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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Elasticity (1.1.4)

International GCSE Economics · Paper 1: Microeconomics and Business Economics

66 questions · 180 marks · Mark schemes included
Past papers June 2019 - June 2025 · 4 specification sub-topics

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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

66 questions · 180 marks · 4 sub-topics

SUB-TOPIC 1.1.4 (a-g)

PRICE ELASTICITY OF DEMAND (PED)

Sub-topic 1.1.4 (a-g) · 26 questions · 68 marks · lowest tariff first



3 (a) Which **one** of the following may result in economic growth?

(1)

- ☐ **A** Increasing unemployment
- ☐ **B** Decreasing government spending
- ☐ **C** Decreasing productivity
- ☐ **D** Increasing technological advancements

(b) Which **one** of the following is an example of an economic want?

(1)

- ☐ **A** Food
- ☐ **B** Water
- ☐ **C** Shelter
- ☐ **D** Education

The total revenue of a printing firm is \$75 000 per month when it sells 100,000 newspapers. The price of a newspaper increases to \$0.85 and demand falls to 95,000 newspapers per month.

(c) Calculate the new total revenue. You are advised to show your working.

(2)

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(d) Using your answer to 3 (c), state the price elasticity of demand for newspapers.

(1)

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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 values shows perfect price inelasticity of demand?

(1)

- ☐ A -1.5
☐ B -1
☐ C 0
☐ D 0.5

- (b) A firm has total costs of \$500 and sells each item at a price of \$50. It sells 100 items. What is the **profit or loss** for the firm?

(1)

- ☐ A \$45 000 profit
☐ B \$4 500 profit
☐ C \$20 000 loss
☐ D \$450 loss

- (c) What is meant by the term mixed economy?

(2)

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2 (a) Which **one** of the following products has a price inelastic demand?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	1

(b) Which **one** of the following is the formula for calculating average cost?

(1)

- ☐ A $\frac{\text{Total fixed cost}}{\text{Quantity produced}}$
- ☐ B $\frac{\text{Total revenue}}{\text{Quantity produced}}$
- ☐ C $\frac{\text{Total cost}}{\text{Quantity produced}}$
- ☐ D $\frac{\text{Total variable cost}}{\text{Quantity produced}}$

(c) State **one** reason why governments intervene in the economy.

(1)

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2 (a) Which **one** of the following products has demand that is price elastic?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	1

(b) Which **one** of the following is a situation when firms in a growing industry all benefit from lower average costs?

(1)

- ☐ A Internal economies of scale
- ☐ B External economies of scale
- ☐ C Diseconomies of scale
- ☐ D Technical economies of scale

(c) State **one** disadvantage to firms of increased competition.

(1)

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- 2 (a) Which **one** of the following would occur when there are unsold goods in a market?

(1)

- ☐ A Excess demand
- ☐ B Excess supply
- ☐ C Higher prices
- ☐ D Increased productivity

- (b) Which **one** of the following statements is correct?

(1)

- ☐ A The supply curve is always vertical
- ☐ B Supply and price are not related
- ☐ C Quantity supplied will fall when price falls
- ☐ D An increase in price will shift the supply curve

- (c) State the name for price elasticity of demand (PED) with a numerical value of -1 .

(1)

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A factory producing shoes calculated that quantity supplied decreased by 2.7% following a price decrease of 1.9%.

- (d) Calculate, to two decimal places, the **price elasticity of supply (PES)** for shoes. You are advised to show your working.

(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 values shows perfectly price elastic demand?

(1)

- ☐ A -1
☐ B -0.5
☐ C Zero
☐ D Infinity

- (b) A country has a minimum wage of €6.04 per hour. If a worker provides 35 hours of labour in a week, the lowest weekly wage the worker can earn is

(1)

- ☐ A €6.04
☐ B €205.36
☐ C €211.40
☐ D €422.80

- (c) What is meant by the term mixed economy?

(2)

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- (d) State **one** example of an occupation that is in the tertiary sector of an economy.

(1)

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2 (a) Which **one** of the following products has a price elastic demand?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	0

(b) Which **one** of the following is the formula for calculating average cost?

(1)

- ☐ A Total cost $\div$ quantity produced
- ☐ B Total fixed cost $\div$ quantity produced
- ☐ C Total variable cost $\div$ quantity produced
- ☐ D Total revenue $\div$ quantity produced

2 (a) Which **one** of the following is part of the economic problem of scarcity?

(1)

- ☐ A When to produce
- ☐ B What to produce
- ☐ C Whether to produce
- ☐ D Where to produce

A country is able to produce agricultural and non-agricultural goods. Its production possibility curve is shown in Figure 3.

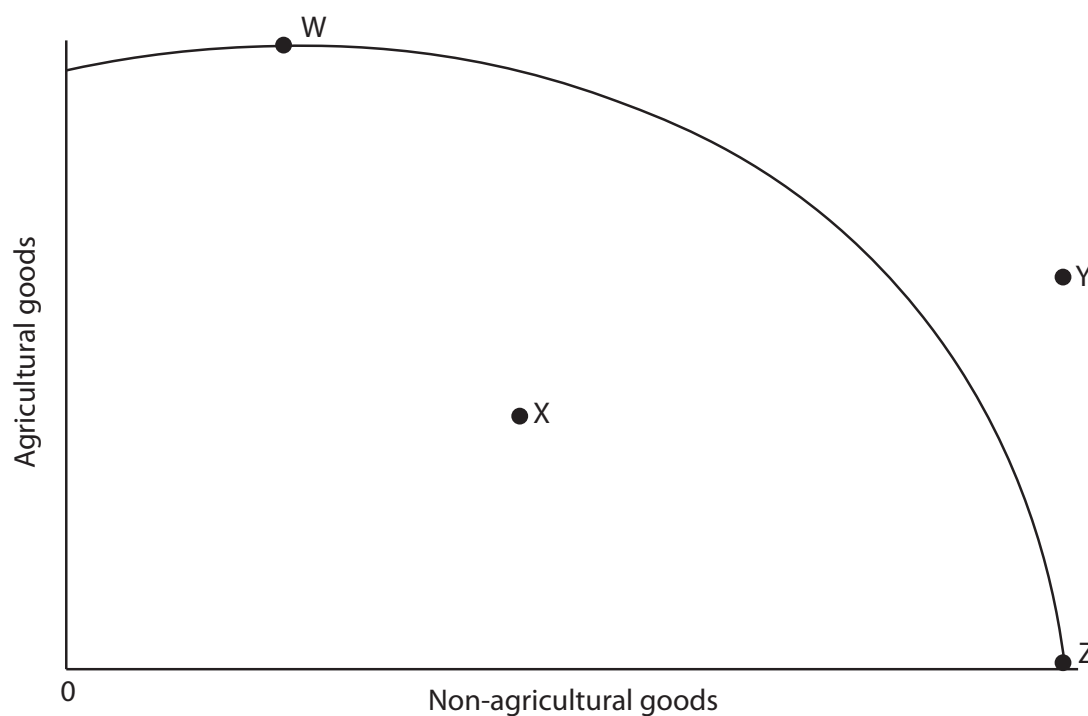


Figure 3

(b) Which **one** of the following points is **not** achievable?

(1)

- ☐ A W
- ☐ B X
- ☐ C Y
- ☐ D Z



- (c) Calculate the price elasticity of demand for a product when price increases by 15% and quantity demanded falls by 12%. You are advised to show your working.

(2)

- (d) Define the term innovation.

(1)

- (e) State **one** factor that will cause a demand curve to shift to the left.

(1)



(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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(e) Define the term takeover.

(1)

(f) Describe **one** reason why demand for a product usually becomes more price elastic over time.

(2)

In the UK, the speed limit for drivers in urban areas is 30 miles per hour (48 kilometres per hour).

(g) Explain **one** reason why the UK Government may use fines to reduce the negative externalities caused by drivers speeding in urban areas.

(3)



4 Financial data for a firm selling a selection of products is shown in Figure 5.

Product	X	Y
Price	\$1 500	\$1 650
Quantity sold	25	20
Total revenue	$\$1\,500 \times 25$	$\$1\,650 \times 20$
PED	-0.39	-1.46

Figure 5

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

(2)

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Tony Simpson is an artist whose income comes from selling his paintings to small craft shops. However, sales have recently fallen due to the closure of many of these types of shops. To avoid the risk of unemployment, he is considering training to become an art teacher by applying to a government scheme. This would provide an income while Tony is training to be a teacher.

- (b) With reference to the data above and your knowledge of economics, analyse how an increased ability to move to different types of employment might affect the supply of labour.

(6)



(d) State **one** example of a factor of production that can be classified as land.

(1)

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(e) Define the term monopoly.

(1)

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Alfie provides a dog-walking service to dog owners in his local area. After a successful first year he increased prices by 1.5% and quantity demanded fell by 1.1%.

(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Alfie's dog-walking service. You are advised to show your working.

(2)

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(d) State **one** reason why a demand curve will shift to the left.

(1)

(e) Define the term production.

(1)

Inny provides a window cleaning service to homeowners in his local area. He recently increased prices by 1.6% and quantity demanded fell by 2.1%.

(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Inny's window cleaning service. You are advised to show your working.

(2)



(d) State **one** factor of production.

(1)

(e) Define the term public sector.

(1)

Yusef paints portraits of tourists who visit his home town. He recently reduced the price he charges by 2.5% and quantity demanded increased by 3.2%.

(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Yusef's portraits. You are advised to show your working.

(2)



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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Sathvinder provides a cleaning service to homeowners in a small town. She recently decreased prices by 1.2% and quantity demanded increased by 1.9%.

- (d) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Sathvinder's cleaning service. You are advised to show your working.

(2)

- (e) Define the term entrepreneur.

(1)

- (f) Describe **one** reason why water is a factor of production.

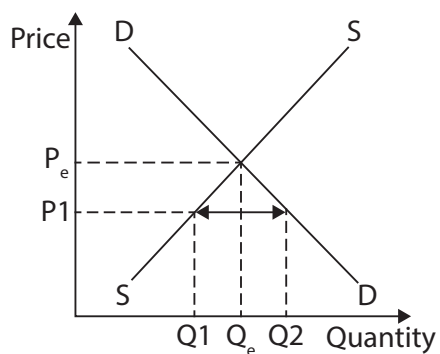
(2)



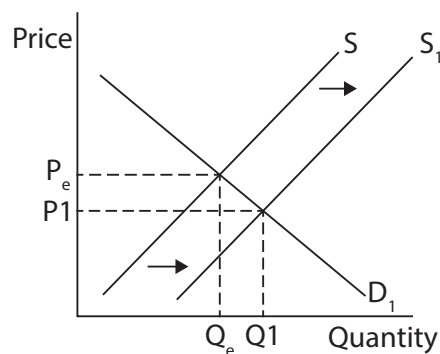
2 (a) Which **one** of the following diagrams shows excess supply?

(1)

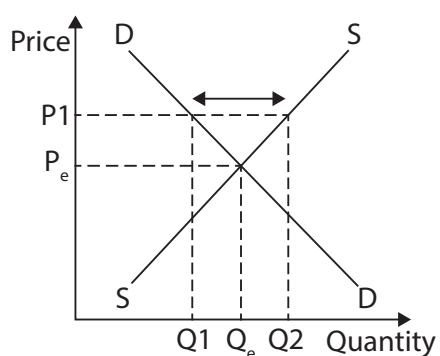
☒ **A**



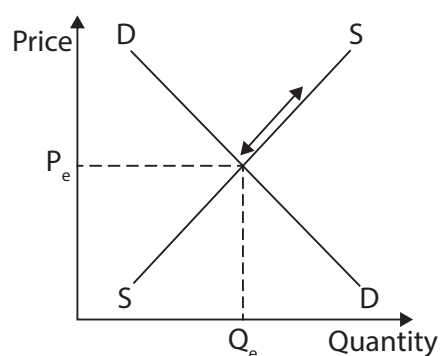
☒ **B**



☒ **C**



☒ **D**



(b) Which **one** of the following is a feature of a monopoly?

(1)

- ☒ **A** Consumers have a choice of firms
- ☒ **B** There are many firms competing in the market
- ☒ **C** The firm is a price-maker
- ☒ **D** There are low barriers to entry

(c) Calculate the **percentage change in quantity demanded** for a product if the price elasticity of demand (PED) is -1.9 and the price falls by 10%. You are advised to show your working.

(2)

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(d) What is meant by the term social benefits?

(2)

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(e) Describe **one** feature of an oligopoly.

(2)

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(d) State **one** example of an item that can be classified as capital.

(1)

(e) Define the term price-maker.

(1)

(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for a good if the price decreases by 4.7% and the quantity demanded increases by 1.8%.
You are advised to show your working.

(2)



- (g) Using the diagram below, draw the effects on the market for crops after a hurricane destroys farm land. Label the new curve, new equilibrium price and new equilibrium quantity.

(3)

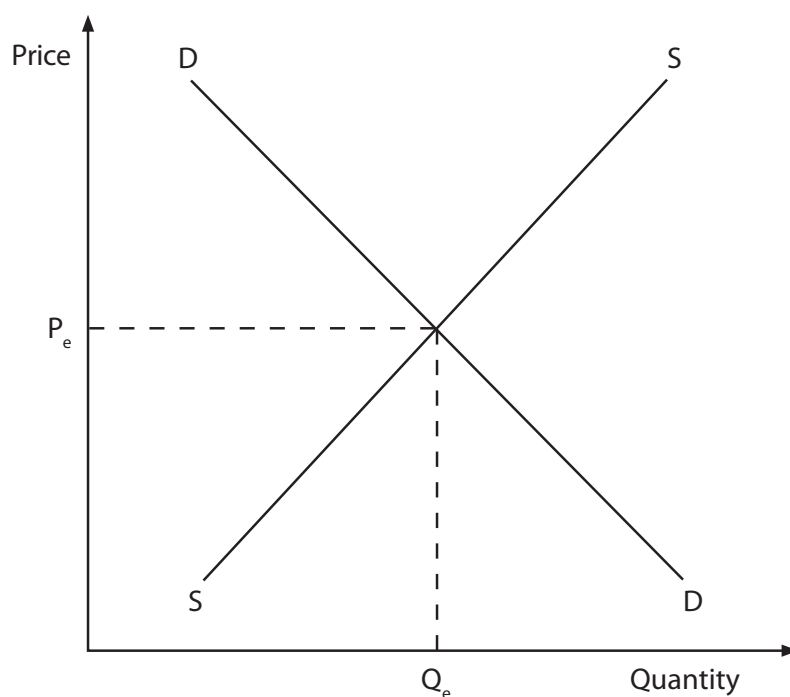


Figure 2

Concert tickets to see the most popular music artists can sell for very high prices.

