Surname	Centre Number	Candidate Number
First name(s)		2

GCE A LEVEL

A520U10-1

S25-A520U10-1

eduqas
Part of WJEC

MONDAY, 12 MAY 2025 – MORNING

ECONOMICS – A level component 1
Economic Principles

1 hour 30 minutes

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1–20	**20**	
21.	**6**	
22.	**4**	
23.	**4**	
24.	**8**	
25.	**8**	
26.	**10**	
Total	**60**	

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01

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.
Write your name, centre number and candidate number in the spaces at the top of this page.
Answer **all** questions.
Write your answers in the spaces provided in this booklet. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.
You are reminded of the necessity for good English and orderly presentation in your answers.

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Answer **all** questions.

SECTION A

For each question in Section A, write the letter (**A**, **B**, **C**, **D** or **E**) that corresponds to your answer in the box provided.

You are advised to spend approximately **30 minutes** on this section.

1. Which of the following is the best example of expansionary fiscal policy? [1]

A Central Bank purchases of existing government bonds from financial markets

B A cut in base interest rate

C An increase in corporation tax rate

D A cut in the personal income tax allowance

E An increase in public sector road building

2. A commodity was priced at $200 per kilo in 2023 and this formed the base year of a price index for this commodity (index in base year = 100). By 2025 the commodity was priced at $320 per kilo.
What is the price index for the commodity in 2025? [1]

A 60

B 120

C 137.5

D 160

E 220

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3. If demand rises for a profit maximising firm operating under conditions of monopolistic competition, which of the following effects for the firm are most likely in the short run? [1]

	Total revenue	Total costs	Total profit
A	Rises	Rises	Rises
B	Rises	Rises	No change
C	No change	No change	No change
D	Rises	Falls	Falls
E	Falls	Falls	Falls

4. If a central bank engages in a policy of reversing quantitative easing, also known as quantitative tightening, this is most likely to: [1]

A Raise long-term interest rates

B Decrease bond yields

C Increase the money supply

D Lower short-term interest rates

E Decrease the national debt

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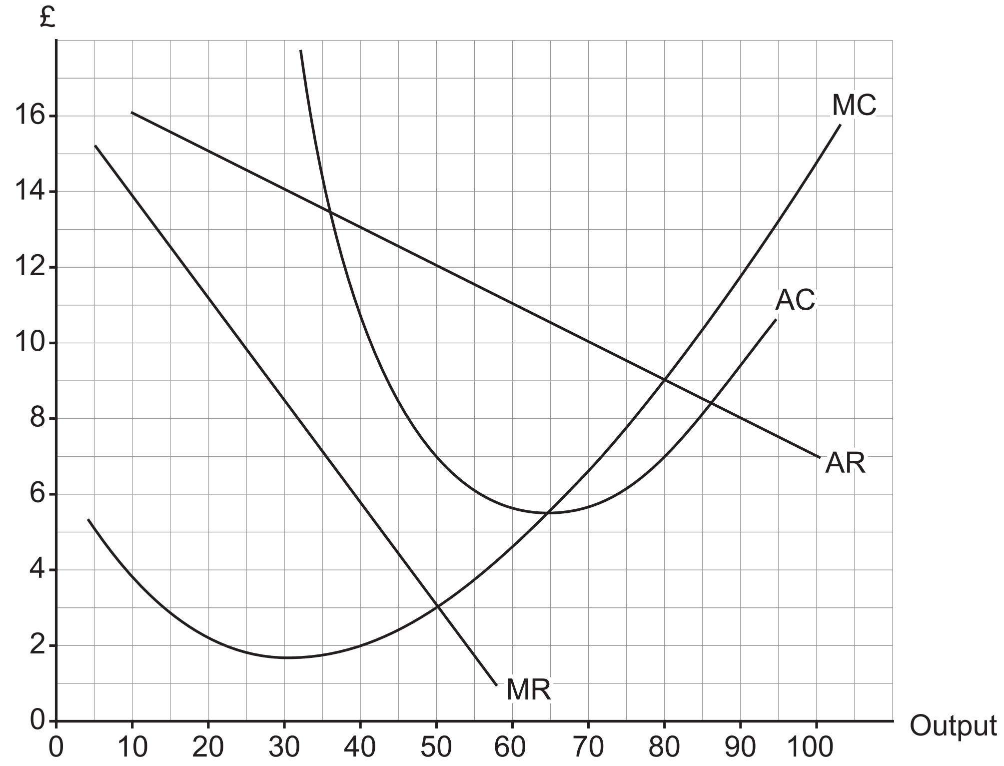
Questions 5 and 6 refer to the diagram below.

