AQA

Please write clearly in block capitals.

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

Surname _____

Forename(s) _____

Candidate signature _____

GCSE
ECONOMICS

Paper 1 How markets work

Friday 24 May 2019 Afternoon 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.
- 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.

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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 is the central purpose of economic activity?

[1 mark]

A Maximising the profits of firms ⬭

B Reducing inequalities in income and wealth ⬭

C Producing goods and services to satisfy needs and wants ⬭

D Reducing the power of monopolies ⬭

0 2 Which of the following correctly shows the rewards to the four factors of production?

[1 mark]

	Capital	Enterprise	Land	Labour	
A	Interest	Profit	Wages	Rent	⬭
B	Profit	Interest	Rent	Wages	⬭
C	Wages	Profit	Rent	Interest	⬭
D	Interest	Profit	Rent	Wages	⬭

Do not write outside the box

0 3 Which of the following activities would be included in the primary sector of the economy?

[1 mark]

A Catering ⬭

B Farming ⬭

C Hairdressing ⬭

D Housebuilding ⬭

0 4 Which of the following would cause the demand curve for cars to shift to the right?

[1 mark]

A A fall in the size of the population ⬭

B A reduction in the price of rail travel ⬭

C A rise in the price of petrol ⬭

D An increase in consumer incomes ⬭

0 5 What is the equilibrium price after a rise in supply of 10 units at all prices?

[1 mark]

Price (£)	Quantity demanded	Quantity supplied
4	30	10
5	25	15
6	20	20
7	15	25

A £4 ⬭

B £5 ⬭

C £6 ⬭

D £7 ⬭

Do not write outside the box

0 6 Which of the following is the most likely cause of a rise in price of lemons?

[1 mark]

A A reduction in the number of firms supplying lemons ⬭

B A reduction in the wages paid to lemon growers ⬭

C An increase in productivity of lemon growers ⬭

D A fall in demand for lemons ⬭

0 7 A 25% increase in the price of chocolate bars leads to a 5% fall in quantity demanded.

What is the price elasticity of demand of chocolate bars in this case?

[1 mark]

A +5.0 ⬭

B −0.2 ⬭

C −5.0 ⬭

D +0.2 ⬭

0 8 Which of the following are characteristics of a competitive market?

[1 mark]

A Large number of firms, low barriers to entry ⬭

B Small number of firms, low barriers to entry ⬭

C Large number of firms, high barriers to entry ⬭

D Small number of firms, high barriers to entry ⬭

0 9 Which of the following would lead to a market failure?

[1 mark]

A An increase in the price of a scarce raw material ⬭

B A fall in demand for an unpopular product ⬭

C A factory generating air pollution ⬭

D The government increasing taxes ⬭

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1 0 The following information was included in Paul's monthly pay slip.

Gross pay	£1500
Income tax	£200
National Insurance Contribution	£160

What is Paul's net monthly pay?

[1 mark]

A £1860 ⬭

B £1140 ⬭

C £1300 ⬭

D £1340 ⬭

1 1 State **two** types of economy of scale.

[2 marks]

Type 1 _____

_____

Type 2 _____

_____

1 2 Explain **one** positive externality that could result from building a new motorway.

[2 marks]

_____

_____

_____

_____

Turn over for the next question

Do not write outside the box

1 3 Explain **one** possible effect on the equilibrium market price of cars of a fall in consumer incomes.

[2 marks]

1 4 **Table 1** shows revenue and cost data relating to a café with 1000 customers per month.

Table 1

Total revenue per month	£5000
Fixed costs per month	£1200
Variable costs per customer	£2.50

1 4 . 1 Using **Table 1**, calculate the monthly profit of the café.

Show your working.

[2 marks]

Monthly profit = _____

1 4 . 2 Explain **one** possible reason why the owners of the café may aim to make a profit.

[2 marks]

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1 5 **Table 2** Annual earnings of selected occupations in 2017.

Table 2

Occupation	Annual earnings (£)
Surgeon	87,446
Cleaner	7,919
UK average	27,271

1 5 . 1 Using **Table 2**, analyse why a surgeon may earn more than a cleaner.

