



**GCE AS/A LEVEL**

**2520U10-1**

**MONDAY, 15 MAY 2023 – MORNING**

**ECONOMICS – AS unit 1**

**Introduction to Economic Principles**

**1 hour 15 minutes plus your additional time allowance**

**Surname** \_\_\_\_\_

**First name(s)** \_\_\_\_\_

**Centre Number** \_\_\_\_\_

**Candidate Number** 2 \_\_\_\_\_

**For Examiner's use only**

<b>Question</b>	<b>Maximum Mark</b>	<b>Mark Awarded</b>
<b>1.–15.</b>	<b>15</b>	
<b>16.</b>	<b>7</b>	
<b>17.</b>	<b>7</b>	
<b>18.</b>	<b>10</b>	
<b>19.</b>	<b>16</b>	
<b>Total</b>	<b>55</b>	

**ADDITIONAL MATERIALS**

**A calculator.**

**INSTRUCTIONS TO CANDIDATES**

**Use black ink, black ball-point pen or your usual method.**

**Write your name, centre number and candidate number in the spaces provided on the front cover.**

**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 need for clear and accurate written communication.**

**(Turn over)**

## 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. Rational consumers seek to maximise their:  
[1 mark]

**A** Profit

**B** Marginal private benefits

**C** Utility

**D** Marginal social benefits

**E** Revenue

(Turn over)

