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

Wednesday 17 May 2023 Afternoon Time allowed: 1 hour 45 minutes

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

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

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.

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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 best describes the equilibrium price in a market?

[1 mark]

A Where all consumers are satisfied ⬭

B Where profit is maximised ⬭

C Where quantity supplied equals quantity demanded ⬭

D Where quantity supplied exceeds quantity demanded ⬭

0 2 Which of the following could lead to a reduction in the quantity supplied of a product?

[1 mark]

A A decrease in demand for the product ⬭

B A decrease in the cost of making the product ⬭

C An increase in the popularity of the product ⬭

D An increase in the price of the product ⬭

Do not write outside the box

0 3 A firm can reduce its average costs in the long run by making effective use of a large machine. This is an example of

[1 mark]

A financial economies of scale. ⬭

B purchasing economies of scale. ⬭

C risk-bearing economies of scale. ⬭

D technical economies of scale. ⬭

0 4 Which of the following would be included in the tertiary sector of an economy?

[1 mark]

A A farm ⬭

B A leisure centre ⬭

C Construction ⬭

D Fishing ⬭

Turn over for the next question

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0 5 Which of the following is an example of a variable cost?

[1 mark]

A Insurance ⬭

B Raw materials ⬭

C Rent ⬭

D Salaries ⬭

0 6 In which jobs are earnings likely to be highest?

[1 mark]

A In those where it is easy to replace workers ⬭

B In those where workers are paid weekly ⬭

C In those with an excess supply of labour ⬭

D In those with long training periods ⬭

0 7 Which of the following is a reason for a firm having price elastic supply?

[1 mark]

A A high amount of spare capacity ⬭

B A low number of substitutes ⬭

C High consumer incomes ⬭

D Low stocks of raw materials ⬭

Do not write outside the box

0 8 A 5% decrease in the price of newspapers leads to a 4% increase in the quantity demanded. What is the price elasticity of demand for newspapers?

[1 mark]

A –1.25 ⬭

B –0.8 ⬭

C +0.8 ⬭

D +1.25 ⬭

0 9 Which of the following are most likely to be substitutes for each other?

[1 mark]

A Books and tablet computers ⬭

B Cars and petrol ⬭

C Coffee and sugar ⬭

D Torches and batteries ⬭

Turn over for the next question

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1 0 **Table 1** shows the quantities of wood supplied and demanded at various prices.

Table 1

Price (£ per tonne)	Quantity demanded (tonnes)	Quantity supplied (tonnes)
25	150	50
50	125	75
75	100	100
100	75	125
125	50	150

What is the excess supply at a price of £100 per tonne?

[1 mark]

A 25 tonnes ⬭

B 50 tonnes ⬭

C 75 tonnes ⬭

D 100 tonnes ⬭

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1 1 State **two** different examples of the factor of production known as land.

[2 marks]

Example 1 _____

_____

Example 2 _____

_____

1 2 Explain **one** reason why an individual consumer may have to make an economic choice.

[2 marks]

_____

_____

_____

_____

1 3 Explain **one** benefit of specialisation for an individual worker.

[2 marks]

_____

_____

_____

_____

Turn over for the next question

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1 4 **Table 2** shows revenue and cost data relating to Paul's surfboard-making business.

Table 2

Number of surfboards produced and sold	Total revenue (£)	Total cost (£)
0	0	1500
5	1000	2000
10	2000	2500
15	3000	3000
20	4000	3500

1 4 . 1 Using **Table 2**, calculate the average fixed cost of making 15 surfboards.

[2 marks]

Answer £ _____

1 4 . 2 Explain **one** business objective Paul might have.

[2 marks]

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Figure 1 – Price elasticity of demand for two products

Loaf of bread	–0.2
Car	–2.5

1 5 Using **Figure 1**, analyse possible reasons for the differences in price elasticity of demand for the two products.

[6 marks]

Extra space

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1 6 State **two** features of a non-competitive market.

[2 marks]

1 _____

_____

2 _____

_____

1 7 Explain **one** possible disadvantage to a firm of increasing its scale of output.

[2 marks]

_____

_____

_____

_____

1 8 Explain **one** key economic decision for a producer.

