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AQA AS ECONOMICS: QUESTIONS BY TOPIC

Price Determination in a Competitive Market

AQA AS Economics 7135 — Topic 4.1.3

43 questions · 72 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.

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QUESTIONS

43 questions · 72 marks · 6 sub-topics



SUB-TOPIC 4.1.3.1

THE DETERMINANTS OF THE DEMAND FOR GOODS AND SERVICES

Sub-topic 4.1.3.1 · 6 questions · 12 marks · lowest tariff first



2

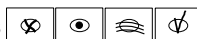
Section A

Answer **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** The central purpose of the production of goods and services is to**A** achieve more technological innovation.☐**B** maximise exports.☐**C** maximise profits.☐**D** satisfy consumer wants.☐**[1 mark]****0 2** In an economy, competitive firms supply electricity that is generated using coal-fired power stations.

If the government tries to reduce pollution by imposing an indirect tax on the firms, this would

A shift the market demand curve to the left.☐**B** shift the market demand curve to the right.☐**C** shift the market supply curve to the left.☐**D** shift the market supply curve to the right.☐**[1 mark]**

0 2

IB/G/Jun18/7135/1

2

Section A

Answer **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

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0 2

IB/G/Jun18/7135/1

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

IB/M/Jun22/7135/1

10

Do not write
outside the
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1 8

The percentage share of total income received by the poorest 20% of households in an economy rose over one year. Over the same period, the share received by the richest 20% of households fell whilst national income and population remained constant.

It can be concluded that

- A** in this economy, the distribution of income became more equitable. ☐
- B** the incomes of some households moved closer to the average income of the economy. ☐
- C** the incomes of the middle 20% of households in the income distribution did not change. ☐
- D** the gap between the income of the richest household and the poorest household became smaller. ☐

[1 mark]

1 9

A firm makes more use of division of labour when organising its workforce. The most likely result will be

- A** higher labour productivity. ☐
- B** less capital equipment per worker. ☐
- C** lower labour turnover. ☐
- D** lower wage rates. ☐

[1 mark]

2 0

In a free market, the consumption of a good leads to negative externalities. If left to the free market, how would price and output compare to the social optimum?

- A** The price and output would be higher ☐
- B** The price and output would be lower ☐
- C** The price would be higher and the output lower ☐
- D** The price would be lower and the output higher ☐

[1 mark]

20

END OF SECTION A



IB/M/Jun20/7135/1

22

Extract B (lines 4–5) states: ‘the average monthly price of Brent crude (one of two key oil prices) has varied from \$116.52 in February 2013 to \$23.34 in April 2020’.

Calculate the oil price index for April 2020, if February 2013 is taken to be the starting point (base year) of the oil price index. Give your answer to the **nearest whole number**.
[4 marks]

Turn over for the next question

Do not write
outside the
box

Turn over ►



IB/M/Jun23/7135/1

2 3

Use **Extract A (i)** to identify **two** significant features of the price of Brent crude oil over the period shown.

[4 marks]

Do not write
outside the
box

Feature 1 _____

Extra space _____

Feature 2 _____

Extra space _____



SUB-TOPIC 4.1.3.2

PRICE, INCOME AND CROSS ELASTICITIES OF DEMAND

Sub-topic 4.1.3.2 · 19 questions · 33 marks · lowest tariff first

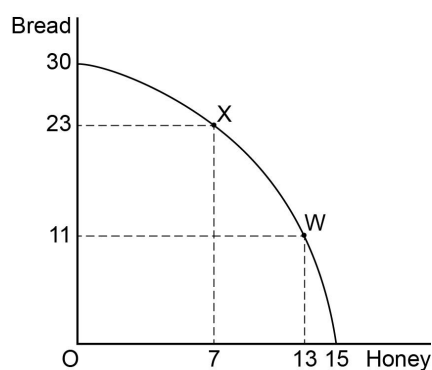


3

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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

8

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1 3

A government builds a new road to reduce traffic congestion on existing roads. This project would inevitably result in government failure if

- A** local residents raised environmental objections to the new road. ☐
- B** the cost of the new road was twice as large as the original estimate. ☐
- C** the reduction in traffic congestion was smaller than forecast. ☐
- D** total benefits from the new road were less than the cost of the new road. ☐

[1 mark]

1 4

A supermarket has estimated values of the income elasticity of demand for some of its products as shown in the table below.

Product	Income elasticity of demand
Fruit	0.30
Cheese	0.20
Milk	0.10
Eggs	0.01

If incomes increase by 5%, for which of these grocery items will the quantity demanded increase by more than 1%?

- A** Eggs ☐
- B** Fruit ☐
- C** Fruit and cheese ☐
- D** Milk and eggs ☐

[1 mark]



IB/G/Jun17/7135/1

3

0 3

The price elasticity of demand (PED) for petrol used by car drivers in an economy is estimated to be -0.2 .

Which one of the following is the most likely reason for the low PED?

A A tax on petrol

☐

B Cycle lanes on many roads

☐

C Few bus and rail services

☐

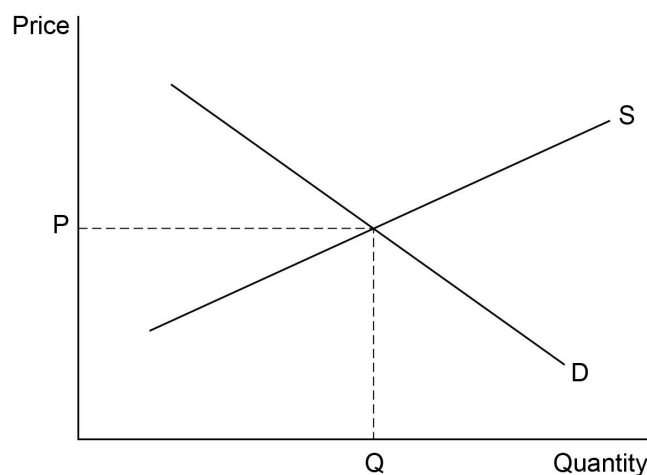
D Low household incomes

☐

[1 mark]

0 4

The diagram below shows the demand curve (D) and the supply curve (S) in the market for tomatoes.



Which one of the following would result in a higher quantity consumed and a lower price charged for tomatoes?

A A fall in the price of the fertiliser used to grow tomatoes

☐

B A hot summer causes consumers to eat more tomato salad

☐

C The minimum wage for farm workers is increased

☐

D The price of cucumbers falls

☐

[1 mark]



Turn over ►

IB/G/Jun18/7135/1

6

1 1

There is a large increase in the number of different models of bicycles produced by the bicycle industry.

The most likely impact of this would be

A a decrease in advertising expenditure by bicycle firms.

☐

B a fall in the price elasticity of demand for any one model of bicycle.

☐

C an increase in barriers to entry to the bicycle industry.

☐

D an increase in productivity of manufacturing bicycles.

☐

[1 mark]

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0 6

IB/G/Jun18/7135/1

7

1 1

A clothes retailer has experimented with changing the prices of various items of clothing sold in their shop. The table below shows the different prices per item in 2 years.

	Year 1	Year 2
Socks	£6	£8
T-shirts	£15	£11
Trainers	£40	£42
Trousers	£33	£38

Other things being equal, which one of the following changes from **Year 1** to **Year 2** is the retailer most likely to experience?

- A** A decrease in revenue from socks if the price elasticity of demand is minus one
- B** A decrease in revenue from T-shirts if the price elasticity of demand is elastic
- C** An increase in revenue from trainers if the price elasticity of demand is inelastic
- D** An increase in revenue from trousers if the price elasticity of demand is elastic

☐☐☐☐

[1 mark]

1 2

The benefit one person obtains from breathing clean air does not reduce the benefits other people can obtain from the clean air. This characteristic represents

- A** non-excludability of a public good.
- B** non-rivalry of a public good.
- C** optimum provision of a public good.
- D** the free-rider problem of a public good.

