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

Friday 10 May 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 Which one of the following is a normative statement?

[1 mark]

A Advertising normally increases demand ⬭

B Firms should always aim to increase profit ⬭

C Government subsidies increase supply ⬭

D Monopoly power will lead to increased output ⬭

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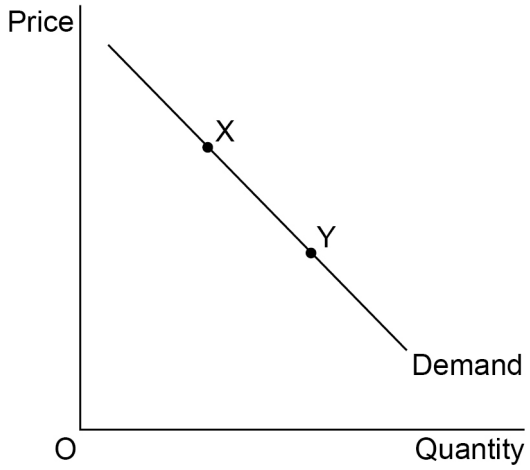
0 2 **Figure 1** shows the demand curve for a good.

Figure 1



A decrease in which one of the following would cause a movement from point X to point Y?

[1 mark]

A The level of indirect tax paid by firms ⬭

B The level of subsidy paid to firms ⬭

C The price of a complementary good ⬭

D The price of a substitute good ⬭

Turn over for the next question

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0 3 **Table 1** shows the quantity demanded of two goods, good X and good Y, and the price of good X in euros (€).

Table 1

Price of good X (€)	Quantity demanded of good X	Quantity demanded of good Y
20	40	60
18	48	84

The price of good X falls from €20 to €18. What is the cross elasticity of demand for good Y with respect to the price of good X?

[1 mark]

A –4 ⬭

B –2 ⬭

C +2 ⬭

D +4 ⬭

0 4 Which one of the following combinations includes a correct reason for that type of market failure?

[1 mark]

	Type of market failure	Reason for market failure	
A	Demerit goods	Too few of these are produced	⬭
B	Monopoly	Lower prices are charged than in a competitive market	⬭
C	Negative consumption externalities	Private costs are greater than social costs	⬭
D	Public goods	Firms cannot prevent non-payers from using the good	⬭

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0 5 **Table 2** shows a firm's total cost and profit in pounds (£) for different levels of output.

Table 2

Output	Total cost (£)	Profit (£)
100	2000	2200
200	3600	4400
300	5300	5200

Which one of the following is correct?

When the firm increases its output

[1 mark]

A from 100 to 200, the price falls by £3. ⬭

B from 100 to 200, the price falls by £5. ⬭

C from 200 to 300, the price falls by £3. ⬭

D from 200 to 300, the price falls by £5. ⬭

0 6 Which one of the following explains why the natural environment is a scarce resource?

[1 mark]

A The natural environment can be damaged by producing externalities. ⬭

B The natural environment can be replaced over time. ⬭

C The natural environment is limited in supply and cannot satisfy all our wants. ⬭

D The natural environment is unlimited in supply. ⬭

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0 7 **Table 3** shows estimated costs and benefits of a proposed government transport project in millions of dollars ($m).

Table 3

Private cost ($m)	Social cost ($m)	Private benefit ($m)	External benefit ($m)
60	80	65	90

What is the net social benefit of the project?

[1 mark]

A $5m ⬭

B $10m ⬭

C $15m ⬭

D $75m ⬭

0 8 Which one of the following is most likely to be a benefit of a monopoly to consumers?

[1 mark]

A Barriers to entry are high ⬭

B Lower output may be produced ⬭

C Profits may be spent on innovation ⬭

D There is a high concentration ratio ⬭

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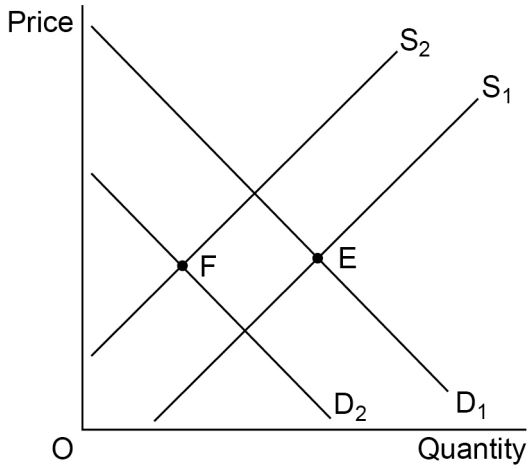
0 9 **Figure 2** shows initial demand (D_1) and supply (S_1) curves for an inferior good.

Figure 2



Which one of the following would result in the market equilibrium moving from point E to point F?

[1 mark]

A A fall in raw material prices and a decrease in income

B A fall in raw material prices and an increase in income

C A rise in raw material prices and a decrease in income

D A rise in raw material prices and an increase in income

1 0 Which one of the following statements best describes why a demand curve usually slopes down to the right?