The diagram below shows a firm's revenue and cost curves.



5. What is the level of abnormal profit at the firm's allocatively efficient output? [1]

A £0

B £160

C £250

D £330

E £720

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6. What are the firm's total costs at the profit maximising output? [1]

A £150

B £250

C £275

D £350

E £600

7. The table below gives information on the selling price, weekly demand and cross price elasticity of demand for two products, X and Y.

	Product X	**Product Y**
Selling price	£20	£15
Demand per week	1000	1500
Cross price elasticity of demand with product X		–1.5

If the price of product X fell to £18, the change in the weekly demand for product Y would be: [1]

A A decrease of 225 units

B A decrease of 150 units

C An increase of 45 units

D An increase of 150 units

E An increase of 225 units

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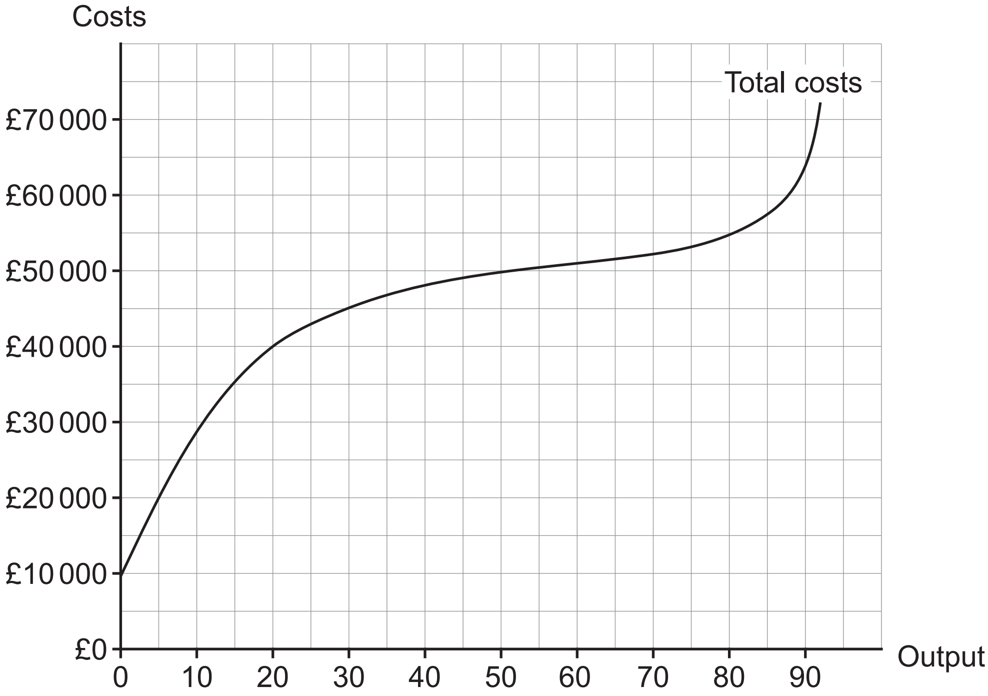
8. The diagram below shows a firm's total costs at different output levels.



Which of the following is true? [1]

A The average fixed cost of producing 50 units is £10 000

B The average variable cost of producing 50 units is £800

C The average fixed cost of producing 20 units is £200

D The average total cost of producing 20 units is £600

E The average variable cost of producing 20 units is £800

9. Factors which will affect the elasticity of demand for labour include all the following **except**: [1]

A Labour costs as a % of total costs

B Income elasticity of demand for the final product

C Ease and cost of factor substitution

D The time period under consideration

E Price elasticity of demand for the final product

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10. The table below shows the market shares of seven firms in a certain industry.

Firm A	30%
Firm B	20%
Firm C	15%
Firm D	15%
Firm E	10%
Firm F	5%
Firm G	5%

If Firm B merged with Firm C, then the four firm concentration ratio in the industry would: [1]

A Rise by 15 percentage points

B Fall by 5 percentage points

C Rise by 10 percentage points

D Fall by 15 percentage points

E Remain unchanged

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11. A firm would **definitely** make normal profit if: [1]

