

INTERNATIONAL GCSE ECONOMICS

Paper 1 How markets work

Specimen paper

07:00 GMT

Time allowed: 1 hour 45 minutes

Materials

For this paper you may use:

- a calculator

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.

Section A

Answer **all** questions in the spaces provided

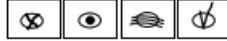
For questions with four responses, only **one** answer per question is allowed.


For each question, completely fill in the circle alongside the appropriate answer.


CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1

Which of the following best describes the central purpose of economic activity?

[1 mark]

- A Earning high incomes
- B Making maximum profits
- C Maximising efficiency
- D Producing goods and services to satisfy needs and wants

0 2

Which of the following is **not** one of the main economic groups?

[1 mark]

- A Consumers
- B Government
- C Producers
- D Workers

0 3

In which occupations will wages tend to be highest?

In those where:

[1 mark]

- A** workers are in excess demand.
- B** workers are paid on a weekly basis.
- C** workers need little training.
- D** workers require few qualifications.

0 4

Which of the following would be classed as an economic resource?

[1 mark]

- A** Enterprise
- B** Productivity
- C** Profit
- D** Wages

0 5

Which of the following would lead to a leftwards shift of the supply curve for oranges?

[1 mark]

- A** A fall in the cost of fertiliser
- B** An increase in the price of oranges
- C** An increase in the wages of orange pickers
- D** The introduction of new technology in orange growing

0 6

Which of the following is most likely to be a variable cost for a business?

[1 mark]

- A** Heating
- B** Insurance
- C** Packaging
- D** Salaries

0 7

Table 1 contains information about the number of cups of coffee served per day in a café.

Table 1

Number of workers	3
Total number of cups of coffee served per day	415

Calculate the average daily productivity of each coffee shop worker, to the nearest whole number.

[1 mark]

- A** 138
- B** 413
- C** 418
- D** 1245

0 8

A firm buys a new, efficient machine and is also able to benefit from bulk-buying discounts, leading to reduced average costs.

The firm benefits from:

[1 mark]

- A external economies of scale.
- B financial and risk-bearing economies of scale.
- C managerial and marketing economies of scale.
- D technical and purchasing economies of scale.

0 9

Table 2 contains information about prices and quantities of umbrellas demanded per week.

Table 2

Price of umbrellas (\$)	Quantity of umbrellas demanded per week
£20	15 000
£17	16 500

Calculate to 2 decimal places, the price elasticity of demand for umbrellas when the price falls from \$20 to \$17.