[6 marks]

1 6 State **two** costs to individual workers from specialisation.

[2 marks]

Cost 1 _____

Cost 2 _____

Do not write outside the box

1 7 Explain **one** opportunity cost a government might face when making economic decisions.

[2 marks]

1 8 Explain **one** possible cause of monopolistic power in a market.

[2 marks]

1 9 **Table 3** shows data relating to the workforce of Sam's cupcake-making business.

Table 3

Number of workers	8
Number of cupcakes made per hour	510

1 9 . 1 Using **Table 3**, calculate the hourly productivity of Sam's workforce. Give your answer to **one** decimal place.

[2 marks]

Hourly productivity = _____

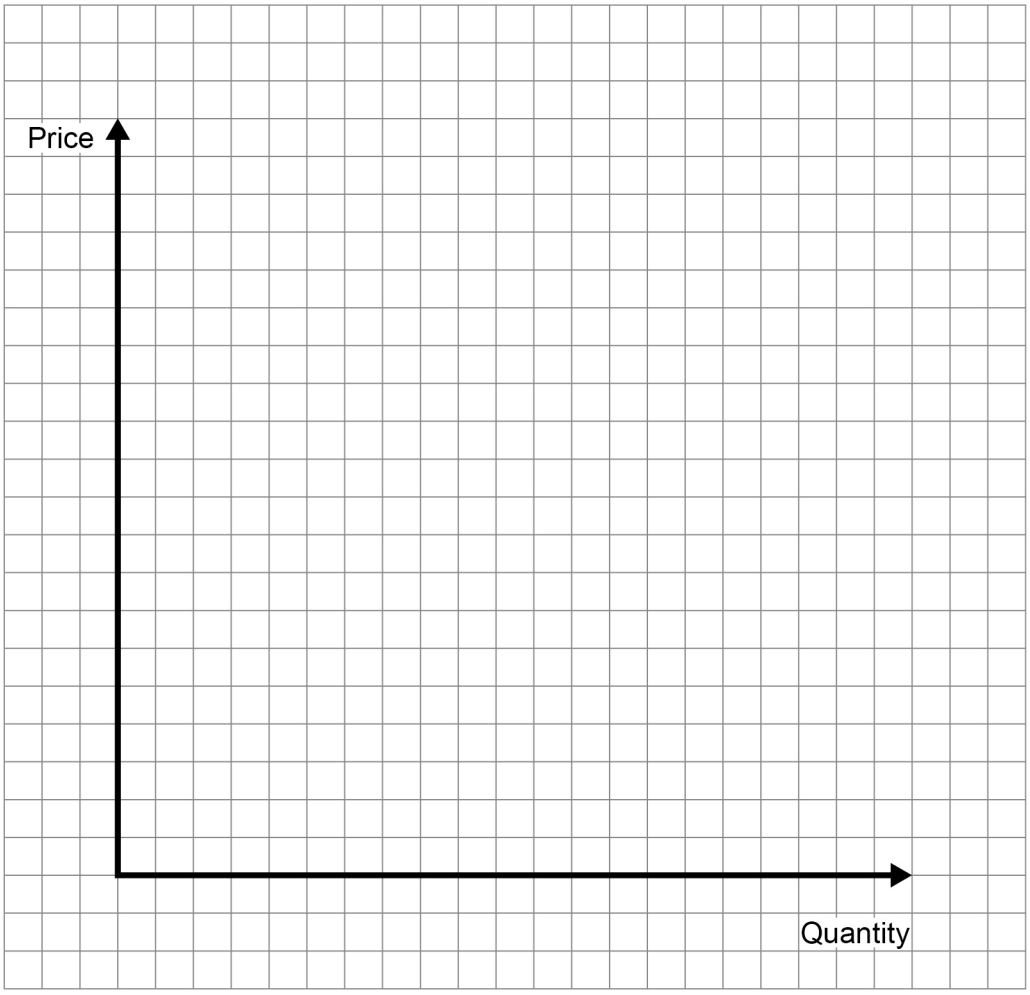
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1 9 . 2 Explain **one** way the productivity of Sam's workforce could be increased.

