5 In 2002 the elasticity of demand for agricultural labour in South Africa was estimated to be –1.32.

Which **one** of the following is most likely to influence the elasticity of demand for agricultural labour?

☒ **A** The cost of capital required for farming relative to the cost of agricultural labour

☒ **B** The level of educational qualifications required to be an agricultural worker

☒ **C** The location of agricultural jobs in South Africa

☒ **D** The occupational and the geographical mobility of labour

(Total for Question 5 = 1 mark)

6 A diamond mining company is considering whether to set up operations in Botswana.

Which **one** of the following would be a barrier to entry into this industry?

☒ **A** High level of government subsidies

☒ **B** High sunk costs

☒ **C** Low level of government regulation

☒ **D** Low concentration ratio

(Total for Question 6 = 1 mark)

5 In March 2020 the Angolan Government announced that it was privatising three state-owned textile factories.

Which **one** of the following is the most likely effect of this privatisation?

☒ **A** A decrease in X-inefficiency

☒ **B** A decrease in productive efficiency

☒ **C** A decrease in consumer choice

☒ **D** A decrease in share ownership

(Total for Question 5 = 1 mark)

5 Between February 2020 and February 2021 approximately 65 000 businesses shut down in New Zealand. The majority of these closures were caused by a fall in revenue as a result of the global health crisis.

Which **one** of the following would cause a firm to shut down in the short-run?

☒ **A** Average revenue is above its average total cost of production

☒ **B** Average revenue is below its average total cost of production

☒ **C** Average revenue is above its average variable cost of production

☒ **D** Average revenue is below its average variable cost of production

(Total for Question 5 = 1 mark)

4 In 2017 the Centre for Economic Analysis estimated that the elasticity of supply of labour for car manufacturing in Poland was 1.3.

Which **one** of the following would have caused the elasticity of the supply of labour to become more elastic?

☒ **A** A fall in net migration

☒ **B** A rise in the level of welfare benefits

☒ **C** A fall in income tax rates

☒ **D** A rise in trade union membership

(Total for Question 4 = 1 mark)

4 In 2022 Google's global market share of the internet search engine market was 84%.

Which **one** of the following is the most likely outcome of Google operating at its profit maximising output?

☒ **A** Average revenue is equal to marginal cost

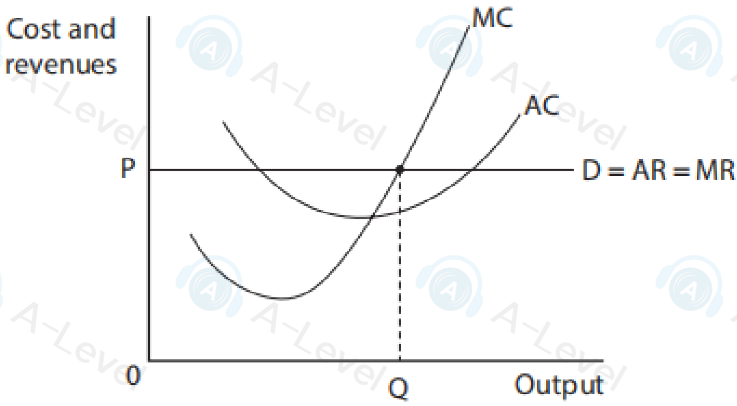
☒ **B** Marginal revenue is greater than average revenue

☒ **C** Marginal revenue is equal to total cost

☒ **D** Average revenue is greater than average cost

(Total for Question 4 = 1 mark)

4 The diagram shows the short-run costs and revenues for a farmer producing wheat in India.



Which **one** of the following is most likely to occur in the long-run?

