AQA

Please write clearly in block capitals.

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I declare this is my own work.

GCSE
ECONOMICS

Paper 1 How Markets Work

Monday 13 May 2024 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 The central purpose of economic activity is to produce goods and services that

[1 mark]

A create tax revenue. ⬭

B maximise profit. ⬭

C minimise externalities. ⬭

D satisfy needs and wants. ⬭

0 2 An individual obtains a bank loan to start a business.

Which factor of production has changed?

[1 mark]

A Capital ⬭

B Enterprise ⬭

C Labour ⬭

D Land ⬭

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0 3 Opportunity cost is defined as

[1 mark]

A the amount spent on the best option. ⬭

B the benefit given up from the next best alternative. ⬭

C the price paid for the next best alternative. ⬭

D the satisfaction from choosing the best option. ⬭

0 4 Which of the following is most likely to be a benefit of specialisation?

[1 mark]

A Increased job satisfaction for workers ⬭

B Increased threat of competition for firms ⬭

C Reduced average costs of production for firms ⬭

D Reduced choice for consumers ⬭

Turn over for the next question

Do not write outside the box

0 5 **Table 1** shows the value of output in selected industries of an economy in year X.

Table 1

Industry	Value of output (£ bn)
Mining	25.5
Fishing	18.0
Manufacturing	64.7
Education	101.2
Other services	83.1

Using **Table 1**, identify the correct statement. In year X

[1 mark]

A the secondary sector was the most valuable economic sector. ⬭

B the tertiary sector was the most valuable economic sector. ⬭

C the value of output in the primary sector was £25.5 bn. ⬭

D the value of output in the secondary sector was £82.7 bn. ⬭

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0 6 **Table 2** shows the weekly pay of dental surgeons and bus drivers.

Table 2

Occupation	Weekly pay (£)
Dental surgeons	800
Bus drivers	640

Calculate the ratio of dental surgeons' weekly pay to bus drivers' weekly pay from **Table 2**.
[1 mark]

A 0.40:1 ⬭

B 0.80:1 ⬭

C 1.25:1 ⬭

D 1.44:1 ⬭

0 7 Identify which of the following is **not** an example of the actions of producers conflicting with moral and ethical interests.

[1 mark]

A A firm dumps waste in a river. ⬭

B A firm only recruits graduates from one university. ⬭

C A firm raises wages to protect the living standards of its workers. ⬭

D A firm takes advantage of international law to minimise tax paid. ⬭

Turn over for the next question

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0 8 Goods X and Y are complements. The supply of good X decreases.

What will happen in the market for good Y?

[1 mark]

A Demand decreases ⬭

B Demand increases ⬭

C Supply decreases ⬭

D Supply increases ⬭

0 9 Which of the following firms is most likely to be a monopoly?

[1 mark]

Firm	Ease of entry	Number of firms in industry	Product differentiation
A	High	High	Low
B	High	High	High
C	Low	Low	Low
D	Low	Low	High

A Firm A ⬭

B Firm B ⬭

C Firm C ⬭

D Firm D ⬭

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1 0 The price elasticity of demand for pizza is –1.25. The price of pizza increases by 10%.

What is the change in quantity demanded as a result?

[1 mark]

A –12.5% ⬭

B –8.0% ⬭

C +8.0% ⬭

D +12.5% ⬭

Turn over for the next question

Do not write outside the box

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

[2 marks]

1 _____

_____

2 _____

_____

1 2 Explain **one** impact of a competitive market on consumer choice.

[2 marks]

_____

_____

_____

_____

1 3 Explain why online retailing is an example of a market.

[2 marks]

_____

_____

_____

_____

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1 4 . 1 The following data relate to a business that has made 1500 pancakes.

- Average cost per pancake: £1.90
- Selling price per pancake: £4.00

Calculate the total profit earned by the business from selling 1500 pancakes.

[2 marks]

£ _____

1 4 . 2 Explain **one** way the pancake business could increase its profit.

[2 marks]

Turn over for the next question

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Figure 1 – Effects of price increases

In 2022, the prices of commodities such as wheat, crude oil and natural gas rose significantly. This led to concern about the impact of these price rises upon markets such as energy and food production.

Item	Annual price increases (%) year to October 2022
Wheat	165
Crude oil	47
Natural gas	204

1 5 Analyse the possible impact of changes in the prices of commodities such as those mentioned in **Figure 1** upon other markets such as energy and food production.

[6 marks]

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1 6 State **two** features of an oligopoly.

[2 marks]

Feature 1 _____

_____

Feature 2 _____

_____

1 7 Explain **one** possible reason why the earnings of a particular occupation may be low.

[2 marks]

_____

_____

_____

_____

1 8 Explain **one** possible reason why the demand for foreign holidays is likely to be price elastic.

[2 marks]

_____

_____

_____

_____

Turn over for the next question

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1 9 **Table 3** shows data relating to the workforce of Billy's Barbers, which is one of several barbershops on a busy street.