2. Which one of the following is an injection into the circular flow of income? [1 mark]

A Consumption

B Taxation

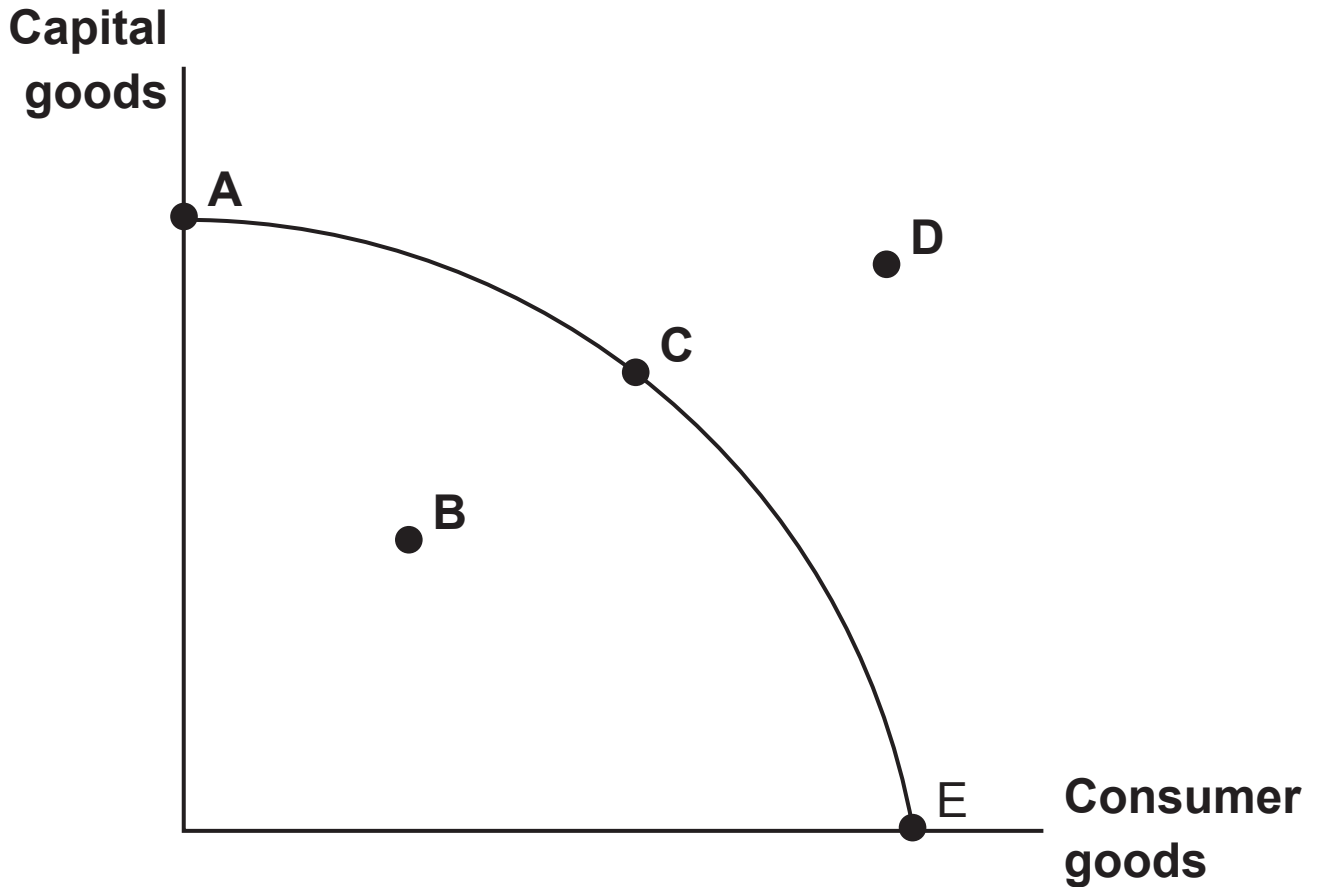
C Income

D Exports

E Saving

Questions 3 and 4 refer to the diagram below.

The diagram below shows a production possibility frontier (PPF) for an economy.

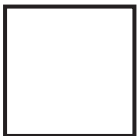


(Turn over)

3. Which one of the following correctly describes the relevant point labelled on the diagram? [1 mark]

<b>A</b>	<b>Efficient</b>	<b>Attainable</b>
<b>B</b>	<b>Inefficient</b>	<b>Unattainable</b>
<b>C</b>	<b>Inefficient</b>	<b>Unattainable</b>
<b>D</b>	<b>Efficient</b>	<b>Attainable</b>
<b>E</b>	<b>Efficient</b>	<b>Unattainable</b>

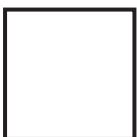
4. Which one of the following can be concluded from the diagram? [1 mark]
- A** The opportunity cost of increasing production of consumer goods is constant
  - B** The rate of future economic growth will be the highest at point E
  - C** The factors of production in this economy are perfectly substitutable
  - D** The rate of future economic growth will be the highest at point B
  - E** The opportunity cost of moving from point B to point C is zero



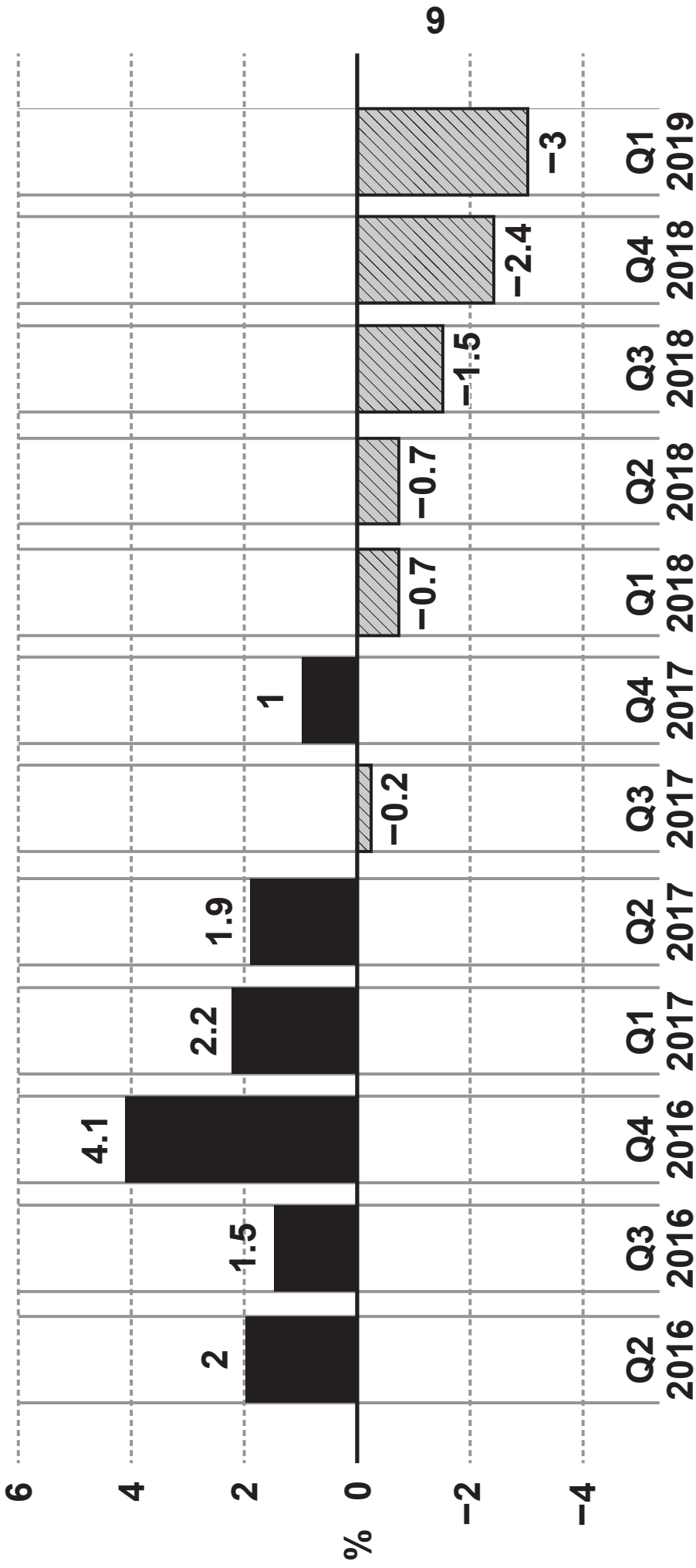
5. The chart on page 9 gives information on the quarterly percentage change in average house prices in Australia from mid-2016 (Q2) to the beginning of 2019 (Q1).