☒ **A** Additional wheat farmers will enter the market

☒ **B** Some wheat farmers will leave the market

☒ **C** The wheat farmer will make supernormal profit

☒ **D** The wheat farmer will make a loss

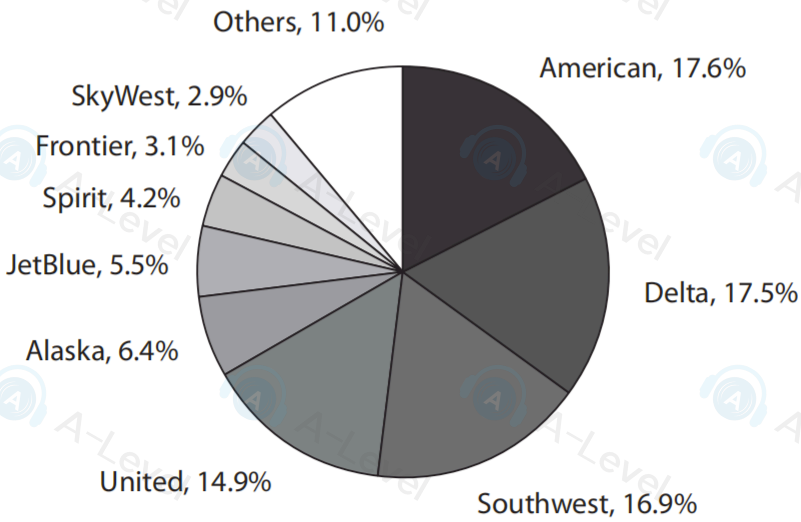
(Total for Question 4 = 1 mark)

6 A farm producing wheat is operating in a monopolistically competitive market. Which **one** of the following will apply to this firm?

- ☒ **A** Allocative inefficiency in the long-run
- ☒ **B** Productive efficiency in the short-run
- ☒ **C** Supernormal profit in the long-run
- ☒ **D** Allocative efficiency in the short-run

(Total for Question 6 = 1 mark)

4 The chart shows the market share, by revenue, for airlines operating domestic flights in the USA, February 2019–January 2020.



Which **one** of the following is the five-firm concentration ratio for airlines operating domestic flights in the USA?

- ☒ **A** 66.9%
- ☒ **B** 73.3%
- ☒ **C** 77.9%
- ☒ **D** 78.8%

(Total for Question 4 = 1 mark)

4 In January 2021 the UK Government appointed a new regulator to ensure that new houses are built from safe materials.

Which **one** of the following would limit the impact of this government intervention in the housing market?

- **A** Perfect mobility of resources
- **B** A flexible labour market
- **C** Perfect knowledge of the housing market
- **D** Regulatory capture

(Total for Question 4 = 1 mark)

2 The table shows the market share by value of retail sales of grocery stores in the UK.

Store	March 2016 (%)	March 2017 (%)
Tesco	28.1	27.6
Sainsbury's	16.4	16.1
Asda	16.2	15.7
Morrisons	10.5	10.4
Co-op	6.1	6.1
Aldi	6.0	6.8
Others	16.7	17.3

(Source: https://www.statista.com/statistics/280208/grocery-market-share-in-the-united-kingdom-uk/)

From the data it can be deduced that

☒ **A** the 3-firm concentration ratio was 50.7% in March 2016

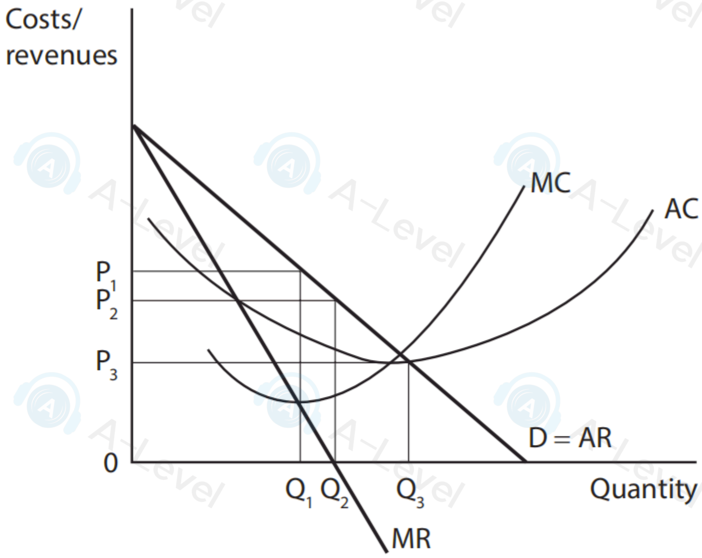
☒ **B** the 5-firm concentration ratio was 87.3% in March 2016

☒ **C** the 3-firm concentration ratio was 49.4% in March 2017

☒ **D** the 5-firm concentration ratio was 76.6% in March 2017

(Total for Question 2 = 1 mark)

6 A monopolist decides to set its price at P_3, as shown in the diagram.



Which **one** of the following business objectives is shown by this pricing decision?

