



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

**Other Names** \_\_\_\_\_

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

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

**Candidate Signature** \_\_\_\_\_

**GCSE**

**ECONOMICS**

**Paper 1 How markets work**

**8136/1**

**Friday 24 May 2019**

**Afternoon**

**Time allowed: 1 hour 45 minutes**

**You will need no other materials.  
You may use a calculator.**

**At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature**

**[Turn over]**



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## INSTRUCTIONS

- Use black ink or black ball-point pen.
- Answer ALL questions.
- You must answer the questions in the spaces provided. Do not write on blank pages.
- 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.

**DO NOT TURN OVER UNTIL TOLD TO DO SO**



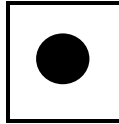
## SECTION A

Answer ALL questions in the spaces provided.

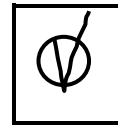
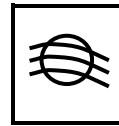
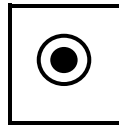
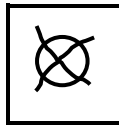
For questions with four responses, only ONE answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

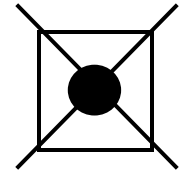
CORRECT METHOD



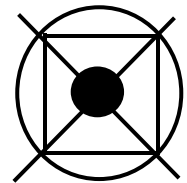
WRONG METHODS



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
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Which of the following is the central purpose of economic activity? [1 mark]

**A Maximising the profits of firms**

**B Reducing inequalities in income and wealth**

**C Producing goods and services to satisfy needs and wants**

**D Reducing the power of monopolies**

[Turn over]



0 2

Which of the following correctly shows the rewards to the four factors of production?  
[1 mark]

	CAPITAL	ENTERPRISE	LAND	LABOUR
<input type="radio"/> A	Interest	Profit	Wages	Rent
<input type="radio"/> B	Profit	Interest	Rent	Wages
<input type="radio"/> C	Wages	Profit	Rent	Interest
<input type="radio"/> D	Interest	Profit	Rent	Wages



**0 3** Which of the following activities would be included in the primary sector of the economy? [1 mark]

**A Catering**

**B Farming**

**C Hairdressing**

**D Housebuilding**

**[Turn over]**



**0 4**

Which of the following would cause the demand curve for cars to shift to the right?  
[1 mark]

**A A fall in the size of the population**

**B A reduction in the price of rail travel**

**C A rise in the price of petrol**

**D An increase in consumer incomes**





**0 5** What is the equilibrium price after a rise in supply of 10 units at all prices? [1 mark]

PRICE (£)	QUANTITY DEMANDED	QUANTITY SUPPLIED
4	30	10
5	25	15
6	20	20
7	15	25

**A £4**

**B £5**

**C £6**

**D £7**

**[Turn over]**



**0 6**

Which of the following is the most likely cause of a rise in price of lemons? [1 mark]

**A A reduction in the number of firms supplying lemons**

**B A reduction in the wages paid to lemon growers**

**C An increase in productivity of lemon growers**

**D A fall in demand for lemons**



**0 7**

**A 25% increase in the price of chocolate bars leads to a 5% fall in quantity demanded.**

**What is the price elasticity of demand of chocolate bars in this case? [1 mark]**

**A +5.0****B -0.2****C -5.0****D +0.2**

**[Turn over]**



**0 8**

Which of the following are characteristics of a competitive market? [1 mark]

**A Large number of firms, low barriers to entry**

**B Small number of firms, low barriers to entry**

**C Large number of firms, high barriers to entry**

**D Small number of firms, high barriers to entry**



**0 9**

Which of the following would lead to a market failure? [1 mark]

**A An increase in the price of a scarce raw material**

**B A fall in demand for an unpopular product**

**C A factory generating air pollution**

**D The government increasing taxes**

**[Turn over]**



1 0

The following information was included in Paul's monthly pay slip.

<b>Gross pay</b>	<b>£1500</b>
<b>Income tax</b>	<b>£200</b>
<b>National Insurance Contribution</b>	<b>£160</b>

What is Paul's net monthly pay? [1 mark]

**A £1860**

**B £1140**

**C £1300**

**D £1340**



1 1

**State TWO types of economy of scale.  
[2 marks]**

**Type 1** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Type 2** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**[Turn over]**



1 2

**Explain ONE positive externality that could result from building a new motorway. [2 marks]**

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1 3

**Explain ONE possible effect on the equilibrium market price of cars of a fall in consumer incomes. [2 marks]**

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**[Turn over]**



**1 4**

**TABLE 1** shows revenue and cost data relating to a café with 1000 customers per month.

**TABLE 1**

<b>Total revenue per month</b>	<b>£5000</b>
<b>Fixed costs per month</b>	<b>£1200</b>
<b>Variable costs per customer</b>	<b>£2.50</b>

**1 4 . 1**

Using **TABLE 1**, calculate the monthly profit of the café.