From the chart it can be concluded that, over the period shown, average house prices in Australia: [1 mark]

- A** Fell in Q1 2017
- B** Were at their highest in Q4 2016
- C** Were unchanged in Q2 2018 from Q1 2018
- D** Were at their highest in Q4 2017
- E** Were 3% lower in Q1 2019 than in Q2 2016



# Quarterly percentage change in average house prices in Australia



(Turn over)

Source: [TradingEconomics.com](http://TradingEconomics.com)

**6. Across Europe, milk prices rose by 50% in 2021. What was most likely to have caused this price rise? [1 mark]**

**A Increased demand for non-dairy milk substitutes**

**B Decreased tariffs on fuel used by dairy farmers**

**C Increased costs of fertiliser and animal feed**

**D Decreased wage rates for dairy farm workers**

**E Increased surpluses of milk around the world**

7. The government reduces the amount of welfare payments (Jobseeker's Allowance) that is paid to its unemployed citizens. As a result, businesses see more people applying for their job vacancies.

This is an example of which economic concept?

[1 mark]

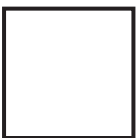
- A Workplace benefits
- B The National Living Wage
- C Demand-side fiscal policy
- D The Laffer curve
- E Incentive to work

(Turn over)

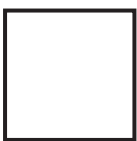
8. A government report found that expenditure on food would increase by \$0.54 in Tanzania and by \$0.02 in the USA if household incomes rose by \$1 in each country.

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

- A Food is an inferior good in the USA
- B Demand for food is more income inelastic in the USA than in Tanzania
- C Food is a substitute good in the USA
- D Demand for food is more price elastic in Tanzania than in the USA
- E Food is an inferior good in Tanzania



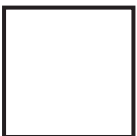
9. Which one of the following would be most likely to cause an increase in an economy's level of aggregate demand? [1 mark]
- A An increase in the value of the economy's trade deficit
  - B An increase in the economy's base interest rate
  - C An increase in the economy's unemployment rate
  - D An increase in the value of the economy's budget deficit
  - E An increase in the economy's rate of corporation tax



10. The table on page 15 shows the annual percentage increase in the UK National Living Wage (NLW) rate for workers aged 25 and over. It also shows the annual inflation rate, from April 2019 to April 2021.

