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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Economic assumptions (1.1.2)

International GCSE Economics · Paper 1: Microeconomics and Business Economics

20 questions · 57 marks · Mark schemes included

Past papers January 2020 - June 2025 · 1 specification sub-topic

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

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QUESTIONS

20 questions · 57 marks · 1 sub-topic

SUB-TOPIC 1.1.2 (a-c)

ECONOMIC ASSUMPTIONS

Sub-topic 1.1.2 (a-c) · 20 questions · 57 marks · lowest tariff first



(b) Which **one** of the following is most likely to create a barrier to entry?

(1)

- ☐ A Government provides subsidies for new firms
- ☐ B Increasing personal incomes in the economy
- ☐ C Low start-up costs
- ☐ D Use of expensive technology

(c) Calculate the **price elasticity of demand (PED)** for a product if price falls by 10% and quantity demanded increases by 19%. You are advised to show your working.

(2)

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(d) State the formula for social benefits.

(1)

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(e) Define the term consumer.

(1)

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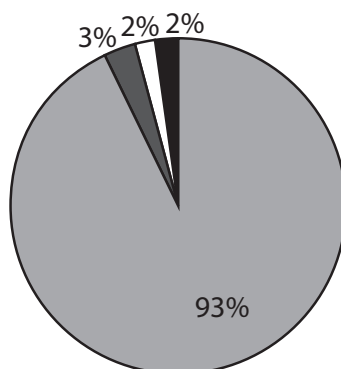
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2

Market share by firm for a market in Azerbaijan

■ Firm 1 ■ Firm 2 □ Firm 3 ■ Firm 4

**Figure 3**

- (a) Which **one** of the following options is the most suitable term for the type of market shown in Figure 3?

(1)

- ☒ A Cartel
- ☒ B Oligopoly
- ☒ C Monopoly
- ☒ D Competitive

- (b) Which **one** of the following is a reason why consumers may not maximise their benefit?

(1)

- ☒ A Consumers may accurately calculate the satisfaction they gain
- ☒ B Consumers may have habits that are hard to give up
- ☒ C Consumers are always rational when making decisions
- ☒ D Consumers never copy the behaviour of others



Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following does a point on a production possibility curve (PPC) represent?

(1)

- ☐ **A** Where capital goods should be produced
- ☐ **B** How the production of all goods can be increased
- ☐ **C** Government revenue from production
- ☐ **D** A given amount of resources being fully employed

Andreas is a plumber. Unlike his competitors, he is prepared to work at the weekend. However, he charges customers 50% more for his services at the weekend.

- (b) Which **one** of the following describes this economic assumption?

(1)

- ☐ **A** Businesses aim to maximise their profit
- ☐ **B** Producers may complete charitable work
- ☐ **C** Consumers sometimes copy others' behaviour
- ☐ **D** Governments try to increase the number of days worked

- (c) What is meant by the term economies of scale?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following is a reason why firms may not always maximise their profit? (1)

- ☐ **A** They may minimise total costs
- ☐ **B** They may be able to sell at a high price
- ☐ **C** They may have low fixed costs
- ☐ **D** They may complete charitable work

A product has an income elasticity of demand (YED) of 0.7.

- (b) Which **one** of the following best describes the product? (1)

- ☐ **A** A public good
- ☐ **B** A normal good
- ☐ **C** A luxury good
- ☐ **D** An inferior good

- (c) What is meant by the term productivity? (2)

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(d) State the formula for calculating social costs.

(1)

(e) Define the term producer.

(1)

A firm has total fixed costs of \$50 000 per month and variable costs of \$250 per unit. It produces 750 units per month.

(f) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)



1 (e) Define the term producer.

(1)

(f) Calculate, to two decimal places, the **income elasticity of demand (YED)** for a good if income increases by 7% and quantity demanded increases by 11%.
You are advised to show your working.

(2)



2

Market share by sales of firms in a market in Kuwait

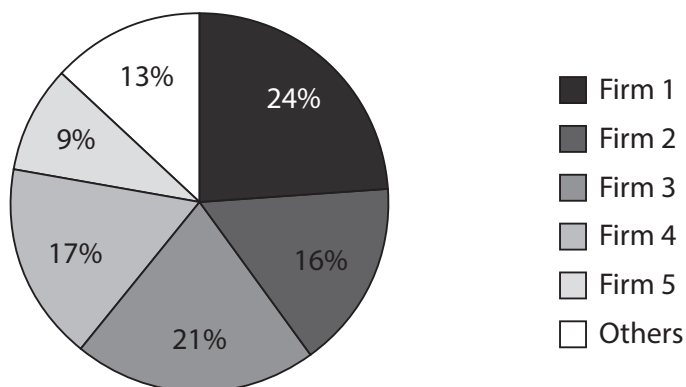


Figure 2

- (a) Which **one** of the following options is the most suitable term for the type of market shown in Figure 2?