[1 mark]

A A higher price results in higher demand

B A lower price results in higher demand

C Higher demand results in a lower price

D Lower demand results in a higher price

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1 1 **Table 4** shows the costs of production for an electronics firm in yen (¥).

Table 4

Total fixed costs (¥)	Average variable costs (¥)	Average total costs (¥)
7200	20	100

Which one of the following is the output of the firm?

[1 mark]

A 60 ⬭

B 72 ⬭

C 90 ⬭

D 92 ⬭

1 2 Which one of the following combinations of characteristics is most likely to occur in a competitive market?

[1 mark]

	Monopoly power	Price elasticity of demand	
A	High	High	⬭
B	High	Low	⬭
C	Low	High	⬭
D	Low	Low	⬭

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1 3 Which one of the following could be an example of an internal economy of scale?

[1 mark]

A Access to a cheaper loan from a bank after a firm expands

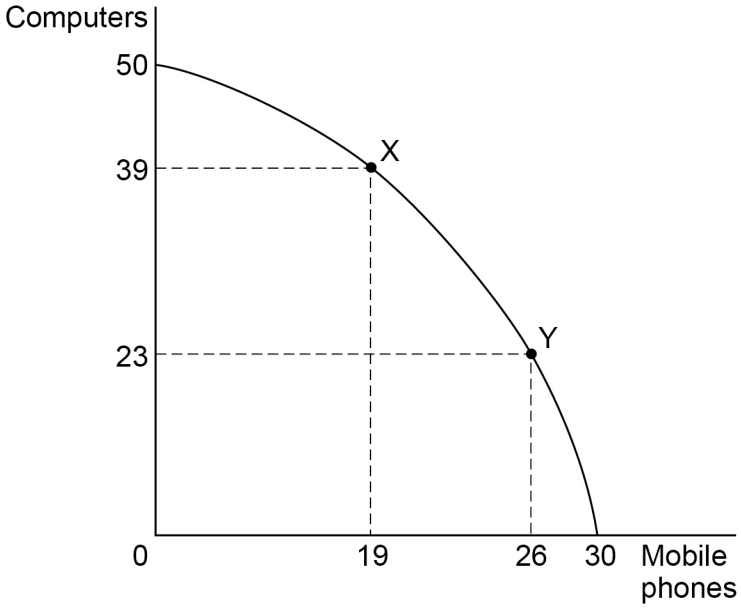
B Improvements in the transport network

C Increased availability of skilled labour in the town

D New research facilities provided by a local university

1 4 **Figure 3** shows the production possibility boundary for a firm that produces computers and mobile phones.

Figure 3



If a firm is originally producing at point X, the opportunity cost of moving to point Y is

[1 mark]

A 7 mobile phones.

B 11 mobile phones.

C 16 computers.

D 27 computers.

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1 5 **Table 5** shows the total income and wealth in billions of dollars ($bn), and the population in millions, for an economy in 2020 and 2023.

Table 5

Year	Income ($bn)	Wealth ($bn)	Population (m)
2020	270	500	30
2023	300	530	34

It can be concluded from **Table 5** that between 2020 and 2023

[1 mark]

A income per person decreased and wealth per person decreased. ⬭

B income per person decreased and wealth per person increased. ⬭

C income per person increased and wealth per person decreased. ⬭

D income per person increased and wealth per person increased. ⬭

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 'Income elasticity of demand' (**Extract C**, line 3).

[3 marks]

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

[3 marks]

6

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1 7 **Extract A** shows health expenditure per person and life expectancy in selected countries in 2020.

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

1 7 . 1 Use **Extract A (i)** to calculate the median health expenditure per person in the six countries shown.

[3 marks]

1 7 . 2 Use **Extract A (ii)** to calculate how much **higher** life expectancy is in Japan compared to life expectancy in Mexico.

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

[3 marks]

6

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1 8 **Extract A** shows health expenditure per person and life expectancy in selected countries in 2020.

1 8 . 1 Explain why the amount of health expenditure per person might affect life expectancy.

[6 marks]

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1 8 . 2 To what extent do the data suggest that the amount of health expenditure per person affects life expectancy?

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

[6 marks]

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1 9 **Extract C** (lines 6–8) states: 'when governments provide health care for free or at low prices, supply is determined by how much governments are willing to spend. This often leads to excess demand'.

With the help of a diagram, explain why there is likely to be excess demand when governments provide health care for free.

[9 marks]

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2 0 **Extract B** (lines 17–18) states: ‘people are offered a range of ways to improve their health in the long term. This includes subsidised gym sessions’.

Analyse the effects that subsidised gym sessions could have on the market for health care.

[12 marks]

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2 1 **Extract C** (line 6) states: 'In a free market, scarce resources are allocated by price.'

Use the extracts and your knowledge of economics to assess whether health care should be left to market forces.

[20 marks]

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END OF QUESTIONS

20

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ANSWER IN THE SPACES PROVIDED

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