- (h) Explain **one** reason why the demand for these tickets might be price inelastic.

(3)

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Introduced in 1935, Inca Kola is a yellow-gold coloured, fizzy, soft drink that is popular all over Peru. By 1995, Inca Kola had grown to become a strong competitor of Coca-Cola. Inca Kola had a 32.9% market share compared to Coca-Cola's 32.0% in Peru.

By 2014, Coca-Cola owned 48.5% of Inca Kola shares.

(Source: adapted from Peru's 'improbable' Inca Kola wins out over Coke by Andres Schipani © Financial Times September 2014)

- (i) With reference to the data above and your knowledge of economics, analyse the possible reasons for Coca-Cola purchasing shares in Inca Kola.

(6)

[illegible]

(Total for Question 1 = 20 marks)



- 3 (a) Which **one** of the following is most likely to cause an increase in the supply of labour?

(1)

- ☐ A A higher retirement age
- ☐ B A higher school-leaving age
- ☐ C A fall in population
- ☐ D A fall in demand for the final product

- (b) Average costs can be calculated by which **one** of the following equations?

(1)

- ☐ A $\frac{\text{Total revenue}}{\text{Total costs}}$
- ☐ B $\frac{\text{Total revenue}}{\text{Price}}$
- ☐ C $\frac{\text{Output}}{\text{Total fixed costs}}$
- ☐ D $\frac{\text{Total costs}}{\text{Output}}$

- (c) Draw a demand curve on the diagram below that has price elastic demand (PED). Label the impact of a price change from P_1 to P_2 and its impact on quantity from Q_1 to Q_2 .

(3)

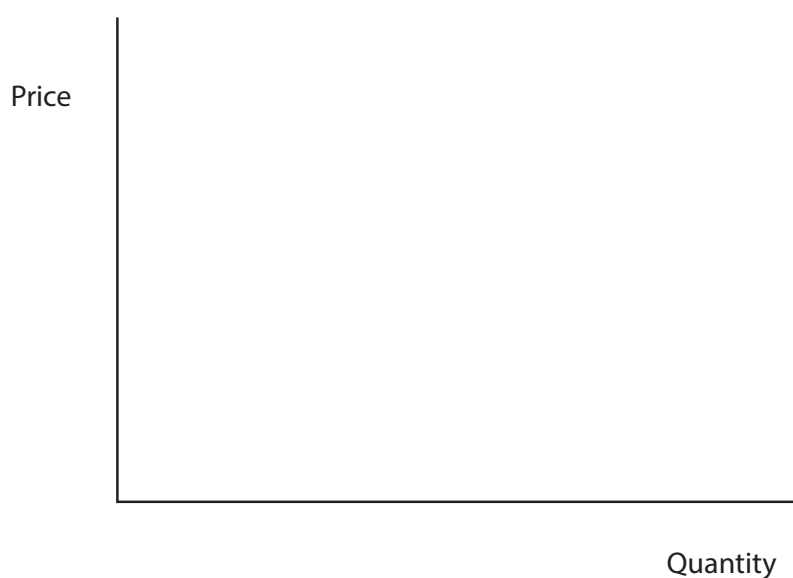


Figure 2

- 3 (a) An increase in which **one** of the following is most likely to cause a decrease in the supply of labour? (1)

- ☐ A The retirement age
- ☐ B The school-leaving age
- ☐ C The population
- ☐ D The demand for the final product

- (b) Which **one** of the following is the formula to calculate total revenue? (1)

- ☐ A Quantity sold $\times$ price
- ☐ B Profit – price
- ☐ C Profit $\div$ price
- ☐ D Quantity sold $\div$ price

- (c) Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price. (3)

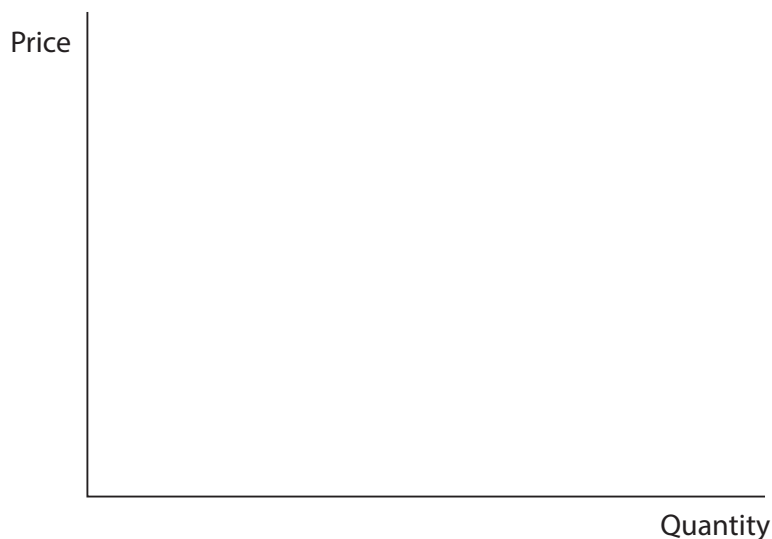


Figure 2



More than one million drinks are bottled each day at the Coca-Cola factory in Mwanza, Tanzania. Over 1,000 workers are involved in the process at its 65,000 m² site, which includes filling bottles, sealing them with caps and adding labels. This enables consumers across East Africa to enjoy brands such as Coca-Cola, Fanta and Sprite.

- (d) With reference to the data above and your knowledge of economics, analyse the possible advantages for Coca-Cola of using division of labour at the factory.

(6)



- 3 (a) Which **one** of the following is an example of a job in the primary sector of the economy?

(1)

- ☐ **A** Farmer
- ☐ **B** Mechanic
- ☐ **C** Shop assistant
- ☐ **D** Teacher

- (b) Total revenue can be defined as the quantity of goods sold

(1)

- ☐ **A** added to the price
- ☐ **B** subtracted from the price
- ☐ **C** multiplied by the price
- ☐ **D** divided by the price

- (c) Using the diagram below, draw a diagram to show a demand curve that has price inelastic demand. Label the curve and show the impact on both axes from a change in price.

(3)



Figure 2



- (f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for a good if price decreases by 9.4% and quantity supplied decreases by 3.7%. You are advised to show your working.

(2)

Figure 1 shows the market for rice.

- (g) Using the diagram below, draw the likely effect of an increase in the population on the market for rice. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

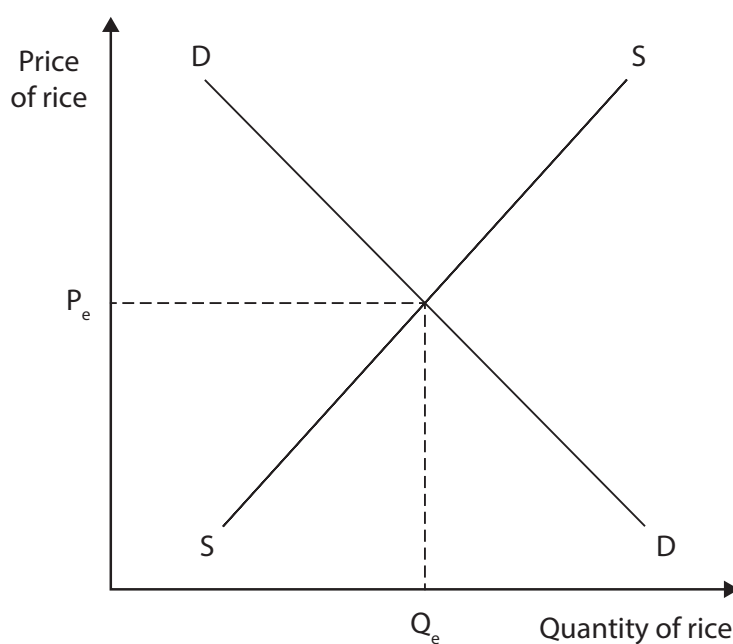


Figure 1



Six months after the price for a soft drink increased, its price elasticity of demand (PED) changed from -1.5 to -2.0 .

(h) Explain **one** reason why demand for a product, such as a soft drink, usually becomes more price elastic over time.

(3)

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4 Figure 5 shows profit for a firm between 2020 and 2022.

Year	Profit (\$)
2020	20 250
2021	21 000
2022	22 950

Figure 5

- (a) Calculate, to two decimal places, the **percentage change in profit** for the firm between 2020 and 2022. You are advised to show your working.

(2)

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(6)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

[illegible]

3 (a) Which **one** of the following is a reason why a firm may decide to stay small?

(1)

- ☐ **A** To increase bureaucracy
- ☐ **B** To sell a niche product
- ☐ **C** To spread business risk
- ☐ **D** To take over competitors

(b) The introduction of a minimum wage above the equilibrium wage in a labour market is most likely to

(1)

- ☐ **A** increase quantity of labour demanded and decrease the wage rate
- ☐ **B** increase quantity of labour demanded and increase the wage rate
- ☐ **C** decrease quantity of labour demanded and decrease the wage rate
- ☐ **D** decrease quantity of labour demanded and increase the wage rate

(c) On the diagram below, draw and label economies of scale, diseconomies of scale and the point at which the firm is most efficient.

(3)

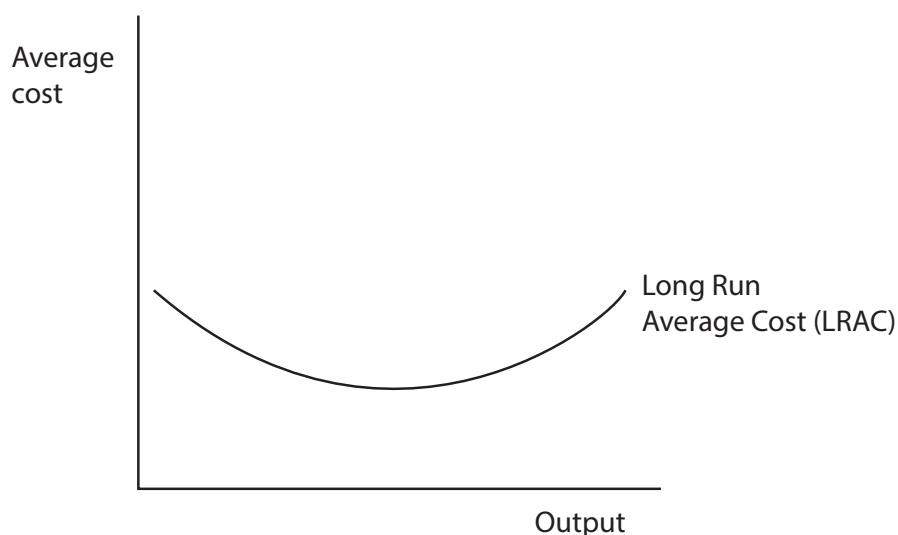


Figure 4

Simona owns a hairdressing business in Romania. She charges low prices and makes no charge when customers arrive late for appointments or make very late cancellations. She thinks customer care is more important than making a profit.

However, some customers have complained at having to wait weeks before an appointment is available. As a result, Simona has lost customers. This has caused financial problems in repaying a loan to the bank.

In response, Simona is considering increasing her prices and charging a fee to those who arrive late or cancel without suitable notice.

- (e) With reference to the data above and your knowledge of economics, assess the benefits to Simona of making these changes.

(9)

[illegible]

(Total for Question 3 = 20 marks)



- 3 (a) Which **one** of the following is an example of a job in the primary sector of the economy?

(1)

- ☐ **A** Farmer
- ☐ **B** Mechanic
- ☐ **C** Shop assistant
- ☐ **D** Teacher

- (b) Total revenue can be defined as the quantity of goods sold

(1)

- ☐ **A** added to the price
- ☐ **B** subtracted from the price
- ☐ **C** multiplied by the price
- ☐ **D** divided by the price

- (c) Using the diagram below, draw a diagram to show a demand curve that has price inelastic demand. Label the curve and show the impact on both axes from a change in price.

(3)

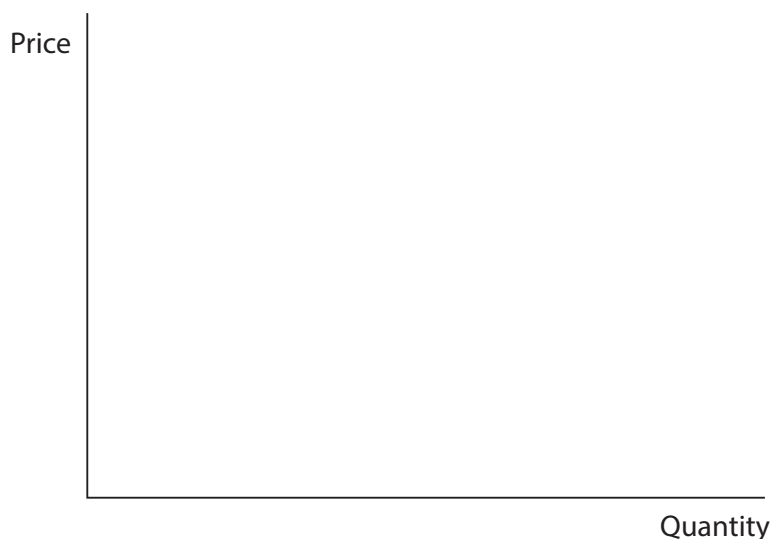


Figure 2



(9)

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(Total for Question 3 = 20 marks)

SUB-TOPIC 1.1.4 (h-n)

PRICE ELASTICITY OF SUPPLY (PES)

Sub-topic 1.1.4 (h-n) · 22 questions · 60 marks · lowest tariff first



(d) State **one** factor that would affect price elasticity of supply (PES).

(1)

(e) Define the term substitute good.

(1)

Small but successful

Robert has been running a small business from a workshop in his own house for nine years. He has been carving door signs and gifts out of locally sourced wood. Rather than producing identical, standard items, he decided to only make products to meet the personal requirements of his customers. Each order is made specifically for them and reviews are very positive. Robert's success is due to a growing trend across the country as consumers increasingly prefer to buy locally sourced products.

(f) Calculate the price elasticity of supply for Robert's wooden door signs when the price increases by 5.2% and quantity supplied increases by 3.9%. 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 values shows perfect price inelasticity of supply?

(1)

- ☐ A 1.5
☐ B 1
☐ C 0.5
☐ D 0

- (b) A firm has total costs of \$1 250 000 per month and variable costs of \$100 per unit. If it produces 5,000 units, calculate the **total fixed costs** per month for the firm.

