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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Government intervention (1.2.6)

International GCSE Economics · Paper 1: Microeconomics and Business Economics

36 questions · 166 marks · Mark schemes included
Past papers June 2019 - June 2025 · 3 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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QUESTION	SOURCE	MARKS	PAGE
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QUESTIONS

36 questions · 166 marks · 3 sub-topics

SUB-TOPIC 1.2.6 (a-b)

POLICIES TO CORRECT EXTERNALITIES

Sub-topic 1.2.6 (a-b) · 17 questions · 89 marks · lowest tariff first



Figure 2 shows selected financial data of a firm selling shoes.

	Cost/Revenue per pair of shoes (\$)
Selling price	89
Raw materials	17
Labour	35

Figure 2

- (d) Calculate the **profit or loss** for the firm for each pair of shoes. You are advised to show your working.

(2)

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Governments can use fines to deal with externalities.

- (e) Define the term fine.

(1)

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3 (a) A pollution permit is a type of

(1)

- ☐ A factor of production
- ☐ B government intervention
- ☐ C economy of scale
- ☐ D economic assumption

(b) Which **one** of the following is likely to lead to an increase in the productivity of land?

(1)

- ☐ A Increase in the use of fertiliser
- ☐ B Decrease in the use of irrigation
- ☐ C Increase in the use of advertising
- ☐ D Decrease in the use of drainage

- 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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1 (e) Describe **one** government policy to deal with negative externalities.

(2)

Irrigation of Scottish farmland was increased during the summer of 2018.

(f) Explain **one** way an increase in irrigation may have affected the productivity of Scottish farmers during the summer of 2018.

(3)



(c) What is meant by the term barriers to entry?

(2)

A firm has total fixed costs of \$57 000 per month and variable costs of \$750 per unit. It produces 1,820 units per month.

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

(2)

(e) Describe **one** disadvantage for a government of using subsidies.

(2)



Who should have the flu injection?

Flu is an unpredictable virus that can cause mild or unpleasant illness in most people. It can cause severe illness and even death among vulnerable groups, including older people, pregnant women and people with other health problems. These groups may, therefore, receive a free vaccination in the UK, to ensure they are protected against the virus. Although most people receive their vaccination from a public sector doctor, the UK Government has to pay private sector pharmacies to also provide this service. The cost to the UK Government of funding these vaccinations is over £100m per year.

(Source: adapted from <https://www.nhs.uk/conditions/vaccinations/who-should-have-flu-vaccine/>)

- (f) Explain **one** possible reason why the UK Government pays private sector pharmacies to provide the flu vaccination.

(3)

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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)



Some countries, such as Cuba, rely mostly on public sector ownership to provide goods and services. Others, such as Japan rely more on private sector ownership. In Japan, health, education and street lighting are often provided by public sector ownership but Japan also produces a high quantity of electronic goods used for entertainment.

- (h) With reference to the data above and your knowledge of economics, assess how effective public sector ownership and private sector ownership are likely to be in solving the economic problem.

(9)

[illegible]

(e) Describe **one** advantage to a firm of being privatised.

(2)

Many cities in the US have increased the number of traffic-light cameras in order to catch motorists if they drive through a red (stop) light.

(f) Explain **one** reason why the US Government may use fines to reduce the negative externalities caused by motorists who drive through a red traffic light.

(3)



- (g) Using the diagram below, draw the likely effects on the market for apples following a decrease in the price of bananas. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

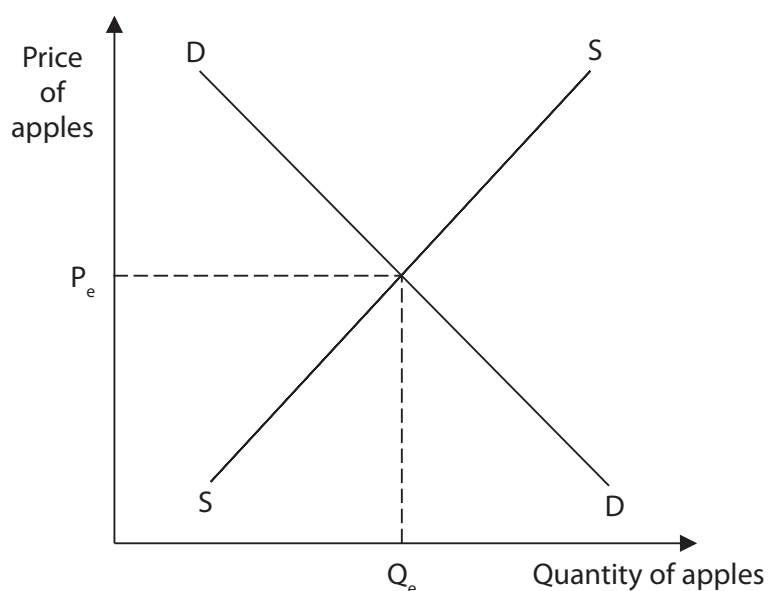


Figure 1

Warehouse employees at a small firm in Malta specialise in one task, such as sealing boxes, for orders that are sent to consumers.

- (h) Explain **one** disadvantage of the division of labour for the warehouse employees.

(3)

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(6)



(Total for Question 1 = 20 marks)



France is a developed country.

- (c) On the blank pie chart below, draw and label the approximate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a developed country such as France.

(3)

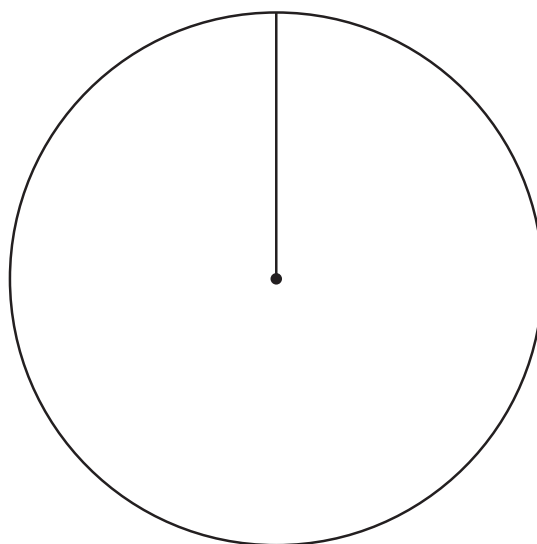


Figure 2

- (d) Define the term free rider.

(1)

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- (e) Describe **one** reason why congestion is an example of an external cost.

(2)

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(Total for Question 2 = 20 marks)



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

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

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

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

(9)

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.

(Total for Question 2 = 20 marks)

- 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.

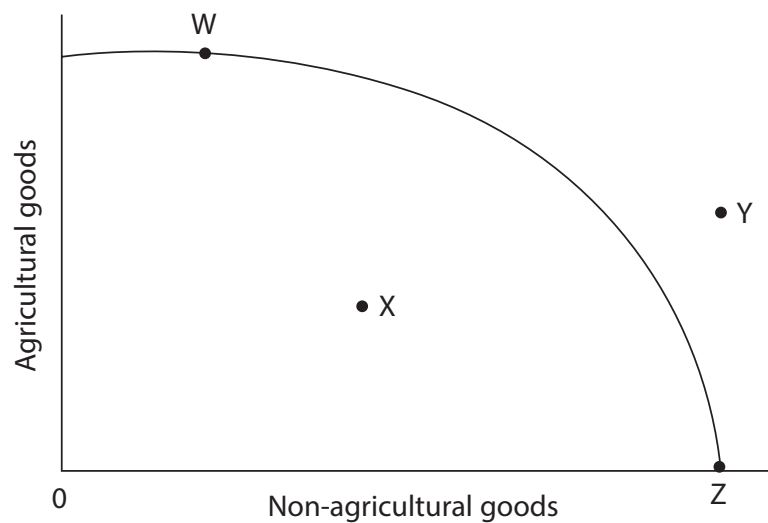


Figure 2

- (a) Which **one** of the following points shows unemployed resources?

(1)

- ☐ **A** W
- ☐ **B** X
- ☐ **C** Y
- ☐ **D** Z

- (b) A trade union is an organisation that aims to protect

(1)

- ☐ **A** consumer interests
- ☐ **B** the environment
- ☐ **C** employee rights
- ☐ **D** the government

- (c) State **one** reason why firms stay small.

