Revision practice

Pearson Edexcel · International GCSE · Economics

1 Scarcity and economic choices

- scarcity
- opportunity cost

Question 1

What is the opportunity cost of opening the studio?

Available marks: 2.

Worked answer

The useful study time from the rejected study room.

Question 2

Explain the mechanism or reasoning in this original case: A school has one empty room. It can become a music studio or a quiet study room. The choice costs the benefit of the best rejected use, even when no money changes hands.

Available marks: 4.

Worked answer

The school values the study room at 50 useful study hours a week and the studio at 30 rehearsal hours. Choosing the studio sacrifices the study room: its opportunity cost is the 50 study hours, not the sum of both outcomes.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Do not call every expense an opportunity cost. Identify the next-best alternative and its benefit. / A point inside a boundary may show unemployment or inefficient use, rather than fewer resources.

2 Markets and elasticity

- elasticity
- equilibrium

Question 1

Which description fits the café data if other factors stay unchanged?

Available marks: 2.

Worked answer

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Demand is price elastic over this change; total revenue falls.

Question 2

Explain the mechanism or reasoning in this original case: A café raises the price of a drink from 10 to 11 yuan and sales fall from 100 to 80 cups. Did customers move along demand, or did their preferences change?

Available marks: 4.

Worked answer

Using initial values, percentage price change is 10% and percentage quantity change is −20%. PED = percentage quantity change divided by percentage price change = −20/10 = −2. Revenue falls from 1,000 to 880 yuan.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

State the percentage-change convention and interpret the magnitude. A negative sign describes the usual inverse relationship. / Do not claim the whole curve has one elasticity, or confuse a change in quantity demanded with a demand shift.

3 Externalities and intervention

- externality
- subsidy

Question 1

Why can the delivery market produce too many night journeys?

Available marks: 2.

Worked answer

The firm does not face the full external noise cost in its private decision.

Question 2

Explain the mechanism or reasoning in this original case: A delivery firm saves fuel costs by using noisy scooters late at night. Neighbours lose sleep. The firm's accounts omit a cost borne by people outside the transaction.

Available marks: 4.

Worked answer

A per-journey charge can make the firm face part of the noise cost and reduce night deliveries. A time restriction targets the noise more directly, but may reduce access for customers and needs enforcement.

- Accurate relevant concept (1)
- Specific evidence from the case (1)

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- Connected reasoning (2)

A tax does not remove every external cost. Its effect depends on responsiveness, measurement and evasion. / Compare policies against the actual problem, not a claim that all government action succeeds.

4 Production, costs and growth

- productivity
- profit

■ Question 1

What is average total cost at 100 loaves?

Available marks: 2.

Worked answer

5 yuan per loaf.

■ Question 2

Explain the mechanism or reasoning in this original case: Two bakeries make the same bread, but one trains each worker for a specialist task. Higher output per worker can lower cost, while repetitive work can harm motivation.

Available marks: 4.

Worked answer

A bakery has fixed costs of 200 yuan and variable cost of 3 yuan per loaf. At 100 loaves, total cost = $200 + 3 \times 100 = 500$ yuan. At 8 yuan per loaf, revenue = $8 \times 100 = 800$ yuan and profit = $800 - 500 = 300$ yuan.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Economies of scale lower long-run average cost as scale increases; they are not simply a higher total profit. / Coordination problems and slow communication can cause diseconomies in a large business.

5 Competition and labour

- monopoly
- labour demand

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Question 1

What tends to happen when labour demand rises and labour supply is unchanged?

Available marks: 2.

Worked answer

The market wage tends to rise.

Question 2

Explain the mechanism or reasoning in this original case: A town has one broadband supplier but ten food stalls. Customers' alternatives change each firm's ability to raise its price.

Available marks: 4.

Worked answer

A new employer raises demand for local electricians. With unchanged supply, their wage tends to rise. A training programme can later increase skilled labour supply and reduce shortages.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

A large firm is not automatically a monopoly, and monopoly does not guarantee high profit. / A wage comparison must consider skills, working conditions, hours and institutions, not one cause alone.

6 Government objectives and policies

- inflation
- fiscal policy

Question 1

What does a fall in inflation from 8% to 3% usually mean?

Available marks: 2.

Worked answer

The general price level is still rising, but more slowly.

Question 2

Explain the mechanism or reasoning in this original case: Household prices rise while some workers lose jobs. A policy that raises spending may help employment but add pressure to prices.

Available marks: 4.

Worked answer

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If nominal GDP rises by 8% while prices rise by 5%, real growth is about 3%. Lower interest rates may raise investment and consumption, but borrowers must be willing and able to respond.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Slower inflation means prices rise more slowly, not that prices fall. / Judge a policy by time lags, spare capacity, public finances and the source of inflation.

7 Trade and exchange rates

- exchange rate
- tariff

■ Question 1

Which change has occurred in the book example?

Available marks: 2.

Worked answer

The yuan depreciates and the yuan price of the dollar-priced book rises.

■ Question 2

Explain the mechanism or reasoning in this original case: A student buys a book priced at 20 dollars. The exchange rate changes from 7 to 8 yuan per dollar. The same foreign price now costs more in yuan.

Available marks: 4.

Worked answer

The book cost is $20 \times 7 = 140$ yuan before, and $20 \times 8 = 160$ yuan after. The yuan has depreciated against the dollar under this quotation; imported goods become more expensive in yuan.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Always state the quotation before calling a currency stronger. / Export competitiveness also depends on imported inputs, demand, quality and contracts, so depreciation is not a guaranteed solution.

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