OXFORD

INTERNATIONAL
AQA EXAMINATIONS

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

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	

Do not write outside the box

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 Choices have an opportunity cost because

[1 mark]

A free markets are inefficient. ⬭

B government failure is present. ⬭

C individuals have limited wants. ⬭

D resources are scarce. ⬭

0 2 Which one of the following is a feature of a free market economic system?

[1 mark]

A Education and healthcare will not be provided. ⬭

B External costs are ignored by the price mechanism. ⬭

C Profit is the only objective of firms. ⬭

D Public goods are provided by private firms. ⬭

Do not write outside the box

0 3 **Table 1** shows the demand and supply per week for boxes of popcorn sold at a cinema. Demand is shown before and after a fall in the price of cinema tickets.

Table 1

Price of popcorn (€)	Demand for popcorn before ticket price fall (boxes)	Demand for popcorn after ticket price fall (boxes)	Supply of popcorn (boxes)
5	60	120	390
4	90	150	350
3	200	310	310
2	270	420	270
1	390	530	230

What is the **change** in the equilibrium price?

[1 mark]

A €1 ⬭

B €2 ⬭

C €3 ⬭

D €4 ⬭

0 4 When the price of oranges rises from $3 to $3.50, a farm supplies 10% more oranges.

The price elasticity of supply of oranges is

[1 mark]

A elastic. ⬭

B inelastic. ⬭

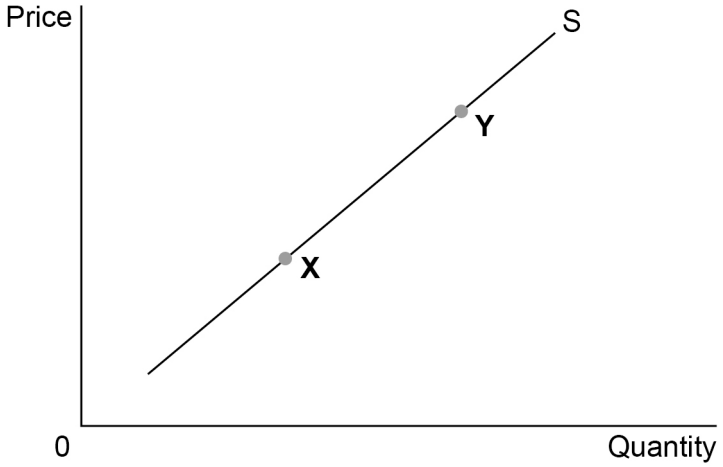
C negative. ⬭

D unitary. ⬭

Do not write outside the box

0 5 **Figure 1** shows the supply curve for a good.

Figure 1



Which one of the following is most likely to cause a movement from point **X** to point **Y** on the supply curve?

[1 mark]

A An indirect tax on the good

B Higher spending on advertising the good

C Higher wages paid to workers producing the good

D Increased productivity of labour

Do not write outside the box

0 6 A pharmaceutical company owns the legal right (a patent) to produce medicine that prevents other firms from manufacturing this medicine. The legal right to be the sole producer of the medicine runs out next year.

Which of the following combination of effects is most likely to result when the firm no longer has the legal right to be the sole producer of the medicine?

[1 mark]