(1)

- ☐ A \$1 750 000
☐ B \$1 250 100
☐ C \$1 249 900
☐ D \$750 000

- (c) What is meant by the term supply?

(2)

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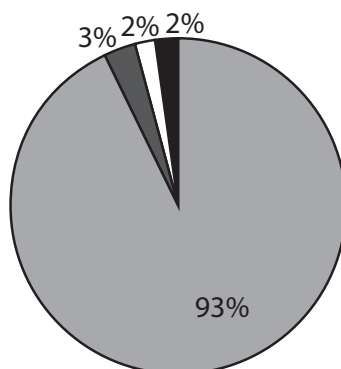
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2

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



(c) State the formula for price elasticity of supply (PES).

(1)

Figure 4 shows some of the production costs in the month of May for a firm manufacturing football souvenirs in Qatar, in preparation for the 2022 World Cup.

Production costs	Qatari Riyal (QR)
Rent	5 000
Raw materials	2 000
Advertising	500
Labour (paid according to output)	15 000

Figure 4

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

(2)



3 (a) Which **one** of the following can be described as an advantage to a small firm?

(1)

- ☐ **A** Access to many sources of finance
- ☐ **B** Flexibility
- ☐ **C** Market domination
- ☐ **D** Risk spreading

(b) Which **one** of the following options describes a price elasticity of supply (PES) of 0.7?

(1)

- ☐ **A** Perfectly price elastic
- ☐ **B** Perfectly price inelastic
- ☐ **C** Price elastic
- ☐ **D** Price inelastic

2 (a) Which **one** of the following would lead to an increase in the supply of labour?

(1)

- ☐ **A** Decrease in the retirement age
- ☐ **B** Increase in the school-leaving age
- ☐ **C** Increase in female participation
- ☐ **D** Decrease in population

A small firm manufactures jewellery to the exact requirements of its customers.

(b) This is an example of which **one** of the following markets?

(1)

- ☐ **A** Monopoly
- ☐ **B** Labour
- ☐ **C** Niche
- ☐ **D** Financial

(c) State the formula for price elasticity of supply (PES).

(1)

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Figure 2 shows some of the monthly production costs for a firm which manufactures clothing.

Production costs	US\$
Rent	25 000
Raw materials	12 000
Insurance	5 500
Labour (payment depends on output)	115 000

Figure 2

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

(2)

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- (e) Define the term minimum wage.

(1)

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2 (a) Which **one** of the following is the formula to calculate price elasticity of supply (PES)?

(1)

- ☐ **A** $\frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$
- ☐ **B** $\frac{\text{Percentage change in price}}{\text{Percentage change in quantity demanded}}$
- ☐ **C** $\frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$
- ☐ **D** $\frac{\text{Percentage change in price}}{\text{Percentage change in quantity supplied}}$

A court in China ordered a firm to pay 10 000 Yuan because it polluted a local river.

(b) This is an example of which **one** of the following?

(1)

- ☐ **A** A fine
- ☐ **B** A permit
- ☐ **C** A subsidy
- ☐ **D** A tax

(c) State **one** example of an external benefit.

(1)

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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 values shows perfectly price inelastic supply?

(1)

- ☐ A 0
- ☐ B 0.5
- ☐ C 1
- ☐ D 2

- (b) As a result of government policy, a firm had a decrease in its total costs of \$200 each month. Which **one** of the following is the most likely type of government policy to produce this decrease in costs?

(1)

- ☐ A Fine
- ☐ B Regulation
- ☐ C Increased subsidy
- ☐ D Increased taxation

- (c) What is meant by the term private sector?

(2)

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- (d) State **one** factor that may affect the supply of labour.

(1)

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(d) State **one** factor that would affect price elasticity of supply (PES).

(1)

(e) Define the term substitute good.

(1)

Small but successful

Robert has been running a small business from a workshop in his own house for nine years. He has been carving door signs and gifts out of locally sourced wood. Rather than producing identical, standard items, he decided to only make products to meet the personal requirements of his customers. Each order is made specifically for them and reviews are very positive. Robert's success is due to a growing trend across the country as consumers increasingly prefer to buy locally sourced products.

(f) Calculate the price elasticity of supply for Robert's wooden door signs when the price increases by 5.2% and quantity supplied increases by 3.9%. You are advised to show your working.

(2)



(c) State the formula for profit.

(1)

(d) Calculate the **price elasticity of supply (PES)** for a product when price increases by 30% and quantity supplied increases by 36%. You are advised to show your working.

(2)

(e) Define the term finance.

(1)



A firm increases supply by 2.7% following a price increase of 4.9%.

- (d) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm.
You are advised to show your working.

(2)

- (e) Define the term price-maker.

(1)

- (f) Describe **one** reason why a computer can be a factor of production.

(2)



(d) State the formula for social benefits.

(1)

(e) Define the term niche market.

(1)

Greg produces pottery at a small factory in his local area. At the start of the year price increased by 5.4% and quantity supplied increased by 4.7%.

(f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for Greg's pottery. You are advised to show your working.

(2)



(d) State **one** type of an external economy of scale.

(1)

(e) Define the term unique product.

(1)

Connor owns a hair salon. He increased prices by 2% and was willing to increase quantity supplied by 2.6%.

(f) Calculate the **price elasticity of supply (PES)** for Connor's hair salon. You are advised to show your working.

(2)



- 2 (a) Which **one** of the following would occur when there are unsold goods in a market?

(1)

- ☐ **A** Excess demand
- ☐ **B** Excess supply
- ☐ **C** Higher prices
- ☐ **D** Increased productivity

- (b) Which **one** of the following statements is correct?

(1)

- ☐ **A** The supply curve is always vertical
- ☐ **B** Supply and price are not related
- ☐ **C** Quantity supplied will fall when price falls
- ☐ **D** An increase in price will shift the supply curve

- (c) State the name for price elasticity of demand (PED) with a numerical value of -1 .

(1)

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A factory producing shoes calculated that quantity supplied decreased by 2.7% following a price decrease of 1.9%.

- (d) Calculate, to two decimal places, the **price elasticity of supply (PES)** for shoes. You are advised to show your working.

(2)

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A firm increases supply by 4.3% following a price increase of 3.7%.

- (f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm. You are advised to show your working.

(2)

Figure 2 shows the market for electric cars.

- (g) Using the diagram below, draw the likely effects on the market for electric cars following the introduction of a subsidy on electric cars. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

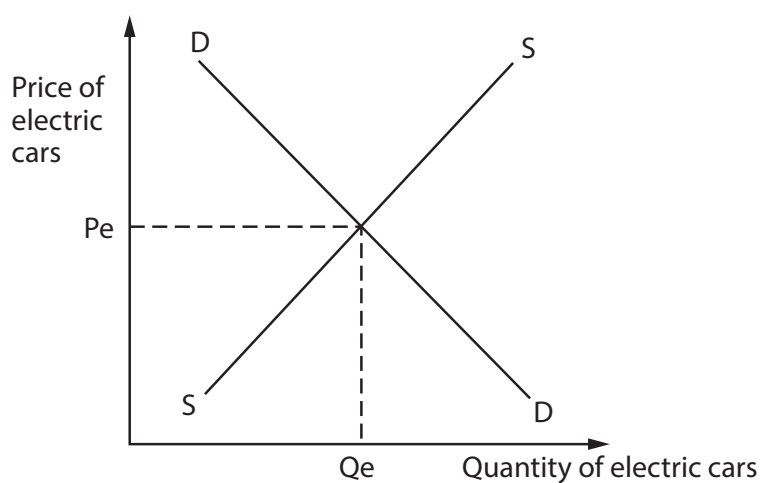
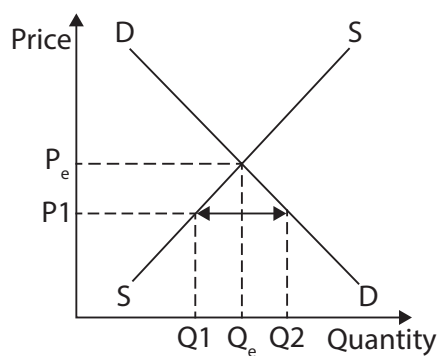


Figure 2

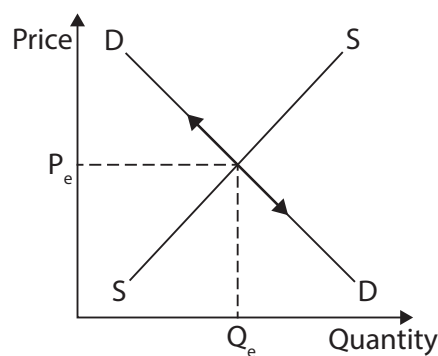
2 (a) Which **one** of the following diagrams shows excess demand?

(1)

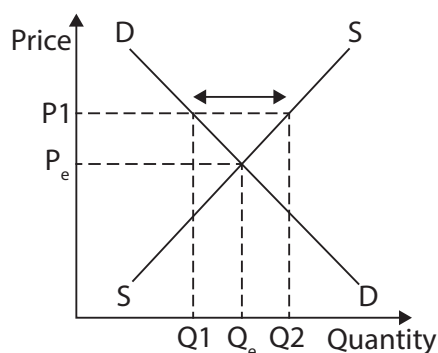
☐ **A**



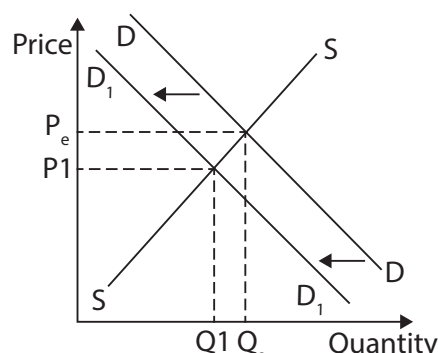
☐ **B**



☐ **C**



☐ **D**



(b) Which **one** of the following is a feature of an oligopoly?

(1)

- ☐ **A** There is only one firm in the market
- ☐ **B** Firms always act independently
- ☐ **C** Different products are sold
- ☐ **D** No barriers to entry are present

- (c) Calculate the **percentage change in quantity supplied** for a product if the price elasticity of supply (PES) is 1.5 and the price increases by 12%. You are advised to show your working.

(2)

- (d) What is meant by the term social costs?

(2)

- (e) Describe **one** reason why innovation may be more likely to occur in a monopoly.

(2)



- (f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for a good if price decreases by 9.4% and quantity supplied decreases by 3.7%. You are advised to show your working.

(2)

Figure 1 shows the market for rice.

- (g) Using the diagram below, draw the likely effect of an increase in the population on the market for rice. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

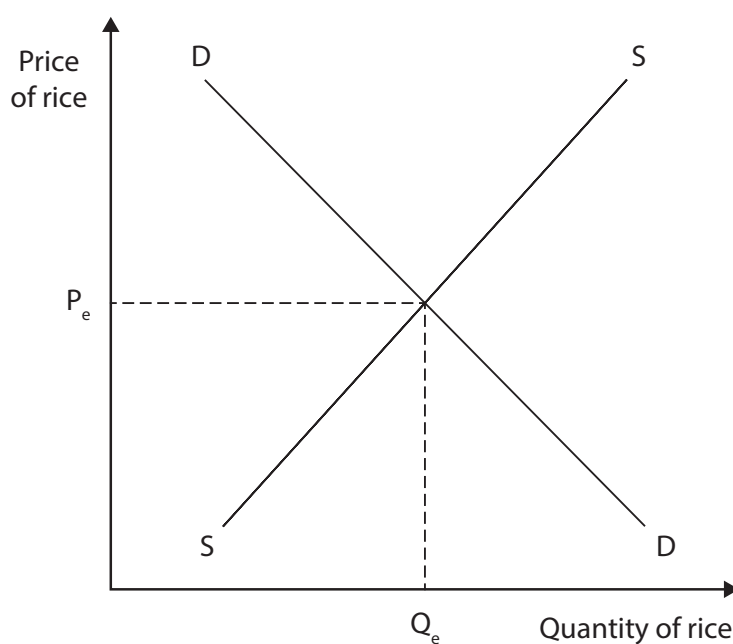


Figure 1



- 2 A country is able to produce agricultural and non-agricultural goods with a given amount of resources. Its production possibility curve (PPC) is shown in Figure 2.

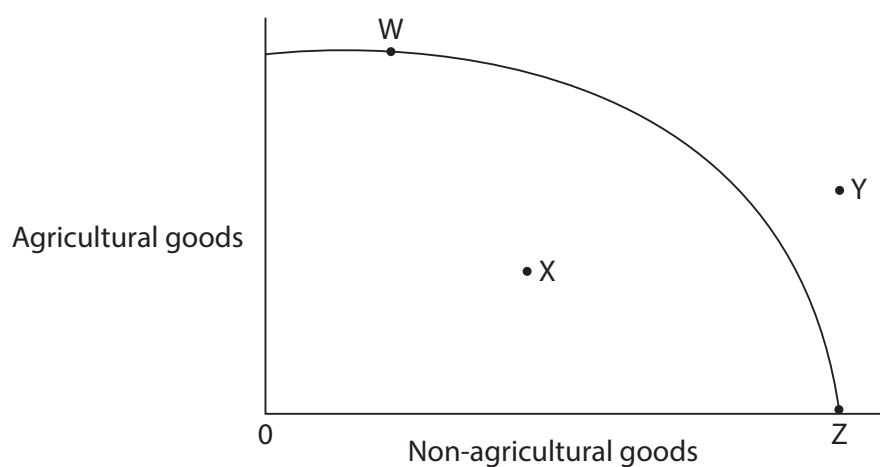


Figure 2

- (a) Which **one** of the following options shows unobtainable production?

(1)

- ☐ A W
- ☐ B X
- ☐ C Y
- ☐ D Z

- (b) Which **one** of the following is a factor that may affect the supply of labour?

(1)

- ☐ A Age distribution of population
- ☐ B Economies of scale
- ☐ C Firms aiming to maximise profit
- ☐ D Long run average costs



A firm increases supply by 5.4% following a price increase of 7.8%.

- (c) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm. You are advised to show your working.

(2)

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

(2)

- (e) Describe **one** reason why a car mechanic is a factor of production.

(2)



3 (a) Which **one** of the following could be described as an economic need?

(1)

- ☐ A Haircut
- ☐ B Holiday
- ☐ C Shelter
- ☐ D Smartphone

(b) Which **one** of the following is an example of an external benefit?

(1)

- ☐ A Education
- ☐ B Air pollution
- ☐ C Overcrowding
- ☐ D Resource depletion

(c) Draw a supply curve on the diagram below that has price elastic supply (PES). Label the impact of a price change from P_1 to P_2 and its impact on quantity from Q_1 to Q_2 .

