AQA

SPECIMEN MATERIAL

Please write clearly, in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname ____________________

Forename(s) ____________________

Candidate signature ____________________

GCSE ECONOMICS

Paper 1 How markets work

Specimen

Time allowed: 1 hour 45 minutes

Materials
You will need no other materials.
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 on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions should be answered in continuous prose. You will be assessed on your ability to:
  - use good English
  - organise information clearly
  - use specialist vocabulary where appropriate.

Section A

Answer **all** questions in the spaces provided

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

For each answer 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 states the basic economic problem?

A Limited resources, limited wants

B Limited resources, unlimited wants

C Unlimited resources, limited wants

D Unlimited resources, unlimited wants

[1 mark]

0 2 In which occupations do wages tend to be lowest?

A In those where there is an excess supply of labour

B In those where the workers are paid on a monthly basis

C In those where the work is dangerous

D In those where workers need long training

[1 mark]

0 3 Which of the following would be classed as an economic resource?

A Income

B Land

C Opportunity cost

D Productivity

[1 mark]

0 4 Which of the following could lead to a reduction in the quantity demanded of a product?

A A fall in the price of the product

B An increase in the advertising budget for a product

C A rise in the income of buyers of the product

D A rise in the price of the product

[1 mark]

0 5 Which of the following best describes the equilibrium price in a market?

A Where all consumers are satisfied

B Where profit is maximised

C Where supply equals demand

D Where supply exceeds demand

[1 mark]

0 6 Which of the following best explains why prices tend to be lower in a competitive market rather than in a monopoly?

A A competitive market has more economies of scale

B A monopoly has less influence on the market

C New firms are free to enter the competitive market

D Profits are lower in a monopoly

[1 mark]

0 7 Which of the following would lead to a rightward shift of the supply curve for cars?

A A fall in the price of cars

B A new technological development

C An increase in the price of steel

D An increase in wages paid to car factory workers

[1 mark]

0 8 A 10% increase in the price of grapes leads to a 4% increase in the quantity supplied. What is the price elasticity of supply of grapes in this case?

A -2.5

B +0.4

C +2.5

D +4.0

[1 mark]

0 9 Which of the following would be most likely to lead to a decrease in the price of a good?

A A decrease in demand and an increase in supply ⬭

B A decrease in demand and a decrease in supply ⬭

C An increase in demand and a decrease in supply ⬭

D An increase in demand and an increase in supply ⬭

[1 mark]

1 0 A firm is able to buy raw materials in bulk at a reduced average cost from its suppliers. This an example of:

A Diseconomies of scale ⬭

B Managerial economies of scale ⬭

C Purchasing economies of scale ⬭

D Technical economies of scale ⬭

[1 mark]

Turn over for the next question

1 1 State **two** sectors of the economy.

[2 marks]

Sector 1 ______________________________

____

Sector 2 ______________________________

____

1 2 Explain **one** negative externality that could occur due to the building of a new airport.

[2 marks]

____

____

____

____

1 3 Explain **one** possible effect on the equilibrium market price of an increase in production costs for firms.

[2 marks]

____

____

____

____

1 4 **Figure 1** shows data relating to a small business selling boxes of organic vegetables in a small town.

Figure 1

Fixed costs	£1,500.00
Variable costs per box	£4.00
Current output level (boxes)	500

1 4 . 1 Using **Figure 1** calculate the average cost of a box of organic vegetables based on the current output level. Show your working.

[2 marks]

1 4 . 2 Explain **one** possible reason why average cost per unit may increase as the output level of a business increases.

[2 marks]

Turn over for the next question

1 5

Figure 2

Two businesses are producing sofas for sale to households; SofaSogood plc sells its sofas from a warehouse located on the outskirts of a large town and are sold direct to consumers. Handcraft Furniture Ltd sells sofas from a shop located in a small town which are produced in premises located behind the shop.

The sofas are aimed at different markets and are sold for significantly different prices. Data relating to each business is shown below.

	SofaSogood plc	**Handcraft Furniture Ltd**
Number of workers employed	75	12
Average yearly income of consumers	£24,000	£55,000
Method of production	Machine intensive	Hand-made
Discount offered by suppliers	10%	1%
Annual production level	5,000 sofas	300 sofas

1 5 . 1 Using **Figure 2**, analyse why the price of a sofa sold by Handcraft Furniture Ltd is likely to be more expensive than a sofa sold by SofaSogood plc.

[6 marks]

1 6 State **two** of the main economic groups.

[2 marks]

Group1

Group 2

1 7 Explain why the demand for food is relatively price inelastic.

[2 marks]

1 8 Explain why online retailing is an example of a market.

[2 marks]

1 9 **Figure 3** shows data relating to UK expenditure on eating out.

Figure 3

Year	UK expenditure on eating out per person per week
2011	£11.93
2012	£12.09
2013	£12.31
2014	£12.40

1 9 . 1 Using **Figure 3**, calculate the percentage change in weekly expenditure on eating out between 2011 and 2014. Give your answer to **one** decimal place and show your working.

