BENENDEN

# SIXTH FORM 2018

# ECONOMICS

*1 hour 30 mins*

**Full Name:** _____

**Current School:** _____

**Date:** _____

**Instructions to Candidates:**

- Use black pen for writing.
- You must answer **ALL** the questions in **Section A** and **ONE** question from **Section B**
- Please write your answers to **Section A** and **Section B** in this booklet

## SECTION A

Answer **ALL** questions in this section. This section is worth 25 marks.

**The price of chocolate is expected to rise in the coming years**



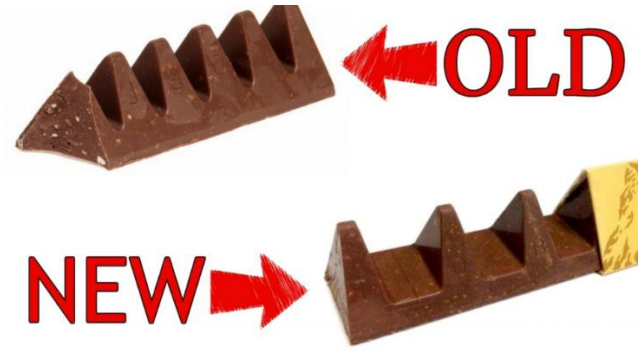
Sugar and cocoa are the two primary ingredients in the manufacture of chocolate. While the price of sugar has been falling, the price of cocoa has risen significantly.

Demand for chocolate has been rising, particularly in countries with high populations and rapidly increasing incomes, such as Brazil, China and Russia. Growing disposable incomes in these countries mean they are developing a bigger appetite for chocolate and have the cash to purchase it.

Supplies of cocoa are not keeping up with the rising demand. Poor weather conditions can be responsible for reduced harvests. Recently, the world's largest cocoa producer, Ivory Coast, has experienced reduced harvests, as has Ghana, another significant producer. At the same time, demand for cocoa has been increasing as the demand for chocolate increases.

A 150g Green & Black's dark chocolate bar, has 70 per cent cocoa content, so rising cocoa costs may well result in the price of the bar rising in the shops.

However, not all manufacturers may increase prices. Toblerone recently reduced the size of its chocolate bar by increasing the size of the spaces between the triangles, thus managing to avoid raising prices.



Toblerone is not the only manufacturer to pursue this strategy. The single chocolate bar market is very competitive, with most products priced at 59p in the UK. Some firms are therefore reluctant to raise prices.

The term 'shrinkflation' has been applied to the phenomenon whereby manufacturers reduce the package size of household goods while keeping the price the same. If the size of the package doesn't change, consumers may not even notice that they are receiving less of the product for their money.

USING THE INFORMATION ABOVE, ANSWER THE FOLLOWING QUESTIONS:

a) Using a demand and supply diagram, explain why the price of chocolate is expected to rise in the future. **(7 marks)**

b) Explain why a rise in cocoa prices of 35% is unlikely to result in the price of a Green & Black's dark chocolate bar rising by 35%. **(4 marks)**

c) To what extent do you think that UK consumers are likely to curb their expenditure on chocolate if the prices rises. Explain your answer. **(6 marks)**

d) Suggest one reason for manufacturers of single chocolate bars being reluctant to raise prices above 59p. **(4 marks)**

e) Suggest one consequence of 'shrinkflation' for government agencies responsible for collecting retail price data and calculating a consumer price index to measure inflation. **(4 marks)**

## Section B

Answer **ONE** question. Each question is worth 25 marks.

You are encouraged to make reference to an economy that you have studied.

Question 1

The UK economy is currently growing at around 2%.

a) Explain two reasons why an economy like the UK grows over time. **(10 marks)**

b) Evaluate the impact of economic growth on consumers, producers and the environment. **(15 marks)**

Question 2

In the UK there is a national minimum wage of £7.50 per hour for workers aged 25 and over.

a) Explain two benefits for workers of governments setting national minimum wages. **(10 marks)**

b) Evaluate whether setting a national minimum wage is the best way to reduce poverty. **(15 marks)**

Question 3

The retailer Marks & Spencer has announced that it has decided to reduce the number of new 'Simply Food' stores that it planned to open.

a) Explain two reasons that a firm may decide to open new stores. **(10 marks)**

b) Evaluate three benefits that local communities might experience if a firm such as Marks & Spencer opened a new Simply Food store in the area. **(15 marks)**

**ANSWER BOOKLET**

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