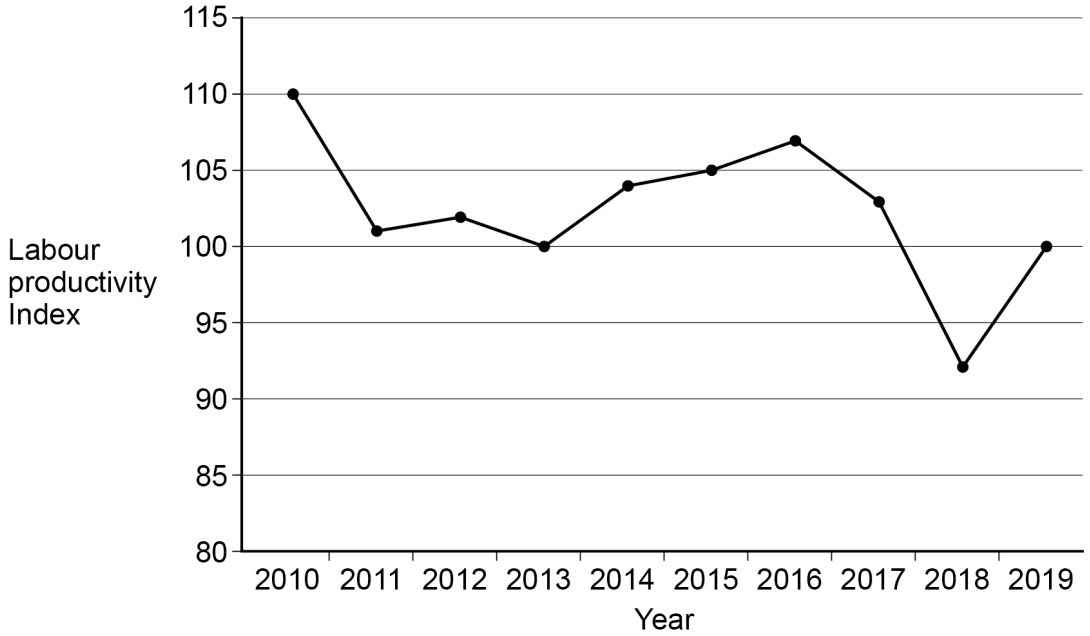
Combination	Competition	Price	Barriers to entry	Output	
A	Falls	Falls	Fall	Rises	⬭
B	Falls	Rises	Rise	Falls	⬭
C	Rises	Falls	Fall	Rises	⬭
D	Rises	Rises	Rise	Falls	⬭

Turn over for the next question

Do not write outside the box

0 7 **Figure 2** shows the index of labour productivity for a firm from 2010 to 2019. The base year is 2013 (2013 = 100).

Figure 2



Which one of the following can be concluded from **Figure 2**?

[1 mark]

A Employment was highest in 2010. ⬭

B Labour productivity only decreased in 2018. ⬭

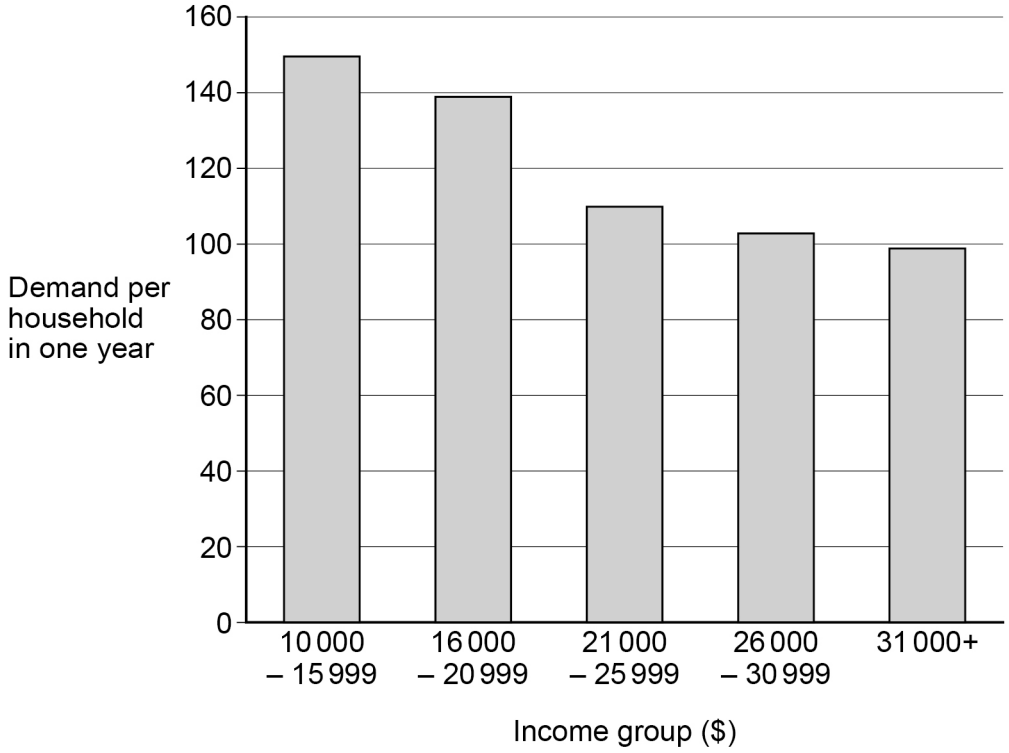
C Labour productivity was higher in 2015 than in the base year. ⬭

D The firm's output was lower in 2019 compared to 2010. ⬭

Do not write outside the box

0 8 **Figure 3** shows the demand for **Good Y** for different income groups.