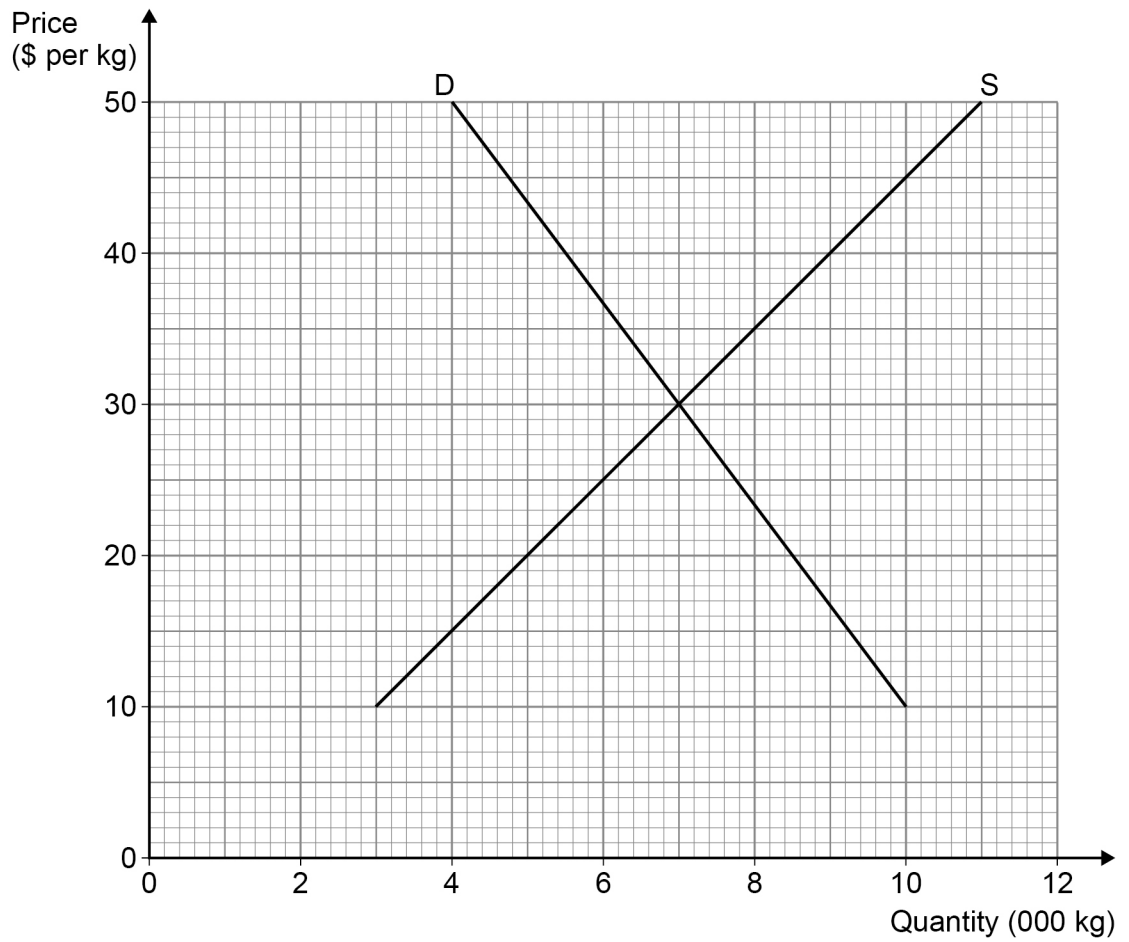
[1 mark]

- A -1.50
- B -0.67
- C 0.67
- D 1.50

1 0

Figure 1 shows the quantities of tea supplied and demanded at various prices.

Figure 1



What is the excess supply at a price of \$40 per kg?

[1 mark]

- A 0kg
- B 3500kg
- C 7000kg
- D 9000kg

1	1
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State **two** benefits to firms of a division of labour.

[2 marks]

Benefit 1 _____

Benefit 2 _____

1	2
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Explain **one** factor that might shift the demand curve for international holidays to the right

[2 marks]

1	3
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Explain **one** way in which two of the main economic groups may interact with each other.

[2 marks]

Turn over for the next question

1 4

Table 3 shows price and quantity information for bread made by a bakery.

Table 3

Price per unit of bread (€)	Quantity of bread made per week (units)
1.20	1800
1.50	2700

1 4 . 1

Using **Table 3**, calculate the price elasticity of supply of bread if the price increases from €1.20 to €1.50 per unit.

[2 marks]

1 4 . 2

Explain **one** possible factor affecting the price elasticity of supply of a bakery.

[2 marks]

1	6
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State **two** possible diseconomies of scale to a firm when it grows in size.

[2 marks]

Diseconomy 1 _____

Diseconomy 2 _____

1	7
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Explain why consumers need to make economic choices.

