Please write clearly in block capitals.

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

Surname ____________________

Forename(s) ____________________

Candidate signature ____________________
I declare this is my own work.

GCSE
ECONOMICS

Paper 1 How Markets Work

Wednesday 14 May 2025 Afternoon Time allowed: 1 hour 45 minutes

Materials
- You may use a calculator.

Instructions
- Use black ink or black ball-point pen. Draw diagrams in pencil.
- 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.
- 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.
- 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.

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

Do not write outside the box

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 is **not** a need?

[1 mark]

A Food

B Holiday

C Shelter

D Warmth

0 2 Which of the following represents the basic economic problem?

[1 mark]

A Non-renewable resources and limited wants

B Renewable resources and unlimited wants

C Scarce resources and limited wants

D Scarce resources and unlimited wants

0 3 Demand may be best defined as

[1 mark]

A the equilibrium quantity of a good or service.

B the price of a good or service.

C the quantity of a good or service bought at a given price in a given time period.

D the relationship between price and consumer income.

0 4 Which of the following is a factor of production?

[1 mark]

A Income

B Machinery

C Profit

D Rent

0 5 A firm is able to reduce its long-run average costs by producing a wide range of products.

This is an example of

[1 mark]

A financial economies of scale.

B purchasing economies of scale.

C risk-bearing economies of scale.

D technical economies of scale.

Do not write outside the box

0 6 Which of the following would be included in the primary sector of an economy?

[1 mark]

A A car manufacturer

B A hairdresser

C A school

D A wheat farmer

0 7 Which of the following could be a deduction from gross pay?

[1 mark]

A Maternity pay

B National Insurance

C Net pay

D VAT

0 8 The price elasticity of demand for a product is –0.2.

This means that the product is

[1 mark]

A a complement.

B a substitute.

C price elastic.

D price inelastic.

Do not write outside the box

0 9 Which of the following would be an example of the motivations of producers conflicting with ethical or moral interests?

[1 mark]

A Forcing suppliers to sell at low prices

B Paying farmers a fair price for their crops

C Providing a wide range of products

D Spending more money on staff training

1 0 **Table 1** shows costs and profit at various levels of output for a firm.

Table 1

Output (units)	**Total cost (£)**	**Profit (£)**
20	60	100
30	120	150

When the firm increases its output from 20 to 30 units

[1 mark]

A the price per unit falls by £1.

B the price per unit falls by £2.

C the price per unit rises by £1.

D the price per unit rises by £2.

Do not write outside the box

1 1 State **two** possible business objectives.

[2 marks]

1 ____

____

2 ____

____

1 2 Explain **one** factor that could increase labour productivity.

[2 marks]

____

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____

1 3 Explain **one** possible reason for a decrease in the equilibrium price of televisions.

[2 marks]

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Do not write outside the box

1 4 . 1 The price of potatoes increases by 25%.

Calculate the price elasticity of supply of potatoes if the quantity supplied increases from 60 kg to 90 kg per day.

[2 marks]

1 4 . 2 Explain **one** factor affecting the price elasticity of supply of potatoes.

[2 marks]

Turn over for the next question

Table 2 – Annual pay for selected occupations in the UK

Occupation	**Average annual pay (£)**
Business manager	79 500
Doctor	68 975
Economist	49 613
Plumber	32 040
Waiter/waitress	21 000
Hairdresser	13 548

Source: ONS

1 5 Using **Table 2**, analyse possible reasons for differences in average annual pay between different occupations.

[6 marks]

1 6 State **two** ways a competitive market differs from a non-competitive market.

[2 marks]

1 ______________________________

____

2 ______________________________

____

1 7 Explain **one** possible disadvantage of specialisation for an individual worker.

[2 marks]

____

____

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1 8 Explain **one** difference between a product market and a factor market.