(3)



Figure 3



Every year in the UK, heavy rainfall is a cause of severe flooding in some areas. Calderdale in Yorkshire has been badly affected for a number of years. Increased water levels from the River Calder caused damage to residential properties, business premises and roads. The UK Government provided a £32m flood defence scheme to try to reduce the problem.

(Source adapted from: <https://www.halifaxcourier.co.uk/news/politics/ps44m-to-be-spent-on-flood-defences-in-hebden-bridge-3327606>)

(d) With reference to the data above and your knowledge of economics, analyse why the UK Government might provide flood defences.

(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.

4 Figure 5 shows the population in Austria in the years 2000, 2008 and 2018.

Year	Population
2000	8,069,276
2008	8,341,532
2018	8,891,388

(Source adapted from: <https://worldpopulationreview.com/countries/austria-population/>)

Figure 5

- (a) Calculate, to two decimal places, the **percentage change in the population** in Austria between 2000 and 2018. You are advised to show your working.

(2)

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Figure 1 shows the market for smartphones.

- (g) Using the diagram below, draw the likely effect on the market for smartphones following an increase in productivity. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

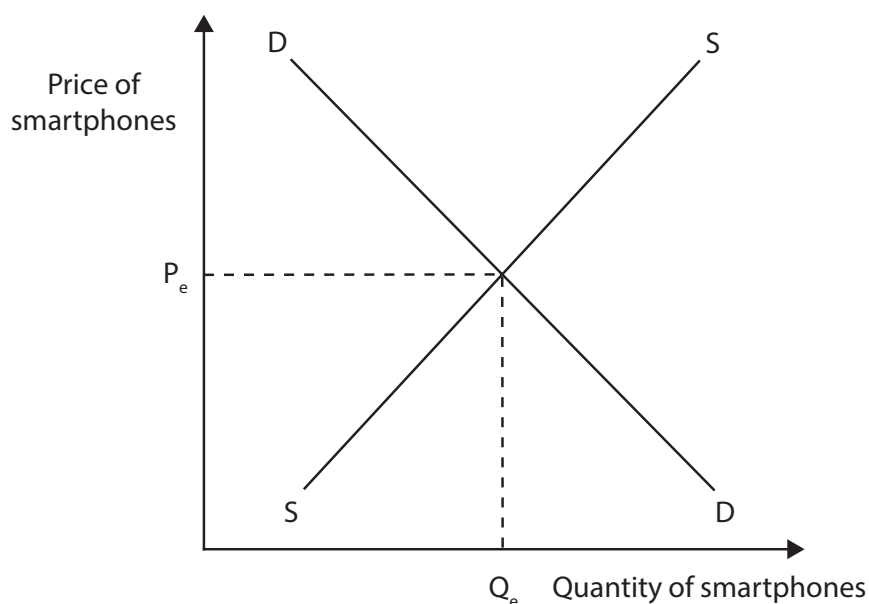


Figure 1

In 2023, the French Government increased the age at which people could receive a state pension to 64.

- (h) Explain **one** possible effect of this change in the pension age on the supply of labour.

(3)

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Figure 2 shows the price elasticity of supply (PES) of avocados.

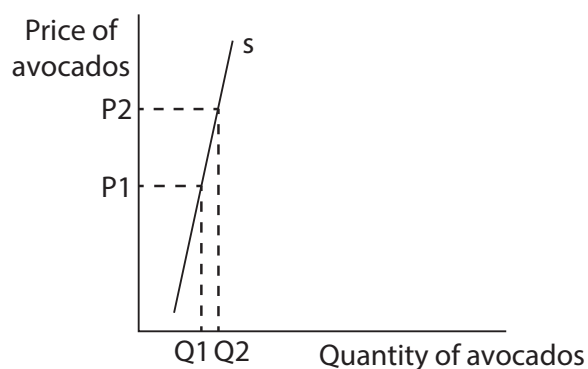


Figure 2

- (i) With reference to the data above and your knowledge of economics, analyse the impact of an increase in price on the quantity supplied of avocados.

(6)

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(Total for Question 1 = 20 marks)



3 (a) Which **one** of the following is most likely to cause an increase in the supply of labour?

(1)

- ☐ A A higher retirement age
- ☐ B A higher school-leaving age
- ☐ C A fall in population
- ☐ D A fall in demand for the final product

(b) Average costs can be calculated by which **one** of the following equations?

(1)

- ☐ A $\frac{\text{Total revenue}}{\text{Total costs}}$
- ☐ B $\frac{\text{Total revenue}}{\text{Price}}$
- ☐ C $\frac{\text{Output}}{\text{Total fixed costs}}$
- ☐ D $\frac{\text{Total costs}}{\text{Output}}$

(c) Draw a demand curve on the diagram below that has price elastic demand (PED). Label the impact of a price change from P_1 to P_2 and its impact on quantity from Q_1 to Q_2 .

(3)

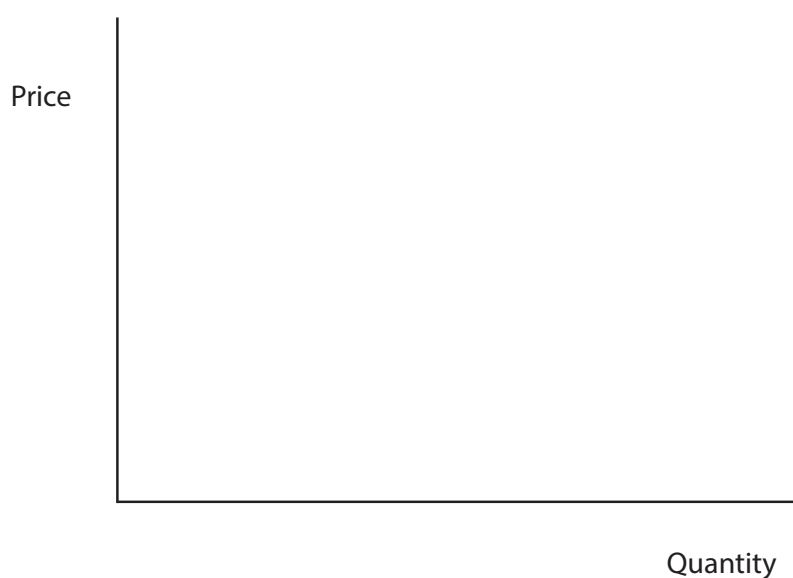


Figure 2



(Source adapted from: <http://www.intracen.org/exporters/organic-products/country-focus/Country-Profile-South-Korea/>)

- (9)



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

(Total for Question 3 = 20 marks)



- 3 (a) An increase in which **one** of the following is most likely to cause a decrease in the supply of labour? (1)

- ☐ A The retirement age
- ☐ B The school-leaving age
- ☐ C The population
- ☐ D The demand for the final product

- (b) Which **one** of the following is the formula to calculate total revenue? (1)

- ☐ A Quantity sold $\times$ price
- ☐ B Profit – price
- ☐ C Profit $\div$ price
- ☐ D Quantity sold $\div$ price

- (c) Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price. (3)

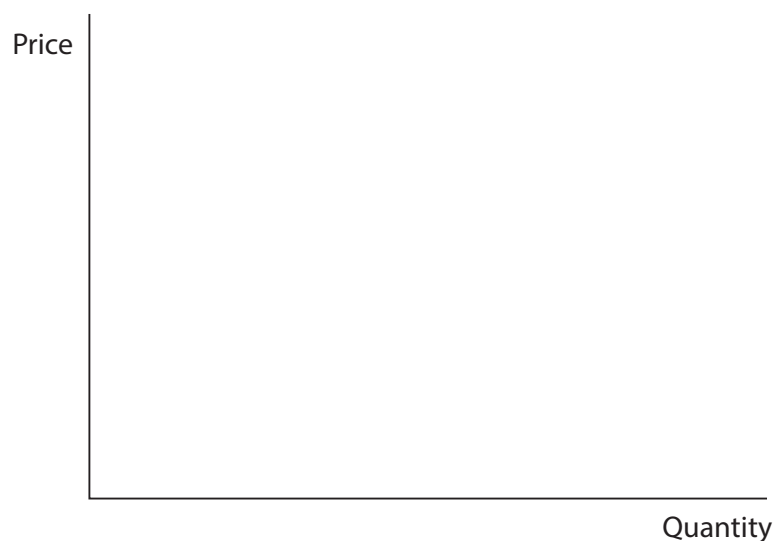


Figure 2



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are approximately 20 lines visible. The paper has rounded corners and a thin black border around the edges.

(e) With reference to the data above and your knowledge of economics, assess whether supply is likely to be more price elastic for textiles than for agricultural products.



This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.

(Total for Question 3 = 20 marks)



SUB-TOPIC 1.1.4 (o-r)

INCOME ELASTICITY OF DEMAND (YED)

Sub-topic 1.1.4 (o-r) · 16 questions · 34 marks · lowest tariff first



3 A product has an income elasticity of demand (YED) of -0.16.

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

(1)

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

(b) Which **one** of the following is a diseconomy of scale?

(1)

- ☐ **A** An increase in productivity
- ☐ **B** An increase in bureaucracy
- ☐ **C** A decrease in the cost of research and development
- ☐ **D** A decrease in government regulation

3 (a) Which **one** of the following is most likely to cause a shift to the left in the supply curve? (1)

- ☐ A Increased indirect taxes
- ☐ B Cost reductions
- ☐ C Increased subsidies
- ☐ D Decreased advertising

(b) Which **one** of the following best describes an income elasticity of demand (YED) of 2.6? (1)

- ☐ A Inferior
- ☐ B Unitary
- ☐ C Luxury
- ☐ D Inelastic



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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- 2 The income elasticity of demand (YED) for a product can be calculated by using the information in Figure 3.

Change in quantity demanded	4.6%
Change in income	2%

Figure 3

- (a) Which **one** of the following options best describes the demand for the product?

(1)

- ☐ **A** Unitary
- ☐ **B** Luxury
- ☐ **C** Inferior
- ☐ **D** Inelastic

- (b) Which **one** of the following is the formula for social benefits?

(1)

- ☐ **A** Private costs + private benefits
- ☐ **B** Private benefits – private costs
- ☐ **C** Private benefits + external benefits
- ☐ **D** Private costs – external costs

3 Income elasticity of demand (YED) for a product is -0.43 and the price elasticity of demand (PED) for the same product is -0.27 .

(a) The data above shows that the product is

(1)

- ☐ A an inferior good and demand is price inelastic
- ☐ B an inferior good and demand is price elastic
- ☐ C a normal good and demand is price inelastic
- ☐ D a normal good and demand is price elastic

(b) The formula for social benefits is

(1)

- ☐ A private costs + private benefits
- ☐ B private benefits – private costs
- ☐ C private benefits + external benefits
- ☐ D private costs – external costs

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) For which **one** of the following will demand increase when incomes decrease? (1)

- ☐ **A** Capital good
- ☐ **B** Inferior good
- ☐ **C** Luxury good
- ☐ **D** Normal good

A firm's monthly total costs are \$2 640 and monthly fixed costs are \$900.

- (b) Which **one** of the following equals \$1 740? (1)

- ☐ **A** Price
- ☐ **B** Profit
- ☐ **C** Average total costs
- ☐ **D** Total variable costs

- (c) What is meant by the term division of labour? (2)

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- 3 (a) Which **one** of the following is most likely to cause a shift to the left of the demand curve?

(1)

- ☐ **A** Increased advertising
- ☐ **B** Cost reductions
- ☐ **C** Increased indirect taxes
- ☐ **D** Decreased incomes

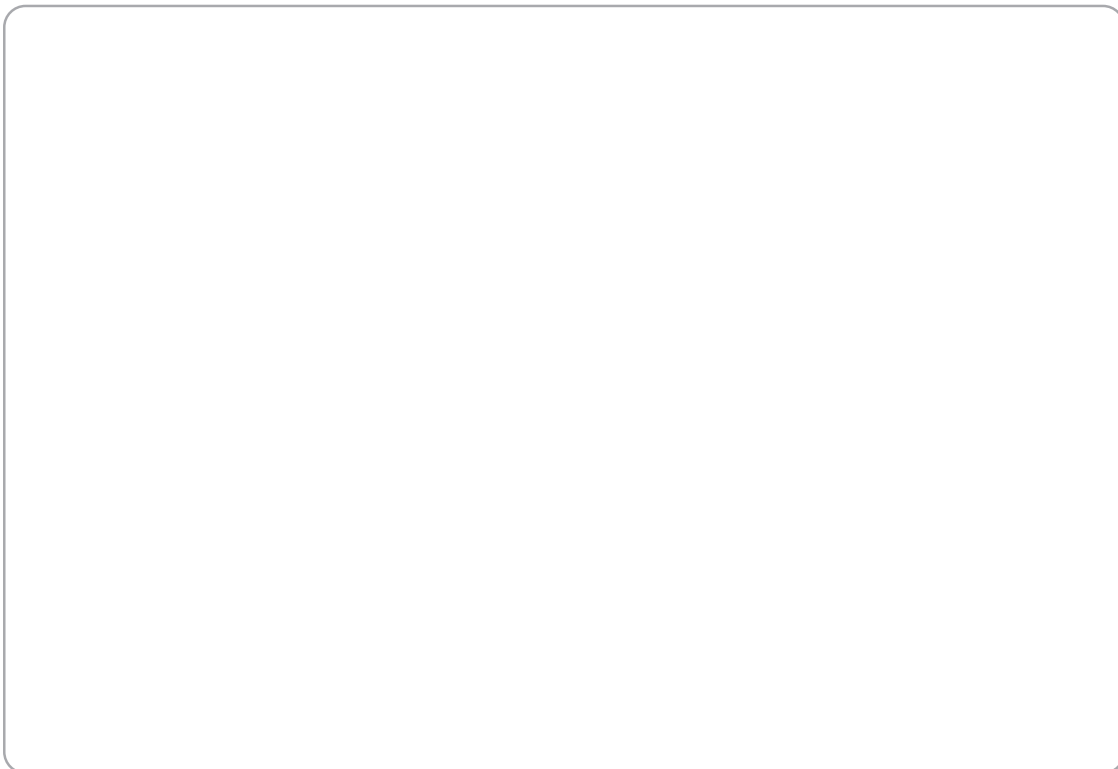
- (b) Which **one** of the following best describes the type of goods with an income elasticity of demand (YED) of -1.3 ?

