Please write clearly in block capitals.

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

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

AS
ECONOMICS

Paper 1 The Operation of Markets and Market Failure

Monday 13 May 2024 Morning Time allowed: 1 hour 30 minutes

Materials
For this paper you must have:
- the Insert
- a calculator.

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 in **Section A**.
- Answer **either** Context 1 **or** Context 2 in **Section B**.
- You will need to refer to the Insert provided to answer **Section B**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- 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 maximum mark for this paper is 70.
- The marks for questions are shown in brackets.
- No deductions will be made for wrong answers.

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

Do not write outside the box

Section A

Answer **all** questions in this section.

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 function of prices in a market economy?

[1 mark]

A Allocating resources to the production of public goods

B Ensuring that the distribution of goods and services is fair

C Incentivising firms to produce the goods consumers want

D Providing a measurement of positive and negative externalities

0 2 Which one of the following is a normative statement?

The price of petrol

[1 mark]

A fell in real terms last year.

B is affected by supply.

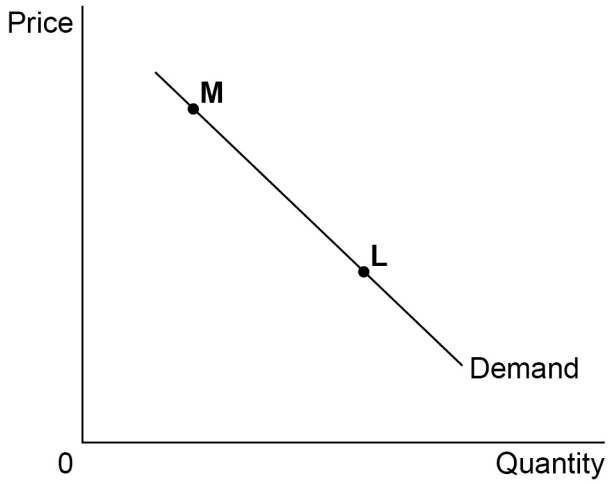
C is now too high.

D will rise next year.

Do not write outside the box

0 3 **Figure 1** shows the demand curve for Economics textbooks.

Figure 1



Which one of the following could have caused the movement along the demand curve from **L** to **M**?

[1 mark]

A A fall in the number of people studying Economics

B A fall in the price of Economics textbooks

C An increase in consumer incomes

D An increase in the price of paper

0 4 Partial market failure occurs when

[1 mark]

A prices fall causing firms to make losses.

B there are no positive externalities in consumption.

C there is a missing market for the product.

D there is immobility of factors of production.

Do not write outside the box

0 5 The price of carrots falls from 60p to 54p per kilo. As a result of this fall in price, the quantity supplied falls by a quarter.

What is the price elasticity of supply?

[1 mark]

A 0.25

B 0.4

C 2.5

D 4

0 6 In a perfectly competitive market, a firm is most likely to

[1 mark]

A charge the same price as other firms.

B earn large profits in the long run.

C produce the same output as its competitors.

D spend large amounts of money on advertising.

Do not write outside the box

0 7 A firm aims to make as much profit as possible.

This means the firm should aim to

[1 mark]

A maximise the difference between its total revenue and total cost. ⬭

B maximise the total revenue it receives from selling its output. ⬭

C minimise the average total cost of each unit it produces. ⬭

D minimise the total cost of producing its output. ⬭

0 8 The market for barley is no longer in equilibrium due to an increase in demand for barley.

This is most likely to lead to

[1 mark]

A a fall in the price of barley and a leftward shift of the supply curve. ⬭

B a fall in the price of barley and a movement along the supply curve to the left. ⬭

C a rise in the price of barley and a movement along the supply curve to the right. ⬭

D a rise in the price of barley and a rightward shift of the supply curve. ⬭

Turn over for the next question

Do not write outside the box

0 9 Which one of the following is most likely to be used to help identify the market structure of an industry?

