# Sample Assessment Material

### Component 1

This resource supplements mark schemes for our new GCSE (9-1) in Economics. To ease marking, the rationale for the answers to the 20 MCQs in each component is produced not within the mark scheme. This separate guide is produced to aid teaching and learning and to help understand why a particular answers is not correct.

| **Question** | **Key** | **Rationale** | **AO** | **Quantitative skills** |
| --- | --- | --- | --- | --- |
| **1** | **C** | A Incorrect. This is the opposite of a market economy.B Incorrect. Factors of production have prices in a market economy.**C Correct** D Incorrect. Most industries in a market economy have competition amongst producers. | **AO1** |  |
| **2** | **D** | A Incorrect. Capital is a factor of production.B Incorrect. Labour is a factor of production.C Incorrect. Land is a factor of production.**D Correct** | **AO1** |  |
| **3** | **B** | A Incorrect. The opportunity cost must refer to the benefits of an alternative course of action. **B Correct**C Incorrect. There is no direct link between opportunity cost and profit.D Incorrect. This refers to a cost of increasing the labour force, as opposed to the opportunity cost. | **AO2** |  |

| **Question** | **Key** | **Rationale** | **AO** | **Quantitative skills** |
| --- | --- | --- | --- | --- |
| **4** | **C** | A Incorrect. The pie chart shows that the primary sector is the biggest sector in Sierra Leone’s economy but it doesn’t tell you anything about what has been happening to the size of that sector over time.B Incorrect. The % of Sierra Leone’s output that is from the primary sector is much greater than for Sweden, but we can only know if it produces more primary sector goods if we have information about the size of each of the two economies. **C Correct**D Incorrect. The pie chart shows the distribution of the output in each country. Both pie charts are of the same size because each shows 100 % of the respective country’s output. It does not say that both countries’ output is at the same level. | **AO2** | ✓ |
| **5** | **C** | A Incorrect. This is a movement along the demand curve.B Incorrect. This could potentially decrease house prices.**C Correct**D Incorrect. The supply of houses is not affected. | **AO2** |  |
| **6** | **A** | **A Correct**B Incorrect. This is an example of a labour market.C Incorrect. This is land, the price of which is determined in a factor market.D Incorrect. This is an example of a labour market. | **AO1** |  |
| **7** | **A** | **A Correct**B Incorrect. This is not an increase in the scale of the business.C Incorrect. This would be a diseconomy.D Incorrect. This is not an increase in the scale of the business. | **AO1** |  |

| **Question** | **Key** | **Rationale** | **AO** | **Quantitative skills** |
| --- | --- | --- | --- | --- |
| **8** | **B** | A Incorrect. This is a monopoly. **B Correct**C Incorrect. Oligopolies tend to have high barriers to entry.D Incorrect. Oligopolies tend to have high levels of advertising. | **AO1** |  |
| **9** | **B** | A Incorrect. This may affect demand for engineers, but in a negative way. **B Correct.** C Incorrect. This is a factor affecting the supply of engineers D Incorrect. This may be the outcome of an increase in demand, not the cause. | **AO2** |  |
| **10** | **C** | A Incorrect. This occurs when price is above equilibrium.B Incorrect. Producers neither join nor leave when the market is in equilibrium.**C Correct**D Incorrect. This indicates excess supply. | **AO1** |  |
| **11** | **D** | A Incorrect. The longer the time period, the more elastic demand tends to be.B Incorrect. This makes demand more elastic.C Incorrect. Demand elasticity is determined independent of supply elasticity.**D Correct** | **AO1** |  |
| **12** | **C** | A Incorrect. This cannot be shown just with a supply curve.B Incorrect. This cannot be shown just with a supply curve.**C Correct**D Incorrect. This is what the demand curve shows. | **AO1** |  |
| **13** | **D** | A Incorrect. It is hard for new firms to enter the market.B Incorrect. Losses in a monopoly are possible but it is usual.C Incorrect. There can be many buyers but not many sellers.**D Correct** | **AO1** |  |
| **14** | **B** | A Incorrect. This is a movement along the existing demand curve. **B Correct**C Incorrect. This is a movement along the existing demand curve.D Incorrect. This would increase the cost to restaurants and likely shift the supply curve rather than the demand curve. | **AO2** |  |
| **15** | **C** | A Incorrect. This would require a shift in the demand curveB Incorrect. To show this would require a shift in the demand curve. **C Correct**D Incorrect. This is shown in a typical supply curve.  | **AO1** | ✓ |
| **16** | **C** | A Incorrect. The market is in equilibrium at Q0.B Incorrect. This may be the case but cannot be inferred from the diagram.**C Correct**D Incorrect. The market is in equilibrium only at a price of P0. | **AO1** | ✓ |
| **17** | **A** | **A Correct**B Incorrect. Adverse weather conditions decrease wheat production.C Incorrect. The demand for wheat is determined independently of its supply, although one could expect a lower quantity demanded as adverse weather reduces output and increases price.D Incorrect. The lower quantity of wheat supplied reduces demand for agricultural workers and therefore their wages. | **AO2** |  |
| **18** | **C** | A Incorrect. Equilibrium price will rise.B Incorrect. A perfectly inelastic supply curve means that the equilibrium output will remain the same.**C Correct**D Incorrect. Equilibrium price will rise. | **AO1** | ✓ |
| **19** | **A** | **A Correct** B Incorrect. Interest rate rises may reduce total demand. This is more likely to cause output/national income to fall. C Incorrect. They will tend to borrow less as it is now more expensive to do so. D Incorrect. This is unlikely. If interest rates rise households may well choose to save more. | **AO2** |  |
| **20** | **B** | A Incorrect. Price is more likely to decrease with more competition.**B Correct**C Incorrect. Competition is likely to lead to more consumer choice.D Incorrect. Competition is likely to lead to an increase in supply | **AO1** |  |

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