Surname	Centre Number	Candidate Number
First name(s)		2

GCE AS/A LEVEL

2520U10-1

S25-2520U10-1

TUESDAY, 13 MAY 2025 – MORNING

ECONOMICS – AS unit 1
Introduction to Economic Principles

1 hour 15 minutes

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1–15	**15**	
16	**8**	
17	**10**	
18	**12**	
19	**10**	
Total	**55**	

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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.

You may use a pencil for graphs and diagrams only.

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, clear presentation in your answers.

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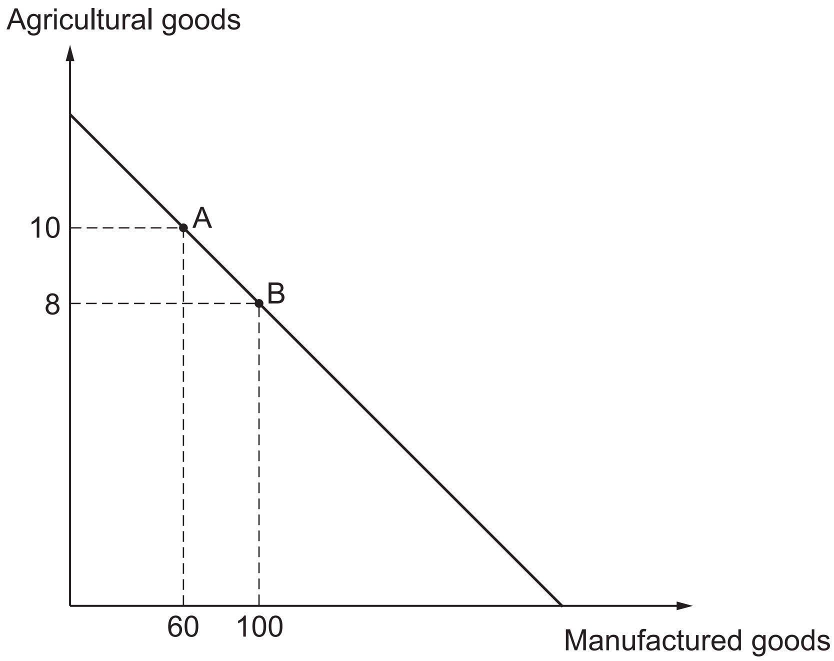
SECTION A

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.

Questions 1 and 2 relate to the production possibility frontier (PPF) diagram for a country below.



1. Complete the following statement:

A straight line PPF indicates that … [1]

- **A** as consumers buy more agricultural goods, they experience the law of diminishing marginal utility.
- **B** there is imperfect factor substitution.
- **C** the ratio of manufactured goods to agricultural goods is 1:1.
- **D** the opportunity cost of increasing the number of manufactured goods is constant.
- **E** it takes the same number of resources to make 1 agricultural good as it does to make 1 manufactured good.

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2. If the country decides to specialise completely in the production of manufactured goods, calculate the maximum number of manufactured goods that could be made. [1]

A 40

B 100

C 220

D 260

E Impossible to tell

3. Identify the correct term that completes the following statement.

'Air is often cited as an example of a(n) … because it is generally abundant and individuals can breathe it without incurring any cost.' [1]

A complementary good

B economic good

C free good

D demerit good

E capital good

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4. The demand for a service rises and, at the same time, the supply falls. Ceteris paribus, what is the impact on the equilibrium price and quantity? [1]

	Price	Quantity
A	Rise	Rise
B	Fall	Fall
C	Rise	Fall
D	Fall	Rise
E	Rise	Impossible to tell

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5. According to the International Energy Agency (IEA), global demand for coal reached a record high at the start of 2023. The quantity demanded had increased by 1.4% in the previous 12 months. The global coal price fell significantly from $400 per tonne to just $145 per tonne in the same time period.

Using the data, calculate the PED value to 2 decimal places. [1]

A –0.01

B –0.02

C –0.22

D –4.54

E –45.54

6. According to academic research in Turkey, the income elasticity of demand for coal has been estimated at +4.8. Assuming that the demand for coal in Turkey rose by 1.4%, calculate the % change in income to 2 decimal places. [1]

A +0.29%

B +2.92%

C +3.42%

D +6.72%

E –2.92%

7. 'Its consumption provides benefits to society beyond those recognised by the individual consumer, leading to underconsumption in the free market.'

