

GCSE (9–1) Economics

J205/01 Introduction to Economics

Sample Question Paper

Date – Morning/Afternoon

Time allowed: 1 hour 30 minutes

You may use:

- a scientific or graphical calculator



First name

Last name

Centre
number

Candidate
number

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document consists of **24** pages.

Section A

Answer **all** the questions in this section.

1 Which one of the following is true of a market economy?

- A All resources are owned by the state
- B Factors of production do not have a price
- C Producers respond to changes in consumer demand
- D There is no competition amongst producers

Your answer

[1]

2 Which one of the following is **not** a factor of production?

- A Capital
- B Labour
- C Land
- D Money

Your answer

[1]

3 An opportunity cost of a car manufacturing firm deciding to increase its labour force would be

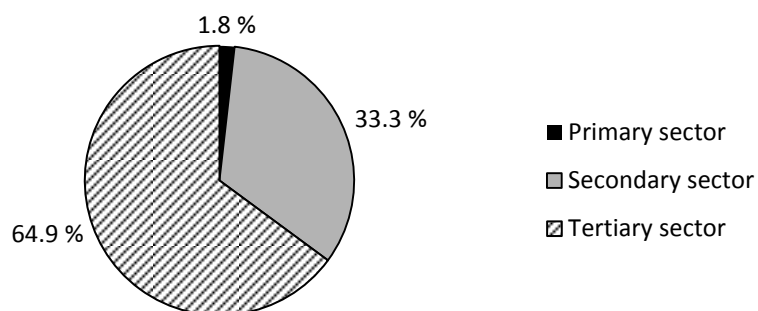
- A the benefits of increasing the size of its labour force
- B the benefits that could have been received by investing in machinery
- C the increase in the amount of profit made by the firm
- D the increase in the amount spent on wages

Your answer

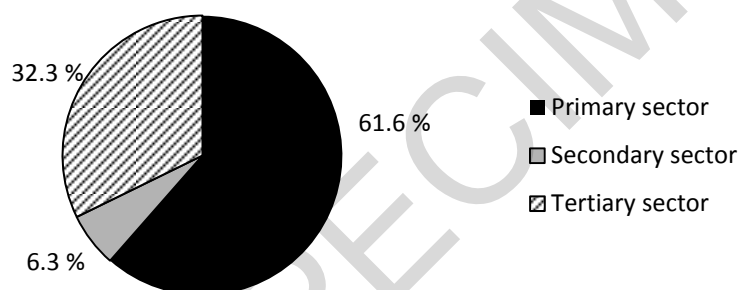
[1]

4

Sweden: GDP Composition by Sector



Sierra Leone: GDP Composition by Sector



Information about what different countries produce can be useful for investment decisions. Using the information in the pie charts, which one of the following statements **must** be true?

- A Primary sector output in Sierra Leone has been increasing
- B Sierra Leone produces more primary sector products than Sweden
- C Swedish tertiary sector output is bigger than the secondary and primary combined
- D The two economies are the same size

Your answer

[1]

- 5 A decrease in wages for construction workers would be **most** likely to
- A cause a shift in the demand curve for labour
 - B increase house prices
 - C lead to more construction workers being employed
 - D reduce the supply of houses

Your answer

[1]

- 6 Which one of the following is determined in a product market?
- A The output of desks
 - B The quantity of carpenters
 - C The rent of a field
 - D The wages of plumbers

Your answer

[1]

- 7 Economies of scale occur when a producer increases output and
- A average costs fall
 - B gets existing staff to work overtime
 - C pays more for its raw materials
 - D takes on more workers

Your answer

[1]

- 8 In an oligopolistic market there is
- A a single producer
 - B competition between a few large producers
 - C easy entry into the market
 - D no advertising

Your answer

[1]

9 Which of the following could lead to an increase in the demand for engineers?

- A Higher wages for engineers
- B More engineering firms
- C More engineers coming from abroad
- D More engineering courses available at college

Your answer

[1]

10 A competitive market is in equilibrium. Which one of the following statements is true?

- A Consumers are unwilling to buy all the units produced
- B Producers are leaving the industry
- C Quantity demanded equals quantity supplied
- D Quantity supplied exceeds quantity demanded

Your answer

[1]

11 The demand for a product is more inelastic

- A the greater the time period under consideration
- B the larger the number of substitutes available to consumers
- C the more elastic the supply for this product
- D the smaller the effect of a price change on the quantity demanded

Your answer

[1]

12 A supply curve shows

- A the equilibrium level of output
- B the equilibrium price
- C the quantity of a product for sale at each price
- D the quantity of a product purchased at each price

Your answer

[1]