[1 mark]

A The extent to which barriers to entry exist

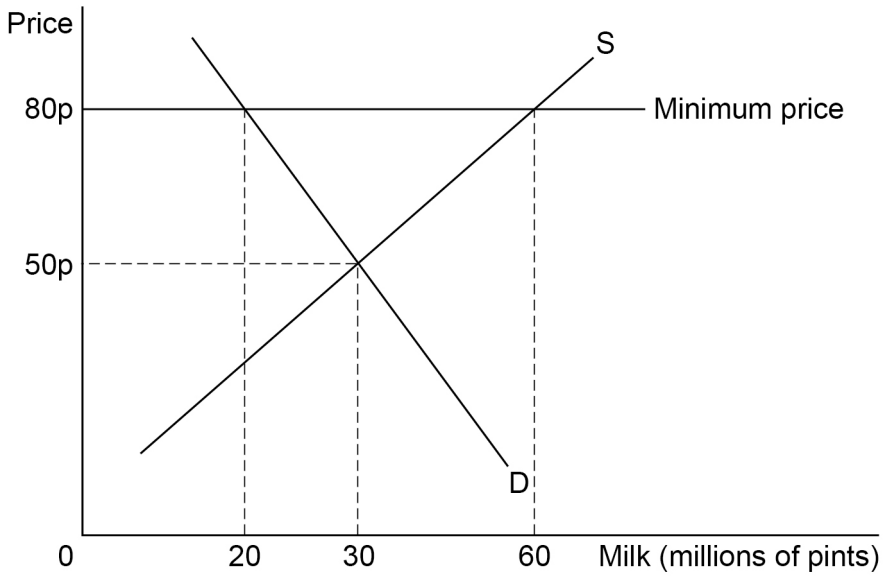
B The number of workers employed in the industry

C The shape of a typical firm's average cost curve

D Whether firms sell luxury goods or necessities

1 0 **Figure 2** shows the original demand (D) and supply (S) curves for pints of milk. To help farmers, the government introduces a minimum price of 80p for a pint of milk.

Figure 2



Which one of the following is most likely to result from the imposition of this minimum price?

[1 mark]

A Profits of farmers from selling milk will increase by £1 million

B The revenue received by farmers will increase by 30p per pint

C There will be excess demand of 40 million pints

D Total revenue from the sales of milk will increase by £100 million

Do not write outside the box

1 1 An inequitable distribution of income may result in market failure because

[1 mark]

A government action to reduce inequality may lead to government failure.

B it affects an individual's ability to consume goods and services.

C it provides the incentive for people to work hard.

D the government will not be able to provide as many merit goods.

1 2 Kim has £100 to spend and is considering three options. She would rather spend the money on clothes than shoes but believes she would gain most benefit from spending £100 on an evening out.

Assuming that she spends the money to gain the most benefit, what is the opportunity cost of her decision?

[1 mark]

A The clothes

B The clothes and the shoes

C The evening out

D The shoes

Turn over for the next question

Do not write outside the box

1 3 **Table 1** shows the private benefit, private cost, social benefit and social cost of four different redevelopment projects.

Table 1

	Grants to new retailers	Marketing campaign	New bus station	Pedestrianisation
Private benefit	£5m	£3m	£2m	£4m
Private cost	£15m	£4m	£20m	£12m
Social benefit	£10m	£5m	£50m	£30m
Social cost	£15m	£4m	£30m	£14m

A local authority has a maximum of £15 million to spend on the redevelopment.

Which one of the projects in **Table 1** should the local authority choose to maximise social welfare, given the limited funding available?