A MC = MR

B MC = AR

C MC = AC

D AC = MR

E AC = AR

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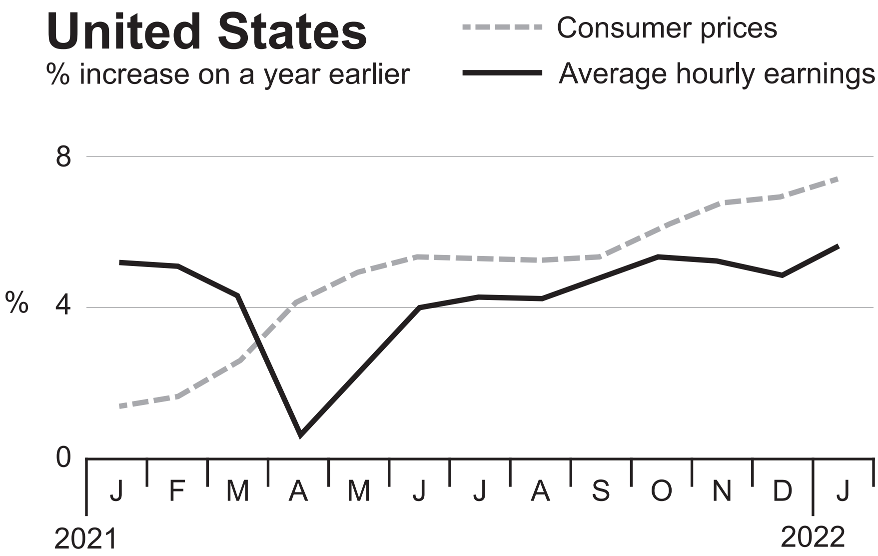
12. The chart below shows the rate of change of wages and prices in the United States in 2021 and early 2022.



It can be concluded that: [1]

A Nominal wages fell over the period

B Real wages fell every month

C Real wages fell in the second half of 2021

D Nominal wages fell in the second half of 2021

E Real wages fell in the first two months of 2021

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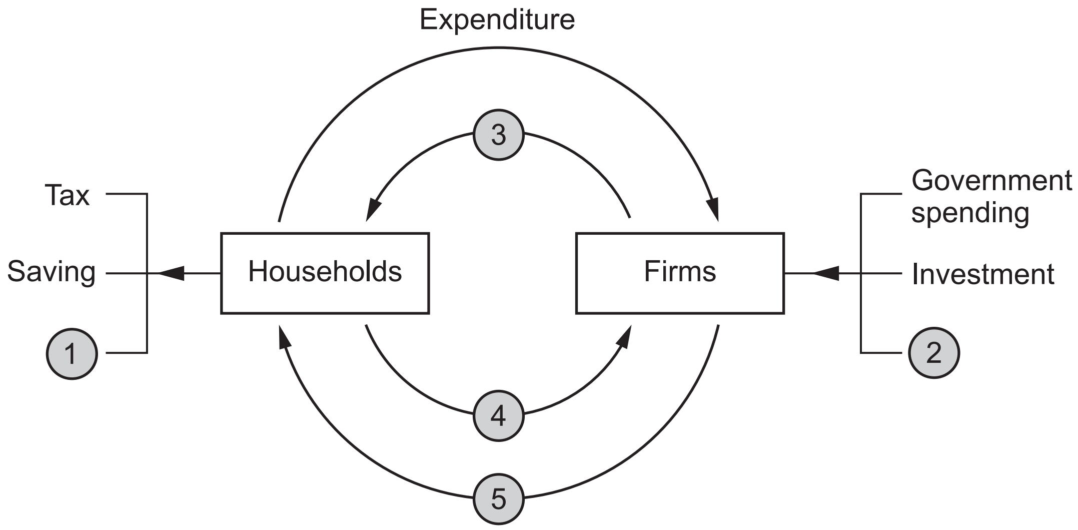
13. The diagram below shows the circular flow of income in an economy.



1, 2, 3, 4 and 5 are flows in the circular flow of income. They are most likely to be: [1]

	1	2	3	4	5
A	Exports	Imports	Goods and services	Factor incomes	Factors of production
B	Exports	Imports	Factors of production	Goods and services	Factor incomes
C	Imports	Exports	Goods and services	Factors of production	Factor incomes
D	Imports	Exports	Factors of production	Goods and services	Factor incomes
E	Imports	Exports	Goods and services	Factor incomes	Factors of production

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14. Which one of the following is currently included in the construction of the Human Development Index (HDI)? [1]

A Adult literacy rates

B Life expectancy at birth

C GDP per capita (PPP$)

