

General Certificate of Education
January 2009
Advanced Level Examination



ECONOMICS **ECN5**
Unit 5 Business Economics and the Distribution of Income

Wednesday 28 January 2009 9.00 am to 10.30 am

For this paper you must have:

- an 8-page answer book.

You may use a calculator.

Time allowed: 1 hour 30 minutes

Instructions

- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ECN5.
- In **Section A**, answer **all** parts of the question.
- In **Section B**, answer **one** question.

Information

- The maximum mark for this paper is 100.
- The marks for questions are shown in brackets.
- This paper is synoptic. It assesses your understanding of the relationship between the different aspects of Economics.
- You will be marked on your ability to use good English, to organise information clearly and to use specialist vocabulary where appropriate.

Advice

- You are advised to spend approximately 45 minutes on **Section A** and approximately 45 minutes on **Section B**.

SECTION A

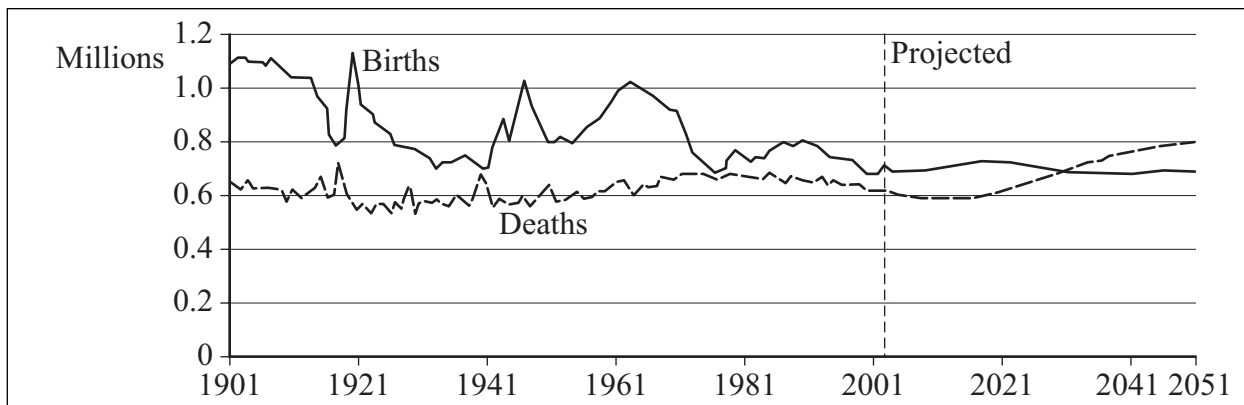
Answer **all** parts of this question.

Total for this question: 50 marks

1 LIFE AND DEATH AND THE UK ECONOMY

Study **Extracts A, B, C and D**, and then answer **all** parts of Question 1 which follows.

Extract A: The number of births and deaths in the UK, actual and projected, 1901-2051



Source: Office for National Statistics, www.statistics.gov.uk, 2005

Extract B: The UK funeral market

The UK funeral market is currently estimated to be worth around £1 billion annually, with about 600 000 funerals taking place each year. There are an estimated 4000 funeral businesses at present offering services, but exact numbers are difficult to pinpoint as the profession is unregulated and anyone can enter it. 1

One of the main criticisms of the industry by watchdogs is that funeral businesses are not being totally clear as to their true ownership. The funeral industry has become significantly more concentrated in recent years, with large firms now dominating the industry. However, many traditional family business names still exist, even though they may have been acquired by larger groups. 5

The funeral market in the UK has two industry leaders: The Co-operative Group (CWS) Ltd and Dignity Caring Funeral Services (Dignity Plc). The Co-operative Group has over 675 branches across the UK, which conduct around 90 000 funerals a year. Dignity has just over 500 branches, which conduct 75 000 funerals a year. The two companies currently arrange over 25% of all funerals in the UK. 10

There are several other large groups with large numbers of funeral branches. Some of these are co-operatives located in different parts of the UK. These co-operatives are separate from CWS Ltd. There are also several privately-owned companies that conduct large numbers of funerals in the UK. 15

Source: adapted from UK Funerals On-line, www.uk-funerals.co.uk

Extract C: Entry into the UK funeral market

Funeral businesses are not subject to any licensing or control, nor are their owners or employees required to have professional qualifications or be registered. Entry into the market is, in consequence, not difficult, but a steady decline in the death rate in the early 2000s means the only scope for growth in the market is the provision of additional or higher-value services. This may discourage significant new entry into a market where reputation is an important factor. 1 5

The location of the branches owned by funeral businesses also affects ease of entry into the funeral market. Just as high street banks own branches close to where people live and work, funeral companies own a large number of branches, strategically located in the towns and cities in which they operate. For example, Dignity Plc owns seven branches in the London Borough of Richmond, each located in a different part of the Borough. 10

Extract D: Population change and the economy

Harvard University Professor David Bloom believes that when a society is young, it is vigorous, inquisitive and productive, but when it is old, the economy stagnates and slows down. As societies start to age, so they save more and consume less. They cling to redundant approaches to working and organising themselves for too long; the working population shrinks in proportion to the non-working population, so that it has to shoulder a growing tax burden. The economy becomes fragile and resistant to change; entrepreneurship declines; fewer risks are taken; demand slows down. 1 5

In the UK today, not only are the elderly living longer, they are also healthier. At the same time, society massively subsidises the old in comparison to the support offered to bringing up children. Raising the retirement age and asking more over-60s to work longer are becoming inevitable. We will need to raise taxes and save more to provide for pensions. We will need more women to work; marginalised groups, such as the disabled, will have to be pulled into the labour market. We will need the young to spend less time at university and in higher education. 10

Source: adapted from an article by WILL HUTTON, *The Observer*, 25 January 2004

Question 1

- 1 (a) Using **Extract A**, compare the changes in the number of births with the changes in the number of deaths in the UK over the period shown. (4 marks)
- (b) ‘The funeral industry has become significantly more concentrated in recent years’ (**Extract B**, lines 6–7).
Explain **two** possible reasons why the funeral industry has become more concentrated. (6 marks)
- (c) Analyse the contestability of the UK funeral market. (10 marks)
- (d) Using the data and your economic knowledge, discuss how population changes may affect **either** UK markets for goods and services **or** UK labour markets. (30 marks)

Turn over ▶

SECTION B

Answer **one** question from this section.

Each question carries 50 marks.

- 2 (a) Explain the economic reasons why a theatre may charge customers different prices for tickets to see a play. *(20 marks)*
- (b) Evaluate the economic case **for** and **against** the government subsidising cultural events such as plays or operas or rock concerts. *(30 marks)*
- 3 (a) Using examples from the UK economy, explain the causes of poverty. *(20 marks)*
- (b) Assess the view that poverty can be eliminated solely through changes to the tax and benefit system. *(30 marks)*
- 4 (a) Explain the main factors to be taken into account when conducting a cost benefit analysis of a proposed investment in a major sports complex, such as an Olympic stadium. *(20 marks)*
- (b) Evaluate the possible effects on UK markets of the decision to locate the 2012 Olympic Games in London. *(30 marks)*

END OF QUESTIONS

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