☒ **A** Revenue maximisation

☒ **B** Sales volume maximisation

☒ **C** Profit maximisation

☒ **D** Satisficing

(Total for Question 6 = 1 mark)

4 Big Bazaar is a large grocery retailer in India. It faces a downward-sloping average revenue curve and is making supernormal profits. In 2022 rental costs increased by an average of 6.5%.

Ceteris paribus, which **one** of the following combinations indicates the impact of this increase in rental costs on Big Bazaar?

		Profit	**Price**
☒	**A**	No change	No change
☒	**B**	Rise	Decrease
☒	**C**	Fall	No change
☒	**D**	No change	Decrease

(Total for Question 4 = 1 mark)

1 In 2022 the entertainment production companies Sony Picture Networks India and Zee Entertainment Enterprises Ltd signed an agreement to merge.

Which **one** of the following best describes this type of merger?

☒ **A** Forward vertical integration

☒ **B** Backward vertical integration

☒ **C** Horizontal integration

☒ **D** Conglomerate integration

(Total for Question 1 = 1 mark)

5 The table shows the price for an adult ticket at a particular cinema in Dhaka in 2024.

Time	Price (BDT)
Afternoon	300
Evening	450

Which **one** of the following best describes the reason for this price difference?

☒ **A** Demand is more price elastic in the afternoon

☒ **B** Demand is more price inelastic in the afternoon

☒ **C** Supply is perfectly elastic in the evening

☒ **D** Supply is more elastic in the evening

(Total for Question 5 = 1 mark)

6 In 2022 the average price of a standard cinema ticket in Johannesburg, South Africa, was R60 in the daytime and R105 in the evening.

Which **one** of the following is the most likely reason for this price difference?

☒ **A** The demand for cinema tickets is more price inelastic in the daytime than in the evening

☒ **B** The demand for cinema tickets is more price elastic in the daytime than in the evening

☒ **C** The supply of cinema tickets is perfectly price elastic

☒ **D** The supply of cinema tickets is more price elastic in the evening than in the daytime

(Total for Question 6 = 1 mark)

2 In 2023 Cineworld sold tickets for standard seats to watch movies at £9.99 in the UK. Students only paid £7.99 for the same seats.

Which **one** of the following best describes this pricing strategy?

☒ **A** Marginal cost pricing

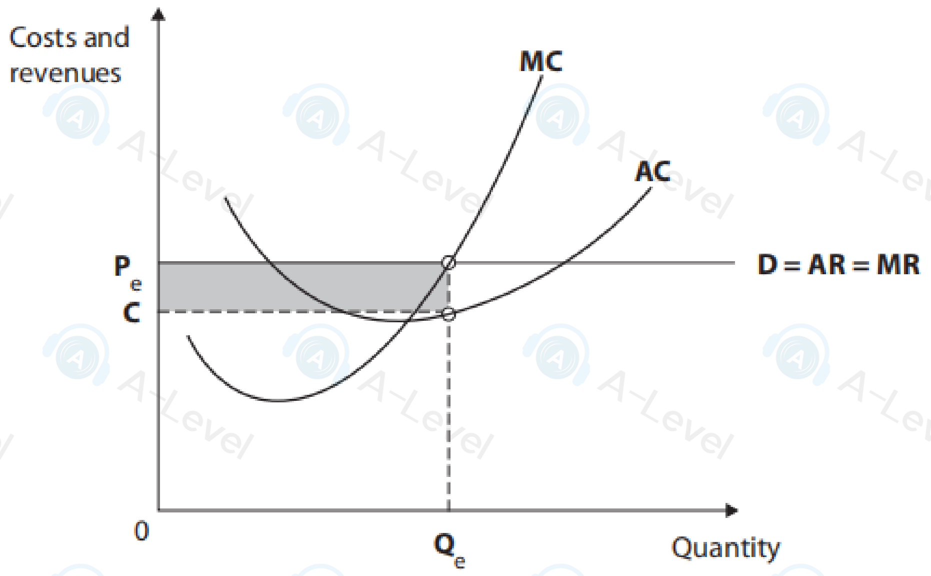
☒ **B** Limit pricing

☒ **C** Price discrimination

☒ **D** Predatory pricing

(Total for Question 2 = 1 mark)

3 The diagram shows the short-run profit maximising equilibrium for an agricultural business operating in a perfectly competitive market.



Ceteris paribus, which **one** of the following is the most likely outcome in the long-run?