(1)

- ☐ A Monopoly
- ☐ B Oligopoly
- ☐ C Public sector
- ☐ D Labour

- (b) Which **one** of the following is a reason why consumers may not maximise their benefit?

(1)

- ☐ A Consumers may not accurately calculate benefits
- ☐ B Consumers may find it easy to give up habits
- ☐ C Consumers never copy the behaviour of others
- ☐ D Rational decisions are always made by consumers

Figure 3 shows some of the production costs in the month of September for a firm manufacturing rugby souvenirs in France, in preparation for the 2025 Six Nations tournament.

Production costs	Euro (€)
Rent	7 000
Raw materials	3 000
Advertising	1 300
Labour (paid according to output)	18 000

Figure 3

(c) Calculate the **total variable costs** for the firm in the month of September. You are advised to show your working.

(2)

(d) What is meant by the term total revenue?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 When a firm increased its prices, many consumers stopped buying its products.

(a) Which **one** of the following explains the behaviour of these consumers?

(1)

- ☐ A Consumers aim to maximise profit
- ☐ B Consumers aim to maximise benefits
- ☐ C Consumers have habits that are hard to give up
- ☐ D Consumers cannot calculate their benefits

A product has an income elasticity of demand (YED) of -0.9

(b) Which **one** of the following best describes the product?

(1)

- ☐ A A public good
- ☐ B A normal good
- ☐ C A luxury good
- ☐ D An inferior good

(c) What is meant by the term productivity?

(2)

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(d) State the formula for social costs.

(1)

(e) Define the term producer.

(1)

A firm has total fixed costs of €37 000 per month and variable costs of €170 per unit. It produces 650 units per month.

(f) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)



Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following can represent a point on a production possibility curve (PPC)?

(1)

- ☐ **A** Where consumer goods should be produced
- ☐ **B** How the production of all goods can be increased
- ☐ **C** Total revenue from production
- ☐ **D** Production which is obtainable

On one day a month, a firm charges each customer a price of \$10 for providing one hour of gardening services. The cost to the firm for providing the service to each customer is \$15.

- (b) Which **one** of the following describes why the firm might do this?

(1)

- ☐ **A** Producers aim to maximise their profit
- ☐ **B** Producers may complete charitable work
- ☐ **C** Consumers have habits that are hard to give up
- ☐ **D** Consumers sometimes copy others' behaviour

- (c) What is meant by the term economies of scale?

(2)

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A firm has total fixed costs of \$75 000 per month and variable costs of \$525 per unit. It produces 1350 units per month.

- (d) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)

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- (e) Define the term takeover.

(1)

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- (f) Describe **one** reason why consumers do not always maximise their benefit from the consumption of a product.

(2)

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Figure 2 shows the supply of wheat in a region during 2019.

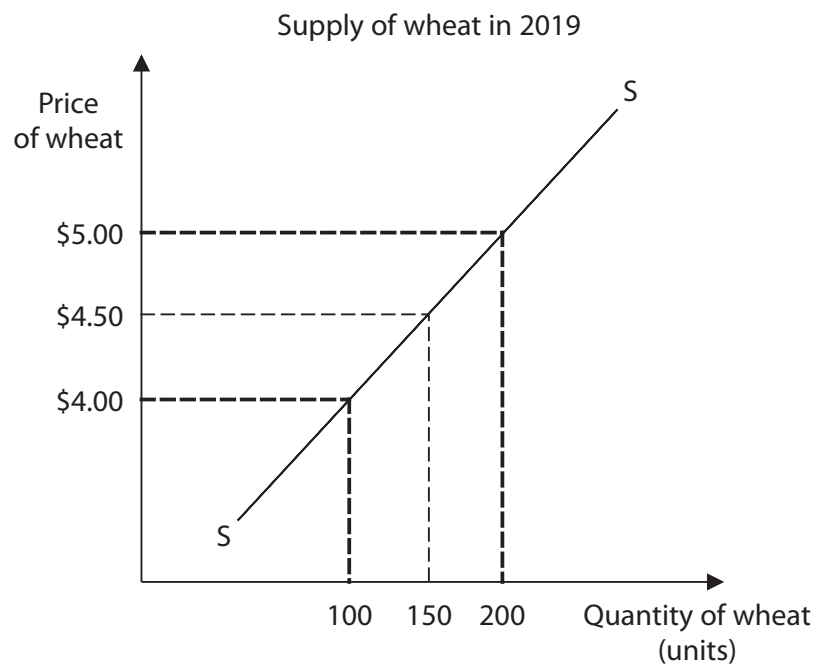


Figure 2

- (g) Explain **one** effect on the supply curve of wheat following a change in the price of wheat.

(3)

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(f) Describe **one** factor that may influence the growth of a firm.

