OXFORD

INTERNATIONAL
AQA EXAMINATIONS

Please write clearly in block capitals.

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

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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

Friday 12 May 2023 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 best describes the basic economic problem?

[1 mark]

A There is an unequal distribution of income and wealth

B How to share unlimited resources amongst unlimited wants

C How to use limited resources to satisfy limited wants

D What, how and for whom goods and services should be produced

0 2 Which one of the following values of cross elasticity of demand (XED) shows that two products are close substitutes?

[1 mark]

A –2.0

B –0.2

C +0.2

D +2.0

Do not write outside the box

0 3 Which one of the following is a characteristic of a perfectly competitive market?

[1 mark]

A Differentiated products

B High barriers to entry and exit

C Low number of buyers and sellers

D Price is determined by demand and supply

0 4 Which one of the following explains why merit goods are likely to be underprovided in a free market economy?

[1 mark]

A Their benefits are underestimated by consumers.

B Their private benefits are greater than their social benefits.

C They are non-excludable and non-rival in consumption.

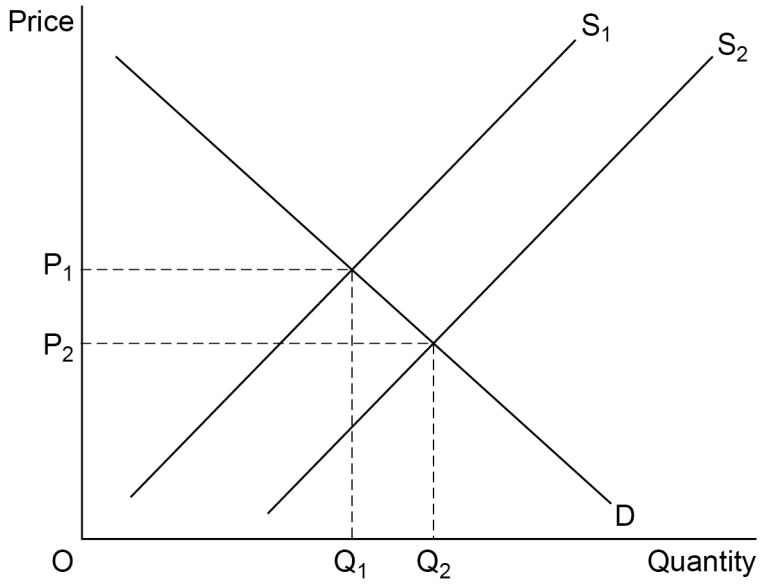
D They can only be provided by the government.

Turn over for the next question

Do not write outside the box

0 5 **Figure 1** shows the original demand (D) and supply (S_1) curves for a chocolate bar.

Figure 1



All other things being equal, which one of the following is most likely to cause a shift of the supply curve from S_1 to S_2?

[1 mark]

A A fall in the price of the chocolate bar

B A new advert for the chocolate bar

C A rise in productivity in making chocolate bars

D An increase in the tax on chocolate bars

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0 6 **Table 1** shows the revenue and costs for different levels of sales of a product.

Table 1

Sales	Total revenue (£)	Total costs (£)
100	10 000	6 000
200	18 000	14 000
300	24 000	22 000

Which one of the following can be concluded from **Table 1**?

As sales increase, there is also an increase in

[1 mark]

A average costs. ⬭

B average revenue. ⬭

C profit per unit. ⬭

D total profits. ⬭

0 7 Which one of the following is a **disadvantage** of division of labour for a firm?

[1 mark]

