AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____

I declare this is my own work.

GCSE
ECONOMICS

Paper 1 How Markets Work

Friday 8 May 2026 Afternoon Time allowed: 1 hour 45 minutes

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

Materials
- You may use a calculator.

Instructions
- Use black ink or black ball-point pen. Draw diagrams in pencil.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do **not** write on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- 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.

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Section A

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

Tick (✓) **one** box for each multiple-choice question.

0 1 Which of the following would be included in the secondary sector of the economy?

[1 mark]

A Education ☐

B Fishing ☐

C Forestry ☐

D Furniture making ☐

0 2 Which of the following statements demonstrates the basic economic problem?

[1 mark]

A Choices and limited resources ☐

B Choices and unlimited resources ☐

C No choices and limited resources ☐

D No choices and unlimited resources ☐

Do not write outside the box

0 3 As a firm expands production it benefits from chapter interest rates on a bank loan and reduces chance of business failure. It is benefitting from…

[1 mark]

A financial and marketing economies of scale. ☐

B financial and risk-bearing economies of scale. ☐

C purchasing and managerial economies of scale. ☐

D purchasing and technical economies of scale. ☐

0 4 Which of the following would lead to a market failure?

[1 mark]

A A fall in demand for a product ☐

B Not enough people being vaccinated against a disease ☐

C Supply equals demand for a product ☐

D The government increasing taxes on tobacco ☐

Turn over for the next question

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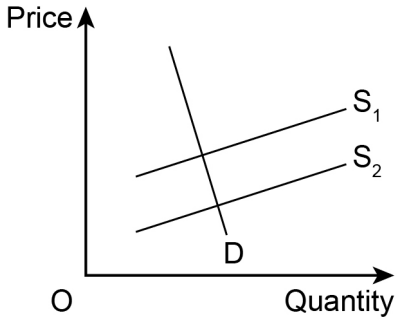
0 5 A tea producer reduces spending on advertising and increases the wages of its workers.

Which diagram illustrates the effects on the demand and supply for the tea producer?

[1 mark]

A



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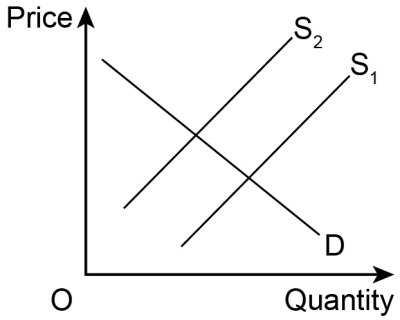

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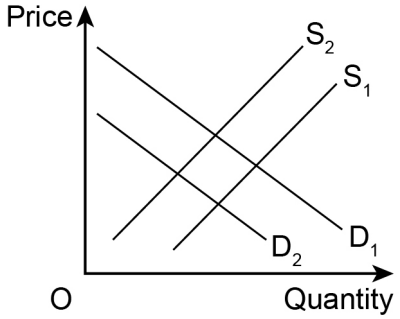

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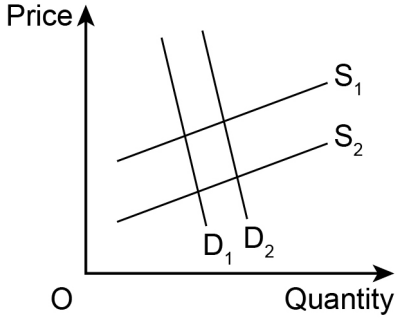