Over the period shown, for workers earning the UK National Living Wage: [1 mark]

- A Real incomes rose most in April 2020
- B Money incomes rose by 2.8% in April 2019
- C Average prices fell in April 2020
- D Average prices were at their highest in April 2019
- E Real incomes rose by 3.7% in April 2021



<b>Date</b>	<b>Percentage increase in the UK NLW (aged 25 and over)</b>	<b>Annual inflation rate</b>
<b>April 2019</b>	<b>4.9%</b>	<b>2.1%</b>
<b>April 2020</b>	<b>6.2%</b>	<b>0.8%</b>
<b>April 2021</b>	<b>2.2%</b>	<b>1.5%</b>

11. In 2019, almost 38% of all US cinema ticket sales were to see Disney movies. When Disney negotiated the rights to show **Star Wars: The Last Jedi** with cinemas, it insisted the cinemas give them 65% of ticket revenue from the film, a new high for the industry. At the same time, some commentators complained that the quantity and quality of movies made by Disney had fallen.

This may be an example of market failure caused by:

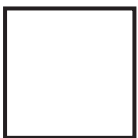
[1 mark]

- A Monopoly power
- B Income inequality
- C Volatile prices
- D Demerit goods
- E Public goods

(Turn over)

**12. Which one of the following policies would be expected to reduce the level of unemployment in the long run? [1 mark]**

- A An increase in sales taxes**
- B Increasing labour market flexibility**
- C Reduction in import tariffs**
- D Increasing interest rates**
- E Raising National Insurance contributions**



**13. If there was a significant outflow of the Pound Sterling from the UK, which one of the following would be most likely to occur? [1 mark]**

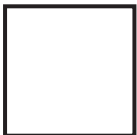
**A The price of UK exports would rise**

**B There would be an appreciation of the Pound Sterling**

**C There would be a fall in the value of the exchange rate of the Pound Sterling**

**D Interest rates would fall**

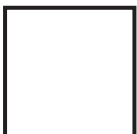
**E The UK government's budget deficit would worsen**



14. In November 2021, the price of coal rose to its highest level since 2009. This was a result of increased demand from electricity producers, who switched to using coal from natural gas, after the price of natural gas doubled. A coal industry analyst said that coal production could not respond quickly enough to the increased price, as underinvestment in recent years had reduced the ability of coal producers to quickly increase their output. [1 mark]

This implies that:

- A The supply of natural gas is relatively price elastic
- B Coal and natural gas have a negative cross elasticity of demand
- C The demand for natural gas is perfectly price inelastic
- D The demand for coal is relatively price elastic
- E The supply of coal is relatively price inelastic



