OXFORD

INTERNATIONAL AQA EXAMINATIONS

INTERNATIONAL AS
ECONOMICS

Unit 1 The Operation of Markets, Market Failure and the Role of Government

A

Friday 6 January 2023   07:00 GMT   Time allowed: 1 hour 45 minutes

Materials
For this paper you must have:
* the Source Booklet, provided as an insert (enclosed)
* a calculator, which you are expected to use where appropriate.

Instructions
* Use black ink or black ball-point pen. Pencil should only be used for drawing.
* 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 outside the box around each page or on blank pages.
* Do **not** write in the Source Booklet.
* 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.
* You may use a bilingual dictionary for this exam.
* You may **not** use an English dictionary.

For Examiner's Use	
Question	Mark
1–15	
16	
17	
18	
19	
20	
21	
TOTAL	

Section A

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

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD   ●   WRONG METHODS   ⊗   ◉   ⬿   ⬚

If you want to change your answer you must cross out your original answer as shown. ⊠

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. ⊗

| 0 | 1 | Which one of the following is an advantage of a centrally planned economy?

[1 mark]

A Firms make large losses.   ⬭

B Lower levels of income inequality can be achieved.   ⬭

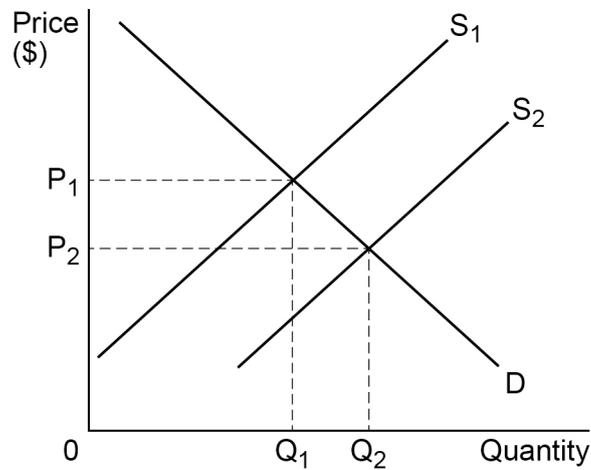**C** Resources are allocated by the price mechanism.   ⬭

D Workers can choose the jobs they want to do.   ⬭

0 2 **Figure 1** shows the original market demand (D) and supply (S₁) curves for cocoa.

Figure 1

Which one of the following is most likely to cause the supply curve for cocoa to shift from S_1 to S_2?

[1 mark]

A A cut in the subsidy paid to cocoa producers.

B A poor cocoa harvest due to very little rain.

C Some cocoa farmers switching to more profitable crops.

D The government removing the indirect tax on cocoa.

Turn over for the next question

Turn over ▶

0 3 **Table 1** shows the annual total revenue for an online retailer in 2020, and the average number of customers the firm had each month.

Table 1

Annual total revenue (2020)	Average number of customers per month
$386 billion	460 million

In 2020, what was the online retailer's average revenue for one customer per month, to the nearest dollar?

[1 mark]

A $10

B $70

C $84

D $839

0 4 In the short run, the supply of land is fixed. Therefore, in the short run, the price elasticity of supply of land is
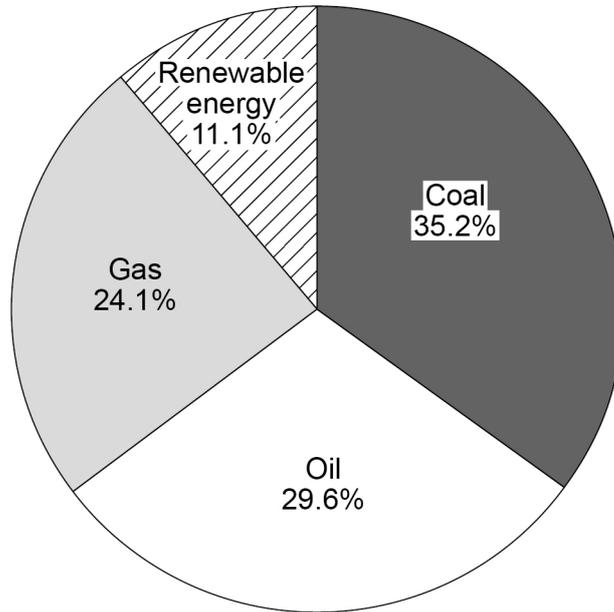
[1 mark]

A equal to 1

B greater than 1

C perfectly elastic.