(1)

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High pollution levels in the busy Indonesian city of Jakarta are mainly due to the large volume of traffic. There are over 17 million vehicles registered in the area, each emitting fumes into the environment. The number of vehicles is increasing.

In 2007, government regulations were introduced to reduce the volume of traffic in the city. For example, every Sunday morning, over 8 km of Jakarta's roads are traffic-free as vehicles are banned. In 2016, it was reported that air quality had improved by 65% compared to the levels before the regulations were introduced.

- (h) With reference to the data above and your knowledge of economics, assess the effectiveness of government regulations when dealing with externalities such as air pollution in Jakarta.

(9)

[illegible]

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(Total for Question 2 = 20 marks)



Figure 3 shows some of the production costs in March for a firm manufacturing clothing in Bangladesh.

Production costs	Bangladeshi Taka (Tk)
Rent	20 250
Raw materials	10 050
Advertising	5 125
Labour (paid in direct proportion to output)	105 000

Figure 3

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

(2)

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- (e) Describe **one** reason why an entrepreneur is a factor of production.

(2)

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It is estimated that about 24 million tourists visit Venice, Italy each year. This high number of tourists means that the city is very overcrowded.

In January 2023, a new tourist tax was introduced on people visiting Venice. Tourists need to pay between €3 and €10 for each day they are in Venice. The higher €10 rate is paid at peak times, reducing to €3 during quieter periods.

(Source: adapted from <https://veneziaautentica.com/venice-tourist-tax/>)

- (g) With reference to the data above and your knowledge of economics, assess the likely effectiveness of the tourist tax in dealing with negative externalities, such as overcrowding.

(9)

[illegible]

(Total for Question 2 = 20 marks)



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

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

(3)

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

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

(9)

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(Total for Question 2 = 20 marks)

3 (a) A free rider can be defined as an individual who does which **one** of the following? (1)

- ☐ A Enjoys the benefit of a good after paying for it
- ☐ B Enjoys the benefit of a good but does not pay for it
- ☐ C Gives a good away after paying for it
- ☐ D Neither uses a good nor pays for it

(b) Which **one** of the following is an example of an occupation in the tertiary sector? (1)

- ☐ A House builder
- ☐ B Cattle farmer
- ☐ C Hotel receptionist
- ☐ D Forestry worker

(c) Using the diagram below, draw the effect of a minimum wage (W_1) that has been set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied. (3)

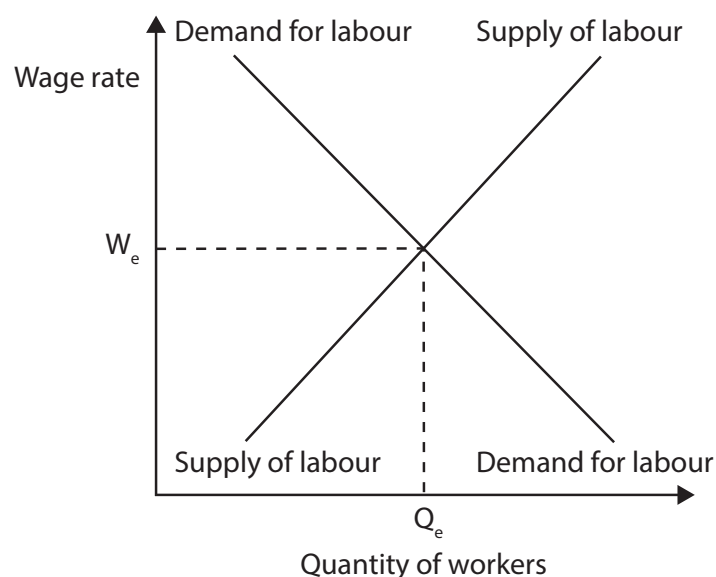


Figure 3

Sri Lanka Railways (SLR) has made a loss of Rs 331bn over the last 10 years. The Sri Lankan Government provides a subsidy so that ticket prices can be reduced. This is to encourage passengers to use trains rather than further increase congestion on the roads.

A spokesperson for SLR said that it needs to upgrade existing railway tracks to make services more comfortable for passengers as well as increase the number of trains to reduce overcrowding. This will require a larger subsidy.

- (e) With reference to the data above and your knowledge of economics, assess the effectiveness of subsidies in dealing with externalities, such as road congestion.

(9)

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(Total for Question 3 = 20 marks)



4 A sports arena in Guatemala holds a maximum of 20,000 people for each event. The quantity of tickets demanded for the most recent events is shown below.

Event	Quantity of tickets demanded
A	22,200
B	21,000
C	20,250

Figure 5

(a) Calculate the **excess demand** for tickets if the quantity supplied for all three events totals 60,000. You are advised to show your working.

(2)





(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



SUB-TOPIC 1.2.6 (c)

REGULATION OF COMPETITION

Sub-topic 1.2.6 (c) · 5 questions · 16 marks · lowest tariff first



(c) What is meant by the term privatisation?

(2)

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(d) State **one** reason why the government regulates competition in the economy.

(1)

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(e) Define the term congestion.

(1)

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- (g) Using the diagram below, draw the likely effects on the market for smartphones following a rise in the cost of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

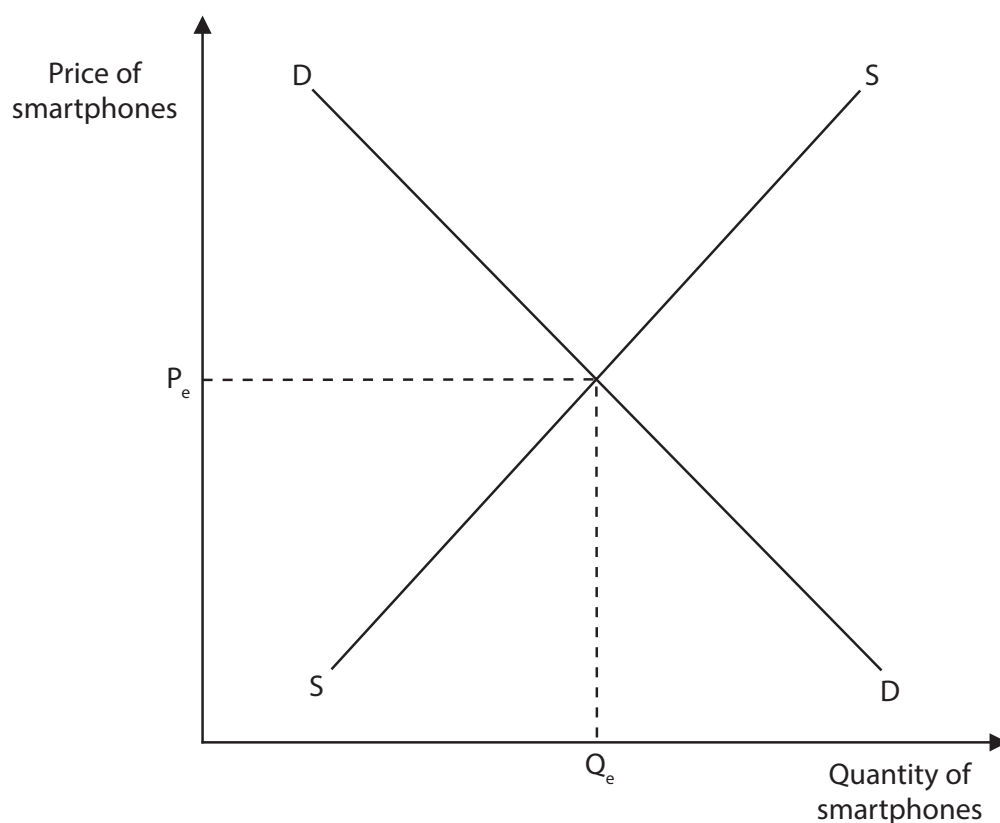


Figure 1

The New Zealand Government is to introduce new legislation to limit the interest rate firms can charge on loans made to customers. The maximum interest rate firms can charge will be 0.8% per day.

- (h) Explain **one** reason why the New Zealand Government may be introducing this legislation.

(3)

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(e) Describe **one** feature of a monopoly.

(2)

In 2023, the Italian Government introduced legislation to increase the number of taxis available to the public.

(f) Explain **one** reason why the Italian Government may have introduced legislation that makes it easier for new taxi firms to enter the market.