Figure 3



From **Figure 3**, it can be concluded that **Good Y**

[1 mark]

A has an elastic price elasticity of demand. ⬭

B has an inelastic price elasticity of demand. ⬭

C is a normal good. ⬭

D is an inferior good. ⬭

Turn over for the next question

Do not write outside the box

0 9 A government considers sugary drinks to be demerit goods.

Which one of the following can be concluded from this statement?

[1 mark]

A In a free market, there will be a misallocation of resources. ⬭

B Sugary drinks cause harm to users whenever they are consumed. ⬭

C The free market is underproducing sugary drinks. ⬭

D The government should ban the sale of sugary drinks. ⬭

1 0 The main reason that street lighting does not have a market price is because of the problem of

[1 mark]

A government failure. ⬭

B non-excludability. ⬭

C positive consumption externalities. ⬭

D the tragedy of the commons. ⬭

Do not write outside the box

1 1 **Figure 4** shows the proportion of wealth owned by the top (wealthiest) 1% of the population in different countries in 2018.

Figure 4

Which one of the following can be concluded from **Figure 4**?

[1 mark]

A All countries had wealth inequality. ⬭

B Income inequality was higher in India than the USA. ⬭

C Japan had the highest level of equity. ⬭

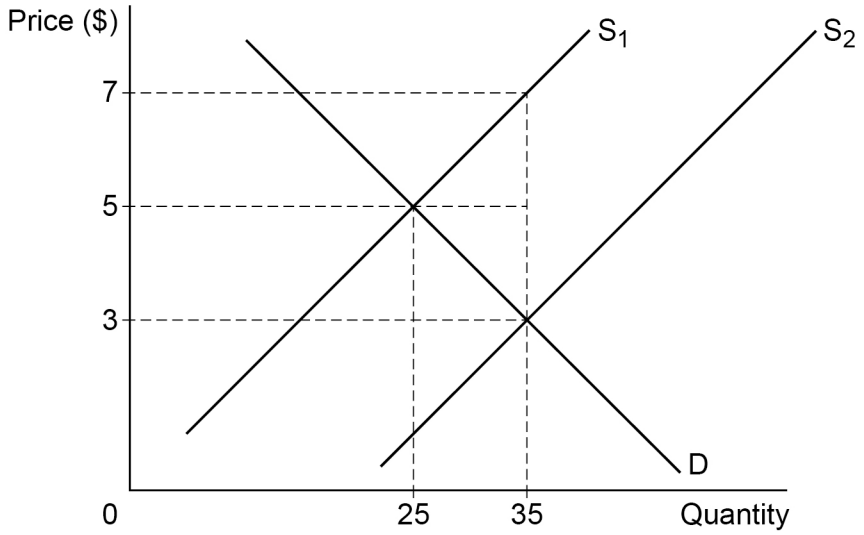
D Russia was the least fair society. ⬭

Turn over for the next question

Do not write outside the box

1 2 **Figure 5** shows the original demand (D) and supply (S_1) curves for milk. A government subsidy then shifts the supply curve to S_2.

Figure 5



The total value of the subsidy is

[1 mark]

A $50

B $70

C $100

D $140

1 3 Which one of the following is a reason why government provision of education can lead to a misallocation of resources?

[1 mark]

A Education is an example of a public good.

B Government provision means there will be no private sector education.

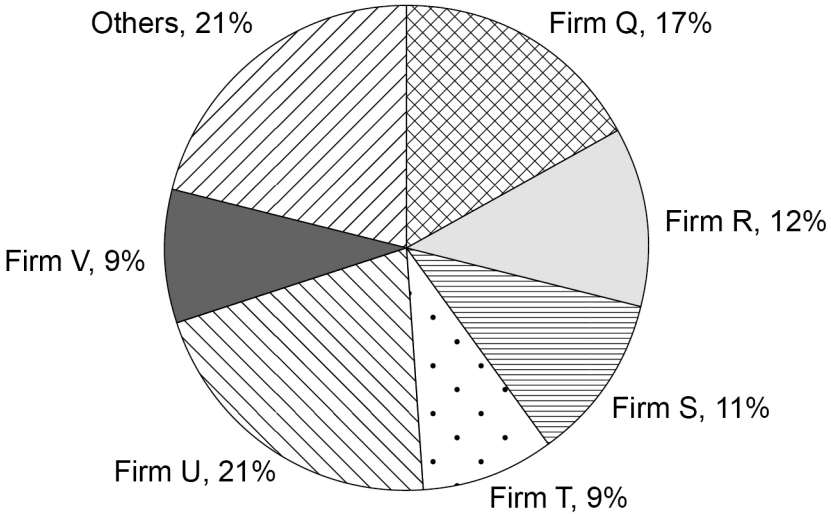
C Governments only consider external costs and benefits.

