OXFORD AQA
INTERNATIONAL QUALIFICATIONS

Please write clearly in block capitals.

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

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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

Friday 5 January 2024 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	

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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 When a good has more than one use, this is known as

[1 mark]

A competitive demand. ⬭

B composite demand. ⬭

C excess demand. ⬭

D joint demand. ⬭

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0 2 Shortages of grain have increased its price in recent years.

Table 1 uses an index to measure changes in the price of grain.

Table 1

Year	Price index
2018	100
2019	105
2020	120
2021	125
2022	140

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

[1 mark]

A The price of grain rose by 12% between 2021 and 2022. ⬭

B The price of grain rose by 14% between 2020 and 2022. ⬭

C The price of grain rose by 15% between 2019 and 2020. ⬭

D The price of grain rose by 25% between 2019 and 2022. ⬭

0 3 Which one of the following statements describes the rationing function of the price mechanism?

[1 mark]

A Higher prices will attract more resources ⬭

B Lower prices will reduce supply ⬭

C Price changes provide information to consumers ⬭

D Quantity demanded rises when prices fall ⬭

Do not write outside the box

0 4 **Table 2** shows the income elasticity of demand for four goods.

Table 2

Good	Income elasticity of demand
W	+2.0
X	+0.5
Y	–0.5
Z	–2.0

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

[1 mark]

A As income falls, the demand for Good W will fall by a smaller percentage. ⬭

B As income falls, the demand for Good X will rise by a larger percentage. ⬭

C As income rises, the demand for Good Y will fall by a larger percentage. ⬭

D As income rises, the demand for Good Z will fall by a larger percentage. ⬭

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0 5 **Table 3** shows the costs and output for a firm.

Table 3

Total fixed costs ($)	Average variable cost ($)	Output
5520	120	240

What is the average total cost of producing 240 units of output?

[1 mark]

A $23.00 ⬭

B $23.50 ⬭

C $120.00 ⬭

D $143.00 ⬭

0 6 **Table 4** shows the quantities of bicycles that would be demanded and supplied at different prices in a month.

Table 4

Price of a bicycle ($)	Quantity demanded (per month)	Quantity supplied (per month)
250	36 000	30 000
300	33 000	33 000
350	29 000	35 000
400	25 000	40 000

After a rise in production costs, supply falls by 6000 at each price. What is the new equilibrium price?

[1 mark]

A $250 ⬭

B $300 ⬭

C $350 ⬭

D $400 ⬭

Do not write outside the box

0 7 In a free market economy, merit goods

[1 mark]

A are overconsumed. ⬭

B are underproduced. ⬭

C have greater private benefits than social benefits. ⬭

D have greater social costs than private costs. ⬭

0 8 Which one of the following is an example of capital as a factor of production?

[1 mark]

A Delivery lorries ⬭

B Money in a business ⬭

C Savings in the bank ⬭

D Stocks of oil ⬭

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0 9 **Table 5** shows total worldwide car sales in 2021 for the world's largest car producers.

Table 5

Car producer	**Car sales (thousands)**
Ford	5 386
General Motors	7 718
Nissan	5 176
Toyota	10 742
Volkswagen	10 975
Other producers	9 599
Total	**49 596**

What is the three-firm concentration ratio, to the nearest whole number?

[1 mark]

A 37% ⬭

B 59% ⬭

C 63% ⬭

D 74% ⬭

Turn over for the next question

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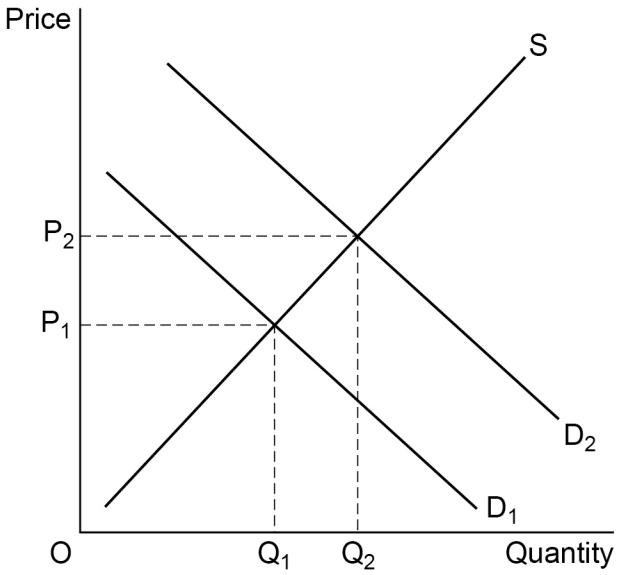
1 0 **Figure 1** shows the original market demand (D_1) and supply (S) curves for chocolate.

Figure 1



Which one of the following is most likely to cause the demand curve for chocolate to shift from D_1 to D_2?

