Oxford Cambridge and RSA

Monday 13 May 2024 – Morning

AS Level Economics

H060/01 Microeconomics

Time allowed: 1 hour 30 minutes

You can use:
- a scientific or graphical calculator
- an HB pencil

Please write clearly in black ink. **Do not write in the barcodes.**

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

First name(s) _____

Last name _____

INSTRUCTIONS
- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions in Section A and B and **one** question in Section C.

INFORMATION
- The total mark for this paper is **60**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **20** pages.

ADVICE
- Read each question carefully before you start your answer.

© OCR 2024 [601/4801/9]
DC (RW/CT) 321609/5
OCR is an exempt Charity

SECTION A

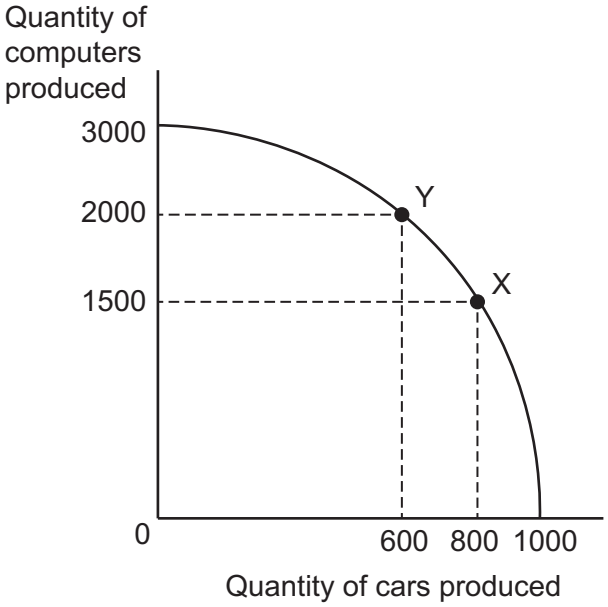
Write your answer to **each** question in the box provided.

1 Which is a positive externality of a new factory being built in a town?

A Air pollution
B Employment
C Noise
D Traffic congestion

Your answer ☐ **[1]**

2 The diagram shows the production possibility curve for a country that produces computers and cars.



The economy is currently producing at point X.

What would be the opportunity cost of moving to point Y?

A 200 cars
B 600 cars
C 500 computers
D 2000 computers

Your answer ☐ **[1]**

© OCR 2024

3 Which of these is an example of a normative statement?

A More people will use solar energy
B Solar energy will be the only type of energy available
C Solar energy is a natural source of energy
D The UK government must subsidise solar energy

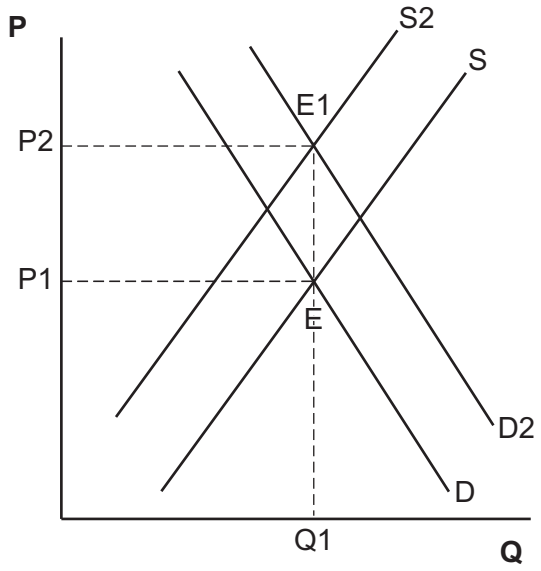
Your answer ☐ **[1]**

4 Which of these is **not** an example of a composite demand good?

A Chair
B Milk
C Oil
D Wood

Your answer ☐ **[1]**

5 The diagram shows the demand and supply of oil.
The market is initially in equilibrium at E.



What would be the **most** likely cause of the market equilibrium moving to E1?

A Decrease of costs of oil production and decrease in air travel
B Decrease of costs of oil production and increase in air travel
C Increase of costs of oil production and decrease in air travel
D Increase of costs of oil production and increase in air travel

Your answer ☐ **[1]**

© OCR 2024

6 Which of these is **not** an economic agent?

A Countries
B Firms
C Governments
D Households

Your answer ☐ **[1]**

7 The table shows the quantity demanded and quantity supplied of a product at different prices.

Price (£)	Quantity Demanded	Quantity Supplied
10	90	5
20	80	15
30	60	25
40	35	35
50	20	50

What is the state of the market for this product at a price of £30?