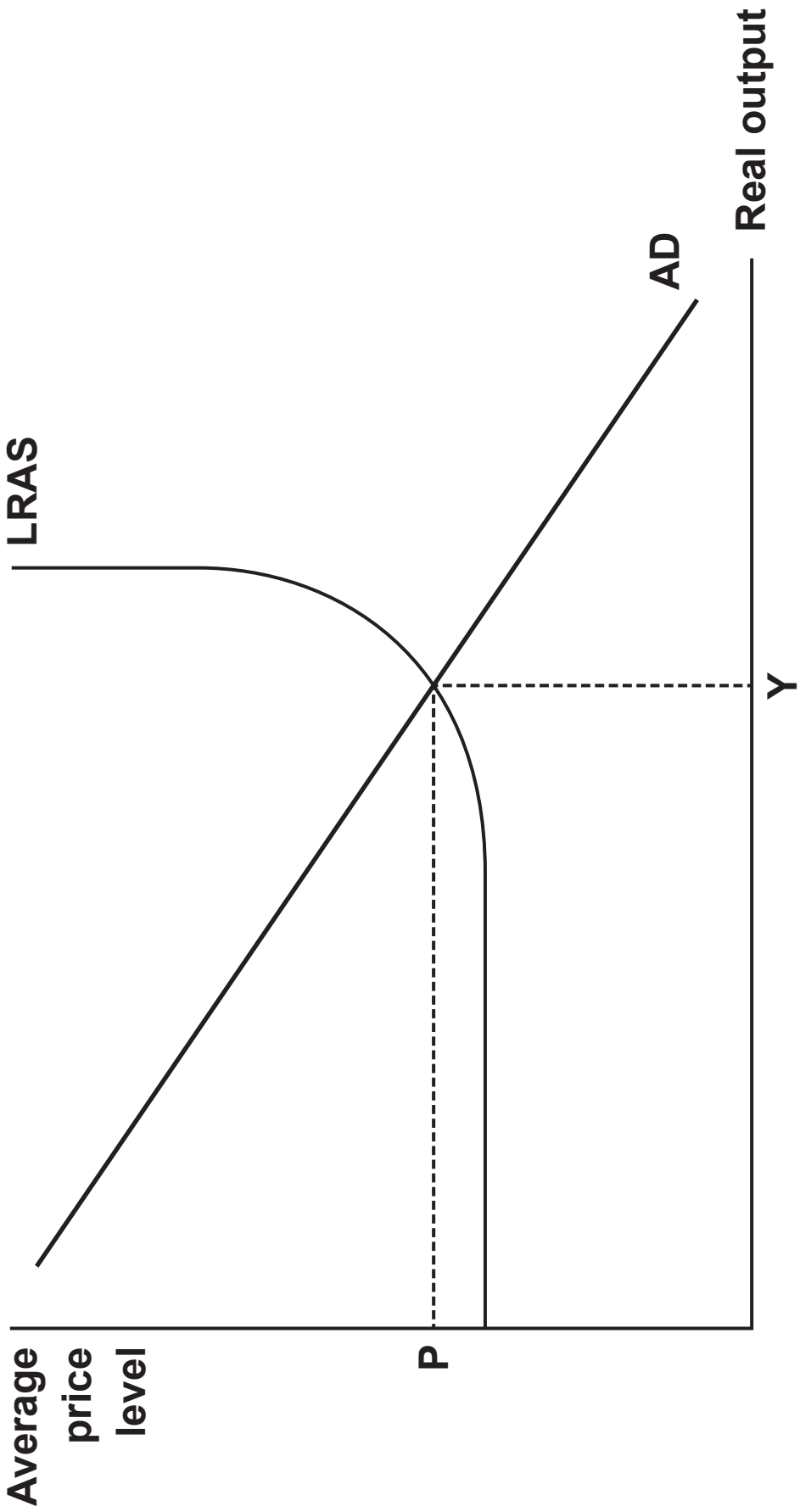
15. The aggregate demand and aggregate supply diagram on page 21 represents an economy in equilibrium. [1 mark]

All other things being equal, improvements in technology throughout the economy will most likely lead to:

	Equilibrium level of real output	Equilibrium level of average prices
<b>A</b>	Increase	Decrease
<b>B</b>	Decrease	Decrease
<b>C</b>	No change	Increase
<b>D</b>	Decrease	Increase
<b>E</b>	No change	No change

15

(Turn over)



(Turn over)

**SECTION B**

Answer ALL the questions in the spaces provided.

16. The table below shows the price that a student is **WILLING** to pay to make repeated visits to an indoor go-karting centre in Cardiff over her summer holiday:

<b>Visits to the go-karting centre</b>	<b>Price the student is willing to pay (£)</b>
<b>1st</b>	<b>20</b>
<b>2nd</b>	<b>18</b>
<b>3rd</b>	<b>14</b>
<b>4th</b>	<b>9</b>
<b>5th</b>	<b>3</b>

(Turn over)

16 (a)

With reference to the data, outline what is meant by the term 'diminishing marginal utility'.

[2 marks]

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(Turn over)

16

The actual price of a visit to the indoor go-karting centre is £10 per person.

- (b) Calculate the student's total consumer surplus from her visits to the centre over her summer holiday. [2 marks]

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**(Turn over)**

17. The southern Andalusia region of Spain is home to the world's largest olive oil industry, accounting for about half of global output. The price of olive oil fell by 44% from autumn 2018 to autumn 2019 after a record harvest.

Additionally, in September 2019, the USA imposed 25% import tariffs on several European agricultural products, including Spanish olive oil. At this time, only 5% of the olive oil consumed in the USA was produced in the USA.