[1 mark]

A Grants to new retailers ⬭

B Marketing campaign ⬭

C New bus station ⬭

D Pedestrianisation ⬭

Do not write outside the box

1 4 Over time, one of the firms in the market for electric scooters acquires some monopoly power. The firm decides to restrict output below the competitive market level. The most likely consequence of this decision will be

[1 mark]

A a decrease in the barriers to entry into the market. ⬭

B a rightward shift of the demand curve for electric scooters. ⬭

C additional economies of scale experienced by the dominant firm. ⬭

D an increase in the price paid by consumers for electric scooters. ⬭

1 5 The cross elasticity of demand for Good R is –0.5 with respect to the price of Good S. If the price of Good S falls by 20%, demand for Good R will

[1 mark]

A fall by 10%. ⬭

B fall by 40%. ⬭

C rise by 10%. ⬭

D rise by 40%. ⬭

Turn over for the next question

Do not write outside the box

1 6 A firm sets up in an area where a local college provides training courses for the workers in that industry.

This shows the firm taking advantage of

[1 mark]

A external economies of scale. ⬭

B internal economies of scale. ⬭

C the provision of a public good. ⬭

D the provision of perfect information. ⬭

1 7 **Table 2** shows an index of labour productivity per hour for a large car manufacturer.

Table 2

Year	Index of labour productivity per hour
2017	97.8
2018	98.6
2019	100.0
2020	89.5
2021	95.4

Which one of the following statements must be true?

[1 mark]

A Output per hour of labour was higher in 2017 than in 2021 ⬭

B Production of cars was higher in 2019 than in 2018 ⬭

C The firm was operating at full capacity in 2019 ⬭

D There were fewer workers employed in 2020 than in 2018 ⬭

Do not write outside the box

1 8 Derived demand is when

[1 mark]

A a good is used for a variety of different purposes. ⬭

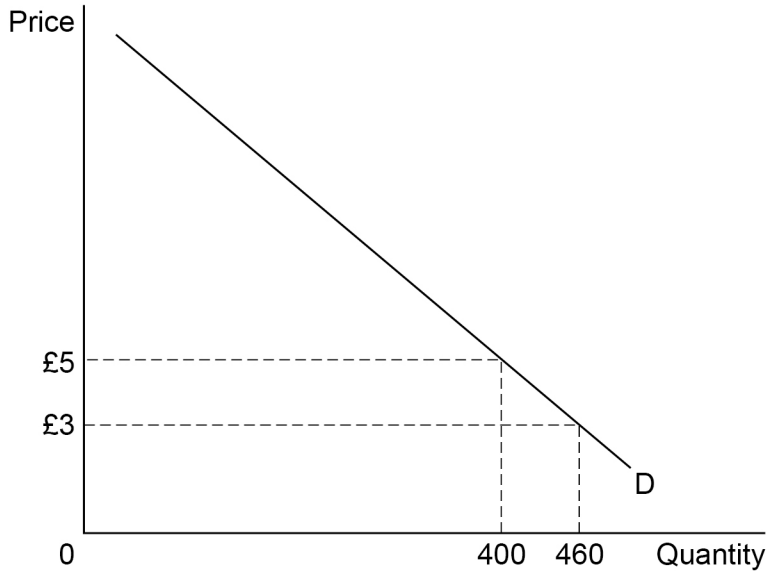
B the demand for a good depends on the sales of what it produces. ⬭

C the willingness to buy the good is backed by the ability to pay. ⬭

D two goods have a positive cross elasticity of demand. ⬭

1 9 **Figure 3** shows a firm's demand curve (D).

Figure 3



If the firm raises its price from £3 to £5, demand is

[1 mark]

A price elastic and total revenue will fall. ⬭

B price elastic and total revenue will rise. ⬭

C price inelastic and total revenue will fall. ⬭

D price inelastic and total revenue will rise. ⬭

Do not write outside the box

2 0 Technological change has made it easier to charge for road use, including charging road users different prices according to demand at different times of the day.

Which one of the following would be the most likely outcome if the government introduced variable charges, according to the time of day, for using motorways in the UK?

[1 mark]

A Fewer people will use trains to go to work. ⬭

B More vehicles will use motorways at busy times. ⬭

C Motorways would become a public good. ⬭

D The costs of many businesses will increase. ⬭

20

END OF SECTION A

Do not write outside the box

Section B

Look at the Insert and choose to answer **EITHER** Context 1 **OR** Context 2.

