AQA

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

Friday 22 May 2020 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.
- 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 one of the following is **not** a factor of production?

[1 mark]

A Enterprise ⬭

B Labour ⬭

C Land ⬭

D Money ⬭

0 2 Fish and chips are complementary goods. Which of the following would shift the demand curve for chips to the left?

[1 mark]

A A fall in the price of chips ⬭

B A fall in the price of fish ⬭

C A rise in the price of chips ⬭

D A rise in the price of fish ⬭

Do not write outside the box

0 3 Which of the following occupations would be included in the secondary sector of the economy?

[1 mark]

A Builder ⬭

B Farmer ⬭

C Lawyer ⬭

D Teacher ⬭

0 4 Equilibrium price in a market is best defined as the price at which:

[1 mark]

A all units of output produced are sold ⬭

B excess demand equals excess supply ⬭

C there is no excess demand or excess supply ⬭

D the number of sellers equals the number of buyers ⬭

Turn over for the next question

Do not write outside the box

0 5 Which of the following diagrams illustrates the effect of an increase in consumer incomes on the market for smartphones?

[1 mark]

Diagram A

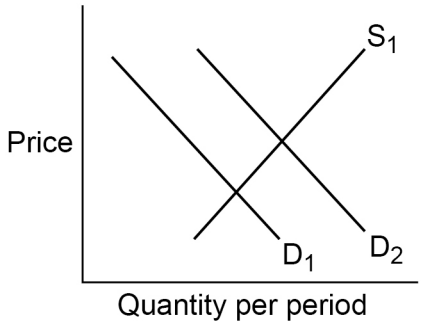


Diagram B

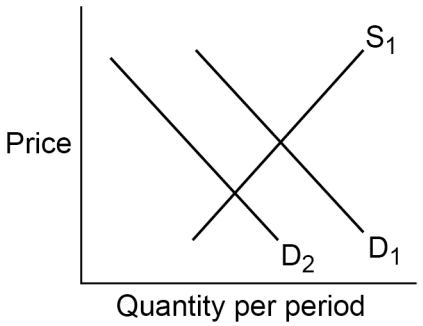


Diagram C

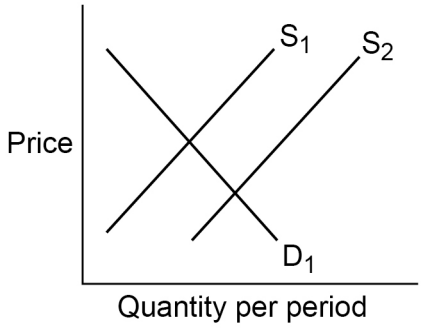
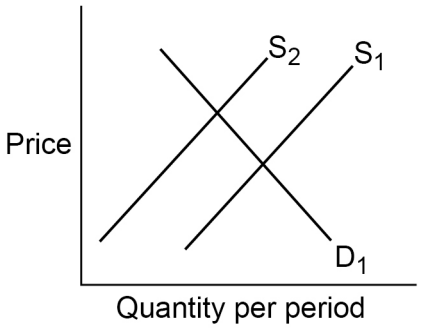


Diagram D



Fill in the circle alongside the appropriate answer:

A Diagram A ⬭

B Diagram B ⬭

C Diagram C ⬭

D Diagram D ⬭

Do not write outside the box

0 6 Which of the following would be an opportunity cost of the owner of a factory buying a new machine?

[1 mark]

A The cost of electricity used to power the machine ⬭

B The cost of employing somebody to operate the machine ⬭

C The increase in maintenance costs from buying the new machine ⬭

D The money that could have been spent on advertising ⬭

0 7 The price elasticity of supply of cocoa beans is +0.75. If the price of cocoa beans rises by 20% what will be the percentage change in quantity supplied?

[1 mark]

A –15.0% ⬭

B +15.0% ⬭

C –26.7% ⬭

D +26.7% ⬭

Turn over for the next question

Do not write outside the box

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

[1 mark]

A A large number of buyers and a large number of sellers of a good ⬭

B A large number of buyers and a single seller of a service ⬭

C A single buyer and a large number of sellers of a good ⬭

D A single buyer and a large number of sellers of a service ⬭

0 9 Which of the following involves a misallocation of resources?

[1 mark]

A A business not making a profit ⬭

B Demand equals supply ⬭

C People not taking enough exercise ⬭

D Prices falling as a result of falling demand ⬭

1 0 Productivity is best defined as:

[1 mark]

A A fall in a firm's costs over time ⬭

B An increase in output over time ⬭

C Output per worker per hour ⬭

D Total output of all factors of production ⬭

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1 1 State **two** deductions from a worker's gross pay.

[2 marks]

Deduction 1 _____

_____

Deduction 2 _____

_____

1 2 Explain what is meant by the basic economic problem.