(3)



In April 2023, 2.5 million German transport workers and their employers agreed to a deal that ended a dispute. The dispute had caused major disruption on railways and at airports, due to strike action.

Although Germany's second largest trade union, Verdi, had been arguing for a 10.5% increase in pay, each worker instead received a 5.5% increase.

- (g) With reference to the data above and your knowledge of economics, assess the effectiveness of trade unions in increasing wages, such as for the transport workers in Germany.

(9)

[illegible]

Figure 1 shows the market for cars.

- (g) Using the diagram below, draw the likely effect on the market for cars following a rise in the costs of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

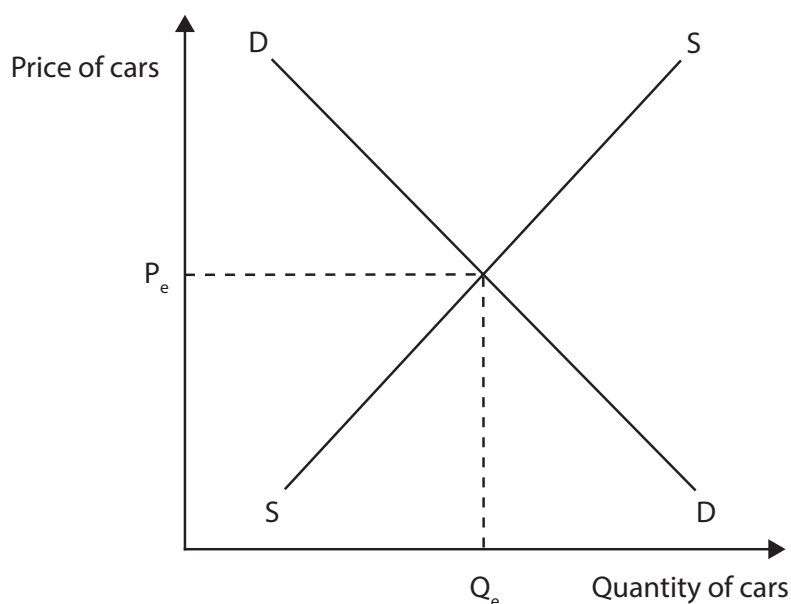


Figure 1

In April 2023, the Competition and Markets Authority (CMA), the competition regulator in the UK, prevented the purchase of Activision by Microsoft. Microsoft already controlled about 60–70% of the market for online video gaming.

- (h) Explain **one** reason why the CMA may have made this decision.

(3)

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Value Added Tax (VAT) is an indirect tax that must be added to the price of most food and household goods. The rate of VAT in South Africa was increased from 14% to 15% on 1st April 2018. Both consumer spending and business confidence fell following this increase but a further rise in VAT is being discussed by the government. VAT is not currently added to the price of fruit, vegetables and bread.

- (c) With reference to the data above and your knowledge of economics, evaluate the usefulness of price elasticity of demand (PED) in helping the South African Government to decide whether to increase the rate of VAT.

(12)



SUB-TOPIC 1.2.6 (d)

MINIMUM WAGE

Sub-topic 1.2.6 (d) · 14 questions · 61 marks · lowest tariff first



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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3 (a) Which **one** of the following is the definition of a merger?

(1)

- ☐ A The joining together of two firms
- ☐ B The transfer of ownership from the government
- ☐ C The takeover of one firm by another firm
- ☐ D The creation of a competitive market

(b) Which **one** of the following is a reason why a government would introduce a minimum wage?

(1)

- ☐ A To increase the benefits paid by a government
- ☐ B To reduce the motivation of workers
- ☐ C To close the income gap between the rich and the poor
- ☐ D To ensure producers increase their profits

(c) On the blank pie chart below, draw and label the likely approximate size of employment in the primary (P), secondary (S) and tertiary (T) sectors for a developed country, such as Japan.

(3)

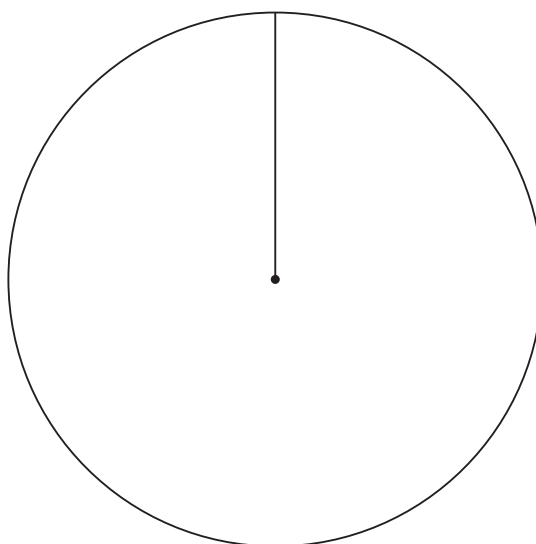


Figure 5

3 (a) A minimum wage is a type of

(1)

- ☐ A factor of production
- ☐ B economic assumption
- ☐ C economy of scale
- ☐ D government intervention

(b) Which **one** of the following is likely to lead to an increase in the productivity of capital?

(1)

- ☐ A An increase in bureaucracy
- ☐ B A decrease in the availability of finance
- ☐ C An increase in technological advances
- ☐ D A decrease in the size of the market

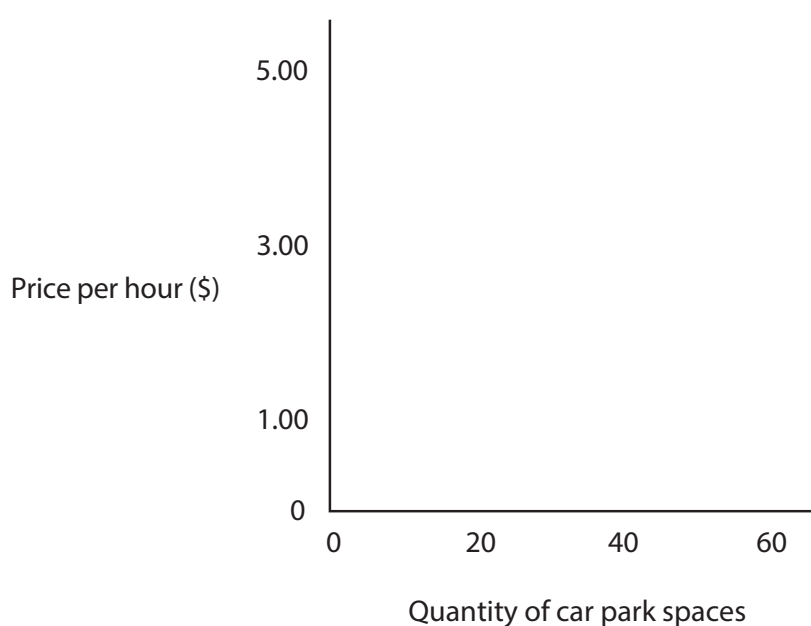
Figure 3 shows the estimated demand for car park spaces at a given price.

Price per hour (\$)	1.00	3.00	5.00
Demand	60	40	20

Figure 3

(c) Using the information in Figure 3, draw and label the demand curve for car park spaces on the diagram below.

(3)



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)

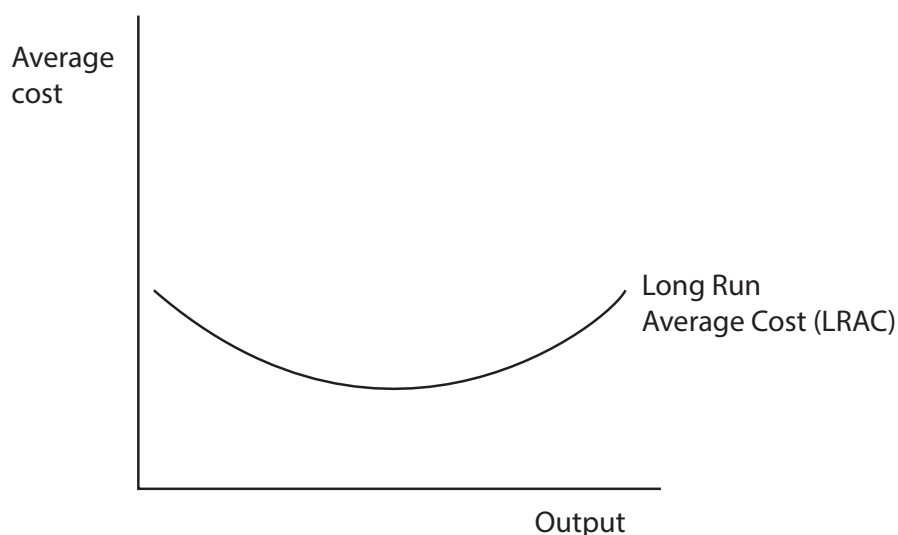


Figure 4

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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4 In January 2018, the minimum wage in Andorra increased to €5.87 per hour.

