

Surname	Centre Number	Candidate Number
First name(s)		2



GCE AS/A LEVEL

2520U10-1



MONDAY, 13 MAY 2024 – 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	9	
17	8	
18	12	
19	11	
Total	55	

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.

1. In April 2022, VAT was removed from solar panels in the UK.

This would be most likely to cause a decrease in:

[1]

- A** Producer surplus in the market
- B** The quantity demanded of solar panels
- C** The supply of solar panels
- D** The price of solar panels
- E** Consumer surplus in the market

2. The use of expansionary demand side fiscal policy would be most likely to:

[1]

- A** Increase public sector debt in the economy
- B** Decrease the level of aggregate demand in the economy
- C** Decrease the base interest rate in the economy
- D** Decrease the rate of inflation in the economy
- E** Increase the level of unemployment in the economy

3. Which one of the following is the most likely effect of a firm increasing its use of specialisation?

[1]

- A** Workers develop a greater range of skills
- B** Trade union power falls within the firm
- C** Production costs per unit of output rise
- D** Profitability falls for the firm
- E** Productivity rises within the firm



Questions 4 and 5 refer to the table below.

The table below shows the cross price elasticities between fruit and other foods.

Food group	Cross price elasticity of demand with respect to fruit
Dairy products	-0.045
Meat	0.060
Fish	0.047
Vegetables	-0.021

4. Which one of the following can be concluded from the data in the table? [1]

- A Fruit and vegetables are substitute goods
- B Dairy products are inferior goods
- C Fruit and dairy products are complementary goods
- D Meat is a normal good
- E Meat and fish are substitute goods

5. According to the data in the table, a 10% increase in the price of fruit would lead to a: [1]

- A 0.21% increase in demand for vegetables
- B 0.6% decrease in demand for meat
- C 0.0047% increase in demand for fish
- D 0.47% decrease in demand for fish
- E 0.6% increase in demand for meat



6. The table below shows the annual percentage change in UK real gross domestic product (GDP) from 2017 to 2021.

	2017	2018	2019	2020	2021
Annual percentage change in real GDP	2.4	1.7	1.6	-11.0	7.6

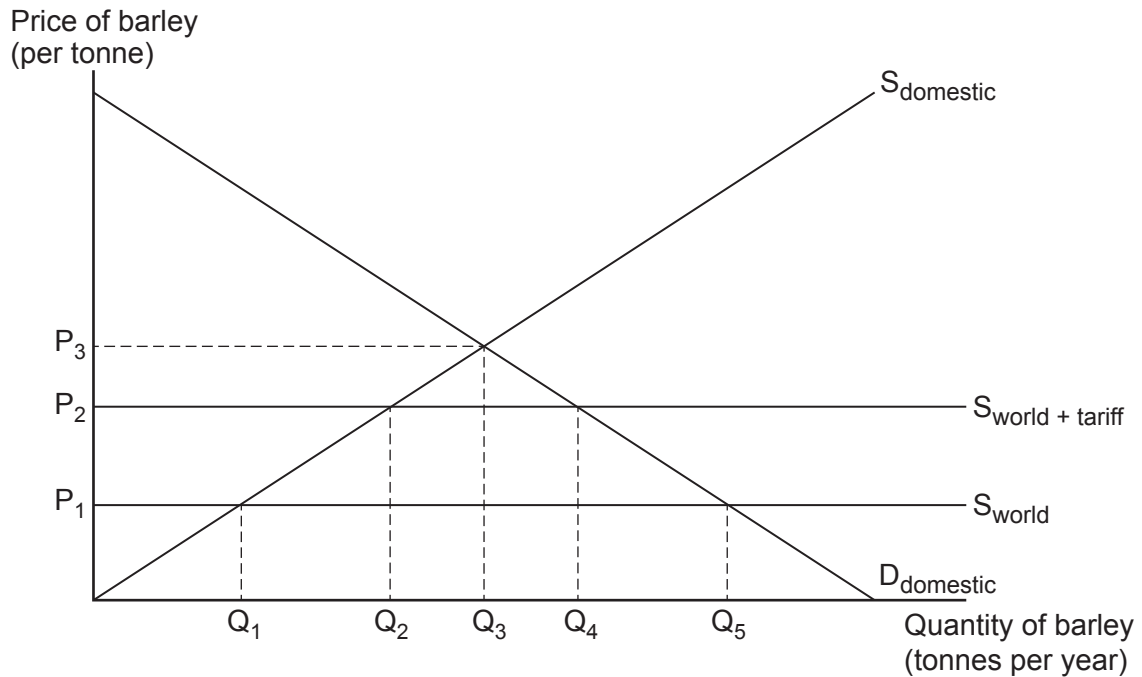
From the data it can be concluded that, in the UK:

[1]

- A Real GDP fell between 2017 and 2019
- B The economic growth rate was negative in 2018
- C Real GDP rose at the fastest rate in 2021
- D Per capita incomes rose throughout the period
- E The economic growth rate was 18.6% in 2021



7. The diagram below shows a tariff being imposed on imports of barley into China at the world price P_1 . [1]



According to the diagram, the effect of this tariff is that in China:

- A The price of barley falls from P_3 to P_2
- B The quantity of barley supplied domestically rises from Q_1 to Q_2
- C The quantity of barley imported falls from Q_5 to Q_4
- D The quantity of barley demanded domestically rises from Q_4 to Q_5
- E The price of barley rises from P_1 to P_3



8. The chart below gives information on the exchange rate of the US dollar to the Indian rupee (the currency of India) from January 2022 to October 2022.



From the chart it can be concluded that, over the period shown:

[1]

- A US exports became cheaper in India
- B The US dollar depreciated against the Indian rupee
- C The Indian central bank was using a 'managed' float system
- D The Indian rupee depreciated against the US dollar
- E Demand for the Indian rupee rose on foreign exchange markets

9. In 2021, the Welsh Government announced a £15.2 million funding package to support the regeneration of town centres in Wales.

As a result of this programme, the GDP of Wales is likely to increase by:

[1]

- A More than £15.2 million due to the multiplier process
- B More than £15.2 million due to protectionism
- C Less than £15.2 million due to safe haven issues
- D Less than £15.2 million due to withdrawals from the circular flow
- E Exactly £15.2 million due to the real balance effect



Questions 10 and 11 refer to the sentence below.

In July 2020, in response to the pandemic and to support businesses, the UK Government reduced the rate of VAT on goods and services provided by the hospitality (restaurant) sector from 20% to 5% for six months.

10. In response to this, McDonald's announced that the price of a Big Mac would fall by 6%.

In theory, this implies that the demand for a McDonald's Big Mac is: [1]

- A Perfectly price inelastic
- B Relatively price inelastic
- C Unitary price elastic
- D Relatively price elastic
- E Perfectly price elastic

11. Healthy eating campaigners said that cutting the rate of VAT on junk food would lead to a less healthy population, with more people suffering from obesity and tooth decay.