D The infant mortality rate

E The primary education enrolment rate

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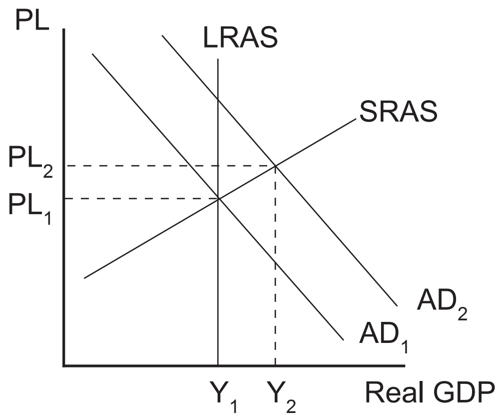
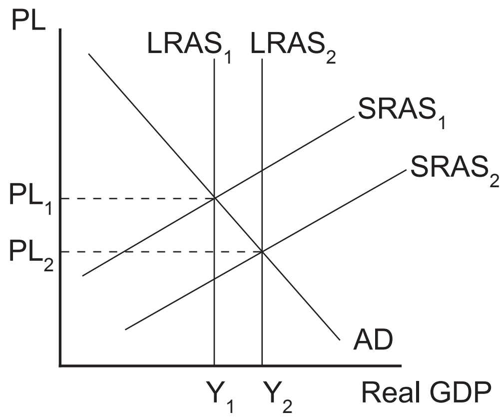
15. A government announces a significant cut in the rate of value added tax (VAT).
Which of the following AD/AS diagrams shows the most likely initial effects of this cut? [1]

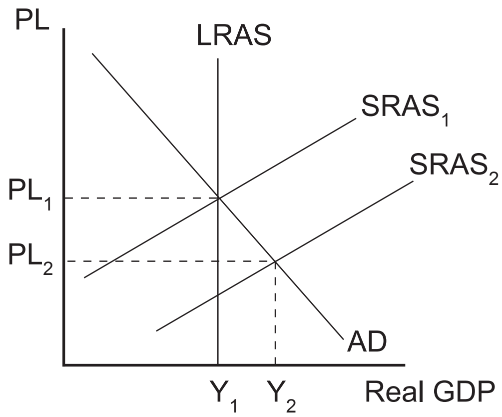
A



B



C



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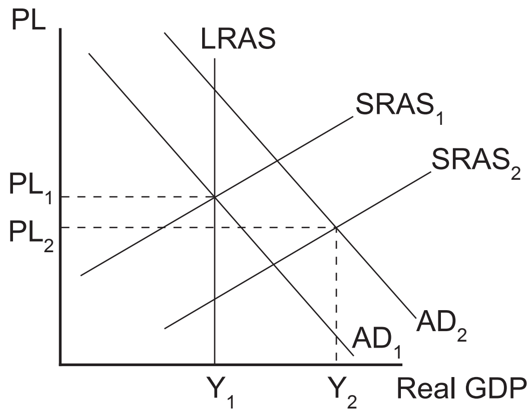
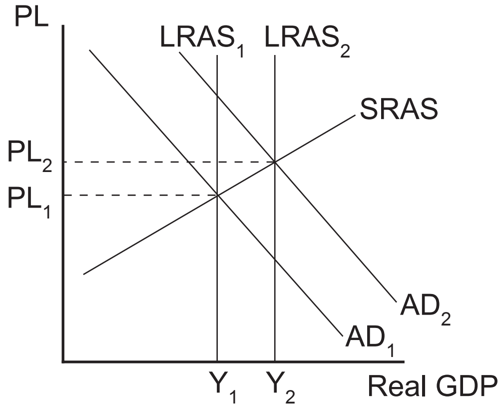


E



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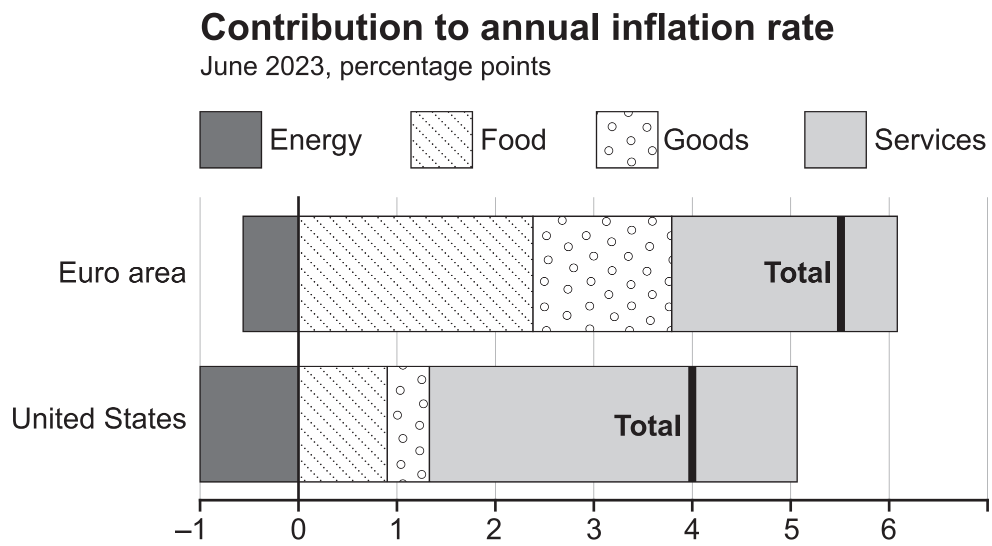
16. The chart below gives information on inflation in the United States and the euro area in June 2023.



