OXFORD AQA
INTERNATIONAL QUALIFICATIONS

Please write clearly in block capitals.

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I declare this is my own work.

INTERNATIONAL AS
ECONOMICS

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

Monday 6 January 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	

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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 Which one of the following is the best example of economic activity?

[1 mark]

A Consumption of goods ⬭

B Factors of production ⬭

C Inequality of income ⬭

D Maximisation of profit ⬭

Do not write outside the box

0 2 **Table 1** shows the market demand for and supply of bananas.

Table 1

Price ($)	Demand for bananas (kg)	Supply of bananas (kg)
12	1050	950
13	1000	1000
14	950	1050
15	900	1100

Bad weather leads to a fall in the supply of bananas of 100 kg at each price.

At which one of the following prices is there now excess supply of 100 kg?

[1 mark]

A $12 ⬭

B $13 ⬭

C $14 ⬭

D $15 ⬭

Turn over for the next question

Do not write outside the box

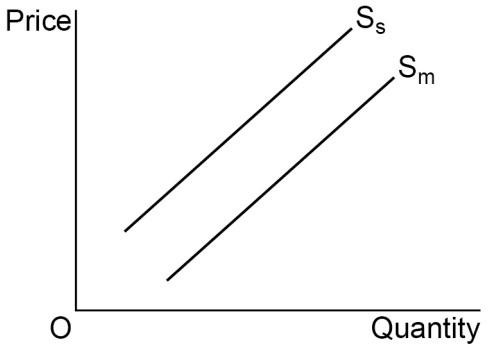
0 3 The diagrams below show the demand or supply curves for a product.

The curve D_m shows the demand when consumers only consider the private benefits of the product and D_s shows the demand when consumers consider the social benefits. The curve S_m shows the supply when firms only consider the private costs of the product and S_s shows the supply when they consider the social costs.

Which one of the following diagrams shows positive externalities in production?

[1 mark]

A



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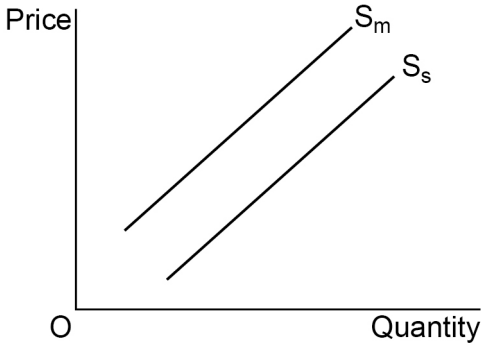

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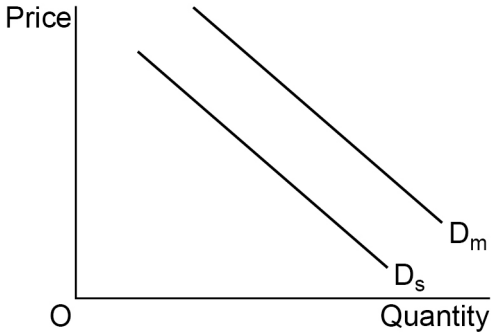

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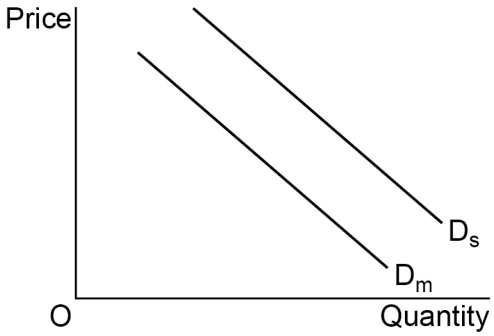

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0 4 Which one of the following combinations of characteristics applies to perfect competition?

[1 mark]

	Number of buyers and sellers	Profits	
A	High	High	⬭
B	High	Low	⬭
C	Low	High	⬭
D	Low	Low	⬭

0 5 Kasem owns a firm that makes bicycles. **Table 2** shows the sales, total cost and profit for the firm in two different years.

Table 2

	Sales of bicycles	Total cost ($)	Profit ($)
Year 1	1200	180 000	48 000
Year 2	1500	210 000	90 000

By how much did Kasem increase the price of a bicycle between Year 1 and Year 2?

[1 mark]

A $7.50 ⬭

B $10.00 ⬭

C $17.50 ⬭

D $20.00 ⬭

Turn over for the next question

Do not write outside the box

0 6 Which one of the following explains the characteristic of excludability?

[1 mark]

A Consumption by one person does not reduce the amount available to others. ⬭

B Consumption by one person reduces the amount available to others. ⬭

C Non-payers can be prevented from using the product. ⬭

D Non-payers cannot be prevented from using the product. ⬭

0 7 When the price of coal is €30 a tonne, the quantity demanded is 400 000 tonnes a week. The price rises to €33 a tonne and the price elasticity of demand is –0.8.

What is the new quantity demanded?

[1 mark]

A 350 000 tonnes ⬭

B 368 000 tonnes ⬭

C 432 000 tonnes ⬭

D 450 000 tonnes ⬭

0 8 A government introduces a maximum rent for houses, to reduce the amount paid by families on low incomes. This leads to fewer houses being available for rent.

This is an example of which one of the following economic concepts?

[1 mark]

A Cross elasticity of demand ⬭

B Extension of property rights ⬭

C Income elasticity of demand ⬭

D Unintended consequences ⬭

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0 9 **Table 3** shows the long-run total cost of production of a firm for different units of output.

Table 3

Output	Total cost (£)
50	4300
51	4284
52	4316
53	4452
54	4590

At which output does the firm first experience diseconomies of scale?