A Excess demand of 35 units
B Excess demand of 60 units
C Excess supply of 25 units
D Excess supply of 85 units

Your answer ☐ **[1]**

8 Which is **not** a reward for a factor of production?

A payment by a tenant of a house to its owner
B return received by a person on their savings account
C revenue received by a firm from its total sales
D total income earned by a self-employed person

Your answer ☐ **[1]**

9 The **best** description of a free good is

A Consumers do not have to pay for the good
B Scarce resources are not used in the production of the good
C The production of the good is fully subsidised
D The government provides the good to all consumers

Your answer ☐ **[1]**

© OCR 2024

10 The government sets a maximum price that can be charged for rents.
This is below the market equilibrium price.

What will be the result?

A Demand for rented properties will contract
B Price of rental properties will increase
C Price of rental properties will not change
D Supply of rented properties will contract

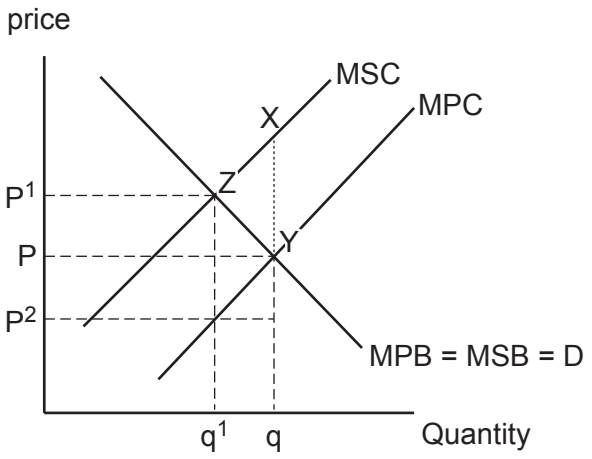
Your answer ☐ **[1]**

11 Which of these is **not** a type of economic system?

A Market economy
B Mixed economy
C National economy
D Planned economy

Your answer ☐ **[1]**

12 The diagram shows the social and private costs of manufacturing chemicals.



Which of the statements is true?

A Costs to society are shown by MPC
B Social optimum level of output is q
C There is a net loss to society of triangle XYZ
D Without government intervention profit-maximising firms will charge a price of P2

Your answer ☐ **[1]**

© OCR 2024

13 The price of fidget toys was £5 and the quantity supplied at this price was 2750 units.
The price of fidget toys has now increased to £6.25, and the quantity supplied has increased to 3575 units.

What is the price elasticity of supply?

A 0.833
B 1.175
C 1.2
D 1.5

Your answer ☐ **[1]**

14 What is the **most** likely result of the introduction of division of labour?

A Increased costs of production
B Increased expenditure on capital equipment per worker
C Increased job satisfaction
D Increased productivity

Your answer ☐ **[1]**

15 Which would occur in a barter economy?

A Dependency on digital currencies
B Direct exchange of goods
C Use of gold as a medium of exchange
D Use of money as a medium of exchange

Your answer ☐ **[1]**

© OCR 2024

BLANK PAGE

DO NOT WRITE ON THIS PAGE

Section B starts on the next page

© OCR 2024

SECTION B

First, it was a fad. Now, as meat consumption falls, it's part of everyday life.

Veganuary is a global campaign that encourages people to go vegan. A record 500,000 people signed up to the Veganuary challenge to eat only plant-based foods for a month in January 2021. This included 150,000 people in Latin America, 80,000 in the USA and 50,000 in Germany. In 2021 the overall number was double the number in January 2019.

Research from the investment bank UBS on plant-based alternatives to meat, such as veggie burgers and sausages, showed a rising number of people trying the new products. The proportion of people who tried the alternatives rose from 48% to 53% between March and November 2020, according to UBS's survey of 3,000 consumers in the UK, US and Germany. It also found that half of those who tried plant-based alternatives continued to eat them at least weekly.