Answer **EITHER** Questions 21 to 26 in the spaces below.

OR

Questions 27 to 32 on pages 24 to 33 of this answer booklet.

There is a total of 50 marks for either context.

Shade the circle below to indicate which context you have answered.

Context 0 1 ⬭ Context 0 2 ⬭

CORRECT METHOD ● WRONG METHOD ⊗ ⦿ ≋ ⊘

EITHER

Context 1 **Total for this context: 50 marks**

TOURISM IN THE UK

Use the Insert provided to study **Questions 21** to **26** and **Extracts A**, **B** and **C**, and then answer the questions in the spaces which follow.

2 1 Define 'scarce resource' **Extract B** (line 11).

[3 marks]

Do not write outside the box

2 2 **Extract C** (lines 4–7) states: 'Since 2011, tourists staying in a five-star hotel in the peak season have been taxed €5 for each night. However, they are only charged for five nights, even if they stay longer. They pay 50% less in the off-peak season.'

Calculate the total amount of tax paid by two people staying for seven nights in a five-star hotel in the off-peak season.

[4 marks]

Do not write outside the box

2 3 Use **Extract A** to identify **two** significant features of the number of visits to the UK by overseas residents over the period shown.

[4 marks]

Feature 1 _____

_____

_____

_____

_____

Extra space _____

_____

Feature 2 _____

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Extra space _____

_____

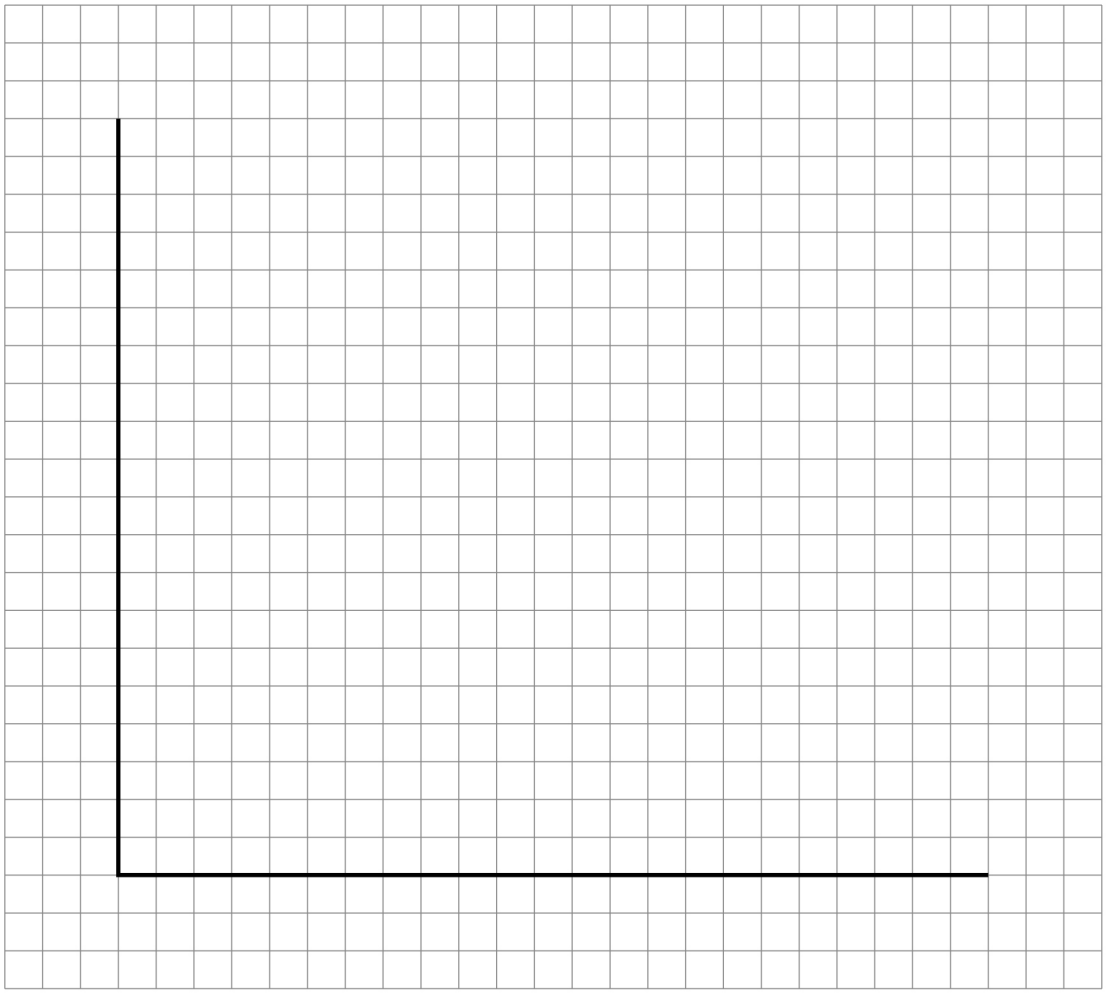
Turn over for the next question

Do not write outside the box

2 4 A local authority has limited resources to allocate to two services, 'cleaning beaches' and 'other local government services'.

Draw a production possibility diagram showing the potential provision of these two services. Assuming these resources remain fully employed, show on this diagram the effect of allocating more resources to cleaning beaches.