(2)

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There are many health warnings about the dangers of eating too much sugar but some consumers continue to do so.

(g) Explain **one** reason why consumers may still make this decision.

(3)

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Sea cucumbers are marine animals that have an important role in keeping the coral reef ecosystem healthy. US firm, Orient Seafood Production (OSP), has been fined \$1.5m for over-harvesting sea cucumbers. Harvesting sea cucumbers is legal in the US. There is a limit on the quantity allowed to be harvested due to their positive impact on the coral reefs.

OSP was accused of under-reporting harvests by 113,400 kg during a two-year period. Before he paid the fine, the firm's owner had made high profits from sales to China, where there is an increasing demand.

(Source adapted from: <https://www.independent.co.uk/news/world/americas/sea-cucumbers-prison-over-harvesting-orient-seafood-production-hoon-namkoong-washington-a8562046.html>)

- (h) With reference to the data above and your knowledge of economics, assess the effectiveness of government fines when dealing with externalities such as over-harvesting sea cucumbers.

(9)

[illegible]

Figure 1 shows the market for trainers.

- (g) Using the diagram below, draw the likely effects on the market after a popular celebrity was seen wearing trainers. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

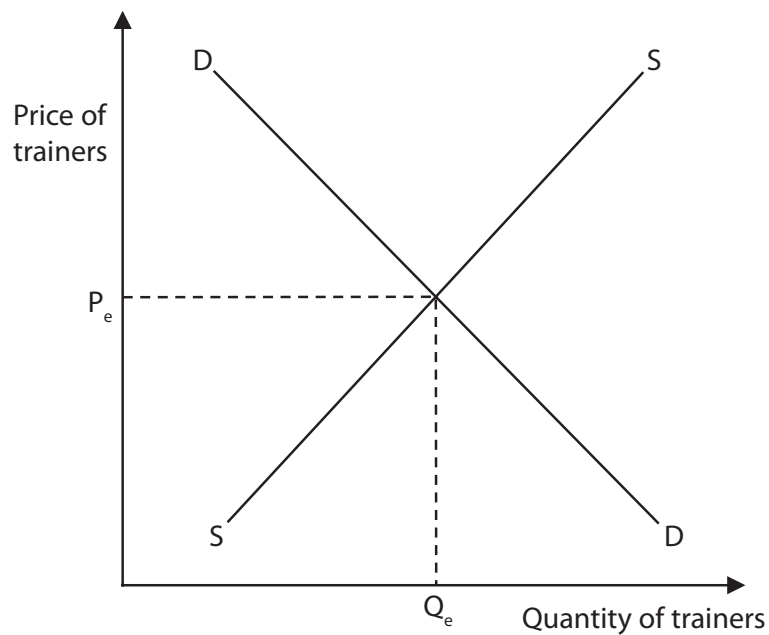


Figure 1

Spice Cottage is a new food producing business. Its prices are lower than market research suggests consumers would be willing to pay.

- (h) Explain **one** reason why Spice Cottage may not aim to maximise its profit.

(3)

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Figure 1 shows the market for mangoes.

- (g) Using the diagram below, draw the likely effects on the market for mangoes after a study shows that eating them leads to an improvement in health. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

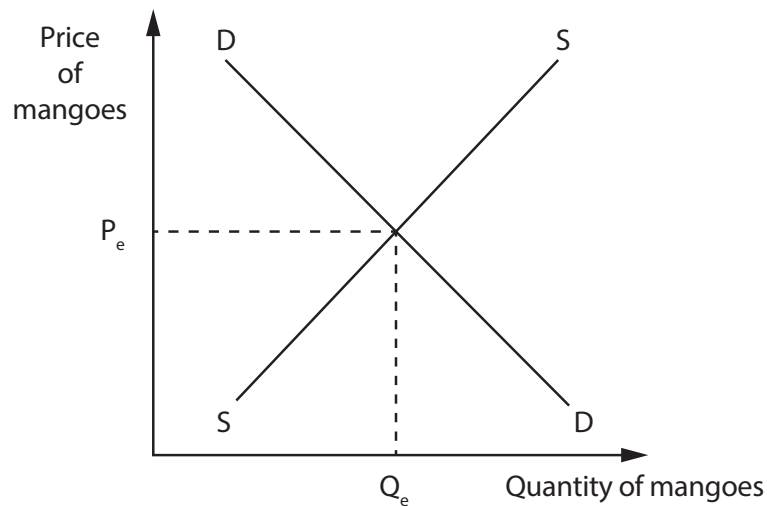


Figure 1

Christine runs a small cafe in New Zealand. She has many regular customers and has a reputation for serving large-sized meals, even though it means she makes less profit on each meal.

- (h) Explain **one** possible reason why Christine serves large-sized meals.