A spokesperson from Veganuary said "Pretty much everyone has accepted we need to be reducing animal products in our diets for environmental reasons. The way British supermarkets have embraced Veganuary in 2020 is truly game-changing with television and radio campaigns as well as promoting veganism on their websites and offering free recipes. They are not simply using it as a marketing opportunity, but are promoting the many benefits of plant-based eating. As key players of our food supply, they know that the only sustainable way forward is plant-focused."

Plant-based milk has been steadily growing and represented 14% of the milk category in 2019, according to statistics from the Plant Based Foods Association. While sales of plant-based milk continue to grow, sales of dairy milk are relatively flat. The cross elasticity of demand between oat milk and dairy milk is 0.23. Oat milk sales have jumped from 2020 to 2022 by 345%. The health benefits, such as high prebiotic fibre in oat milk are factors attracting customers. As consumers consider health to be more important than ever, they are willing to pay a premium for products that offer health benefits, as well as being able to contribute towards environmental protection. The income elasticity of demand for oat milk is +1.8. As well as the mass adoption of vegan and similar diets owing to moral concerns, plant-based milk market growth continues to be driven by an increase in milk allergies and lactose-intolerant consumers. This is encouraging manufacturers such as the Coca-Cola Company, to introduce new oat milk variants to appeal to their consumers, further driving oat milk sales.

© OCR 2024

Fig. 1

Reasons people give for eating less or no meat

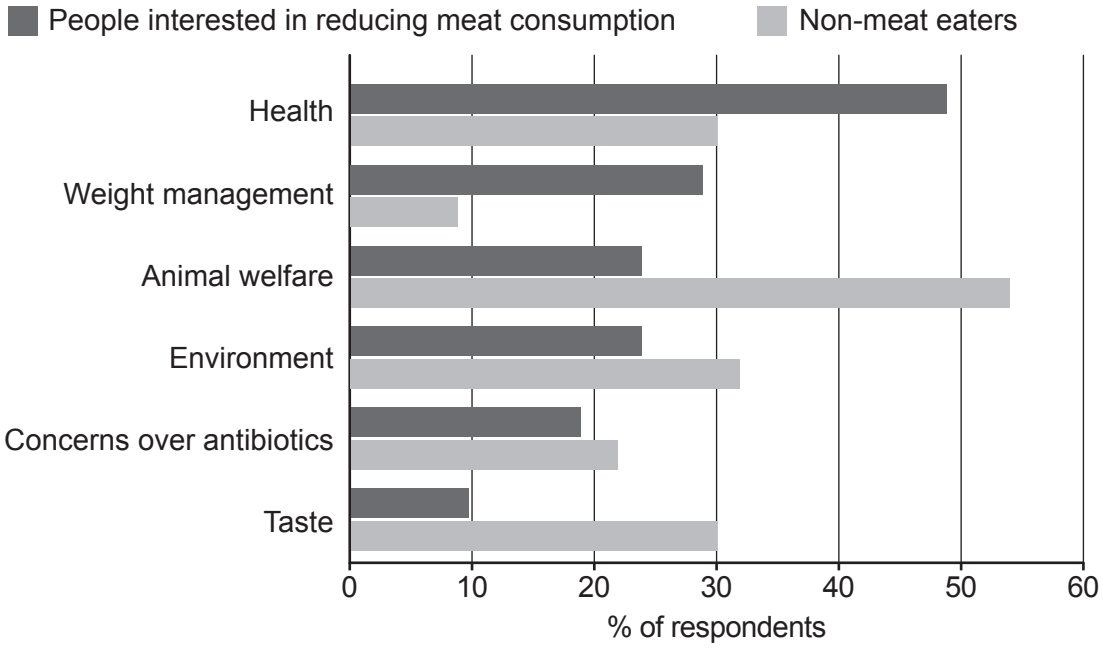
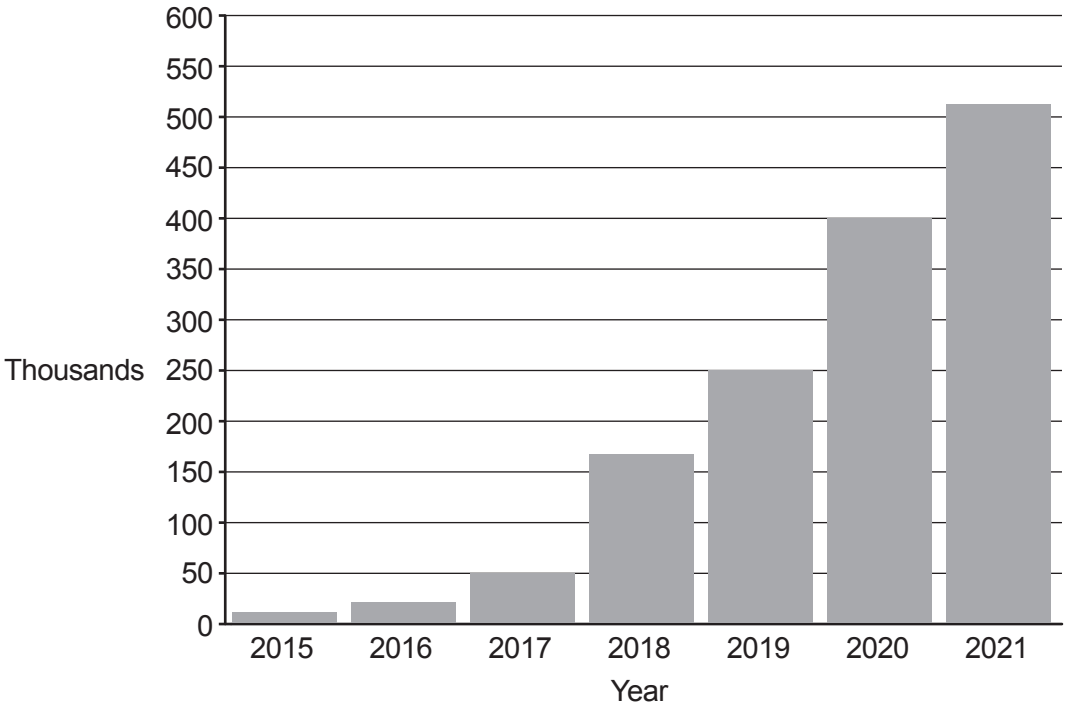


