Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Monday 12 May 2025

Morning (Time: 2 hours)

Paper reference **9EC0/01**

Economics A

Advanced

PAPER 1: Markets and Business Behaviour

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.
- There are three sections in this question paper. Answer **all** questions from Section A and Section B. Answer **one** question from Section C.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- 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

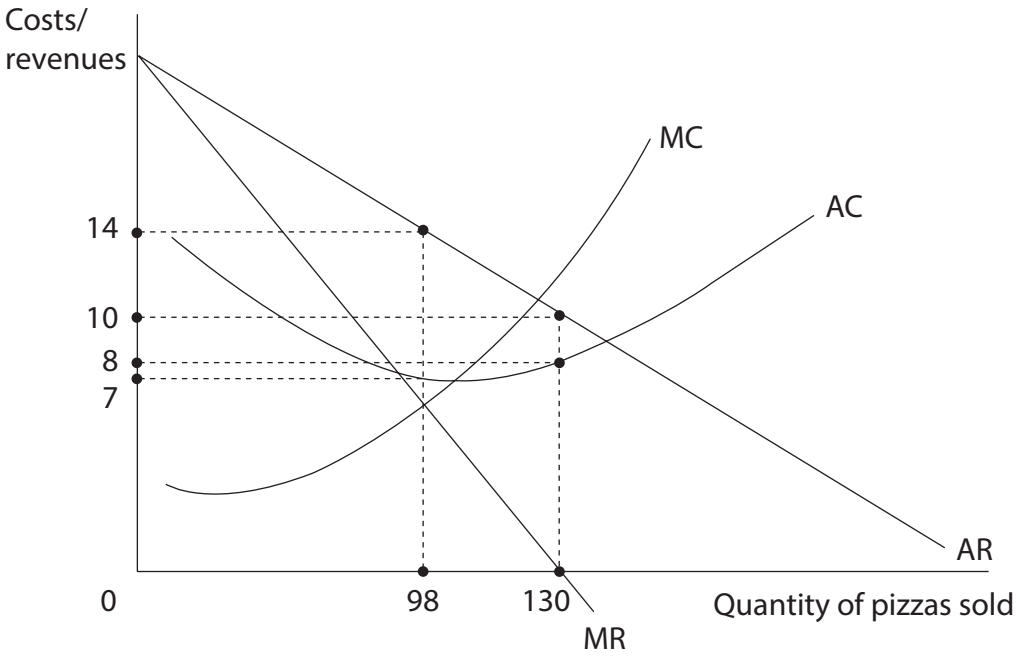
Answer ALL questions. Write your answers in the spaces provided.

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 30 minutes on this section.

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

1 The diagram below shows the cost and revenue curves for a pizza in a popular high street restaurant. The restaurant currently pursues an objective of revenue maximisation.



(a) Calculate the **change** in total supernormal profit if the restaurant changes its objective from revenue maximisation to profit maximisation. You are advised to show your working.

(4)

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(b) Refer to the previous diagram. There is a reduction in the demand for pizza.

Ceteris paribus, which **one** of the following will happen to the restaurant's average revenue and marginal revenue as a result of this change?

(1)

- ☒ **A** Average revenue and marginal revenue both fall
- ☒ **B** Average revenue and marginal revenue stay the same
- ☒ **C** Average revenue falls and marginal revenue increases
- ☒ **D** Average revenue increases and marginal revenue falls

(Total for Question 1 = 5 marks)

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2 In 2022 the UK government provided 130 new licences for North Sea oil and gas exploration, in order to reduce energy prices. However, companies can take 20 years to begin to extract oil. Furthermore, they often have to continue producing oil even when prices fall because the equipment has no other uses.

(Source: adapted from https://www.theguardian.com/environment/2022/dec/12/uk-ministers-face-legal-challenge-over-north-sea-oil-and-gas-licences)

(a) With reference to the data above, explain the likely numerical value of the price elasticity of supply for oil.

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(b) The cross elasticity of demand for petrol cars with respect to the price of diesel cars is estimated to be +0.64.

Which **one** of the following is the most likely impact if the price of diesel cars falls by 10%?