(3)

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There has been a decline in employment in the secondary sector in developed countries such as Germany, the UK and the US. Goods are now often manufactured in low-cost Asian countries. At the same time, there has been a rise in the number of people employed in the tertiary sector in developed countries.

- (i) With reference to the data above and your knowledge of economics, analyse why there has been this shift in employment in developed countries.

(6)



Hanan is the owner of a shop and wants to maximise profits. However, Mostafa is the manager of the shop and wants to offer customers a 10% discount for making purchases in large quantities.

(f) Explain **one** reason why Mostafa may want to offer this discount rather than to maximise profit.

(3)

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A ban on single-use plastic bags has been in place in Kenya for more than five years. It has led to a cleaner environment, as plastic bags were causing visual pollution and endangering the lives of livestock that consumed them. However, the ban has not been effective in totally removing the problem.

- (g) With reference to the data above and your knowledge of economics, assess the effectiveness of government regulation when dealing with externalities such as pollution.

(9)

This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, typical of notebook paper. There are no margins, text, or other markings on the page.

- (g) Using the diagram below, draw the likely effects of an increase in income on the equilibrium price and quantity for wireless headphones. Label the new curve, the new equilibrium price and quantity.

(3)

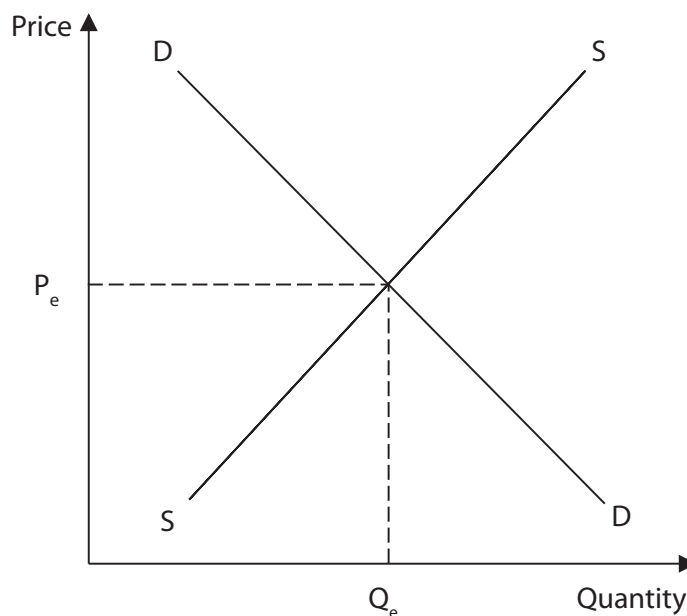


Figure 1

The government of a country has decided to build a new hospital.

- (h) Explain **one** possible opportunity cost for the government of this decision.

(3)

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McAfee is a US-based global computer software security company. In 2017, its revenue was over \$2.5bn. The company operates a 'fundraising match programme'. This means when one of its 7,600 employees participates in a fundraising activity, such as a walk, run or cycle event, the company will contribute an equal amount. For every \$1 raised for charity by an employee, the company will also contribute \$1 to the charity, up to a maximum of \$1 000 per person.

(Source adapted from: <https://doublethedonation.com/tips/companies-that-donate-to-nonprofits/#match>)

- (i) With reference to the data above and your knowledge of economics, analyse the possible reasons why McAfee chooses not to profit maximise but instead operates the fundraising match programme.

(6)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(Total for Question 1 = 20 marks)



4 Figure 6 shows financial data for a firm selling a selection of products.

Product	X	Y
Price	\$3 000	\$3 300
Quantity sold	50	40
Total revenue	$\$3\,000 \times 50$	$\$3\,300 \times 40$
PED	-0.62	-1.53

Figure 6

- (a) Calculate the **total revenue** for the product that has a price elasticity of demand (PED) which is **inelastic**. You are advised to show your working.

(2)

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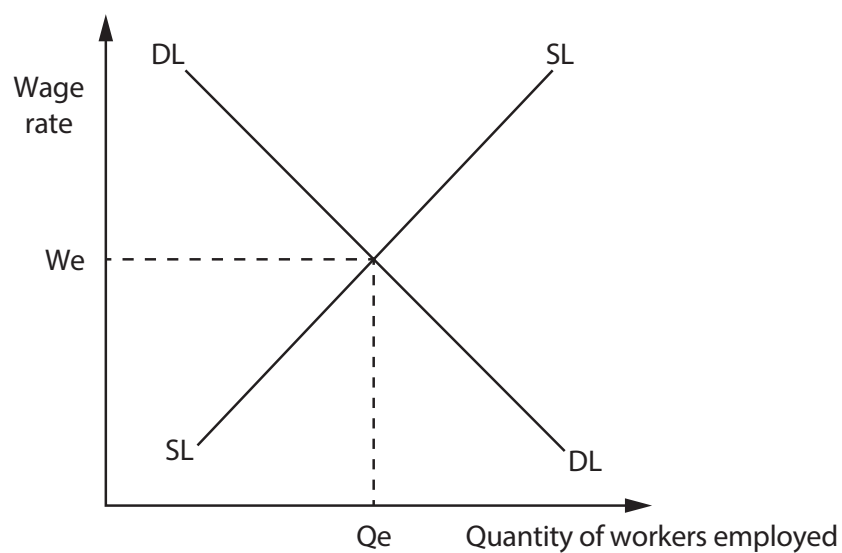
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- (c) On the diagram below, draw the effects of a decrease in the retirement age on the labour market in a country. Label the new curve, the new equilibrium wage rate and the new equilibrium quantity of workers employed.

