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AQA AS ECONOMICS: QUESTIONS BY TOPIC

Economic Methodology, the Economic Problem & Individual Decision Making

AQA AS Economics 7135 — Topics 4.1.1–4.1.2

28 questions · 209 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest mark tariff to the highest within each one.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme.

Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

QUESTION	SOURCE	MARKS	PAGE
4.1.1.1 ECONOMIC METHODOLOGY		4 Qs · 4 marks	3
1. Q06	AS Paper 1, Section A (MCQ) June 2017	1	4
2. Q16	AS Paper 1, Section A (MCQ) June 2018	1	5
3. Q08	AS Paper 1, Section A (MCQ) June 2022	1	6
4. Q09	AS Paper 1, Section A (MCQ) June 2022	1	7
4.1.1.3 ECONOMIC RESOURCES		6 Qs · 32 marks	8
5. Q08	AS Paper 1, Section A (MCQ) June 2017	1	9
6. Q01	AS Paper 1, Section A (MCQ) June 2019	1	10
7. Q14	AS Paper 1, Section A (MCQ) June 2022	1	11
8. Q19	AS Paper 1, Section A (MCQ) June 2023	1	12
9. Q27	AS Paper 1, Context 2 June 2023	3	13
10. Q32	AS Paper 1, Context 2 June 2023	25	14
4.1.1.4 SCARCITY, CHOICE AND THE ALLOCATION OF RESOURCES		13 Qs · 160 marks	27
11. Q07	AS Paper 1, Section A (MCQ) June 2018	1	28
12. Q15	AS Paper 1, Section A (MCQ) June 2019	1	29
13. Q01	AS Paper 1, Section A (MCQ) June 2022	1	30
14. Q01	AS Paper 1, Section A (MCQ) June 2023	1	31
15. Q01	AS Paper 1, Section A (MCQ) November 2020	1	32
16. Q07	AS Paper 1, Section A (MCQ) November 2020	1	33
17. Q23	AS Paper 1, Context 1 June 2019	4	34
18. Q26	AS Paper 1, Context 1 June 2017	25	35
19. Q26	AS Paper 1, Context 1 June 2018	25	44
20. Q26	AS Paper 1, Context 1 June 2019	25	53
21. Q26	AS Paper 1, Context 1 June 2022	25	63
22. Q26	AS Paper 1, Context 1 November 2020	25	73
23. Q32	AS Paper 1, Context 2 November 2020	25	83
4.1.1.5 PRODUCTION POSSIBILITY DIAGRAMS		4 Qs · 10 marks	98
24. Q03	AS Paper 1, Section A (MCQ) June 2017	1	99
25. Q20	AS Paper 1, Section A (MCQ) June 2019	1	100
26. Q24	AS Paper 1, Context 1 June 2018	4	101
27. Q30	AS Paper 1, Context 2 June 2018	4	102
4.1.2.2 IMPERFECT INFORMATION		1 Qs · 3 marks	103
28. Q27	AS Paper 1, Context 2 November 2020	3	104



QUESTIONS

28 questions · 209 marks · 5 sub-topics



SUB-TOPIC 4.1.1.1

ECONOMIC METHODOLOGY

Sub-topic 4.1.1.1 · 4 questions · 4 marks · lowest tariff first

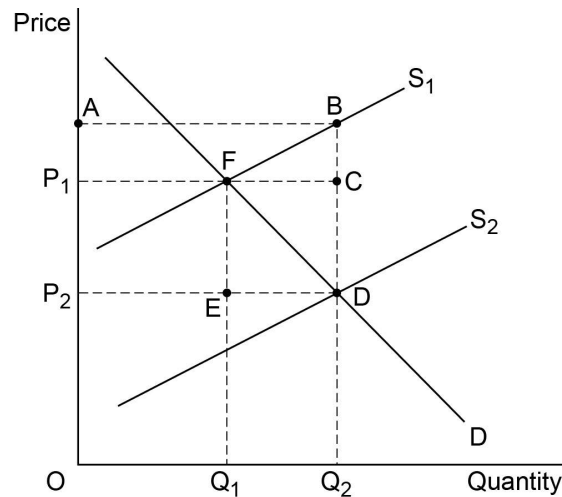


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0 5

The following diagram shows the impact of a government subsidy for recycling waste which shifts the supply curve from S_1 to S_2 .



Which one of the following areas measures the cost of the government subsidy?

A A B C P₁☐B A B D P₂☐

C F C D E

☐D P₁ C D P₂☐

[1 mark]

0 6

An economist puts forward a hypothesis which is assessed against evidence. As a result of this, the hypothesis is accepted, rejected or modified.

This is an example of

A how normative but not positive economic statements are tested.

☐

B how value judgements influence economic decision making.

☐

C the methodology used to test economic theories.

☐

D why economics is a social not a natural science.

☐

[1 mark]



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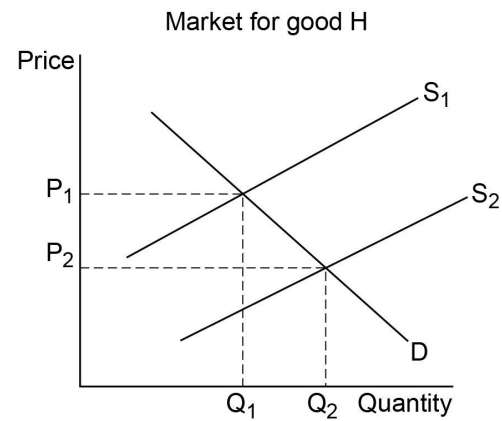
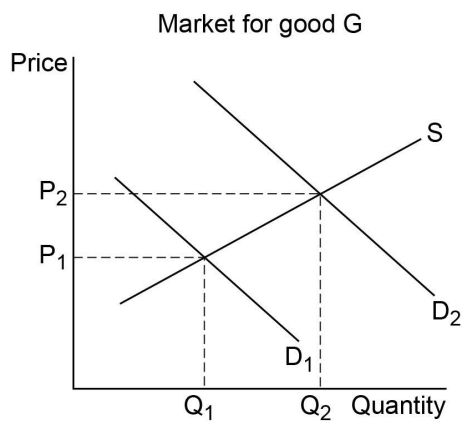
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9

1 5

The diagrams below show the impact of an increase in demand for good G and the resulting change in the related market for good H.