D perfectly inelastic.

0 5 **Figure 2** shows the different sources of energy produced in a country in 2020.

Figure 2

Which one of the following can be concluded from **Figure 2**?

[1 mark]

A Non-renewable energy sources were less than 70% of total energy production.   ⬭

B Non-renewable energy sources were more than 85% of total energy production.   ⬭

C Renewable energy sources were less than one tenth of total energy production.   ⬭

D The demand and supply of renewable energy are increasing each year.   ⬭

Turn over for the next question

Turn over ▶

0 6 **Figure 3** and **Figure 4** below show a change in the demand (D_1 to D_2) for **Good X** and the change this causes in the supply (S_1 to S_2) of **Good Y**.
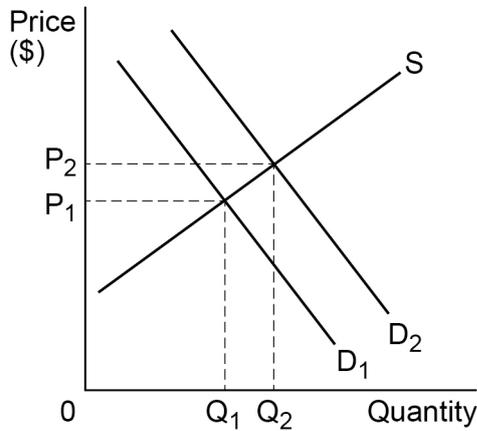

Figure 3
Good X

Figure 4
Good Y
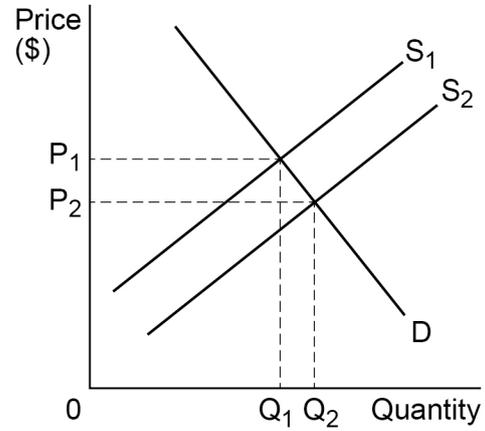
Which one of the following relationships is illustrated by the diagrams?

[1 mark]

A Competitive demand

B Composite demand

C Derived demand

D Joint supply

0 7 Which one of the following is an example of an internal economy of scale?

[1 mark]

A A college offers training courses for local firms.

B Banks offer cheaper loans to larger firms.

C Suppliers set up near a growing industry.

D The government increases spending on new infrastructure.

| 0 | 8 | Which one of the following is the most likely cause of excess supply in a market?

The government setting

[1 mark]

    A a maximum price above the equilibrium price. ⬭

    B a maximum price below the equilibrium price. ⬭

    C a minimum price above the equilibrium price. ⬭

    D a minimum price below the equilibrium price. ⬭

| 0 | 9 | Research finds that the cross elasticity of demand for electric cars with respect to the price of petrol cars is +0.36.

Which one of the following can be concluded from the data?

[1 mark]

    A A 10% decrease in the price of electric cars will lead to a 3.6% decrease in the demand for petrol cars. ⬭

    B A 10% decrease in the price of electric cars will lead to a 36% decrease in the demand for petrol cars. ⬭

    C A 10% increase in the price of petrol cars will lead to a 3.6% increase in the demand for electric cars. ⬭

    D A 10% increase in the price of petrol cars will lead to a 36% increase in the demand for electric cars. ⬭

| 1 | 0 | In Economics, one difference between the short run and the long run is that in the long run

[1 mark]

    A all factors of production are variable. ⬭

    B fixed costs do not change with output. ⬭

    C labour cannot be replaced by capital. ⬭

    D some factors of production are fixed. ⬭

Turn over ▶

1 1 The Indian government operates a buffer stock scheme for onions. There is a shortage of onions in the country due to bad weather.

