GCE A LEVEL

A520U30-1

S25-A520U30-1

THURSDAY, 5 JUNE 2025 – MORNING

ECONOMICS – A level component 3
Evaluating Economic Models and Policies

2 hours 30 minutes

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

You may use a pencil for graphs and diagrams only.

Answer **both** parts of **one** question from Section A.
Answer **both** parts of **one** question from Section B.
Answer **both** parts of **one** question from Section C.

Write your answers in the separate answer booklet provided, following the instructions on the front of the answer booklet.

Use both sides of the paper. Write only within the white areas of the booklet.

Write the question number in the two boxes in the left-hand margin at the start of each answer, for example | 1 | 1 | .

Leave at least two line spaces between each answer.

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, clear presentation in your answers.

SECTION A

Answer **both** parts of **one** question from this section.

Either,

"Our goal is long-term growth in revenue and absolute profit"
Larry Page, Google, 2012

1 1 Using diagrams, explain how both an increase in the scale of a firm **and** an increase in the scale of an industry could lead to a rise in a firm's average costs. [10]

and

1 2 Discuss whether all firms should aim to maximise their profits. [20]

Or,

Increased contestability in UK energy market had unintended consequences

2 1 Explain the main factors that determine the level of contestability in a market. [10]

and

2 2 To what extent is it desirable that all markets should become more contestable? [20]

SECTION B

Answer **both** parts of **one** question from this section.

Either,

UK consumers continue to cut spending

3 1 Explain the factors that might cause consumption in an economy to rise. [10]

and

3 2 Discuss whether an increase in consumption is likely to be good for the UK economy. [20]

Or,

Bank of England struggles to reduce UK inflation to target rate

4 1 Explain how a price index to measure the rate of inflation is constructed. [10]

and

4 2 Discuss whether a reversal of quantitative easing could be effective in bringing inflation down to its target level. [20]

SECTION C

Answer **both** parts of **one** question from this section.

Either,

Covid and rising debt levels cause collapse in foreign direct investment (FDI)

5 1 Explain why high levels of public sector debt can be an obstacle to economic development in low-income countries (LEDCs). [10]

and

5 2 Discuss whether an increase in FDI into low-income countries (LEDCs) is likely to lead to an increase in economic development. [20]

Or,

LEDCs face a deteriorating terms of trade as dollar surges

6 1 Explain what is meant by a country's terms of trade and explain two factors that could cause it to worsen. [10]

and

6 2 Evaluate the view that a worsening in a country's terms of trade is good for its economy. [20]

END OF PAPER