[2 marks]

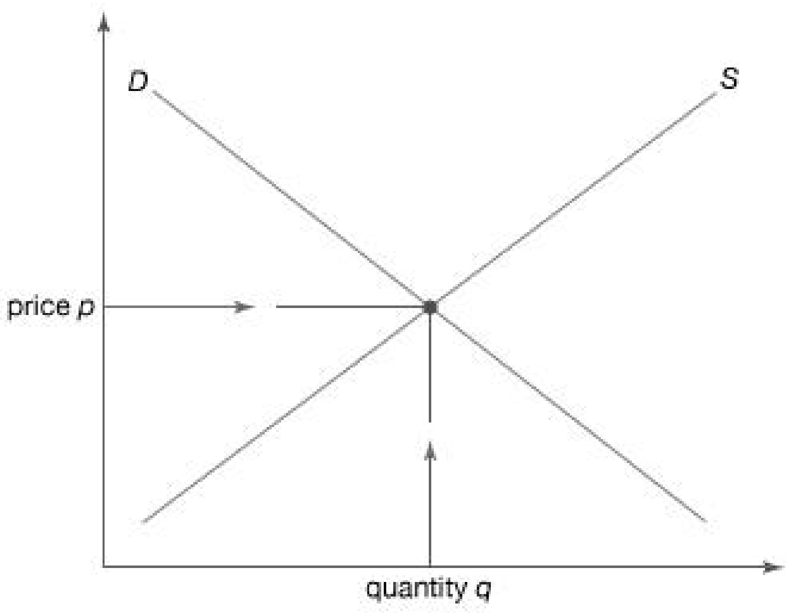
1 9 . 2 Explain **one** possible reason for a rise in UK expenditure on eating out.

[2 marks]

2 0 Firms selling ice-creams in the UK find that they sell more in the summer than in the winter because the warm weather makes eating ice-creams more popular for consumers.

Figure 4 is a supply and demand diagram for ice-creams in winter.

Figure 4



2 0 . 1 Draw and label on the diagram in **Figure 4**, to show the effects of warmer summer weather on the market for ice-creams.

[3 marks]

Turn over for the next question

2 1

Figure 5

A small, independent fast-food shop is considering whether or not to introduce a new machine to speed up production. The machine would be able to produce burgers to order and enable the production of burgers to be split into different stages so that each worker would be involved in only one stage of the process.

The shops sales are in decline with customers regularly complaining about having to wait a long time for their orders. It is hoped that the installation of the machine will enable sales to rise but the machine would be an expensive investment.

The current workforce of the shop are worried about the changes but the managers claim that the investment could lead to many benefits. Regardless of whether the investment in the machine goes ahead, the management of the shop are worried about the low-price competition they face from a larger fast-food chain soon to open in the local area.

2 1 . 1 Using **Figure 5**, assess whether the decision to install the machine will be beneficial for the business and the workers.

[9 marks]

Extra Space

Turn over for Section B

Section B

Answer **all** questions in the spaces provided

Item A – Supermarkets

Figure 6

The supermarket industry in the UK has for many years been dominated by the Big 4 supermarkets, of which Tesco is the market leader. The industry is often described as an oligopoly, with the Big 4 competing against each other through the number of stores they have, the customer service they offer, their loyalty schemes and through heavy advertising.

Market Share of Big 4 and Discount Supermarkets

Supermarket Group	Supermarket Type	Market Share (%)
Tesco	The Big 4 Supermarkets	28.3
Sainsbury's		17.0
Asda		16.2
Morrisons		11.0
Aldi	Discount Supermarkets	5.5
Lidl		4.2

The Big 4 have been accused of taking advantage of their oligopoly position by charging high prices and treating their suppliers unfairly. There have been reports of the supermarkets putting pressure on suppliers to lower their prices and threatening to go elsewhere if the suppliers did not comply. The government has the power to fine supermarkets that are found to be doing this, but to date this power has not been used.

The activities of the supermarkets involves them shipping food long distances around the country, using practices that result in vast amounts of waste. Although some supermarkets donate their food waste to charities for distribution there is no legal requirement surrounding food waste.

Two German discount supermarket chains, Aldi and Lidl, started operations in the UK in the 1990s. From very small beginnings, these two retailers have rapidly opened new stores throughout the UK and are having a noticeable impact on the Big 4.

The discount supermarkets charge lower prices than the Big 4 and despite this they are able to be profitable by operating efficiently and keeping the productivity of their employees high. Customer facilities are not as good as those of the Big 4, for instance, these stores do not usually have cafes, petrol stations or toilet facilities for customers.

Figure 7

One criticism of the Big 4 relates to the low wages paid to some employees.

Minimum hourly wage rates at supermarkets

Supermarket Group	**Hourly wages paid to store assistants**
Tesco	£7.39
Sainsbury's	£7.36
Aldi	£8.40
Lidl	£8.20
National Living Wage	£7.20
National Living Wage in London	£9.35

There are about 10,000 UK store employees at both Aldi and Lidl, which is far fewer than the 300,000 who work at Tesco. Employees at the discount stores are expected to work hard and to be flexible in their work. They must agree to adjust their working hours to fit in with peak demand and be willing to move between tasks in the stores as they are needed. Many of the staff are students who fit in the work around their studies.

Another criticism of the supermarket industry is the use of special offers that do not save the consumer any money. As well as this, they have also been criticised for being involved in price fixing which has kept the prices of some goods artificially high.

2 2 Give a definition of productivity.

[2 marks]

2 3 Using **Figure 7,** calculate the difference in net pay of a Tesco store assistant and Aldi store assistant working a 40 hour week, with deductions of 20%. Show your working.

[3 marks]

2 4 The National Living Wage (NLW) government policy target is to increase the NLW to £9 per hour by 2020.

Using **Figure 7**, explain **two** possible impacts of this policy on the UK supermarket industry.

[6 marks]

Impact 1 ____

Impact 2 ____

2 5 Using **Figure 6**, analyse the impact of the discount supermarkets entering the UK supermarket industry.

[6 marks]

Turn over for the next question

2 6 Do you think the government should intervene further in the UK supermarket industry?

Use **Figure 6 and 7** and your own economic knowledge to justify your view.

[15 marks]

Extra Space

Question 26 continues on the next page

END OF QUESTIONS

Figure 7: © Open Government Licence v3.0