☐☐☐☐

[1 mark]

Turn over for the next question

Turn over ►



0 7

IB/M/Jun19/7135/1

8

1 3

A pizza takeaway raises the price of its pizzas by 5%, resulting in a 10% fall in demand for their pizzas. Also, the next-door fish and chip shop sees the demand for its food rise by 10%. Which one of the following combinations of elasticities represents these events?

Do not write
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box

	Price elasticity of demand for pizzas	Cross price elasticity of demand for fish and chips with respect to the price of pizza	
A	-0.5	0.5	☐
B	-0.5	-0.5	☐
C	-2	2	☐
D	-2	-2	☐

[1 mark]

1 4

The following table shows the price of spaghetti in 3 years.

Year	Price of spaghetti £ per 500 g
1	3.09
2	2.75
3	2.60

Over the 3 years, it can be concluded that there has been a fall in

- A the average cost of producing spaghetti. ☐
- B the average revenue from sale of spaghetti. ☐
- C the consumer demand for spaghetti. ☐
- D the total revenue from sale of spaghetti. ☐

[1 mark]



0 8

IB/M/Jun19/7135/1

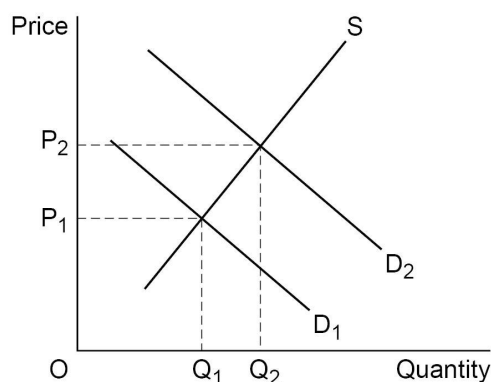
9

1 | 5

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

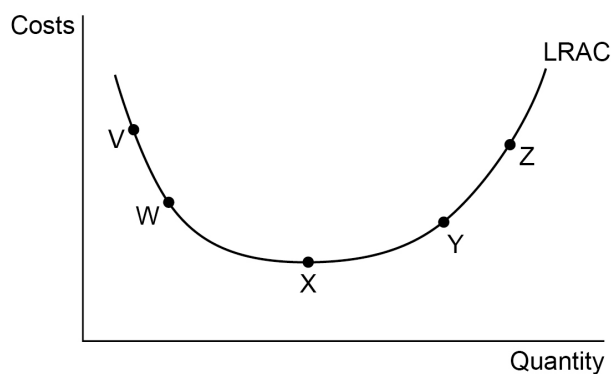
IB/M/Jun19/7135/1

3

0 3 Figure 1 shows the long-run average cost curve (LRAC) for a firm.

Do not write
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Figure 1



Which one of the following movements along the curve shows a reduction in diseconomies of scale?

A V to W

☐

B X to W

☐

C X to Y

☐

D Z to Y

☐

[1 mark]

0 4 A government decides to increase its subsidy to rail services to encourage more people to travel by rail. The subsidy is most likely to be successful if rail travel has a

A demand that is elastic with respect to price.

☐

B demand that is inelastic with respect to price.

☐

C high positive income elasticity of demand.

☐

D negative cross elasticity of demand with respect to car travel.

☐

[1 mark]

Turn over ►



0 3

IB/M/Jun22/7135/1

7

1 1

Table 2 shows the total output of a small firm and the numbers of workers employed in each of four months.

Table 2

Month	Workers	Total output
January	12	2400
February	11	2300
March	14	2700
April	13	2500

Which one of the following is a true statement about production and labour productivity during this period?

- A** Both production and labour productivity rose between February and March
- B** Both production and labour productivity were higher in April than January
- C** Labour productivity rose but production fell between January and February
- D** March had both the highest production and the highest labour productivity

☐☐☐☐**[1 mark]**

Turn over for the next question

Turn over ►



0 7

IB/M/Jun22/7135/1

*Do not write
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10

1 | 7

The cross elasticity of demand for chips with respect to the price of rice is positive. It can be concluded that chips and rice are

A inferior goods.

☐

B jointly demanded.

☐

C normal goods.

☐

D substitute goods.

☐**[1 mark]****1 | 8**

A firm that is a pure monopoly can result in market failure because

A consumers lack information on alternative suppliers.

☐

B products will be identical.

☐

C the firm does not experience economies of scale.

☐

D the firm's output is too low.

☐**[1 mark]**

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IB/M/Jun22/7135/1

11

1 | 9

A shift left in the supply curve causes a market to be in disequilibrium at the original market price because

- A** consumers cannot buy as much as they would like.
- B** consumers no longer wish to buy the same quantity.
- C** firms are willing to supply more of the good.
- D** firms experience an increase in their stocks of the good.

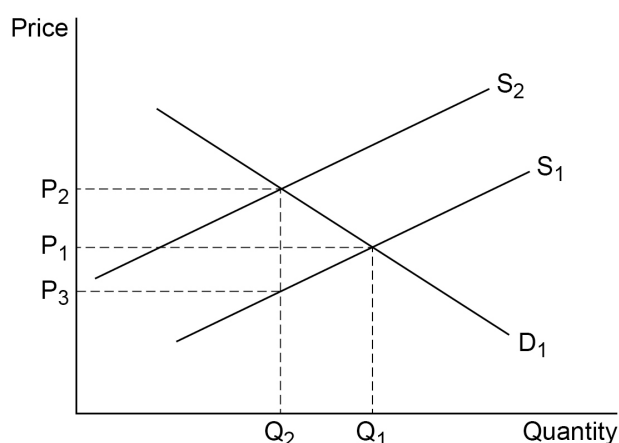
☐☐☐☐

[1 mark]

2 | 0

Many goods are sold in plastic packaging that has harmful effects on the environment. In **Figure 3**, D_1 and S_1 are the free market demand for and supply of plastic packaged goods. S_2 would be the supply if firms took account of the cost to the environment of plastic packaging.

Figure 3



The government decides to implement a policy that would result in production moving from the free market level at Q_1 to the social optimum at Q_2 . Which one of the following policies is most likely to achieve the government's objective?

- A** A subsidy at the rate $P_1 - P_3$
- B** A subsidy at the rate $P_2 - P_3$
- C** A tax at the rate $P_2 - P_1$
- D** A tax at the rate $P_2 - P_3$

☐☐☐☐

[1 mark]

END OF SECTION A

20

Turn over ►



1 1

IB/M/Jun22/7135/1

5

0 7 Which one of the following is a source of monopoly power?

[1 mark]

A A firm's objective of maximising profits

☐

B Advertising to establish a brand

☐

C High cross elasticity of demand

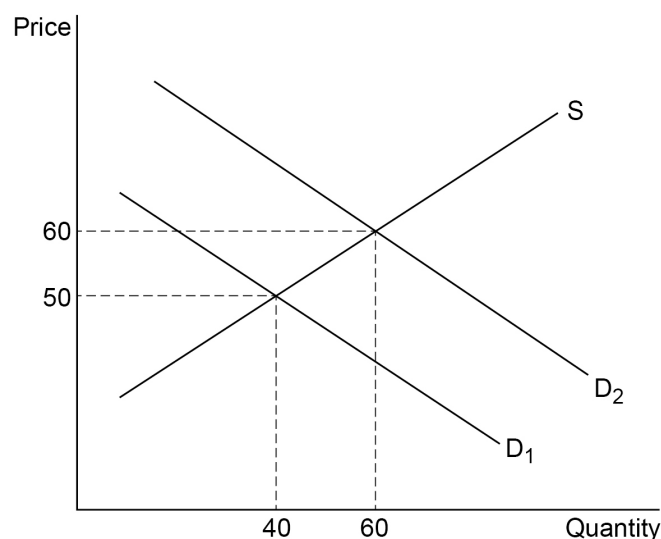
☐

D High prices and low output

☐

0 8 **Figure 2** shows the demand (**D**) and supply (**S**) curves for diamonds. An increase in demand shifts the demand curve from **D₁** to **D₂**.