☒ **A** The agricultural business will make normal profit

☒ **B** The agricultural business will shut down

☒ **C** The agricultural business will increase its output

☒ **D** The agricultural business will increase its price

(Total for Question 3 = 1 mark)

7 (a) With reference to Figure 1, calculate the percentage point change in the four-firm concentration ratio between 2020 and 2021.

(2)

(b) With reference to Extract A, analyse **two** reasons why India has become the world's second largest smartphone market.

(6)

(c) With reference to Extract B, explain what is meant by 'economies of scale'.

(4)

(d) With reference to Figure 2 and Extract B, examine the likely impact on the profits of Samsung of opening a smartphone factory in India.

Use an appropriate diagram in your answer.

(8)

(e) With reference to Extract C, Figure 2 and your own knowledge, discuss the benefits of non-price competition for consumers and businesses in the Indian smartphone industry.

(14)

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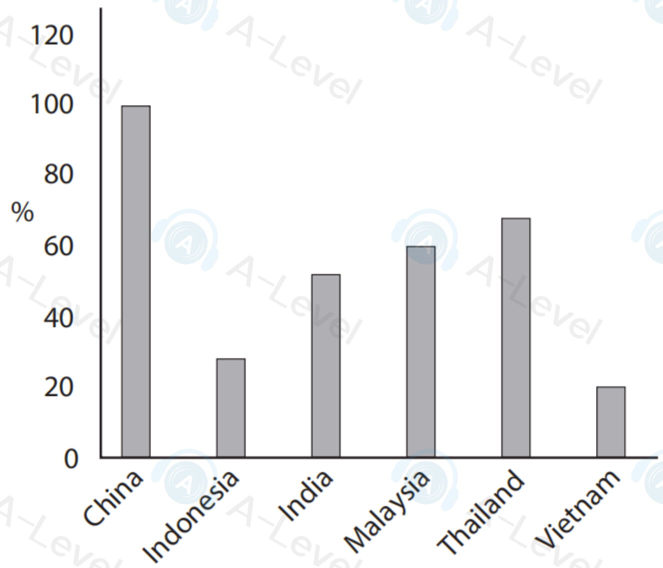
The Indian mobile phone market

Figure 1 Market shares of mobile phone companies in India, 2020 and 2021

	2020	2021
Xiaomi	26%	21%
realme	11%	17%
Samsung	20%	16%
vivo	15%	13%
OPPO	10%	9%
Others	18%	24%

Figure 2 Hourly labour cost for selected countries as a percentage of China's hourly labour costs, September 2018



Extract A The Indian smartphone market

In October 2021 India's population was 1.38 billion, the second largest in the world after China. India's per capita real income increased from US$ 1 000 in 2015 to US$ 1 301 in 2020. It is predicted that incomes will continue to rise steadily over the next few years. India's large population and increasing disposable incomes have made it the world's second largest smartphone market. Over half the population of India owns a smartphone. It is expected that the market will grow from US$ 25.1 billion in 2018–19 to US$ 80 billion in 2025–26.

Extract B The production of smartphones in India

The manufacture of smartphones in India has increased significantly, making it the second largest manufacturing country after China. If production continues to rise at its current rate, India will soon become the global leader in smartphone production.

The Indian Government has been encouraging foreign direct investment (FDI) through the "Make in India" programme. This scheme offers tax relief for any companies manufacturing in India. The scheme also introduced a 12.5% tax on any imported phone components needed in the manufacturing process. This has caused an increase in the local production of handsets and phone components. Also, it is estimated that wages for skilled workers are 15% less in India than in China. As a result, Samsung Electronics, a South Korean company, opened the world's largest smartphone factory in India. The company will benefit from economies of scale and from reduced transport costs when selling its products in India, the Middle East and Africa. Foxconn, a Taiwanese company, moved its production of the new Apple iPhone from China to India to reduce long-run average costs.

There are several challenges facing smartphone producers in India. For example, the supply of components is insufficient to meet the level of demand. This forced some businesses to import more expensive and heavily taxed components from China. In addition, the power supply is not always reliable, reducing output and efficiency. Transportation can also be slow and costly. Poor roads and railways mean that it takes a long time for manufactured goods to reach the coast to be transported to other countries.

Extract C Competition in the smartphone industry

The smartphone industry in India is dominated by a few large businesses because smaller businesses find it difficult to compete on quality, functions and variety of smartphones. The large smartphone businesses mainly use non-price competition in order to increase market share. These strategies include advertising and branding, innovation, design and after-sales service.