It can be concluded that: [1]

A Food price inflation was higher in the United States than in the euro area

B Energy prices helped to reduce inflation in both the United States and the euro area

C Goods price inflation was higher in the United States than in the euro area

D Food prices were lower in the United States than in the euro area

E Service price inflation was a higher proportion of overall inflation in the euro area than it was in the United States

17. To increase the number of cars sold each week from 20 cars to 21 cars, a firm cuts the price of a car from £30 000 to £27 000.
The firm's weekly marginal revenue (MR) from this decision is: [1]

A £567 000

B £27 000

C £3000

D –£33 000

E –£63 000

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18. The grid below shows the expected profits for two firms considering starting advertising campaigns:

		Firm Y	
		Advertise	Don't Advertise
Firm X	**Advertise**	**£50 m**, £70 m	**£30 m**, £30 m
	Don't Advertise	**£60 m**, £40 m	**£40 m**, £35 m

The Nash equilibrium in this case is [1]

	Firm X	**Firm Y**
A	No Nash equilibrium in this case	
B	Advertise	Don't Advertise
C	Advertise	Advertise
D	Don't Advertise	Don't Advertise
E	Don't Advertise	Advertise

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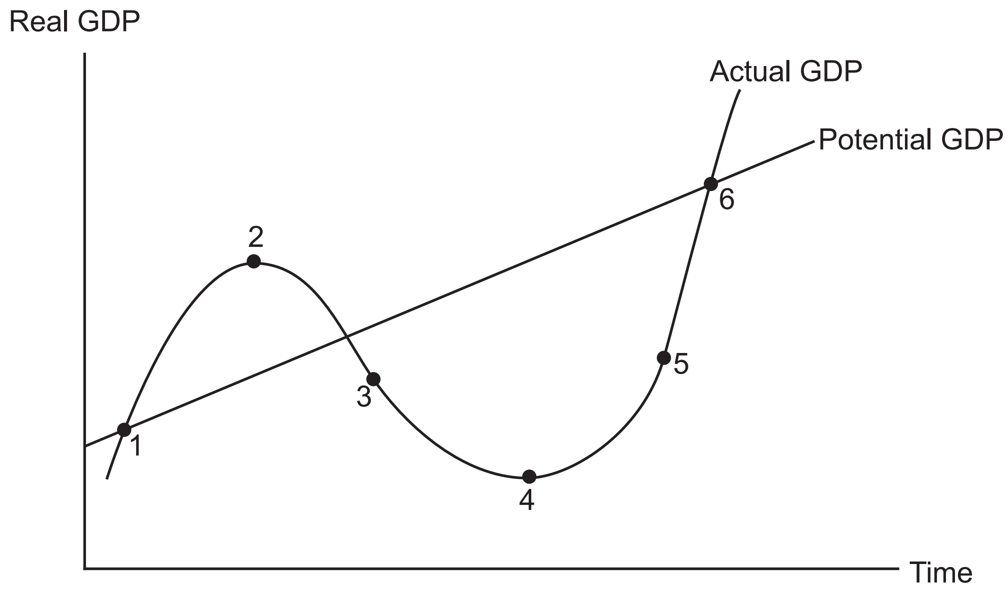
19. The diagram below shows an economy's actual and potential GDP.



Which movement shows an increase in an economy's negative output gap? [1]

A 1 to 2

B 2 to 3

C 3 to 4

D 4 to 5

E 5 to 6

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20. The table below shows the output of fruit and vegetables in two countries that have used half of their factors of production in the production of each good.