Figure 2



Using **Figure 2**, which one of the following is the price elasticity of supply for diamonds?

[1 mark]

A 0.4

☐

B 0.5

☐

C 2.0

☐

D 2.5

☐

Turn over ►



0 5

IB/M/Jun23/7135/1

5

0 7 Which one of the following is a source of monopoly power?

[1 mark]

A A firm's objective of maximising profits

☐

B Advertising to establish a brand

☐

C High cross elasticity of demand

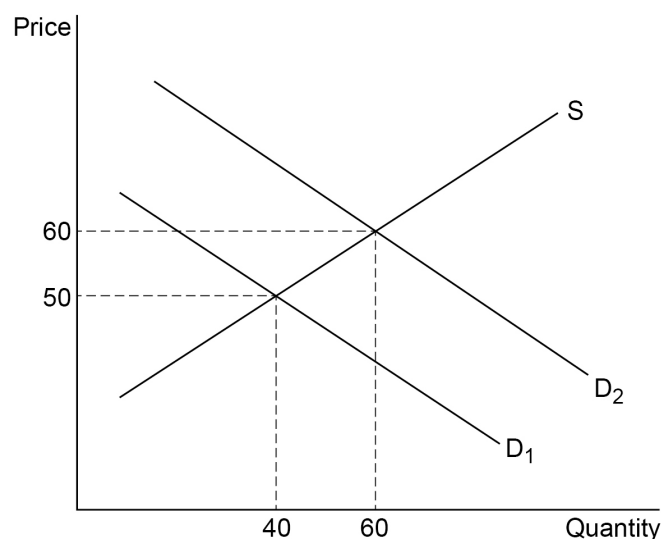
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[1 mark]

A 0.4

☐

B 0.5

☐

C 2.0

☐

D 2.5

☐

Turn over ►



0 5

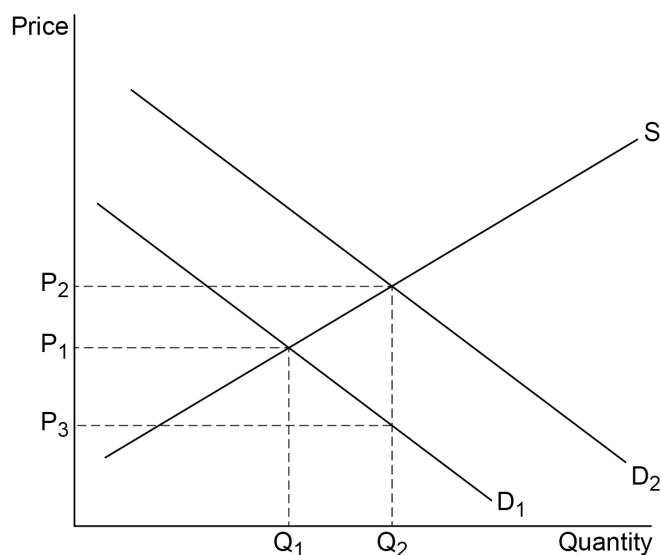
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10

1 | 7

Figure 4 shows the free market demand (D_1) and supply (S) curves for a merit good. D_2 is the demand curve if all the benefits from consuming the good are taken into account.

Do not write
outside the
box

Figure 4

Which one of the following government policies would be most likely to achieve the socially optimal level of consumption?

[1 mark]

- A** A maximum price of P_3
- B** A minimum price of P_2
- C** A subsidy of P_1 minus P_3 per unit
- D** A subsidy of P_2 minus P_3 per unit

☐☐☐☐

1 | 8

The income elasticity of demand for cheese sandwiches is -1.2 .

This means that cheese sandwiches

[1 mark]

- A** are a normal good.
- B** are an inferior good.
- C** have an income inelastic demand.
- D** have many substitutes.

☐☐☐☐

1 0

IB/M/Jun23/7135/1

4

0 4

Table 1 shows the prices and quantities of rice and pasta sold in a supermarket in one month.

Table 1

Price of rice	Quantity of rice (000s packets)	Price of pasta	Quantity of pasta (000s packets)
£2.00	100	£1.50	40
£2.25	80	£1.50	50

When the price of rice rises from £2.00 to £2.25, the cross elasticity of demand for pasta with respect to the price of rice is

A -2.0☐**B** -0.5☐**C** +0.5☐**D** +2.0☐**[1 mark]****0 5**

The number of film production companies in a city increases. As a result, the pool of workers skilled in making films grows. Companies experience a reduction in their average costs.

The fall in average costs results from

A a reduction in diseconomies of scale.☐**B** an increase in managerial economies of scale.☐**C** the existence of external economies of scale.☐**D** the presence of technical economies of scale.☐**[1 mark]**

0 4

IB/M/Jun20/7135/1

8

1 | 3

A firm producing frozen foods has collected statistics on recent trends in sales of oven chips, as shown in **Table 3**.

Table 3

Year	Average number of bags of oven chips sold per week	Average real income of customers (2018 prices)
2018	7800	£23 000
2019	7600	£22 000

These statistics suggest that oven chips

- A** are a normal good.
- B** are an inferior good.
- C** have an income elasticity of demand greater than 1.
- D** have an income elasticity of demand less than 0.

☐☐☐☐**[1 mark]****1 | 4**

Which one of the following helps to explain why profits are likely to be lower in a perfectly competitive market than in a monopoly market?

- A** A firm with monopoly power doesn't need to spend money on research and development to improve its products
- B** Firms in a perfectly competitive market are more likely to experience diseconomies of scale
- C** In a monopoly, a firm can increase the price of the product by limiting its output
- D** In a perfectly competitive market, firms differentiate their products to compete with rivals and achieve brand loyalty

☐☐☐☐**[1 mark]**

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0 8

IB/M/Jun20/7135/1

12

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 23 to 32 of this answer booklet.

There is a total of 50 marks for either context.

Do not write
outside the
box

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

Context **0 1** ☐

Context **0 2** ☐

CORRECT METHOD



WRONG METHODS

**EITHER****Context 1**

Total for this context: 50 marks

OIL

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 'price elasticity of demand' **Extract B** (lines 5–6).

[3 marks]



IB/M/Jun23/7135/1

23

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

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]

Turn over ►



IB/M/Jun22/7135/1

26

3	1
---	---

Extract F (lines 2–3) states: ‘Dairy prices are expected to rise in 2017’.

Do not write
outside the
box

Explain **two** factors that could increase the price of milk.

