

Please write clearly in block capitals.

Centre number

Candidate number

Surname _____

Forename(s) _____

Candidate signature _____

I declare this is my own work.

INTERNATIONAL AS ECONOMICS

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

Thursday 8 May 2025

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 AAnswer **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 a function of the price mechanism?

[1 mark]

- A** To allocate resources equitably in all types of economic system
- B** To create incentives for economic activity in a centrally planned economy
- C** To ensure that all resources are fully employed in a mixed economy
- D** To resolve the basic economic problem in a market economy

0 2

Which one of the following is the correct definition and example of a factor of production?

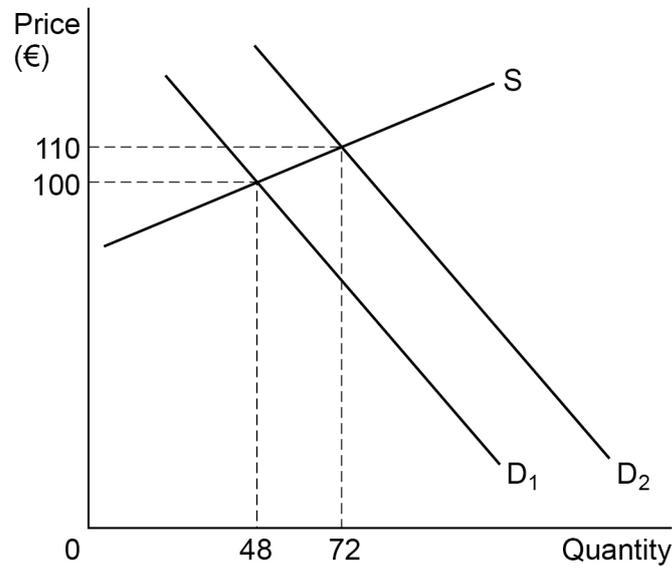
[1 mark]

	Factor of production	Definition	Example	
A	Capital	Human-made resource	Money in a bank	<input data-bbox="1353 1608 1417 1650" type="radio"/>
B	Enterprise	Risk-taking resource	Decision maker in a firm	<input data-bbox="1353 1697 1417 1740" type="radio"/>
C	Labour	Natural resource	Teacher in a school	<input data-bbox="1353 1787 1417 1830" type="radio"/>
D	Land	Human resource	Water in a lake	<input data-bbox="1353 1877 1417 1919" type="radio"/>



0 3

Figure 1 shows the initial demand (D_1) and supply (S) curves for coats. A successful advertising campaign shifts the demand curve from D_1 to D_2 .

Figure 1

When the price rises from €100 to €110, what is the value of price elasticity of supply?

[1 mark]

- A** 0.2
- B** 2.4
- C** 3.3
- D** 5.0

0 4

A demerit good, such as a cigarette, is most likely to be

[1 mark]

- A** non-rival with negative externalities in consumption.
- B** non-rival with negative externalities in production.
- C** rival with negative externalities in consumption.
- D** rival with negative externalities in production.

Turn over ►

0 5

Table 1 shows the costs for a firm, in British pounds (£), when it produces four units of output.

Table 1

Output (units)	Average variable cost (£)	Total cost (£)
4	8	72

What is the average fixed cost of producing four units of output?

[1 mark]

- A** £10
- B** £16
- C** £18
- D** £40

0 6

Which one of the following best describes a market failure?

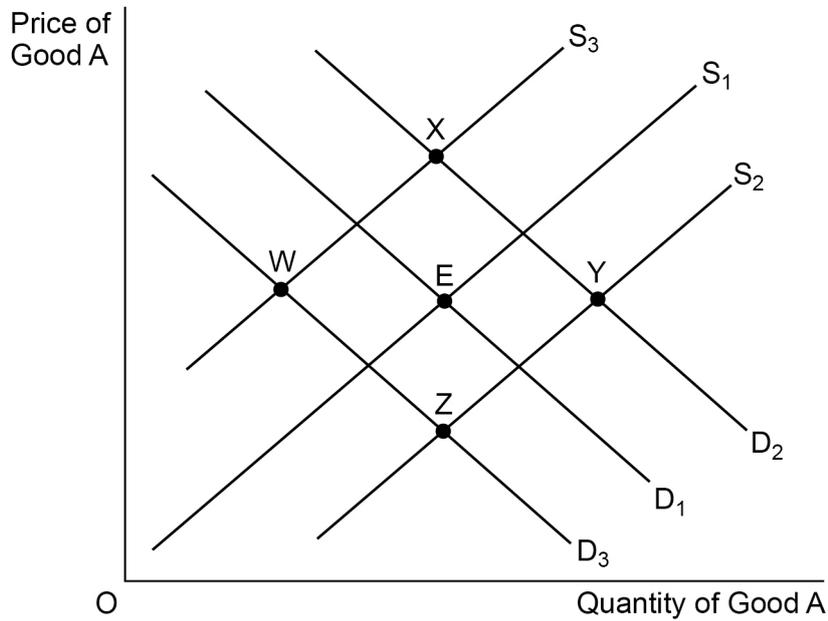
[1 mark]

- A** Consumers are charged for the external costs they create.
- B** Consumers buy fewer goods due to higher prices.
- C** Producers do not consider the external benefits they create.
- D** Producers enter a market in response to higher prices.



0 7

Figure 2 shows the initial demand (D_1) and supply (S_1) curves for **Good A**. **Good A** has a negative cross elasticity of demand in response to a change in the price of **Good B**, and **Good A** is in joint supply with **Good C**. The original equilibrium point is at E.