(3)

**Figure 4**

(d) With reference to the data above and your knowledge of economics, analyse why some people may ignore the negative impacts of spending a lot of time using a mobile phone.





Manufacturing is an important part of any economy because as well as providing many products, it generates income and tax revenue. Governments can use this tax revenue to provide things such as health care and education, which are part of the tertiary sector.

- (e) With reference to the data above and your knowledge of economics, assess the role of the secondary sector in an economy.

(9)



Figure 1 shows the market for tennis balls.

- (g) Using the diagram below, draw the likely effects on the market for tennis balls after a fall in the price of tennis rackets. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

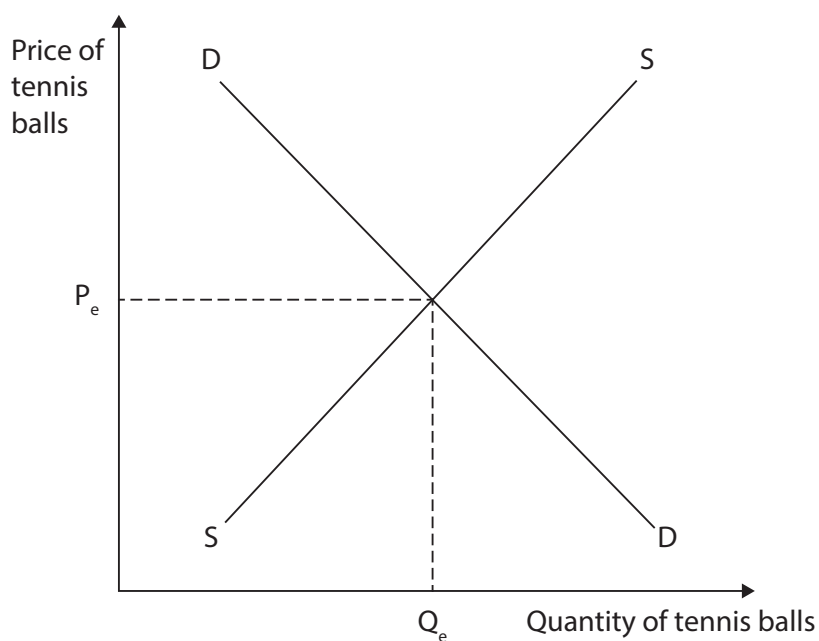


Figure 1

A firm has decided to purchase a new delivery vehicle.

- (h) Explain **one** possible opportunity cost for the firm of this decision.

(3)

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Jags owns a café in a small town in Malaysia. During a recent school holiday, she offered a free lunch to each child visiting the café with a paying adult. This was welcomed by customers who have had problems in the last few months due to the rising cost of living.

- (i) With reference to the data above and your knowledge of economics, analyse a possible reason why Jags chose not to maximise profit.

(6)



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(Total for Question 1 = 20 marks)



- 2 (a) Which **one** of the following is the correct label to replace 'X' on the diagram below? (1)

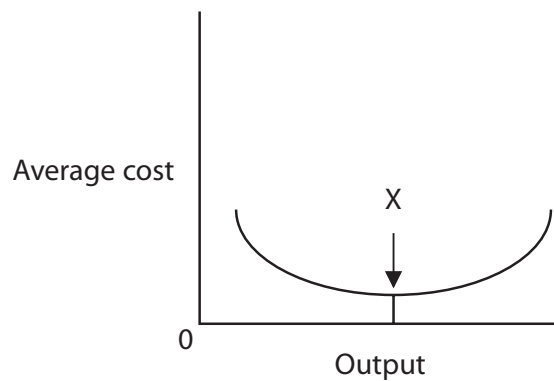


Figure 3

- ☐ **A** Internal economies of scale
- ☐ **B** External economies of scale
- ☐ **C** Total costs
- ☐ **D** Most efficient

- (b) Which **one** of the following is an example of derived demand?

(1)

- ☐ **A** Consumer demand for clothes to wear
- ☐ **B** Tourist demand for foreign holidays
- ☐ **C** Producer demand for labour to make goods
- ☐ **D** Student demand for computer games to play

Figure 4 shows some of the production costs in November for a firm manufacturing rugs and carpets in Pakistan.