[2 marks]

1	8
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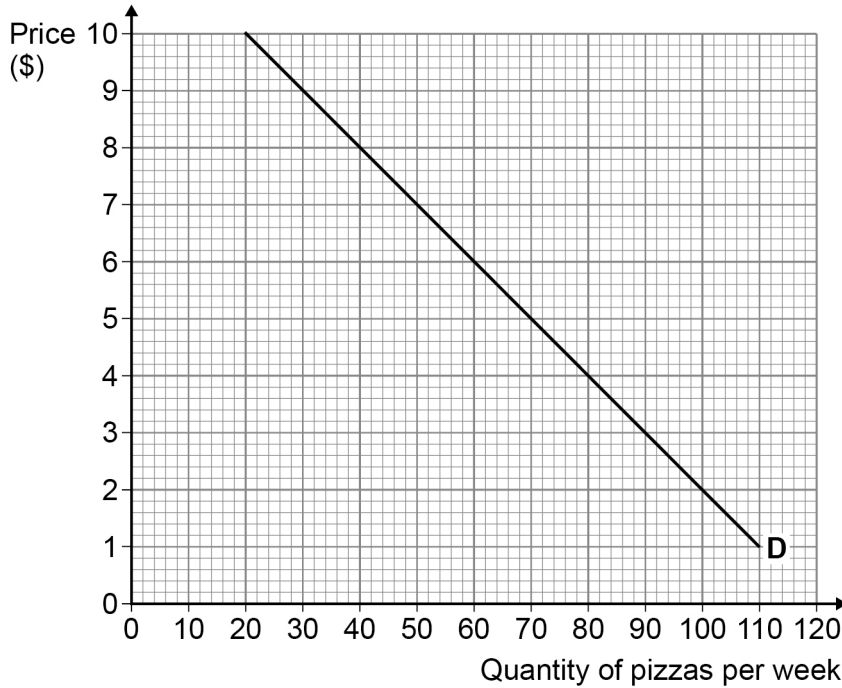
Explain **one** ethical issue that may result from producers seeking to earn very high profits.

[2 marks]

1 9

Figure 3 is a graph of the demand curve for a restaurant's pizzas.

Figure 3



1 9 . 1

Using Figure 3, calculate the weekly revenue made by the restaurant if it charges a price of \$7 per pizza.

[2 marks]

Answer \$ _____

1 9 . 2

Explain **one** possible reason why the restaurant may wish to reduce the price of its pizzas.

[2 marks]

Table 4 shows sales of two video game console manufacturers in 2017 and 2019.

Table 4

Video game console manufacturer	2017 (millions of consoles)	2019 (millions of consoles)
Nintendo	12	25
Microsoft	8	5

2 0

Using the information in **Table 4**, draw and label a bar chart to show sales of video game consoles made by Nintendo and Microsoft in 2017 and 2019.

[3 marks]