- 13 If an industry is a monopoly
- A new firms can easily enter the market
 - B there are losses being made
 - C there are many buyers and sellers
 - D there is a single producer in the market

Your answer

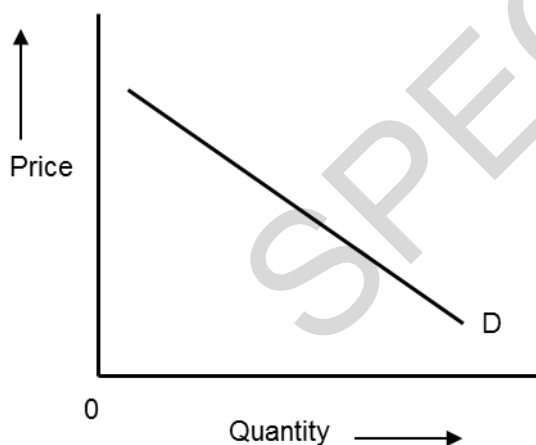
[1]

- 14 Which one of the following causes an outward shift of the demand curve for restaurant meals?
- A A fall in the price of restaurant meals
 - B A rise in incomes of consumers
 - C A rise in the price of restaurant meals
 - D A rise in the wages of restaurant staff

Your answer

[1]

15



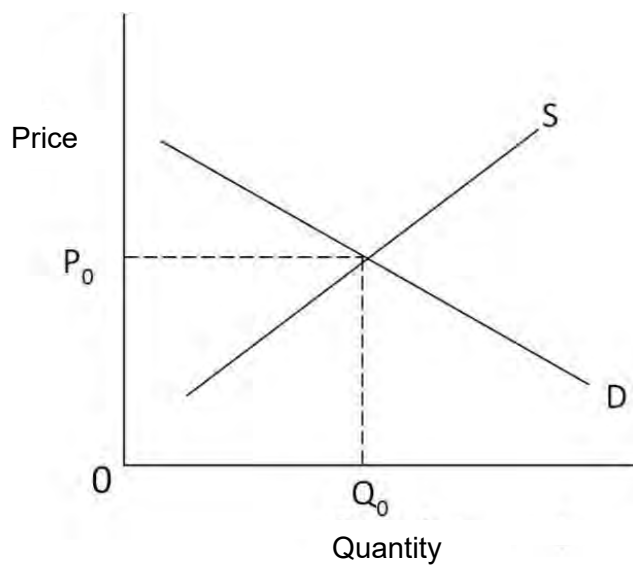
This demand curve shows that

- A as consumers get better off, they buy more
- B if consumers buy more, the price will rise
- C if the price falls, consumers buy more
- D if the price rises, producers will sell more

Your answer

[1]

16



When producers charge P_0 , this means

- A at Q_0 more is demanded than is supplied
- B if demand were to rise, firms would make less profit
- C consumers will demand the equilibrium quantity Q_0
- D the market is in equilibrium whatever the price

Your answer

[1]

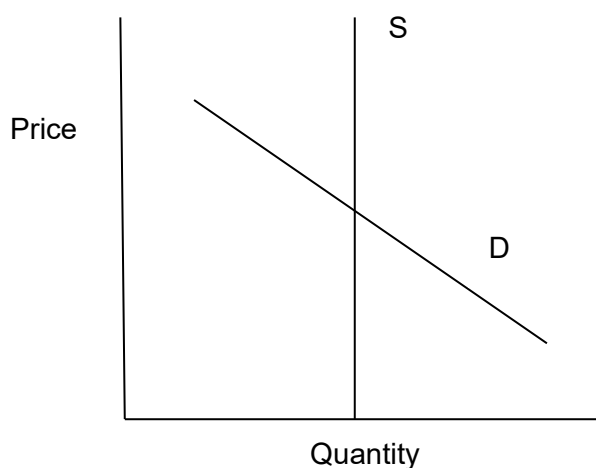
17 Bad weather conditions are **most** likely to result in

- A an increase in the price of wheat
- B an increase in wheat production
- C greater demand for wheat
- D higher wages for agricultural workers

Your answer

[1]

18



The diagram shows the supply and demand curves for a product. An increase in demand means that

- A producers will reduce prices and equilibrium price falls
- B producers will produce more and equilibrium output is increased
- C producers will not supply more than the equilibrium output
- D producers will not change prices and equilibrium price is unchanged

Your answer

[1]

19 Which one of the following is the **most** likely effect if interest rates rise in the UK?

- A A decrease in investment
- B An increase in national income
- C Households will borrow more
- D Households will save less

Your answer

[1]

20 An increase in the level of competition in the market is **most** likely to lead to

- A a higher price
- B a lower price
- C less consumer choice
- D less supply to the market

Your answer

[1]

Section B

Answer **all** the questions in this section.

