Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

GCSE
ECONOMICS

Paper 1 How markets work

Time allowed: 1 hour 45 minutes

Materials
You will need no other materials.
You may use a calculator.

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- 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 80.
- Questions should be answered in continuous prose. You will be assessed on your ability to:
  – use good English
  – organise information clearly
  – use specialist vocabulary where appropriate.

Do not write outside the box

Section A

Answer **all** questions in the spaces provided.

For questions with four responses, only **one** answer per question is allowed.

For each question, completely fill in the circle alongside the appropriate answer.

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⊙ ≋ ✓

If you want to change your answer you must cross out your original answer as shown. ⬬

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. ⬬

0 1 Which of the following best describes the central purpose of economic activity?

[1 mark]

A Earning high incomes ⬭

B Making maximum profits ⬭

C Maximising efficiency ⬭

D Producing goods and services to satisfy needs and wants ⬭

0 2 Which of the following is **not** one of the main economic groups?

[1 mark]

A Consumers ⬭

B Government ⬭

C Producers ⬭

D Workers ⬭

Do not write outside the box

0 3 In which occupations will wages tend to be highest?

In those where:

[1 mark]

A workers are in excess demand. ⬭

B workers are paid on a weekly basis. ⬭

C workers need little training. ⬭

D workers require few qualifications. ⬭

0 4 Which of the following would be classed as an economic resource?

[1 mark]

A Enterprise ⬭

B Productivity ⬭

C Profit ⬭

D Wages ⬭

Turn over for the next question

Do not write outside the box

0 5 Which of the following would lead to a leftwards shift of the supply curve for oranges?

[1 mark]

A A fall in the cost of fertiliser

B An increase in the price of oranges

C An increase in the wages of orange pickers

D The introduction of new technology in orange growing

0 6 Which of the following is most likely to be a variable cost for a business?

[1 mark]

A Heating

B Insurance

C Packaging

D Salaries

0 7 **Table 1** contains information about the number of cups of coffee served per day in a cafe.

Table 1

Number of workers	3
Total number of cups of coffee served per day	415

Calculate the average daily productivity of each coffee shop worker, to the nearest whole number.

[1 mark]

A 138

B 413

C 418

D 1245

Do not write outside the box

0 8 A firm buys a new, efficient machine and is also able to benefit from bulk-buying discounts, leading to reduced average costs.

The firm benefits from:

[1 mark]

A external economies of scale. ⬭

B financial and risk-bearing economies of scale. ⬭

C managerial and marketing economies of scale. ⬭

D technical and purchasing economies of scale. ⬭

0 9 **Table 2** contains information about prices and quantities of umbrellas demanded per week.

Table 2

Price of umbrellas (£)	Quantity of umbrellas demanded per week
£20	15 000
£17	16 500

Calculate, to 2 decimal places, the price elasticity of demand for umbrellas when the price falls from £20 to £17.

[1 mark]