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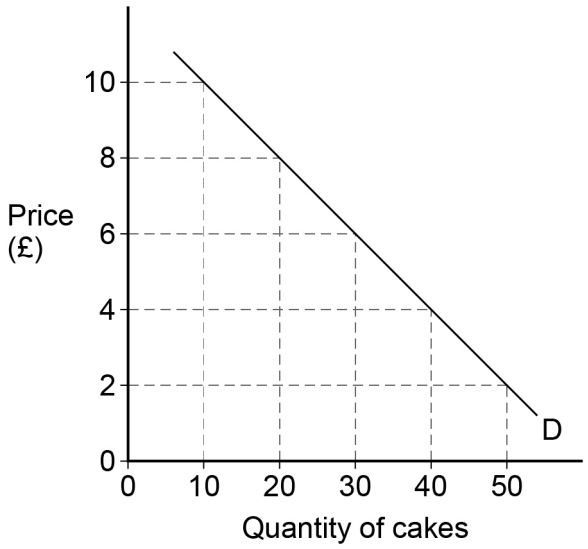
0 6 **Figure 1** shows a demand curve for cakes.

Figure 1



At which price is revenue maximised?

[1 mark]

A £2 ☐

B £4 ☐

C £6 ☐

D £8 ☐

Turn over for the next question

Do not write outside the box

0 7 A cinema with 245 seats has the following numbers of customers during one weekend.

Saturday	109 customers
Sunday	73 customers

What is the excess supply of the cinema over the weekend?

[1 mark]

A 63 customers ☐

B 136 customers ☐

C 172 customers ☐

D 308 customers ☐

0 8 **Table 1** shows revenue and cost data for a coat producer.

Table 1

Per coat	**£**
Selling price	79
Raw materials	18
Wage cost	23

What is the profit made per coat?

[1 mark]

A £38 ☐

B £56 ☐

C £61 ☐

D £120 ☐

Do not write outside the box

0 9 Amy decides to study a three-year degree course at university rather than taking a job paying her £18 000 per year. After completing the university course she hopes to get a job paying £30 000 a year.

What is the opportunity cost to Amy of going to university for three years?

[1 mark]

A £12 000 ☐

B £18 000 ☐

C £36 000 ☐

D £54 000 ☐

1 0 **Table 2** shows cost data relating to a sandwich business.

Table 2

Number of sandwiches	Total costs (£)
0	20
10	25
20	30
30	35
40	40

What is the average variable cost of making 30 sandwiches?

[1 mark]

A £0.50 ☐

B £2.00 ☐

C £15.00 ☐

D £35.00 ☐

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1 1 State **two** economic needs that individuals may have.

[2 marks]

Need 1 _____

_____

Need 2 _____

_____

1 2 Explain **one** possible impact of a non-competitive market on the price of a product.

[2 marks]

_____

_____

_____

_____

1 3 Explain **one** factor that may lead to a decrease in the equilibrium price of foreign holidays.

[2 marks]

_____

_____

_____

_____

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1 4 Tim works as a flight attendant. **Table 3** shows information from Tim's annual pay summary.

Table 3

Gross pay	£19 000
Income tax rate	20%
Personal tax allowance	£12 000

1 4 . 1 Using **Table 3**, calculate the amount of income tax payable by Tim.

[2 marks]

1 4 . 2 Explain **one** possible reason why Tim may earn less than other flight attendants.

[2 marks]

Turn over for the next question

Do not write outside the box

Figure 2 – Supply of tomatoes in the UK

About 90 000 tonnes of tomatoes are grown in the UK each year. This accounts for around one-fifth of the total volume of tomatoes sold in the UK. In the summer months most of the tomatoes sold in the UK are produced in the UK but at other times of the year the majority are imported. It typically takes two to three months for tomatoes to grow. Tomatoes in the UK are usually grown in greenhouses. Costs of producing tomatoes can be relatively low, at around £100 per tonne.

1 5 Using **Figure 2**, analyse the factors that may affect the supply of tomatoes produced in the UK.

[6 marks]

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1 6 State **two** factors of production.

[2 marks]

Factor 1 _____

_____

Factor 2 _____

_____

1 7 Explain how excess demand for a popular toy would affect its price.

[2 marks]

_____

_____

_____

_____

1 8 Explain **one** reason why the market demand for new cars is likely to be price elastic.

