

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 15 May 2023 – Morning

AS Level Economics

H060/01 Microeconomics

**Time allowed: 1 hour 30 minutes
plus your additional time allowance**

**YOU CAN USE:
a scientific or graphical calculator**

Please write clearly in black ink.

Centre number

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Candidate number

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First name(s)

Last name

READ INSTRUCTIONS OVERLEAF



INSTRUCTIONS

Use black ink. You can use an HB pencil, but only for graphs and diagrams.

Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.

Answer ALL the questions in Sections A and B and ONE question in Section C.

INFORMATION

The total mark for this paper is 60.

The marks for each question are shown in brackets [].

Quality of extended response will be assessed in questions marked with an asterisk (*).

ADVICE

Read each question carefully before you start your answer.

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SECTION A

Write your answer to each question in the box provided.

1 Which of these contains all the four factors of production? [1]

- A Capital, enterprise, labour, land
- B Capital, labour, profit, rent
- C Enterprise, interest, land, wages
- D Interest, profit, rent, wages

Your answer

2 What is the income elasticity of demand if a 10% increase in consumer income leads to a 40% decrease in quantity demanded? [1]

- A -4.00
- B -0.25
- C $+0.25$
- D $+4.00$

Your answer

3 Which of these is an example of a normative statement? [1]

- A Taxes on cigarettes provide the government with tax revenue**
- B The government should raise taxes even higher on cigarettes**
- C The tax on cigarettes accounts for 80% of the price of cigarettes**
- D VAT is one of the taxes charged on cigarettes**

Your answer ☐

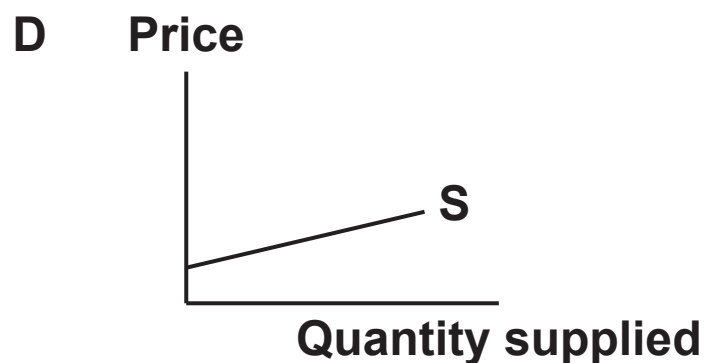
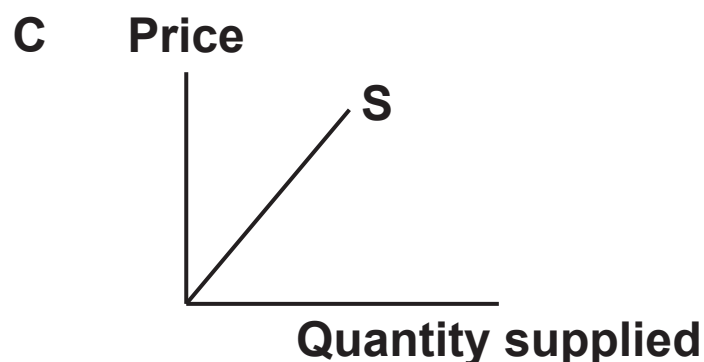
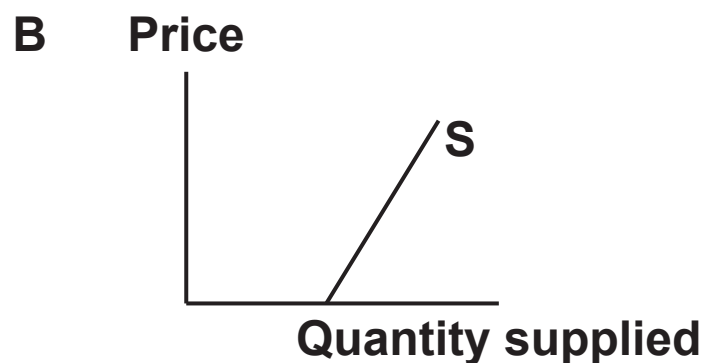
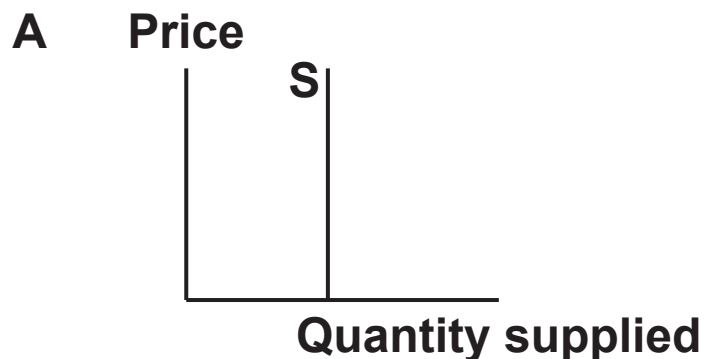
4 Opportunity cost is defined as the value of:

- A all alternative goods foregone**
- B the cost of other goods and services**
- C the cost imposed on a third party**
- D the next best alternative foregone**

Your answer ☐ **[1]**

- 5 The diagrams show the relationship between price and quantity supplied of a product.

Which supply curve shows unit price elasticity of supply along the curve? [1]



Your answer

6 Which item is MOST likely to be used as a medium of exchange in the UK? [1]

- A A fifty pound bank note**
- B A gold wedding ring**
- C A government bond**
- D A savings account**

Your answer

7 The table shows the quantity demanded and quantity supplied of a product at different prices.

| Price | Quantity Demanded | Quantity Supplied |
|--------------|--------------------------|--------------------------|
| £10 | 100 | 20 |
| £15 | 80 | 30 |
| £20 | 75 | 50 |
| £25 | 60 | 60 |
| £30 | 40 | 80 |

At the equilibrium price, what is the total revenue? [1]

- A £1000**
- B £1200**
- C £1500**
- D £2400**

Your answer

8 Which of these is a cause of market failure? [1]

- A Positive externalities**
- B Positive income elasticity of demand**
- C Positive price elasticity of supply**
- D Positive private costs**

Your answer

☐

9 Which of these would lead to a negative externality? [1]

- A A new firm which creates jobs for local people**
- B A new firm which processes coal, releasing carbon emissions**
- C Information on the effects of smoking cigarettes**
- D Subsidy for solar-powered electricity**

Your answer

☐

10 When will a subsidy have the most effect on quantity demanded? [1]

- A Demand is perfectly inelastic**
- B Demand is elastic**
- C Demand is inelastic**
- D Demand is unitary elastic**

Your answer

☐

11 Which of these defines an inferior good? [1]

- A Quantity demanded decreases when incomes decrease**
- B Quantity demanded decreases when incomes increase**
- C Quantity demanded decreases when prices increase**
- D Quantity demanded increases when prices increase**

Your answer ☐

12 The price elasticity of demand of widgets is -1.0 .

If the firm raises the price of widgets by 5%, this is likely to have what impact on the firm's total revenue? [1]

- A Decrease by 5%**
- B Decrease by more than 5%**
- C Increase by less than 5%**
- D No change**

Your answer ☐

- 13 The quantity demanded for oranges falls from 600 to 300 when the price of apples falls by 25%.**

In relation to the price of apples, what is the cross elasticity of demand for oranges? [1]

- A 12.5**
- B 6.0**
- C 2.0**
- D 0.5**

Your answer

- 14 A firm has successfully introduced division of labour in its factory.**

Which of these is the MOST likely outcome? [1]

- A Decrease in quantity supplied and decrease in equilibrium price**
- B Decrease in quantity supplied and increase in equilibrium price**
- C Increase in quantity supplied and decrease in equilibrium price**
- D Increase in quantity supplied and increase in equilibrium price**

Your answer

15 Which of these would lead to a fall in consumer surplus for a good? [1]

- A Decrease in cost of production**
- B Decrease in indirect tax**
- C Increase in price**
- D Increase in subsidy**