A –1.50 ⬭

B –0.67 ⬭

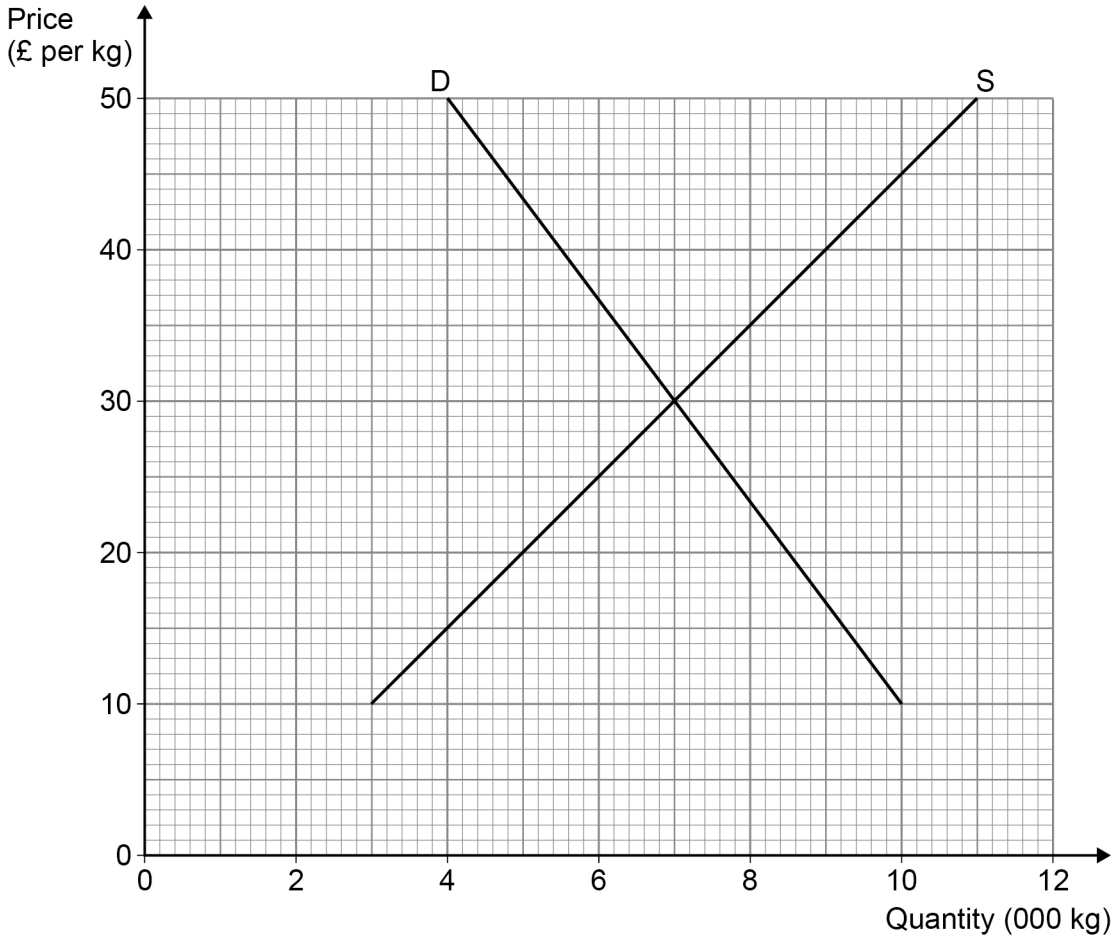
C 0.67 ⬭

D 1.50 ⬭

Do not write outside the box

1 0 **Figure 1** shows the quantities of tea supplied and demanded at various prices.

Figure 1



What is the excess supply at a price of £40 per kg?

[1 mark]

A 0kg

B 3500kg

C 7000kg

D 9000kg

Do not write outside the box

1 1 State **two** benefits to firms of a division of labour.

[2 marks]

Benefit 1 _____

_____

Benefit 2 _____

_____

1 2 Explain **one** factor that might shift the demand curve for foreign holidays to the right.

[2 marks]

_____

_____

_____

_____

1 3 Explain **one** way the main economic groups may interact with each other.

[2 marks]

_____

_____

_____

_____

Turn over for the next question

Do not write outside the box

1 4 **Table 3** shows price and quantity information for loaves of bread made by a bakery.

Table 3

Price per loaf of bread (£)	Quantity of loaves of bread made per week
1.20	1800
1.50	2700

1 4 . 1 Using **Table 3**, calculate the price elasticity of supply of loaves of bread if the price of each loaf increases from £1.20 to £1.50.

[2 marks]

Answer _____

1 4 . 2 Explain **one** possible factor affecting the price elasticity of supply of a bakery.

[2 marks]

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Turn over for the next question

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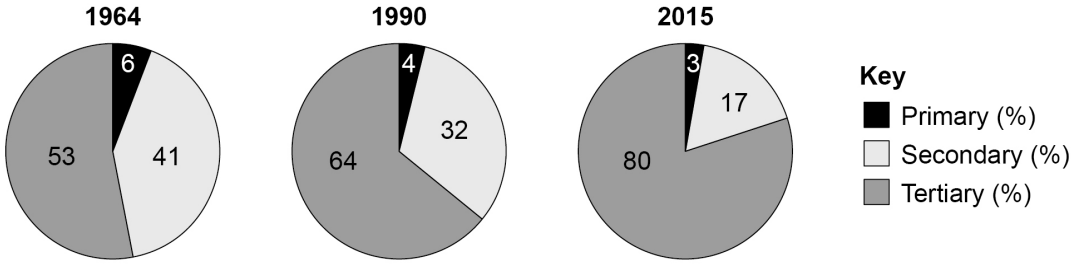
Figure 2 shows the percentage of GDP made up by the three main economic sectors of the UK in 1964, 1990 and 2015.

Figure 2



Note: **Figure 2** shows estimates of the percentages of GDP

1 5 Using **Figure 2**, analyse the possible impacts upon the labour market of changes in the relative sizes of the economic sectors in the UK.

[6 marks]

Extra space

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1 6 State **two** possible diseconomies of scale to a firm when it grows in size.

[2 marks]

Diseconomy 1 _____

_____

Diseconomy 2 _____

_____

1 7 Explain why individuals must make economic choices.

[2 marks]

_____

_____

_____

_____

1 8 Explain **one** ethical issue that may result from producers seeking to earn very high profits.