[4 marks]



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2 5 **Extract B** (lines 1–2) states: 'As the world recovered from the recession of 2008, there was more demand for travel and tourism.'

Explain possible reasons for an increase in the demand for travel and tourism.

[10 marks]

Do not write outside the box

Extra space

Do not write outside the box

2 6 **Extract C** (lines 13–14) states: 'In recent years, with more people holidaying in the UK, some tourist sites have been overwhelmed by visitors.'

Use the extracts and your knowledge of economics to discuss whether there should be more state intervention to limit tourism in the UK.

[25 marks]

Do not write outside the box

Do not write outside the box

Turn over ►

Do not write outside the box

Extra space

Do not write outside the box

50

Do not write outside the box

Do **not** answer Context 2 if you have answered Context 1.

OR

Context 2 **Total for this context: 50 marks**

EYE CARE IN THE UK

Use the Insert provided to study **Questions 27** to **32** and **Extracts D**, **E** and **F**, and then answer the questions in the spaces which follow.

2 7 Define 'variable costs' **Extract E** (line 13).

[3 marks]

2 8 **Extract E** (lines 2–3) states: 'Between 2004 and 2019, the number of optometrists… in England rose from 7 734 to 14 087'. During this time, the population of England increased from 50.2 million to 56.3 million.

Calculate the percentage change, between 2004 and 2019, in the number of people in England for each optometrist. Give your answer to **one** decimal place.

[4 marks]

Do not write outside the box

2 9 Use **Extract D** to identify **two** significant features of the number of National Health Service (NHS) sight tests in England over the period shown.

[4 marks]

