

## Monday 15 May 2023 – Morning

### AS Level Economics

#### H060/01 Microeconomics

Time allowed: 1 hour 30 minutes



You can use:

- a scientific or graph calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

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Last name

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#### 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 (\*).
- This document has **20** pages.

#### ADVICE

- Read each question carefully before you start your answer.

**2**  
**SECTION A**

Write your answer to each question in the box provided.

**1** Which of these contains all the four factors of production?

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

Your answer

[1]

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

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

Your answer

[1]

**3** Which of these is an example of a normative statement?

- 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

[1]

**4** Opportunity cost is defined as the value of:

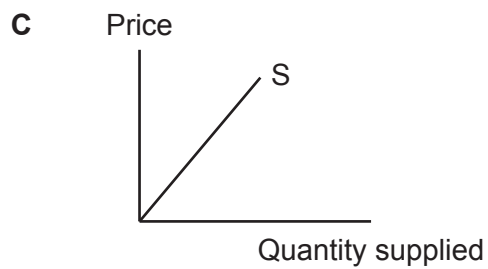
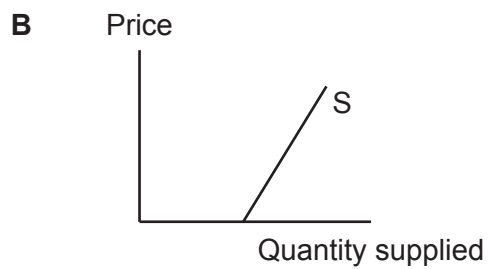
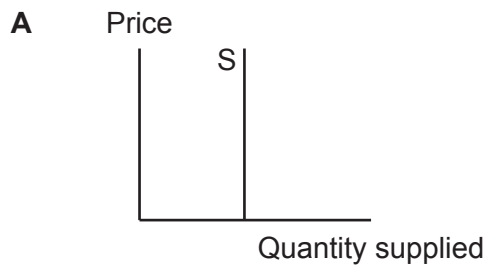
- A** all alternative goods foregone
- B** the cost of other goods and services
- C** the cost imposed on a third party
- D** the next best alternative foregone

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?



Your answer

[1]

6 Which item is **most** likely to be used as a medium of exchange in the UK?

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

Your answer

[1]

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?

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

Your answer

[1]

8 Which of these is a cause of market failure?

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

Your answer

[1]

9 Which of these would lead to a negative externality?

- 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

[1]

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

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

Your answer

[1]

11 Which of these defines an inferior good?

- 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

[1]

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?

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

Your answer

[1]

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?

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

Your answer

[1]

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

Which of these is the **most** likely outcome?

- 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

[1]

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

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


Your answer

[1]

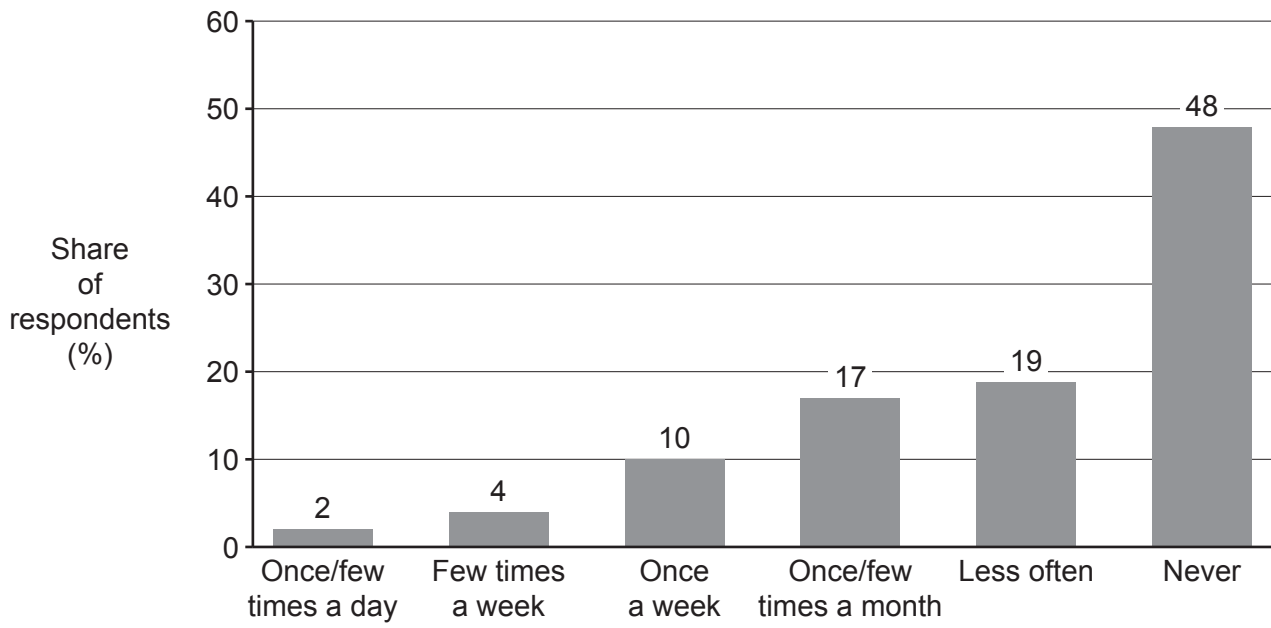
**SECTION B**

**Flour Mills Worked Round The Clock To Meet Demand**

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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.

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..... [2]

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

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..... [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.

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..... [2]

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

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..... [4]

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

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..... [4]



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**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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A large rectangular area with a vertical line on the left and horizontal dotted lines, intended for writing answers.

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