[10 marks]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

IB/G/Jun18/7135/1

27

Extra space

Do not write
outside the
box



Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

SUB-TOPIC 4.1.3.3

THE DETERMINANTS OF THE SUPPLY OF GOODS AND SERVICES

Sub-topic 4.1.3.3 · 3 questions · 3 marks · lowest tariff first

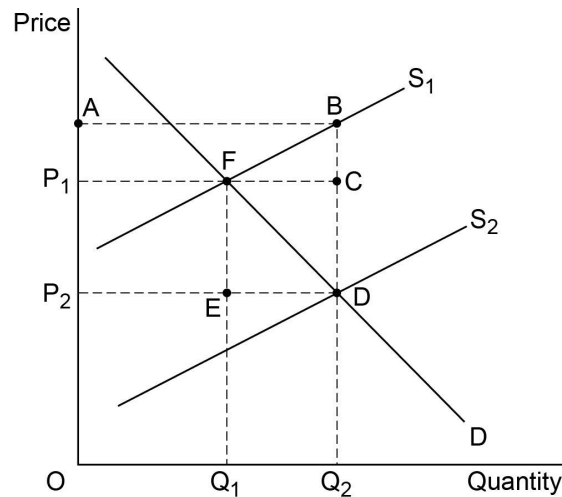


4

Do not write
outside the
box

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]



0 4

IB/G/Jun17/7135/1

7

Do not write
outside the
box

1 1

The equilibrium market price of a good increases. The establishment of the new equilibrium at a higher price would most likely result from

A a fall in the price of a substitute.

☐

B a rise in the price of a complementary good.

☐

C excess demand at the original price.

☐

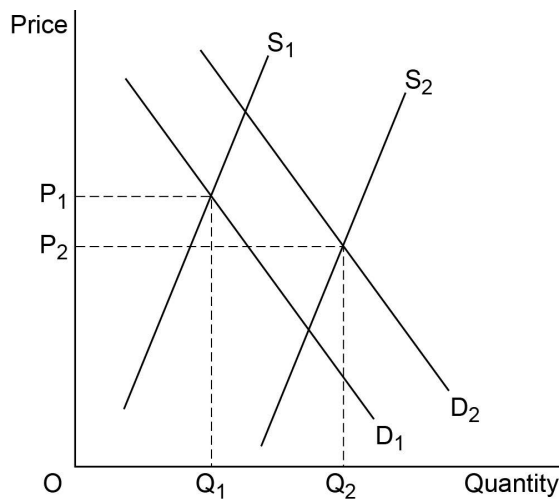
D new firms entering the market.

☐

[1 mark]

1 2

The diagram below shows the demand and supply curves for new houses.



The initial demand and supply are D_1 and S_1 . Other things being equal, which one of the following combination of events is most likely to cause demand and supply to shift to D_2 and S_2 ?

A A fall in mortgage interest rates and a relaxation of planning restrictions

☐

B A fall in the price of new homes and a fall in the productivity of construction workers

☐

C A fall in the price of rented accommodation and a fall in the price of raw materials

☐

D A rise in incomes and a rise in wages of construction workers

☐

[1 mark]



0 7

Turn over ►

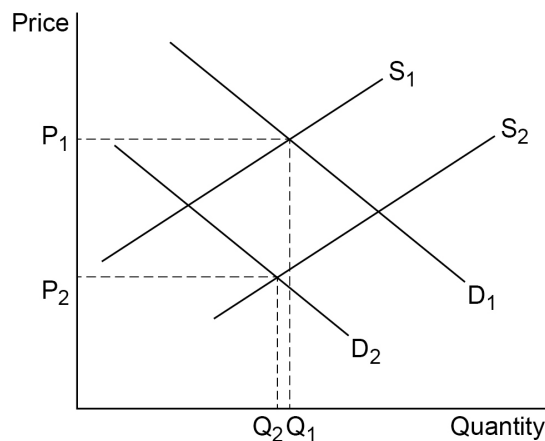
IB/G/Jun17/7135/1

8

1 2

Figure 2 shows supply and demand in the market for beef. D_1 shows the initial demand and S_1 the initial supply curve.

Do not write
outside the
box

Figure 2

Which one of the following combinations of events would be most likely to cause demand to shift from D_1 to D_2 and supply from S_1 to S_2 ?

- A A fall in the price of chicken and an increase in the price of animal feed
- B A fall in workers' wages and a shift in preferences towards vegetarian food
- C Higher disposable incomes and a fall in farm productivity
- D Higher rents for farmland and health warnings about eating red meat

☐
☐
☐
☐

[1 mark]

1 3

A firm normally has some fixed and variable costs in the short run. However, in the long run

- A all costs become fixed.
- B fixed costs become variable.
- C fixed costs become very small.
- D variable costs become fixed.

☐
☐
☐
☐

[1 mark]



0 8

IB/M/Jun22/7135/1

SUB-TOPIC 4.1.3.4

PRICE ELASTICITY OF SUPPLY

Sub-topic 4.1.3.4 · 1 question · 1 marks · lowest tariff first



2

Section A

Answer **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

SUB-TOPIC 4.1.3.5

THE DETERMINATION OF EQUILIBRIUM MARKET PRICES

Sub-topic 4.1.3.5 · 13 questions · 22 marks · lowest tariff first



5

Do not write
outside the
box

0 7

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

7

Do not write
outside the
box

1 1

The equilibrium market price of a good increases. The establishment of the new equilibrium at a higher price would most likely result from

A a fall in the price of a substitute.

☐

B a rise in the price of a complementary good.

☐

C excess demand at the original price.

☐

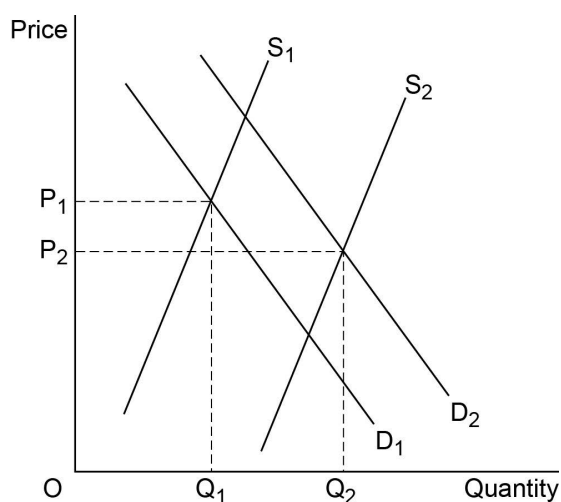
D new firms entering the market.

☐

[1 mark]

1 2

The diagram below shows the demand and supply curves for new houses.



The initial demand and supply are D_1 and S_1 . Other things being equal, which one of the following combination of events is most likely to cause demand and supply to shift to D_2 and S_2 ?

A A fall in mortgage interest rates and a relaxation of planning restrictions

☐

B A fall in the price of new homes and a fall in the productivity of construction workers

☐

C A fall in the price of rented accommodation and a fall in the price of raw materials

☐

D A rise in incomes and a rise in wages of construction workers

☐

[1 mark]



0 7

Turn over ►

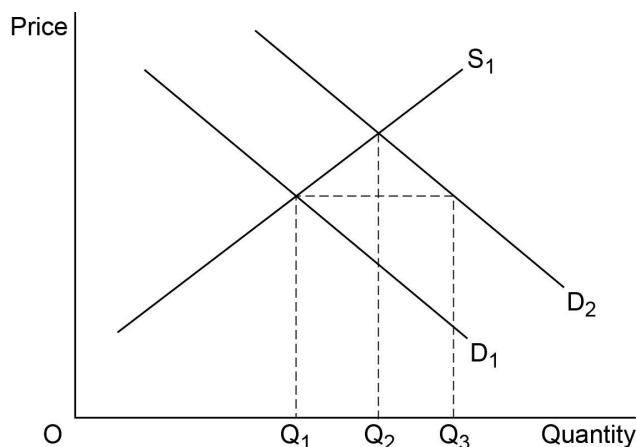
IB/G/Jun17/7135/1

9

Do not write
outside the
box

1 5

In the diagram below, D_1 and S_1 are, in the absence of government intervention, the market demand and supply curves for a vaccine. The demand curve D_2 shows how much of the vaccine would have been demanded if the external benefits could have been captured by the market.



