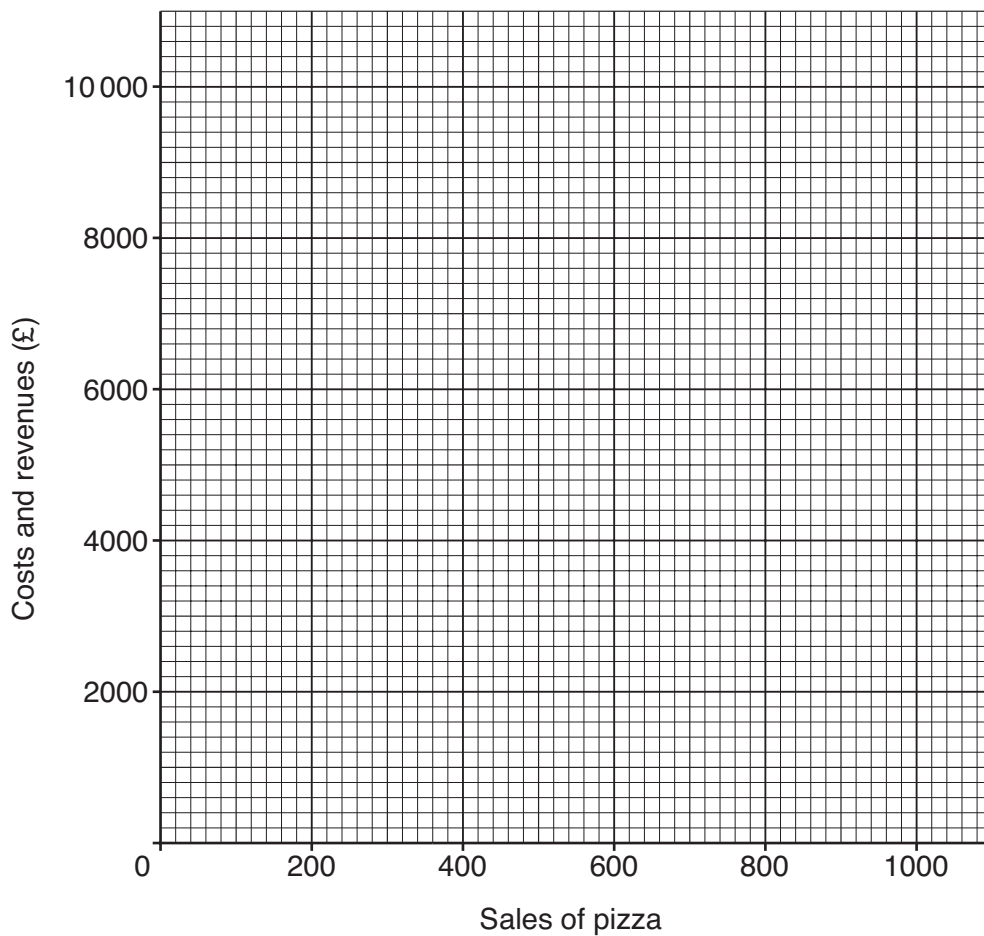
- (a) Fig. 1 shows Sarah's costs and revenues. Complete the four blank boxes in Fig. 1.

Sales of pizza	Fixed costs £	Variable costs £	Total costs £	Total revenue £
200		1000	4000	2000
400	3000		5000	4000
600	3000	3000	6000	6000
800	3000	4000		8000
1000	3000	5000	8000	

Fig. 1

[4]

- (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) Give **two** examples of fixed costs which Sarah may have to pay in her business.

1

2 [2]

- (e) Using information from Fig. 1, calculate the selling price of one pizza.

Show your working:

Price = £ [2]

- (f) How many pizzas should Sarah sell each week to make the most profit? Use information from Fig. 1 to explain why this quantity of pizzas makes the most profit.

Quantity of pizzas

Explanation

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..... [4]

- (g) Making a profit is one of Sarah's business objectives. State **two** other objectives which a business may have.

1

2 [2]

- (h)** Sarah operates her business in a competitive market. Do you think that Sarah's customers benefit from a competitive market? Give reasons for your answer.