Production costs	Pakistani Rupee (Rs)
Rent	40 250
Raw materials	20 050
Advertising	10 125
Labour (paid in direct proportion to output)	210 000

Figure 4

- (c) Calculate the **total fixed costs** for the firm in November. You are advised to show your working.

(2)

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- (d) What is meant by the term demand?

(2)

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Lanterns is an English café, located just outside a town where there are few job opportunities. It was set up by sisters Jo and Fiona who, instead of aiming to make a profit, wanted to help young people in their local area. All their waiters and waitresses are under 25 and were previously inexperienced and unemployed.

At first, the café was popular but now there are a lot of complaints about the length of time it takes for orders to arrive. Fiona thinks they need to employ experienced waiters and waitresses and change their business aims to maximise their profits.

- (g) With reference to the data above and your knowledge of economics, assess whether Lanterns should change their business aims.

(9)



(Total for Question 2 = 20 marks)

MARK SCHEMES

official mark schemes, in the same order as the questions



Question number	Answer	Mark
2(d)	AO1 1 mark Award 1 mark for correct formula Private benefits + external benefits Accept any other appropriate response	(1)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition The end user/a person who makes a purchase for their own use Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the factor and 1 mark for development of the factor • The firm may be able to access more finance (1) therefore it can spend more on advertising (1) • The firm may wish to take over competitors (1) so it may gain more customers (1) Accept any other appropriate response	(2)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3-4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5-6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Answer	Mark
2(a)	AO2 1 mark C Monopoly	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark B Consumers have habits that are hard to give up	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for correct formula in words/as an equation % change in quantity supplied ----- % change in price	(1)

Question Number	Which one of the following does a point on a production possibility curve (PPC) represent?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: D A given amount of resources being fully employed A is not correct because this cannot be determined on a PPC B is not correct because a PPC cannot show <i>how</i> production can increase C is not correct because a PPC does not show government revenue	(1)

Question Number	Which one of the following describes this economic assumption?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: A Businesses aim to maximise their profit B is not correct because there is no indication of any charitable work taking place C is not correct because consumer behaviour is not described D is not correct because it is not linked to government actions	(1)

Question Number	What is meant by the term economies of scale?	Mark
	Answer	
1(c)	AO1 2 marks Award 1 mark for reference to reduced average cost and 1 mark for reference to increased output Average costs of production fall (1) as the level of output rises (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(a)	AO1 1 mark The only correct answer is: D They may complete charitable work A is not correct because this would maximise their profit B is not correct because this may help to maximise their profit C is not correct because this alone does not determine profitability	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark The only correct answer is: B A normal good A is not correct because it has nothing to do with YED C is not correct because the YED will be greater than 1 D is not correct because the YED will be negative	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to the amount of output and 1 mark for reference to the input The amount of output produced (1) in relation to the resources used (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct formula Private costs + external costs	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A person/company/country that supplies goods and services Accept any other appropriate response	(1)

Question number	Answer	Mark
1(f)	A02 2 marks Award 1 mark for showing correct calculation $50\,000 + (250 \times 750)$ (1) Award 1 mark for correct total costs $= \\$237\,500$ (1) Award 2 marks if total costs per month are correctly calculated as \$237 500, even if no calculations are shown Award 1 mark if the answer given is 237 500, with or without calculations shown Do not award marks for a formula	(2)

Question number	State one example of an occupation that is in the tertiary sector of an economy.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct example Teacher/Retailer/Banker Accept any other appropriate response	(1)

Question number	Define the term producer.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition A person/company/country that makes/creates goods/services Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the income elasticity of demand (YED) for a good if income increases by 7% and quantity demanded increases by 11%. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $11\% \div 7\%$ (1) Award 1 mark for correct income elasticity of demand (YED) $= 1.57$ (1) Award 2 marks if YED is correctly calculated as 1.57, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Which one of the following options is the most suitable term for the type of market shown in Figure 2?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: B Oligopoly A is not correct because only one firm would dominate C is not correct because this is not related to the market share D is not correct because the diagram shows sales and not levels of employment	(1)

Question number	Which one of the following is a reason why consumers may not maximise their benefit?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: A Consumers may not accurately calculate benefits B is not correct because consumers may have habits that are hard to give up C is not correct because consumers do sometimes copy the behaviour of others D is not correct because consumers are not always rational when making decisions	(1)

Question number	Which one of the following explains the behaviour of these consumers?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: B Consumers aim to maximise benefits A is not correct because firms often aim to maximise profit C is not correct because consumers are giving up the products D is not correct because these consumers would be calculating benefits	(1)

Question number	Which one of the following best describes the product?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: D An inferior good A is not correct because YED does not determine whether a good is a public good B is not correct because the YED would be positive C is not correct because the YED would be positive and greater than 1	(1)

