

Surname	
Other Names	



Supporting AS and A Level OCR

Economics

Quantitative Skills

Targeted Skills Test



For this paper you must have:

- A calculator

Time allowed

- 1 hour

Instructions

- Use black ink or black ballpoint pen.
- Fill in the boxes at the top of this paper.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 50 marks.

Section	Mark
A	/16
B	/26
C	/8
Total	/50

SECTION A

Questions in this section are **multiple choice**.

Answer all questions. Only **one** answer per question is allowed.

For each answer **circle** the letter alongside the appropriate answer.

If you wish to change an answer then cross out the original answer with an X.

1. John has a savings ratio of 0.14 and earns £8 per hour. How much of his hourly wage does he save?

- a) 57p
- b) £6.60
- c) £1.12
- d) £1.78

2. The number of unemployed people in Sandbourne rises from 34,120 to 35,400. What is the percentage change in the number of unemployed people? Round your answer to 2 decimal places. What is this?

- a) 4.4%
- b) 4.4%
- c) 15.71%
- d) 7.03%

3. Interest rates rise from 4% to 5.5%. What percentage change in interest rates does this represent?

- a) 37.5%
- b) 1.50%
- c) 27.27%
- d) 15.00%

4. What are the mean and median values for this set of numbers?

6	4	5	7	3
21	2	1	3	12

- a) Mean = 4.5, Median = 6
- b) Mean = 6.4, Median = 4
- c) Mean = 5.8, Median = 5
- d) Mean = 6.4, Median = 4.5

5. The price value of a basket of goods in 2010, the base year, is £5.30. In 2011 it costs £5.83 and in 2012 it costs £5.85. What is the index for 2012?

- a) 104
- b) 110
- c) 111
- d) 109

6. When do firms maximise profits?

- a) When average costs equal average revenue.
- b) When marginal revenue equals the average variable costs.
- c) When marginal costs are slightly below marginal revenue.
- d) When marginal costs equal marginal revenue.

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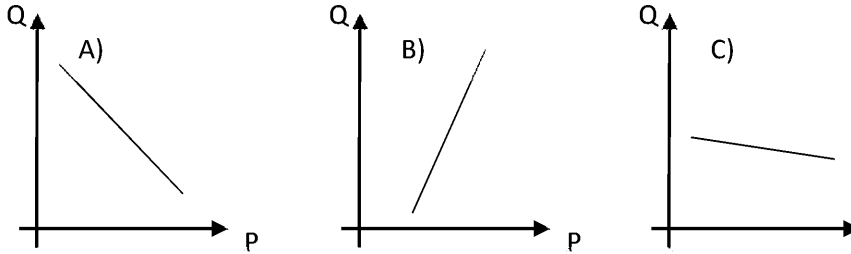
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7. Incomes in an economy have risen by 5% and annual sales of musical theatre (assuming that the demand is unaffected) are £14.7 million. What is the income elasticity of demand for musical theatre (assuming that the demand is unaffected)?
- +1
 - 1
 - 5
 - 0.5
8. The price of 750 g of salt in a supermarket rises from £0.28 to £0.35. The sales fall by 2%. What is the price elasticity of demand for salt?
- 0.08
 - 0.8
 - 12.5
 - 0.28
9. The exchange rate of pounds to dollars is 1.60. How many pounds is \$4,000?
- £6,400
 - £2,500
 - £12,500
 - £5,600
10. Annual wages in an economy rose from £20,000 to £25,000 from 2010 to 2011. The price index with respect to 2010 is 105. What is the percentage increase in wages in real terms?
- 19%
 - 25%
 - 20%
 - 5%
11. A supermarket has to increase the price of its orange juice following a product cost increase of 65p more, an increase of 35%. However, the supermarket sees a 28% fall in sales. What is the cross price elasticity of demand?
- 0.43
 - 1.25
 - 0.8
 - 1.25
12. Suppose 80 Polish zloty is equal to £14.29. The current pound-to-zloty exchange rate is 1.43. What is the percentage change in the exchange rate?
- 1,143
 - 11.43
 - 17.5
 - 5.0
13. Stephanie pays 40% of her income in tax. She saves 10%, gives 5% to charity and spends the rest. Supposing she has an annual salary of £60,000, how much does she spend on goods and services?
- £2,250
 - £27,000
 - £2,000
 - £4,250

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14. Look at the following diagrams. Which shows the most elastic demand?