(1)

- ☐ **A** Inferior
- ☐ **B** Unitary
- ☐ **C** Luxury
- ☐ **D** Normal

- (c) In the box below, draw a production possibility curve (PPC) for a firm that can produce shampoo and/or toothpaste. On your PPC, draw and label what would happen if production of toothpaste was increased.

(3)



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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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 feature of an oligopoly?

(1)

- ☐ **A** Large firms dominate
- ☐ **B** Unique product
- ☐ **C** One firm dominates
- ☐ **D** No barriers to entry

- (b) A firm has monthly total costs of \$150 000 and monthly fixed costs of \$90 000. If it produces 1,000 units, what are the monthly total variable costs for the firm?

(1)

- ☐ **A** \$60
- ☐ **B** \$90
- ☐ **C** \$60 000
- ☐ **D** \$240 000

- (c) What is meant by the term luxury good?

(2)

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(d) State **one** example of an occupation that is in the secondary sector of the economy.

(1)

(e) Define the term labour.

(1)

(f) Calculate the **income elasticity of demand (YED)** for a good if income increases by 25% and quantity demanded increases by 10%. You are advised to show your working.

(2)



(d) State **one** example of an occupation in the tertiary sector of the economy.

(1)

(e) Define the term government.

(1)

(f) Calculate the income **elasticity of demand (YED)** for a good if income increases by 5% and quantity demanded increases by 12%. 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 is a factor of production?

(1)

- ☐ **A** Taxation
- ☐ **B** Gym workout
- ☐ **C** Enterprise
- ☐ **D** Restaurant meal

A firm charges a price of \$160 per item and has average costs of \$120 per item. It sells 20 000 items.

(b) What is the total revenue for the firm?

(1)

- ☐ **A** \$19 200
- ☐ **B** \$20 160
- ☐ **C** \$2 400 000
- ☐ **D** \$3 200 000

(c) What is meant by the term normal good?

(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 defined as 'breaking down the production process into smaller tasks'?

(1)

- ☐ **A** Division of labour
- ☐ **B** Innovation
- ☐ **C** Labour intensive
- ☐ **D** Productivity

A firm sells 40 units of a good. Variable costs are \$4 per unit. Customers pay \$10 per unit.

- (b) Which **one** of the following equals \$400?

(1)

- ☐ **A** Price
- ☐ **B** Total costs
- ☐ **C** Profit
- ☐ **D** Total revenue

- (c) What is meant by the term inferior good?

(2)

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(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)



(e) Define the term government.

(1)

(f) Calculate, to two decimal places, the **income elasticity of demand (YED)** for a good if income increases by 6.2% and quantity demanded increases by 1.7%.
You are advised to show your working.

(2)



- 4 Figure 6 shows the Production Possibility Curve (PPC) for an economy making consumer goods and capital goods.

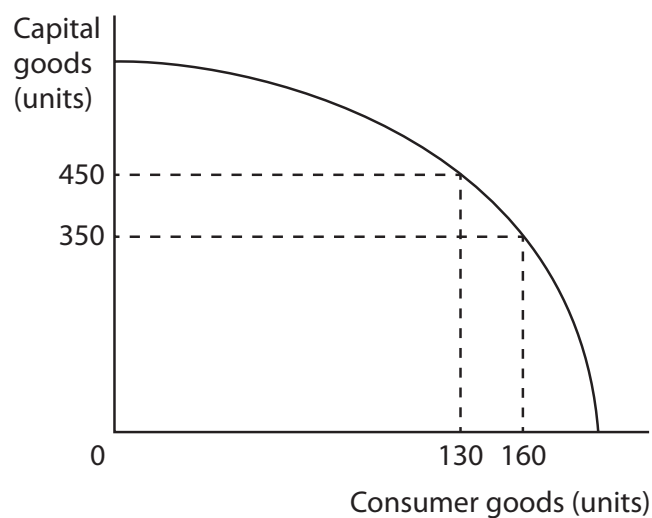


Figure 6

- (a) When the current level of output is 350 units of capital goods, calculate the **opportunity cost** of producing an additional 100 units of capital goods. You are advised to show your working.

(2)

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(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



SUB-TOPIC 1.1.4 (s)

SIGNIFICANCE OF ELASTICITIES

Sub-topic 1.1.4 (s) · 2 questions · 18 marks · lowest tariff first



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)

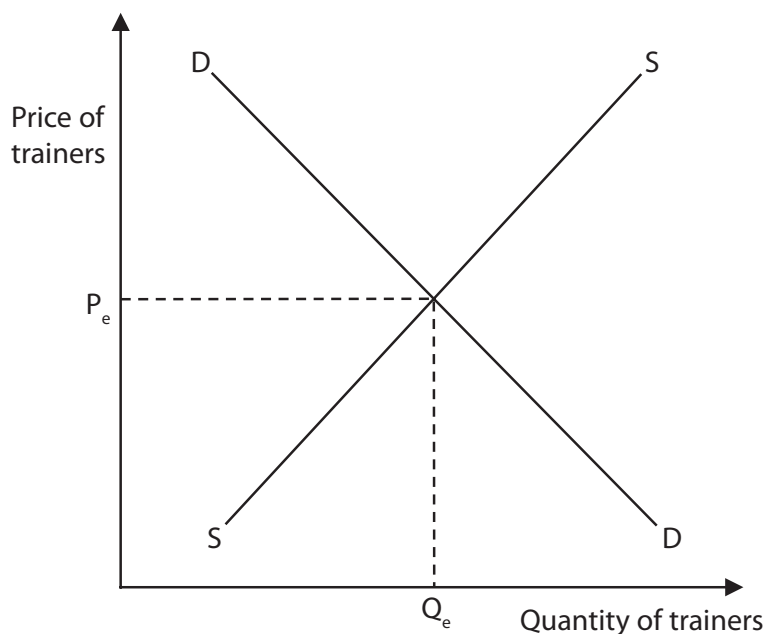


Figure 1

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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(6)



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(Total for Question 1 = 20 marks)



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(12)

Handwriting practice area with 25 horizontal dotted lines.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



MARK SCHEMES

official mark schemes, in the same order as the questions



Question number	Answer	Mark
3(c)	AO2 2 marks Award 1 mark for showing correct calculation. $0.85 \times 95,000$ (1) Award 1 mark for correct total revenue (TR). $= \\$80\,750$ (1) Award 2 marks if TR is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)
Question number	Answer	Mark
3(d)	AO1 1 mark Inelastic (1) OFR applies e.g. if answer to 3(c) is less than \$75 000, award 1 mark for elastic	(1)

Question number	Answer	Mark
1(a)	AO1 1 mark C 0	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark B \$4 500 profit	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to both the public and private sectors and 1 mark for reference to providing goods and services The public and private sectors (1) provide goods and services between them (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct example Retailer/Banker/Teacher Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A group with the authority to run a country or state Accept any other appropriate response	(1)



Question Number	Which one of the following products has a price inelastic demand?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: C Y -0.5 A is not correct because it shows elastic demand B is not correct because this shows unitary elasticity D is not correct because the responsiveness is equal	(1)

Question Number	Which one of the following is the formula for calculating average cost?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: Total cost C ----- Quantity produced A is not correct because not only fixed cost is included B is not correct because revenue is not used in this calculation D is not correct because not only variable cost is included	(1)

Question Number	State one reason why governments intervene in the economy.	Mark
	Answer	
2(c)	AO1 1 mark Award 1 mark for a suitable reason • To correct market failure • Lack of competition • Lack of information Accept any other appropriate response	(1)

Question number	Answer	Mark
2(a)	AO2 1 mark The only correct answer is: A W -1.5 B is not correct because this is unitary elasticity C is not correct because this is price inelastic D is not correct because the responsiveness is equal	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark The only correct answer is: B External economies of scale A is not correct because this is when an individual firm benefits from falling average costs C is not correct because this results from higher average costs D is not correct because this is a type of internal economies of scale	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for a suitable disadvantage • Reduced profit • Higher (advertising) costs • Need to reduce prices Accept any other appropriate response	(1)

Question number	Which one of the following would occur when there are unsold goods in a market? Answer	Mark
2(a)	AO1 1 mark The only correct answer is: B Excess supply A is not correct because this would lead to a shortage of goods in the market C is not correct because lower prices may be needed to sell unsold goods D is not correct because this would not result from unsold goods in the market	(1)

Question number	Which one of the following statements is correct? Answer	Mark
2(b)	AO1 1 mark The only correct answer is: C Quantity supplied will fall when price falls A is not correct because this is only true when supply is fixed B is not correct because supply is affected by changes in price D is not correct because the supply curve does not shift due to a price change	(1)

Question number	State the name for price elasticity of demand (PED) with a numerical value of -1. Answer	Mark
2(c)	AO1 1 mark Award 1 mark for the correct type of price elasticity of demand (PED) • Unitary	(1)

Question number	Which one of the following values shows perfectly price elastic demand?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: D Infinity A is not correct because this is unitary elasticity B is not correct because demand is price inelastic C is not correct because this is perfectly price inelastic demand	(1)

Question number	A country has a minimum wage of €6.04 per hour. If a worker provides 35 hours of labour in a week, the lowest weekly wage the worker can earn is	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: C €211.40 A is not correct because this is only one hour of labour B is not correct because this is less than the minimum wage for a 35-hour week D is not correct because this is not the lowest amount that can be earned	(1)

Question number	What is meant by the term mixed economy?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition The state/public and private sectors (1) provide goods/services between them (1) Accept any other appropriate response	(2)

Question number	Which one of the following products has a price elastic demand?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: A W -1.5 B is not correct because this shows unitary elasticity C is not correct because it shows inelastic demand D is not correct because it is perfectly inelastic	(1)

Question number	Which one of the following is the formula for calculating average cost?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: A Total cost ÷ quantity produced B is not correct because only fixed cost is included C is not correct because only variable cost is included D is not correct because revenue is not used in this calculation	(1)

Question number	Calculate the profit or loss for the firm for each calculator. You are advised to show your working.	Mark
	Answer	
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation $\\$12.50 - (\\$3.25 + \\$4.58)$ (1) Award 1 mark for calculating correct profit = \$4.67 (1) Award 2 marks if profit is correctly calculated as \$4.67, even if no calculations are shown Award 1 mark if the answer given is 4.67 with or without calculations shown Do not award marks for a formula	(2)

Question number	What is meant by the term patent?	Mark
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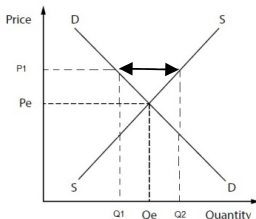


Question number	Answer	Mark
2(a)	AO1 1 mark B What to produce	(1)

Question number	Answer	Mark
2(b)	AO2 1 mark C Y	(1)

Question number	Answer	Mark
2(c)	AO2 2 marks Award 1 mark for showing correct calculation. -12 ÷ 15 (1) Award 1 mark for correct price elasticity of demand (PED). = -0.8 (1) Award 1 mark if students show calculation and put 0.8 without the minus sign Award 2 marks if PED is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
2(d)	AO1 1 mark Award 1 mark for reference to an invention or new idea An idea which leads to a new product/process	(1)

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

Question number	Answer	Mark
2(b)	AO1 1 mark D Use of expensive technology	(1)

Question number	Answer	Mark
2(c)	AO2 2 marks Award 1 mark for showing correct calculation $19 \div -10$ (1) Award 1 mark for correct price elasticity of demand (PED) $= -1.9$ (1) Award 1 mark if students show calculation and put 1.9 without the minus sign Award 2 marks if PED is correctly calculated as -1.9, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
2(d)	A02 2 marks Award 1 mark for identifying the variable costs 2 000 + 15 000 (1) Award 1 mark for calculating total variable costs = 17 000 QR (1) Award 2 marks if total variable costs are correctly calculated as 17 000QR, even if no calculations are shown Award 1 mark if total variable costs are correctly calculated as 17 000 even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	A01 1 mark Award 1 mark for reference to obtaining control of another firm One firm buys control of another firm Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	A01 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason In the short term, consumers may not be able to find an alternative product to switch to (1) and so it is only in the longer term that they have more opportunity to look for substitutes (1) Accept any other appropriate response	(2)

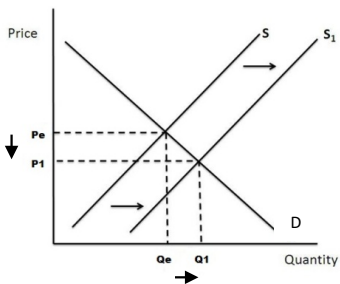
Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for selecting product Y (1) Award 1 mark for correct total revenue $\\$1\,650 \times 20 = \\$33\,000$ (1) Award 2 marks if total revenue is accurately calculated as \$33 000, even if no calculations are shown Award 1 mark if the answer given is 33 000 with or without calculations shown If product X is selected, and a correct calculation of \$37 500 given, award 1 mark Do not award marks for a formula	(2)

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • The supply of labour refers to the quantity of labour (employees) willing and able to work at any given wage • (Occupational) mobility of labour is where workers have the ability to move between different types of employment, such as artist to art teacher • The supply of labour is likely to increase when it is easier for workers to move to different types of employment • For example, they are able to leave an industry where there is little employment such as selling paintings in small craft shops in order to find work in an industry that needs more employees such as teachers • By providing a scheme to help applicants train to be teachers, the government are providing an opportunity to increase the supply of labour • This is because it would allow more people to become mobile between different types of employment

Question Number	State one example of a factor of production that can be classified as land.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for correct example • Forest • Rainwater • Coal • Oil Accept any other appropriate response	(1)

Question Number	Define the term monopoly.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition One dominant seller in a market Accept any other appropriate response	(1)

Question Number	Calculate, to two decimal places, the price elasticity of demand (PED) for Alfie's dog-walking service. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation -1.1/1.5 (1) Award 1 mark for correct PED = -0.73 (1) Award 2 marks if PED is correctly calculated as -0.73, even if no calculations are shown Do not award marks for a formula	(2)

Question Number	Using the diagram below, draw the likely effects on the market for cars of the introduction of more effective technology in production. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
	Answer	
1(g)	A02 3 marks Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Explain one possible effect on the supply of labour of the school-leaving age being raised.	Mark
	Answer	
1(h)	A02 3 marks Award 1 mark for identifying an effect Award 1 mark for developing the response Award 1 mark for the response being in context One effect would be a decrease in the supply of labour (1) because young people would not be able to be employed full-time until they reached the school-leaving age (1) which means only people over 18 in England could contribute to the supply of labour (1) Accept any other appropriate response	(3)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct reason • Negative advertising • Fall in income • Negative fashion/taste change • Fall in price of substitute goods • Rise in price of complementary goods • Decrease in the population Accept any other appropriate response	(1)