[2 marks]

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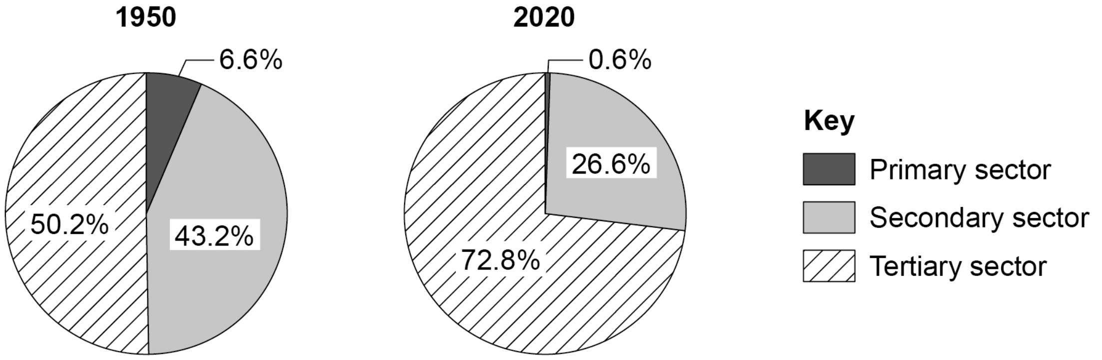
1 9 **Figure 1** shows data relating to the primary, secondary and tertiary sectors of the UK economy for 1950 and 2020.

Figure 1 – Sectors of the UK economy, 1950 and 2020



1 9 . 1 Using **Figure 1**, calculate the percentage change in the size of the secondary sector of the UK economy between 1950 and 2020.

Give your answer to **one** decimal place.

[2 marks]

Answer ____________ %

1 9 . 2 Explain **one** possible consequence of the change in the size of the secondary sector of the UK economy between 1950 and 2020.

[2 marks]

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2 0 Draw and label the effects of increased demand for groceries on the labour market for lorry drivers.

[3 marks]