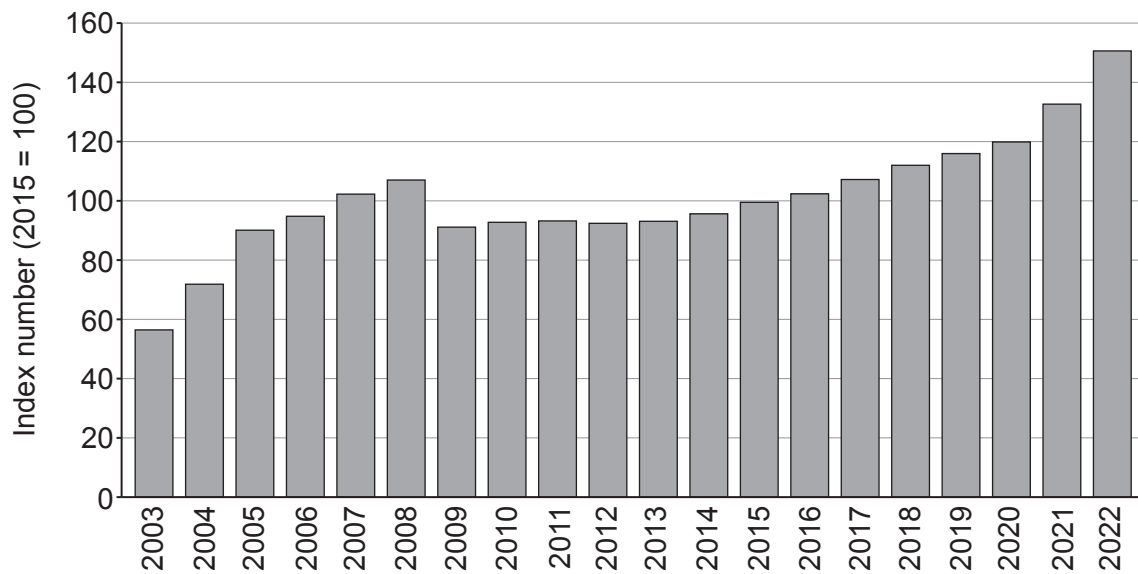
If true, this may be an example of: [1]

- A Market failure
- B Monopoly power
- C Progressive taxation
- D Diminishing marginal utility
- E Government failure



12. The chart below shows index data on the average price of a house in Wales, from 2003 to 2022 (2015 = 100).

[1]



From the data it can be concluded that, in Wales, the average price of a house:

- A Increased by approximately 50% between 2015 and 2022
- B Was approximately £150 000 in 2022
- C Increased by approximately 95% over the period shown
- D Was approximately £100 000 in 2015
- E Was lower in 2018 than in 2008



13. A £6.2m funding package for 2020–2022 was provided by the Welsh Government for the National Library of Wales and National Museum Wales.

One reason why the Welsh Government provides museums is that:

[1]

- A There is an absence of private property rights
- B There is perfect information in the market
- C They are free goods
- D They are merit goods
- E There are external costs in their production

14. Which one of the following correctly describes the shape of the Keynesian long run aggregate supply (LRAS) curve?

[1]

- A It is perfectly inelastic at high levels of spare capacity
- B It is perfectly inelastic at the full employment level of output
- C It is unitary elastic at all levels of output
- D It is unitary elastic at high levels of spare capacity
- E It is perfectly elastic at the full employment level of output

15. Which of the following is most likely to cause a decrease in consumption in an economy?

[1]

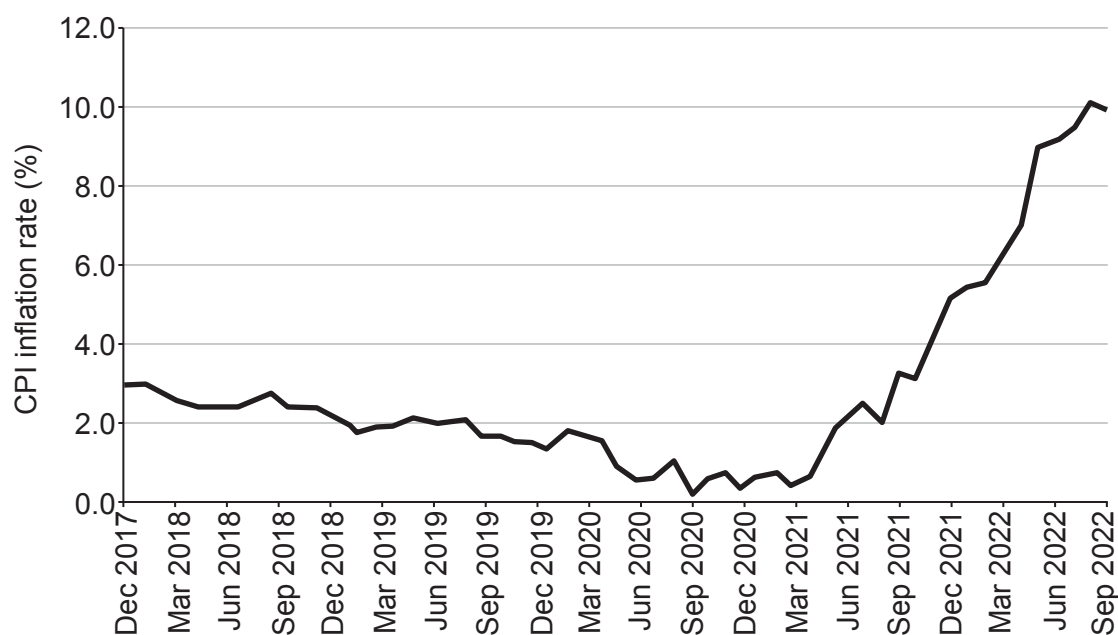
- A A decrease in interest rates
- B An increase in real incomes
- C A decrease in average house prices
- D An increase in welfare payments
- E A decrease in the basic rate of income tax



