Oxford Cambridge and RSA

Wednesday 14 May 2025 – Afternoon

GCSE (9–1) Economics

J205/01 Introduction to Economics

Time allowed: 1 hour 30 minutes

You can use:
- a scientific or graphical calculator
- an HB pencil

Please write clearly in black ink. **Do not write in the barcodes.**

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

First name(s) _____

Last name _____

INSTRUCTIONS
- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions.

INFORMATION
- The total mark for this paper is **80**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **24** pages.

ADVICE
- Read each question carefully before you start your answer.

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Section A

Write your answer to **each** question in the box provided.

1 One factor of production is labour.

The quantity of labour in an economy depends on the

A ability of entrepreneurs to organise it

B amount of land able to support people

C availability of human resources

D provision of education

Your answer ☐ **[1]**

2 What is meant by scarce resources?

A Economic choice means that resources are used in the best way possible

B Resources must not be overused so they can be replaced

C The existence of finite resources and the need to choose between uses

D Where there are insufficient resources to satisfy all wants

Your answer ☐ **[1]**

3 A clothing retailer decides to sell its goods to consumers on the internet.

According to an economist, what is this an example of?

A A market

B An exchange

C Demand

D Supply

Your answer ☐ **[1]**

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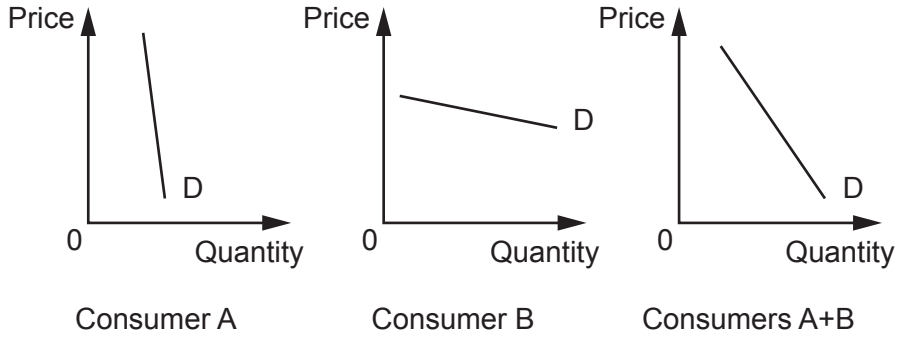
4 **Diagram X** **Diagram Y** **Diagram Z**



What does **Diagram Z** show?

A Changes in tastes of consumers

B Market demand of consumers

C Perfectly inelastic demand

D Shift in the demand curve

Your answer ☐ **[1]**

5 The actions of one firm in a market has a considerable effect on other firms.

What type of market is this **most** likely to be?

A Competitive

B Monopoly

C Oligopoly

D Specialist

Your answer ☐ **[1]**

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6 What is **not** likely to result from an increase in production in an industry?

A An increase in profits

B An increase in the output of goods

C Greater environmental sustainability

D Increased economies of scale

Your answer ☐ **[1]**

7 The time period is very important when considering supply.

What is the **best** reason for this?

A Goods and services vary in how long it takes to change their supply

B Greater efficiency can be gained if more resources are available

C Production costs will rise in the short run but fall in the long run

D The quantity supplied varies directly with the change in price

Your answer ☐ **[1]**

8 A farmer sells bags of carrots. When the price is reduced from £2.00 per bag to £1.50, the quantity sold increases by 15%.

The demand for carrots is

A perfectly price inelastic

B price elastic

C price inelastic

D unitary price elastic

Your answer ☐ **[1]**

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9 What is the **best** description of the role of the labour market?

A It allows workers able and willing to work to meet employers who are able and willing to offer a job

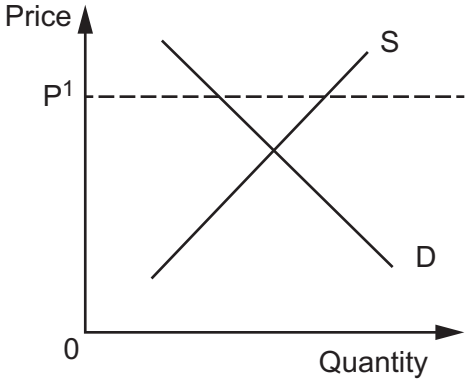
B It consists of the supply of labour by consumers and the demand for labour by firms

C It makes sure there is a competitive market for the skills offered by labour

D Negotiations take place between workers and employers to set the wage rate

Your answer ☐ **[1]**

10 The diagram shows the demand and supply for apples.



If the price is currently P^1 what would be the **most** likely result?

A Equilibrium price will rise

B More buyers will enter the market

C The market will be in equilibrium

D There will be excess supply

Your answer ☐ **[1]**

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11 A shop owner decides to close their shop for two weeks to go on holiday. As a result, they will lose £2000 in revenue.