- (a) Calculate the **monthly gross income** of a worker in Andorra, employed for 175 hours per month and paid at the minimum wage. You are advised to show your working.

(2)

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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

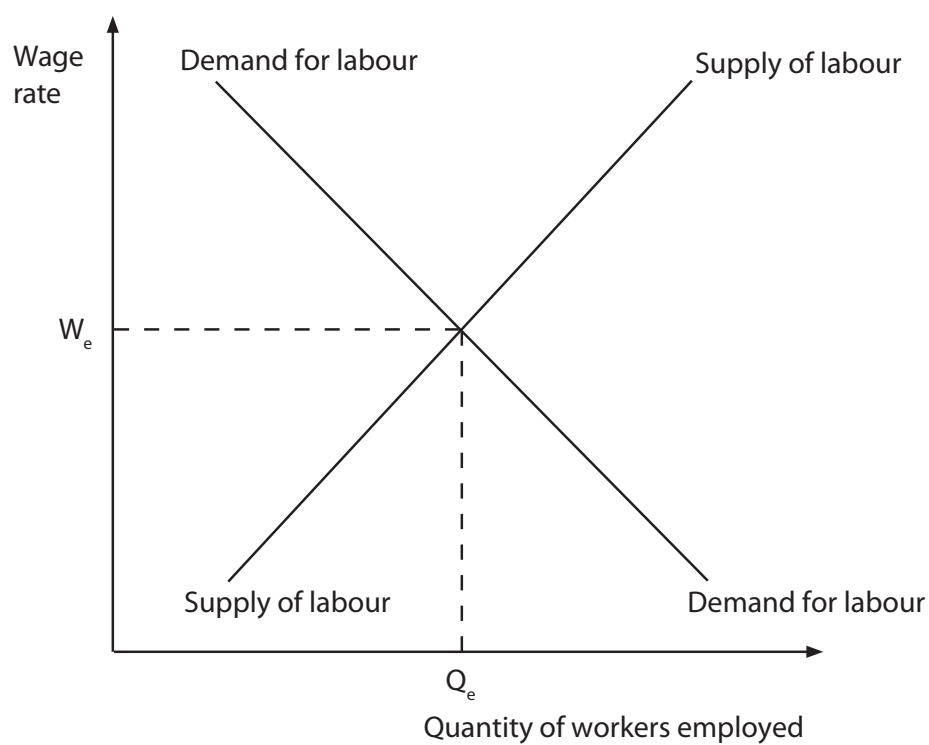
(b) Which **one** of the following is a diseconomy of scale?

(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

- (c) Using the diagram below, draw the effects of a minimum wage (W_1) being set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied.

(3)

**Figure 5**

3 (a) Which **one** of the following is likely to lead to an inefficient allocation of resources? (1)

- ☐ A Migration
- ☐ B Competition
- ☐ C Lack of information
- ☐ D Division of labour

(b) Which **one** of the following is an example of an occupation in the tertiary sector? (1)

- ☐ A Sheep farmer
- ☐ B Factory worker
- ☐ C Coal miner
- ☐ D Sales assistant

(c) Using the diagram below, draw the effects of a minimum wage (W_1) that has been set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied. (3)

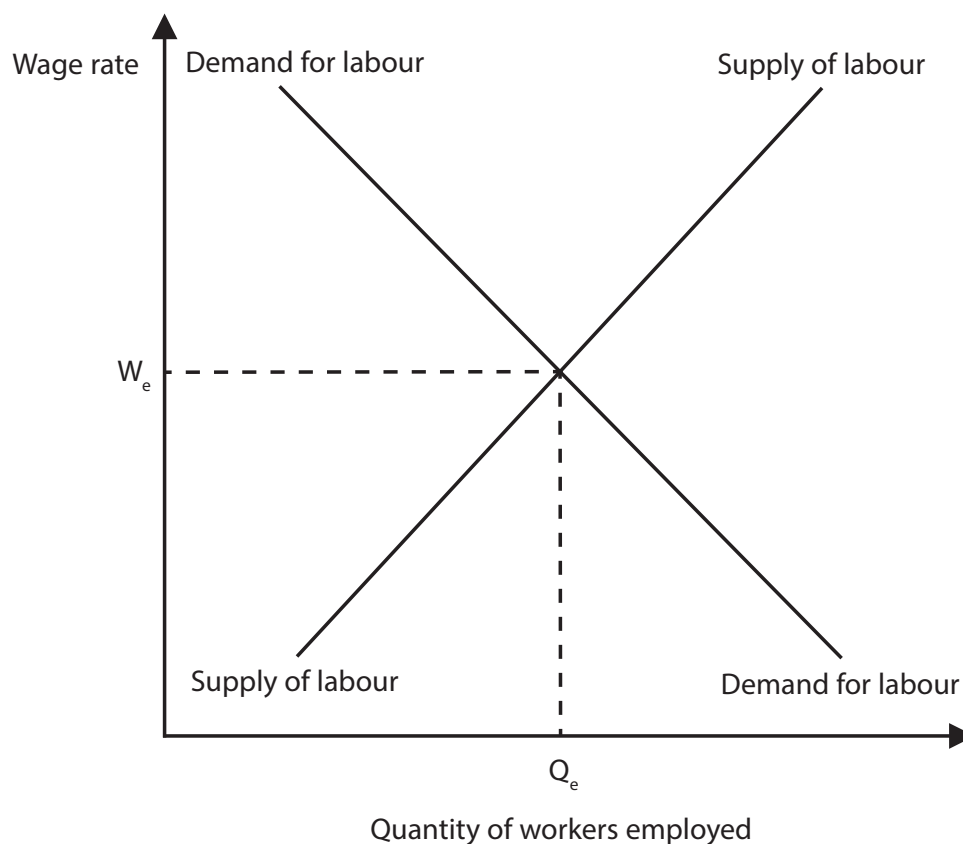


Figure 3

3 (a) A free rider can be defined as an individual who does which **one** of the following? (1)

- ☐ A Enjoys the benefit of a good after paying for it
- ☐ B Enjoys the benefit of a good but does not pay for it
- ☐ C Gives a good away after paying for it
- ☐ D Neither uses a good nor pays for it

(b) Which **one** of the following is an example of an occupation in the tertiary sector? (1)

- ☐ A House builder
- ☐ B Cattle farmer
- ☐ C Hotel receptionist
- ☐ D Forestry worker

(c) Using the diagram below, draw the effect of a minimum wage (W_1) that has been set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied. (3)

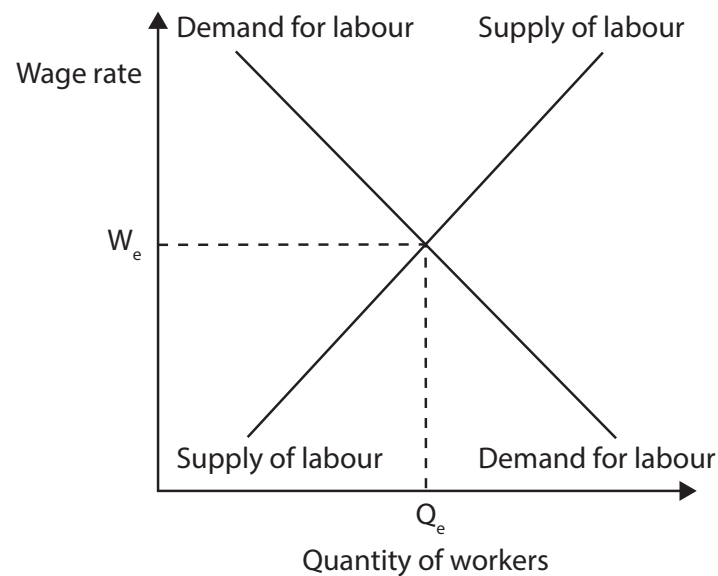


Figure 3

- (d) With reference to the data above and your knowledge of economics, analyse how the demand curve for Tennis TV subscriptions might have been affected by Amazon Prime ending its streaming service.