The diagram illustrates that there is a misallocation of resources because in a free market

- A the price of the vaccine is too high. ☐
- B there is excess demand equal to $(Q_3 - Q_1)$. ☐
- C there is under-consumption of the vaccine equal to $(Q_3 - Q_1)$. ☐
- D there is under-production of the vaccine equal to $(Q_2 - Q_1)$. ☐

[1 mark]

1 6

In an economy, the median total household wealth was £218 400 whilst the median total household income was £32 100. Which one of the following can be concluded from the above statement?

- A A household with an income of £32 100 would be expected to have wealth of £218 400 ☐
- B Exactly 50% of the population had wealth higher than £32 100 ☐
- C The average household income was higher than the average household wealth ☐
- D The average household wealth was nearly seven times the average household income ☐

[1 mark]



0 9

Turn over ►

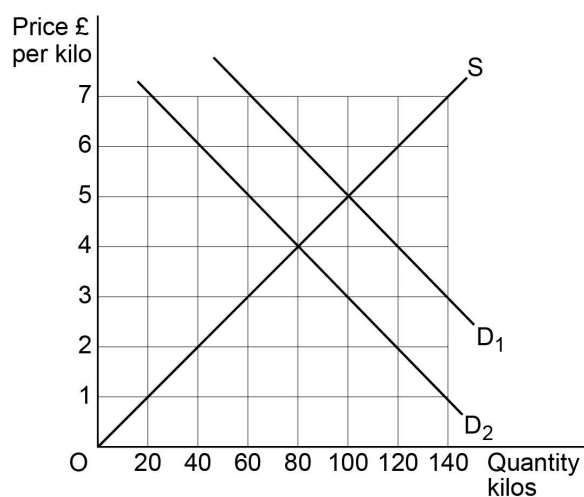
IB/G/Jun17/7135/1

10

Do not write
outside the
box

1 7

The diagram below shows the original market demand (D_1) and supply (S) curves for fresh strawberries. A decrease in the demand for fresh strawberries shifts the demand curve from D_1 to D_2 .



From the above diagram, it can be concluded that when the equilibrium price of fresh strawberries falls from £5 per kilo to £4 per kilo, the price elasticity of supply of strawberries is

A -0.8

☐

B +0.8

☐

C -1

☐

D +1

☐

[1 mark]



1 0

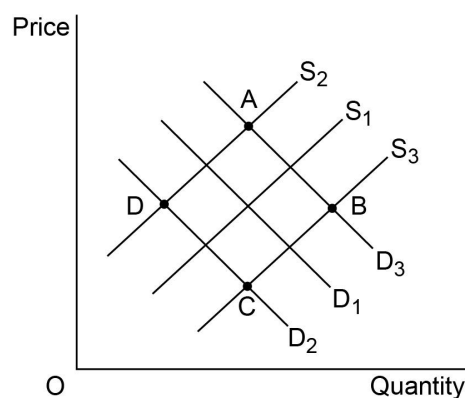
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11

Do not write
outside the
box

1 8

The supply and demand curves for a good in a free market are S_1 and D_1 . If the good generates negative externalities in production but positive externalities in consumption, which intersection, A, B, C or D, could represent the socially optimal equilibrium?



A Intersection A

☐

B Intersection B

☐

C Intersection C

☐

D Intersection D

☐

[1 mark]

1 9

If firms in an industry increase their spending on advertising, it is likely to

A help firms to differentiate their products.

☐

B make it easier for new firms to enter the industry.

☐

C make the demand for the firms' products more elastic.

☐

D reduce the monopoly power of the firms in the industry.

☐

[1 mark]



1 1

Turn over ►

IB/G/Jun17/7135/1

3

- 0 3** The price elasticity of demand (PED) for petrol used by car drivers in an economy is estimated to be -0.2 .

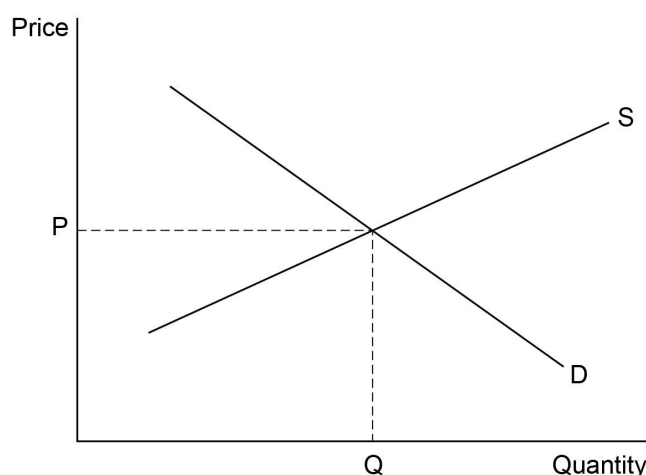
Do not write
outside the
box

Which one of the following is the most likely reason for the low PED?

- A** A tax on petrol ☐
- B** Cycle lanes on many roads ☐
- C** Few bus and rail services ☐
- D** Low household incomes ☐

[1 mark]

- 0 4** The diagram below shows the demand curve (D) and the supply curve (S) in the market for tomatoes.



Which one of the following would result in a higher quantity consumed and a lower price charged for tomatoes?

- A** A fall in the price of the fertiliser used to grow tomatoes ☐
- B** A hot summer causes consumers to eat more tomato salad ☐
- C** The minimum wage for farm workers is increased ☐
- D** The price of cucumbers falls ☐

[1 mark]



Turn over ►

IB/G/Jun18/7135/1

2

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

11

1 | 9

A shift left in the supply curve causes a market to be in disequilibrium at the original market price because

- A** consumers cannot buy as much as they would like.
- B** consumers no longer wish to buy the same quantity.
- C** firms are willing to supply more of the good.
- D** firms experience an increase in their stocks of the good.

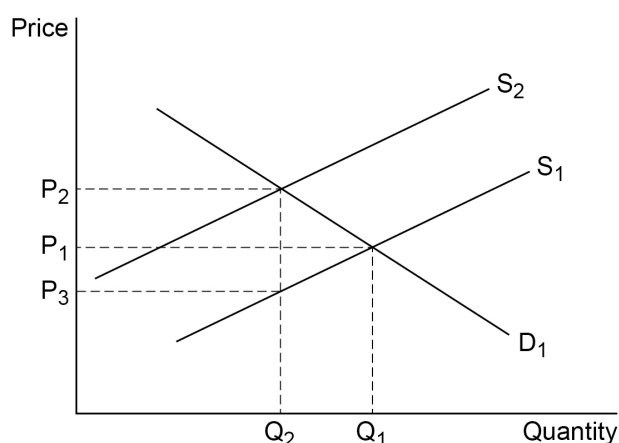
☐☐☐☐

[1 mark]

2 | 0

Many goods are sold in plastic packaging that has harmful effects on the environment. In **Figure 3**, D_1 and S_1 are the free market demand for and supply of plastic packaged goods. S_2 would be the supply if firms took account of the cost to the environment of plastic packaging.

Figure 3



The government decides to implement a policy that would result in production moving from the free market level at Q_1 to the social optimum at Q_2 . Which one of the following policies is most likely to achieve the government's objective?

- A** A subsidy at the rate $P_1 - P_3$
- B** A subsidy at the rate $P_2 - P_3$
- C** A tax at the rate $P_2 - P_1$
- D** A tax at the rate $P_2 - P_3$

☐☐☐☐

[1 mark]

END OF SECTION A

20

Turn over ►



1 1

IB/M/Jun22/7135/1

9

Do not write
outside the
box

1 | 5

Land is in composite demand and can be used to build houses or to provide playing fields. When the demand for playing fields increases, there will be

- A a decrease in the price of new houses.
- B a decrease in the supply of new houses.
- C an increase in demand for new houses.
- D an increase in output of new houses.