This is an example of

A gross pay

B market forces

C opportunity cost

D the economic problem

Your answer ☐ **[1]**

12 In a market where demand and prices are falling this means that fewer resources are needed.

This is an example of price acting as both

A a reflection of worth and a transmission of preferences

B a signaller and a transmission of preferences

C resource rationing and a signaller

D resource rationing and an opportunity cost indicator

Your answer ☐ **[1]**

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13 A self-employed business consultant has received a number of payments in the last month.

Payment	**£**
Bank interest	20
Rent from 2 properties	1200
Share dividends	250

What was the business consultant's gross pay last month?

A £2000

B £2020

C £2270

D £3470

Your answer ☐ **[1]**

14 Two workers asked their employer if they can specialise, instead of doing several different jobs.

What would be a direct benefit for these workers?

A Creates jobs

B Increased skill

C Less boredom

D Unemployment

Your answer ☐ **[1]**

15 What would an economist consider to be the **best** example of money?

A A cheque

B A credit card

C A fifty-pound note

D A mobile phone pay app

Your answer ☐ **[1]**

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16 Plumbers who work for themselves are examples of individuals as

A competitors

B consumers

C employers

D producers

Your answer ☐ **[1]**

17 What will happen to the price and quantity of **most** goods due to a movement along the demand curve?

A price and quantity will change in opposite directions

B price and quantity will change in the same direction

C price will change, but quantity will stay the same

D quantity will change, but price will stay the same

Your answer ☐ **[1]**

18 The government allocates scarce resources between many uses.
When they decide to spend more money on health instead of education, the government is answering a key economic question.

What is the key economic question?

A Are the needs of health more than the wants of education?

B For whom should health be produced?

C How should health be produced?

D What should be produced?

Your answer ☐ **[1]**

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19 What is the price elasticity of demand, if a price decrease leads to an increase in total revenue?

A Perfectly price inelastic

B Price elastic

C Price inelastic

D Unitary price elastic

Your answer ☐ **[1]**

20 What would most likely lead to a fall in the number of people applying for a new job?

A Decline in the size of the working population

B Decrease in demand for the product made

C Improvement in the working conditions

D Increase in the level of productivity

Your answer ☐ **[1]**

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Section B

21 Extract 1
Letusprovide Ltd

Layla and Leo run Letusprovide Ltd, a food supply firm. Layla was delighted to hear that their local roads were to be improved, leading to an external economy of scale for the business. She was further pleased when a letter from their bank said that interest rates were being reduced. The fall from 6% to 5% will allow the business to borrow £10 000 more cheaply. This will help them to grow the business.

Leo has heard that the government has blocked the two largest food supply firms from joining together. This will mean Letusprovide Ltd can compete fairly with the other food supply businesses. Leo says this will be good both for the business and the consumers.

Layla reminded Leo that competition was not always positive for consumers, as smaller firms might not be able to gain the same economies of scale as large firms.

(a) Explain why improving local roads is an external economy of scale.

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(b) Letusprovide Ltd wants to borrow money from its bank.

Explain **one other** way banks can help Letusprovide Ltd to grow.

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(c) Analyse the effect of a reduction in interest rates on Letusprovide Ltd.

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(d)

(i) Calculate the saving that Letusprovide Ltd will make if it borrows £10 000 at a 5% rate of interest instead of 6%.

Show your working.

Answer = £ ..... **[2]**

(ii) State **two** reasons why businesses compete.

1 .....

2 .....

[2]

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(iii)* Evaluate the extent to which competition is beneficial for consumers.

Use the information given in **Extract 1** and your own knowledge.

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22 Extract 2
ALASA

Alex, Ling, Amit, Sam and Azmi have recently left music college. They have decided to market themselves as ALASA offering solo musical concerts, with up to all five of them performing. Alex, acting as the business manager, pointed out that their supply is price inelastic.

Alex has produced a price list, including travel costs, based on a three-hour concert.

Number of musicians	Total price (£)
1	300
2	700
3	1100
4	1600
5	2200

Ling thinks these prices are fair. If consumers want more musicians they must expect to pay an increasing rate, to justify higher transport and practice costs.

Amit agreed, but said it was important that they established an equilibrium price and quantity as soon as possible.

Sam said they needed to think carefully about their costs, as this can cause the supply schedule to shift.

Azmi said that other factors can cause this to happen.

(a) Explain what is meant by 'their supply is price inelastic'.

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(b) Explain the role of the market in determining equilibrium price and quantity.

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(c) Using a diagram, analyse the possible consequences of a movement along ALASA's supply curve.

