



Oxford Cambridge and RSA

**Monday 4 June 2018 – Afternoon**

**GCSE ECONOMICS**

**A591/02 How the Market Works**



Candidates answer on the Question Paper.

**OCR supplied materials:**

None

**Other materials required:**

- Calculators may be used

**Duration: 1 hour**



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. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- 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.
- Do **not** write in the barcodes.

**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 the marking of your answers to the questions labelled with an asterisk (\*).
- This document consists of **12** pages. Any blank pages are indicated.



A calculator may  
be used for this  
paper

Answer **all** the questions.

## Neagle Carpets Ltd

Margaret and Trevor own Neagle Carpets Ltd. They have very recently employed Alicja to work in the office.

Trevor explained to Alicja, on her first day, that their two main business objectives are to survive and to offer good customer service.

Margaret talked to Alicja about the fact that most customers defer payment for their carpets by taking a loan or using their credit cards.

Both Margaret and Trevor stressed that all members of the business must be aware that:

- resources are scarce and need to be allocated carefully in order to save money, and
- in a competitive market increasing productivity can greatly benefit Neagle Carpets Ltd.

Fig. 1

1 (a) Margaret mentioned that money was a standard for deferred payment.

Name **two** other functions of money.

1 .....

2 .....

[2]

(b) Other than survival and customer service, state and explain **two** objectives that a business, such as Neagle Carpets Ltd, might have.

Objective 1 .....

Explanation .....

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## Objective 2 .....

Explanation .....

(c) Explain how scarce resources are allocated in a mixed economy such as the UK.

[6]

[6]

**Question 1(d) begins on page 4**

**(d)\*** To what extent is it important in a competitive market for businesses, such as Neagle Carpets Ltd, to try to increase productivity?

[8]

### UK House Prices

The annual rate of increase in house prices for a six month period is shown in the table below.

	% change in UK house prices
January 2014 – January 2015	8.5%
February 2014 – February 2015	8.3%
March 2014 – March 2015	8.1%
April 2014 – April 2015	8.5%
May 2014 – May 2015	8.6%
June 2014 – June 2015	9.6%

The rise in the equilibrium price of houses was partly due to too few new houses being built. This has led to some people suggesting that the government should subsidise house building.

**Fig. 2**

**2 (a)** What is meant by 'equilibrium price of houses'?

.....  
 .....  
 .....  
 ..... [2]

**(b) (i)** Using Fig. 2, in which 12 month period did house prices rise the

- most, .....
- least? .....

[2]

(ii) Explain **one** possible reason why house prices rise at different rates at different times of the year.

.....  
.....  
.....  
.....  
.....  
.....

[2]

(c) Using a supply and demand diagram, explain **one** way in which the price of houses could rise.



.....  
.....  
.....  
.....

[6]

**(d)\*** Discuss whether the building of houses should be subsidised.

[8]

### Festamics

Festamics is a three day festival where people who make pots can meet possible customers, thus making a product market.

Haruki runs a pottery business and has made a small number of pots to take to the festival to sell. He considers that enterprise and labour are the two most important factors of production for him. He is keen to know what effect increasing the number of pots he makes to take to Festamics might have on his total costs. He is worried that the costs of doing this might be greater than the benefits.

To help him decide what to do he has asked Alex, an economist, to calculate both total and average costs based on the number of pots produced to assess the benefits of growth.

The table below shows the costs to Haruki based on the number of pots produced.

Number of pots	Fixed costs [£]	Variable costs [£]
40	200	400
50	200	500
60	200	520
70	200	710

**Fig. 3**

3 (a) Using **two** of the phrases below, complete the sentence so that it explains what is meant by 'a product market'.

**bought and sold**

**factors of production**

**goods and services**

**seen as profit**

A product market is where ..... produced by businesses are .....

**[2]**

**(b)** Explain why a business, such as the one run by Haruki, might see labour and enterprise as being the most important factors of production.

Labour .....

.....  
.....  
.....

Enterprise .....

.....  
.....  
.....

[4]

**(c) (i)** Complete the table below.

Number of pots	Fixed costs [£]	Variable costs [£]	Total Cost	Average Cost
40	200	400		
50	200	500		
60	200	520		
70	200	710		

[4]

**(ii)** With reference to the table in question **(c)(i)** above, explain what happens to average costs as the number of pots produced increases.

.....  
.....  
.....  
.....

[2]

10

**(d)\*** Assess the benefits that a business, such as Festamics, might gain from growth.

**END OF QUESTION PAPER**

**ADDITIONAL ANSWER SPACE**

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).





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