(6)

[illegible]

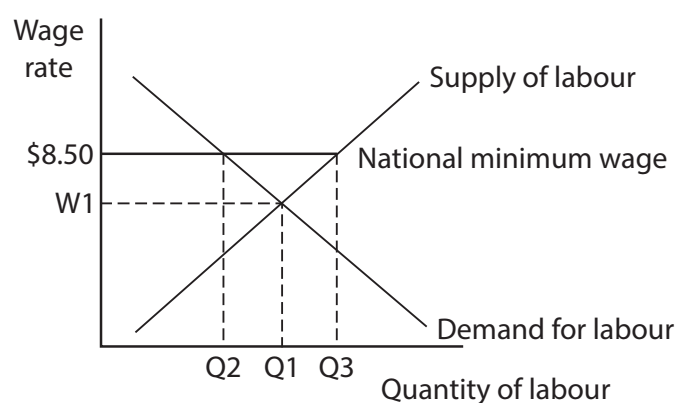
- (c) In the box below, draw a production possibility frontier (PPF) for a firm that can produce diaries and/or calendars. On your PPF, draw what would happen if production of calendars increased.

(3)



(6)



**Figure 4**

In 2021, the national minimum wage in Barbados was increased from \$6.25 per hour to \$8.50 per hour.

- (d) With reference to the data above and your knowledge of economics, analyse the likely impact of an increase in the national minimum wage on the supply of labour in Barbados.

(6)



The education level of a worker is likely to have an effect on their ability in the workplace.

When a person migrates to another country, they bring with them whatever knowledge, skills and information they possess.

- (e) With reference to the data above and your knowledge of economics, assess the importance of the quality of labour on productivity in a country.

(9)



(9)

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 2 = 20 marks)

- 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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Monthly Spanish minimum wage increases

In 2019, the monthly minimum wage in Spain increased by the largest percentage in over 40 years. It rose by around 22% compared to only a 4% rise the previous year. It was part of an annual review with a focus on 'making Spain great again'. The Spanish Prime Minister said that, 'A rich country should not have poor workers'.



Figure 7

- (c) With reference to the data above and your knowledge of economics, evaluate whether an increase in the minimum wage would benefit an economy such as Spain.

(12)





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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



4 Figure 6 shows the population of Finland in the years 2021, 2022 and 2023.

Year	Population
2021	5,541,075
2022	5,569,299
2023	5,601,185

Figure 6

- (a) Calculate, to two decimal places, the **percentage change in the population** of Finland between 2021 and 2023. You are advised to show your working. (2)

(12)

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.

Handwriting practice area with 25 horizontal dotted lines.



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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



MARK SCHEMES

official mark schemes, in the same order as the questions



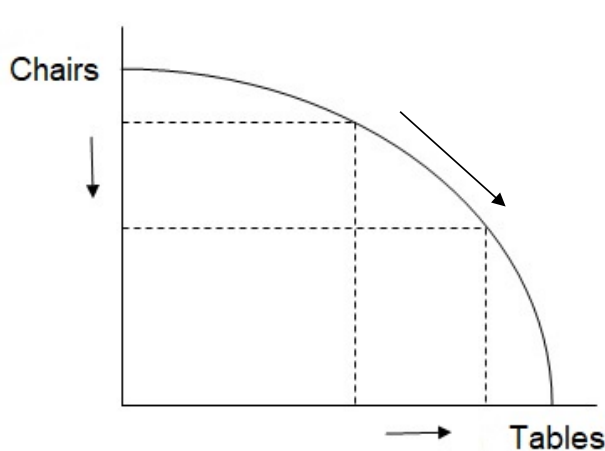
Question Number	Calculate the profit or loss for the firm for each pair of shoes. You are advised to show your working.	Mark
	Answer	
2(d)	A02 2 marks Award 1 mark for showing correct calculation $\\$89 - (\\$17 + \\$35)$ (1) Award 1 mark for correct profit $= \\$37$ (1) Award 2 marks if profit is correctly calculated as \$37, even if no calculations are shown Award 1 mark if the answer given is 37 with or without calculations shown Do not award marks for a formula	(2)

Question Number	Define the term fine.	Mark
	Answer	
2(e)	A01 1 mark Award 1 mark for a correct definition A financial penalty Accept any other appropriate response	(1)

Question Number	Describe one benefit to consumers of privatisation.	Mark
	Answer	
2(f)	A01 2 marks Award 1 mark for reference to the benefit and 1 mark for development of the benefit Firms are likely to offer lower prices (1) because they are trying to attract custom away from competitors (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
3(a)	AO1 1 mark The only correct answer is: B government intervention A is not correct because a pollution permit is not a resource used to produce goods and services C is not correct because a pollution permit does not have reduced average costs due to expansion D is not correct because these are things expected to be true although there is no definite proof	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark The only correct answer is: A Increase in the use of fertiliser B is not correct because this would lead to a decrease in productivity C is not correct because this is not related to the productivity D is not correct because this would lead to a decrease in productivity	(1)

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

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(c)	AO2 2 marks Award 1 mark for identifying the fixed costs 40 250 + 10 125 (1) Award 1 mark for calculating total fixed costs = 50 375 Rs (1) Award 2 marks if total fixed costs are correctly calculated as 50 375 Rs, even if no calculations are shown Award 1 mark if total fixed costs are correctly calculated as 50 375 even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to amount willing and able to be purchased and 1 mark for reference to price The quantity of goods/services consumers are willing and able to buy (1) at a given price (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(e)	AO1 2 marks Award 1 mark for reference to the policy and 1 mark for development of the policy Taxation (1) to reduce the consumption of a demerit good that is over consumed (1) Accept any other appropriate response	(2)

Question number	Calculate the total costs per month for the firm. You are advised to show your working.	Mark
	Answer	
2(d)	A02 2 marks Award 1 mark for showing correct calculation $\\$57\,000 + (\\$750 \times 1820)$ (1) Award 1 mark for correct total costs $= \\$1\,422\,000$ (1) Award 2 marks if total costs per month are correctly calculated as \$1 422 000, even if no calculations are shown Award 1 mark for 1 422 000, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Describe one disadvantage for a government of using subsidies.	Mark
	Answer	
2(e)	A01 2 marks Award 1 mark for reference to the disadvantage and 1 mark for development of the disadvantage There may be an opportunity cost. (1) The money spent on the subsidy may be more effective if spent on other government projects (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(f)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in the context of health care • One reason is that there may not be enough doctors available in the public sector to administer the vaccination (1) meaning pharmacies in the private sector are needed to help meet the high demand (1) if the government is to fulfil its aim of protecting the vulnerable groups (1) Accept any other appropriate response	(3)

Question number	Answer	Mark
2(g)	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 context • One reason is that a fine may encourage the driver to stay within the speed limit (1) because driving too fast may cause accidents (1) therefore, fines are likely to reduce the number of accidents and reduce negative externalities (1) Accept any other appropriate response	(3)

	Answer	
2(d)	AO1 2 marks Award up to 2 marks for a correct definition A licence to be the only producer (1) of a newly designed product (1) Accept any other appropriate response	(2)

Question number	Describe one advantage to a firm of being privatised.	Mark
	Answer	
2(e)	AO1 2 marks Award 1 mark for reference to the advantage and 1 mark for development of the advantage The firm is able to set its own objectives (1) as it takes control over its own actions (1) Accept any other appropriate response	(2)

Question number	Explain one reason why the US Government may use fines to reduce the negative externalities caused by motorists who drive through a red traffic light.	Mark
	Answer	
2(f)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context - It may encourage the driver to stop. (1) As driving through a red traffic light may cause accidents, (1) fines are likely to reduce the number of accidents (1) - It may reduce accidents (1) because the driver does not want to be fined, (1) so they are less likely to drive through a red light (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, assess whether a car manufacturer always benefits from using division of labour. Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • By using division of labour each worker at the car manufacturing firm can specialise on a single part of the production process, such as inspection or testing • This means they can become more skilled at that particular task and removes the need to move around the factory as much • Employees are therefore much faster, increasing efficiency and reducing cost per unit for firms • Therefore, car dealers buying the vehicles and their customers can be sold the cars more quickly and/or at lower prices, potentially leading to higher revenue for the car manufacturing firm AO4 • However, employees may find repeating the same task boring, especially if it is something straightforward such as welding a specific component • Therefore, they may actually become demotivated instead and this could increase staff turnover • This could lead to a decrease in productivity and/or higher costs for the car manufacturer if it needs to replace employees • Mistakes or slow production at one stage (such as painting) may hold up a later stage and therefore customers would still need to wait for their car orders