SECTION B

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

16. The chart below shows the annual CPI inflation rate for the UK from December 2017 to September 2022.



- (a) Describe what happened to the **average price level** in the UK economy from December 2017 to September 2020.

[2]

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(b) Assess the performance of the Bank of England in meeting its inflation target from September 2020 to September 2022. [4]

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(c) Explain why achieving low inflation may conflict with **one** other government macroeconomic policy objective. [3]

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17. The Wales Infrastructure Investment Plan includes spending on transport improvements and other infrastructure projects across the country. Between 2021 and 2026 this will include:

- £585 m investment in rail
- £185 m investment in bus travel
- £100 m investment in flood defences

(a) With reference to the data, outline the likely effect of this infrastructure spending on the Welsh economy's **production possibility frontier**. Illustrate your answer with an appropriate diagram. [4]

Draw your diagram in the space below.

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- (b) Explain the likely effect of this infrastructure spending on wage rates for construction workers in Wales. Illustrate your answer with a labour market diagram. [4]

Draw your diagram in the space below.

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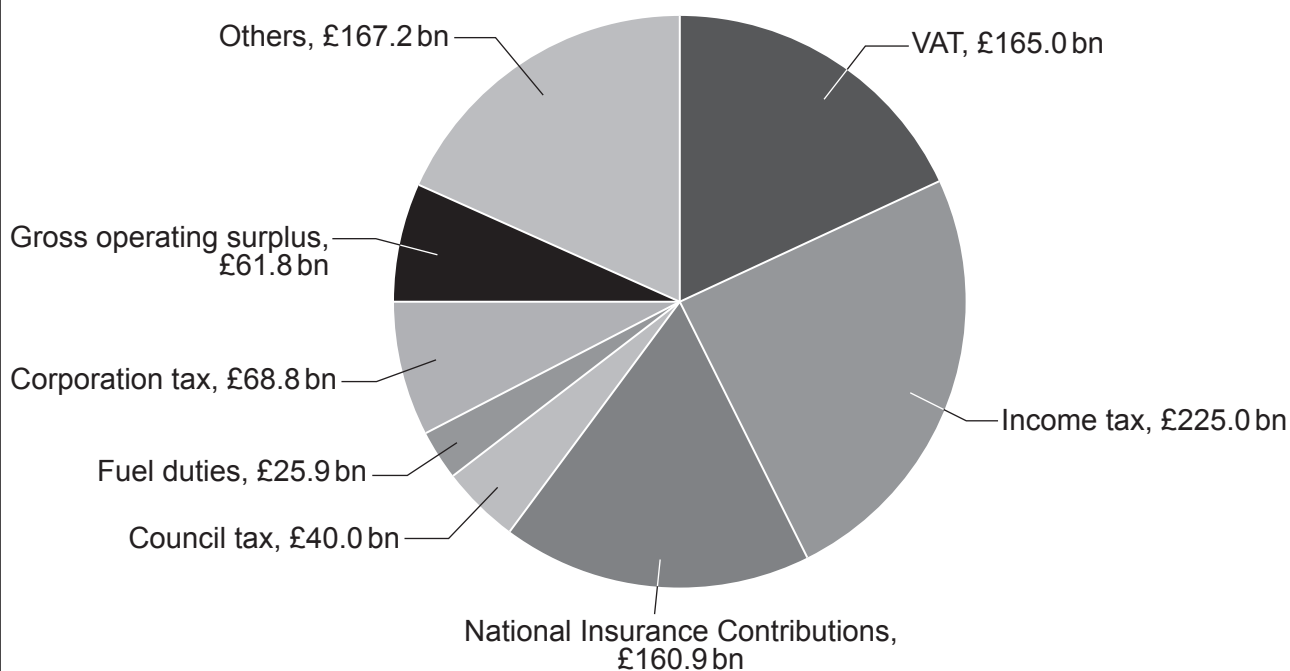
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18. The chart below shows the sources of revenue for the UK Government in 2021–22.