[2 marks]

_____

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Turn over for the next question

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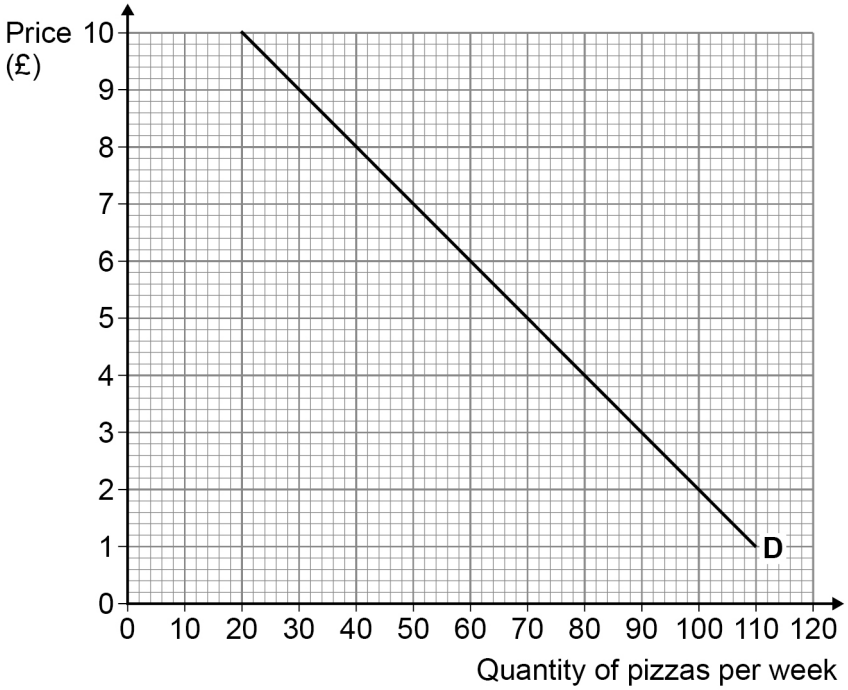
1 9 **Figure 3** is a graph of the demand curve for a fast food restaurant's pizzas.

Figure 3



1 9 . 1 Using **Figure 3**, calculate the weekly revenue made by the restaurant if it charges a price of £7 per pizza.

[2 marks]

Answer £ _____

Do not write outside the box

1 9 . 2 Explain **one** possible reason why the restaurant may wish to reduce the price of its pizzas.

[2 marks]

Turn over for the next question

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Table 4 shows sales of two video game console manufacturers in 2017 and 2019.

Table 4

Video game console manufacturer	2017 (millions of consoles)	2019 (millions of consoles)
Nintendo	12	25
Microsoft	8	5

2 0 Using the information in **Table 4**, draw and label a bar chart to show sales of video game consoles made by Nintendo and Microsoft in 2017 and 2019.

[3 marks]