	Fruit		**Vegetables**
Country 1	200	**and**	400
Country 2	600	**and**	800

If each country specialised in producing the good in which they had a comparative advantage, the **change** in **total output** of each good would be: [1]

	Fruit	**Vegetables**
A	–400	+400
B	+200	–400
C	+400	–400
D	+400	+400
E	+400	+600

20

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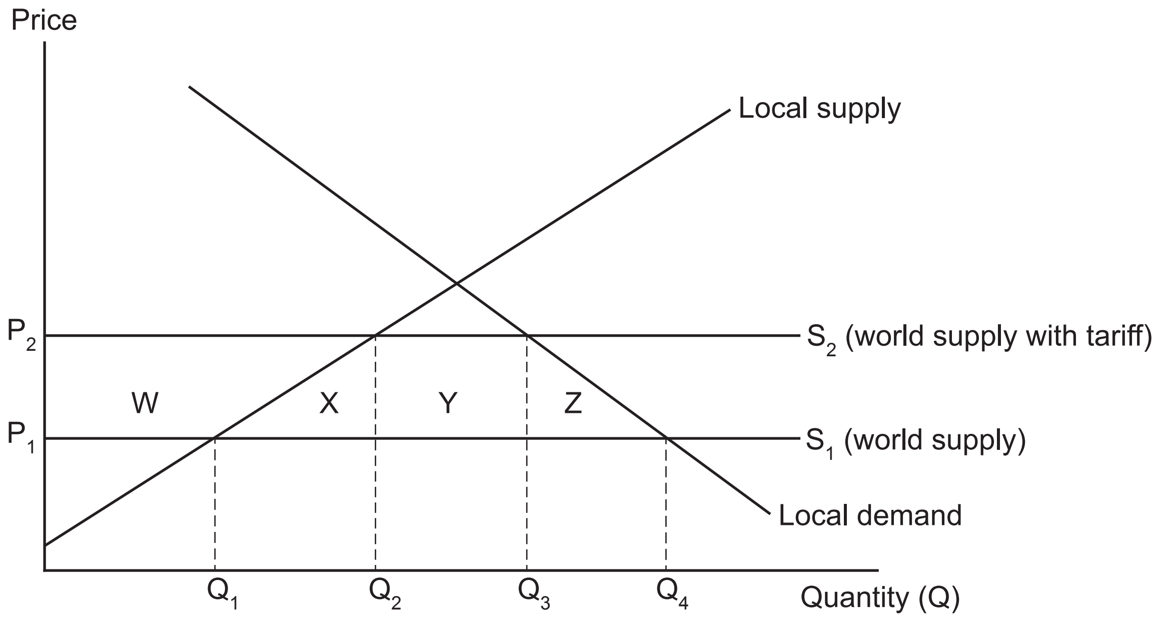
SECTION B

Answer **all** questions.

21. The diagram below shows a market in which a government has imposed a tariff on imported goods.



Briefly explain what is represented by the following areas in the diagram:

(a) W [2]

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(b) X + Z [2]

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(c) Y [2]

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22. The image below shows the price of hiring a beach hut at the seaside at different times of the year.

Using the information in the image, outline two necessary conditions for price discrimination to be used by a firm when selling a product or service. [4]

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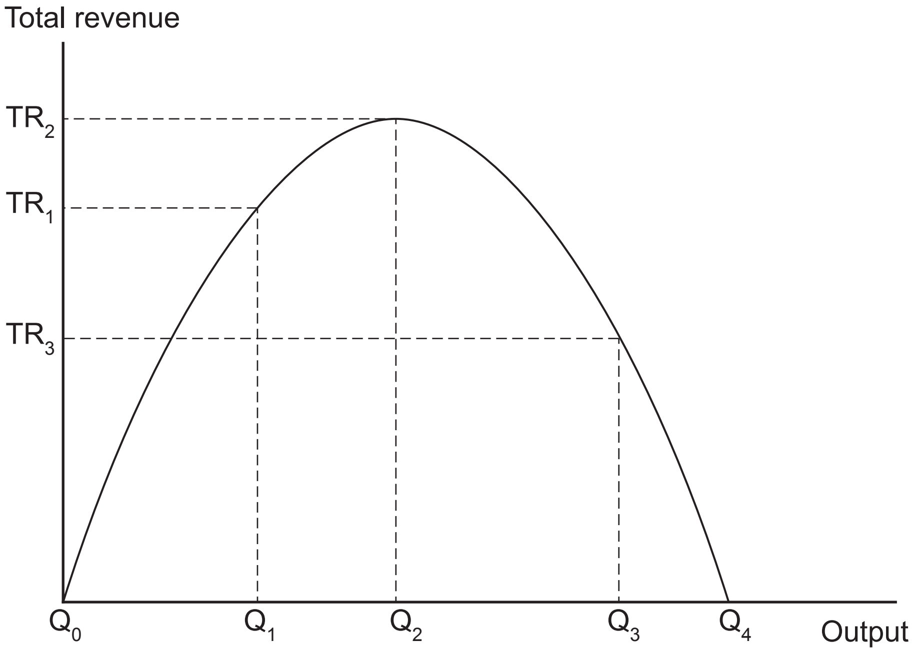
23. The diagram below shows the total revenue curve for a monopoly firm.