- (a) With reference to the data, outline why the prices of agricultural goods, such as olive oil, tend to be volatile. [4 marks]

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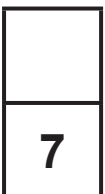
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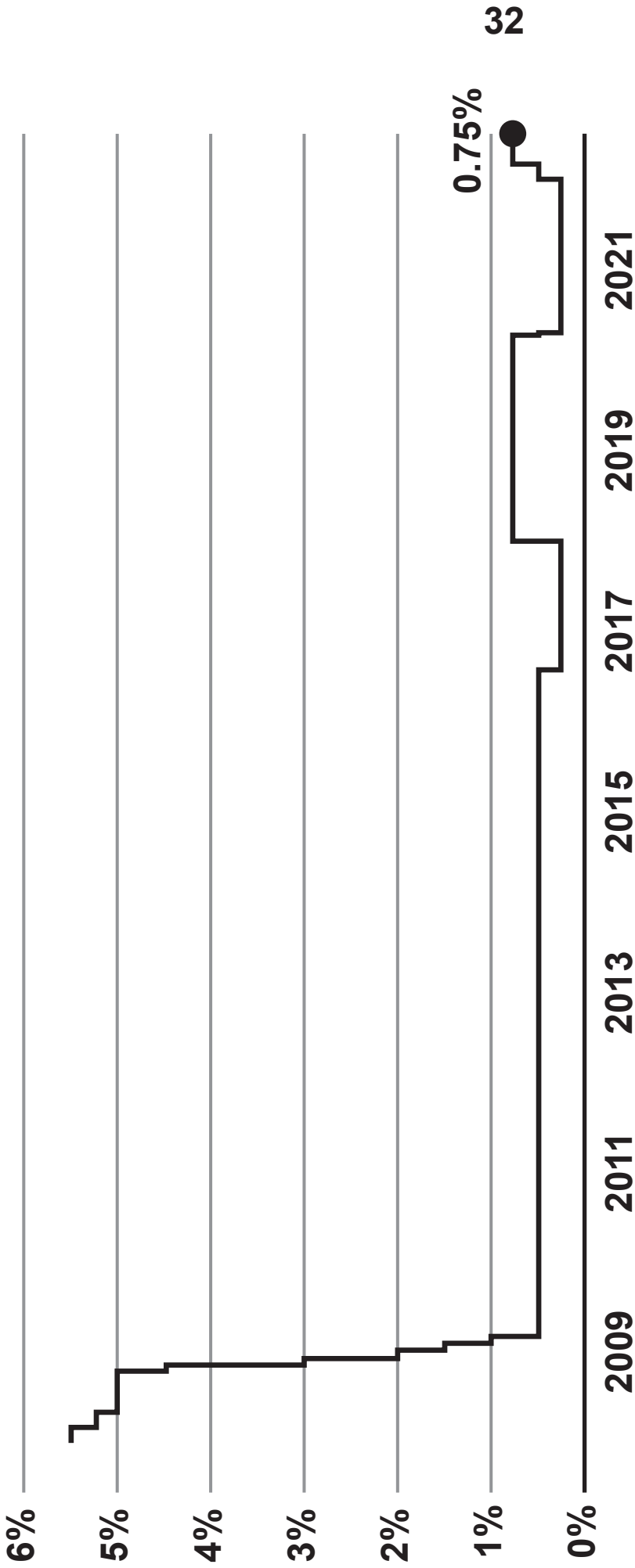
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18. The chart on page 32 shows the base interest rate set by the Bank of England's Monetary Policy Committee (MPC) between January 2008 and March 2022.



Source: Bank of England

(Turn over)

18

**In March 2022, the MPC raised the base interest rate to 0.75%. They stated that policymakers would have to balance further rises in the base rate to control inflation against cutting the base rate to support growth.**

- (a) Apart from conducting monetary policy, explain ONE role of the Bank of England.**

**[2 marks]**

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**(Turn over)**









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19

The table below shows average household income before direct taxation and average household income after direct taxation by quintile group for the UK in 2020–21.

<b>Quintile</b>	<b>Average household income before direct taxation (£)</b>	<b>Average household income after direct taxation (£)</b>
<b>Bottom</b>	<b>15 463</b>	<b>14 196</b>
<b>2nd</b>	<b>27 201</b>	<b>23 378</b>
<b>3rd</b>	<b>38 148</b>	<b>31 503</b>
<b>4th</b>	<b>52 673</b>	<b>41 901</b>
<b>Top</b>	<b>110 132</b>	<b>78 131</b>

(Turn over)









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**END OF PAPER**

<b>16</b>

**(Turn over)**