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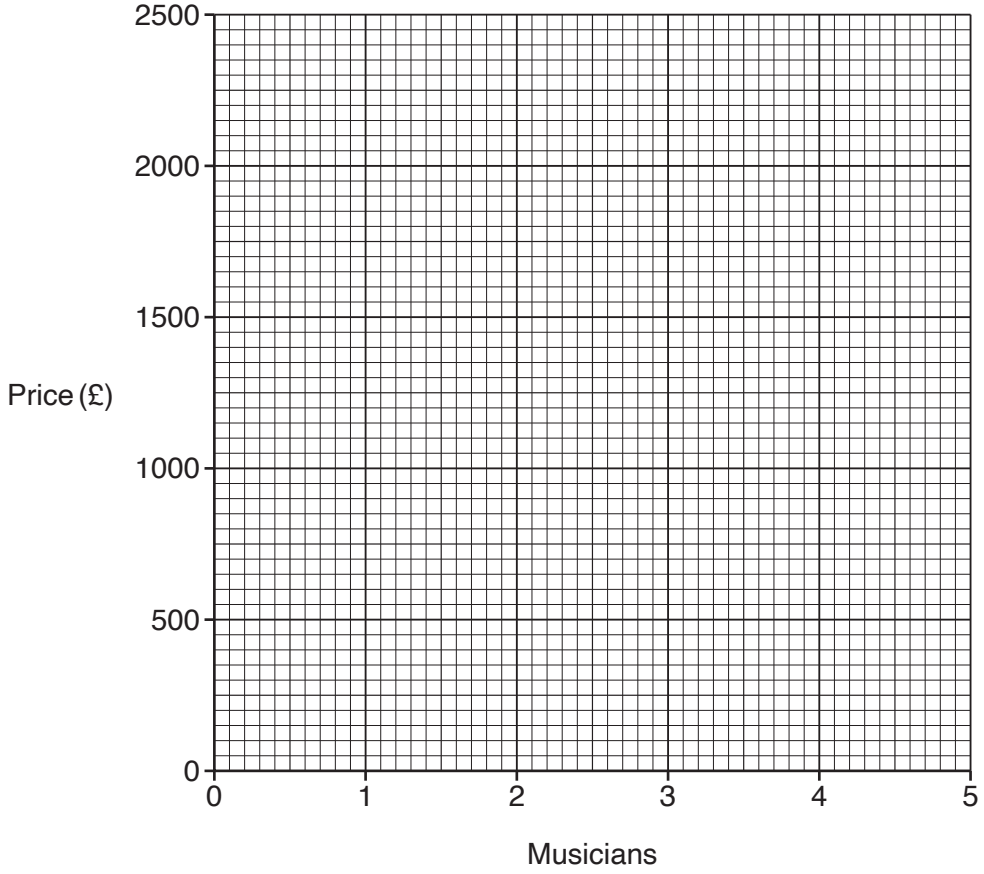
(i) Using the information in **Extract 2**, draw the supply curve for ALASA.



[2]

(ii) ALASA reduces all the prices of hiring musicians by £50 due to falling travel costs.

Calculate ALASA's total revenue from two musicians being hired for two separate concerts after the price reduction.

Show your working.

Answer = £ ..... **[2]**

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(iii)* Evaluate the importance for consumers of ALASA having a price inelastic supply.

Use the information given in **Extract 2** and your own knowledge.

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23 Extract 3
The Asian Hornet

The Asian Hornet is an insect first found in France in 2004. It has spread to many other European countries and has now reached the UK.

The Asian Hornet has a negative impact because it destroys honeybees and many other insects which pollinate plants, damaging the primary sector. This causes a fall in the level of production of most fruit and vegetable crops, leading to economic losses. This has already happened in Spain, France, Italy, and Portugal.

The Asian Hornet is very aggressive and can affect consumers and producers. The hornet's sting can cause a severe reaction and in extreme cases leads to death. The annual cost of destroying the nests to get rid of the Asian Hornet is estimated to be £10.5 million for France, £8 million for Italy, and £7.6 million for the UK.

Overall, the Asian Hornet will have a negative effect on the quality of life and wellbeing in the UK, unless it can be destroyed.

(a) Explain what is meant by the primary sector.

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(b) Explain how the Asian Hornet can affect the producer's role in the economy.

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(c) Using a diagram, analyse the effect of the spread of the Asian Hornet on the equilibrium price and quantity of food.

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(d)

(i) Using the information in **Extract 3**, calculate the average cost of destroying the Asian Hornet in France, Italy, and the UK.

Show your working.

Answer = £ ..... **[2]**

(ii) Explain how the Asian Hornet can affect the interdependence of the factor and product markets.

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(iii)* Evaluate the extent to which the Asian Hornet will have a negative effect on the social sustainability of the UK.

Use the information given in **Extract 3** and your own knowledge.

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END OF QUESTION PAPER

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EXTRA ANSWER SPACE

If you need extra space use these lined pages. You must write the question numbers clearly in the margin.

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