Feature 1 _____

_____

_____

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Extra space _____

_____

Feature 2 _____

_____

_____

_____

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Extra space _____

_____

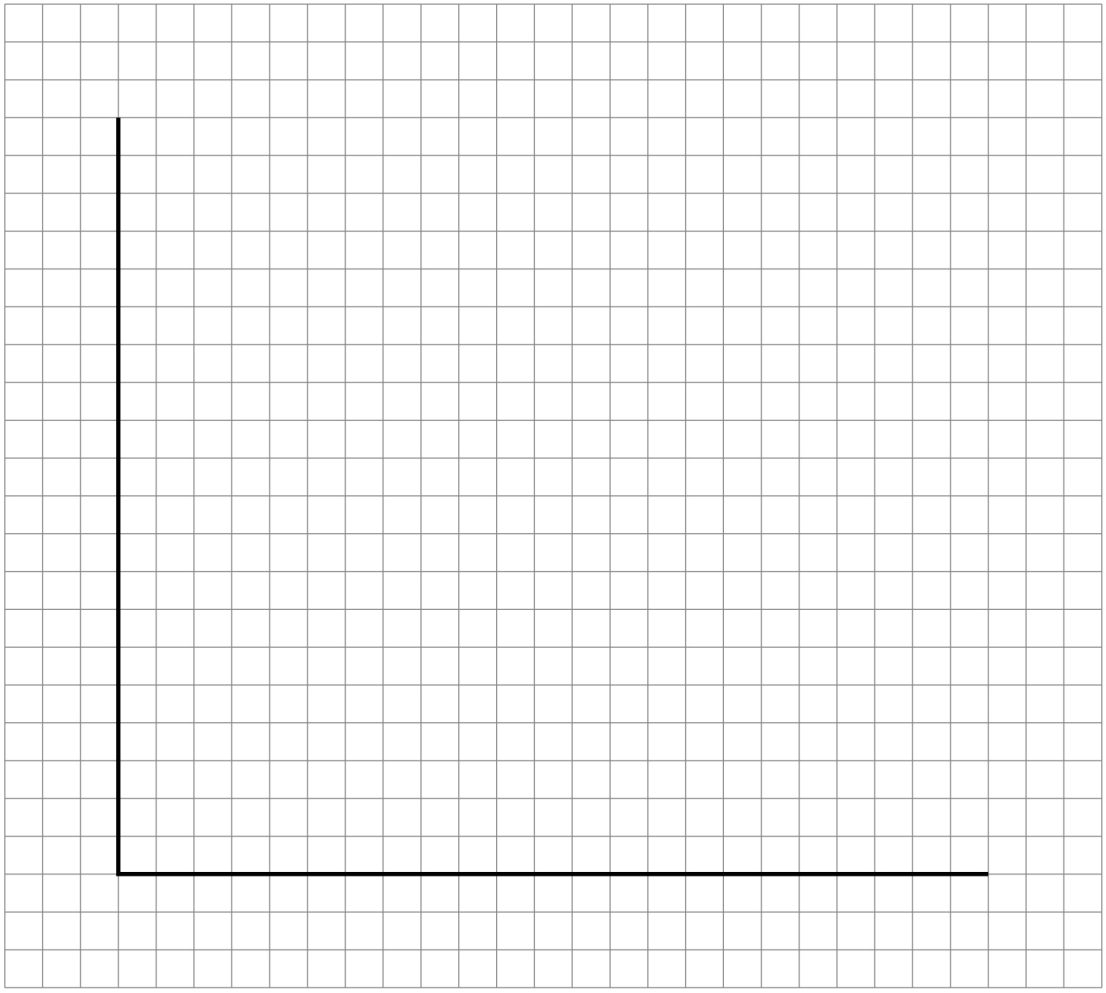
Turn over for the next question

Do not write outside the box

3 0 **Extract F** (lines 9–10) states: 'As well as affecting a person's quality of life and adding to health care costs, eyesight problems can lead to lower productivity.'

Draw a production possibility diagram showing the output of two products, 'goods' and 'services'. Show on this diagram the effect of a fall in productivity due to more people having eyesight problems.

[4 marks]



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3 1 **Extract E** (lines 15–17) states: 'Increased competition and easier access to the internet have helped to bring down the price of some basic glasses to £25 or less.'

Explain factors that could lead to a fall in the price of glasses.

[10 marks]

Do not write outside the box

Extra space

Do not write outside the box

3 2 **Extract F** (lines 18–19) states: 'Should the government prioritise reducing the waiting list of people who need urgent eye treatment or are there more important issues?'

Use the extracts and your knowledge of economics to discuss whether the government should increase its spending to improve eye health in the UK.

[25 marks]

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50

END OF QUESTIONS

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ANSWER IN THE SPACES PROVIDED

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

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