Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Sample assessment material for first teaching September 2015

Time 1 hour 30 minutes

Paper reference **8EC0/01**

Economics A

Advanced Subsidiary

PAPER 1: Introduction to markets and market failure

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A.
- In Section B, answer **all** of questions 6(a) to 6(e) and **one** question from 6(f) or 6(g).
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 Statement 1: The UK government increased education spending from £86.9 billion in 2012 to £87.3 billion in 2013.

Statement 2: The government should allocate an additional £1 billion to schools to improve the quality of education.

(a) Which **one** of the following best describes the two statements above?

(1)

		Statement 1	Statement 2
☒	**A**	Positive	Positive
☒	**B**	Positive	Normative
☒	**C**	Normative	Positive
☒	**D**	Normative	Normative

(b) With reference to the statements above explain what is meant by external benefits.

(3)

(Total for Question 1 = 4 marks)

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



Diagram A

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(a) Define the term 'production possibility frontier'.

(2)

(b) The opportunity cost of a movement from point X to point Y is:

(1)

- ☒ **A** 10 units of consumer goods
- ☒ **B** 20 units of capital goods
- ☒ **C** 30 units of capital goods
- ☒ **D** 90 units of consumer goods

(c) Annotate Diagram A on page 4 with a new possibility production frontier line that shows economic growth.

(1)

(Total for Question 2 = 4 marks)

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3 In 2013, the UK had more off-shore wind turbines than all other countries in the world combined. The UK government announced plans to close five coal-burning power stations and to build five nuclear power stations to produce electricity. One nuclear power plant at Hinckley Point will take 10 years to be fully operational.

(a) Which **one** of the following is the correct classification for these energy sources?

(1)

		Wind turbines	**Coal**
☒	**A**	non-renewable	renewable
☒	**B**	non-renewable	non-renewable
☒	**C**	renewable	non-renewable
☒	**D**	renewable	renewable

(b) Explain the likely price elasticity of supply for energy generated by nuclear power plants.

(3)

(Total for Question 3 = 4 marks)

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4 The UK government allocated £39 billion to defence in 2012/2013.

(a) Explain why defence is a public good.

(3)

(b) Which **one** of the following is an example of market failure?

(1)

- ☒ **A** The price of a good falling to clear the market when there is excess supply
- ☒ **B** The over consumption of cigarettes owing to consumers' lack of information
- ☒ **C** A rise in unemployment caused by an increase in the minimum wage
- ☒ **D** Consumers experiencing diminishing marginal utility

(Total for Question 4 = 4 marks)

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5 According to research, 57% of UK consumers would consider changing insurance providers in the next 12 months.

(a) The underlying assumptions of rational decision making are that:

(1)

- ☒ **A** consumers aim to maximise utility and firms aim to minimise profits
- ☒ **B** consumers aim to minimise utility and firms aim to maximise profits
- ☒ **C** consumers aim to maximise utility and firms aim to maximise profits
- ☒ **D** consumers aim to maximise utilityand firms aim to maximise costs

(b) Explain **one** possible reason why 43% of consumers in the UK would not consider changing insurance providers, even though they may be offered lower prices by other insurance providers.

(3)

(Total for Question 5 = 4 marks)

TOTAL FOR SECTION A = 20 MARKS

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SECTION B

Read Extracts A–C and Figure 1 in the Source Booklet before answering Question 6.

Answer ALL Questions 6(a) to (e), and EITHER Question 6(f) OR Question 6(g).

Write your answers in the spaces provided.

You are advised to spend 1 hour 5 minutes on this section.

6 (a) Explain why 'the prices farmers received for beef in the UK rose by 3%' in 2013 (Extract A, lines 8 and 9). Include a supply and demand diagram in your answer.

(5)

(b) Assess the likely impact of a 3% increase in the price of UK beef on the market for lamb.

(10)

(c) Explain **two** likely impacts on dairy farmers in the UK of the growth in the middle classes in emerging markets such as China.

(6)

(d) With reference to Figure 1, calculate the value of subsidies as a percentage of total Scottish farm income for 2012 and 2013. You are advised to show your working.

(4)

(e) With reference to Figure 1, Extract B and your own knowledge, discuss the reasons for subsidies being paid to Scottish farmers.

(15)

EITHER

(f) Using the concept of external costs, evaluate the possible economic effects of increased beef production. Use an appropriate diagram in your answer.

(20)

OR

(g) Evaluate the impact of a guaranteed minimum price in the beef market on consumers and producers. Use an appropriate diagram in your answer.

(20)

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(a) Explain why 'the prices farmers received for beef in the UK rose by 3%' in 2013 (Extract A, lines 8 and 9). Include a supply and demand diagram in your answer.

(5)

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(b) Assess the likely impact of a 3% increase in the price of UK beef on the market for lamb.

(10)

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(4)

2012

2013

(e) With reference to Figure 1, Extract B and your own knowledge, discuss the reasons for subsidies being paid to Scottish farmers.

(15)

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(20)

OR

(g) Evaluate the impact of a guaranteed minimum price in the beef market on consumers and producers. Use an appropriate diagram in your answer.

(20)

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 6(f)** ☒ **Question 6(g)** ☒

Write your answer here:

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(Total for Question 6 = 60 marks)

TOTAL FOR SECTION B = 60 MARKS
TOTAL FOR PAPER = 80 MARKS

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