Question number	Answer	Mark
1(h)	AO2 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 Employees may find the work boring/monotonous (1) because they spend the whole day sealing boxes for the orders (1) and they are repeatedly doing the same task (1) Accept any other appropriate response	(3)

Question number	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Government regulation is put in place to reduce the external costs of production and consumption - Consumers are more likely to return plastic bottles because of the scheme, so they are able to get their €0.25 back - This is likely to reduce litter and the negative impact on the environment, therefore reducing negative externalities - The scheme is also cheaper for the government, meaning more funding could be available to benefit the environment - The 98.5% return rate shows the regulation is very successful and likely to reduce negative externalities significantly - More awareness of the problems caused by plastic bottles could be gained through adoption of the scheme, leading to better prevention of other plastic waste being discarded - This can have further long-term benefits for the environment

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

Question number	Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Private benefits + external benefits = social benefits • The flu injection is given to the most vulnerable groups because they are more likely to require further healthcare if they became ill from flu • This further healthcare would also be a cost to the UK Government, and so it may be cheaper to prevent the problem with the vaccination in the first place • By reducing the number of people who become ill from the flu, further health care costs may be avoided as there is less risk of the illness spreading • By keeping people healthy, they are more likely to be able to continue working and contribute to the output of the economy AO4 • The money spent on the vaccinations could be used for other healthcare needs • It may be difficult to distinguish between the groups most in need of the vaccination, so not everyone receives the injection • The vaccination may not work so health care costs may still rise • It is difficult to quantify the costs and external benefits • It depends on other factors whether people become ill

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	Indicative content
2(h)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Negative externalities are spillover effects on third parties due to consumption/production • Over-harvesting sea cucumbers can prevent the marine animal from keeping the coral reef ecosystem healthy and so presents negative externalities • One method of government intervention to reduce negative externalities is the use of fines • In an attempt to reduce over-harvesting, the government fined the owner of Orient Seafood Production (OSP) \$1.5m for failing to report harvests of 113,400 kg of sea cucumber in a two-year period • This should stop OSP from over-harvesting again in the future • This would act as a deterrent to other firms that may be considering over-harvesting AO4 • However, it costs money and takes time to police over-harvesting and impose fines on illegal activity • OSP had already harvested 113 400 kg in two years before being fined, this could already have caused a great deal of damage to the coral reef ecosystem • OSP has already made high profits from over-harvesting and so the fine may not be enough of a deterrent • There is a growing demand in China and sales of sea cucumber are profitable so firms may think it is worth risking being caught and being fined • Other methods of government intervention may be more effective

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	Indicative content
2(h)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Negative externalities are spillover effects on third parties due to consumption/production • Pollution is an example of a negative externality because it is created by high volumes of traffic and has an external cost to people in Jakarta • One method of government intervention to reduce negative externalities is the use of regulation • These regulations will limit the amount of pollution produced and reduce the externalities • The Indonesian Government introduced the traffic-free regulation in an attempt to reduce pollution levels in Jakarta because less traffic should lead to less fumes being emitted into the environment • The regulation covers over 8 km of Jakarta's streets on a Sunday, meaning a section of the city is not subjected to the negative externality of traffic fumes during this time • In 2016 air-quality had improved by 65% since the regulations were introduced, meaning the regulations have been quite effective in reducing the negative externality AO4 • However, there is no guarantee that the reduced pollution level is a direct result of the traffic-free regulation • Other measures may be in place such as the taxation on fuel • The effectiveness of the regulations depends on the level of enforcement from the government and cooperation from the public • The number of vehicles registered in the area is increasing, meaning that pollution is also likely to increase again • There are likely to be other factors causing pollution in the city, such as from factories



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 the likely effectiveness of the tourist tax in dealing with negative externalities, such as overcrowding.
	Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Negative externalities are spillover effects on third parties due to consumption/production • Overcrowding in Venice may cause pollution, litter and congestion issues for residents and other visitors • One method of government intervention to reduce negative externalities is the use of taxation • A tourist tax is a compulsory financial charge made by the government on individuals • A tourist tax would make it more expensive to visit Venice • Therefore, it is likely to reduce the number of tourists in Venice from the estimated 24 million who visit each year • The higher the tourist tax, the fewer tourists there are likely to be, meaning at its highest charge of €10, the reduction should be greatest • As a result, the negative externality, such as overcrowding, may be reduced AO4 • However, as Venice is so popular, some tourists may decide it is worth paying the tourist tax • This may especially be the case at the lower rates of tourist tax, where a tourist may not consider €3 unaffordable compared to the price of their trip • It takes time to collect the tourist tax, meaning there may be more congestion when people arrive in Venice • Even a reduction in numbers may not be enough to deal with the externalities caused by the high number of visitors each year • Those visitors who are prepared to pay the tourist tax will be generating revenue for the city which may be used to help combat the externalities in other ways • Other methods of government intervention may be more effective

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



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 the effectiveness of subsidies in dealing with externalities, such as road congestion. Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Congestion is an example of a negative externality because it is created by high volumes of traffic and has an external cost, such as pollution, for the people of Sri Lanka • One method of government intervention to reduce negative externalities is to offer subsidies to producers of services, such as SLR providing rail travel • These subsidies will encourage the provision of cheaper and more comfortable rail travel, thus attracting passengers onto the trains and away from the busy roads • The Sri Lankan Government offers these subsidies in an attempt to reduce congestion and therefore reduce the negative externalities to the public in Sri Lanka AO4 • However, there is no guarantee that the cheaper rail travel will attract people onto the trains, as the existing railway tracks need upgrading and the trains can be overcrowded • This means that rail travel may be uncomfortable, limiting the demand from passengers even with cheaper ticket prices • As SLR has made a loss of Rs 331bn over the last 10 years, the Sri Lankan Government may need to provide a larger subsidy to cover this loss, as well as paying for the upgrade of the rail service • Other policies may be more effective, such as taxation of vehicles on the road • There may be an opportunity cost of providing the subsidies, such as reduced revenue to cover education and/or health care

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, evaluate the effectiveness of government regulations in dealing with externalities such as air pollution in Greater Manchester. Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Government regulation is put in place to reduce the external costs of production and consumption • Drivers of polluting vehicles are less likely to drive in the region, or will need to replace their vehicles when faced with a daily charge of between £7.50 and £60.00 • This is likely to reduce pollution and the negative impact on the environment, therefore reducing negative externalities • The scheme would also raise money for the government, meaning more funding could be available for schemes to benefit the environment • The 800km² covered by the CAZ is a very large area, meaning the 1,000+ annual deaths will hopefully be reduced as a result of the scheme • More awareness of the problems caused by vehicle emissions could be gained through adoption of the scheme, leading to better prevention of pollution in the future AO4 • However, as the proposal will affect many small businesses in the area, their costs will increase considerably • This means that these firms may not be able to afford the tax, such as the ice-cream firm expects costs to rise by £29 000 a year, or to replace its vehicles and may need to pass the charges on to customers • Therefore, some firms may lose business if their customers are unwilling/unable to pay the higher prices • This could lead to firms needing to close down, potentially causing prices to rise for customers in the area anyway, if there is limited competition • It may depend on the value placed on clean air by firms driving the vehicles and by customers, as to whether higher prices will be paid • It may also depend on the profits/income of firms/customers, as to the impact of the charges and therefore whether negative externalities will actually be reduced • There may be better ways to reduce air pollution, such as encouraging people to walk short distances rather than drive



