



**Answer EITHER Question 1 OR Question 2.  
Write your answers in the spaces provided.**

**If you answer Question 1 put a cross in this box .**

**Evidence for use in answering Question 1**

**Evidence A**

**Minimum wage likely for 16 year-olds**

Trade unions today hailed the decision to extend the minimum wage (a guaranteed hourly rate of pay) to 16 year-olds – although it would still be less than that for 18 year-olds. 1

Education maintenance allowances were introduced in September 2004 in order to encourage 16 to 19 year-olds to remain in full-time education. Schools have suggested that this £30 a week maintenance allowance may lose some of its appeal. 5

(Source: adapted from *The Guardian*, 3 January 2004)

**Evidence B**

**Costs to rise for firms**

Employers are expecting the minimum wage to reach £5 an hour for adults during the next year. This compares with £3.60 in 1999. The minimum wage has risen more quickly than inflation – good news for the 1.5 million workers who benefit. Other stakeholders may be less happy about the increase. 10

Other costs for businesses are rising as the government introduces more socially responsible laws. New rules mean that all businesses have to be accessible to disabled people. Business rates (local taxes) are rising and electricity prices recently rose by 11.8%. Mr Patel, proprietor of Bridge Stationery and General Store, employs two full-time and three part-time workers. He expects total costs to rise by 10% a year for his small business in London. 15

(Source: adapted from *The Times*, 27 September 2004)



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1. (a) What is meant by:

(i) trade unions (Evidence A, line 1)

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(ii) inflation (Evidence B, line 9)

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(iii) total costs (Evidence B, line 15).

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(b) Explain **two** possible objectives for a trade union.

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(c) Explain possible opportunity costs of introducing the minimum wage for 16 year-olds.

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**Answer EITHER Question 1 OR Question 2.  
Write your answers in the spaces provided.**

**If you answer Question 2 put a cross in this box .**

**Evidence for use in answering Question 2**

**Evidence C**

**Kraft changes direction**

Kraft, America's largest food producer, has struggled to adapt to changing consumer demand. It is also facing higher costs of raw materials and lower profits.

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Last year, it cut the sugar, fat and calorie content in many of its products.

This year, Kraft, the maker of Cheez Whiz dips and Toblerone chocolates, has continued to reshape its image. As a result of market research, it has moved away from traditional unhealthy products into more healthy foods. It has also announced a deal with the writer of a popular diet book which has sold 8 million copies.

5

(Source: adapted from *The Guardian*, 28 September 2004)

**Evidence D**

**Organic food set for healthy future**

Attitudes to organic food have changed – sales of organic food and drink are rising twice as fast as other foodstuffs. Consumers are prepared to pay up to 50% more for organic foods.

10

Pure Organics, which specialises in organic food, makes food that children like. One of their products, Pork Sausages, is made of 80% organic pork with 20% rice, herbs and seasoning. A typical supermarket sausage has 35% non-organic pork.

(Source: adapted from *The Independent*, 6 November 2003)



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2. (a) What is meant by:

(i) changing consumer demand (Evidence C, lines 1–2)

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(ii) producer (Evidence C, line 1)

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(iii) specialises (Evidence D, line 11).

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(b) Explain why higher costs of raw materials may cause lower profits for a company like Kraft.

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(c) Explain how the increased demand for organic foods may have affected Kraft.

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<p><b>Answer EITHER Question 3 OR Question 4.</b></p>	Leave blank
<p><b>3.</b> (a) Explain the likely trade-offs facing a government when it adopts socially responsible policies. <span style="float: right;">(8)</span></p> <p>(b) Evaluate the possible impact on worker motivation of raising the minimum wage. <span style="float: right;">(12)</span></p> <p style="text-align: right;"><b>(Total 20 marks)</b></p>	<b>Q3</b> <input style="width: 20px; height: 20px;" type="text"/>
<p><b>OR</b></p>	
<p><b>4.</b> (a) Explain the likely effect on their supply of an increase in the prices of organic foods. <span style="float: right;">(8)</span></p> <p>(b) Evaluate the likely benefits of market research to a company such as Kraft in the development of new products. <span style="float: right;">(12)</span></p> <p style="text-align: right;"><b>(Total 20 marks)</b></p>	<b>Q4</b> <input style="width: 20px; height: 20px;" type="text"/>
<p style="text-align: center;"><b>Indicate which question you are answering by marking the box (☒).</b>  <b>If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).</b></p> <p>Chosen question number:    <b>Question 3</b> <input checked="" type="checkbox"/>      <b>Question 4</b> <input checked="" type="checkbox"/></p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	



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**TOTAL FOR PAPER: 50 MARKS**

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