What economic concept is being described here? [1]

A An absence of private property rights

B Income inequality

C The benefits system

D Merit goods

E Government failure

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8. In the circular flow of income model, what are the three injections? [1]

A Government expenditure, investment and exports

B Government expenditure, income and exports

C Government expenditure, income and imports

D Savings, investments and imports

E Income, investments and imports

9. Consider the following statements. [1]

Statement A

Government spending on routine maintenance and day-to-day operations is called capital expenditure.

Statement B

Indirect taxes are taxes levied on individuals or firms, and the burden cannot be shifted to someone else.

	Statement A	Statement B
A	True	True
B	True	False
C	False	True
D	False	False
E	True	Impossible to tell

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10. Which of the following is an approximate figure for the UK government's annual tax revenue received? [1]

A £1 100 000 (£1.1 m)

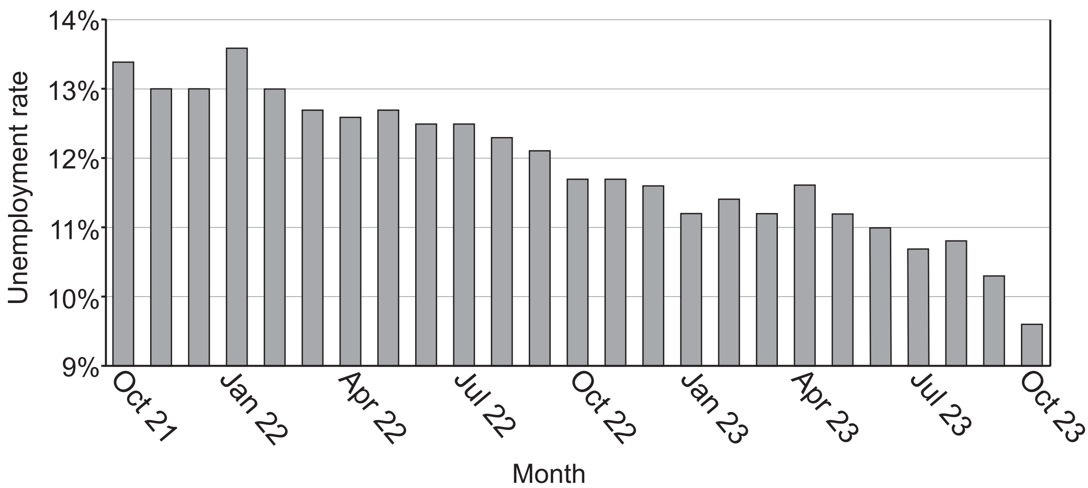
B £110 000000 (£110 m)

C £11 000 000 000 (£11 bn)

D £1 100 000 000 000 (£1.1 trn)

E £110 000 000 000 000 (£110 trn)

11. The chart below shows the unemployment rate for Greece between October 2021 and October 2023.



Which of the following statements can be concluded from the data? [1]

A Greece experienced negative economic growth throughout the time period.

B The unemployment rate was at its highest in January 2022, during this period.

C The inflation rate was falling between October 2021 and October 2023.

D Fewer Greeks were in work in October 2023 compared to October 2021.

E None of the above.