☐☐☐☐

[1 mark]

1 | 6

A government decides to set a minimum price for plastic bottles of water above the current market price. The most likely impact of the scheme will be

- A a rise in consumption of plastic bottles of water.
- B a shortage of plastic bottles of water if the price elasticity of supply is zero.
- C excess stocks of plastic bottles of water.
- D no excess supply of plastic bottles of water if the price elasticity of demand is zero.

☐☐☐☐

[1 mark]

1 | 7

The production of a good generates positive externalities. This means that at the free market equilibrium

- A the good will be under-produced.
- B the price of the good will be too low.
- C there will be excess demand for the good.
- D the supply of the good will be inelastic.

☐☐☐☐

[1 mark]

Turn over ►



0 9

IB/M/Jun20/7135/1

9

Do not write
outside the
box

1 | 5

Land is in composite demand and can be used to build houses or to provide playing fields. When the demand for playing fields increases, there will be

- A a decrease in the price of new houses.
- B a decrease in the supply of new houses.
- C an increase in demand for new houses.
- D an increase in output of new houses.

☐☐☐☐

[1 mark]

1 | 6

A government decides to set a minimum price for plastic bottles of water above the current market price. The most likely impact of the scheme will be

- A a rise in consumption of plastic bottles of water.
- B a shortage of plastic bottles of water if the price elasticity of supply is zero.
- C excess stocks of plastic bottles of water.
- D no excess supply of plastic bottles of water if the price elasticity of demand is zero.

☐☐☐☐

[1 mark]

1 | 7

The production of a good generates positive externalities. This means that at the free market equilibrium

- A the good will be under-produced.
- B the price of the good will be too low.
- C there will be excess demand for the good.
- D the supply of the good will be inelastic.

☐☐☐☐

[1 mark]

Turn over ►



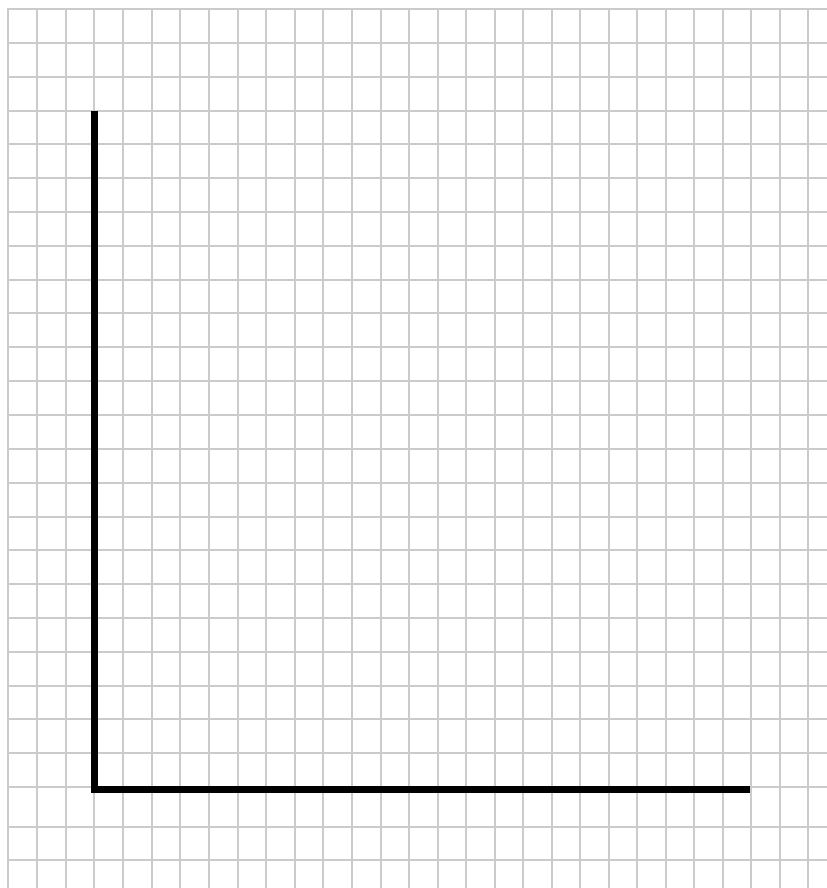
0 9

IB/M/Jun20/7135/1

15

2 4**Extract B** (line 3) states: 'Palm oil can be used as a cheap substitute for butter'.

Draw a supply and demand diagram showing the effects on the market for butter of a fall in the price of palm oil.

[4 marks]**Turn over for the next question**

*Do not write
outside the
box*

Turn over ►

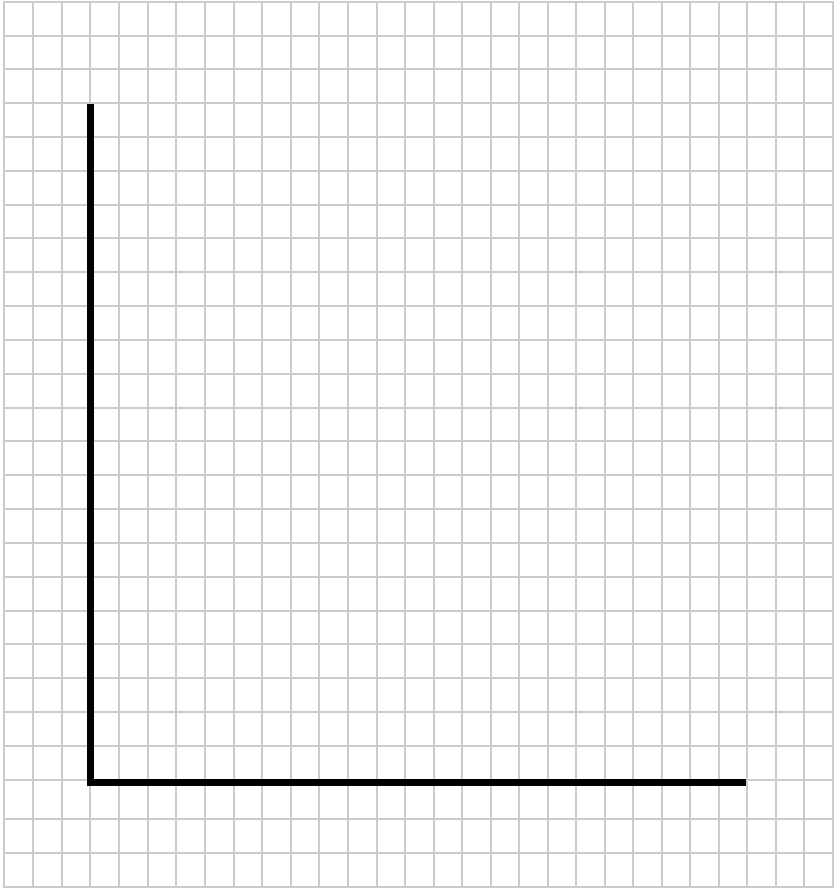
IB/M/Jun19/7135/1

30

Extract F (lines 13–14) states: ‘Prices for many dental treatments in Hungary, for example, are about half those of the UK’.

Draw a supply and demand diagram showing the effects on the market for UK dental care of a fall in the price of dental care abroad.

