

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Friday 22 May 2020 – Afternoon

GCSE (9–1) Economics

J205/01 Introduction to Economics

Resource Booklet

**Time allowed: 1 hour 30 minutes
plus your additional time allowance**

INSTRUCTIONS

**Do NOT send this Resource Booklet for marking. Keep it
in the centre or recycle it.**

INFORMATION

This Resource Booklet contains Extracts 1, 2 and 3.



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EXTRACT 1: Plumwith Holidays

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.

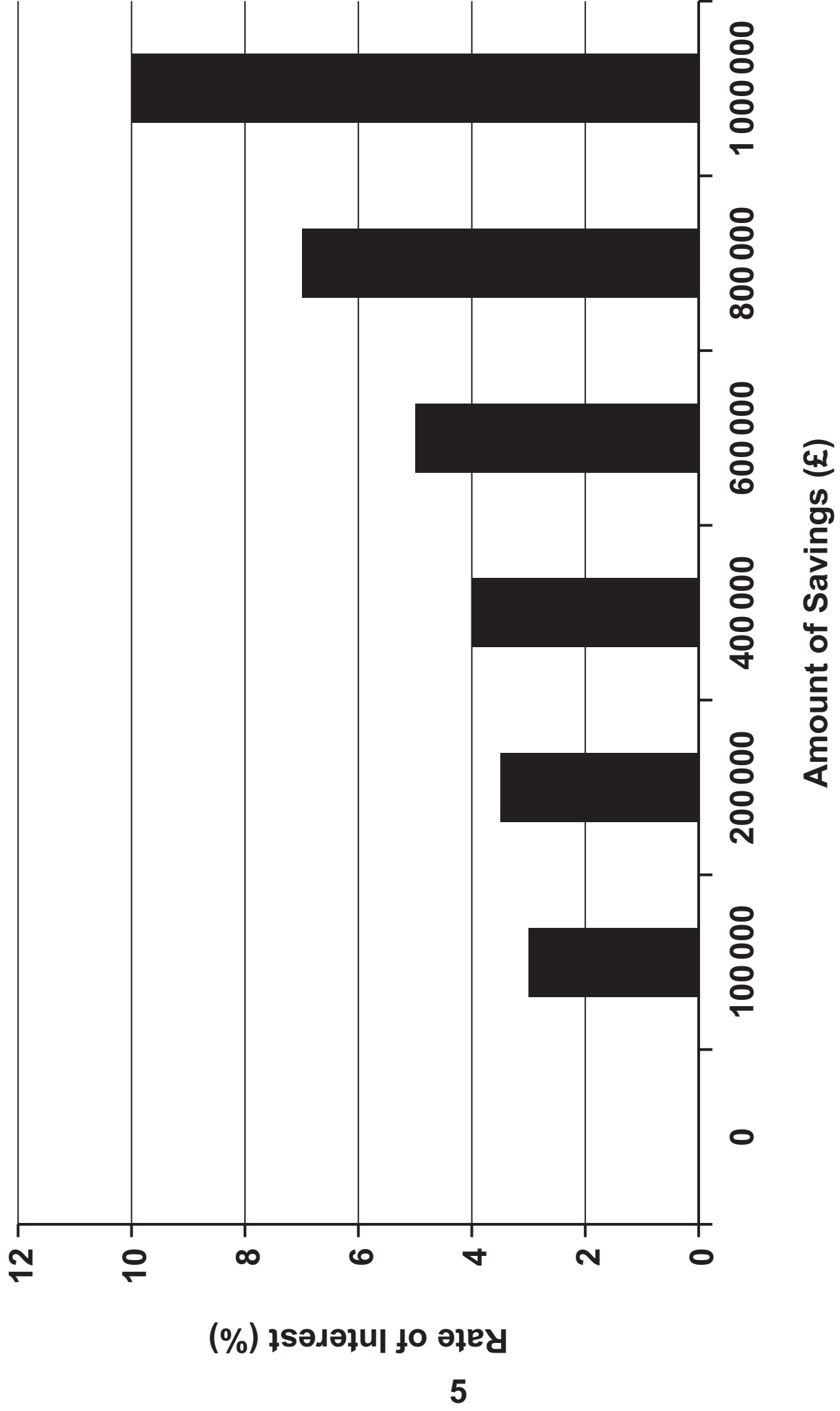
Number of holidays sold	Total cost (£)	Total revenue (£)
2	10 000	24 000
4	18 000	46 000
6	24 000	60 000
8	28 000	68 000
10	40 000	70 000

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 2: Muncaster United

Arin and Fara own Muncaster United, a small football club. They are considering whether to spend £1 m 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 (please see the graph opposite).

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 3: The Supply of Eggs

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

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