Question number	What is meant by the term productivity?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition The amount of output produced (1) in relation to the resources used/time period (1)	

Question number	State the formula for social costs.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for correct formula Private costs + external costs Accept any other appropriate response	(1)

Question number	Define the term producer.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition A person/company/country that creates/makes goods and/or services Accept any other appropriate response	(1)

Question number	Calculate the total costs per month for the firm. You are advised to show your working.	Mark
	Answer	
1(f)	A02 2 marks Award 1 mark for showing correct calculation $\text{€}37\,000 + (\text{€}170 \times 650)$ (1) Award 1 mark for calculating correct total costs $= \text{€}147\,500$ (1) Award 2 marks if total costs per month are correctly calculated as €147 500 even if no calculations are shown Award 1 mark if the answer given is 147 500, with or without calculations shown Do not award marks for the formula	(2)

Question number	Which one of the following can represent a point on a production possibility curve (PPC)?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: D Production which is obtainable A is not correct because this cannot be determined on a PPC B is not correct because a PPC cannot show how production can be increased C is not correct because a PPC does not show revenue	(1)

Question number	Which one of the following describes why the firm might do this?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: B Producers may complete charitable work A is not correct because producers would not make a profit C is not correct because it is not linked to consumer actions D is not correct because consumer behaviour is not described	(1)

Question number	What is meant by the term economies of scale?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition Average costs of production fall (1) as the firm increases in size (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation $\\$75\,000 + (\\$525 \times 1350)$ (1) Award 1 mark for correct total costs $= \\$783\,750$ (1) Award 2 marks if total costs per month are correctly calculated as \$783 750, even if no calculations are shown Award 1 mark for 783 750, with or without calculations shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition • One firm buying out another firm • Obtaining control of a firm by buying over 50% of its shares Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason • They may develop buying habits (1) to stay loyal to a particular brand they enjoy (1) • They may copy the behaviour of others (1) in order to fit in with others in a group (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(g)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context One reason is that consumers may have habits that are hard to give up (1). Products containing sugar can be habit forming (1) and so consumers may find it difficult to stop eating sugar even though they know it is bad for their health (1) Accept any other appropriate response	(3)

Question number	Explain one reason why Spice Cottage may not aim to maximise its profit. Answer	Mark
1(h)	A02 3 marks Award 1 mark for identifying a reason Award 1 mark for developing the response Award 1 mark for the response being in context A business may have alternative business objectives, such as survival/growth (1) by selling at a lower price, Spice Cottage may not maximise revenue and therefore may not maximise profit either (1) the business may therefore attract more consumers due to the lower price, which will help the new firm to survive/grow (1) Accept any other appropriate response	(3)

Question number	Using the diagram below, draw the likely effects on the market for mangoes after a study shows that eating them leads to an improvement in health. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(g)	AO2 3 marks Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled (3)	

Question number	Explain one possible reason why Christine serves large-sized meals. Answer	Mark
1(h)	AO2 3 marks Award 1 mark for identifying a reason Award 1 mark for developing the response Award 1 mark for the response being in context One reason is that Christine may prioritise caring for customer needs (1) because she has gained a positive reputation for serving large-sized meals (1) meaning, customers are more likely to remain loyal to her cafe (1) Accept any other appropriate response (3)	

Question number	Explain one reason why Mostafa may want to offer this discount rather than to maximise profit.	Mark
	Answer	
2(f)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context - Managers may have the objective of maximising sales (1). Selling at a 10% discount means lower revenue per sale, so the shop may not maximise profit (1), but it may result in higher/more sales due to the lower price (1) - Managers may have different objectives to owners (1) Mostafa may want to maximise sales because it affects his salary (1). The more he sells the higher his salary will be (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, assess the effectiveness of government regulation when dealing with externalities such as pollution. Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Negative externalities are spillover effects on third parties due to consumption/production • Pollution is an example of a negative externality because its effects are felt by those not producing or using the plastic bags • One method of government intervention to reduce negative externalities is the use of regulation • Regulation, such as the ban on single-use plastic bags, will limit the amount of pollution produced and reduce the externalities due to penalties if it is not followed • The ban in Kenya has led to a cleaner environment as the reduced consumption means the visual pollution and danger to livestock is less of a problem • Therefore, the regulation has been quite effective in reducing the negative externality AO4 • However, the regulation has not solved the problem of pollution in Kenya • It costs money and takes time to monitor any illegal activity, causing an opportunity cost • The effectiveness of the regulation depends on the level of enforcement by the government and cooperation from the public • There are likely to be other problems, aside from plastic bags causing pollution in Kenya, which may need to be addressed by other methods than regulation • Other methods of government intervention may be more effective, such as fines or taxation

Question number	Indicative content	
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • It is an economic assumption that firms will want to profit maximise • By matching fundraising of up to \$1 000 per employee, McAfee would reduce the profits it can make • It is possible McAfee will attract positive publicity due to its fundraising match programme • This means that consumers may be more likely to buy computer software security from McAfee rather than its competitors • Staff may also be motivated by the programme so staff turnover may reduce/productivity may increase • Therefore McAfee could still make larger profits than if it did not run the programme • McAfee already has a revenue of over \$2.5bn so may believe it can afford to be charitable	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).



