



Oxford Cambridge and RSA

Wednesday 17 May 2023 – Afternoon

GCSE (9–1) Economics

J205/01 Introduction to Economics

Time allowed: 1 hour 30 minutes



You can use:

- a scientific or graphical calculator
- an HB pencil



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

INSTRUCTIONS

- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions.

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 has **24** pages.

ADVICE

- Read each question carefully before you start your answer.

2

Section A

Write your answer to each question in the box provided.

1 Buyers and sellers of a good on a website is an example of

- A a market
- B competition
- C specialisation
- D the secondary sector

Your answer

[1]

2 For most of 2021 the world supply of computer chips did not satisfy the demand for them.

This is an example of

- A economies of scale
- B oligopoly collusion
- C scarce resources
- D unlimited wants

Your answer

[1]

3 Price elasticity of supply measures the

- A percentage change in price relative to the percentage change in quantity supplied
- B percentage change in quantity supplied relative to a change in income
- C ratio of the quantity supplied to the price of the factor inputs
- D responsiveness of quantity supplied to a change in the price of the product

Your answer

[1]

3

- 4 A company advertised for a new marketing manager. Two essential requirements are that the person must have marketing experience and live within easy commuting distance. Pay will depend on the level of experience.

What **best** explains why some suitable people will not apply for this job?

- A The demand for labour is dependent on the demand for the product
- B The price elasticity of demand for the advertised job is inelastic
- C Their qualifications and experience are not in marketing
- D This labour market lacks perfect mobility

Your answer

☐

[1]

- 5 What is a function of the Bank of England?

- A Issuing bank notes
- B Making business loans
- C Offering savings accounts
- D Regulating the stock market

Your answer

☐

[1]

- 6 Which group would **not** be classed as producers?

- A Factory workers
- B Self-employed individuals
- C Small firms
- D The government

Your answer

☐

[1]

4

- 7 The table shows the total cost of production for a good.

Quantity	Total Cost (£)
100	1000
200	1800
300	2550
400	3600

Which statement is correct?

- A Average costs always decrease as output increases
- B Average costs always increase as output increases
- C Average costs start to rise when 300 units are produced
- D Average costs start to rise when 400 units are produced

Your answer

☐

[1]

- 8 You are the economist for a timber merchant and have been asked to advise your team leader about factors of production.

Which of these is an example of capital?

- A A computer monitor
- B The business owner
- C The company's shares
- D The trees owned by the company

Your answer

☐

[1]

5

- 9 What is an activity in a factor market?
- A Firms buying a greater quantity of finished goods
 - B Firms employing more engineers
 - C Firms producing output using advanced technology
 - D Households seeking to buy more electric cars

Your answer

☐

[1]

- 10 A fishmonger reduces the price of haddock by 20%. As a result of this they sell 30 pieces of haddock instead of 20.

This suggests that the demand for haddock is

- A perfectly price elastic
- B perfectly price inelastic
- C price elastic
- D unitary price elastic

Your answer

☐

[1]

- 11 A characteristic of a monopoly is that there is an absence of

- A competition
- B economies of scale
- C opportunity cost
- D productivity

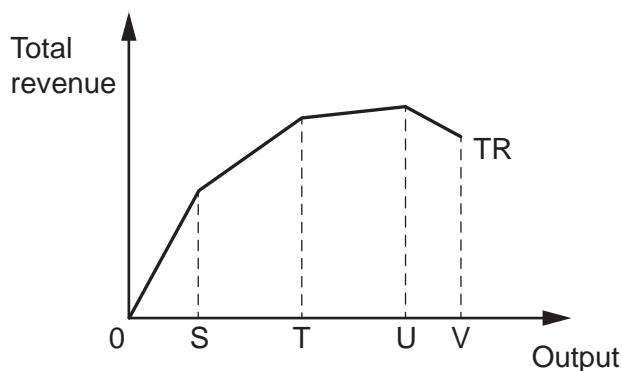
Your answer

☐

[1]

6

- 12 The diagram shows the relationship between output and total revenue of a firm.



Which statement is correct?

- A Total revenue increases at all levels of output
- B Total revenue increases from 0 to T and then falls
- C Total revenue increases from 0 to U and then falls
- D Total revenue increases from 0 to V and then falls

Your answer

☐

[1]

- 13 What is **most** likely to cause a decrease in the price of carrots?

- A A decrease in the demand for substitutes of carrots
- B An increase in the demand for complements of carrots
- C An increase in the number of farm workers
- D An increase in the popularity of carrots

Your answer

☐

[1]

- 14 The price of a good is **most** likely to fall when

- A demand and supply both decrease
- B demand and supply both increase
- C demand decreases and supply increases
- D demand increases and supply decreases

Your answer

☐

[1]

7

- 15** As a business increases in size it is able to employ more specialist staff.

Which economy of scale does this describe?

- A** Increased dimensions
- B** Managerial
- C** Marketing
- D** Risk-bearing

Your answer

[1]

- 16** Sundip was paid a salary of £3000. She also received a bonus of £500. Her employer deducted £875 to cover income tax and national insurance.