[2 marks]

_____

_____

_____

_____

Turn over for the next question

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1 9 **Table 4** shows the annual private and social benefits of building a new airport.

Table 4

Private benefits (£m)	6.5
Social benefits (£m)	12.2

1 9 . 1 Using **Table 4**, calculate the annual external benefits of building the new airport.

[2 marks]

£ _____ m

1 9 . 2 Explain **one** possible external benefit of building a new airport.

[2 marks]

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2 0 Draw a supply and demand diagram to illustrate the effects of an increase in consumer incomes on the market for laptop computers.

[3 marks]

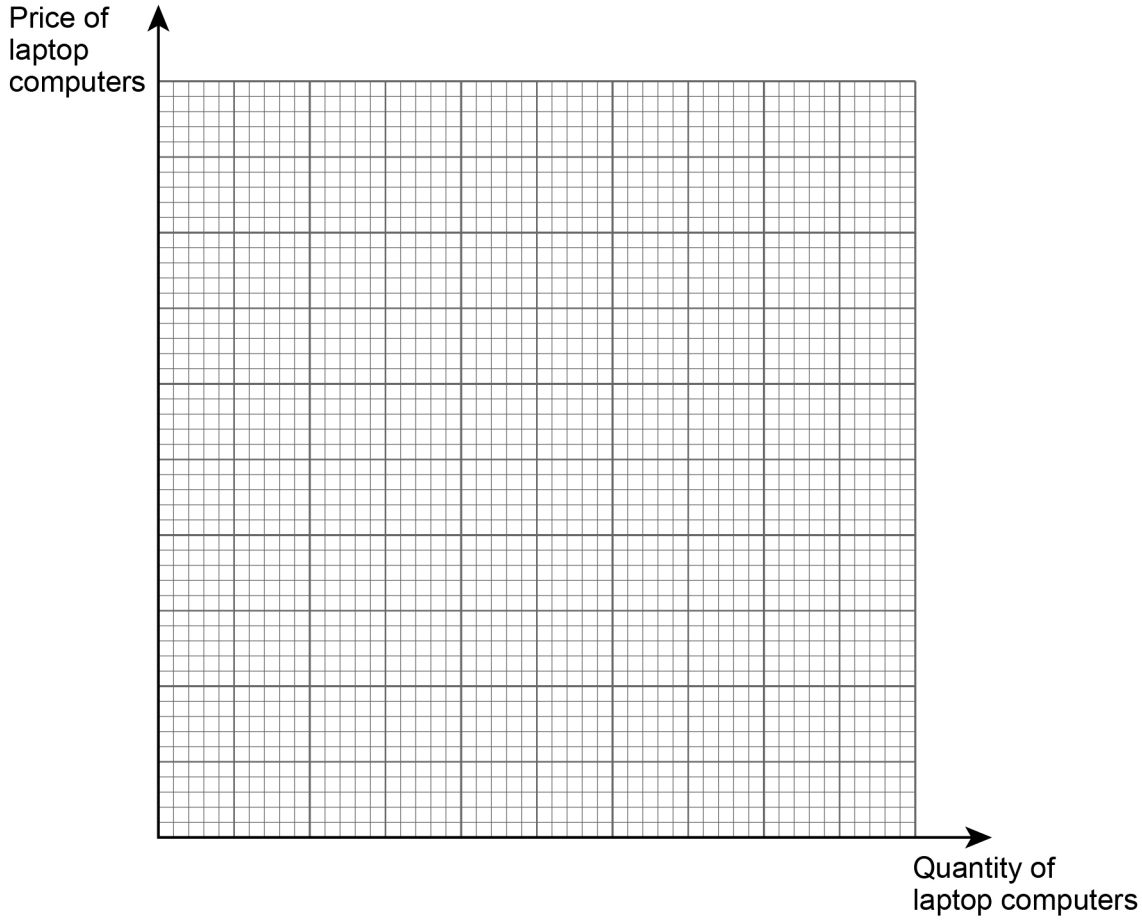

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Figure 3 – The market for estate agents in the UK