[1 mark]

A 51 ⬭

B 52 ⬭

C 53 ⬭

D 54 ⬭

Turn over for the next question

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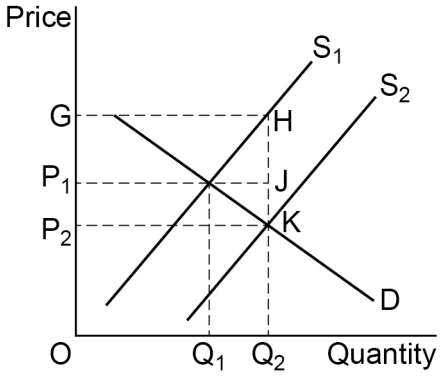
1 0 **Figure 1** shows the initial demand (D) and supply (S_1) curves for solar panels. The government then provides a subsidy to firms in the industry.

Figure 1



After the subsidy is provided, what is the total amount of revenue received by the producers from the consumers and the government?

[1 mark]

A $OGHQ_2$ ⬭

B OP_1JQ_2 ⬭

C OP_2KQ_2 ⬭

D P_2GHK ⬭

1 1 Which one of the following suggests that Economics is a social science?

[1 mark]

A Economists apply existing principles to understand the world. ⬭

B Economists conduct laboratory experiments to produce evidence. ⬭

C Economists consider human behaviour to explain how society works. ⬭

D Economists use value judgements to test known theories. ⬭

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1 2 **Figure 2** and **Figure 3** show a change in the supply (S_1 to S_2) of **Good X** and the resulting change in the demand (D_1 to D_2) for **Good Y**.

Figure 2

Good X

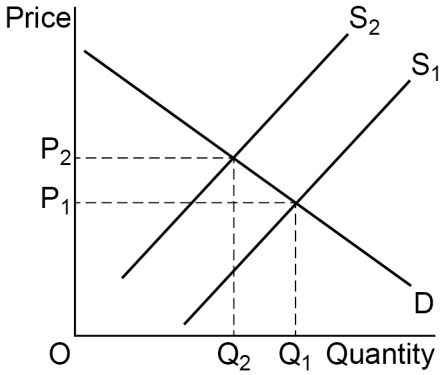
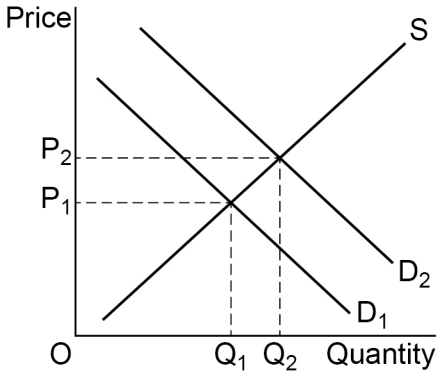


Figure 3

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 demand ⬭

1 3 Which one of the following is a correct combination of a benefit and cost of division of labour to firms?

[1 mark]

	Benefit	Cost	
A	Greater variety of products	Productivity is lower	⬭
B	Production is quicker	Average cost is higher	⬭
C	Resources are used efficiently	Workers are less flexible	⬭
D	Workers require more training	Workers may become bored	⬭

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1 4 The options below list four possible objectives of a firm and factors that may help the firm achieve these objectives.

Which one of the following combinations shows a factor that is most likely to help the firm achieve the associated objective?

[1 mark]

	Objective	Factor	
A	Growth	Recent profit levels have been high	⬭
B	Increasing market share	There are low barriers to entry	⬭
C	Profit maximisation	Other firms have improved their products	⬭
D	Survival	The firm's costs are increasing	⬭

1 5 In 2023, a delivery firm with 80 workers transported 480 000 packages. In 2024, the firm employed 90 workers and transported 648 000 packages.

All other things being equal, what was the percentage increase in labour productivity between 2023 and 2024?

[1 mark]

A 12.5% ⬭

B 16.7% ⬭

C 20.0% ⬭

D 35.0% ⬭

15

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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 'scarce resource' (**Extract B**, line 12).

[3 marks]

1 6 . 2 Define 'demand' (**Extract C**, line 1).

[3 marks]

6

Turn over for the next question

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1 7 The extracts provide information on natural gas production and prices.

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

1 7 . 1 Use **Extract A (ii)** to calculate how many billion cubic metres of natural gas were produced in Russia for each billion cubic metre of natural gas produced in Canada in 2022.

Give your answer as a ratio to **two** decimal places.

[3 marks]

1 7 . 2 **Extract C** (lines 4–5) states: 'In the UK, natural gas prices rose from $0.03 per kilowatt hour in 2021 to $0.07 in 2022. Over the same period, UK gas production rose from 32 to 38 billion cubic metres.'

Calculate the price elasticity of supply for natural gas in the UK between 2021 and 2022.

Give your answer to **one** decimal place.

[3 marks]

6

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1 8 **Extract A** shows natural gas prices for households and natural gas production in selected countries in 2022.

1 8 . 1 Explain how the amount of natural gas production in a country might affect natural gas prices for households in that country.

[6 marks]

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1 8 . 2 To what extent do the data suggest that the amount of natural gas production in a country affects natural gas prices for households in that country?

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

[6 marks]

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1 9 **Extract B** (line 22) states: 'Production may also be too low to take full advantage of economies of scale'.

With the help of a diagram, explain why producing a low amount of natural gas may result in a high long-run average cost.

[9 marks]

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2 0 **Extract C** (lines 6–7) states: 'the price of gas fluctuates, as it does for many commodities including foods such as wheat.'

Analyse the likely causes of fluctuations in commodity prices.

[12 marks]

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12

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2 1 **Extract B** (lines 9–10) states: 'In Brazil, some regions encourage fracking, but others do not.'

Use the extracts and your knowledge of economics to assess whether governments should encourage fracking or not.

[20 marks]

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END OF QUESTIONS

20

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