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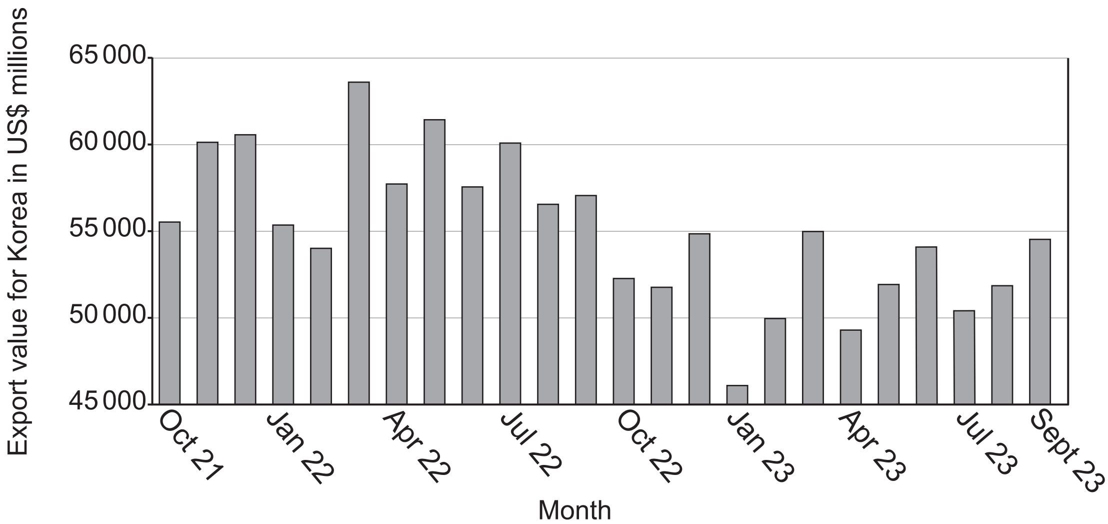
12. The chart below shows the value of exports for Korea between October 2021 and September 2023 in US$ millions.



Which of the following statements can be concluded from the data? [1]

A Korea experienced positive economic growth throughout the time period.

B Korea's exports were greater than its imports throughout the time period.

C Korea's inflation rate was rising between October 2021 and September 2023.

D The value of Korea's currency (the won) appreciated against the US$ throughout this time period.

E None of the above.

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Turn over.

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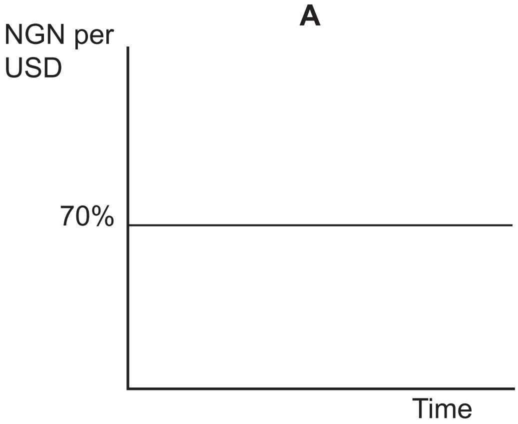
13. The Laffer curve shows the relationship between which two variables? [1]

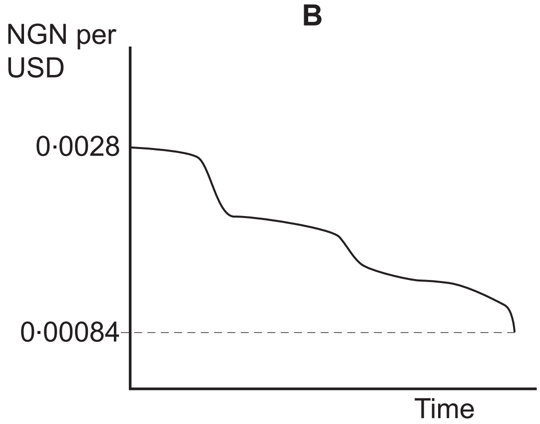
- **A** Real GDP and price level
- **B** Unemployment rate and inflation rate
- **C** Tax rate and tax revenue
- **D** Cumulative percentage of the population and cumulative percentage of income
- **E** Price and quantity

14. The Nigerian naira (NGN) lost 70% of its value against the US dollar (USD) over the five-year period 2019 to 2024.
Which one of the charts opposite accurately reflects this description? [1]