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These changes imply that goods G and H are in

- A** composite demand.
- B** derived demand.
- C** joint demand.
- D** joint supply.

☐
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[1 mark]

1 6

Which one of the following statements about the distribution of income must be correct?

- A** An unequal distribution of income has to be inequitable
- B** 'The distribution of income is equitable' is a positive statement
- C** The distribution of income is equitable when everyone has the same income
- D** Whether the distribution of income is equitable is a value judgement

☐
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[1 mark]



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Weekly sales of doughnuts are 20 000 and the market price is £1.20 per doughnut. The government introduces a new indirect tax of 15p per doughnut. Sales fall to 16 000 a week and the price rises to £1.30 per doughnut.

The share of the total weekly tax that is borne by doughnut producers is

A £800

☐

B £1000

☐

C £1600

☐

D £2400

☐

[1 mark]

0 8

An economist puts forward a hypothesis, collects evidence to test it, and then accepts, modifies, or rejects the hypothesis.

This is an example of

A a positive policy statement.

☐

B economic methodology.

☐

C how value judgements influence economic decisions.

☐

D normative economics.

☐

[1 mark]

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6

09

A government plans to plant a new forest to provide a recreation facility and help combat climate change.

Estimates of the costs and benefits are shown in **Table 1**.

Table 1

	Private costs	Social costs	Private benefits	Social benefits
£ million	13	9	14	16

From the figures in **Table 1**, it can be concluded that the forest project will have

- A** negative production externalities of £9 million.
- B** positive consumption externalities of £16 million.
- C** positive production externalities of £4 million.
- D** total externalities of £25 million.

☐☐☐☐

[1 mark]

10

The demand for cocoa is derived from the demand for chocolate. When the demand for chocolate falls, the most likely result is a

- A** movement along the demand curve for cocoa.
- B** movement along the supply curve for cocoa.
- C** shift left of the supply curve for cocoa.
- D** shift right of the demand curve for cocoa.

☐☐☐☐

[1 mark]

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06

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SUB-TOPIC 4.1.1.3

ECONOMIC RESOURCES

Sub-topic 4.1.1.3 · 6 questions · 32 marks · lowest tariff first



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The table below shows the quantities of sandwiches that would be demanded and supplied at different prices.

Price of sandwich	Quantity demanded per day	Quantity supplied per day
£2.25	310	190
£2.50	280	280
£2.75	220	300
£3.00	180	320

Following a rise in production costs, supply falls by 80 sandwiches at all prices. The new equilibrium price would be

A £2.25

☐

B £2.50

☐

C £2.75

☐

D £3.00

☐

[1 mark]

0 8

In economics, the 'long run' refers to the time period when

A all factors of production are fixed.

☐

B all factors of production may change.

☐

C revenue is fixed.

☐

D some factors of production are fixed, others may vary.

☐

[1 mark]

Turn over for the next question



0 5

Turn over ►

IB/G/Jun17/7135/1

2

Section AAnswer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each answer 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 best describes the basic economic problem?**A** Living standards are low for many people☐**B** Resources are being depleted too rapidly☐**C** Resources are scarce relative to needs and wants☐**D** Resources are unequally distributed☐**[1 mark]****0 2** A rise in the price of blueberries from £8 to £10 per kg encourages growers to increase their supply from 12 kg to 21 kg each week. Other things remaining the same, this suggests that the price elasticity of supply for blueberries is**A** 0.22☐**B** 0.33☐**C** 3☐**D** 4.5☐**[1 mark]**

0 2

IB/M/Jun19/7135/1

9

Do not write
outside the
box**1 4** The price mechanism allocates resources by

- A** allowing prices to rise and ration demand when there is a surplus in the production of a good.
- B** preventing firms with monopoly power from exploiting consumers and charging a price above the competitive price.
- C** setting prices to ensure that the opportunity cost of producing a good is less than its social cost.
- D** setting relative prices to determine the quantity of factors of production used in producing each good.

☐☐☐☐**[1 mark]****1 5** A firm manufactures and sells fresh fruit drinks. The firm sells 200 bottles of fruit drink each week; its weekly total costs are £540, which includes £300 of fixed costs. The drink is sold at £4 a bottle.

A rival firm drops out of the market and sales increase to 250 bottles a week. Other things remaining the same, profit per week increases by

- A** £65
- B** £125
- C** £140
- D** £400

☐☐☐☐**[1 mark]****1 6** Which one of the following is most likely to increase barriers to firms wishing to enter a market?

- A** Government subsidies to small firms
- B** Higher labour mobility between different industries
- C** New technology that increases the scope for economies of scale
- D** Reduced spending on advertising by firms already in the market

☐☐☐☐**[1 mark]****Turn over ►**

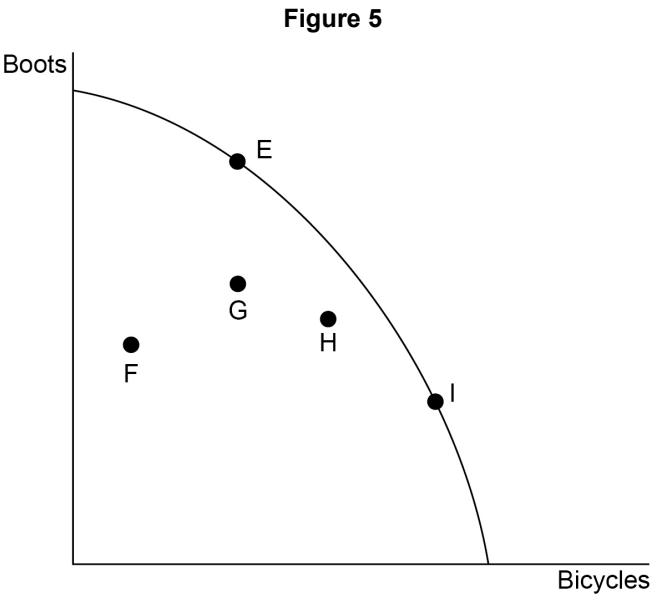
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1 9

Figure 5 shows the production possibility curve for an economy producing boots and bicycles. The initial combination of boots and bicycles produced is shown by point **E**.