A Labour productivity will fall. ⬭

B More output is likely to be lost if workers are absent. ⬭

C More time is wasted moving between tasks. ⬭

D Workers need training on multiple pieces of machinery. ⬭

Turn over for the next question

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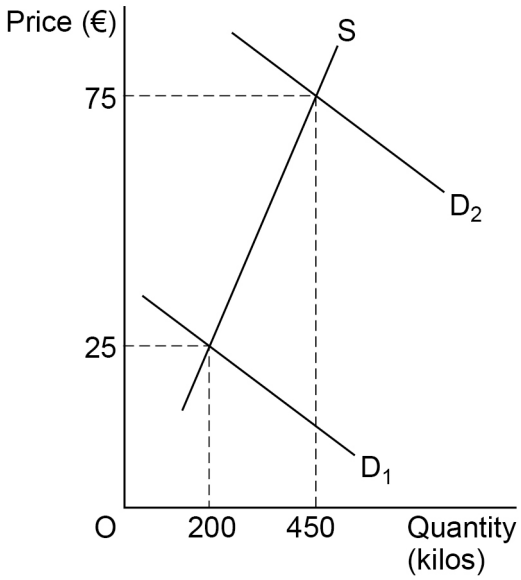
0 8 **Figure 2** shows the original market demand (D_1) and supply (S) curves for tomatoes.

An increase in the demand for tomatoes shifts the demand curve from D_1 to D_2

Figure 2



What is the price elasticity of supply of tomatoes when the equilibrium price of tomatoes rises from €25 per kilo to €75 per kilo?

[1 mark]

A –1.6 ⬭

B –0.625 ⬭

C +0.625 ⬭

D +1.6 ⬭

0 9 Which one of the following is used to distinguish between different market structures?

[1 mark]

A The degree of product differentiation ⬭

B The demand for the good ⬭

C The level of efficiency ⬭

D The total output of the industry ⬭

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1 0 After a price rise, total revenue stays the same.

What is the price elasticity of demand for the product?

[1 mark]

A –2

B –1

C 0

D +1

1 1 Which one of the following best describes the free-rider problem?

[1 mark]

A Competing wants for most goods create an opportunity cost.

B People can consume the good without having to pay for it.

C The demand for a good depends on people's willingness to pay.

D Third-party effects are ignored by the market mechanism.

Turn over for the next question

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1 2 **Table 2** shows the wealth distribution for an economy in 2018 and 2022.

Table 2

Percentage of wealth owned by	2018	2022
Most wealthy 1%	19	21
Most wealthy 5%	36	42
Most wealthy 10%	47	53
Most wealthy 25%	72	74
Most wealthy 50%	91	95

It can be concluded from **Table 2** that between 2018 and 2022 there was a rise in

[1 mark]

A the inequality of wealth. ⬭

B the wealth of all individuals. ⬭

C the wealth of the least wealthy 50%. ⬭

D the wealth of the wealthiest 10%. ⬭

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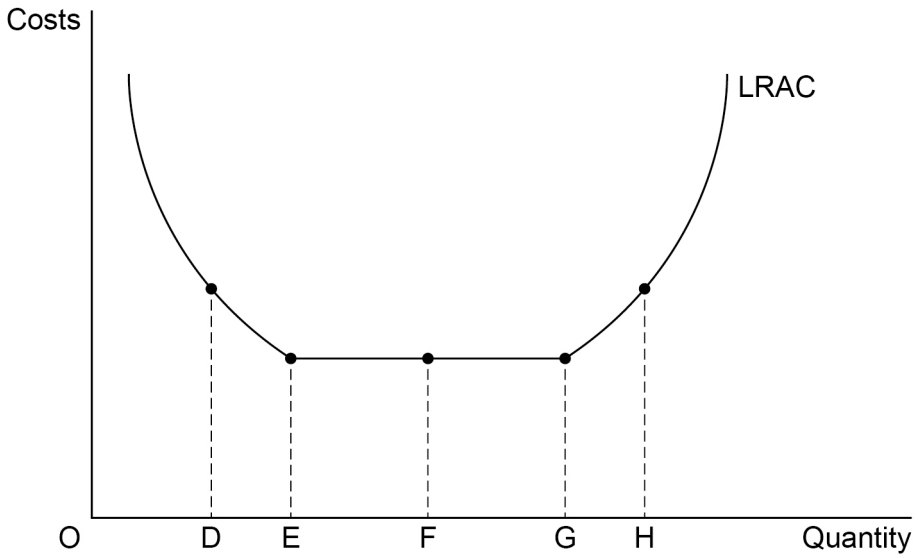
1 3 **Figure 3** shows a firm's long-run average cost (LRAC) curve.