Show your working. [2 marks]

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Monthly profit = \_\_\_\_\_



**1 4 . 2** Explain ONE possible reason why the owners of the café may aim to make a profit.  
**[2 marks]**

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**[Turn over]**



**1 5****TABLE 2 Annual earnings of selected occupations in 2017.****TABLE 2**

<b>OCCUPATION</b>	<b>ANNUAL EARNINGS (£)</b>
<b>Surgeon</b>	<b>87,446</b>
<b>Cleaner</b>	<b>7,919</b>

<b>UK average</b>	<b>27,271</b>
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**1 5 . 1****Using TABLE 2, analyse why a surgeon may earn more than a cleaner. [6 marks]**

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**[Turn over]**



1 | 6

**State TWO costs to individual workers from specialisation. [2 marks]**

**Cost 1** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Cost 2** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1 | 7

**Explain ONE opportunity cost a government might face when making economic decisions. [2 marks]**

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1	8
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**Explain ONE possible cause of monopolistic power in a market. [2 marks]**

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**[Turn over]**



19

TABLE 3 shows data relating to the workforce of Sam's cupcake-making business.

TABLE 3

Number of workers	8
Number of cupcakes made per hour	510

19.1

Using TABLE 3, calculate the hourly productivity of Sam's workforce. Give your answer to ONE decimal place. [2 marks]

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Hourly productivity =

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**1 9 . 2** Explain ONE way the productivity of Sam's workforce could be increased. [2 marks]

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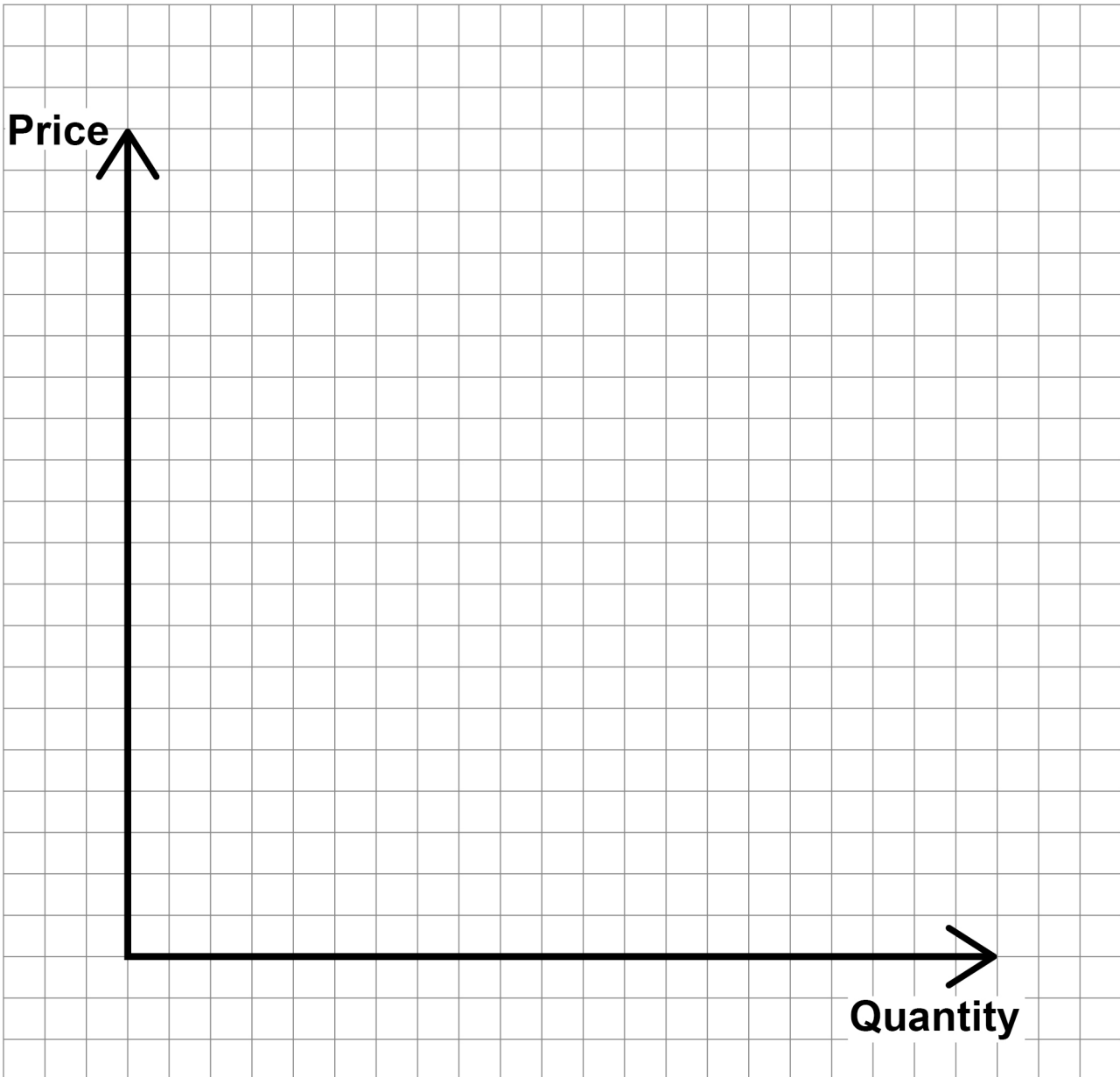
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**[Turn over]**