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A change in consumer preferences causes the boot industry to contract and the bicycle industry to expand.

If labour is not fully mobile between the two industries, then the new combination of boots and bicycles produced is most likely to be at

[1 mark]

- A point F. ☐
- B point G. ☐
- C point H. ☐
- D point I. ☐

2 0

Which one of the following characteristics of firms can be used to distinguish between market structures?

[1 mark]

- A Firms' productivity and total costs ☐
- B The amount that firms choose to produce ☐
- C The extent to which firms differentiate their products ☐
- D The type of technology used by firms ☐

20

END OF SECTION A

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23

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

Total for this context: 50 marks

DRONES

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 'factors of production' **Extract F** (line 2).

[3 marks]

2 | 8 **Extract F** (lines 10–12) states: 'The total cost of a delivery consists of £150 for the drone and another £350 to carry out the whole operation. The drone carries food weighing 110 pounds (50 kilos), enough for 50 people for a day.'

Calculate the average total cost of delivering food weighing one pound. Give your answer to the **nearest penny**.

[4 marks]

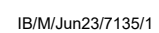
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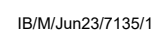
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SUB-TOPIC 4.1.1.4

SCARCITY, CHOICE AND THE ALLOCATION OF RESOURCES

Sub-topic 4.1.1.4 · 13 questions · 160 marks · lowest tariff first



4

0 5

Ben owns a small business that makes hand-made guitars.

One year he sells 160 guitars, his total revenue is £78 400, and his total costs are £59 200.

The average profit that Ben earns on each guitar is

A £120☐**B** £370☐**C** £490☐**D** £860☐**[1 mark]****0 6**

Which one of the following is most likely to reduce the benefits of specialisation?

A A reduction in government regulations☐**B** An increase in competition☐**C** Taxes on pollution☐**D** Trade conducted by bartering☐**[1 mark]****0 7**

Smoking cigarettes generates negative consumption externalities.

This means that

A the private benefit from smoking includes the consumption externalities.☐**B** the social benefit from smoking is less than the private benefit.☐**C** the social benefit from smoking is negative.☐**D** the social optimum level of smoking is zero.☐**[1 mark]**

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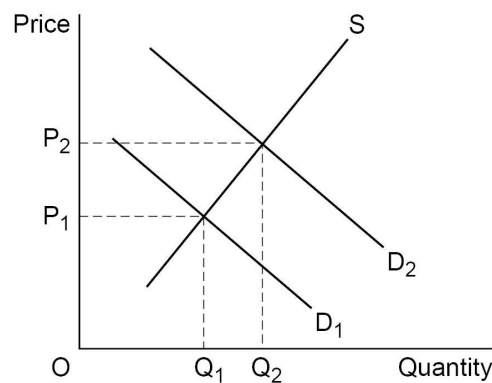
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Which one of the following is a true statement about market structures?

Market structures

- A** are partly defined by the number of firms in the market.
- B** are the rules imposed by governments which limit how firms behave.
- C** include concentrated markets but not competitive markets.
- D** include markets for goods but not markets for services.

☐☐☐☐**[1 mark]****1 6**The following diagram shows demand and supply in the market for roses. The demand for roses shifts from D_1 to D_2 .

Other things remaining the same, it can be concluded that

- A** monopoly suppliers have pushed up the price of roses.
- B** the higher price of roses will cause demand to fall back to D_1 .
- C** the income elasticity of demand for roses is positive.
- D** there is greater incentive to supply roses.

☐☐☐☐**[1 mark]****Turn over for the next question****Turn over ►**

0 9

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2

Section AAnswer **all** questions in this section.Do not write
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boxOnly **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

Choice is central to the economic problem because

A incomes are unequally distributed.☐**B** most resources are scarce.☐**C** people's wants are greater than their needs.☐**D** people's wants are limited.☐**[1 mark]****0 2**

A fast food restaurant is willing to supply 3000 burgers a week at a market price of £5 a burger. The price elasticity of supply of burgers is 2. If the market price falls to £4 a burger, the number of burgers that the restaurant will be willing to supply will be

A 1800☐**B** 2700☐**C** 3300☐**D** 4200☐**[1 mark]**

0 2

IB/M/Jun22/7135/1

2

Section AAnswer **all** questions in this section.Do not write
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boxOnly **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 gives rise to opportunity cost?**[1 mark]****A** Alternative uses for resources☐**B** Market failures for many goods☐**C** The methodology of positive economics☐**D** The presence of externalities☐**0 2** A bakery decides to increase the price of the bread that it sells.

Which one of the following price elasticities of demand for bread will result in the largest increase in the bakery's total revenue?

[1 mark]**A** -0.4☐**B** -0.8☐**C** -1.0☐**D** -2.0☐

0 2

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2

Section A

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boxOnly **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

A resource must be scarce if

A it has an opportunity cost.

☐

B it is non-renewable.

☐

C there is a high demand for it.

☐

D there is a small quantity supplied.

☐

[1 mark]



0 2

IB/M/Jun20/7135/1

5

0 6

Table 2 shows total costs and profit for different levels of output produced by a firm.

Table 2

Output	Total cost (£)	Profit (£)
50	1000	1000
100	1800	1700
150	2400	2400

When the firm increases its output from

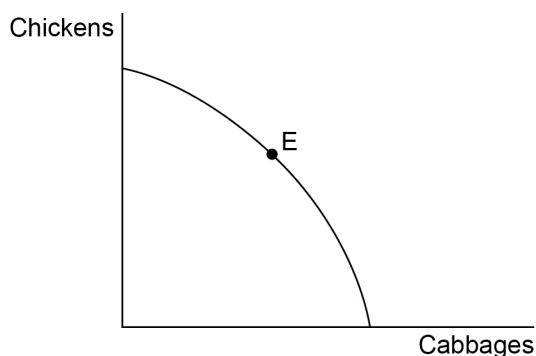
- A** 50 to 100, the price falls by £2
- B** 50 to 100, the price falls by £3
- C** 100 to 150, the price falls by £2
- D** 100 to 150, the price falls by £3

☐☐☐☐

[1 mark]

0 7

Figure 2 shows the production possibility frontier for an economy producing only two goods: chickens and cabbages.