21

Kasia and Ben own a window cleaning business which is a monopoly in the village in which the business is currently run. They have been able to complete a demand and supply schedule which shows how many households will choose to have their windows cleaned at a number of different prices, together with the number of houses Kasia and Ben are willing to supply their services at each price.

In the next village there are two other window cleaning businesses. Kasia and Ben are trying to decide whether to start offering their services to households in the next village.

Extract 1: Kasia and Ben’s window cleaning business

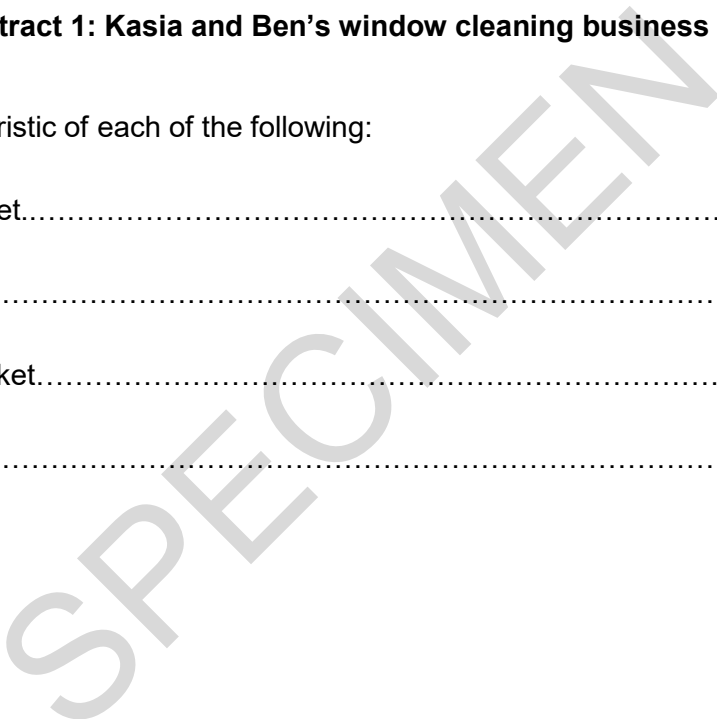
(a) State **one** characteristic of each of the following:

A competitive market.....

.....

A monopolistic market.....