Table 3

Number of workers	6
Number of haircuts per day	93

1 9 . 1 Using **Table 3**, calculate the daily productivity of the workforce of Billy's Barbers.

Give your answer to the nearest whole number.

[2 marks]

Haircuts per day = _____

1 9 . 2 Explain **one** benefit of increased productivity to a business such as Billy's Barbers.

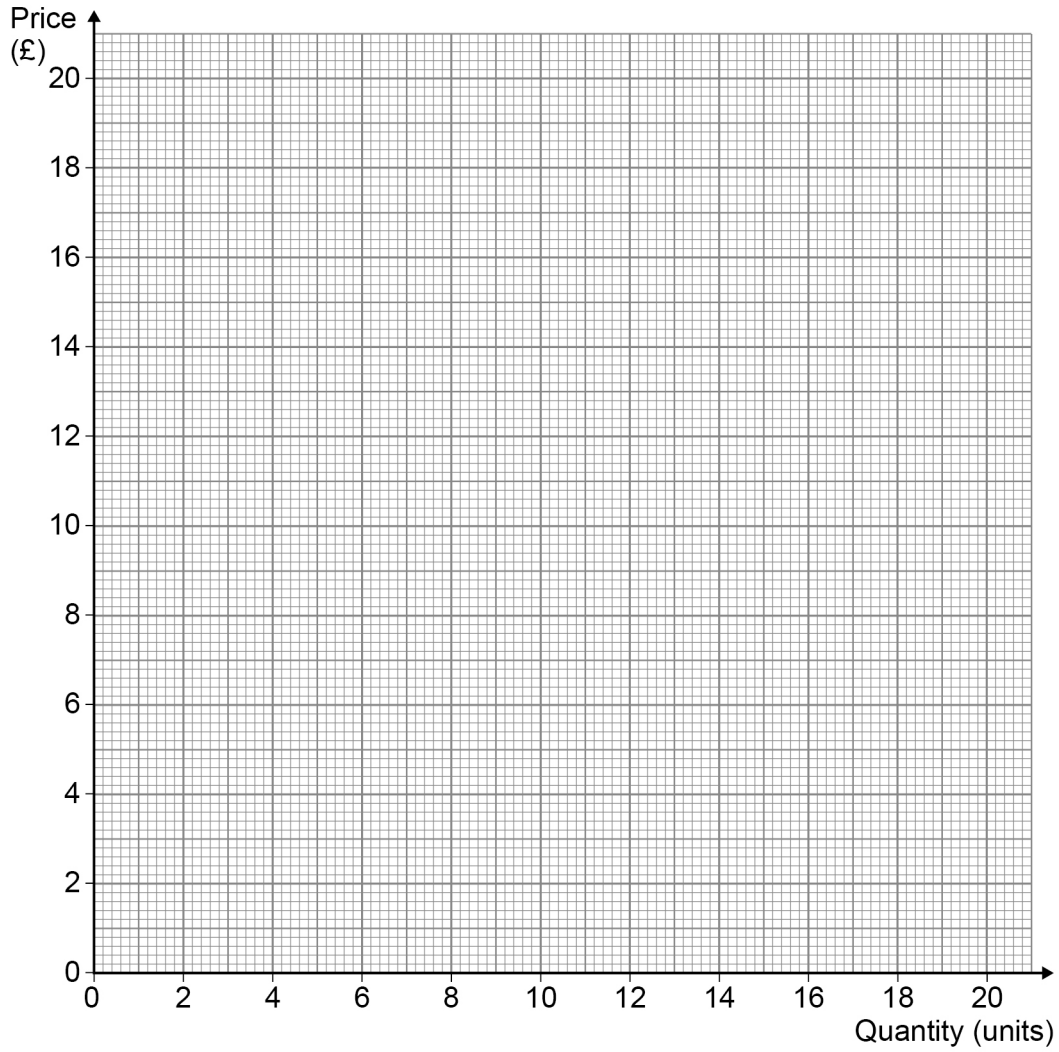
[2 marks]

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2 0 Draw and label demand and supply curves on the graph below from the following table of information. Clearly identify the equilibrium price and quantity.

[3 marks]

Price (£)	Quantity demanded (units)	Quantity supplied (units)
5	14	8
10	12	12
15	10	16
20	8	20



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Figure 2 – Sarah's Salads

Sarah's Salads is a business that grows and sells salad vegetables. Since Sarah started the business in 2010, it has increased in size and she has employed more labour and bought more land, greenhouses and specialist equipment. This has helped the business to become more efficient. However, as the business has grown in size, Sarah has noticed some problems. For example, she has found it more difficult to keep her employees focused on their work. Sarah has worked out her total costs of production at different levels of output, as shown in **Table 4**.

Table 4 – Output and cost data for Sarah's Salads

Output of salad vegetables (kg)	Total costs (£)
1000	8 000
2000	15 000
3000	21 000
4000	32 000

2 1 Using **Figure 2** and **Table 4**, assess whether the benefits of growth for a business such as Sarah's Salads exceed the costs.