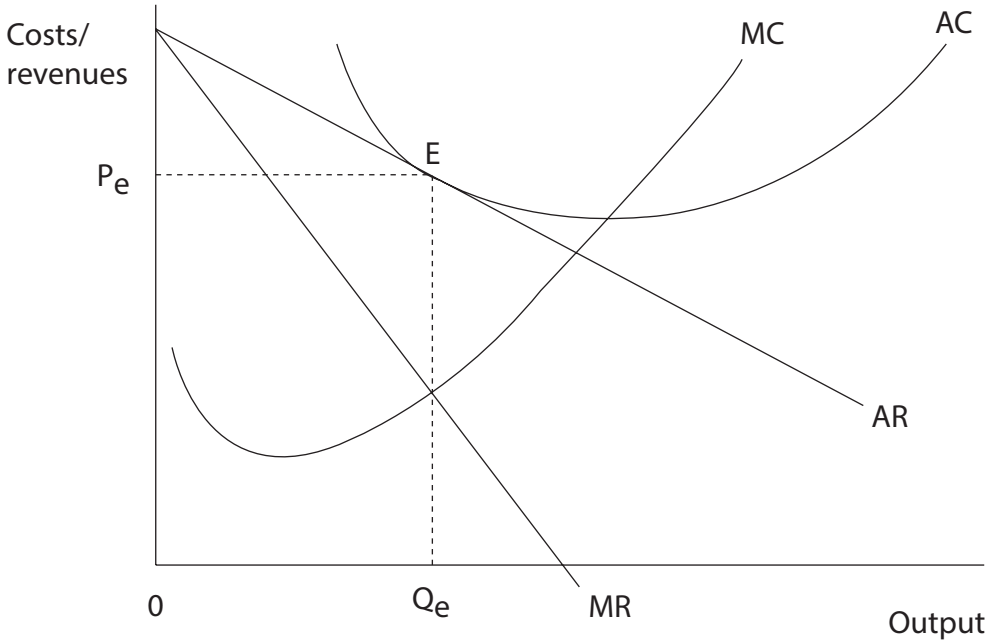
(1)

- ☒ **A** The price of petrol cars falls by 6.4%
- ☒ **B** The price of petrol cars rises by 64%
- ☒ **C** The quantity demanded of petrol cars falls by 6.4%
- ☒ **D** The quantity demanded of petrol cars rises by 64%

(Total for Question 2 = 5 marks)

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3 The diagram below shows the equilibrium position of a dental practice operating in a monopolistically competitive industry.



(a) Which **one** of the following applies to the dental practice's equilibrium at point E?

The dental practice is:

(1)

- ☒ **A** in long-run equilibrium
- ☒ **B** making normal profit because average revenue is greater than average cost
- ☒ **C** making supernormal profit because marginal cost equals marginal revenue
- ☒ **D** productively efficient

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(b) The government subsidises dental care in the UK through the National Health Service (NHS). There has been a large decrease in the work carried out by NHS dentists. Up to 90% of practices are not accepting new NHS patients.

(Source: adapted from https://www.theguardian.com/society/2023/jul/14/mps-demand-urgent-reform-nhs-dental-services-report)

Draw an externalities diagram to identify the welfare gain area from the consumption of dental care in the UK.

(4)

(Total for Question 3 = 5 marks)

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4 Nearly 750 000 consumers in Britain face unresolved problems with used car purchases every year. Older vehicles tend to have more faults and increase the risks facing a potential buyer.

(Source: adapted from https://www.gov.uk/government/news/new-approach-to-give-second-hand-car-buyers-a-better-deal)

(a) With reference to the data above, explain how imperfect market information may lead to a misallocation of resources in the used-car market.

(4)

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(b) In September 2022, the online retailer, Amazon, increased the price of its Prime service from £7.99 a month to £8.99. As a result, almost 600 000 people cancelled their subscriptions.

(Source: adapted from https://www.telegraph.co.uk/business/2022/08/17/hundreds-thousands-uk-households-ditch-amazon-prime/)

Which **one** of the following is the most likely explanation of this behaviour?

These consumers:

(1)

☒ **A** aim to maximise profits

☒ **B** aim to maximise utility

☒ **C** demonstrate habitual behaviour

☒ **D** demonstrate weakness at computation

(Total for Question 4 = 5 marks)

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5 The National Minimum Wage for people over 23 rose by 9.7% to £10.42 in April 2023. The industry most affected is hospitality.

(Source: adapted from https://www.gov.uk/government/publications/the-national-minimum-wage-in-2023/the-national-minimum-wage-in-2023)

(a) Draw a labour market diagram to show the likely impact of the **increase** in the National Minimum Wage for hospitality employees.

(4)

(b) There has been a significant decrease in the supply of agricultural workers in the UK. Which **one** of the following is the most likely cause of this decrease?

(1)

- ☒ **A** Increased demand for UK-grown strawberries
- ☒ **B** Increased job security for qualified workers in the industry
- ☒ **C** Increased productivity of workers in the industry
- ☒ **D** Increased wages in the retail industry

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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QUESTION 6 BEGINS ON THE NEXT PAGE

SECTION B

Read Figure 1 and the following extracts (A to C) in the Source Booklet before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

6 (a) With reference to Extract A, explain **one** likely impact of the growth of digital markets on allocative efficiency.

(5)

(b) With reference to Extract C, examine **two** effects of increased 'automation' on the demand for labour.

(8)

(c) With reference to the information provided, discuss whether the price elasticity of demand for video games is elastic or inelastic.

(12)

(d) With reference to the information provided, assess whether the market for video game development is contestable.

(10)

(e) Discuss the likely benefits of mergers for firms such as Microsoft.