What was Sundip's gross income?

- A** £3500
- B** £3000
- C** £2625
- D** £2125

Your answer

[1]

- 17** What would be the best advice for a new business entering the restaurant market?

- A** Cut the profits on its products
- B** Extend the range of its products
- C** Reduce its production costs
- D** Spend money on advertising

Your answer

[1]

8

18 Too few resources would be allocated to certain products if left to the market.

Which of these is **most** likely to be provided by the government?

- A** Capital goods
- B** Electric cars
- C** Social media
- D** Vaccinations

Your answer ☐

[1]

19 In which sector of the economy would a boat building firm be placed?

- A** Free market
- B** Primary
- C** Secondary
- D** Tertiary

Your answer ☐

[1]

20 The financial sector allows consumers and producers to manage imbalances between income and expenditure by

- A** making loans and overdrafts available
- B** providing savings and investments
- C** rationing the available liquidity
- D** setting suitable interest rates

Your answer ☐

[1]

9

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Section B

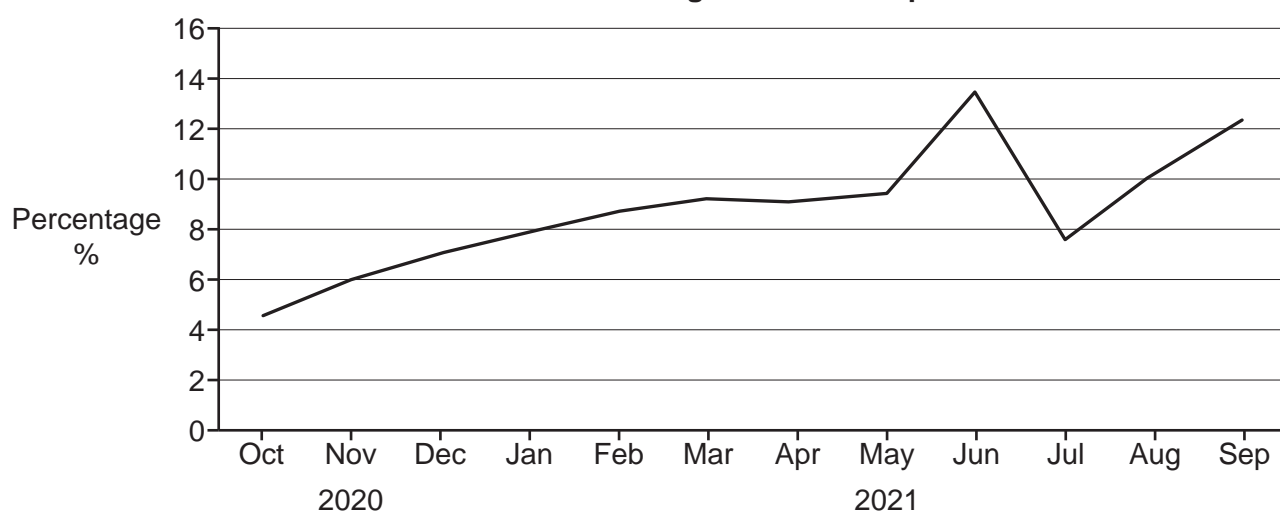
21 Extract 1

UK housing market

There was a large increase in the demand for housing in the UK in 2020 and 2021. This led to a considerable rise in house prices, with more resources being allocated to house building. However, some consumer groups accused house builders of failing to supply enough new and suitable properties. In reply, the house builders said that local government planning rules slowed down growth in the housing market.

Recently, Plumgarth council rejected a plan by Holoss Builders for a development of new houses, as the house types did not meet the council's strategic plan requirements.

Annual change in UK house prices



(a) Explain what is meant by demand.

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..... [2]

(b) Explain what happened to house prices between June 2021 and July 2021.

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..... [2]

- (c)** Using a diagram, analyse how growing demand for houses may lead to a large increase in house prices.

..... [6

12

- (d) (i) Explain **one** factor that may cause more resources to be allocated to a particular market.

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..... [2]

- (ii) Explain how house builders act as producers in the housing market.

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..... [2]

- (iii)* Evaluate the extent to which consumers, producers and the government are interdependent in the housing market.

Use the information given in **Extract 1** and your own knowledge.

[6]

[illegible]

22 Extract 2

Nina and Leo's café

Nina and Leo run a successful café in the town centre of Voreda. They are concerned by the number of new cafés which have opened in the past year. These cafés will provide far more competition for them. This is likely to affect the prices Nina and Leo can charge by changing the equilibrium price and quantity. Nina claims, however, that demand for their products is price inelastic.

Leo thinks they have enough money to improve the business either by repainting the outside of the café or by replacing their old tables and chairs with new ones. Nina has suggested another option which is to expand their outdoor seating area. Leo says he has done some research into borrowing money from a bank. They could get a £10 000 loan for one year, at a fixed interest rate of 2.5%. However, this rate is likely to rise very soon to 3.5%. This loan would enable them to carry out two of their ideas to improve the business. Nina and Leo both wonder what effect these choices will have on their economic sustainability.