(a) Using an example from the chart, describe what is meant by a direct tax. [2]

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(b) Calculate the revenue from VAT receipts as a percentage of the UK Government's total revenue in 2021–2022. [2]

You are advised to show your working.

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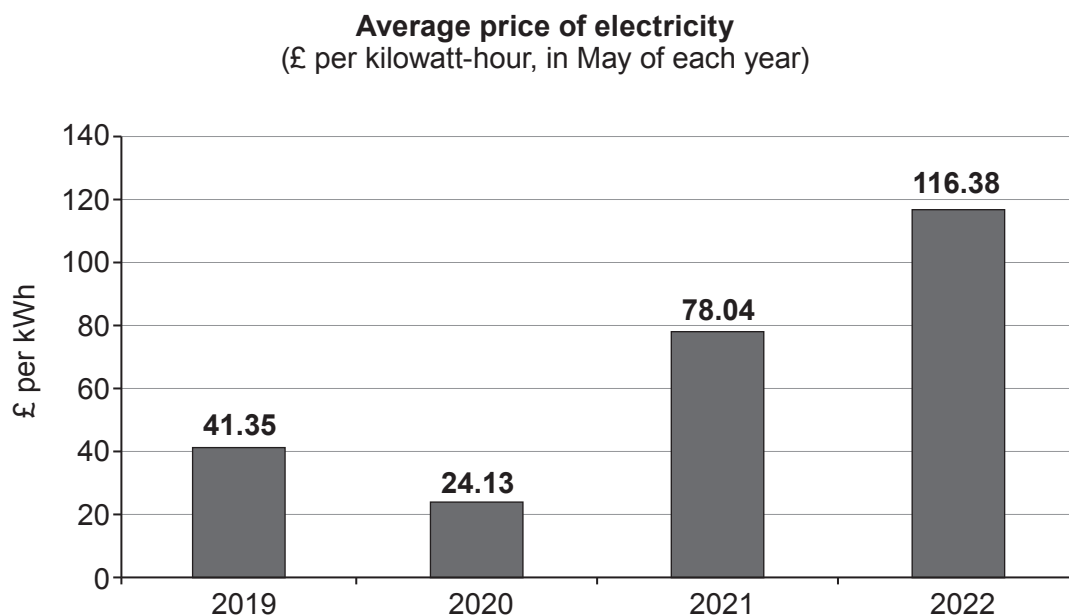
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19. The chart below shows the average price of electricity for households in May of each year from 2019 to 2022.



The price elasticity of demand for the average electricity bill is estimated to be -0.2 .

- (a) Calculate the expected percentage change in the quantity of electricity demanded between 2021 and 2022. [3]

You are advised to show your working.

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