Figure 2

When the price of **Good B** falls **and** the demand for **Good C** rises, which one of the following is the new equilibrium point?

[1 mark]

- A** W
- B** X
- C** Y
- D** Z

Turn over for the next question

Turn over ►



0 8

Table 2 shows the market share for firms in the mobile phone market, in Quarter 1 (Q1) and Quarter 4 (Q4), 2022.

Table 2

Firm	Market share (%)	
	Q1, 2022	Q4, 2022
Apple	18	15
Honor	5	4
OPPO	9	10
Samsung	23	23
Vivo	8	8
Xiaomi	12	11
Others	25	29

What is the change in the three-firm concentration ratio between Quarter 1 and Quarter 4 of 2022?

[1 mark]

- A** Decreased by 1 percentage point
- B** Decreased by 4 percentage points
- C** Increased by 1 percentage point
- D** Increased by 4 percentage points



0 9

Immobility of labour may exist because

[1 mark]

A individuals have perfect information about the jobs market.

B public transport is reliable and has large government subsidies.

C some workers cannot afford to live in other parts of a country.

D unemployed workers have the skills to change to new jobs.

1 0

Sumarni's parents gave her a piano that cost \$2200. Sumarni sees the same model of piano in a shop now selling for \$3400. She could sell her piano for \$1500.

What is the opportunity cost to Sumarni if she decides to keep the piano?

[1 mark]

A \$1500

B \$1900

C \$2200

D \$3400

1 1

The competitive market process suggests that

[1 mark]

A firms that compete only on price will not survive in a market.

B firms try to reduce average costs to reduce price competitiveness.

C firms with competitors are likely to differentiate their goods.

D firms with monopoly power do not need to improve the quality of their service.

Turn over ►



1 2

Table 3 shows the private benefits and costs and the social benefits and costs of building a bridge and a tunnel in billions of Japanese Yen (¥bn).

Table 3

	Bridge (¥bn)	Tunnel (¥bn)
Private benefit	10	10
Private cost	15	27
Social benefit	30	42
Social cost	48	53

Which one of the following can be concluded from the data in **Table 3**?

[1 mark]

- A** The external benefits of building the bridge are less than the external benefits of building the tunnel.
- B** The external benefits of building the tunnel are ¥52bn.
- C** The external costs of building the bridge are ¥18bn.
- D** The external costs of building the bridge are less than the external costs of building the tunnel.

1 3

Specialisation requires

[1 mark]

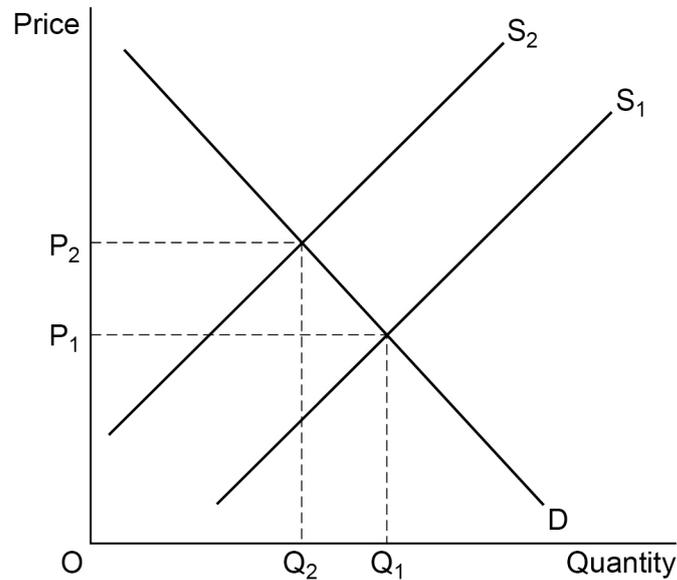
- A** an efficient means of exchange.
- B** benefits from economies of scale.
- C** high labour productivity.
- D** improvements in technology.



1 4

Figure 3 shows the initial demand (D) and supply (S_1) curves for rice in a country.

Figure 3



Which one of the following would cause the supply curve for rice to shift from S_1 to S_2 ?

[1 mark]

- A** An improvement in the machines used to pick the rice
- B** An increase in the price of rice on world markets
- C** Poor weather conditions in regions where rice is grown
- D** The sale of rice from the government's buffer stock

1 5

Each year the government in Country Z allocates pollution permits at zero price to its 5000 largest firms. This year the government decides to reduce the number of permits it allocates by 20%.

Which one of the following is the most likely outcome?

[1 mark]

- A** 1000 firms have an incentive to buy new technology.
- B** Government revenue from pollution permits will fall.
- C** Pollution in Country Z will reduce by 20%.
- D** The average market price of pollution permits will rise.

15

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 'perfect competition' (**Extract B**, line 6).

[3 marks]

1 6 . 2 Define 'internal economies of scale' (**Extract B**, line 13).

[3 marks]

6



1 7

The extracts provide information on income per person and EU funding for flood damage in selected EU countries.

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

1 7 . 1

In 2021, the average income per person in the EU was €28 050. The index for this is 100.

Use this information and **Extract A (i)** to calculate the index of income per person in Latvia to **one** decimal place.

[3 marks]

1 7 . 2

Extract C (lines 20–21) states: ‘Many other countries have received payments from this fund, including Belgium (€87.84m), Germany (€612.61m), Latvia (€17.70m) and Lithuania (€16.90m).’

Calculate the median payment made to Belgium, Germany, Latvia and Lithuania.

Give your answer to the nearest **million** euros (€m).

[3 marks]

6

Turn over ►



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box*

9

Turn over for the next question

Turn over ►



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ANSWER IN THE SPACES PROVIDED**