Figure 2

Which one of the following statements is true?

- A** From the information given, it is impossible to determine whether point E is allocatively efficient
- B** From the information given, it is impossible to determine whether point E is productively efficient
- C** Point E is productively and allocatively efficient
- D** Point E is productively efficient but allocatively inefficient

☐☐☐☐

[1 mark]

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0 5

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2 3

Use **Extract A** to identify **two** significant features of the changes in the area used for certified sustainable palm oil production over the period shown.

[4 marks]

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Feature 1 _____

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Feature 2 _____

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2	6
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Extract C (lines 16–17) states ‘have the changes in the supermarket industry been for the better, and if so, for whom?’

Use the extracts and your knowledge of economics to assess whether the changes in the supermarket industry are likely to be better or worse for consumers **and** firms.

[25 marks]



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18

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Extract C (line 10) states: 'Faced with funding cuts, local authorities have to make difficult choices'.

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Use the extracts and your knowledge of economics to assess whether local authorities should continue to provide public libraries.

[25 marks]

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2	6
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Extract B (lines 18–19) states: ‘the palm oil industry has much to offer to both consumers and producers in a variety of industries.’

Use the extracts and your knowledge of economics to evaluate whether more should be done to control the palm oil industry.

[25 marks]

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23

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

Total for this context: 50 marks

DENTAL CARE

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 'competitive market' **Extract F** (line 17).

[3 marks]

2 8 **Extract F** (line 6) states: 'Currently, about 60 000 people are admitted to hospital each year because of tooth decay...'

If the population increases by 2.25% in the following year, other things being equal, calculate, to the nearest child, the number of children expected to be admitted to hospital because of tooth decay.

[4 marks]

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2	6
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Extract C (line 9) states: ‘When people pay according to quantity used, they are less likely to be wasteful’.

Use the extracts and your knowledge of economics to assess whether all households should pay according to the amount of water they use.

[25 marks]

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23

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

Total for this context: 50 marks

ALCOHOL

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 'income' **Extract F** (line 10).

[3 marks]

2 | 8 According to **Extract E** (lines 6–7), the price of a standard bottle of whisky had to rise from £10 to £14 in a discount supermarket, as a result of minimum unit pricing (MUP).

If the demand for whisky fell by 6.3% in the first year as a result of the price change, calculate the price elasticity of demand for whisky, to **two** decimal places.

[4 marks]

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2	6
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Extract C (lines 16–17) states: ‘Perhaps the time has come to stop free bus travel for the elderly or to limit it to certain groups?’

Use the extracts and your knowledge of economics to evaluate whether the UK government should continue to provide free bus travel for all, some or no elderly people.

[25 marks]

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IB/M/Jun20/7135/1

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IB/M/Jun20/7135/1

21

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

Total for this context: 50 marks

E-CIGARETTES

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 'social cost' in **Extract E** (line 7).

[3 marks]

2 8 Use **Extract D** to calculate, to **one** decimal place, the **difference** between the mean male and female rates of cigarette smoking in Great Britain for the years shown.

[4 marks]

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3	2
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Extract F (lines 17–19) states: ‘Should the UK government promote a particular brand of e-cigarettes as a ‘healthy alternative’ to conventional cigarettes? Should the use of e-cigarettes be discouraged or has government intervention already gone far enough?’

Use the extracts and your knowledge of economics to evaluate whether the UK government should encourage, discourage or do nothing more to affect the use of e-cigarettes.

[25 marks]

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box*



27

[illegible]

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box*

Turn over ►



Extra space

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29

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*Do not write
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box*

Turn over ►



30

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box*

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50

END OF QUESTIONS



IB/M/Jun20/7135/1

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ANSWER IN THE SPACES PROVIDED

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32

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IB/M/Jun20/7135/1

33

*Do not write
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IB/M/Jun20/7135/1

34

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IB/M/Jun20/7135/1

35

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IB/M/Jun20/7135/1

36

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ANSWER IN THE SPACES PROVIDED**

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3 6



2 0 6 A 7 1 3 5 / 1

IB/M/Jun20/7135/1

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Handwriting practice area with 25 horizontal dotted lines.

Handwriting practice area with 30 horizontal dotted lines.

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SUB-TOPIC 4.1.1.5

PRODUCTION POSSIBILITY DIAGRAMS

Sub-topic 4.1.1.5 · 4 questions · 10 marks · lowest tariff first

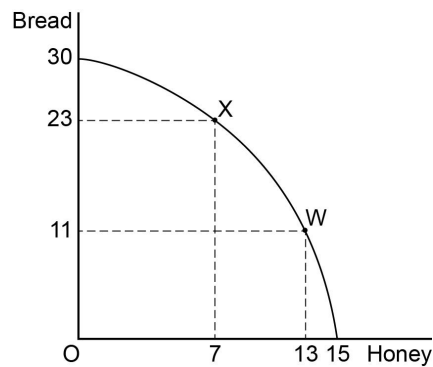


3

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0 3

The following diagram shows the production possibility frontier for an economy that produces bread and honey.



If the economy is initially at point W, then the opportunity cost of moving to point X is

- A 6 units of honey.
- B 8 units of honey.
- C 12 units of bread.
- D 23 units of bread.

☐☐☐☐

[1 mark]

0 4

Which one of the following gives a positive value for the cross elasticity of demand?