[2 marks]

_____

_____

_____

_____

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1 9 **Figure 2** shows **monthly** pay data for Tharun, who works as a veterinary surgeon.

Figure 2

Gross pay	£2500
National Insurance contributions	£270
Income tax	£350

1 9 . 1 Using **Figure 2**, calculate Tharun's **annual** net pay.

[2 marks]

1 9 . 2 Explain **one** reason why Tharun may earn more than a cleaner.

[2 marks]

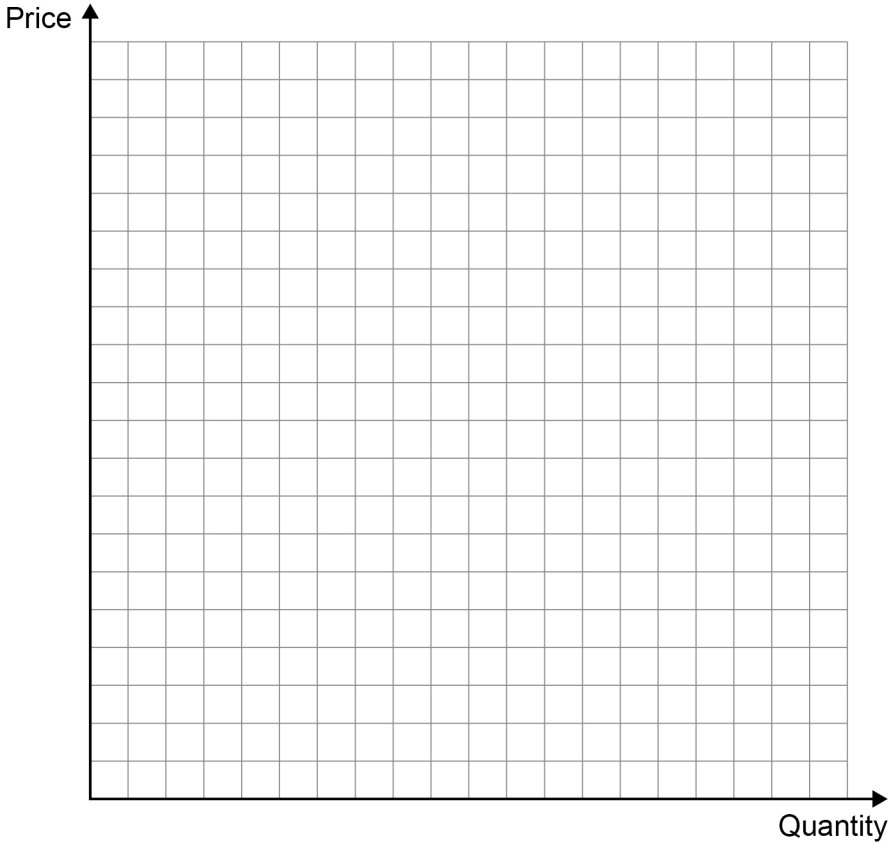
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2 0 Draw and label the effects of an increase in the price of petrol cars on the market for petrol.

[3 marks]

Market for petrol



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Figure 3 – Hill Green Farmers' Market

Hill Green Farmers' Market is a local village market. Many farmers come to the market to sell a wide range of fruit, vegetables, meat and other food that they have produced locally.

The Farmers' Market is well known in the region for selling high-quality, fresh food at competitive prices. It is easy for farmers to open a market stall and the set-up costs are low. In recent years, local farmers have struggled to recruit cheap labour for fruit picking and so costs of production for these farmers have begun to rise. Some customers have also complained that some market stalls have begun to look untidy.

Table 3 shows a comparison of prices of some food products between Hill Green Farmers' Market and the nearest supermarket, which is located 10 miles away.

Table 3 – Prices of selected products

	Hill Green Farmers' Market	**Supermarket**
500 g minced beef	£5.00	£5.00
12 eggs	£4.00	£4.50
1 litre of milk	£2.00	£1.75
1 kg carrots	£0.50	£1.20

2 1 Using **Figure 3** and **Table 3**, assess whether the advantages of a competitive market such as a local farmers' market outweigh the disadvantages for consumers.