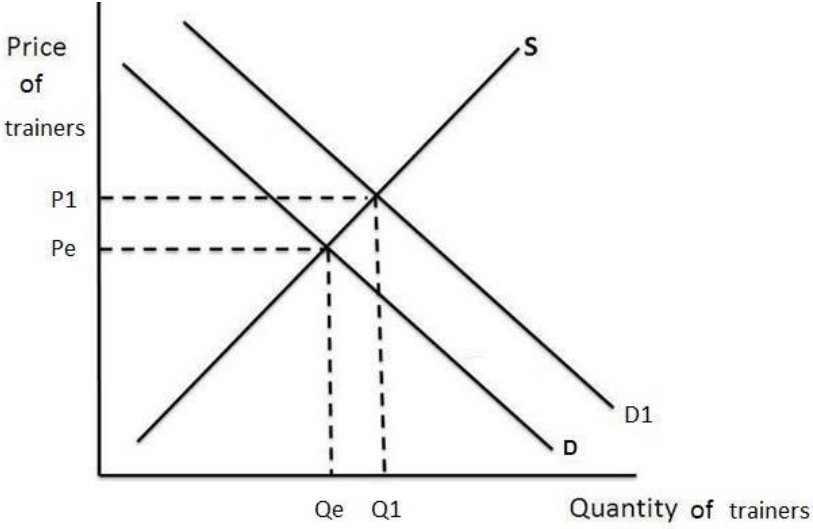
Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition Converting resources into goods or services Accept any other appropriate response	(1)

	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation -2.1%/1.6% (1) Award 1 mark for correct PED = -1.31 (1) Award 2 marks if PED is correctly calculated as -1.31, even if no calculations are shown Do not award marks for a formula	(2)

Question number	State one factor of production.	Mark
	Answer	
1(d)	A01 1 mark Award 1 mark for correct factor Land/labour/capital/enterprise	(1)

Question number	Define the term public sector.	Mark
	Answer	
1(e)	A01 1 mark Award 1 mark for a correct definition Government provision of goods/services Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of demand (PED) for Yusef's portraits. You are advised to show your working.	Mark
	Answer	
1(f)	A02 2 marks Award 1 mark for showing correct calculation $3.2\% / -2.5\%$ (1) Award 1 mark for correct PED $= -1.28$ (1) Award 2 marks if PED is correctly calculated as -1.28, even if no calculations are shown Do not award marks for a formula	(2)

Question number	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.	Mark
1(g)	Answer A02 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	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.	Mark
4(a)	Answer	
	A02 2 marks Award 1 mark for selecting product X (1) Award 1 mark for correct total revenue $\\$3\,000 \times 50 = \\$150\,000$ (1) Award 2 marks if total revenue is accurately calculated as \$150 000, even if no calculations are shown Award 1 mark if the answer given is 150 000, even if no calculations are shown Do not award marks for a formula	(2)

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).

	Calculate, to two decimal places, the price elasticity of demand (PED) for Sathvinder's cleaning service. You are advised to show your working. Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation 1.9%/-1.2% (1) Award 1 mark for correct PED = -1.58 (1) Award 2 marks if PED is correctly calculated as -1.58, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Define the term entrepreneur. Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition An individual who organises the factors of production Accept any other appropriate response	(1)

Question number	Describe one reason why water is a factor of production. Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason Water is a natural resource that can be used by firms in production (1) therefore water is classed as land (1) Accept any other appropriate response.	(2)

Question number	Calculate the percentage change in quantity demanded for a product if the price elasticity of demand (PED) is -1.9 and the price falls by 10%. You are advised to show your working.	Mark
	Answer	
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation $-10\% \times -1.9$ (1) Award 1 mark for correct change in quantity demanded $= 19\%$ (1) Award 2 marks if the change in quantity demanded is correctly calculated as 19%, even if no calculations are shown Award 1 mark if the change in quantity demanded is calculated as 19, even if no calculations are shown Do not award marks for a formula	(2)

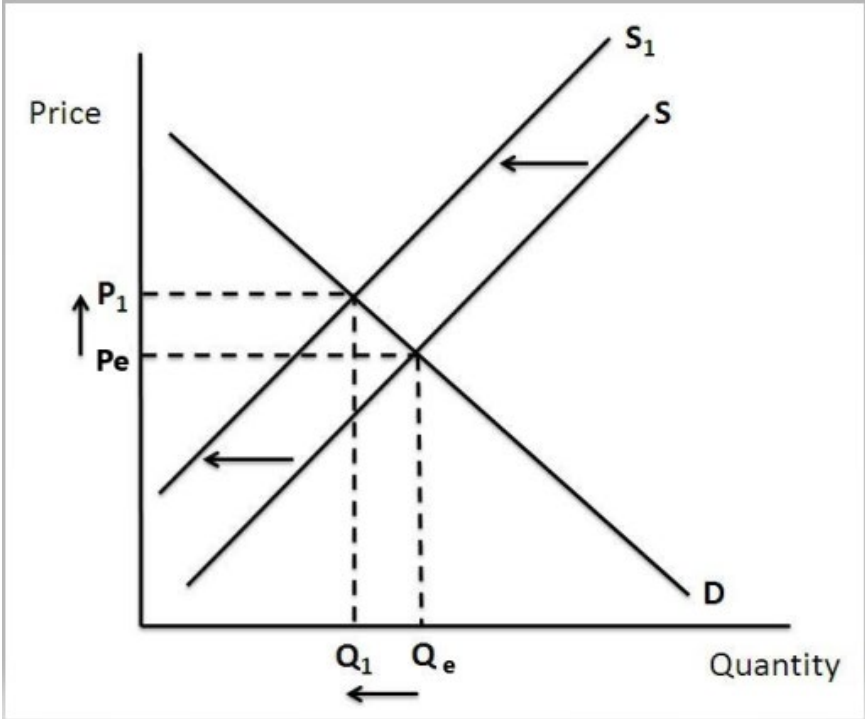
Question number	What is meant by the term social benefits?	Mark
	Answer	
2(d)	AO1 1 mark Award up to 2 marks for a correct definition Private benefits (1) plus external benefits (1) Accept any other appropriate response	(2)

Question number	Describe one feature of an oligopoly.	Mark
	Answer	
2(e)	AO1 2 marks Award 1 mark for reference to the feature and 1 mark for development of the feature Barriers to entry (1) therefore fewer firms can enter the market (1) OR Different products (1) to stand apart from competitors (1) Accept any other appropriate response	(2)

Question number	State one example of an item that can be classified as capital.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct example • Machines • Computers • Factories • Vehicles Accept any other appropriate response	(1)

Question number	Define the term price-maker.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition A firm is able to set the price charged in the whole market Accept any other appropriate response	(1)

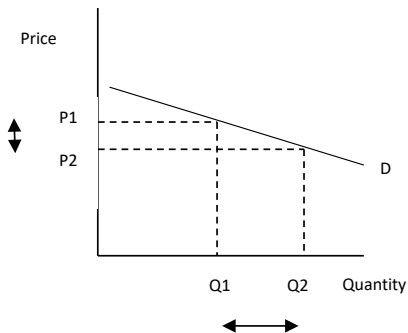
Question number	Calculate, to two decimal places, the price elasticity of demand (PED) for a good if the price decreases by 4.7% and the quantity demanded increases by 1.8%. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation 1.8%/-4.7% (1) Award 1 mark for correct PED = -0.38 (1) Award 2 marks if PED is correctly calculated as -0.38 even if no calculations are shown Award 1 mark if PED is calculated as -0.38% with or without calculations shown Do not award marks for the formula	(2)

Question number	Answer	Mark
1(g)	A02 3 marks Award 1 mark for leftward shift of supply, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled 	(3)

Question number	Answer	Mark
1(h)	A02 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 the context of music concerts One reason is that there are no substitutes (1) if they want to see the artist performing live (1) the consumer will have no choice but to pay a high amount (1) Accept any other appropriate response	(3)

Question number	Answer	Mark
3(a)	AO1 1 mark A A higher retirement age	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark D $\frac{\text{Total costs}}{\text{Output}}$	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for clearly drawing an elastic demand curve Award 1 mark for showing smaller price change from P_1 to P_2 on the axis Award 1 mark for showing a greater change in the quantity Q_1 to Q_2 on the axis 	(3)

Question number	An increase in which one of the following is most likely to cause a decrease in the supply of labour?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: B The school-leaving age A is not correct because this would increase the supply of labour C is not correct because this would mean more people were available to work D is not correct because this would affect the demand for labour	(1)

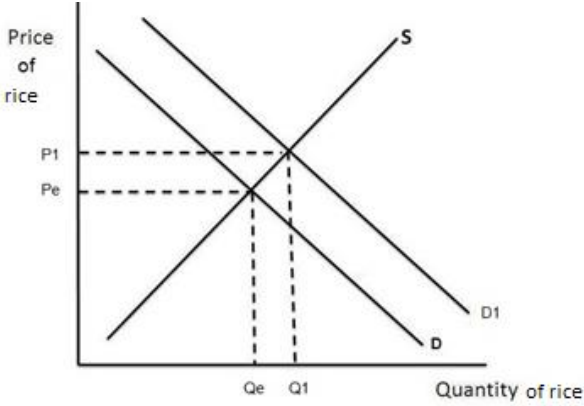
Question number	Which one of the following is the formula to calculate total revenue?	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: A Quantity sold x price B is not correct because this does not allow revenue to be calculated C is not correct because this does not account for units sold D is not correct because this does not calculate revenue	(1)

Question number	Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price.	Mark
	Answer	
3(c)	AO2 3 marks Award 1 mark for drawing elastic demand curve, labelled Award 1 mark for showing smaller price change on the axis Award 1 mark for showing a greater change in the quantity on the axis	(3)

Question number	Which one of the following is an example of a job in the primary sector of the economy?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: A Farmer B is not correct because this is secondary C is not correct because this is tertiary D is not correct because this is the tertiary sector	(1)

Question number	Total revenue can be defined as the quantity of goods sold	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: C multiplied by the price A is not correct because this does not allow total revenue to be calculated B is not correct because this does not define total revenue D is not correct because this does not calculate revenue	(1)

Question number	Using the diagram below, draw a diagram to show a demand curve that has price inelastic demand. Label the curve and show the impact on both axes from a change in price.	Mark
	Answer	
3(c)	AO2 3 marks Award 1 mark for drawing inelastic demand curve, labelled Award 1 mark for showing greater price change on the axis Award 1 mark for showing a smaller change in the quantity on the axis	(3)

Question number	Using the diagram below, draw the likely effect of an increase in the population on the market for rice. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(g)	AO2 3 marks Award 1 mark for a rightward shift of the demand curve, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  (3)	

Question number	Explain one reason why demand for a product, such as a soft drink, usually becomes more price elastic over time. Answer	Mark
1(h)	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 • In the short term, consumers may not be able to break their habit (1) but in time they are able to reduce consumption (1) meaning that they buy less of the sugary products (1) • More firms may enter the market (1) meaning more substitutes are available (1) so, in time, the difference in PED is 0.5 more elastic (1) Accept any other appropriate response (3)	

Question number	With reference to the data above and your knowledge of economics, analyse how all four factors of production might be used to produce chocolate.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Cocoa pods and sugar are natural resources, which are all examples of land being needed to produce chocolate • The cocoa pods are picked by hand which means labour is needed • Ovens in which the cocoa beans are roasted are examples of capital, because these are man-made • Enterprise combines the other factors of production to make sure the production from cocoa to chocolate takes place effectively to get the finished product to the consumer • Thus, all four factors of production may be used to produce chocolate, as without any one of them the process would not be completed as efficiently

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 price elasticity of demand (PED) may be relatively inelastic at Marina Café.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Price elasticity of demand (PED) is the responsiveness of demand to a change in price • Inelastic demand means a rise in price will lead to a smaller percentage change in the quantity demanded • PED is likely to be more inelastic at Marina Café because it is situated in a popular location, with sea and mountain views • This means that the degree of necessity is likely to be higher for customers wishing to enjoy the scenery at the same time as their drinks • Therefore, Marina Café has few substitutes because not many of the cafés will have the additional benefit of this location • In addition, the price of a coffee is a small percentage of income, meaning customers will be less likely to reduce their demand due to a rise in price • As a result, customers may be prepared to pay €1.20 more at Marina Café than at alternatives, or even pay more if the price was increased further

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	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 benefits to Simona of making these changes.
	Indicative content
3(e)	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 sales/revenue • Simona prioritises caring for her customers by charging low prices and being flexible with appointment times • This flexibility has led to problems with provision of hairdressing services due to delays and issues getting an appointment • Therefore, demand has reduced and revenue has fallen • This means that Simona has been unable to meet the loan repayments to her bank and may risk her hairdressing business failing • As a result, it may be a good idea to make these changes in order to increase revenue for the hairdressing business • This may help with financial difficulties as well as reduce the late/cancelled appointments AO4 • However, some customers may visit the hairdressers due to the low prices • The customers may also welcome the flexibility of the services offered, encouraging them to return and giving Simona's business a good reputation • This may mean a price increase and/or fee for late arrivals/cancellations could reduce custom • Therefore, making these changes may lead to further financial problems rather than resolving them • It may be more important to focus on caring for customers by managing appointment times more carefully • As a result, Simona may be able to continue to prioritise caring for customers but at the same time solve some of her financial issues

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).

Question Number	With reference to the data above and your knowledge of economics, assess whether an increase in the price of Prime Hydration is always likely to lead to an increase in total revenue for retailers.
	Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Price elasticity of demand (PED) measures the responsiveness of demand to a change in price • A product has an inelastic PED if the percentage change in demand is less than the percentage change in price. The greater the difference, the more price inelastic the demand for the product • At its launch, Prime Hydration was very popular, especially with teenagers, in part due to the association with celebrities KSI and Logan Paul • These factors are likely to lead to an inelastic PED, especially due to the lack of substitutes and relatively low proportion of income spent on the drink • When there is a price increase, for example from £1.99 to £8.25 (315% increase), a product with an inelastic PED is likely to lead to a higher total revenue • This is due to demand falling by a lower percentage than the increase in price • Therefore, retailers selling Prime Hydration at increased prices are likely to receive more in total revenue AO4 • However, if availability is not guaranteed, products cannot be sold and revenue cannot be gained • Over time demand is likely to become more price elastic • This may be due to consumers finding alternative products, supply increasing or because the drink may go out of fashion and/or the YouTube celebrities may no longer be as popular • It may depend on how much the price increases because demand is based on a consumer's ability and willingness to buy the drink • Therefore, if the price was increased too much, some consumers would no longer be able to afford to buy the drink and some would no longer be willing, as other products would be more of a necessity • As a result, an increase in price of Prime Hydration may only lead to an increase in total revenue in the short term

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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).
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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).