Figure 3



Diseconomies of scale occur when quantity changes from

[1 mark]

A D to E

B E to D

C F to G

D G to H

1 4 Stanislav sells cups of coffee from a van. His total costs during the year are $20 000.

If he sells 10 000 cups of coffee a year and his only fixed cost is $1000 a month to rent the van, what is his average variable cost?

[1 mark]

A $0.80

B $1.20

C $1.90

D $2.00

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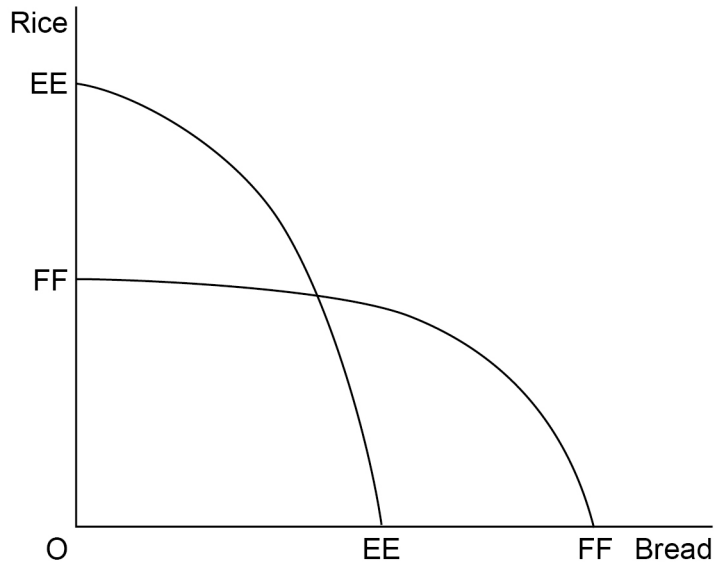
1 5 In **Figure 4**, the curve **EE** shows the initial production possibility boundary (PPB) for a firm producing rice and bread.

Figure 4



Which one of the following could cause the movement of the PPB from **EE** to **FF**?

[1 mark]

A Consumers have switched their preferences from rice to bread. ⬭

B Economic resources are not being used fully to produce rice. ⬭

C Labour productivity has decreased for rice production but increased for bread. ⬭

D Production of rice is now more profitable than the production of bread. ⬭

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 'joint demand' (**Extract B**, line 4).

[3 marks]

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

[3 marks]

6

Turn over for the next question

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1 7 **Extract A (ii)** shows the sales of 'all electric vehicles' in the US from 2017 to 2021. This is made up of the sales of partly-electric and fully-electric vehicles.

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

1 7 . 1 Use **Extract A (ii)** to calculate the difference between the sales of 'all electric vehicles' in 2021 and the mean number of sales of 'all electric vehicles' for the years 2017 to 2020.

[3 marks]

1 7 . 2 Use **Extract A (ii)** to calculate how many partly-electric vehicles were sold for each fully-electric vehicle sold in 2021.

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

[3 marks]

6

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1 8 **Extract A** shows the average price of petrol vehicles and sales of electric vehicles in the US for the years 2017 to 2021.

1 8 . 1 Explain why changes in the average price of petrol vehicles might affect the sales of electric vehicles.

[6 marks]

Question 18 continues on the next page

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1 8 . 2 To what extent do the data suggest that changes in the average price of petrol vehicles affect the sales of electric vehicles?

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

[6 marks]

12

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1 9 **Extract B** (line 1) states: 'Petrol prices have recently reached record highs'.

With the help of a diagram, explain possible reasons why the price of petrol may increase.

[9 marks]

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2 0 **Extract C** (line 19) states that the US government is 'reducing indirect taxes on electric cars.'

Analyse the likely effects of a reduction in indirect tax on the market for electric cars.

[12 marks]

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12

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2 1 **Extract C** (lines 8–9) states: 'Governments across the world are using different policies to try to encourage greater use of electric vehicles'.

Use the extracts and your knowledge of economics to assess whether governments should intervene to increase the sales of electric vehicles.

[20 marks]

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END OF QUESTIONS

20

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ANSWER IN THE SPACES PROVIDED

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