(a) Explain what is meant by demand is price inelastic.

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..... [2]

(b) Explain what Nina and Leo mean by equilibrium price and quantity.

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..... [2]

16

- (d) (i) Using an example from **Extract 2**, explain what is meant by opportunity cost.

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..... [2]

- (ii) Calculate the effect on the interest payment if Nina and Leo pay 3.5% interest instead of 2.5% on a £10 000 loan.
Show your working.

Answer = £ [2]

- (iii)*** Evaluate the costs of the economic choices that Nina and Leo must make on their economic sustainability.

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

[6]

[illegible]

23 Extract 3

Summary of Professor Taylor's talk

This is a summary made by Professor Taylor to a meeting of the Westumbria Small Business Association.

- Prices act as a signalling mechanism.
- She explained how a free market may typically respond to excess supply.
- A fall in demand in the last two years has seen business profits fall.
- The price elasticity of supply may differ between businesses (see table).
- Small businesses may gain benefits by specialising but may also experience costs.
- Small businesses are very important for increasing employment and total production in the economy.

Price (£)	Quantity supplied by Firm A	Quantity supplied by Firm B
20	10	10
50	30	20
80	50	30

- (a) One role fulfilled by prices in an economy is to act as a signalling mechanism.

Explain **one other** role fulfilled by prices in an economy.

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..... [2]

- (b) Explain how a free market may respond to excess supply.

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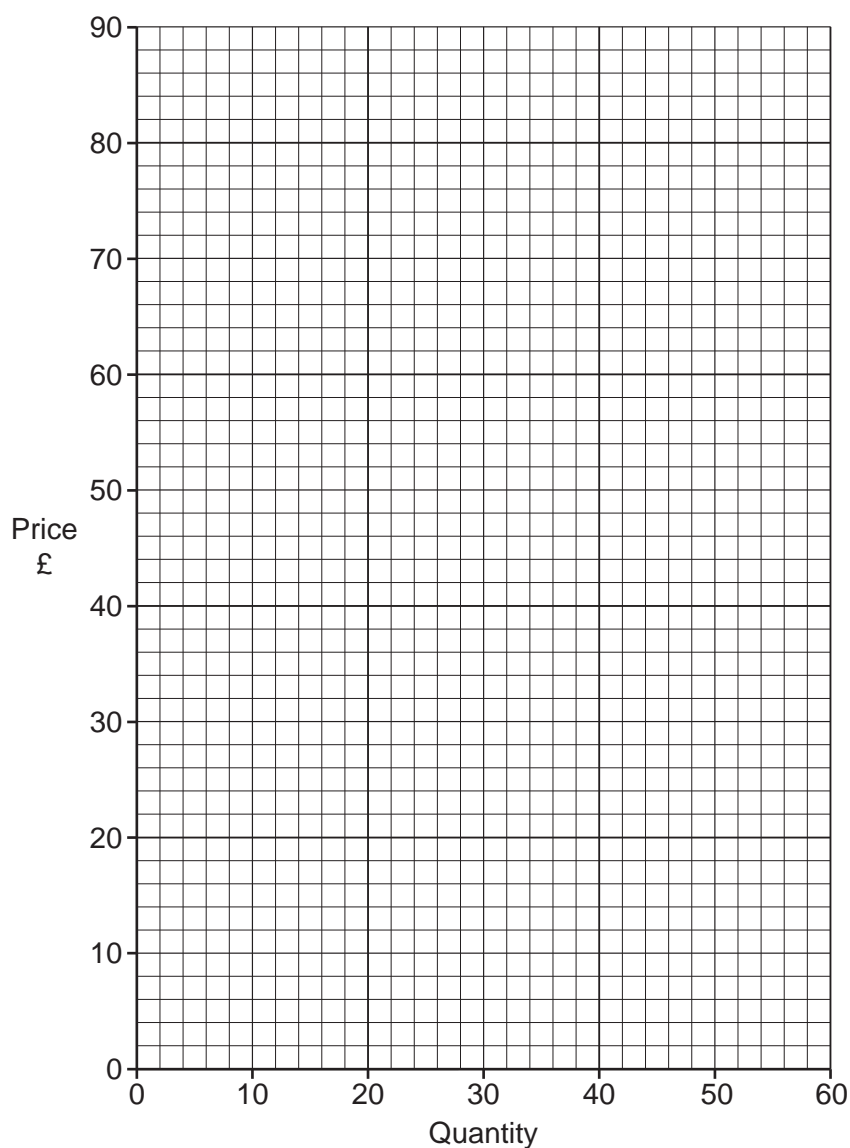
..... [2]

(c) Analyse the consequences for small businesses in Westumbria of a fall in demand.

[6]

20

(d) (i) Using the information in **Extract 3**, draw the supply curve for Firm A.



[2]

(ii) Explain **one** possible cost for a small business of specialisation by its workers.

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..... [2]

- (iii)* Evaluate the advantages that an increase in production by small businesses may have for Westumbria.

Use the information given in **Extract 3** and your own knowledge.

[6]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

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