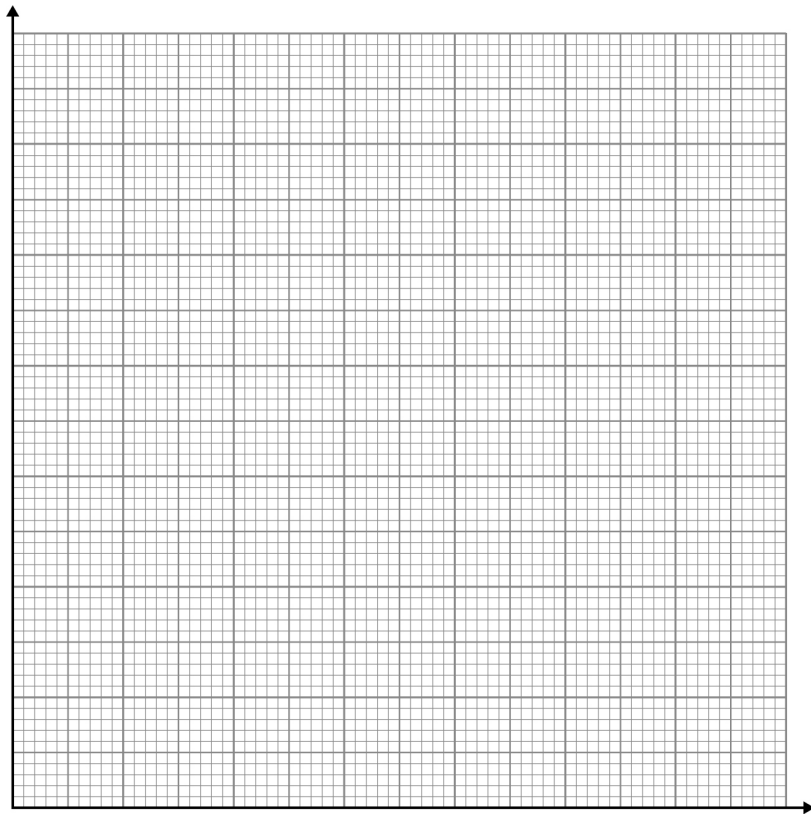


Figure 4

Governments of countries around the world often want to promote competition. They aim to encourage fair competition between firms, so that markets work well for consumers. Governments may investigate markets if there is a danger that a lack of fair competition exists.

Recent investigations include:

1. Whether farmers were being exploited by large supermarkets, and whether these supermarkets also worked together to increase prices of food for consumers.
2. The major fuel companies and supermarkets for not reducing fuel prices at their fuel filling stations after crude oil prices fell.
3. A lack of competition among commercial banks, leading to poor customer service and excessive fees, such as for arranging an overdraft.

Firms which have very few competitors often say that they help both consumers and the economy. They say that consumers benefit from receiving better quality goods and lower prices. These things lead to the economy becoming more competitive internationally.

2 | 1

Using **Figure 4**, assess the costs **and** benefits to consumers of having a market controlled by a small number of firms.

[9 marks]

Section B

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

Item A – Flooding in the UK, 2019

In 2019, heavy rainfall led to many areas of the UK being affected by severe flooding. This led to significant damage to houses, businesses and vehicles. There were wider effects upon the UK economy and its population of 67 million people as many were unable to travel to work, meaning production fell. People were also unable to visit shops and restaurants meaning that these businesses lost revenue.

Item B – Global warming

Global warming refers to the increasing temperature of the Earth's atmosphere and oceans. Many scientists believe that the main cause of global warming is increasing levels of greenhouse gases caused by the burning of fossil fuels (such as coal) and by deforestation. Consequences of global warming include more extreme weather, loss of farmland and increased flooding.

Economists point out the unfairness of global warming. They state that it is mainly caused by activities in more economically developed countries. However, the consequences are often faced by citizens of less economically developed countries, who may be less financially able to deal with them.

Many economists argue that global warming is an inevitable consequence of economic growth, and that it will reduce the ability of future generations to enjoy an improved standard of living. They say that there is often a conflict between economic growth and sustainability.

The governments of more economically developed economies, argue that less economically developed economies, should do more to solve global warming, for example by reducing their emissions of greenhouse gases. However, this may lead to reduced growth in these countries.

Less economically developed countries argue that many of the problems of global warming have been created by more economically developed economies which grew rapidly in the past. They argue that these countries should do more to help less economically developed economies. This would include providing more money to help them cope with the effects of extreme weather, such as flooding.

Potential solutions to the problem of global warming include reduced use of fossil fuels such as coal and oil, along with greater use of renewable forms of energy such as solar and wind energy.

Table 5**CO₂ emissions 2021**

	UK	India
CO ₂ emissions (million tonnes)	427	2600
Population (millions)	67	1408
CO ₂ per capita (tonnes)	6.4 (1 dp)	?

Source: UN Environment Program

2	2
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Define the term 'market failure'.

[2 marks]

2	3
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Using **Table 5**, calculate the difference between the UK and India's CO₂ emissions per capita.

Give your answer to 1 decimal place.

[3 marks]

Answer _____ tonnes

2	4
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Explain **two** economic methods a government could use to correct the market failure associated with global warming.

[6 marks]

Method 1 _____

Method 2 _____

Turn over for the next question