[9 marks]

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Section B

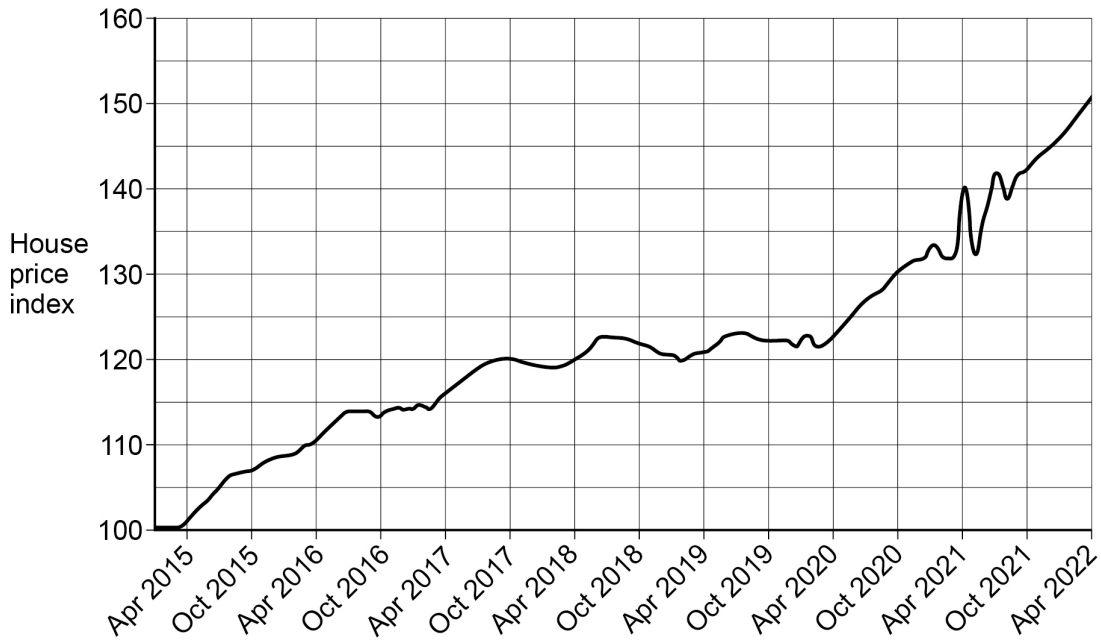
Answer **all** questions in the spaces provided.

Item A – The UK housing market

The UK housing market suffers from excess demand. Demand for housing tends to be greater than the supply of housing, leading to a housing shortage. Around 160 000 new homes are currently being built each year. However, it is estimated that more than 220 000 new homes are required each year to prevent a shortage. This has led to significant house price increases over time. Furthermore, the price elasticity of supply of new houses in the UK is estimated at 0.4. This compares with 1.1 in France and 2.1 in the USA. The average house price in the UK has grown at a faster rate than average incomes in recent years. **Figure 3** shows the UK average house price index from 2015 to 2022.

Economists say that the UK housing market is an example of market failure. Persistent housing shortages in the UK can lead to several problems. These include increased poverty and unemployment, as the mobility of labour is reduced.

Figure 3 – UK average house price index 2015 to 2022 (2015 = 100)



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Item B – Possible methods to help homebuyers in the UK

A good-quality home provides shelter, warmth and safety, and may be considered a basic human need. The market for housing may also create positive externalities. However, people on low incomes or hoping to buy their first house tend to have particular difficulty in having enough money to purchase a house.

The government has considered a range of methods to make it easier for people to buy their own homes. These include subsidising the building of more houses so that supply can move closer to demand. This may also include the removal of laws and other rules which make it difficult to build or extend houses, eg in rural areas. Other methods include the Help to Buy scheme, which reduces the size of the loan needed to buy a first home. The government could also prevent wealthy individuals buying second homes, particularly in areas where there are major housing shortages, such as in popular coastal towns.

Critics of these methods point out that they may create additional problems. For example, building more houses may create negative externalities. Also, making it cheaper for first-time buyers to buy a house does not solve the problem of a housing shortage. Furthermore, subsidising housebuilding may lead to an opportunity cost for the government.

2 2 Define the term 'demand'.

[2 marks]

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2 3 Using **Figure 3**, on page 17, calculate the percentage change in the UK average house price index between **April 2017** and **April 2022**.

Give your answer to the nearest whole %.

[3 marks]

Answer = _____ %

2 4 Analyse the possible **positive** externalities that may result from building more houses.

[6 marks]

Extra space _____

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2 5 Explain **two** possible disadvantages of housing shortages in the UK.

[6 marks]

Disadvantage 1

Disadvantage 2

Do not write outside the box

2 6 The UK government may use several methods to reduce the shortage of housing in the UK. Do you think the UK government should subsidise housebuilding in the UK?

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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