D There is a lack of information about the ideal amount of education.

Do not write outside the box

1 4 **Figure 6** shows the market shares of firms in a country's car market.

Figure 6



The combined market share of the three largest firms increases by 50%.

What is the new three-firm concentration ratio after this change?

[1 mark]

A 59% ⬭

B 75% ⬭

C 88.5% ⬭

D 100% ⬭

1 5 Which one of the following could result in average cost remaining constant when output increases?

[1 mark]

A Average fixed cost is constant and average variable cost decreases. ⬭

B Average fixed cost is constant and average variable cost increases. ⬭

C Total fixed cost is constant and average variable cost decreases. ⬭

D Total fixed cost is constant and average variable cost increases. ⬭

15

Do not write outside the box

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 'concentrated market' (**Extract B**, line 6).

[3 marks]

1 6 . 2 Define 'positive consumption externalities' (**Extract C**, lines 2–3).

[3 marks]

6

Do not write outside the box

1 7 **Extract A** shows the revenue from television broadcasting and the profit or loss for each Olympic Games from 1992 to 2016.

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

1 7 . 1 Use **Extract A (i)** to calculate the mean Olympic Games revenue from television broadcasting for the years 1992 to 2016.

[3 marks]

1 7 . 2 The index for the revenue for cities hosting the Olympic Games was 100 in 1992.

Use **Extract A (ii)** to calculate the index for the revenue in 2012.

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

[3 marks]

6

Turn over for the next question

Do not write outside the box

1 8 **Extract C** (lines 18–19) states: 'It is argued that without the large revenues from television broadcasting, countries may not be willing to host the Olympic Games.'

1 8 . 1 Explain how the revenue from television broadcasting could affect the profit or loss of cities hosting the Olympic Games.

[6 marks]

Do not write outside the box

1 8 . 2 To what extent do the data suggest that the revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games?

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

[6 marks]

12

Turn over for the next question

Do not write outside the box

1 9 **Extract B** (lines 14–16) states: 'The most popular events, such as the 100 metres races, are in high demand. The rights to watch these events and advertise close to them can be sold for very high prices.'

With the help of a diagram, explain why television broadcasters are likely to earn more revenue if they raise the price for viewing the most popular Olympic events.

[9 marks]

Extra space

Do not write outside the box

9

2 0 **Extract C** (lines 6–8) states: 'Where consumers have to pay to watch the Olympic Games on television, perhaps there should be government intervention through the introduction of a maximum price'.

Analyse the likely effects on the market for television broadcasting of the Olympic Games if governments introduce a maximum price to watch the Olympic Games on television.

[12 marks]

Do not write outside the box

Extra space

12

Do not write outside the box

2 1 **Extract B** (lines 5–7) states: 'The sale of rights to a single firm gives broadcasters monopoly power, since it is a highly concentrated market. In 2016, NBC made $250m profit from broadcasting the Rio Olympics in the US.'

Use the extracts and your knowledge of economics to assess the case for and against selling the rights to broadcast the Olympic Games to one firm.

[20 marks]

Do not write outside the box

Extra space

Do not write outside the box

END OF QUESTIONS

20

Do not write outside the box

There are no questions printed on this page

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED

Do not write outside the box

Question number	**Additional page, if required.** **Write the question numbers in the left-hand margin.**

Do not write outside the box

Question number	**Additional page, if required.** **Write the question numbers in the left-hand margin.**

Copyright information

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from www.oxfordaqaexams.org.uk.

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and Oxford International AQA Examinations will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2022 Oxford International AQA Examinations and its licensors. All rights reserved.