- A A fall in air fares increases the demand for holidays
- B A fall in the cost of car insurance increases the demand for cars
- C A rise in the price of petrol decreases the demand for cars
- D A rise in rail fares increases the demand for coach travel

☐☐☐☐

[1 mark]



0 3

Turn over ►

IB/G/Jun17/7135/1

11

1 | 9

'Large pay bonuses received by top executives have caused income inequality to increase.' This statement

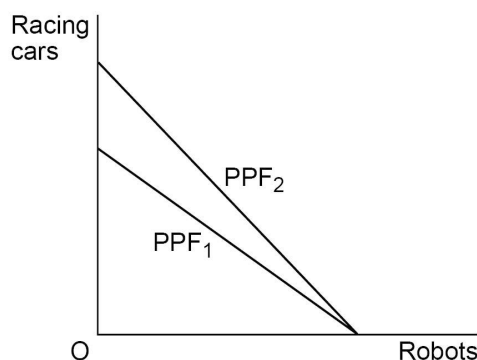
- A** is an example of a normative statement.
- B** is an example of an hypothesis that can be tested.
- C** shows that income tax is not sufficiently progressive.
- D** shows that the distribution of income is inequitable.

☐☐☐☐

[1 mark]

2 | 0

An economy produces racing cars and robots. The economy's initial production possibility frontier (PPF₁) is shown in the diagram below.



The economy's production possibility frontier shifts to PPF₂ and as a result of this change the

- A** number of racing cars that can be produced for each robot given up has increased.
- B** opportunity cost of producing robots is now lower.
- C** output of racing cars will be higher than the output of robots.
- D** productive efficiency of producing robots has risen.

☐☐☐☐

[1 mark]

20

**QUESTION 20 IS THE
LAST QUESTION IN SECTION A**

Turn over ►



1 1

IB/M/Jun19/7135/1

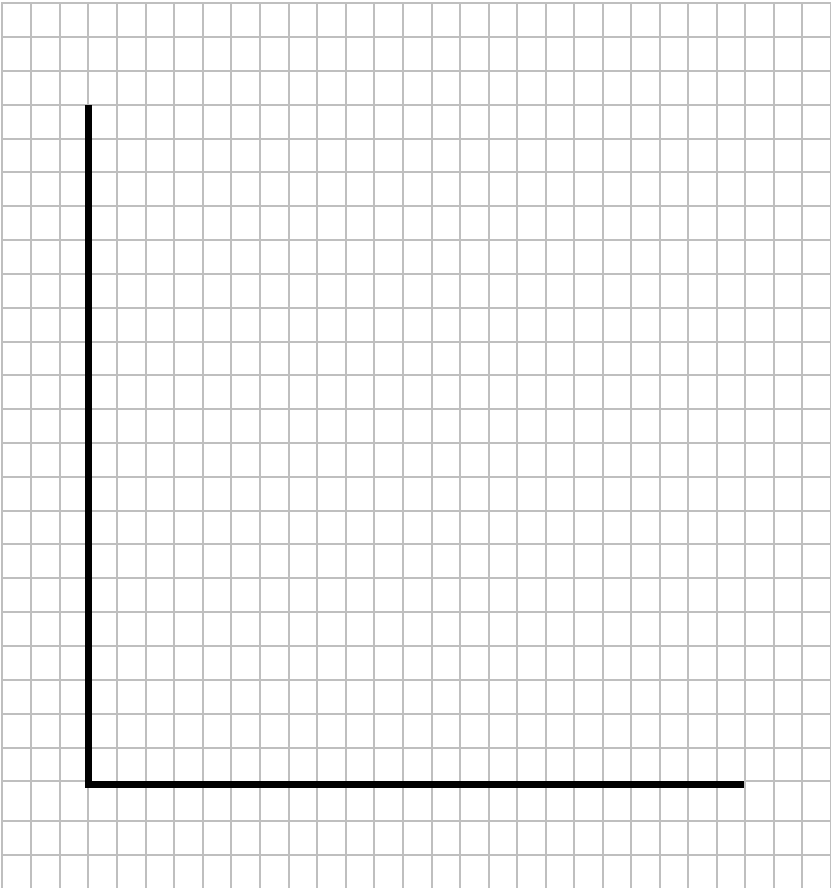
24

A local authority has a limited sum of money to spend on two services, libraries and other local government services.

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box

Draw a production possibility diagram showing the potential provision of these two services **and** assuming resources are fully employed, label a point X where no resources are used for libraries.

[4 marks]



Turn over for the next question



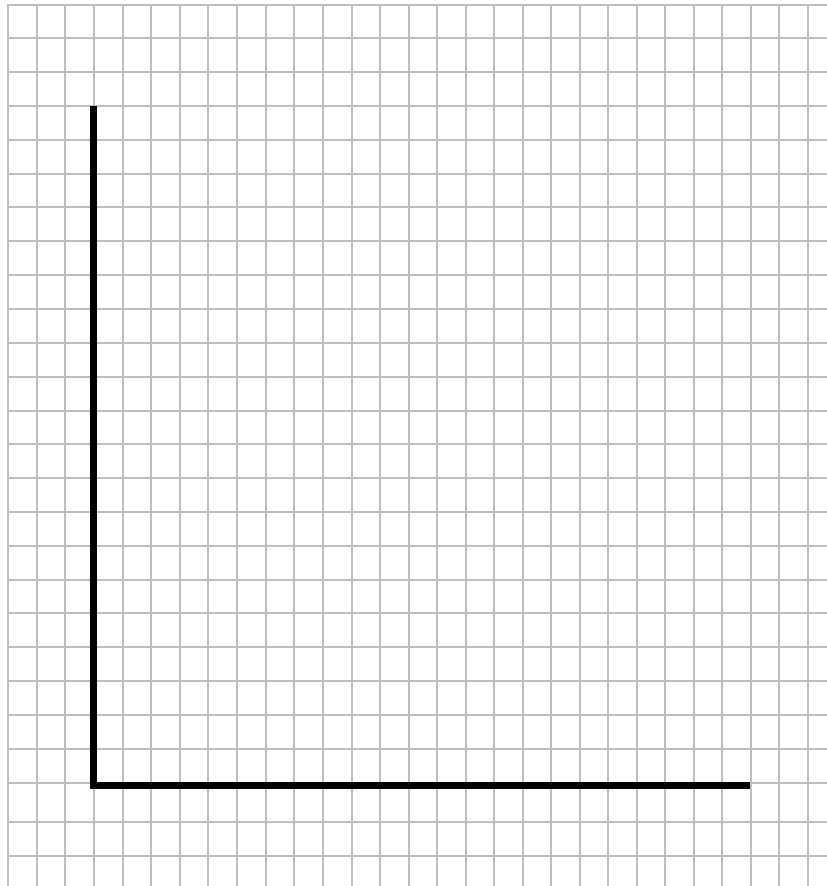
25

3 0

Agricultural production can be divided into genetically modified (GM) food and non-GM food.