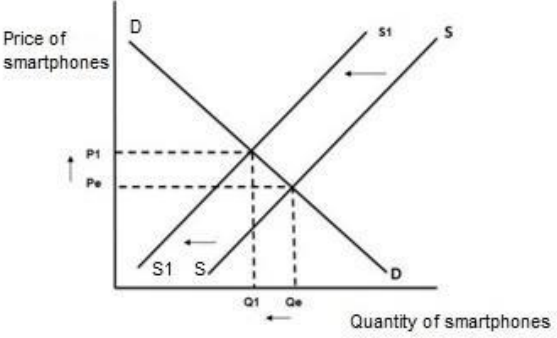
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity 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	State one reason why the government regulates competition in the economy. Answer	Mark
1(d)	AO1 1 mark Award 1 mark for a correct reason • To promote competition • To limit monopoly power • To protect consumer interests • To control mergers and takeovers Accept any other appropriate response	(1)

Question number	Define the term congestion. Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A situation where a place is crowded Accept any other appropriate response	(1)

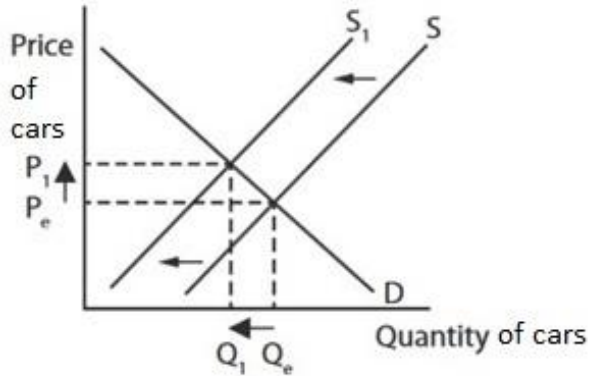
Question number	Calculate the total variable costs for the firm each month. You are advised to show your working. Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation €16 500 + €95 000 (1) Award 1 mark for correct total variable costs €111 500 (1) Award 2 marks if total variable costs per month are correctly calculated as €111 500, even if no calculations are shown Award 1 mark for 111 500 with or without calculations shown Do not award marks for a 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 reason Award 1 mark for developing the response Award 1 mark for the response being in context To protect consumer interests (1) because firms may charge higher than the 0.8% daily cap (1) causing financial harm to consumers (1) Accept any other appropriate response	(3)

Question number	Explain one reason why the Italian Government may have introduced legislation that makes it easier for new taxi firms to enter the market. Answer	Mark
2(f)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • The legislation would increase the competition (1) therefore increasing the choice of taxis (1) meaning it will be easier for the public to find/hire a taxi (1) • The legislation would reduce barriers to entry (1) reducing the power of taxi firms to charge high fares (1) meaning it would be cheaper for the public to travel (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, assess the effectiveness of trade unions in increasing wages, such as for the transport workers in Germany. Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Trade unions can help raise wages for workers by putting pressure on employers during negotiations • In this case a major strike was organised by the trade unions, which makes employers more likely to negotiate • Verdi is Germany's second largest trade union, meaning it could have a lot of influence on employers • 2.5 million transport workers were helped by the union, in obtaining a 5.5% pay increase • Therefore, other firms may be willing to discuss wages with trade unions in order to benefit from increased productivity and/or reduced disruption AO4 • However, the effectiveness of the trade unions depends upon how many members support the strike action • Verdi was aiming to increase wages by 10.5% for transport workers, meaning trade union membership was only partially effective • Workers may not think it worth paying a membership fee to a trade union if it is unable to deliver wage increases • The effectiveness of trade unions may depend on whether firms can pass on increased costs through increased prices, such as higher prices for passengers to travel by train on German railways • The alternative may be reduced profit margins for the transport firms, meaning they would be less likely to agree to pay increases

Question number	Using the diagram below, draw the likely effect on the market for cars following a rise in the costs of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
1(g)	Answer A02 3 marks Award 1 mark for a leftward shift of the supply curve, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a lower equilibrium quantity, labelled 	(3)

Question number	Explain one reason why the CMA may have made this decision.	Mark
1(h)	Answer 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 context In order to prevent monopoly power (1) and so promote competition (1) as a firm with over 60% of the market may be less likely to innovate (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, analyse how an increase in demand for furniture made of wood may affect the demand for woodcutters.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • When an industry needs labour to create a good/service, the demand for labour is a derived demand • This is because the good/service cannot be produced without labour • Therefore, woodcutters are needed to cut the wood with which to make the furniture (the final product) • An increase in demand for furniture made of wood by 5% is likely to lead to an increase in the demand for woodcutters • This is because the greater the demand for a good or service, the greater the demand for labour is likely to be

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(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • A takeover involves one firm buying control of another firm and is a form of external growth • Governments may want to control takeovers because if a firm such as Vodafone pays \$21.8bn for Liberty Global it is likely to form a dominant company • If Vodafone grows larger due to the takeover it may have too much power in the cable TV market and therefore competition may be restricted • Restricted competition is bad for the market as it could lead to higher prices for consumers of cable TV and to reduced service • The building of a nationwide fibre-optic network may be delayed as a result of the takeover, meaning delays to improving the service offered • If Liberty Global remains as a separate company there is more competition available to challenge Vodafone and offer a better/more varied service to consumers	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

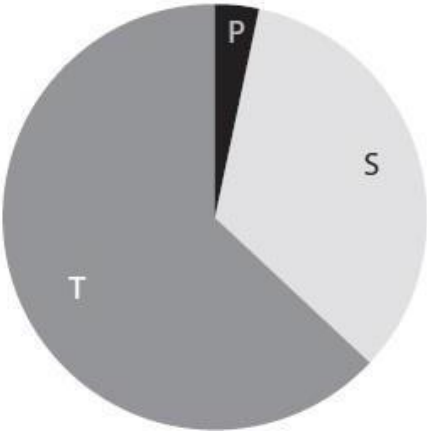
Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation \$12 000 + \$115 000 (1) Award 1 mark for correct total variable costs = \$127 000 (1) Award 2 marks if total variable costs are correctly calculated as \$127 000, even if no calculations are shown Award 1 mark if the answer given is 127 000 with or without calculations shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition Lowest legal amount paid to employees 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 There are finite/limited resources (1) therefore demand for resources is greater than the supply of them (1) Accept any other appropriate response.	(2)

Question number	Which one of the following is the definition of a merger?	Mark
	Answer	
3(a)	A01 1 mark The only correct answer is: A The joining together of two firms B is not correct because this is privatisation C is not correct because this means one firm ceases to exist D is not correct because a merger reduces competition in the market	(1)

Question number	Which one of the following is a reason why a government would introduce a minimum wage?	Mark
	Answer	
3(b)	A01 1 mark The only correct answer is: C To close the income gap between the rich and the poor A is not correct because if wages increase fewer benefits would need to be paid B is not correct because higher wages may increase motivation D is not correct because this would increase their costs and reduce their profits	(1)

Question number	On the blank pie chart below, draw and label the likely approximate size of employment in the primary (P), secondary (S) and tertiary (T) sectors for a developed country, such as Japan. Answer	Mark
3(c)	A02 3 marks Award 1 mark for the Tertiary sector (T) being the biggest (1) Award 1 mark for the Secondary sector (S) being the second biggest (1) Award 1 mark for the Primary sector (P) being the smallest (1) 	(3)

Question number	A minimum wage is a type of Answer	Mark
3(a)	AO1 1 mark The only correct answer is: D government intervention A is not correct because a minimum wage is not a resource used to produce goods and services B is not correct because these are things expected to be true although there is no definite proof C is not correct because a minimum wage does not have reduced average costs due to expansion	(1)

Question number	Which one of the following is likely to lead to an increase in the productivity of capital? Answer	Mark
3(b)	AO1 1 mark The only correct answer is: C An increase in technological advances A is not correct because this would lead to a decrease in productivity B is not correct because this may hinder use of capital D is not correct because this is not related to productivity	(1)

Question number	Which one of the following is a reason why a firm may decide to stay small?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: B To sell a niche product A is not correct because bureaucracy should be reduced C is not correct because risk cannot easily be spread D is not correct because there is less chance of taking over competitors	(1)

Question number	The introduction of a minimum wage above the equilibrium wage in a labour market, is most likely to:	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: D decrease quantity of labour demanded and increase the wage rate A is not correct because employers are less likely to demand labour and the wage rate will be higher than the equilibrium B is not correct because employers are less likely to demand labour C is not correct because the wage rate will be higher than the equilibrium	(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)