(15)

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(10)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 High Speed 2 (HS2) was a £100 billion UK government rail project designed to expand the existing network. The journey time between London and Manchester would take just 1 hour and 11 minutes, 54 minutes quicker than today's fastest time. Almost 900 homes, 1 000 businesses and around 60 ancient woodlands would be destroyed by its construction.

(Source: adapted from https://www.independent.co.uk/climate-change/news/hs2-railway-route-houses-demolish-woodland-destroy-environment-impact-london-birmingham-manchester-a8582316.html)

Evaluate the likely microeconomic effects of building major infrastructure projects.

(Total for Question 7 = 25 marks)

OR

8 In 2023, the UK prime minister Rishi Sunak said that he wanted to see all students in England study some form of mathematics until they reach the age of 18 to 'ensure that they leave school better equipped for the jobs of the future'. This would require additional spending on education.

Just half of all 16 to 19 year-olds study mathematics. Yet in a world where data is everywhere and statistics are vital in every job, the workforce will require more analytical skills than ever before.

(Source: adapted from https://educationhub.blog.gov.uk/2023/01/04/studying-maths-to-18-what-you-need-to-know/)

Evaluate the likely microeconomic effects of increased spending on education.

(Total for Question 8 = 25 marks)

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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 7** ☐ **Question 8** ☐

Write your answer here:

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TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

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Pearson Edexcel Level 3 GCE

Monday 12 May 2025

Morning (Time: 2 hours)

Paper reference **9EC0/01**

Economics A

Advanced

PAPER 1: Markets and Business Behaviour

Source Booklet

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Sources for use with SECTION B

Read the following figure (1) and extracts (A to C) before answering Question 6.

Question 6

Digital markets

Figure 1: UK sales of selected best-selling video games, 2022

Name of game	Game publisher	Sales (quantity)	Game price
FIFA 23	Electronic Arts (EA)	2 530 510	£59.99
COD: MW II	Activision	1 675 323	£59.99
Mario Kart 8	Nintendo	426 748	£39.99
Gran Turismo 7	Sony	356 630	£69.99
Minecraft	Microsoft	219 679	£14.99

(Source: adapted from https://www.statista.com/statistics/274072/most-popular-games-in-the-united-kingdom-uk-by-unit-sales)

Extract A

Digital markets

Digital markets refer to firms producing and buying information technology services. Examples include digital banking, online retailing, computer games and mobile applications (apps). The emergence of digital markets has brought about increased competition across a wide range of products and services. They have also been beneficial for consumers who now have greater choice and access to higher-quality products at lower prices, for example, fashion clothing and language tuition. But while the digital revolution has enabled greater competition, it also presents some challenges for competition law enforcement.

(Source: adapted from https://pearsonblog.campaignserver.co.uk/digital-markets-reform-of-competition-laws/)

Extract B

Addictive video games

When consumers want to play a new video game, there are three payment options to access the full gaming experience. There is the price for the game (see Figure 1), the subscription fee to play online with friends (e.g. £13.99 a month) and there are many in-game purchases. For example, a Spiderman 'skin' which costs £9.99 enhances the appearance of the player. The high prices do not seem to deter many new buyers, especially in markets such as sports and multi-player action games. 40% of the world's population are online gamers. Young players spend up to 10–16 hours a day on their games due to the addictive nature of the games.

The video games can take up to five years to develop and cost over £150 million to produce with 200 full time employees working on the software. Starting salaries for software developers can be £100 000. However, some simple video games and apps cost as little as £23 000 to develop and take about six months.

All the major firms – EA, Microsoft, Nintendo and Sony – offer subscriptions that give access to new game releases. The US technology company, Microsoft, is one of the dominant firms in the market for subscription services. In October 2023, it merged with the game designer, Activision, which already owns one of the world's most popular video games (see Figure 1). The £65 billion merger is the largest in the history of the video games industry. However, Sony is concerned that the Microsoft-Activision merger may restrict access to popular video games owned by Microsoft and therefore reduce competition.

(Source: adapted from https://www.theguardian.com/technology/2023/apr/26/what-does-uks-ban-on-microsofts-activision-blizzard-takeover-mean-for-gaming?)

Extract C

The growth of automation

Automation is the use of technology to perform tasks previously carried out by humans. Automation has the potential to bring great economic benefits to both consumers and firms, contributing up to £12 trillion to global GDP by 2030. This extra income will also create demand for many new jobs. However, there are also concerns that it could displace many existing workers.

Financial services jobs are most at risk from automation in the shorter term and transport jobs, such as train drivers, in the longer run. For example, the growth of online banking has already led to the closure of many high street bank branches. By the mid-2030s, up to 30% of all jobs could be automated, with slightly more impact on men.

Another form of revenue for Microsoft is the artificial intelligence (AI) program ChatGPT. The growth of AI will require highly skilled workers such as trainers and engineers. Microsoft's annual gross profit for 2023 was £146 billion, a 7.69% increase on 2022.

(Source: adapted from https://www.economist.com/business/2023/03/26/big-tech-and-the-pursuit-of-ai-dominance)

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