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box*

Draw a production possibility diagram showing the production of genetically modified (GM) food and non-GM food **and**, on the same diagram, draw a new production possibility curve to show the effect of increased productivity in GM food but no change in non-GM food.

[4 marks]

Turn over for the next question



Turn over ►

IB/G/Jun18/7135/1

SUB-TOPIC 4.1.2.2

IMPERFECT INFORMATION

Sub-topic 4.1.2.2 · 1 question · 3 marks · lowest tariff first



21

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

Do not write
outside the
box

OR

Context 2

Total for this context: 50 marks

E-CIGARETTES

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 'social cost' in **Extract E** (line 7).

[3 marks]

2 8 Use **Extract D** to calculate, to **one** decimal place, the **difference** between the mean male and female rates of cigarette smoking in Great Britain for the years shown.

[4 marks]

Turn over ►



IB/M/Jun20/7135/1

MARK SCHEMES

official mark schemes



MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	C	11	C
2	B	12	A
3	A	13	D
4	D	14	B
5	B	15	D
6	C	16	D
7	C	17	D
8	B	18	A
9	D	19	A
10	D	20	C

	<u>Total</u>
A	4
B	4
C	5
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

<u>Total</u>	
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	C	11	C
2	B	12	A
3	A	13	D
4	D	14	B
5	B	15	D
6	C	16	D
7	C	17	D
8	B	18	A
9	D	19	A
10	D	20	C

	<u>Total</u>
A	4
B	4
C	5
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (-0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

Context 2 Drones

Total for this context: 50 marks

2	7
---	---

 Define 'factors of production' **Extract F** (line 2).

[3 marks]

Level of response	Response	Max 3 marks
3	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
1	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

- resources used to produce goods and/or services
- inputs into the production process.

Examples of a definition worth 2 marks:

- economic resources
- inputs.

Examples of a definition worth 1 mark:

- something involved with output
- example(s) of a factor of production, eg land, labour, capital or enterprise.

MAXIMUM FOR QUESTION 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

3 2 **Extract F** (lines 23–24) states: ‘if drones become more common, another review may be needed of what is best for all’.

Use the extracts and your knowledge of economics to assess whether governments should encourage, discourage or do nothing more to affect the use of drones.

[25 marks]

Areas for discussion include:

- what is a drone?
- recent and predicted sales of drones
- use for commercial, leisure and military purposes, including application in different industries
- drones as a substitute or complement for other factors of production
- analysis and evaluation of impact on productivity, costs and profits of firms
- analysis and evaluation of use for healthcare and emergency aid
- analysis and evaluation of problems of drones – noise, intrusion, security issues, disruption and danger
- identification of possible market failures
- concepts of private costs, private benefits, external costs and external benefits
- possible classification as merit or demerit goods
- impact on different economic agents – consumers, workers, different businesses, etc
- analysis and evaluation of how drones could be encouraged – subsidies, tax relief, etc
- analysis and evaluation of how drones could be discouraged – regulation, tax, etc
- impact on international competitiveness
- desirability of international cooperation and agreement
- problem of rapid development requiring constant review
- market failure versus government failure
- are drones on balance good or bad?
- should some uses be encouraged and some discouraged?
- an overall assessment of whether governments should encourage, discourage or do nothing more to affect the use of drones.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate’s response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

	<u>Total</u>
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	A	11	C
2	B	12	B
3	D	13	A
4	D	14	C
5	C	15	B
6	D	16	C
7	A	17	A
8	D	18	B
9	D	19	A
10	B	20	A

Totals

A 6
B 5
C 4
D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	A	11	C
2	B	12	B
3	D	13	A
4	D	14	C
5	C	15	B
6	D	16	C
7	A	17	A
8	D	18	B
9	D	19	A
10	B	20	A

Totals

A 6
B 5
C 4
D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

2 3 Use **Extract A** to identify **two** significant features of the changes in the area used for certified sustainable palm oil production over the period shown.

[4 marks]

Award up to 2 marks for each significant feature identified.

Response	Max 4 marks
Identifies a significant feature. Makes accurate use of the data to support the feature identified. Unit of measurement given accurately.	2 marks
Identifies a significant feature but only one piece of data is given when two are needed and/or no unit of measurement is given and/or the unit of measurement is inaccurate and/or the wrong date is given.	1 mark

If a student identifies more than 2 significant features, reward the best two.

Significant features include:

- certified palm oil production was higher at the end than the start of the period, rising from 0.1 million hectares (in 2008) to 2.3 million hectares (in 2017)
- certified palm oil production rose from 0.1 million hectares in 2008 to 2.8 million hectares in 2015 before falling to 2.3 million hectares in 2017
- certified palm oil production was lowest in 2008 at 0.1 million hectares
- certified palm oil production was highest in 2015 at 2.8 million hectares
- the range of certified palm oil production was 2.7 million hectares (between the lowest production of 0.1 million hectares in 2008 and the highest of 2.8 million hectares in 2015)
- the greatest annual increase in certified palm oil production was from just under 2 million hectares in 2013 to 2.6 million hectares in 2014 (a rise of 0.6 million hectares)
- the greatest annual decrease in certified palm oil production was from 2.8 million hectares in 2015 to just under 2.5 million hectares in 2016 (a fall of 0.3 million hectares).