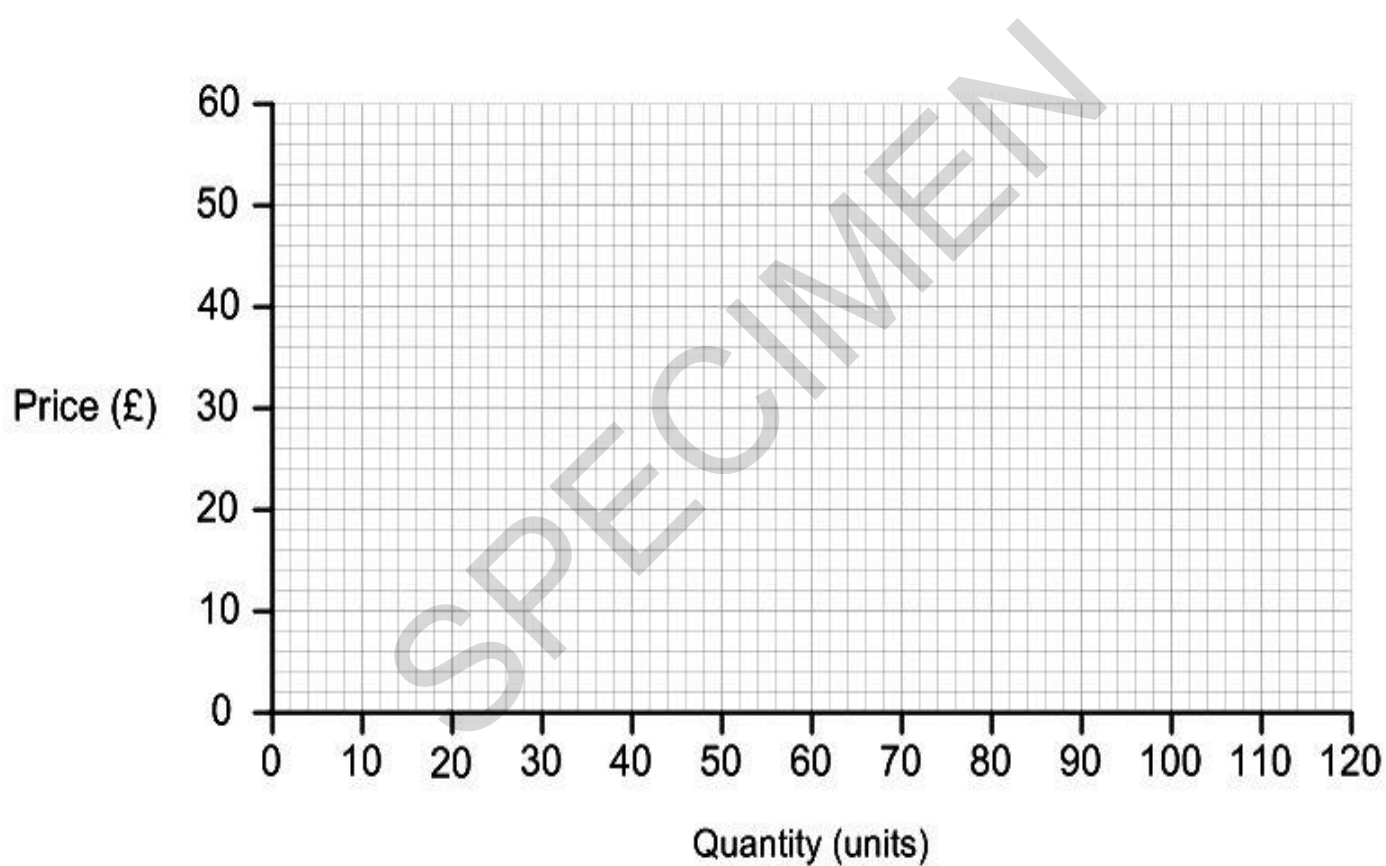
..... **[2]**



Price (£)	Demand (units)	Supply (units)
10	100	20
20	80	40
30	60	60
40	40	80
50	20	100

Table 1: Price, demand and supply for Kasia and Ben's window cleaning business

- (b) Using the information in Table 1, draw and label a supply and demand diagram for Kasia and Ben's window cleaning business. [2]



- (ii) If Kasia and Ben increase the price of window cleaning services from £10 to £20 then they estimate a price elasticity of demand of -0.2.

Explain to Kasia and Ben what this estimate of price elasticity of demand means.

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..... [2]

SPECIMEN

Rwanda is an African country where about 90% of the population is involved in agriculture. The majority of farms are small and the owners use simple tools to produce a variety of crops demanded by the local economy. Despite such a large primary sector, Rwanda does not produce enough food for the population. The economy relies on imports to meet demand for food.

The government believes that specialisation in the crops that are produced will bring benefits to the economy. A new scheme has been introduced that will give farmers access to better technology and machinery, as long as the farmers specialise in the production of crops.

However, many farmers argue against this scheme. For years they have farmed using their knowledge of the land and local community. Specialising in one type of crop, such as beans, means that their income is based on world-wide demand, which can change. There are also concerns that specialisation may reduce the quality of the soil. This could have a negative impact on the productivity of the farms and damage the environment.

The Rwandan government believes that the proposals will allow for more modern technology to be used in farming and will increase the use of scarce resources in the Rwandan economy.

Extract 2: Farming in Rwanda

(a) State what is meant by 'the basic economic problem'.

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(b) Explain, using an example, what is meant by 'opportunity cost'.

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(ii) Explain how specialisation can 'increase the use of scarce resources in the Rwandan economy'.

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(iii)* Evaluate the costs and benefits of specialisation to Rwanda.

Use the information given in **Extract 2** on page 14 and your own knowledge.

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Pharmaceutical companies develop, produce and sell medication. Medications can take many years to develop before they can be sold. This process involves testing and trialling medications before they can be judged as being safe for use.

SANEC is a UK pharmaceutical company, whose customers include the National Health Service (NHS) and private hospitals.

SANEC has a loan of £2 million with a bank that it is required to pay back in one year. The annual interest rate is 5% on the whole amount. This is just one way in which SANEC uses the financial services sector.

The UK financial services sector plays a critical role in supporting UK businesses and enabling the UK's economy to grow. It is responsible for almost 10% of national output, adds nearly £150 billion to the UK economy and employs around 1.2 million people. The UK is the world's largest exporter of financial services.

Extract 3: Financial services and pharmaceutical companies in the UK

(a) Explain what 'interest rates' are.

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..... [2]

(b) Calculate the increase in the annual amount of interest paid by SANEC if the bank were to increase the rate of interest on the loan to 6% per year. You must show your working.

Answer: [2]

(ii) Explain the role of the financial sector in the UK economy.

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..... **[2]**

(iii)* Evaluate the importance of the financial sector to pharmaceutical companies in the UK.
Use the information given in **Extract 3** on page 17 and your own knowledge.

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END OF QUESTION PAPER

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