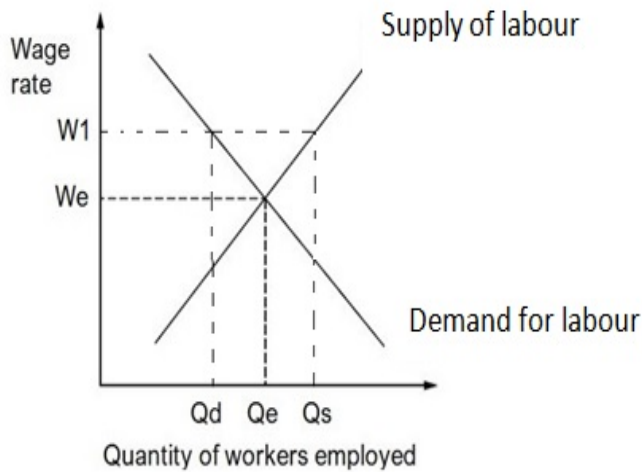
Question number	What is meant by the term mixed economy?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition The state/public and private sectors (1) provide goods/services between them (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $€5.87 \times 175$ (1) Award 1 mark for calculating correct monthly gross income $= €1\,027.25$ (1) Award 1 mark if monthly gross income is calculated as 1 027.25 with or without calculation Award 2 marks if monthly gross income is accurately calculated as €1 027.25, even if no calculations are shown	(2)

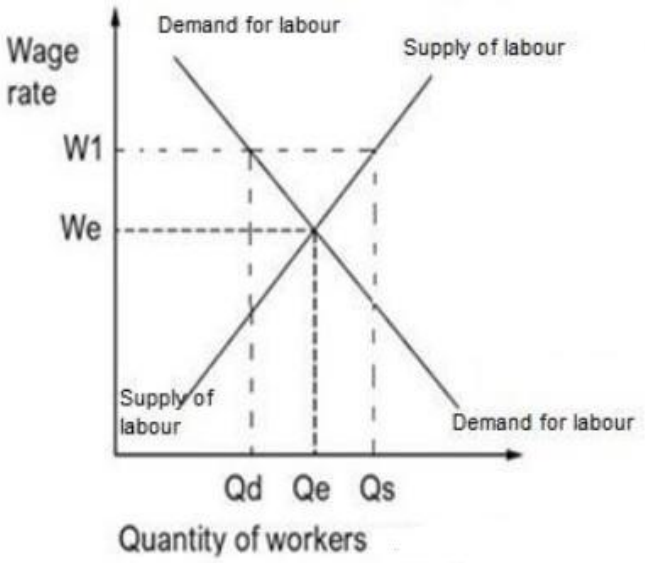


Question number	Answer	Mark
3(a)	AO1 1 mark D An inferior good	(1)

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(c)	A02 3 marks Award 1 mark for drawing new wage rate, labelled Award 1 mark for new quantity demanded, labelled Award 1 mark for new quantity supplied, labelled  (3)	

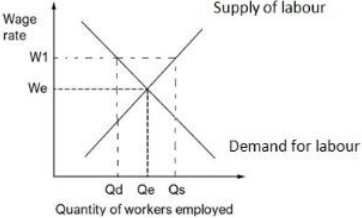
Question number	Using the diagram below, draw the effect of a minimum wage (W_1) that has been set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied.	Mark
3(c)	AO2 3 marks Award 1 mark for drawing the new wage rate, labelled Award 1 mark for the new quantity of labour demanded, labelled Award 1 mark for the new quantity of labour supplied, labelled 	(3)

Question number	Indicative content
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • A minimum wage sets the lowest wage which can legally be paid in Turkey • The Turkish Government increased the minimum wage by 538 TRY from 2018 to 2019 • This would further improve the incomes of the lowest paid workers in Turkey • By ensuring a higher income is paid, the government is attempting to provide a better lifestyle for people who previously struggled with basic needs • By increasing the minimum wage, the government is reducing its need to support low-paid workers and is pushing the responsibility onto employers

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

Question number	With reference to the data above and your knowledge of economics, analyse the likely impact of an increase in the national minimum wage on the supply of labour in Barbados.
	Indicative content
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • The minimum wage in Barbados increased by \$2.25 (36%) per hour • This means that a higher income is received by people who may have struggled with basic needs if the national minimum wage was left at \$6.25/hour • A 36% increase could be quite a substantial increase in the wages earned for some people in Barbados • Therefore, more workers would be encouraged to work because they can enjoy a higher standard of living • Thus, there is likely to be an increase in the quantity of labour supplied

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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	With reference to the data above and your knowledge of economics, assess the likely benefits of increasing the minimum wage for employees and firms in the Netherlands. Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 - The minimum wage is the lowest amount that a firm is legally allowed to pay its employees - The minimum wage in the Netherlands increased to €1 934.40 per month at the start of 2023 - This means that the incomes of employees earning the minimum wage increased by 10.15% each month, giving them more disposable income - Therefore, employees may be able to enjoy a better standard of living due to the wage increase - It may mean employees are more motivated and therefore, lead to higher levels of productivity, meaning firms could increase output - This increase in productivity/output may allow firms to offset the higher wage costs AO4 - However, if firms cannot afford to pay the higher wage costs because the economy is still weak, they may not be able to employ as many people and this may increase unemployment - Possible use of a diagram:  - If unemployment increases there may be even less spending in the economy, meaning further revenue decreases for firms - This may be more likely at a time when spending in the economy may be reduced due to the high inflation rate of 17% seen in 2022, leading to lower revenues for firms - Employees may not enjoy a higher standard of living, even with the wage increase, due to the high rate of inflation of over 17%

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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, evaluate whether an increase in the minimum wage would benefit an economy such as Spain.
	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - The minimum wage is the lowest amount that a firm is legally allowed to pay its employees - The minimum wage in Spain rose from €735.90 to €900 per month in 2019 - This means that the income of employees would increase significantly and should lead to a better standard of living - It may mean employees are more motivated and could therefore lead to higher levels of productivity and so increased output for the firm - This increase in productivity may allow firms to offset the increase in wage costs - Employees would have more disposable income and so be able to spend more in the economy, allowing the revenue of firms to increase - The rise in incomes would also lead to more tax being paid and so greater revenue for the government - This could be used as part of a wider plan to help 'make Spain great again' AO4 - However, if firms cannot afford the increase in wage costs, they may not be able to employ as many people and this may increase unemployment - Possible use of a diagram: - If unemployment increases there may be less spending in the economy and less tax revenue for the government - This could mean that not only the firms directly affected by the minimum wage increase are worse off, but also other firms and their employees if there is less demand for goods and services - It may depend on elasticity of demand for goods sold, whether firms can increase prices and/or whether an increase in productivity results - It may depend on the number of low paid workers affected by the minimum wage increase and/ or the size of the increase in minimum wage - As there has only been a small increase in the minimum wage in each of the previous nine years [from €633.30 to €735.90 (16.2%) in total] firms may not be able to afford a larger increase - In the short term it may be more difficult for firms to cover the higher wage costs but this may be easier in the long term if the economy has been boosted by the overall effects of the increase

Level	Mark	Descriptor
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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, evaluate whether an increase in the minimum wage would benefit everyone in an economy such as Latvia. Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - The minimum wage in Latvia rose from €620 to €700 per month in 2024, meaning that the increased income of employees should lead to a better standard of living - It may mean that employees are more motivated and could therefore lead to higher levels of productivity and so increased output for the firm - This increase in productivity could allow firms to offset the increase in wage costs - Employees could have more disposable incomes and be able to spend more in the economy, allowing the revenue of firms to increase - The rise in incomes would also lead to more tax being paid and so a greater revenue for the Latvian Government - This could be used to further benefit the economy in Latvia AO4 - However, if firms cannot afford the increase in wage costs, they may not be able to employ as many people and this may increase unemployment - Possible use of a diagram: - If unemployment increases, there may be less spending in the economy and less tax revenue for the government - This could mean that not only the firms directly affected by the minimum wage increase are worse off but also other firms and their employees if there is less demand for goods and services - As the percentage of the population being paid the minimum wage had fallen to 16%, the lowest in five years, it may not increase costs as much for firms in Latvia as it may have done when more people were paid the minimum wage, as the firms may already be paying employees more than €700/month

	- It may depend on price elasticity of demand for the goods sold, whether firms can increase prices and/or whether an increase in productivity results - In the short term it may be more difficult for firms to cover higher wage costs but this may be easier in the long term if the economy has been boosted by the overall effects of the increase
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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).