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for one correct factor • Factors of production • Availability of stocks • Spare capacity • Time	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for reference to a good bought as an alternative to another good Goods which are used as an alternative to another good	(1)

Question number	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $3.9 \div 5.2$ (1) Award 1 mark for correct price elasticity of supply (PES) $= 0.75$ (1) Award 2 marks if PES is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
1(a)	AO1 1 mark D 0	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark D \$750 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to amount producers are willing and able to sell and 1 mark for reference to price The quantity of goods or services producers are willing and able to sell (1) at a given price/at a given time (1)	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct example Building construction/Car production/Shipbuilding Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition The people used in the production of goods and services Accept any other appropriate response	(1)

Level	Mark	Descriptor
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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 $\frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$	(1)

Question number	Answer	Mark
2(a)	AO1 1 mark The only correct answer is: C Increase in female participation A is not correct because this would lead to a decrease in the supply of labour B is not correct because this would lead to a decrease in the supply of labour D is not correct because this would lead to a decrease in the supply of labour	(1)

Question number	Answer	Mark
2(b)	AO2 1 mark The only correct answer is: C Niche A is not correct because this is where there is one dominant seller in the market B is not correct because this relates to the demand and supply of labour D is not correct because this does not relate to manufacturing to customer requirements	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for correct formula in words/as an equation $\frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$	(1)

Question number	Which one of the following is the formula to calculate price elasticity of supply (PES)? Answer	Mark
2(a)	AO1 1 mark The only correct answer is: C <u>Percentage change in quantity supplied</u> Percentage change in price A is not correct because this is the formula for PED B is not correct because this does not relate to PES D is not correct because this formula is not used in economics	(1)

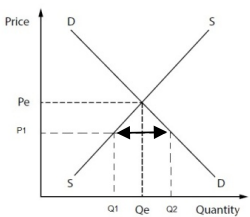
Question number	A court in China ordered a firm to pay 10 000 Yuan because it polluted a local river. This is an example of which one of the following? Answer	Mark
2(b)	AO2 1 mark The only correct answer is: A A fine B is not correct because this would give a firm permission to do something C is not correct because this would encourage production due to reducing cost D is not correct because this is added to production costs or sale price	(1)

Question number	State one example of an external benefit. Answer	Mark
2(c)	AO1 1 mark Award 1 mark for an example of an external benefit • Education • Healthcare • Vaccinations Accept any other appropriate response	(1)

Question number	Which one of the following values shows perfectly price inelastic supply?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: A 0 B is not correct because this is price inelastic supply C is not correct because supply is unitary price elasticity D is not correct because this is price elastic supply	(1)

Question number	Which one of the following is the most likely type of government policy to produce this decrease in costs?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: C Increased subsidy A is not correct because this would not lower total costs B is not correct because this would be more likely to increase total costs D is not correct because increased taxation would increase total costs	(1)

Question number	What is meant by the term private sector?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition Firms owned by individuals or groups (1) that provide goods/ services (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(a)	AO2 1 mark A 	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark B A factor of production	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for correct formula in words/as an equation Total revenue minus total costs	(1)

Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation $36 \div 30$ (1) Award 1 mark for correct price elasticity of supply (PES) $= 1.2$ (1) Award 2 marks if PES is correctly calculated as 1.2, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation 2.7/4.9 (1) Award 1 mark for correct PES = 0.55 (1) Award 2 marks if PES is correctly calculated as 0.55, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for reference to a firm setting the market price A dominant firm sets the price in the market 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 A computer can be used to help make goods and services (1) therefore a computer is capital (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A specialised market for a particular product Accept any other appropriate response	(1)

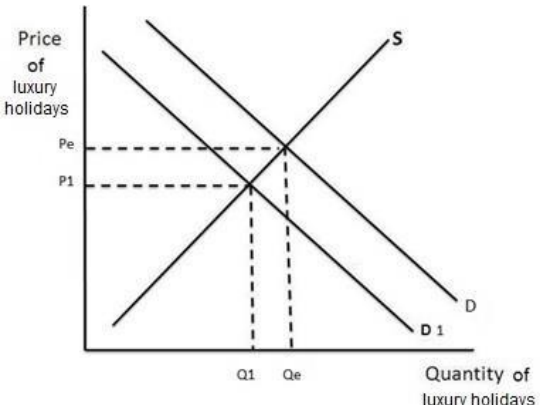
	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation 4.7%/5.4% (1) Award 1 mark for correct PES = 0.87 (1) Award 2 marks if PES is correctly calculated as 0.87, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
1(g)	AO2 3 marks Award 1 mark for leftward shift of demand, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled	(3)

Question number	State one type of an external economy of scale. Answer	Mark
1(d)	A01 1 mark Award 1 mark for correct type • Skilled labour/infrastructure/access to suppliers/similar businesses in area Accept any other appropriate response	(1)

Question number	Define the term unique product. Answer	Mark
1(e)	A01 1 mark Award 1 mark for a correct definition A good/service for which there is no substitute Accept any other appropriate response	(1)

Question number	Calculate the price elasticity of supply (PES) for Connor's hair salon. You are advised to show your working. Answer	Mark
1(f)	A02 2 marks Award 1 mark for showing correct calculation 2.6%/2% (1) Award 1 mark for correct PED = 1.3 (1) Award 2 marks if PES is correctly calculated as 1.3, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Using the diagram below, draw the likely effect on the market for luxury holidays after a fall in income. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
1(g)	Answer A02 3 marks Award 1 mark for leftward shift of demand, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled 	(3)

Question number	Explain one possible disadvantage of privatisation for workers in the telecoms industry in Angola.	Mark
1(h)	Answer A02 3 marks Award 1 mark for identifying a disadvantage Award 1 mark for developing the response Award 1 mark for the response being in context Workers may be made redundant as a result of privatisation (1) because private firms are likely to want the telecoms industry to reduce costs (1) in order to increase efficiency (1) Accept any other appropriate response	(3)

Question number	Calculate, to two decimal places, the price elasticity of supply (PES) for shoes. You are advised to show your working. Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation -2.7%/-1.9% (1) Award 1 mark for correct PES 1.42 (1) Award 2 marks if PES is correctly calculated as 1.42, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Define the term substitute. Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition • An alternative bought/produced in place of something else Accept any other appropriate response	(1)

Question number	Describe one reason why a firm might stay small. Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason • It may already be making enough money (1) to satisfy the needs of the owner (1) • The size of the market may be small (1) which means expansion is difficult (1) Accept any other appropriate response	(2)

Question number	State one main feature of an oligopoly.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct feature • Few firms • Large firms dominate • Different products • Barriers to entry • Collusion • Price competition • Non-price competition Accept any other appropriate response	(1)

Question number	Define the term excess supply	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition • Where supply is greater than demand Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of supply (PES) for the firm. You are advised to show your working.	Mark
	Answer	
1(f)	A02 2 marks Award 1 mark for showing correct calculation 4.3%/3.7% (1) Award 1 mark for correct price elasticity of supply = 1.16 (1) Award 2 marks if price elasticity of supply is correctly calculated as 1.16, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Calculate the percentage change in quantity supplied for a product if the price elasticity of supply (PES) is 1.5 and the price increases by 12%. You are advised to show your working.	Mark
	Answer	
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation $1.5 \times 12\%$ (1) OR $\frac{X\%}{12\%} = 1.5$ (1) Award 1 mark for correct change in quantity supplied $= 18\%$ (1) Award 2 marks if the percentage change in quantity supplied is correctly calculated as 18%, even if no calculations are shown Award 1 mark if the percentage change in quantity supplied is calculated as 18, even if no calculations are shown Do not award marks for a formula	(2)

Question number	What is meant by the term social costs?	Mark
	Answer	
2(d)	AO1 1 mark Award up to 2 marks for correct definition Private costs (1) plus external costs (1) Accept any other appropriate response	(2)

Question number	State one example of an external cost.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct example • Pollution • Congestion • Environmental damage Accept any other appropriate response	(1)

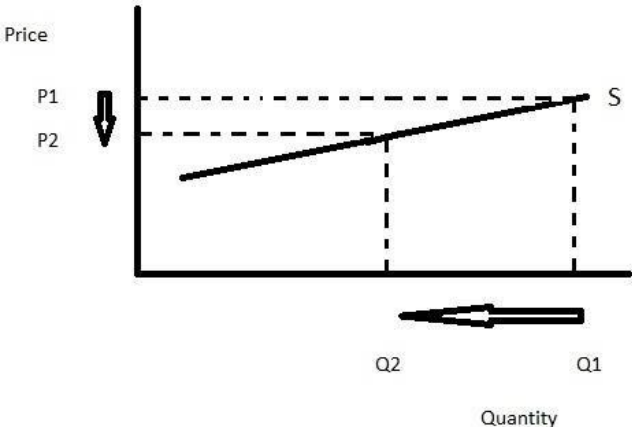
Question number	Define the term takeover.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition When one firm takes control of another firm Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of supply (PES) for a good if price decreases by 9.4% and quantity supplied decreases by 3.7%. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $-3.7\% / -9.4\%$ (1) Award 1 mark for correct PES $= 0.39$ (1) Award 2 marks if PES is correctly calculated as 0.39 even if no calculations are shown Award 1 mark if PES is calculated as 0.39%, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Calculate, to two decimal places the price elasticity of supply (PES) for the firm. You are advised to show your working.	Mark
	Answer	
2(c)	A02 2 marks Award 1 mark for showing the correct calculation 5.4%/7.8% (1) Award 1 mark for calculating the correct PES = 0.69 (1) Award 2 marks if PES is correctly calculated as 0.69, even if no calculations are shown Award 1 mark if the answer given is 0.69%, with or without calculations shown Do not award marks for a formula	(2)

Question number	What is meant by the term innovation?	Mark
	Answer	
2(d)	A01 2 marks Award up to 2 marks for a correct definition The commercial exploitation (1) of a new invention (1) OR Innovation is the process of improving/creating new products/ services/production methods (1) to increase efficiency/in the production process (1) Accept any other appropriate response	(2)

Question number	Describe one reason why a car mechanic is a factor of production.	Mark
	Answer	
2(e)	A01 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason	

Question number	Draw a supply curve on the diagram below that has price elastic supply (PES). Label the impact of a price change from P_1 to P_2 and its impact on quantity from Q_1 to Q_2. Answer	Mark
3(c)	A02 3 marks Award 1 mark for drawing elastic supply curve, labelled Award 1 mark for showing smaller price change from P_1 to P_2 on the axis Award 1 mark for showing a greater change in the quantity Q_1 to Q_2 on the axis  (3)	

Question Number	Calculate, to two decimal places, the percentage change in the population in Austria between 2000 and 2018. You are advised to show your working.	Mark
	Answer	
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $8,891,388 - 8,069,276 = 822,112 \quad (1)$ Award 1 mark for correct percentage change $\frac{822,112}{8,069,276} \times 100 = 10.19\% \quad (1)$ Award 2 marks if percentage change is accurately calculated as 10.19%, even if no calculations are shown Award 1 mark if the answer given is 10.19 with or without calculations shown Do not award marks for a formula	(2)

Question Number	With reference to the data above and your knowledge of economics, analyse how the quantity supplied of bananas might be affected by an increase in price.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • The diagram shows that the PES of bananas is inelastic • This means that the quantity of bananas supplied is not very responsive to a change in price • The PES of bananas is inelastic because farmers cannot easily increase the production level even with a change in price • Bananas take time to grow and are primary/agricultural products. The supply is therefore dependent on factors such as the weather/climate. It cannot therefore be easily increased, even if there is an increase in the price consumers are willing and able to pay • It is also not possible to store bananas for a long period because they are perishable and therefore stock cannot be used to increase the quantity of supply, this also makes the PES of bananas inelastic

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	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 impact of an increase in price on the quantity supplied of avocados.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • The diagram shows that the PES of avocados is inelastic • This means that the quantity of avocados supplied is not very responsive to an increase in price • The PES of avocados is inelastic because farmers cannot easily increase the production level even with an increase in price • Avocados take time to grow and are primary/agricultural products. The supply is dependent on factors such as weather/climate. It cannot therefore be easily increased, even if there is an increase in the price consumers are willing and able to pay • It is also not possible to store avocados for a long period because they are perishable and therefore stock cannot be used to increase the quantity of supply, this also makes the PES of avocados inelastic

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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
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Price elasticity of supply (PES) measures the responsiveness of supply to a change in price • A product has an elastic PES if the percentage change in supply is greater than the percentage change in price. The greater the difference, the more price elastic the supply of the product • Supply of cars does not depend on natural factors such as the weather whereas it does for organic strawberries, meaning it is easier to change supply of cars in response to a change in price • Organic strawberries are perishable and need time to grow but cars can be stored, meaning the supply of organic strawberries is less likely to change in response to a change in price compared to the supply of cars • Cars are more price elastic because unless you are operating at full capacity it is possible to work an extra shift and increase production AO4 • However, it takes time and a large amount of technical equipment to build cars making it more difficult to change production to respond to a change in price • There is a high cost involved when producing cars so firms may not be able to afford to make them to store. This may make the supply of cars less price elastic • It may depend on the growing conditions in the Republic of Korea whether the farms can adjust growing in response to a change in price • There are 28,951 organic farms in the country which may collectively allow the farmers of organic strawberries to be more responsive to price changes • Supply of organic strawberries might be more price elastic in the short run but in the long run car manufacturers may be able to adjust production facilities to respond to changes in price more quickly

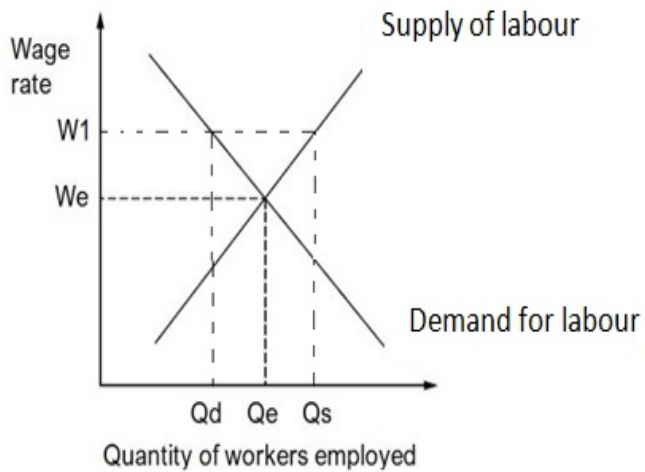
Level	Mark	Descriptor
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Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. 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).

