



Please write clearly in block capitals.

Centre number

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Candidate number

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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.



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

☐

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

Turn over ►

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

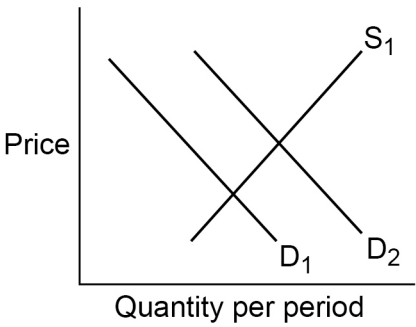


Diagram B

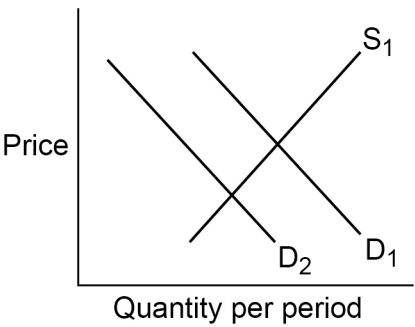


Diagram C

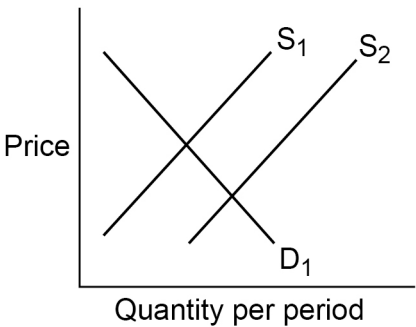
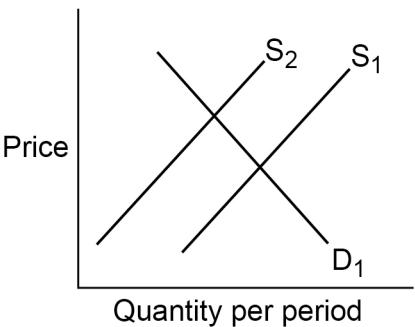


Diagram D



Fill in the circle alongside the appropriate answer:

A Diagram A ☐

B Diagram B ☐

C Diagram C ☐

D Diagram D ☐



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

Turn over ►



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

Turn over ►



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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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

Turn over ►

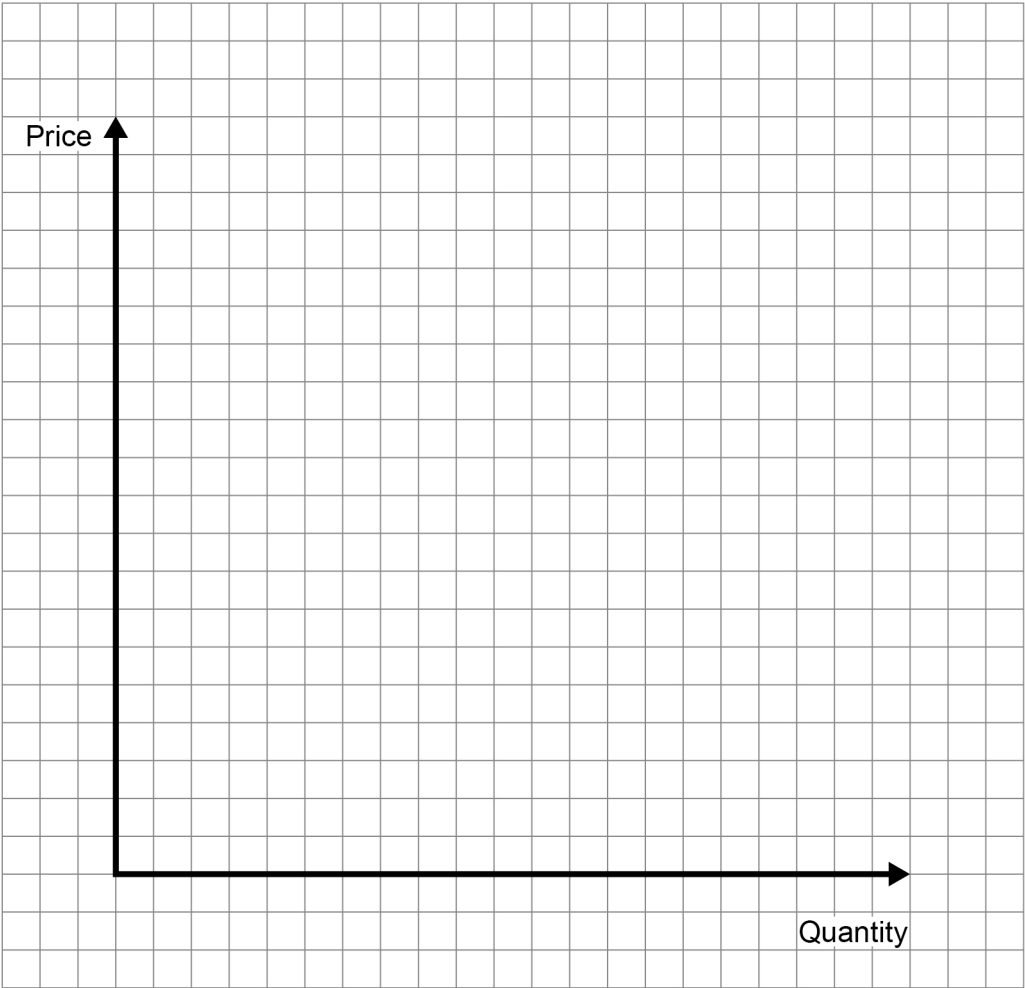


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2 0

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]



Turn over for Section B

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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
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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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Question number	Additional page, if required. Write the question numbers in the left-hand margin.



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