**2 0**

**Draw a supply and demand diagram below to show the effects of an increase in supply on price and quantity. [3 marks]**



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**[Turn over]**



2	1
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## FIGURE 1

Ten years after the global financial crisis, the United Kingdom (UK) building industry seems to be recovering. House-building projects that had stopped because of fears about profitability have now been re-started. New building projects have also begun as consumer incomes have started to increase. The UK government announced a plan in 2017 to build 300 000 new homes a year to try to solve the problems of a housing shortage in the UK. This should be good news for workers involved in the building industry.

However, the UK still suffers from difficulties linked to planning and building regulations. These limit the ability of house-builders to develop new land for homes. The skills of bricklayers and plasterers are still in high demand but there are fears that certain manual jobs may be carried out by machines in the future. Added to this are concerns that the UK's exit from the European Union may lower consumer and business confidence again.



**21.1** Using FIGURE 1, assess whether changes in the UK economy are likely to be beneficial for UK builders. [9 marks]

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**[Turn over]**



## SECTION B

Answer ALL questions in the spaces provided.

### ITEM A – Coffee cup waste

UK consumers use 2.5 billion disposable coffee cups every year. Very few are recycled, partly because it is currently difficult and expensive to separate the materials that make up a disposable cup. Half a million cups a day end up as litter. One estimate of the cost of cleaning up this extra litter is £6 million a year. Coffee cup producers have not yet taken enough action to solve this problem. As the UK's coffee shop market is expanding rapidly, economists say that solutions are needed to address the failures in this market.

Politicians point out that while some coffee shops offer discounts for consumers who bring their own coffee cups, only 1-2% of coffee drinkers bring their own cups. Following the success of the plastic bag charge, politicians conclude that consumers respond more to taxes than discounts. Politicians say that a 5p charge for plastic shopping bags has massively reduced their use and helped protect the environment. The UK government is therefore recommending a 25p tax on disposable coffee cups, known as a 'latte levy'.

However, the tax is opposed by makers of paper cups, who argue that paper cups are a safe and sustainable solution, as they are made from recyclable materials. They say that 'Taxing the morning coffee run will not address the issue of litter but it will hurt consumers and



**impact already struggling High Streets'. Some politicians have suggested a total ban on disposable cups by 2023.**

**Several of the UK's main coffee suppliers including Caffe Nero, Costa, McDonald's and Starbucks have signed up to a scheme to collect and recycle more of the current type of cups. Starbucks said it would try out a 5p cup charge in a number of London coffee shops.**

**Critics say that the coffee industry should focus on other environmental issues such as cutting water use, carbon reduction and turning waste coffee products into biofuel.**

**[Turn over]**



## ITEM B – The UK coffee shop market

The UK coffee shop market is dominated by a small number of powerful firms, with the biggest three accounting for 53% of all coffee shops. Costa is the largest chain, with over 2200 coffee shops in the UK in 2017. Whilst each chain largely offers a similar product range of hot and cold drinks, sandwiches and snacks, each tries to offer consumers a distinctive experience.

**TABLE 4 – Sales revenue of four largest coffee shop chains in UK (2017)**

<b>COFFEE SHOP</b>	<b>SALES REVENUE (£bn)</b>
<b>Costa</b>	<b>1.5</b>
<b>Starbucks</b>	<b>1.0</b>
<b>Caffe Nero</b>	<b>0.8</b>
<b>Wild Bean Cafe</b>	<b>0.2</b>
<b>TOTAL of all coffee shops</b>	<b>7.3</b>



2 2

Define oligopoly. [2 marks]

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[Turn over]



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2 3

Using TABLE 4, on page 36, calculate the combined market share of the four largest firms in the UK coffee shop market to ONE decimal place. [3 marks]

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Combined market share = \_\_\_\_\_

[Turn over]



2 | 4

**Explain TWO possible consequences of the oligopolistic nature of the UK coffee shop market. [6 marks]**

**Consequence 1** \_\_\_\_\_

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**Consequence 2** \_\_\_\_\_

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**[Turn over]**



**2 5**

**Using ITEM A, on pages 34 and 35, analyse the possible externalities of the increase in take-away coffee consumption in the UK.  
[6 marks]**

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**[Turn over]**



**2 | 6**

**Do you think the UK government should intervene to reduce market failure in the coffee shop market?**

**Use ITEMS A and B, on pages 34 to 36, and your own economic knowledge to justify your view. [15 marks]**

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**END OF QUESTIONS**

<b>32</b>



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For Examiner's Use	
Section	Mark
A	
B	
<b>TOTAL</b>	

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