15. Consider the following table. What is the average cost of producing 3 units?



Output	Total Cost (£)
1	12
2	20
3	27
4	33

- a) £8.25
 - b) £9.00
 - c) £7.00
 - d) £27.00
16. Following an increase in prices across the whole sector, the couple running prices by 5%. They are willing to sell 60 more burritos a day at this price – their price elasticity of supply (PES)?
- a) 0.3
 - b) 1.6
 - c) 1.1
 - d) 3.1



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SECTION B

Family	Household Income (£)
1	16,000
2	19,000
3	23,000
4	24,000
5	25,000
6	33,000
	35,000
8	47,000
9	55,000
10	78,000



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1. The table above shows the household income for 10 families.
- a) Family 1 has a savings ratio of 0.09 and Family 2 has a savings ratio of 0.2. What are Family 1's annual savings as a percentage of Family 2's annual savings.

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- b) What is the median household income?

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- c) The mean household income is £35,500. Suppose that this figure rises by 10%. What is the new value?

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d) If the rise was 2 percentage points higher, what would the new value be?

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2. a) Fill in the table below:

Year	Goods			Price
	Good	Price	Weight	
2010	Good A	£1.00	0.25	£2
	Good B	£2.00	0.15	
	Good C	£3.00	0.2	
	Good D	£4.00	0.4	
2011	Good A	£1.10	0.25	
	Good B	£2.00	0.15	
	Good C	£3.20	0.2	
	Good D	£4.50	0.4	
2012	Good A	£1.10	0.25	
	Good B	£2.05	0.15	
	Good C	£3.25	0.2	
	Good D	£4.45	0.4	
2013	Good A	£1.10	0.25	
	Good B	£2.00	0.15	
	Good C	£3.40	0.2	
	Good D	£4.40	0.4	

b) Which year was the most expensive to live in?

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3. a) Show that average revenue is equal to price.

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b) Consider the following table showing a firm's output and the associated total costs. How many units would the firm produce to maximize revenue? Fill in the MC column.

Quantity	Total Revenue	MR	Total Cost
1	8	8	6
2	16	8	13
3	24	8	20
4	32	8	28
5	40	8	42

4. Historically, Japan has struggled with very low inflation – and sometimes even deflation.

a) Imagine a Japanese firm sees its total revenue rise from 350 million yen in 2015. What percentage increase is this in nominal terms?

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b) The price index for 2015 with respect to 2014 is 98.5. What was the new price in real terms?

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c) What was the percentage increase in real revenue?

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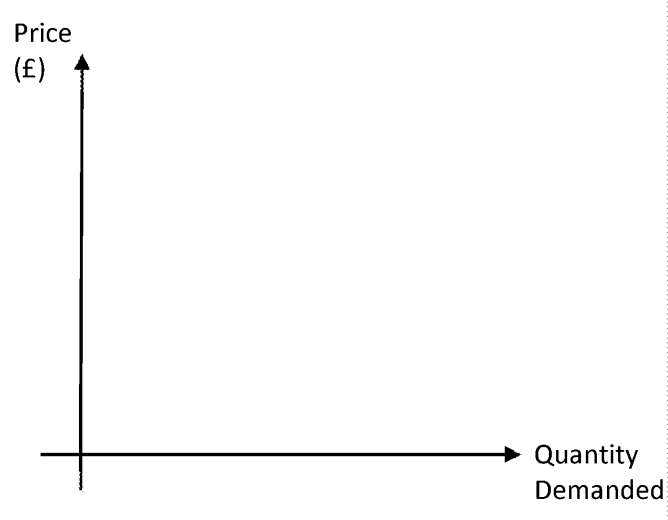
5. a) A fish and chip shop has to increase the price of its chips after blight affects one of its suppliers. The price of a cone of chips rises from £1.20 to £1.50. The shop sees sales fall by 12%. What is the price elasticity of demand?