Note: All figures are approximate – allow a margin of error of ± 0.1 million hectares

MAXIMUM FOR QUESTION 23: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

26 *Extract C (lines 16-17) states 'have the changes in the supermarket industry been for the better, and if so, for whom?'*

*Use the extracts and your knowledge of economics to assess whether the changes in the supermarket industry are likely to be better or worse for consumers **and** firms.*
[25 marks]

Areas for discussion include:

- recent changes in the supermarket industry, eg increased competition from 'budget supermarkets' (including changes in market shares); falling real incomes (and rising food prices); increased online shopping
- the determinants of demand and supply, plus the significance of different elasticities
- different market structures and objectives of firms
- competitive markets versus monopoly power, and the competitive market process
- how markets and prices allocate resources
- possible market failures – positive and negative externalities; good food as a merit good; inequality and inequity
- impact on consumers – choice; information; prices in relation to incomes; economic welfare/standard of living, etc.
- impact on supermarkets – cost, revenue and profit; economies of scale; efficiency
- impact on others – effects on suppliers; workers; those wishing to buy homes or use vacant land
- the significance of the changes in market shares and the time period over which they've occurred. What might happen in future?
- what if the government were to intervene?
- the significance of other data included in the Extracts, such as: recent shopping trends; possible action/reaction to adverse publicity by consumers, firms **and/or** government
- an overall assessment of whether the changes in the supermarket industry are likely to be better or worse for consumers and better or worse for firms; also maybe which firms or consumers gain or lose.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR PART 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

26 *Extract C (line 10) states: 'Faced with funding cuts, local authorities have to make difficult choices'.*

Use the extracts and your knowledge of economics to assess whether local authorities should continue to provide public libraries.

[25 marks]

Areas for discussion include:

- recent changes affecting public libraries, eg less free time, alternatives, changes in technology and lifestyles
- what public libraries can offer, eg health information, help local businesses to start up, venue for community events
- promotion of lifelong learning, helping people to live healthier and happier lives, plus provision of mobile libraries in rural areas, in terms of both private and external benefits
- internet access and help to develop new skills in relation to increased labour mobility and effects of this
- background to funding cuts and opportunity cost of providing public libraries
- alternatives: closure, transfer to community groups and/or volunteers, charging for services, fundraising, closer links with businesses and other local organisations, asking wealthy donors for support, transfer to central government
- pros and cons of provision by local authorities and at least one other method
- how markets and prices allocate resources
- possible market failures – positive and negative externalities; libraries as a merit good; inequality and inequity; immobility of labour
- impact on users – economic welfare/standard of living, etc.
- market failure versus government failure
- the significance of other data included in the Extracts, eg what has happened in different places, spending in comparison with estimate of 'life satisfaction' per person, significance of moral and political judgements, literacy ranking
- an overall assessment of whether public libraries should or should not continue to be provided by local authorities.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR PART 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

2 6 *Extract B (lines 18–19) states: ‘the palm oil industry has much to offer to both consumers and producers in a variety of industries’.*

Use the extracts and your knowledge of economics to evaluate whether more should be done to control the palm oil industry.

[25 marks]

Areas for discussion include:

- recent trends in palm oil production, plus reasons why
- health concerns about other less healthy fats, with palm oil possibly viewed by some as a merit good
- concerns by the World Health Organization that palm oil can also cause health problems, suggesting that palm oil could be seen as a demerit good
- importance of palm oil to consumers, especially the poor, raising possible equity issues if the industry is controlled
- importance of palm oil to growers, especially given its productivity
- importance of palm oil to particular countries, which may affect their desire for control
- the environment as a scarce resource and opportunity cost
- negative externalities arising from production/cutting down forests
- how market forces allocate resources and whether markets always know best
- the work of the RSPO and trends in certified sustainable palm oil production
- other possible ‘controls’ – limits on deforestation; other regulations, including limits on use for biofuel; tax; etc.
- is there a need for more international cooperation and is this easy to achieve?
- pros and cons of intervention plus who gains and who loses
- market failure versus government failure
- an overall assessment of whether more should be done to control the palm oil industry.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

2 6

Extract C (line 9) states: ‘When people pay according to quantity used, they are less likely to be wasteful’.

Use the extracts and your knowledge of economics to assess whether all households should pay according to the amount of water they use.

[25 marks]**Areas for discussion include:**

- uses of water – drinking, washing, cooking
- water as a scarce resource requiring allocation and rationing
- analysis of pros and cons of current systems of paying according to property value or amount used
- water as a basic human need with characteristics of a merit good
- potential external benefits
- potential underconsumption and consequences of paying according to use
- financial incentive to be more economical with water if metered
- likely savings, both of water and on energy bills, including impact on the environment
- usage for different numbers in households, with and without meters
- cost of introduction of meters versus benefits of savings
- equity versus efficiency
- who gains, who loses?
- either way, there is a lack of choice of supplier and potential for exploitation, depending on effectiveness of regulation
- could something be done to help vulnerable households?
- could anything else be done as well or instead, for example a maximum price or introducing more competition, as with businesses, and gas and electricity?
- if metering is compulsory in some areas, why not all?
- market failure versus government failure
- an overall assessment of whether *all* households should pay according to the amount of water they use.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

2 6 **Extract C** (lines 16–17) states: 'Perhaps the time has come to stop free bus travel for the elderly or to limit it to certain groups?'

Use the extracts and your knowledge of economics to evaluate whether the UK government should continue to provide free bus travel for all, some or no elderly people.
[25 marks]

Areas for discussion include:

- entitlement to concessionary bus travel for the elderly and expected future increase in pensioners
- recent trends in take-up rates/use of concessionary bus travel
- recent changes in price and availability of bus services
- bus travel as a potential merit good with examples of private and external benefits
- alternative forms of transport and potential external costs of greater car usage
- impact of withdrawal of some or all free bus travel for the elderly on the availability of bus services and effects of this
- impact on other areas
- cost and opportunity cost
- if only provided for 'some', how this could be done: income, location, other criteria plus pros and cons of only certain groups benefiting
- who gains and who loses from alternative strategies
- equity issues
- market failure versus government failure
- an overall assessment of whether the UK government should continue to provide free bus travel for all, some or no elderly people.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

3 2 **Extract F** (lines 17–19) states: ‘Should the UK government promote a particular brand of e-cigarettes as a ‘healthy alternative’ to conventional cigarettes? Should the use of e-cigarettes be discouraged or has government intervention already gone far enough?’

Use the extracts and your knowledge of economics to evaluate whether the UK government should encourage, discourage or do nothing more to affect the use of e-cigarettes.

