Modified Enlarged 24pt

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 12 May 2025 – Morning

A Level Economics

H460/01 Microeconomics

Time allowed: 2 hours
plus your additional time allowance

YOU MUST HAVE:
Stimulus material resource book

YOU CAN USE:
a scientific or graphical calculator

Please write clearly in black ink.

Centre number | | | | | |

Candidate number | | | | |

First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF

© OCR 2025 [601/4799/4]
DC (ST) 360897

2378947939

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 Section A, ONE question in Section B and ONE question in Section C.

INFORMATION

The total mark for this paper is 80.

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.

SECTION A

Read the stimulus material in the separate booklet and answer ALL the parts of Question 1.

1

(a) Refer to LINES 16–25.

(i) Using information from the stimulus material, explain the term EXTERNAL COSTS.

_____

_____

_____

_____ **[2]**

(ii) Using information from the stimulus material, explain the term INFORMATION FAILURE.

_____

_____

_____

_____ [2]

(b) Refer to LINES 33–44.

Calculate the percentage change in branded water bottle consumption predicted by 2028.

_____

_____

_____

_____ [2]

(c) ‘Bottled water has seen a huge increase in its popularity in the last 50 years.’ LINES 2–4.

Explain, using an appropriate diagram, the impact on the level of producer surplus of an increase in demand for bottled water. [4]

(d) 'Both the market power and the environmental impact of the water industry have been a topic of much debate in the UK recently.' LINES 45–48.

Evaluate, using evidence from the stimulus material, whether there is market failure in the water industry. [8]

(e)*Two-thirds of England's biggest water companies employ key executives who previously worked at the water regulator OFWAT. LINES 90–93.

Evaluate, using evidence from the stimulus material, whether regulation of the water industry is beneficial to consumers. [12]

SECTION B

Answer Question 2 OR Question 3.

2* The term 'Pepsi price power' has been used to describe how the soft drink giant has been able to increase their revenue by raising price even against the backdrop of cost pressures caused by recent economic shocks worldwide.

Evaluate, using an appropriate diagram(s), the extent to which the principal agent problem is the main factor influencing the choice of objective for a firm. [25]

OR

3* The price of oil rose to $79.90 per barrel in July 2023. Over the same period, food price inflation reached 13.4% in the UK.

Evaluate, using an appropriate diagram(s), the extent to which a rise in the price of oil will always lead to a rise in the price of goods and services sold in UK supermarkets. [25]

Question No. _____

_____

_____

_____

_____

_____

_____

_____

SECTION C

Answer Question 4 OR Question 5.

4* Supporters of the free market have long argued that supply and demand lead to the most effective allocation of society's scarce resources. However, those in favour of a more interventionist approach have cited the recent high prices of essentials such as gas, electricity and basic foodstuffs as a reason for greater government control in markets.

Evaluate the extent to which the free market is the most effective way to ensure an efficient allocation of resources. [25]

OR

5* During the COVID pandemic the UK government used information provision in various ways. These included advice on washing hands, the importance of vaccinations and lockdown rules for households and workspaces.

Evaluate the extent to which information provision is effective at incentivising consumers to change their behaviour. [25]

Question No. _____

_____

_____

_____

_____

_____

_____

END OF QUESTION PAPER

EXTRA ANSWER SPACE

If you need extra space use these lined pages. You must write the question numbers clearly in the margin.

OCR
Oxford Cambridge and RSA

Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact The OCR Copyright Team, The Triangle Building, Shaftesbury Road, Cambridge CB2 8EA.

OCR is part of Cambridge University Press & Assessment, which is itself a department of the University of Cambridge.