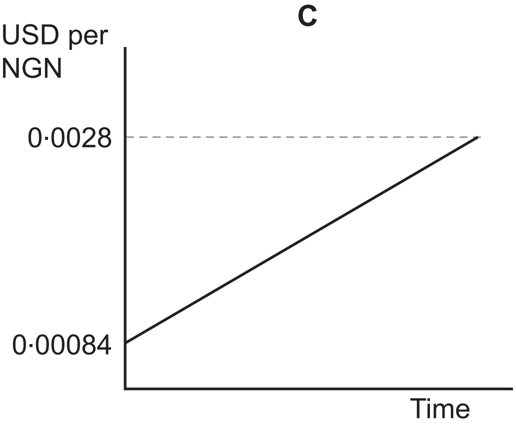
A


NGN per USD
70%
Time

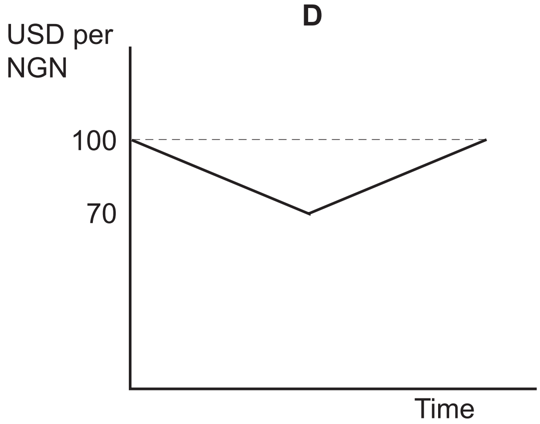
B


NGN per USD
0·0028
0·00084
Time

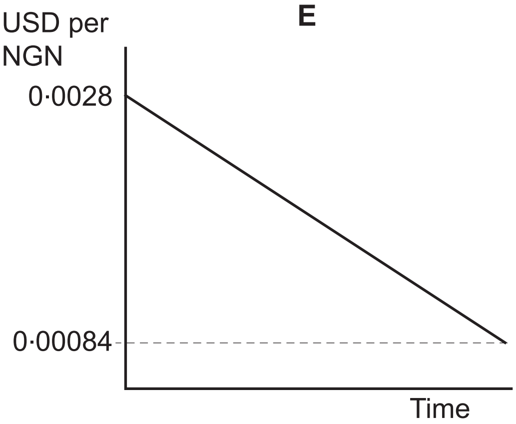
C


USD per NGN
0·0028
0·00084
Time

D


USD per NGN
100
70
Time

E


USD per NGN
0·0028
0·00084
Time

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15. The table below shows the monthly average GBP sterling effective exchange rate index. Jan 2005 = 100 (base).

Month/year	Value
Oct 2022	76.96
Nov 2022	78.11
Dec 2022	79.02
Jan 2023	78.27
Feb 2023	77.79
Mar 2023	78.26
Apr 2023	79.30
May 2023	80.10
Jun 2023	81.68
Jul 2023	82.55
Aug 2023	82.30
Sep 2023	82.40

Over the period shown, in which **single pair of consecutive months** did the GBP index experience a depreciation? [1]

A Oct 2022 – Nov 2022

B Dec 2022 – Jan 2023

C Feb 2023 – Mar 2023

D Jun 2023 – Jul 2023

E Aug 2023 – Sep 2023

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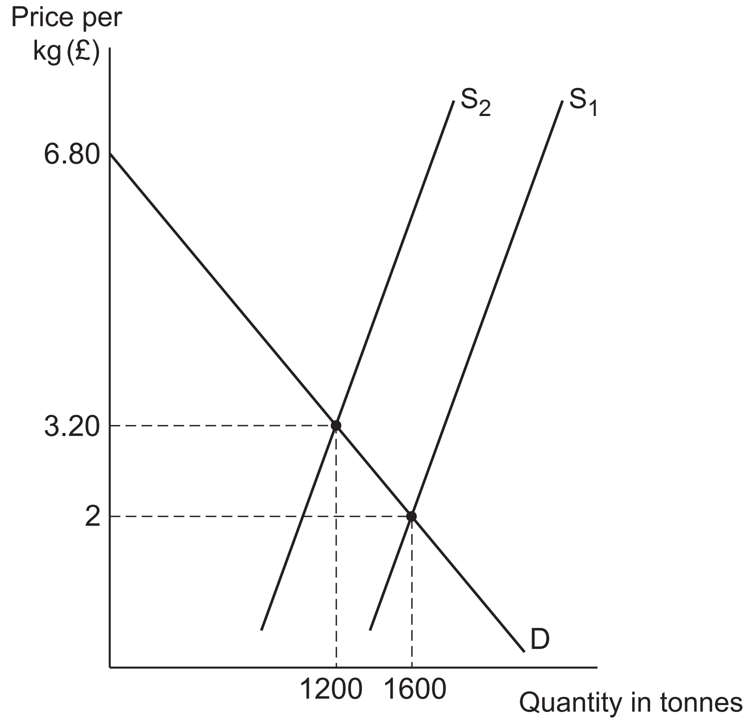
SECTION B

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

16. The diagram below represents the demand and supply for grapes in the UK. It shows the change in the price of grapes as a result of a poor harvest.