[2 marks]

_____

_____

_____

_____

1 3 The price elasticity of demand for a brand of jeans is –0.5. Explain what this value means.

[2 marks]

_____

_____

_____

_____

Turn over for the next question

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1 4 **Figure 1** shows the annual social costs and external costs of a furniture delivery firm.

Figure 1

Social costs (£)	280 000
External costs (£)	75 000

1 4 . 1 Using **Figure 1**, calculate the annual private costs of the furniture delivery firm.

[2 marks]

Answer £ _____

1 4 . 2 Explain **one** possible external cost created by the furniture delivery firm.

[2 marks]

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Figure 2 – Falling oil prices

In November 2018 oil prices fell to their lowest level in 8 months because of falling demand. Oil is used to make petrol, plastics and parts of motor vehicles. The fall in oil price could reduce a major cost of motoring for consumers. However, vehicle manufacturers were worried that this price reduction might be caused by a fall in the demand for cars.

1 5 Using **Figure 2**, analyse possible impacts of falling oil prices on the motor vehicles market.

[6 marks]

Extra space

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1 6 State **two** factors that affect price elasticity of supply.

[2 marks]

Factor 1 _____

_____

Factor 2 _____

_____

1 7 Explain **one** reason why a professional footballer might earn more than a bus driver.

[2 marks]

_____

_____

_____

_____

1 8 Explain **one** role of a market.

[2 marks]

_____

_____

_____

_____

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1 9 **Figure 3** shows average house prices in December 2010 and December 2018.

Figure 3

Month	Average UK House Price (£)
December 2010	168 703
December 2018	230 630

1 9 . 1 Using **Figure 3**, calculate the percentage increase in the average UK house price between December 2010 and December 2018. Give your answer to one decimal place.

[2 marks]

Answer _____ %

1 9 . 2 Explain **one** possible reason for the increase in the average UK house price between December 2010 and December 2018.

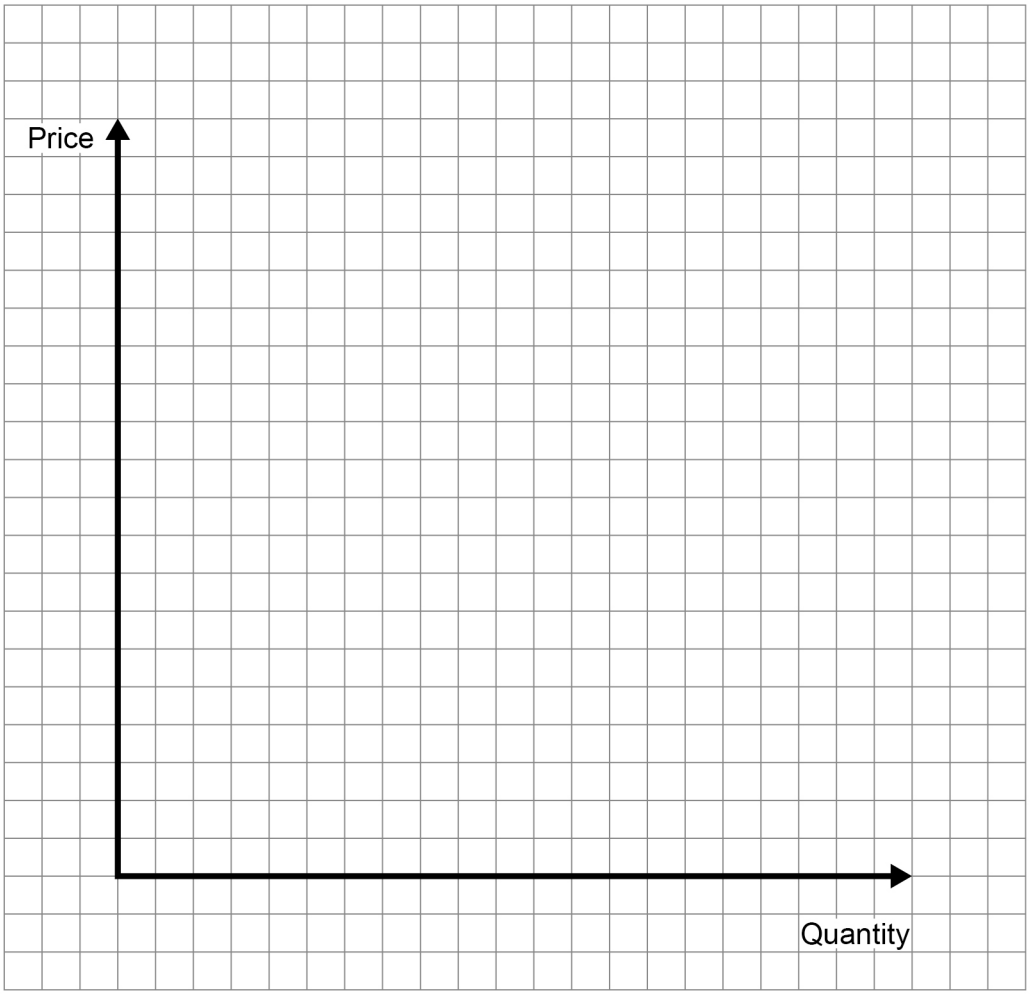
[2 marks]