Fig. 2

Number of people signing up to Veganuary



© OCR 2024

16

(a) Using **Fig. 1**, state what percentage of non-meat eaters thought it was better for their health not to eat meat.

.....

..... **[1]**

(b)

(i) Using **Fig. 2**, calculate the percentage increase in the number of people who signed up for Veganuary from 2017 to 2021.

.....

.....

.....

..... **[2]**

(ii) Using the income elasticity value **(line 25)**, explain how a fall in income will affect the demand for oat milk.

.....

.....

.....

..... **[2]**

(c) Using a diagram, explain how supermarkets may respond to the popularity of Veganuary.

.....

.....

.....

..... **[4]**

© OCR 2024

(d)

(i) Using the value of cross elasticity of demand **(lines 20–21)**, explain the relationship between oat milk and dairy milk.

.....

.....

.....

..... **[2]**

(ii) Explain how the change in demand for oat milk will affect the producer surplus of oat farmers.

.....

.....

.....

.....

.....

.....

.....

..... **[4]**

© OCR 2024

(e)* Evaluate, using an appropriate diagram(s), the effects on farmers of an increase in demand for vegan products. **[10]**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

© OCR 2024

.....

.....

.....

.....

Section C starts on the next page

© OCR 2024

SECTION C

Answer Question 17 **or** Question 18.

17* Evaluate, using an appropriate diagram(s), the effectiveness of incentives in ensuring efficient resource allocation in an economy. **[20]**

OR

18* In Europe, farmers receive substantial financial support from the EU, through the common agricultural policy (CAP).

Evaluate, using an appropriate diagram(s), the effectiveness of government subsidies to encourage the production of goods such as agricultural products. **[20]**

Question No. .....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

© OCR 2024

© OCR 2024

END OF QUESTION PAPER

© OCR 2024

EXTRA ANSWER SPACE

If you need extra space use these lined pages. You must write the question numbers clearly in the margin.

© OCR 2024

BLANK PAGE

DO NOT WRITE ON THIS PAGE

© OCR 2024

BLANK PAGE

DO NOT WRITE ON THIS PAGE

© OCR 2024

DO NOT WRITE ON THIS PAGE

OCR
Oxford Cambridge and RSA

Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact The OCR Copyright Team, The Triangle Building, Shaftesbury Road, Cambridge CB2 8EA.

OCR is part of Cambridge University Press & Assessment, which is itself a department of the University of Cambridge.

© OCR 2024