Question number	With reference to the data above and your knowledge of economics, assess whether supply is likely to be more price elastic for textiles than for agricultural products.
	Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Price elasticity of supply (PES) measures the responsiveness of supply to a change in price • PES is affected by how quickly and easily supply can change when price changes • A product has an elastic PES if the percentage change in supply is greater than the percentage change in price. The greater the difference, the more price elastic the supply of the product • Supply of textiles does not depend on natural factors like the weather whereas it does for agricultural products, meaning it is easier to change supply of textiles in response to a change in price • Agricultural products, such as fruit, are perishable as well as needing time to grow but textiles can be stored, meaning the supply of agricultural products is less likely to change in response to a change in price compared to the supply of textiles • Supply of textiles is more price elastic because, unless you are operating at full capacity it is possible to work an extra shift and increase production AO4 • However, if operating at full capacity, it takes time and a range of machinery to produce textiles, making it more difficult to change production to respond to a change in price • The cost involved when producing textiles means firms may not be able to afford to produce them to store. This may make the supply of textiles less price elastic • It may depend on the growing conditions in Bangladesh whether the farmers can adjust growing in response to a change in price • Supply of agricultural products might be more price inelastic in the short run but in the long run producers may be able to adjust techniques to respond to changes in price more quickly

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).

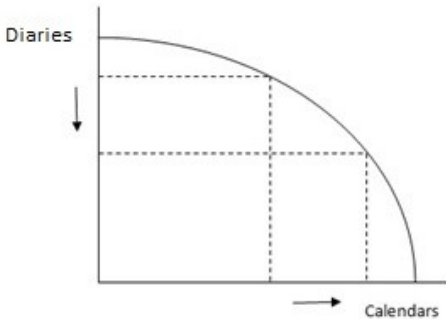
Question number	Answer	Mark
3(a)	AO1 1 mark D An inferior good	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark B An increase in bureaucracy	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for drawing equilibrium wage rate, labelled Award 1 mark for new quantity demanded, labelled Award 1 mark for new quantity supplied, labelled 	(3)

Question number	Answer	Mark
3(a)	AO1 1 mark A Increased indirect taxes	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark C Luxury	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for drawing a production possibility frontier (PPF) with correctly labelled axes Award 1 mark for showing a decrease in diaries on the PPF Award 1 mark for showing an increase in calendars on the PPF 	(3)

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	Which one of the following options best describes the demand for the product?	Mark
	Answer	
2(a)	A02 1 mark The only correct answer is: B Luxury A is not correct because the percentage changes are not the same C is not correct because the percentage change in quantity is positive D is not correct because the percentage change in quantity is greater than the percentage change in income	(1)

Question number	Which one of the following is the formula for social benefits?	Mark
	Answer	
2(b)	A01 1 mark The only correct answer is: C Private benefits + external benefits A is not correct because it does not include any third-party effects B is not correct because it includes costs D is not correct because this is not the formula used to calculate social benefits	(1)

Question number	What is meant by the term trade union?	Mark
	Answer	
2(c)	A01 2 marks Award 1 mark for reference to an organisation for employees and 1 mark for reference to protecting the interests of members An organisation for employees (1) that aims to protect the interests of its members (1) Accept any other appropriate response	(2)

Question number	Income elasticity of demand (YED) for a product is -0.43 and the price elasticity of demand (PED) for the same product is -0.27. The data above shows that the product is Answer	Mark
3(a)	AO1 1 mark The only correct answer is: A an inferior good and demand is price inelastic B is not correct because PED is less than -1, not greater than -1 C is not correct because YED is negative D is not correct because the PED would need to be greater than -1	(1)

Question number	The formula for social benefits is Answer	Mark
3(b)	AO1 1 mark The only correct answer is: C private benefits + external benefits A is not correct because it does not include any third-party effects B is not correct because it includes costs D is not correct because this is not a formula used to calculate social benefits	(1)

Question number	For which one of the following will demand increase when incomes decrease? Answer	Mark
1(a)	AO1 1 mark The only correct answer is: B Inferior good A is not correct because this is purchased by firms to produce other goods which should increase in demand as consumer incomes increase C is not correct because demand would increase as incomes increase D is not correct because as incomes increase, so would demand	(1)

Question number	Which one of the following equals \$1 740? Answer	Mark
1(b)	AO2 1 mark The only correct answer is: D Total variable costs A is not correct because price cannot be calculated from the information B is not correct because there is not enough information to calculate revenue and therefore profit C is not correct because the quantity of units produced is needed to do this calculation	(1)

Question number	What is meant by the term division of labour? Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to splitting up production and 1 mark for reference to tasks Breaking down the production process (1) into smaller tasks (1) Accept any other appropriate response	(2)

Question number	Which one of the following is most likely to cause a shift to the left of the demand curve?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: D Decreased incomes A is not correct because this would increase demand B is not correct because this would increase supply C is not correct because this would reduce supply	(1)

Question number	Which one of the following best describes the type of goods with an income elasticity of demand (YED) of -1.3?	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: A Inferior B is not correct because unitary goods have a numerical value equal to 1 or -1 C is not correct because this would have a high positive numerical value D is not correct because this would have a positive numerical value	(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)

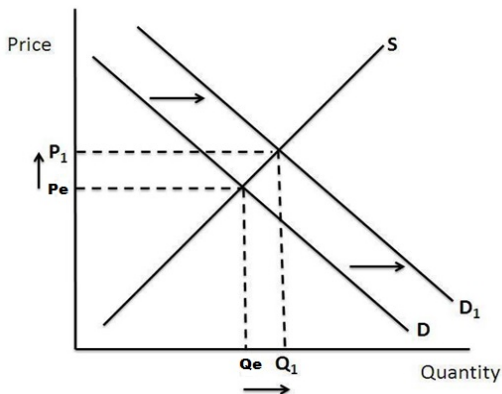
Question number	What is meant by the term productivity?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition The amount of output produced (1) in relation to the resources used/time period (1)	

Question number	Answer	Mark
1(a)	AO1 1 mark A Large firms dominate	(1)

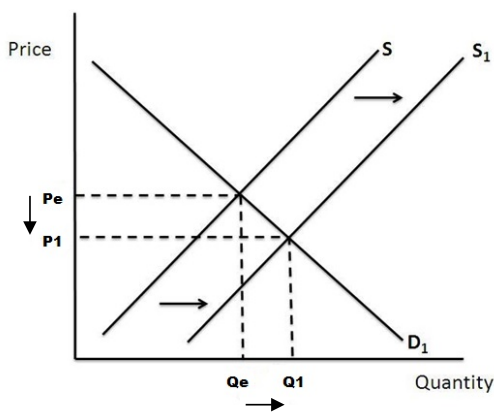
Question number	Answer	Mark
1(b)	AO2 1 mark C \$ 60 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to a good for which the rise in demand is proportionally more than that of income and 1 mark for reference to income elasticity of demand being greater than one - A good for which income elasticity of demand is greater than 1 (1) the proportionate change in demand is greater than the proportionate change in income (1) OR - Luxury goods are products that are not essential (1) but are highly desired and associated with wealthy people (1)	(2)

Question number	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $10 \div 25$ (1) Award 1 mark for correct income elasticity of demand (YED). $= 0.4$ (1) Award 2 marks if YED is correctly calculated as 0.4, even if no calculations are shown Do not award marks for the formula	(2)

Question number	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	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $12 \div 5$ (1) Award 1 mark for correct income elasticity of demand (YED) $= 2.4$ (1) Award 2 marks if YED is correctly calculated as 2.4, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
1(g)	AO2 3 marks Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question number	Answer	Mark
1(a)	AO1 1 mark The only correct answer is: C Enterprise A is not correct because it is not a resource used in production B is not correct because it is not used to produce goods/services D is not correct because it is consumed by diners	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark The only correct answer is: D \$3 200 000 A is not correct because this is $\\$160 \times \\$120$ B is not correct because this is $20\,000 + \\$160$ C is not correct because $20\,000 \times \\$120$	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to an increase in demand and 1 mark for reference to increased income Goods for which demand will increase (1) as incomes increase (1) OR Goods for which demand will decrease (1) as incomes decrease (1) Accept any other appropriate response	(2)

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

Question number	Answer	Mark
1(a)	AO1 1 mark The only correct answer is: A Division of labour B is not correct because this is creating products from new ideas C is not correct because this is using more labour during production than capital D is not correct because this relates to the rate of production due to given resources	(1)

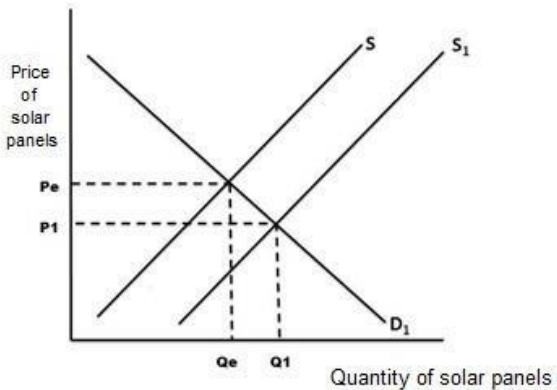
Question number	Answer	Mark
1(b)	AO2 1 mark The only correct answer is: D Total revenue A is not correct because this is \$10 B is not correct because only variable costs are shown, not fixed costs C is not correct because this would be total revenue – total costs	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to an increase in demand and 1 mark for reference to decreased income Goods for which demand will increase (1) as incomes decrease (1) OR Goods for which demand will decrease (1) as incomes increase (1) Accept any other appropriate response	(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	Using the diagram below, draw the likely effects on the market for solar panels if the government removes an indirect tax on them. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
	Answer	
1(g)	AO2 3 marks Award 1 mark for a rightward shift of supply, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled 	(3)

Question number	Explain one possible opportunity cost for Casper of this decision.	Mark
	Answer	
1(h)	AO2 3 marks Award 1 mark for identifying a relevant opportunity cost Award 1 mark for developing the opportunity cost Award 1 mark for the response being in context One opportunity cost is Casper may not be able to buy a new phone (1) because he does not have enough money for both (1) so he has to sacrifice the next best alternative when using the money he has to buy the television (1) Accept any other appropriate response	(3)

Question number	Calculate, to two decimal places, the income elasticity of demand (YED) for a good if income increases by 6.2% and quantity demanded increases by 1.7%. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $1.7\% \div 6.2\%$ (1) Award 1 mark for correct income elasticity of demand (YED) $= 0.27$ (1) Award 2 marks if YED is correctly calculated as 0.27, even if no calculations are shown Do not award marks for the formula	(2)

Question number	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.	Mark
	Answer	
1(g)	AO2 3 marks Award 1 mark for a rightward shift of demand, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled	(3)

Question number	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - Income elasticity of demand (YED) measures the responsiveness of quantity demanded to a change in income - Subscription to internet services can be classed as a luxury, meaning that income elasticity of demand is positive ($YED > 1$) and an increase in income would lead to a greater proportionate increase in the quantity demanded - This means that Amazon Prime Video would benefit from income increases in Japan as its 11.5% share would be of a larger market - By calculating YED, Amazon would be able to see the likely effect on demand following an increase in income and therefore whether its success would increase or decrease following the increase in income - Knowledge of YED would allow Amazon to adjust its marketing strategy and prices according to likely outcomes AO4 - However, YED is only an estimate and actual demand may not be the same as the calculations suggest - Amazon Prime Video has a number of competitors, such as dTV, that cost more to subscribe to than Amazon's 3 900 yen per year charge. This may mean that, even if more people subscribe to internet services following an increase in income, the increase may also encourage customers to move to a more expensive entertainment provider - The type of films and television shows available on Amazon Prime Video and its competitors, such as Hulu, may be more likely to affect its success - It only costs 3 900 yen for an annual subscription to Amazon Prime Video and therefore it may already be affordable to a high number of people, meaning an increase in income would have little effect - It may depend how much and/or how often income increases, as only a small increase may lead to different outcomes for Amazon compared to a larger increase - Price elasticity of demand (PED) may be more important - YED may be important for Amazon's success in Japan but may only be one of many factors that have an effect

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. 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. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. 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. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate 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. Chain of reasoning will be coherent and logical. 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. A supported judgement or conclusion is present (AO4).

Question number	With reference to the data above and your knowledge of economics, analyse why this knowledge could be useful to a firm such as Megabus.
	Indicative content
1(i)	A02 (3 marks)/A03 (3 marks) A02 and A03 • These figures allow Megabus to calculate income elasticity of demand • Bus travel has an income elasticity of $-15\%/10\% = -1.5$ • The value of income elasticity is negative and therefore an inferior good • An inferior good is a product or service which has a decrease in quantity demanded as incomes increase and increase in quantity demanded as incomes decrease (they have an inverse relationship) • Bus travel is income elastic because the percentage decrease in quantity demanded is greater than the percentage increase in income • This means that if passengers' incomes increase the demand for bus travel will fall but if incomes fall the demand for bus travel will rise • Awareness of this may allow Megabus to reduce/increase the services it offers in Canada, the US or the UK, depending on where incomes change • This could help to reduce costs if there is less demand for bus services • This can also help Megabus to plan employee requirements so it does not incur higher wage costs than necessary

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
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Price elasticity of demand (PED) measures the responsiveness of quantity demanded to a change in price • After VAT in South Africa increased by 1% in 2018, many goods and services were more expensive, meaning that demand for goods with elastic demand ($PED > 1$) would have fallen by a larger percentage than the increase in price • As consumer spending and business confidence fell, it is likely many goods on which VAT is imposed, will have an elastic demand. Therefore, the South African Government would receive less revenue from these goods following the increase in VAT • By calculating PED, the government would be able to see the likely effect on demand following further VAT increases and therefore whether its revenue would increase or decrease following the rise AO4 • However, PED is only an estimate and actual demand may not be the same as the calculations suggest • There may have been other factors affecting consumer spending and business confidence and so a further rise in VAT may not have the same effect as in 2018 • Goods and services such as fruit and vegetables may have an inelastic PED (< 1) but as these are considered to be necessities, the South African Government has made them exempt from VAT anyway • PED would need to be calculated for many different products to allow an accurate prediction of the effect on government revenue • It may depend how much the government proposes increasing VAT by, as another 1% rise will lead to different revenue outcomes for them compared to a larger increase • PED may help the government decide whether to increase VAT again, but it may be better if used alongside other analysis of potential outcomes

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. 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. A judgement or conclusion is unlikely to be attempted (AO4).
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