Your answer

SECTION B

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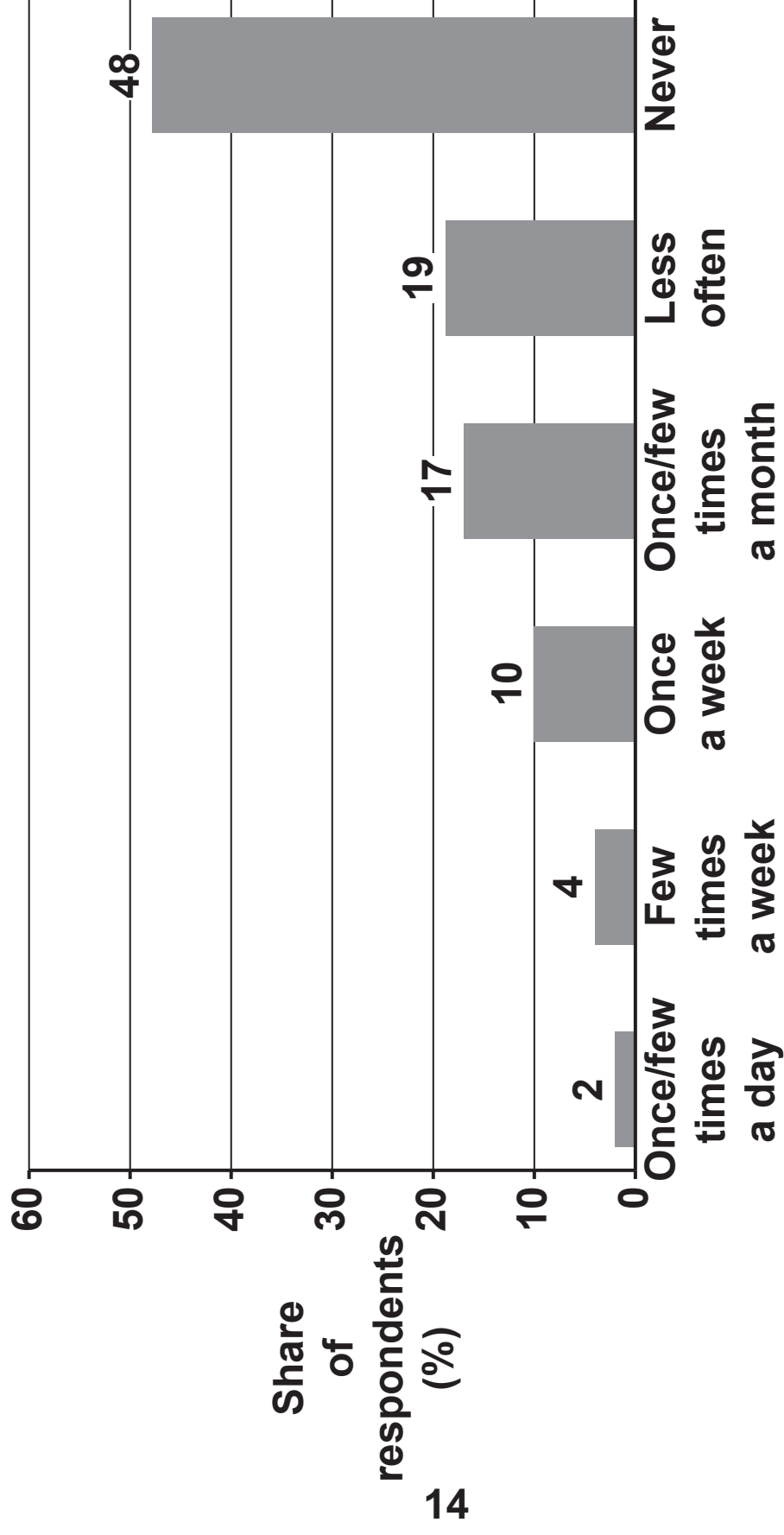


FIG. 1
Frequency of baking at home from scratch 2017



- 16 (a) Using FIG. 1, state what percentage of people baked at home from scratch once a week or more often in 2017.**

[1]

- (b) (i) Using the information in the case study, explain why there was an increase in demand for flour.**

[2]

- (ii) Explain what the price elasticity of supply is likely to be for flour.**

[2]

- (iii) Using the information in the case study, explain what impact the change in demand for yeast would have had on Red Star Yeast's producer surplus.**

[2]

(c) Using a diagram, explain the disequilibrium that existed in the flour market in 2020.

[4]

(d) Explain how a buffer stock system can be used to regulate the **MARKET SUPPLY** of a product such as flour.

[4]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

SECTION C

Answer Question 17 OR Question 18.

17* Palm oil companies have been destroying rainforests and habitat for wildlife because they want more land to grow palm oil trees.

Around 24 million hectares of rainforest were destroyed in Indonesia between 1990 and 2015 – an area the size of the UK.

Evaluate, using an appropriate diagram(s), the effectiveness of imposing a tax on palm oil production to reduce negative externalities. [20]

OR

18* For decades China used a planned economy to allocate resources before transitioning to an economy which incorporates some functions of a market economy.

Evaluate, using an appropriate diagram(s), whether a country would benefit from moving from a planned to a market economy. [20]

Question No. _____

[illegible]

[illegible]

[illegible]

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END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

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[illegible]

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