Which one of the following is most likely to stop the price of onions rising?

The government

[1 mark]

A banning the sale of onions imported from abroad. ⬭

B buying up supplies of onions from farmers. ⬭

C reducing the minimum price it pays to onion farmers. ⬭

D releasing onions onto the market. ⬭

1 2 Which one of the following combinations gives the characteristics of a public good?

[1 mark]

A	Excludable	Non-rival in consumption	⬭
B	Excludable	Rival in consumption	⬭
C	Non-excludable	Non-rival in consumption	⬭
D	Non-excludable	Rival in consumption	⬭

1 3 A firm making smartphones made a profit of $40bn in 2021. The firm's profit was 20% of its total revenue and it spent $5bn on research and development (R&D).

Which one of the following combinations is correct?

[1 mark]

	Total revenue	**Spending on R&D as a percentage of profit**	
A	$8bn	25.0%	⬭
B	$80bn	12.5%	⬭
C	$160bn	25.0%	⬭
D	$200bn	12.5%	⬭

1 4 The price elasticity of demand for a firm's product is inelastic. If the firm increases the price of its products, what will happen to its average revenue, total revenue and profit?

[1 mark]

	Average revenue	Total revenue	Profit	
A	Decrease	Decrease	Decrease	⬯
B	Decrease	Increase	Increase	⬯
C	Increase	Decrease	Decrease	⬯
D	Increase	Increase	Increase	⬯

1 5 Which one of the following is most likely to cause the production possibility boundary (PPB) of an economy to shift to the right?

[1 mark]

A An increase in the capital stock ⬯

B Factories and farmland destroyed by a natural disaster ⬯

C More demand for goods and services ⬯

D Unemployment falling ⬯

15

Turn over for Section B

Turn over ▶

Section B

Look at the Source Booklet and answer **all** questions in the spaces provided.

Do **not** write in the Source Booklet.

1 6 . 1 Define 'opportunity cost' (**Extract B**, line 17).

[3 marks]

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1 6 . 2 Define 'product differentiation' (**Extract B**, line 14).

[3 marks]

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1 7   **Extract B** contains data on the fast food industry.

You are advised to show your working for the calculations below.

1 7 . 1   **Extract B** (lines 20–22) states: 'It is predicted that total revenue from the sale of fast food in South Africa will increase to around $4.9 billion by 2026. This would account for 0.5% of the global revenue for the fast food industry.'

Calculate the predicted global revenue for the fast food industry in 2026.

[3 marks]

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1 7 . 2   **Extract B** (lines 12–13) states: 'Throughout the world, in this market in 2020, there were 830 400 businesses employing 13 114 000 people.'

Calculate the mean number of people employed in each business in 2020. Give your answer to the **nearest whole number**.

[3 marks]

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Turn over ►

1 8   **Extract B** (line 1) states: 'It is often assumed that food, including healthy food such as fruit, is a normal good'.

1 8 . 1   Explain how changes in income are likely to affect the demand for fruit.

[6 marks]

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1 8 . 2 To what extent do the data suggest that income affects the demand for fruit in South Africa?

Use the data in **Extract A** to support your answer.

[6 marks]

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12

Turn over for the next question

Turn over ▶

1 9 **Extract C** (lines 6–7) states: 'Some argue that healthy food is a merit good and will be underconsumed if left to the free market.'

With the help of a diagram, explain why healthy food is likely to be underconsumed if left to the free market.

[9 marks]

Extra space

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9

2 0 **Extract B** (line 9) states: 'There are many reasons why the demand for fast food has increased.'

Analyse possible causes of the increase in the demand for fast food.

[12 marks]

Turn over ▶

Extra space

12

2 1 **Extract C** (lines 7–8) states: 'government policies might be needed to encourage households to consume more healthy food.'

Use the extracts and your knowledge of economics to assess policies that governments could use to increase the consumption of healthy food.

[20 marks]

Turn over ▶

Extra space

END OF QUESTIONS

20

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ANSWER IN THE SPACES PROVIDED**

Question number	Additional page, if required. Write the question numbers in the left-hand margin.

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