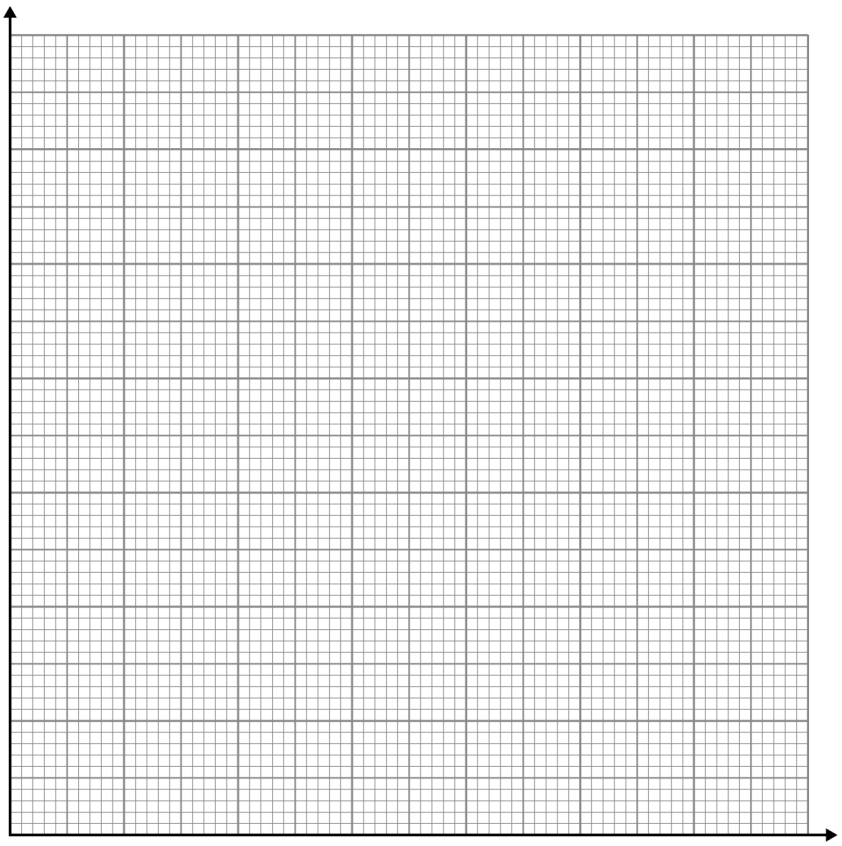

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Figure 4

The Competition and Markets Authority (CMA) is a government department that promotes competition in the UK. Its aim is to encourage fair competition between firms, so that markets work well for consumers. It investigates markets if there is a danger that a lack of fair competition exists.

The CMA recently investigated:

1. Whether dairy farmers were being exploited by large supermarkets, and whether these supermarkets also worked together to increase prices of milk and cheese for consumers.

2. The major petrol companies and 'big four' supermarkets for not reducing petrol prices at their petrol stations after crude oil prices fell.

3. A lack of competition among high street banks, leading to poor customer service and excessive fees, eg for arranging an overdraft.

Firms in non-competitive markets argue that they benefit consumers and the UK economy as a whole. They say that consumers benefit from better quality and lower prices and that the UK economy may be more internationally competitive.

2 1 Using **Figure 4**, assess the costs **and** benefits to consumers of having a market dominated by a small number of firms.

[9 marks]

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Section B

Answer **all** questions in the spaces provided.

Item A – Flooding in the UK, 2019

In 2019, heavy rainfall led to many areas of the UK being affected by severe flooding. This led to significant damage to houses, businesses and vehicles. There were wider effects upon the UK economy and its population of 67 million people as many were unable to travel to work, meaning production fell. People were also unable to visit shops and restaurants meaning that these businesses lost revenue.

The UK Government proposed to spend large sums of money to reduce the problems of flooding in the future, as outlined in **Table 5**.

Table 5 – Methods to prevent flooding

Item	Cost (£m)
Raising river banks	32.8
Flood barriers	120.3
Dredging river beds	17.0
Flood warning systems	28.7
Restoring rivers to natural courses	15.5
Introducing water storage areas	12.6
Modifying homes and buildings	212.8
Tree planting	19.1

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Item B – Global warming

Global warming refers to the increasing temperature of the Earth's atmosphere and oceans. Many scientists are certain that the main cause of global warming is increasing levels of greenhouse gases caused by the burning of fossil fuels and by deforestation. Consequences of global warming include more extreme weather, loss of farmland and increased flooding.

Economists point out the unfairness of global warming. They state that it is mainly caused by activities in more economically developed countries, such as the UK. However, the consequences are often faced by citizens of less economically developed countries, who are less financially able to deal with them.

Many economists argue that global warming is an inevitable consequence of economic growth, and that it will reduce the ability of future generations to enjoy an improved standard of living. They say that there is often a conflict between economic growth and sustainability.

The governments of more economically developed economies, such as the UK, argue that less economically developed economies, such as China and India, should do more to solve global warming, for example by reducing their emissions of greenhouse gases. However, this may lead to reduced growth in these countries.

Countries such as China argue that many of the problems of global warming have been created by more economically developed economies which grew rapidly in the past. They argue that these countries should do more to help less economically developed economies. This would include providing more money to help them cope with the effects of extreme weather, such as flooding.

Potential solutions to the problem of global warming include reduced use of fossil fuels such as coal and oil, along with greater use of renewable forms of energy such as solar and wind energy.

Table 6 – Emissions and other data for UK and China, 2017

Country	Share of global emissions	Share of global Gross Domestic Product (GDP)	Share of global population
UK	1.0%	3.1%	0.9%
China	29.3%	16.2%	18.5%

Source: various news reports, 2019.

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2 2 Define the term 'market failure'.

[2 marks]

2 3 Using **Table 5 and Item A**, calculate the cost per person of the UK Government's proposed spending on methods to prevent flooding.

Give your answer to the nearest pound.

[3 marks]

Answer £ _____

Turn over for the next question

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2 4 Explain **two** methods the UK Government could use to correct the market failure associated with global warming.

[6 marks]

Method 1 _____

_____

_____

_____

_____

_____

Method 2 _____

_____

_____

_____

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2 5 Analyse the possible external costs to the global economy that might result from global warming.

[6 marks]

Extra space

Turn over for the next question

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2 6 Do you think the UK Government should do more to correct the market failure associated with global warming?

Use **Items A and B** and your own economic knowledge to justify your view.

[15 marks]

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32

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