[4 marks]



Do not write
outside the
box

Turn over for the next question

Turn over ►

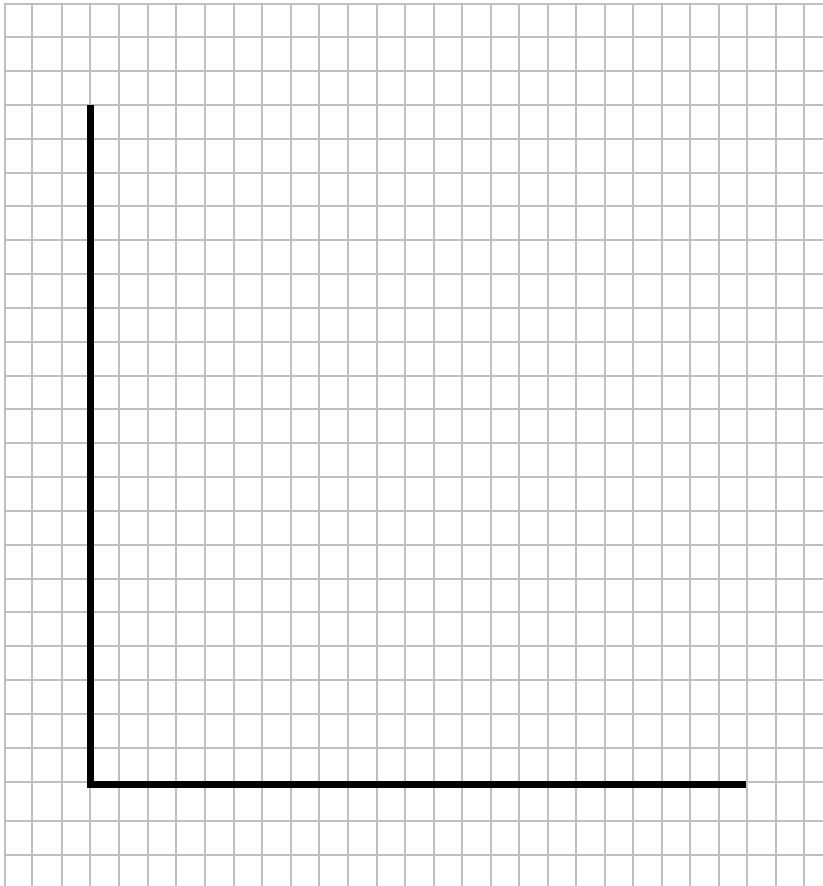


13

2 4

Extract C (line 7) states: 'Bus companies also receive subsidies to operate routes in rural areas.'

Draw a supply and demand diagram to show the effects on the market for bus travel of the government providing a subsidy. The total amount of government spending on the subsidy should be labelled clearly.

[4 marks]

Turn over for the next question

Do not write
outside the
box

Turn over ►



IB/M/Jun20/7135/1

SUB-TOPIC 4.1.3.6

THE INTERRELATIONSHIP BETWEEN MARKETS

Sub-topic 4.1.3.6 · 1 question · 1 marks · lowest tariff first



9

Do not write
outside the
box**1 | 5**

Land is in composite demand and can be used to build houses or to provide playing fields. When the demand for playing fields increases, there will be

- A** a decrease in the price of new houses.
- B** a decrease in the supply of new houses.
- C** an increase in demand for new houses.
- D** an increase in output of new houses.

☐☐☐☐**[1 mark]****1 | 6**

A government decides to set a minimum price for plastic bottles of water above the current market price. The most likely impact of the scheme will be

- A** a rise in consumption of plastic bottles of water.
- B** a shortage of plastic bottles of water if the price elasticity of supply is zero.
- C** excess stocks of plastic bottles of water.
- D** no excess supply of plastic bottles of water if the price elasticity of demand is zero.

☐☐☐☐**[1 mark]****1 | 7**

The production of a good generates positive externalities. This means that at the free market equilibrium

- A** the good will be under-produced.
- B** the price of the good will be too low.
- C** there will be excess demand for the good.
- D** the supply of the good will be inelastic.

☐☐☐☐**[1 mark]****Turn over ►**

IB/M/Jun20/7135/1

MARK SCHEMES

official mark schemes



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 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 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 2023

2 2

Extract B (lines 4–5) states: ‘the average monthly price of Brent crude (one of two key oil prices) has varied from \$116.52 in February 2013 to \$23.34 in April 2020’.

Calculate the oil price index for April 2020, if February 2013 is taken to be the starting point (base year) of the oil price index. Give your answer to the **nearest whole number**.
[4 marks]

Calculation:

$$\frac{23.34}{116.52} \times 100 = 20.03089... = 20 \text{ (to nearest whole number)}$$

Response	Max 4 marks
For the correct answer (allow reference to index/index points): 20	4 marks
For the correct value, not rounded to the nearest whole number or rounded the wrong way or with added/incorrect units: 20.03 or 21 or 20% (for example)	3 marks
For the correct value, not rounded to the nearest whole number and with added/incorrect units: 20.03% (for example) OR For the correct calculation but the wrong answer: $23.34 \div 116.52 \times 100$ OR For using the correct price figures but not multiplying by 100 (either the calculation or the answer): $23.34 \div 116.52$ or 0.2 (for example)	2 marks
For the correct value taking April 2020 as the starting point (rounded or not): 499 or 499.2 (for example) OR For the correct calculation but the wrong answer taking April 2020 as the starting point: $116.52 \div 23.34 \times 100$	1 mark

MAXIMUM FOR QUESTION 22: 4 MARKS

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

2 3 Use **Extract A (i)** to identify **two** significant features of the price of Brent crude oil 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 candidate identifies more than 2 significant features, reward the best two.

Significant features include:

- the price was highest in 2013 at \$109 per barrel
- the price was lowest in 2020 at \$42 per barrel
- the range was \$67 per barrel (from \$42 to \$109)
- the price was lower at the end of the period than the beginning, falling from \$109 per barrel to \$42 per barrel, a fall of \$67 (or 61%)
- the price fell every year until 2016 from \$109 per barrel to \$44 per barrel (or 60%) and from 2018 to 2020 from \$71 to \$42 (or 41%)
- the only time that the price increased was between 2016 and 2018, from \$44 to \$71 (or 61%)
- the greatest fall in price was between 2014 and 2015, from \$99 per barrel to \$52 per barrel, a fall of \$47 (or 47%)
- the greatest rise in price was between 2017 and 2018, from \$54 per barrel to \$71 per barrel, a rise of \$17 (or 31%)
- the smallest fall in price was between 2018 and 2019, from \$71 per barrel to \$64 per barrel, a fall of \$7 (or 10%)
- the smallest rise in price was between 2016 and 2017, from \$44 per barrel to \$54 per barrel, a rise of \$10 (or 23%).

Note: All figures are approximate – allow a margin of error of $\pm \$3$

MAXIMUM FOR QUESTION 23: 4 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 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 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 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 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 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 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

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

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 2023

Section B

Context 1 Oil

Total for this context: 50 marks

2	1
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 Define 'price elasticity of demand' **Extract B** (lines 5–6).

[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:(Note: all have some idea of extent and causation)

- a measure of the percentage (or proportionate) change/increase/decrease in the quantity demanded resulting from a (given) percentage (or proportionate) change/increase/decrease in the price of that good
- the extent to which a change in the price of a good affects the demand for the product
- the responsiveness of quantity demanded to a change in the price of that good.

Examples of a definition worth 2 marks:(Note: missing either extent or causation)

- $PED = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$
- the proportionate change in the demand for a good divided by the proportionate change in price
- the change in demand resulting from a change in price.

Examples of a definition worth 1 mark:(Note: missing both extent and causation)

- $PED = \frac{\text{change in quantity demanded}}{\text{change in price}}$
- the change in the demand for a good divided by the change in price
- a relationship between demand and price.