Question number	With reference to the data above and your knowledge of economics, analyse the reasons why consumers may not maximise their benefit when consuming sugary drinks.
	Indicative content
4(b)	A02 (3 marks)/A03 (3 marks) A02 and A03 • Consumers are not always very good at calculating what is/is not good for them • An increase in adverts has put pressure on consumers to purchase unhealthy products, such as sugary drinks • It is unlikely that consumers would have the full information about the negative effects of the sugar in drinks, such as Coca Cola and Fanta, from the adverts and so would be unlikely to be able to maximise their benefit • It can be difficult to change habits, such as enjoying the taste of the soft drinks and so consumers may still be prepared to pay the additional 0.50 zloty (\$0.11) cost/litre • This is especially true if the price of the drinks is only a small amount of the consumer's income • Changing the habit of consuming sugary drinks may be even more difficult if this is different to the actions of friends • This is because, as consumers see others consuming sugary drinks, they may copy this behaviour

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, analyse why some people may ignore the negative impacts of spending a lot of time using a mobile phone. Indicative content
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Consumers are not always good at calculating what is or is not good for them • Therefore, the mass of information and facilities available on a mobile phone can be difficult to resist • This is also true due to the habit many people have developed to use their mobile phone for so many things in daily life • Developing such a habit of reaching for the phone for a wide variety of reasons can reduce a person's ability to make rational decisions • When so many other people spend so much time on their phone, this behaviour can influence others • Therefore, making it difficult to maximise their benefit regarding use of mobile phones

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).



Question number	With reference to the data above and your knowledge of economics, assess the role of the secondary sector in an economy. Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • The secondary sector is the production of goods by converting raw materials from the primary sector • Manufacturing is an example of a secondary sector industry • The income and tax revenue provided from the secondary sector can help fund services in the tertiary sector, therefore giving a reason why the economy might be reliant on the secondary sector • In addition, many services rely on production from the secondary sector to be able to provide their services, e. g. transport services (tertiary) rely on the car production (secondary), sales services (tertiary) rely on the production of finished goods (secondary) to sell • Without the production of vehicles, computers and food processing in the secondary sector, the tertiary sector would not be able to deliver services reliant on transport, monitor sales using computers/technology or serve food in restaurants AO4 • However, the economy focuses on the provision of a range of services in the tertiary sector, including insurance and banking, as well as health care and education • Revenue earned in the tertiary sector could be used by governments to fund manufacturing of equipment, such as that used in defence • Therefore, the tertiary sector may play a more important role in an economy • Tertiary sector services need the expertise and skills of professionals such as accountants, doctors and teachers • Therefore, the tertiary sector relies on elements such as skills and qualifications as well as on the secondary sector • The economy relies on the primary sector as well, for the extraction of raw materials to use during production (in the secondary sector)



Question number	With reference to the data above and your knowledge of economics, analyse a possible reason why Jags chose not to maximise profit.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • It is an economic assumption that firms will want to profit maximise • By offering a free lunch to children during the school holiday Jags will reduce the profit made by the café • Due to the rising cost of living, customers in the small town may be more likely to visit Jags' café to benefit from a free lunch • Therefore, having aims which prioritise caring for customers may be beneficial to the café's revenue as well • It is possible Jags will attract positive publicity for her café by offering the free meals and enhance her reputation

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).



Question number	Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Business aims may include maximising profit, caring for customers, completing charitable work or maximising revenue/sales • When they set up the café, Jo and Fiona aimed to help young people in their local area and so making a profit was not their priority • Because there have been complaints about the length of time it takes customers to receive orders, the number of customers may fall • This may mean the sisters are unable to employ as many waiters and waitresses and even go out of business if they do not change the focus of their aims • In addition, the use of more experienced employees may lead to improved productivity and therefore profit could increase • By now focusing on increasing sales or making a profit, Jo and Fiona may be able to increase the number of customers visiting Lanterns which could help it stay in business AO4 • However, some customers may visit the café because they like the sisters' aim of helping young people in the local area • Therefore if these waiters and waitresses are replaced with experienced employees, Lanterns may lose these customers, meaning the café is unable to stay in business • More experienced employees may demand higher wages and therefore increased costs. As a result this may not lead to increased profits • It may be more important to focus on caring for customers by spending longer training the inexperienced staff • This means Jo and Fiona would still employ young people from the local area but would also be trying to solve the problem of orders taking too long

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).