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b) Sketch the demand for chips with respect to price on the graph below:



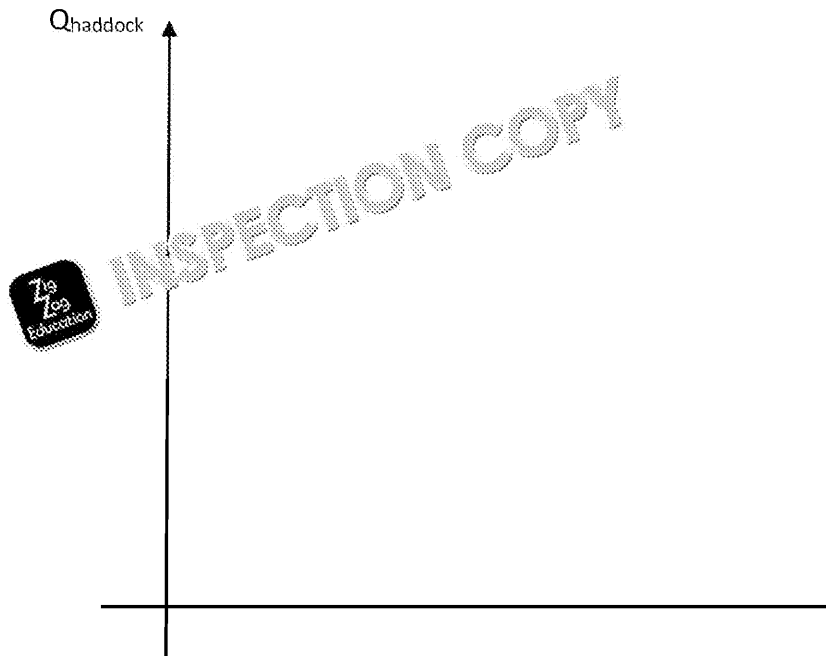
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The same shop sells various types of fish. Suppose that fishermen are catching and selling more cod than they were in the 1980s. This pushes wholesale prices down and the fish and chips shop sells cod and chips 15% more cheaply. However, it sees demand for battered haddock (which does not contain cod) increase by 10%.

- c) What is the cross price elasticity of demand for haddock with respect to cod prices and demand for haddock on the chart below.



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SECTION C

This section is based on the following information:

Graph 1

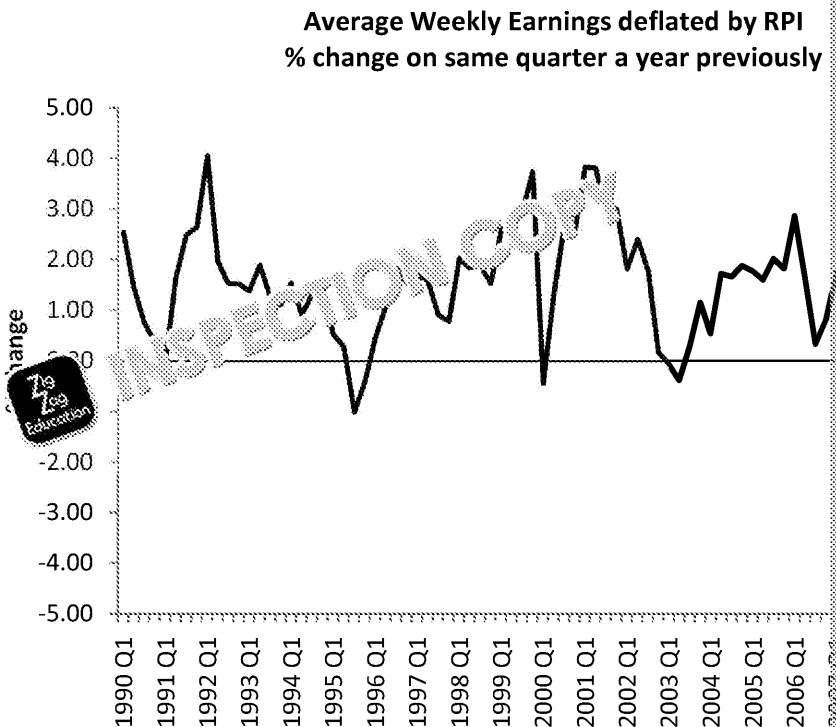


Extract 1

Despite challenging economic conditions the two main discount supermarkets in share increase this year. Aldi experienced growth of over 30% which resulted in it the UK to date. It currently stands at 4.6%. Lidl also expanded successfully and no

Premium supermarkets also managed to expand with Waitrose slightly increasing main losers were the 'big four' of Tesco, Asda, Sainsbury's and Morrisons which c

Graph 2



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1. Identify key features of the data in graph 2.

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2. Extract 1 suggests that discount supermarkets have increased their market share. Discuss why this might be the case.

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3. Calculate the Three-firm Concentration Ratio (the proportion of the market held by the three largest firms) for supermarkets in the UK.



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