[9 marks]

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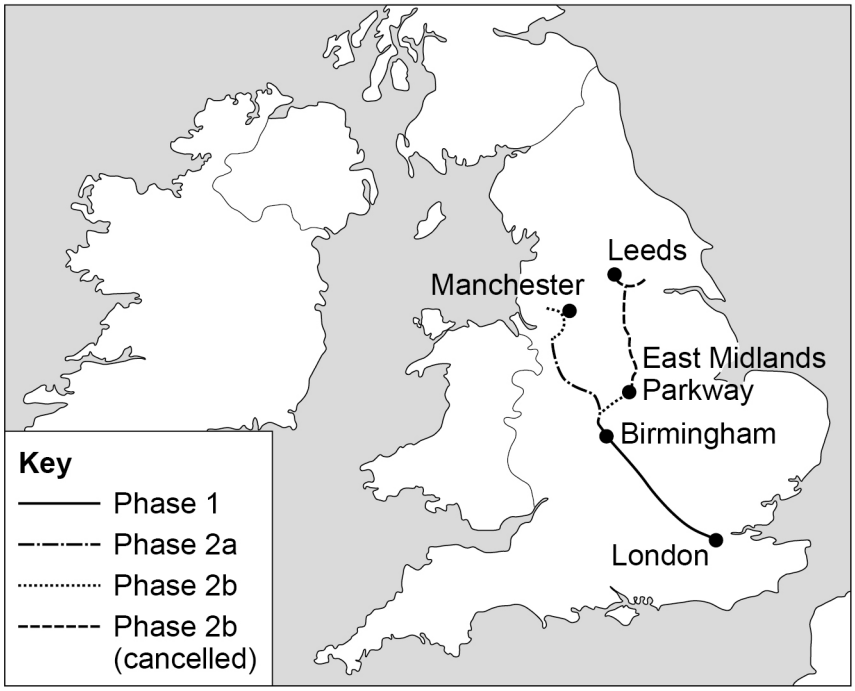
Section B

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

Item A – High Speed 2 (HS2)

High Speed 2 (HS2) is a high-speed railway line which is currently being built between the cities of London, Birmingham and Manchester in the UK. Phases 1 and 2a are currently set to be completed by 2033, with an additional line from Birmingham to the East Midlands (Phase 2b) set to be completed by 2045. The proposed route is shown in **Figure 4**.

Figure 4 – HS2 route



Benefits and costs of HS2

The UK government say that HS2 will create many benefits for the UK. These include faster transport links and increased employment along the route during and after construction. Critics of HS2 say that it is too expensive and that the costs of construction will be greater than the benefits. The estimated costs of building the 530 km route of HS2 are shown in **Figure 5** on the next page. However, these costs are unlikely to reflect the full social costs of the project.

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Figure 5 – Estimated building costs of HS2

Cost	£ bn
Railway lines	18.9
New stations	35.2
Bridges and tunnels	28.3
Buying up properties on the route	11.4
Trains	25.1

Cancellation of part of Phase 2b

In 2021, it was announced that part of the planned route of HS2 was to be cancelled. This includes the rail route from East Midlands Parkway to Leeds, as shown in **Figure 4** on page 15. Concerns have been raised in the North of the UK that this could lead to negative impacts on labour markets and inequality.

Item B – Regional economic differences in the UK

Regions of the UK have differences in levels of economic activity, shown by the data in **Figure 6**. The UK government hope that projects such as HS2 will help to reduce these differences.

Figure 6 – Selected regional economic data, 2021

Region	Median income (£)	Average house price (£)	Unemployment rate (%)
North West	30 056	200 172	5.2
North East	28 444	147 214	5.6
East Midlands	29 796	235 004	4.1
London	37 856	521 146	3.0

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2 2 Define the term 'social cost'.

[2 marks]

2 3 Using **Item A and Figure 5**, calculate the estimated total cost per kilometre of HS2. Give your answer to the **nearest £**.

[3 marks]

Answer £ _____

2 4 Analyse the possible impact(s) upon labour markets of the cancellation of part of Phase 2b of HS2 to Leeds.

[6 marks]

Turn over ►

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2 5 Explain **two** possible external benefits of HS2.

[6 marks]

1

2

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2 6 Do you think that the overall benefits of HS2 are likely to be greater than the costs?

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

[15 marks]

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END OF QUESTIONS

32

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