[6]

TOTAL MARKS 27

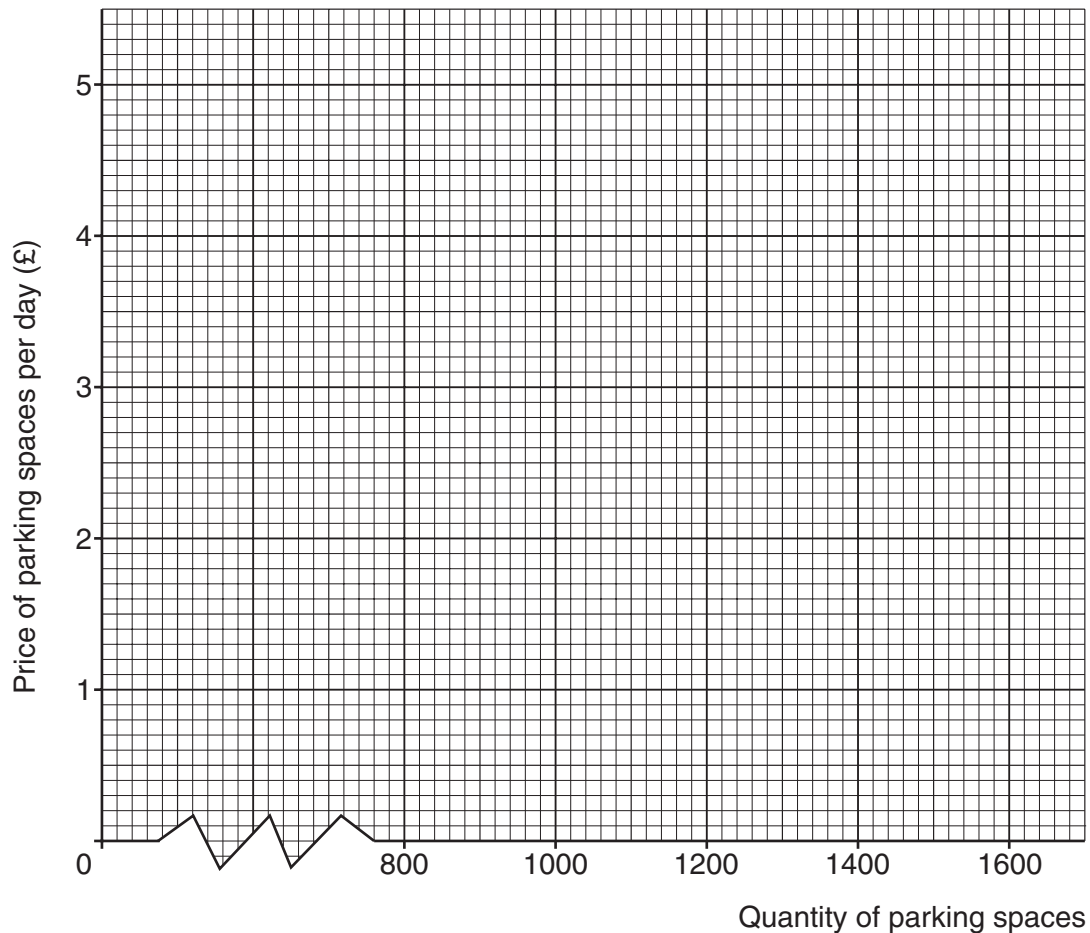
Question 2

Fig. 2 shows the demand for and supply of parking spaces in Franton town centre.

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

Fig. 2

- (a) Using the information in Fig. 2, draw and label the demand and supply curves for parking spaces.

**[4]**

- (b) (i) On your graph, draw a line to show the equilibrium price of parking spaces.

[1]

- (ii) State the equilibrium price of a parking space.

£

[1]

- (c) 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.

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- (d) Franton Council wants people to leave their cars at home when going to the town centre to work or shop. It has given a subsidy to the local bus company to make bus fares cheaper.

- (i) Explain **one** possible reason why the council wants people to leave their cars at home.