Explain why the total revenue curve for the firm is shaped as shown in the diagram. [4]

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24. Jamaica's minister for health and wellness wants to introduce compulsory food labelling regulations in an attempt to reduce deaths from 'lifestyle diseases'. According to the minister, up to 70% of Jamaica's population dies from these diseases, which are often linked to an unhealthy diet.

The current system of food labelling in Jamaica, which is unregulated, is argued to be ineffective. Research suggests that 12% of labels on pre-packaged food and beverage products contain incorrect or missing information and 80 to 90% of all pre-packaged foods contain harmful levels of additives and ingredients. Even where labels are accurate, they are complex and difficult to understand, breaching the principle of the consumer's right to know, which is further undermined by food companies' huge marketing budgets.

Using the data, discuss whether compulsory food labels are likely to correct market failure in Jamaica in this case. [8]

8

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25. Chart A and Chart B below give information on investment and national incomes in the UK and Türkiye in 2023.

Chart A

Gross capital formation* (% of GDP)

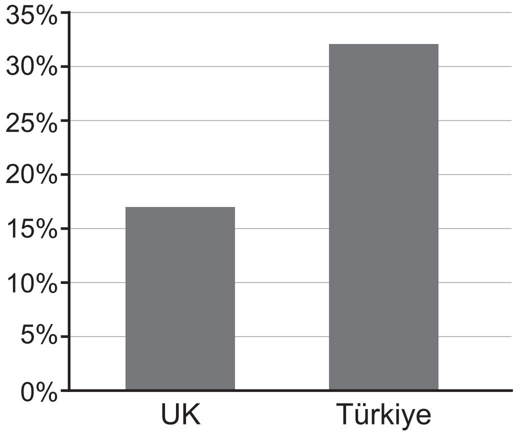
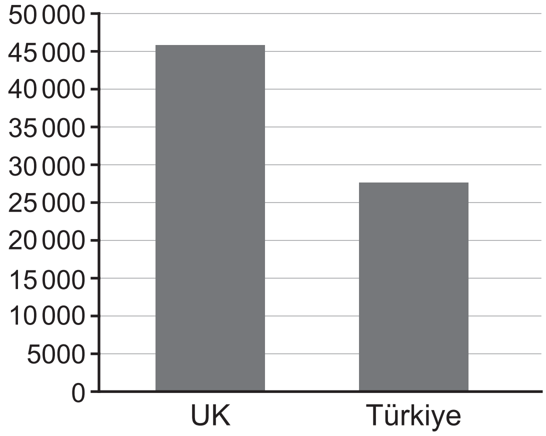


Chart B

GNI per person (PPP$)



* Gross capital formation refers to private sector and government investment

Discuss whether the data suggests that Türkiye's GNI per person will eventually be greater than the UK's. [8]