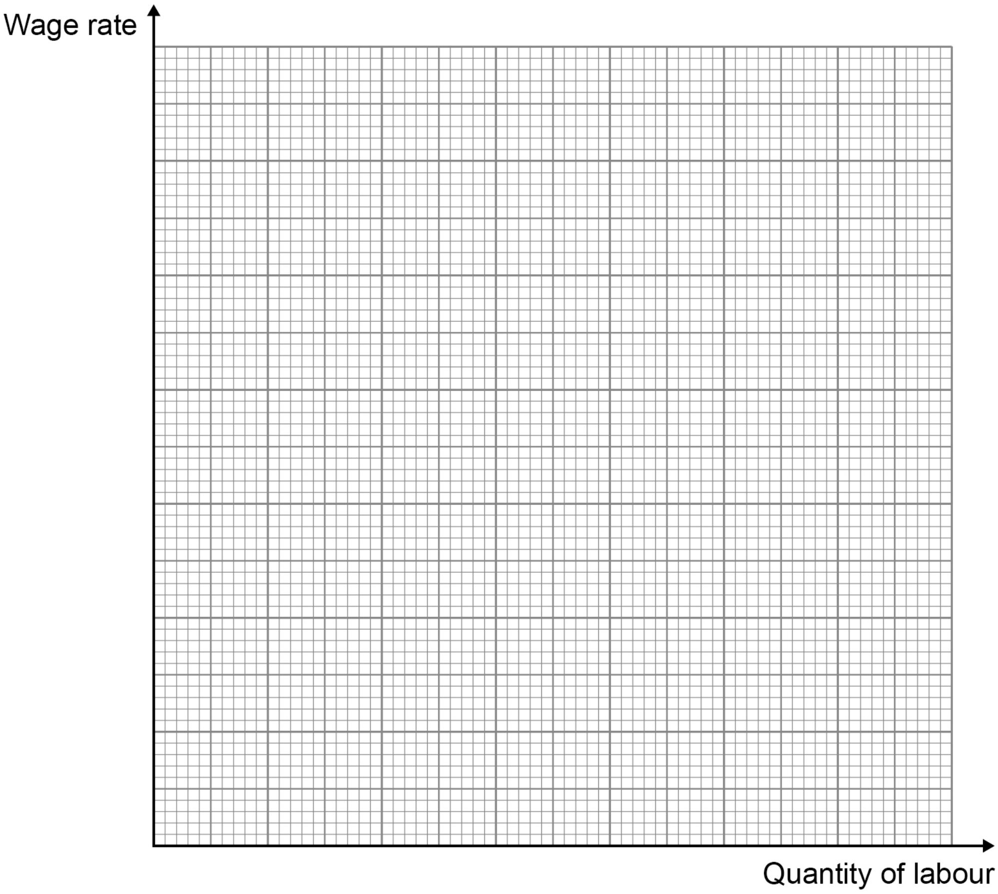

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Figure 2 – The gaming industry

The gaming industry includes the production and consumption of games played on personal computers, games consoles, mobile phones and virtual reality devices. The industry has developed rapidly since the year 2000. In 2000, gaming generated $40 billion of revenue worldwide, rising to $180 billion by 2022.

The gaming industry benefits individual consumers and wider society. For example, direct employment in the industry, such as designing and programming computer games has increased in the UK from 13 000 in 2011 to 28 000 in 2022. The growth of the industry has also led to the creation of jobs in related industries such as marketing. Greater public interest in gaming, along with the growth of the Internet and social media, has also led to increasing numbers of consumers paying to watch professional gamers, and the growth of worldwide eSports tournaments. Due to the ability for gamers to play against people in other countries, the growth of the industry has also improved global communication.

There are some concerns over the potential harm caused by the gaming industry, such as from people becoming addicted to playing certain games. Also, some games have the option to make in-game purchases of virtual items, which has led to people spending more money than they can afford on these items. As games become more sophisticated, increased computing power is needed to play games, leading to environmental issues.

2 1 Using **Figure 2**, assess whether the negative externalities of the gaming industry are greater than the positive externalities.

[9 marks]

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48

Turn over for Section B

Turn over ►

Section B

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

Item A – Domestic energy supply in the UK

The market for domestic energy supply in the UK is dominated by a small number of large firms. These firms supply gas and electricity to customers in UK households and are often called the 'Big 6'. **Table 3** lists the 'Big 6' firms, along with their market share, number of households supplied and annual profit.

Table 3 – 'Big 6' domestic energy suppliers in the UK, 2022

Firm	**Market share (%)**	**Number of households supplied**	**Annual profit (£m)**
British Gas	28.2	7 500 000	72
E.ON	14.5	5 600 000	4 800
Octopus	11.5	5 100 000	203
Ovo	11.2	5 000 000	20
EDF Energy	9.5	3 600 000	1 100
Scottish Power	7.8	3 000 000	487

In recent years, the 'Big 6' energy firms have been criticised for exploiting their monopoly power. Consumer organisations say that the 'Big 6' charge excessively high prices for their supply of gas and electricity. They are also criticised for offering poor service to customers and making it difficult to switch supplier if a customer is not happy with the firm's service. These firms also have not automatically switched customers to the cheapest prices, meaning some customers paid more per year than they needed to.

However, the 'Big 6' firms argue that increasing costs have forced them to raise their gas and electricity prices.

They also point out that many smaller energy companies have recently closed because they were unable to make a profit in the industry. The UK government has attempted to increase competition by making it easier for new energy suppliers to join the market, as well as making it easier for customers to switch suppliers.

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2 2 Define the term 'monopoly'.

[2 marks]

2 3 Using **Table 3**, calculate the average (mean) profit per household earned by the 'Big 6' energy suppliers.

Give your answer to the **nearest £**.

[3 marks]

Profit per household = £ ______________

2 4 Analyse why the UK domestic energy market may not be competitive.

[6 marks]

Turn over ►

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2 5 Explain **two** ways producers operate in a non-competitive market such as the UK domestic energy market.

[6 marks]

Way 1

Way 2

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2 6 Do you think the benefits to consumers of monopoly power in the domestic energy market are greater than the disadvantages?

Use **Item A**, on page 14, and your own economic knowledge to justify your view.

[15 marks]

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END OF QUESTIONS

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ANSWER IN THE SPACES PROVIDED

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