(a) Explain why supply curves will normally slope upwards from left to right. [2]

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(b) Calculate the value of consumer surplus at the new equilibrium price of £3.20. [2]

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(c) With reference to both the **income effect** and the **substitution effect**, explain how consumers of grapes are likely to respond to a price increase. [4]

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17. The minimum wage is the same in all regions of the UK.

Table 1: Minimum hourly wage rates (April 2023)

These rates are for the National Living Wage (for those aged 23 and over) and the National Minimum Wage (for those of at least school leaving age.) The rates change on 1 April every year.

	23 and over	21 to 22	18 to 20	Under 18	Apprentice
April 2023 (Hourly rate)	£10.42	£10.18	£7.49	£5.28	£5.28

Table 2: Average (median) gross weekly earnings by Welsh local regions (Dec 2022)

South-East Wales	£606.80
South-West Wales	£593.00
North Wales	£584.30
Mid Wales	£574.80
Welsh national average	**£598.10**

Table 3: Unemployment rate by Welsh local regions (Dec 2022)

South-East Wales	3.7%
South-West Wales	3.7%
North Wales	2.3%
Mid Wales	4.0%
All regions in Wales	**3.5%**

Using the data and your own knowledge, discuss the advantages of a regional minimum wage for Wales. [10]

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10

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18. Table 4 shows an economy's aggregate demand (AD) function by its components in 2023 and 2024.

Table 4

(All figures in $bns)	Year 2023	Year 2024
Total AD	2200	2430
Consumption	1320	1480
Private domestic investment	220	I
Net exports	–100	–70
Government expenditure	G	780

(a) Calculate the values for G and I. [2]

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(b) Explain how both wealth and expectations can affect the level of consumption in an economy. [4]

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(c) Using an AD/AS diagram, explain how contractionary fiscal policy can lead to a fall in economic growth. [6]

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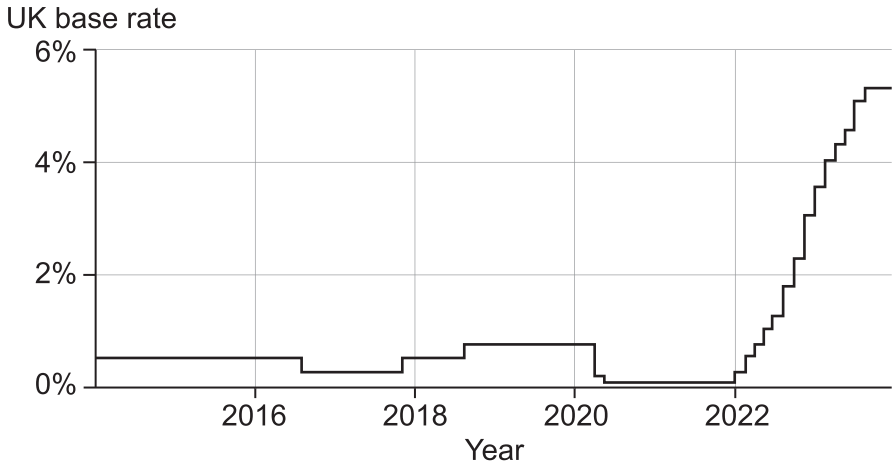
19. Figure 1: UK base rate (January 2014–December 2023)



The Bank of England has an important role to play in creating monetary and financial stability, and fulfilling its status as **lender of last resort**.

In August 2023, the Bank of England raised the base rate to 5.25%. This was the highest level for 15 years. In December 2023, the members of the Bank of England's Monetary Policy Committee (MPC) voted (six to three) to keep the base rate constant at 5.25%. Three of the nine MPC members had voted to increase the base rate.

At the time, the UK's inflation rate had decreased from 10.1% in January 2023 to 3.9% in December 2023, and economic growth was slowing. Many economic journalists wrote that the decision over whether to increase the base rate or not was 'finely balanced'.

(a) Outline what is meant by the Bank of England's status as a lender of last resort. [2]

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(b) Discuss whether the Bank of England's MPC should only consider the current inflation rate when setting the base interest rate. [8]

10

END OF PAPER

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

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