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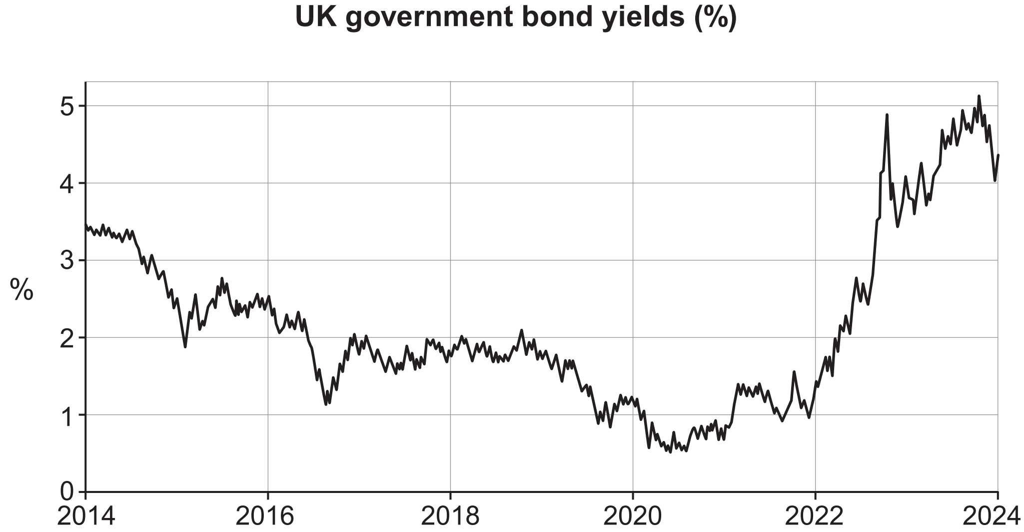
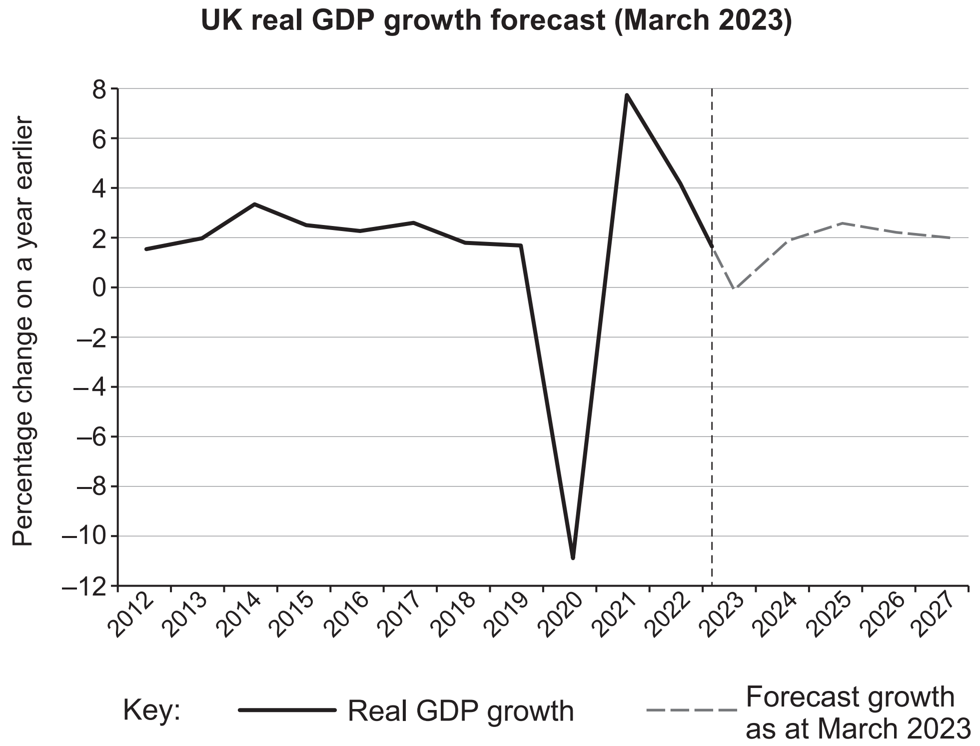
26. The charts below give information on the UK's growth, forecast growth, national debt and bond yields in March 2023. Bond yields show the cost of new borrowing to the government.





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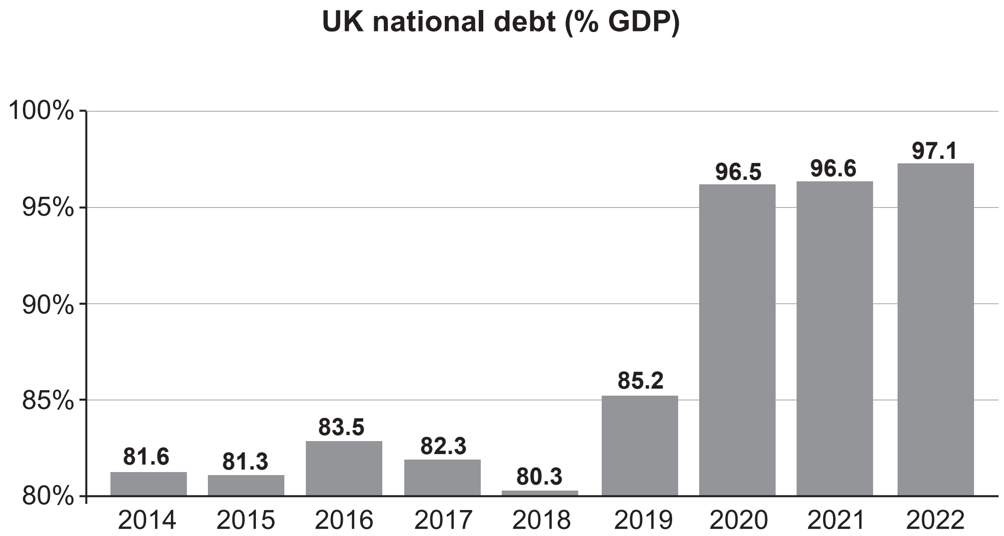

Discuss the extent to which the UK government should have been concerned by the data shown in the charts. [10]

 (A520U10-1) **Turn over.**

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END OF PAPER

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Question number	Additional page, if required. Write the question number(s) in the left-hand margin.

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