The market for estate agents in the UK is made up of a large number of firms. In 2024 there were nearly 25 000 estate agents. However, there are a small number of estate agents with national coverage as well as examples of firms which dominate at regional or city level. For example, Foxtons has more than 50% of the market in London. Such firms often have very distinctive branding which they display on 'For Sale' signs outside properties. They can make use of larger advertising budgets and they can also offer discounts on selling fees to homeowners which smaller firms may not be able to match. Despite this, no single firm has a national market share greater than 10%. There is also an increasing number of online estate agents, such as Purplebricks, which offer lower fees for those selling their houses.

Table 5 shows data on the market shares of estate agents in the UK in 2024.

Table 5 – Market shares of selected estate agents in the UK in 2024 (%)

Estate agent	**Market share (%)**
Connells	8.1
Savills	3.2
Foxtons	3.1
Knight Frank	3.0
LSL	2.7

2 1 Using **Figure 3**, and **Table 5**, assess whether the market for estate agents in the UK is a competitive market.

[9 marks]

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48

Turn over for Section B

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Section B

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

Item A – Waste disposal in the UK

Waste in the UK is a growing problem. The UK generates hundreds of millions of tonnes of waste each year. The government and anti-poverty groups have also emphasised the growing problem of food waste in the UK. It is estimated that the average UK household throws away between £250 to £400 of potentially edible food each year. Approximately 57% of the UK's waste is disposed of in the 4000 or so landfill sites around the country. **Table 6** shows the main categories of waste in the UK.

Fly-tipping is a significant issue in the UK, with over a million incidents recorded in 2023. This occurs when people or businesses illegally dispose of waste, often at roadsides or in woodland. The cost of clearance of this waste is estimated at £50 million per year. In addition, more than two million pieces of litter are dropped in the UK each day. The cost to taxpayers of street cleaning is over £1 billion per year.

Table 6 – main categories of waste in the UK

Waste type	Amount of waste (million tonnes)
Mineral wastes	64.0
Soils	53.0
Household waste	25.2
Metal, wood, plastic and glass	12.4
Paper and cardboard	5.4
Other	23.0

Source: Defra 2024

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Item B – Methods of reducing waste in the UK

The problem of waste in the UK is an example of the market system failing to allocate resources efficiently. The UK government has used several methods to reduce the problem of waste in the UK.

The National Waste Strategy is a government policy to encourage a move to sustainability in waste management in the UK. The policy includes greater recycling and composting of waste as well as reducing the amount of waste being sent to landfill. In 2022 the UK recycled just under 45% of its waste, although this was much less than Switzerland, Germany and the Netherlands which recycled around 60% of their waste.

The government has launched a series of public information campaigns to make it culturally unacceptable to create excessive waste. For example the Love Food, Hate Waste campaign began in 2007 to increase public awareness of the problem of food waste. In 2018 the government also launched the Keep It, Bin It advertising campaign in order to encourage people to dispose of their litter responsibly. In 2023 the government increased penalties for fly-tipping to a maximum of £1000 per offence.

2 2 Define the term 'market'.

[2 marks]

2 3 Using **Table 6**, calculate the percentage of total waste disposal in the UK which is classed as household waste.

Give your answer to the **nearest whole number**.

[3 marks]

Answer _____ %

Turn over ►

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2 4 Using **Item A**, analyse how waste disposal may lead to a misallocation of resources.

[6 marks]

Extra space

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2 5 Explain **two** methods the UK government could use to reduce household waste in the UK.

[6 marks]

Method 1 _____

Method 2 _____

Turn over for the next question

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2 6 Do you think the UK government should do more to solve the problems created by waste disposal in the UK?

Use **Item A** and **Item B**, and your own economic knowledge to justify your view.

[15 marks]

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