An increase in

[1 mark]

A an indirect tax on chocolate. ⬭

B the price of a complementary good. ⬭

C the price of a substitute good. ⬭

D the price of chocolate. ⬭

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1 1 **Table 6** shows features of four different markets.

Which one of the following combinations is most likely to give a firm a high degree of monopoly power?

[1 mark]

Table 6

Market	Barriers to entry	Number of competitors	Degree of product differentiation	
A	High	High	Low	⬭
B	High	Low	High	⬭
C	Low	High	High	⬭
D	Low	Low	Low	⬭

1 2 The price of a product falls from $17 to $15, resulting in a fall in total revenue from $170 to $150.

What is the price elasticity of demand for this change in price?

[1 mark]

A –10 ⬭

B –1 ⬭

C 0 ⬭

D +1 ⬭

1 3 Which one of the following is most likely to increase labour productivity in an industry?

An increase in

[1 mark]

A capital. ⬭

B demand for the product. ⬭

C output. ⬭

D the number of workers. ⬭

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1 4 In the short run, when output rises, average fixed costs

[1 mark]

A decrease.

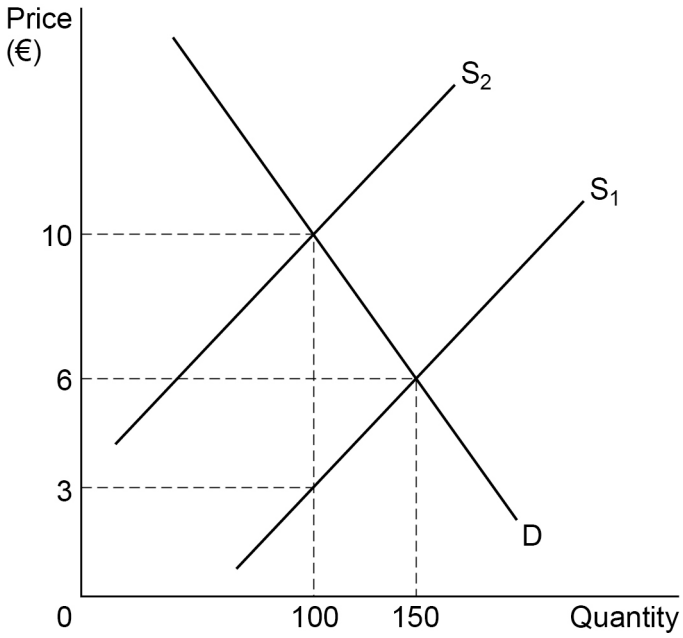
B decrease then increase.

C do not change.

D increase.

1 5 **Figure 2** shows the original market demand (D) and supply (S_1) curves for a product.

Figure 2



The government places an indirect tax on the product which shifts the supply curve from S_1 to S_2.

How much of the total tax revenue is paid by the consumers?

[1 mark]

A €300

B €400

C €600

D €700

15

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Section B

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

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1 6 . 1 Define 'free market economy' (**Extract C**, line 17).

[3 marks]

1 6 . 2 Define 'imperfect information' (**Extract B**, line 6).

[3 marks]

6

Turn over for the next question

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1 7 You are advised to show your working for the calculations below.

1 7 . 1 Use **Extract A (i)** to calculate single-use plastic waste per person in Australia as a percentage of single-use plastic waste per person in Spain in 2019.

Give your answer to the **nearest whole number**.

[2 marks]

1 7 . 2 **Extract C** (lines 3–5) states: 'In 2021, the charge was increased from £0.05 to £0.10. This increase in price helped to further reduce the use of plastic bags from 627 million in 2020 to 496 million in 2021.'

Calculate the price elasticity of demand for plastic bags between 2020 and 2021.

Give your answer to **two** decimal places.

[4 marks]

6

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1 8 **Extract A** shows single-use plastic waste and income per person for selected countries in 2019.

1 8 . 1 Explain how higher income per person may lead to more single-use plastic waste.

[6 marks]

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1 8 . 2 To what extent do the data suggest that higher income per person leads to more single-use plastic waste?

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

[6 marks]

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1 9 **Extract B** (lines 4–5) states: 'Each year, there are 300 million tonnes of plastic waste produced around the world, half of which comes from single-use items.'

With the help of a diagram, explain why the free market output for single-use plastic may be different from the socially optimum output if there are environmental costs that result from consumption.

[9 marks]

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2 0 **Extract B** (lines 14–16) states: 'In countries such as the USA and South Korea, where food is generally cheap relative to people's incomes, the price elasticity of demand for having food delivered is low.'

Analyse reasons why the price elasticity of demand for having food delivered is likely to be inelastic.

[12 marks]

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12

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2 1 **Extract C** (line 1) states: 'Governments across the world are looking at ways to reduce waste from single-use plastic.'

Use the extracts and your knowledge of economics to assess policies governments could use to reduce waste from single-use plastic.

[20 marks]

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END OF QUESTIONS

20

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ANSWER IN THE SPACES PROVIDED

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