[2 marks]

2 0 Draw a supply and demand diagram below to show the effects of an increase in supply on price and quantity.

[3 marks]



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2 1

Figure 1

Ten years after the global financial crisis, the United Kingdom (UK) building industry seems to be recovering. House-building projects that had stopped because of fears about profitability have now been re-started. New building projects have also begun as consumer incomes have started to increase. The UK government announced a plan in 2017 to build 300 000 new homes a year to try to solve the problems of a housing shortage in the UK. This should be good news for workers involved in the building industry.

However, the UK still suffers from difficulties linked to planning and building regulations. These limit the ability of house-builders to develop new land for homes. The skills of bricklayers and plasterers are still in high demand but there are fears that certain manual jobs may be carried out by machines in the future. Added to this are concerns that the UK's exit from the European Union may lower consumer and business confidence again.

2 1 . 1 Using **Figure 1**, assess whether changes in the UK economy are likely to be beneficial for UK builders.

[9 marks]

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48

Turn over for Section B

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Section B

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

Item A – Coffee cup waste

UK consumers use 2.5 billion disposable coffee cups every year. Very few are recycled, partly because it is currently difficult and expensive to separate the materials that make up a disposable cup. Half a million cups a day end up as litter. One estimate of the cost of cleaning up this extra litter is £6 million a year. Coffee cup producers have not yet taken enough action to solve this problem. As the UK's coffee shop market is expanding rapidly, economists say that solutions are needed to address the failures in this market.

Politicians point out that while some coffee shops offer discounts for consumers who bring their own coffee cups, only 1-2% of coffee drinkers bring their own cups. Following the success of the plastic bag charge, politicians conclude that consumers respond more to taxes than discounts. Politicians say that a 5p charge for plastic shopping bags has massively reduced their use and helped protect the environment. The UK government is therefore recommending a 25p tax on disposable coffee cups, known as a 'latte levy'. However, the tax is opposed by makers of paper cups, who argue that paper cups are a safe and sustainable solution, as they are made from recyclable materials. They say that 'Taxing the morning coffee run will not address the issue of litter but it will hurt consumers and impact already struggling High Streets'. Some politicians have suggested a total ban on disposable cups by 2023.

Several of the UK's main coffee suppliers including Caffe Nero, Costa, McDonald's and Starbucks have signed up to a scheme to collect and recycle more of the current type of cups. Starbucks said it would try out a 5p cup charge in a number of London coffee shops.

Critics say that the coffee industry should focus on other environmental issues such as cutting water use, carbon reduction and turning waste coffee products into biofuel.

Item B – The UK coffee shop market

The UK coffee shop market is dominated by a small number of powerful firms, with the biggest three accounting for 53% of all coffee shops. Costa is the largest chain, with over 2200 coffee shops in the UK in 2017. Whilst each chain largely offers a similar product range of hot and cold drinks, sandwiches and snacks, each tries to offer consumers a distinctive experience.

Table 4 – Sales revenue of four largest coffee shop chains in UK (2017)

Coffee shop	Sales Revenue (£bn)
Costa	1.5
Starbucks	1.0
Caffe Nero	0.8
Wild Bean Cafe	0.2
Total of all coffee shops	**7.3**

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2 2 Define oligopoly.

[2 marks]

2 3 Using **Table 4**, calculate the combined market share of the four largest firms in the UK coffee shop market to **one** decimal place.

[3 marks]

Combined market share = _____

Turn over for the next question

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2 4 Explain **two** possible consequences of the oligopolistic nature of the UK coffee shop market.

[6 marks]

Consequence 1 _____

Consequence 2 _____

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2 5 Using **Item A**, analyse the possible externalities of the increase in take-away coffee consumption in the UK.

[6 marks]

Turn over for the next question

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2 6 Do you think the UK government should intervene to reduce market failure in the coffee shop market?

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

[15 marks]

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END OF QUESTIONS

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