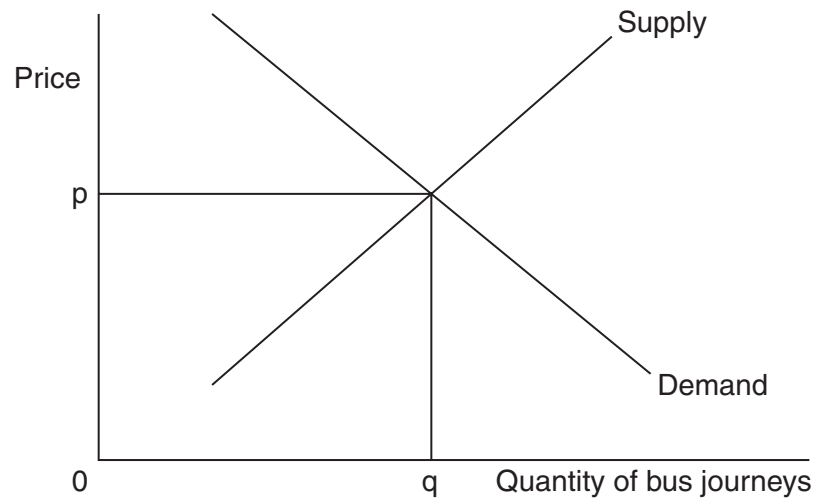
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- (ii) The diagram below shows the demand for and supply of bus journeys in Franton. On the diagram, show the effect on the market for bus journeys of the subsidy to the local bus company.



[2]

- (iii) State what happens to:

the market price;

the quantity sold. [2]

- (e) The population of Franton increases. With the help of a demand and supply diagram, explain the effect of this on the price and quantity sold of local bus journeys.

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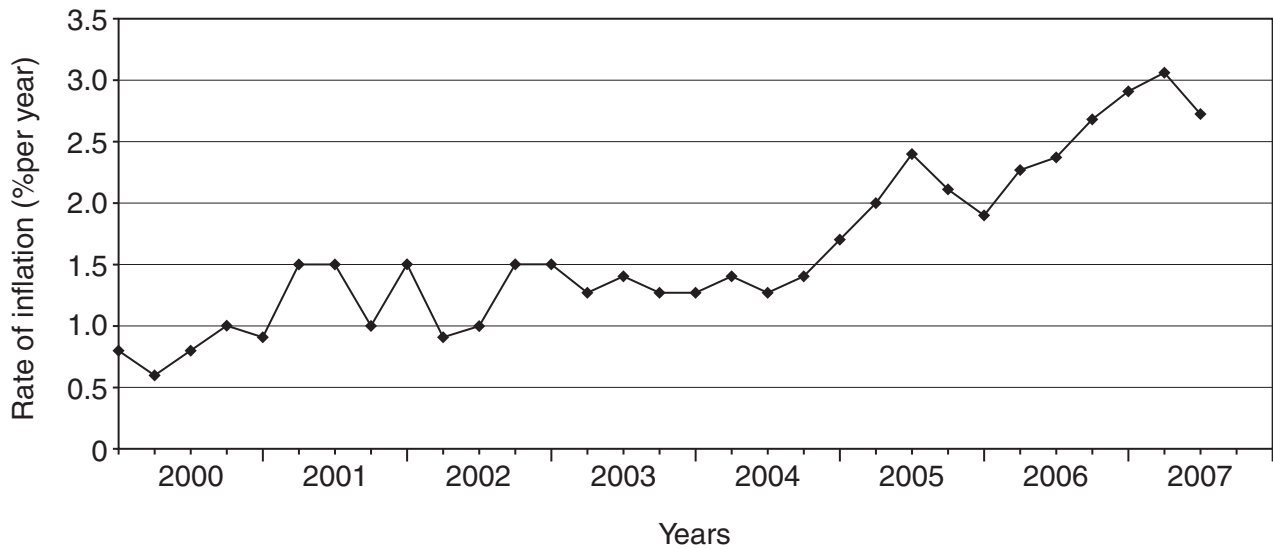
- *(f)** Discuss the factors which influence the demand for **motor cars** in the UK today. In your answer, give reasons why some factors are more important than others.

..... [10 + 2]

TOTAL MARKS 34

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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..... [2]

(b) In which year was inflation at its:

lowest rate;

highest rate?

[2]

(c) The UK government sets an inflation target. State the current inflation target.

.....%

[1]

(d) The Bank of England base rate of interest rose from 3.5% in July 2003 to 5.75% in July 2007.

(i) Would savers be pleased with this change? Give a reason for your answer.

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..... [3]

(ii) Would first-time house buyers be pleased with this change? Give a reason for your answer.

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

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..... [6]

TOTAL MARKS 17

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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) Which country in Fig. 4 has the:

largest population;

fastest economic growth rate?

[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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..... **[4]**

[6]

[8 + 2]

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If you use the following lines to complete the answer to any question, the question number **must** be clearly shown.

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