Turn over for the next question

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2 0 Draw and label a supply and demand diagram to show the effects of bad weather on the equilibrium price and quantity of coffee beans.

[3 marks]



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Figure 4 – Specialisation of workers

Jennifer works as a checkout assistant in a supermarket. It is a job she has done since leaving school nearly ten years ago. Even though aspects of the job are repetitive she enjoys it and also enjoys chatting to customers. With her years of experience, Jennifer can do the job quickly and efficiently. Less-experienced co-workers often ask her for advice and she gains a sense of pride from this. The job of checkout supervisor has recently been advertised, which is slightly higher-paid than the job Jennifer currently has. Jennifer's colleagues have told her to apply for the supervisor's job as they think she has the necessary skills and experience but Jennifer isn't so sure. Jennifer thinks she is better-suited to her current job.

However, Jennifer has noticed that the supermarket is increasingly automated, with self-service checkout machines and hand-held self-scan devices. Consumers are also making increased use of online shopping for groceries. This has led to around 40% of her former co-workers losing their jobs, or having to re-train and take a different job in the supermarket. Jennifer is worried that she might also lose her job if she doesn't re-train or consider applying for the job of checkout supervisor.

2 1 Using **Figure 4**, assess whether the costs to Jennifer specialising in a particular job outweigh the benefits.

[9 marks]

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Section B

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

Item A – Changes in the UK toys and games market

The market structure of the UK toys and games market has changed over time. Supermarkets and online retailers have used their market power to force many small, specialist toy and game retailers out of business. Consumers and toy manufacturers may also be suffering because of the growth of monopoly power in the toy and game retail market. Some toy manufacturers feel that the market is being dominated by a few powerful retailers which is forcing prices down. This is damaging brands that the manufacturers have spent years building up, and leaving them with less money to invest in new products.

More than 50% of all toy and game purchases are usually made in the 8 weeks before Christmas, so smaller specialist retailers face the challenge of low sales revenue for the majority of the year. They also face the challenge of less shelf space to stock and display toys and games in the weeks leading up to Christmas compared to the big retailers, as well as online retailers such as Amazon.

Small, specialist toy and game retailers say that they can offer unique products and a better level of knowledge and customer service than that provided by the large retailers. However, customers generally have to pay higher prices for their products. Large supermarkets and online retailers say that they can respond quickly to consumer tastes because they can quickly analyse trends in consumer purchases.

Larger toy retailers argue that they give consumers a much bigger choice than small, specialist retailers and can do so at cheaper prices because the larger firms benefit from a range of potential economies of scale.

However, even large toy retailers have been forced out of the market by the trend towards online retailers. Toys R Us was forced out of the market in 2018 as retailers such as Amazon and Argos increased their market share.

Small, specialist toy and game retailers have asked the UK government to intervene in this market. This should help prevent small firms being forced out of business by the large retailers, including online retailers. However, some small, specialist retailers are now making use of online platforms such as eBay and Amazon to reach a wider market.

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Figure 5 – Sales revenue of main types of toys and games retail type in UK (2007 and 2017)

Toys and Games Retail Type	Sales Revenue 2007 (£m)	Sales Revenue 2017 (£m)
Large specialist	720	622
Small specialist	447	214
Supermarket	696	1216
Online	378	1410
Other	62	88
Total of all Toys and Games Retailers	**2303**	**3550**

2 2 Define 'market structure'.

[2 marks]

2 3 Using **Figure 5**, calculate the change in the market share of supermarket retailers in the UK toys and games market between 2007 and 2017. Give your answer to **one** decimal place.

[3 marks]

Answer _____ %

Turn over ►

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2 4 Explain **two** possible economies of scale that a large toy retailer such as Amazon may benefit from.

[6 marks]

Economy of scale 1

Economy of scale 2

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2 5 Using **Item A**, analyse how consumers might be affected by the changing structure of the UK toys and games market.

[6 marks]

Extra space

Turn over for the next question

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2 6 Do you think the UK government should intervene to increase competition in the UK toys and games market?

Use **Item A and Figure 5** and your own economic knowledge to justify your view.

[15 marks]

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32

END OF QUESTIONS

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