[25 marks]

Areas for discussion include:

- recent trends in e-cigarette and conventional cigarette use
- e-cigarettes as a substitute for conventional cigarettes
- conventional cigarettes as a demerit good and examples of private and external costs
- e-cigarettes as a potential demerit or merit good with examples of private and external costs and benefits
- examples of existing and possible government intervention in the market for e-cigarettes (or conventional cigarettes) to either encourage or discourage their use – more or less regulation, taxation, promotion, prescription on the NHS
- analysis of the impact of alternative policies
- pros and cons of alternative policies
- who gains and who loses from alternative policies
- equity issues
- whether there is a need for more action
- market failure versus government failure
- an overall assessment of whether the UK government should encourage, discourage or do nothing more to affect the use of e-cigarettes.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	C	11	C
2	B	12	A
3	A	13	D
4	D	14	B
5	B	15	D
6	C	16	D
7	C	17	D
8	B	18	A
9	D	19	A
10	D	20	C

	<u>Total</u>
A	4
B	4
C	5
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

The following list indicates the correct answers used in marking the students' responses.

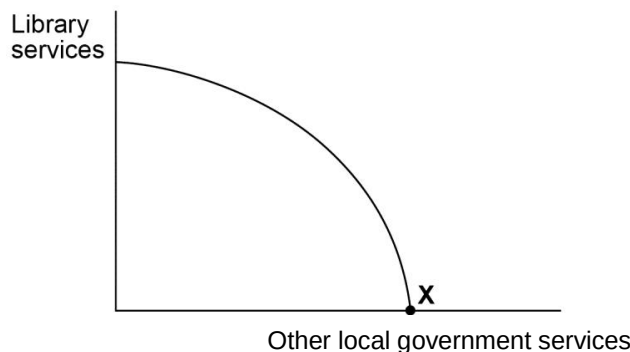
KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

- 24** A local authority has a limited sum of money to spend on two services, libraries and other local government services.
- Draw a production possibility diagram showing the potential provision of these two services **and** assuming resources are fully employed, label a point X where no resources are used for libraries. **[4 marks]**

The expected diagram involves a curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with an X where the curve (or line) meets the 'other local government services' axis.



Accurately drawn production possibility curve and an X showing where the curve (or line) meets the 'other local government services' axis	4 marks
Accurately drawn production possibility curve and an X showing where the curve (or line) meets the 'other local government services' axis but with at least one axis label missing or inappropriate	3 marks
Accurately drawn production possibility curve with appropriately-labelled axes but no, or an incorrectly positioned, X	2 marks
Accurately drawn production possibility curve with at least one axis label missing or inappropriate and no, or an incorrectly positioned, X OR Appropriately labelled axes but with an incorrect or missing curve.	1 mark

Note: A title is not required

If the axes labels are reversed, the X should be where the curve meets the vertical axis. Appropriate labels are 'libraries' or 'library services' and 'other local government' or 'other local government services'

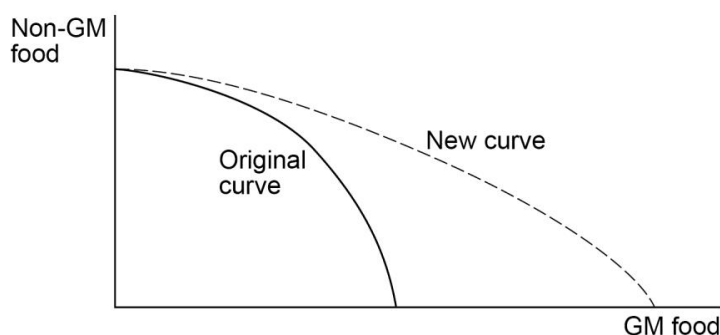
The exact shape of the PPC does not matter but if the PPC does not touch both axes **1 mark** should be deducted.

MAXIMUM FOR PART 24: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

- 30** *Agricultural production can be divided into genetically modified (GM) food and non-GM food.*
- Draw a production possibility diagram showing the production of genetically modified (GM) food and non-GM food **and**, on the same diagram, draw a new production possibility curve to show the effect of increased productivity in GM food but no change in non-GM food.*
- [4 marks]**

The expected diagram involves an initial curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with a second curve (or straight line) extending further along the GM food axis but with no change in its finishing point on the non-GM food axis.



Accurately drawn initial production possibility curve and second curve showing an increase in GM-food production only, with appropriately-labelled axes and a clear indication of which curve is which	4 marks
Accurately drawn initial production possibility curve and second curve showing an increase in GM-food production only, with appropriately-labelled axes but no indication of which curve is which OR Accurately drawn initial production possibility curve and second curve showing an increase in GM-food production only, with a clear indication of which curve is which but with at least one axis label missing or inappropriate	3 marks
Accurately drawn initial production possibility curve with appropriately labelled axes but no, or an incorrect, second curve	2 marks
Accurately drawn initial production possibility curve with at least one axis label missing or inappropriate and no, or an incorrect, second curve OR Appropriately labelled axes but with an incorrect or missing initial curve.	1 mark

Note: A title is not required

If the axes labels are reversed, the new curve will extend further up the vertical axis

The exact shape of the PPC does not matter but if the PPC does not touch both axes

1 mark should be deducted

The only appropriate labels are 'GM food' and 'Non-GM food'

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

Context 2 E-CIGARETTES

Total for this context: 50 marks

2 7 Define 'social cost' in **Extract E** (line 7).

[3 marks]

Level of response	Response	Max 3 marks
3	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
1	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

- the cost to those involved in the activity/transaction/consumption/production and to any third parties affected
- the price paid/harmful effects borne by the party/parties involved in the activity/transaction/consumption/production and by third parties
- the price paid/harmful effects borne by the consumers and firm involved in the transaction plus the negative effects on third parties.

Examples of a definition worth 2 marks:

- private cost plus external cost/negative externalities
- the effects on the consumers, the firm and third parties (not addressing 'cost') of an activity.

Examples of a definition worth 1 mark:

- the negative effect on third parties of an activity
- the cost to consumers and/or firms of an activity.

MAXIMUM FOR QUESTION 27: 3 MARKS