MAXIMUM FOR QUESTION 21: 3 MARKS

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

- 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]

Calculation involves $-6.3 \div 40 = -0.1575$ which rounds to -0.16 (to 2 dp)

Response	Max 4 marks
For the correct answer: -0.16	4 marks
For the correct value, without the minus sign or not rounded to 2dp or rounded the wrong way or with added/incorrect units: 0.16 or -0.1575 or -0.15 or -0.16% (for example)	3 marks
For the correct value, without the minus sign and not rounded to 2dp or rounded the wrong way or with added/incorrect units: 0.1575 or 0.15 or 0.16% (for example) OR For the correct calculation but the wrong answer: $-6.3 \div 40$	2 marks
For the correct equation for PED: % change in QD $\div$ % change in price OR For the correct calculation of the percentage change in price: 40%	1 mark

MAXIMUM FOR QUESTION 28: 4 MARKS

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

MAXIMUM FOR PART 30: 4 MARKS

31 *Extract F (lines 2-3) states: 'Dairy prices are expected to rise in 2017'.*

*Explain **two** factors that could increase the price of milk.*

[10 marks]

	An answer that:	Max 10 marks
Level 3	- identifies two valid factors - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - may include a relevant diagram to support their explanation	8-10 marks
Level 2	- identifies at least one valid factor - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present - includes reasonable application of relevant economic principles and/or data to the question - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram to support their explanation	4-7 marks
Level 1	- identifies at least one valid factor - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1-3 marks

Relevant issues include:

- increased demand for milk
- factors increasing demand for milk – increased population, higher real income, tastes/advertising/promotion, price and availability of substitutes and complements, etc.
- reduced supply of milk
- factors reducing supply/increasing costs of production – removal of subsidies, higher wages, higher price of feed, etc.
- other government interventions that might increase the price of milk, eg setting a minimum price above the market equilibrium price.

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 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 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 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 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 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 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 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 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 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

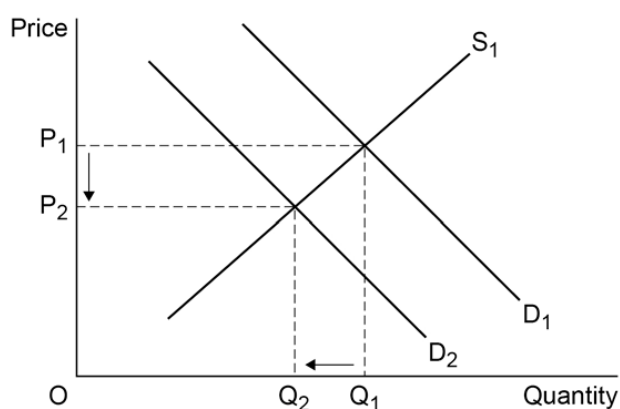
MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

2 4 **Extract B** (line 3) states: 'Palm oil can be used as a cheap substitute for butter'.

Draw a supply and demand diagram showing the effects on the market for butter of a fall in the price of palm oil.

[4 marks]

The correct diagram involves a decrease in demand/shift to the left of the demand curve resulting in a decrease in quantity sold and price.



Response	Max 4 marks
Accurately drawn D/S diagram showing a leftwards shift in D, new equilibrium price and quantity, e.g. P_2Q_2 , with both axes and all curves and coordinates correctly labelled (arrows not needed).	4 marks
Accurately drawn D/S diagram showing a leftwards shift in D with one label missing/incorrect (axis or curve). OR Accurately drawn D/S diagram showing a leftwards shift in D with one coordinate missing/incorrect (P or Q).	3 marks
Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D with two labels missing/incorrect. OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D but <u>also</u> a leftwards shift in supply.	2 marks
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, eg P_1Q_1 . OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D but <u>also</u> a leftwards shift in supply with one or two labels missing/incorrect.	1 mark

Notes: Horizontal axis allow: Quantity of butter, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

MAXIMUM FOR QUESTION 24: 4 MARKS

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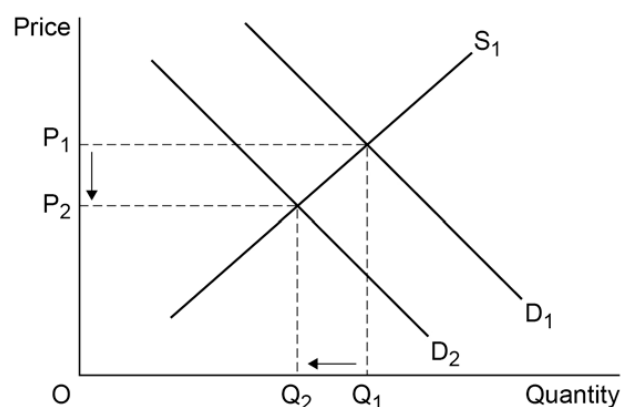
3 0

Extract F (lines 13–14) states: 'Prices for many dental treatments in Hungary, for example, are about half those of the UK'.

Draw a supply and demand diagram showing the effects on the market for UK dental care of a fall in the price of dental care abroad.

[4 marks]

The correct diagram involves a decrease in demand/shift to the left of the demand curve resulting in a decrease in quantity sold and price.



Response	Max 4 marks
Accurately drawn D/S diagram showing a leftwards shift in D, new equilibrium price and quantity, e.g. P_2Q_2 , with both axes and all curves and coordinates correctly labelled (arrows not needed).	4 marks
Accurately drawn D/S diagram showing a leftwards shift in D with one label missing/incorrect (axis or curve). OR Accurately drawn D/S diagram showing a leftwards shift in D with one coordinate missing/incorrect (P or Q).	3 marks
Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D with two labels missing/incorrect. OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D but <u>also</u> a leftwards shift in supply.	2 marks
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, e.g. P_1Q_1 . OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D but <u>also</u> a leftwards shift in supply with one or two labels missing/incorrect.	1 mark

Notes: Horizontal axis allow: Quantity of dental care, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

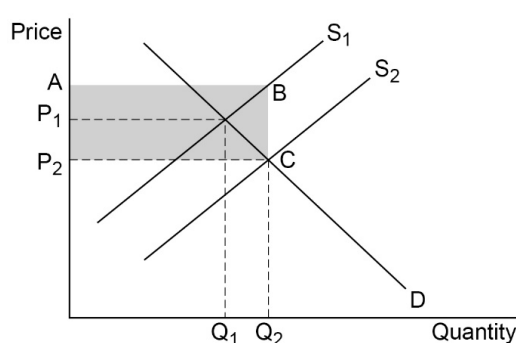
MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

2 4 **Extract C** (line 7) states: ‘Bus companies also receive subsidies to operate routes in rural areas.’

Draw a supply and demand diagram to show the effects on the market for bus travel of the government providing a subsidy. The total amount of government spending on the subsidy should be labelled clearly.

[4 marks]

The correct diagram involves an increase in supply/shift to the right of the supply curve resulting in an increase in quantity sold and decrease in price. The subsidy area should also be shown clearly and correctly through shading, labels such as $ABCP_2$ or the use of a key.



Response	Max 4 marks
Accurately drawn D/S diagram showing a rightwards shift in S, old and new equilibrium price and quantity, eg P_1Q_1 , P_2Q_2 , and correct area for subsidy, with both axes and all curves and coordinates correctly labelled.	4 marks
Accurately drawn D/S diagram showing a rightwards shift in S with correct subsidy area but one label or coordinate missing or incorrect (on axis or curve). OR Accurately drawn and labelled D/S diagram showing a rightwards shift in S, but subsidy area missing or incorrect.	3 marks
Accurately drawn D/S diagram showing a rightwards shift in S, the correct subsidy area but two labels or coordinates missing/incorrect. OR Accurately drawn D/S diagram showing a rightwards shift in S but one label or co-ordinate missing/incorrect and subsidy area missing/incorrect.	2 marks
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, eg P_1Q_1 OR Accurately drawn D/S diagram showing an initial equilibrium point and a rightwards shift in S but with two labels missing.	1 mark

Notes: Horizontal axis allow: Quantity of bus travel, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

MAXIMUM FOR QUESTION 24: 4 MARKS

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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