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AQA AS ECONOMICS: QUESTIONS BY TOPIC

Production, Costs and Revenue

AQA AS Economics 7135 — Topic 4.1.4

33 questions · 45 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
4.1.4.1 PRODUCTION AND PRODUCTIVITY		7 Qs · 10 marks	4
1. Q10	AS Paper 1, Section A (MCQ) June 2017	1	5
2. Q16	AS Paper 1, Section A (MCQ) June 2017	1	6
3. Q16	AS Paper 1, Section A (MCQ) June 2022	1	7
4. Q18	AS Paper 1, Section A (MCQ) June 2022	1	8
5. Q10	AS Paper 1, Section A (MCQ) November 2020	1	9
6. Q18	AS Paper 1, Section A (MCQ) November 2020	1	10
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4.1.4.2 SPECIALISATION, DIVISION OF LABOUR AND EXCHANGE		4 Qs · 6 marks	12
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QUESTION	SOURCE	MARKS	PAGE
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4.1.4.7 PROFIT		1 Qs · 1 marks	41
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QUESTIONS

33 questions · 45 marks · 6 sub-topics



SUB-TOPIC 4.1.4.1

PRODUCTION AND PRODUCTIVITY

Sub-topic 4.1.4.1 · 7 questions · 10 marks · lowest tariff first



6

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09

The growth of car manufacturing around Birmingham led to firms producing components for cars. As a result, car manufacturing firms experienced a fall in their average cost of production. This is an example of

A a financial economy of scale.

☐

B a marketing economy of scale.

☐

C a technical economy of scale.

☐

D an external economy of scale.

☐

[1 mark]

10

Claire's sweet stall in Chorley market sells sweets in 100g bags. She has the following costs of production:

Stall rental	£25 per day
Sales assistant's wages	£32 per day
Various varieties of sweets	£0.26 per 100g
Paper bags	£0.01 per bag

Assuming Claire sells 100 bags of sweets per day, what is the average cost of a bag of sweets?

A £0.57

☐

B £0.59

☐

C £0.83

☐

D £0.84

☐

[1 mark]



06

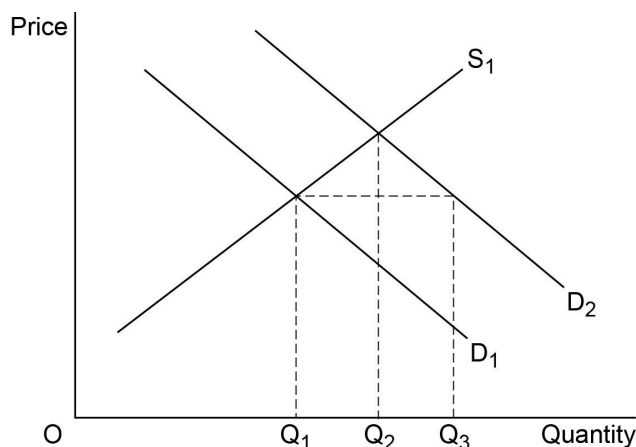
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1 5

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

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 ►**

0 9

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10

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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]



IB/M/Jun22/7135/1

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0 8

In the market for apples, at the current market price of £3 per kilo, consumers buy 5000 kilos and farmers produce 6000 kilos each week.

It can be concluded that

- A consumers are unaware of the positive externalities from eating apples. ☐
- B the government must have set a maximum price for apples. ☐
- C the prices of substitute fruit such as oranges and pears have risen. ☐
- D there is disequilibrium in the apple market and the price is likely to fall. ☐

[1 mark]

0 9

An online streaming firm increased its paying subscribers by 300% over a 4-year period. The firm's share of the total time people spent watching television doubled and profits grew rapidly.

Which one of the following is the most likely explanation for the firm's success?

- A A low concentration ratio in the industry meant that the firm faced little competition ☐
- B A low income elasticity of demand enabled the firm to raise the price of its subscription and increase its profits ☐
- C The firm was able to cut average costs by producing and selling a homogeneous product ☐
- D The firm was innovative and this increased barriers to entry for firms wishing to join the industry ☐

[1 mark]

1 0

Which one of the following statements about price elasticity of supply is correct?

Price elasticity of supply

- A increases when a firm's labour costs increase. ☐
- B is affected by the amount of spare capacity. ☐
- C measures the responsiveness of price to a change in supply. ☐
- D tends to be lower in the long run than in the short run. ☐

[1 mark]



0 6

IB/M/Jun20/7135/1

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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



1 0

IB/M/Jun20/7135/1

2 3

Use **Extract A** to identify **two** significant points of comparison between the average annual water usage of households with and without a water meter.

[4 marks]

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Comparison 1 _____

Extra space _____

Comparison 2 _____

Extra space _____



SUB-TOPIC 4.1.4.2

SPECIALISATION, DIVISION OF LABOUR AND EXCHANGE

Sub-topic 4.1.4.2 · 4 questions · 6 marks · lowest tariff first



9

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1 4

Which one of the following is the most likely outcome of greater division of labour in a tractor factory?

[1 mark]

- A A reduction in labour costs
- B Higher job satisfaction
- C Less use of machinery
- D More skills acquired by workers

☐☐☐☐

1 5

A government sets a maximum price for fruit below the market price to try to encourage healthier eating.

All other things being equal, which one of the following will result in the lowest amount of excess demand for fruit at the maximum price?

[1 mark]

- A Demand is income elastic and supply is price elastic.
- B Demand is income inelastic and supply is price inelastic.
- C Demand is price elastic and supply is price elastic.
- D Demand is price inelastic and supply is price inelastic.

☐☐☐☐

1 6

Healthcare in the UK is provided by the public sector and by private firms. Public sector provision ensures that healthcare is free at the point of consumption for individuals without private health insurance and for those unable to pay for healthcare.

Which one of the following can be concluded about healthcare in the UK?

[1 mark]

- A Healthcare has the characteristics of a private and public good.
- B Production of healthcare addresses the basic economic questions of 'how' and 'for whom'.
- C Provision of healthcare is equitable.
- D The supply of healthcare achieves productive efficiency.

☐☐☐☐

Turn over ►



0 9

IB/M/Jun23/7135/1

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

10

Do not write
outside the
box

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[1 mark]

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[1 mark]

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[1 mark]

20

END OF SECTION A



1 0

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.

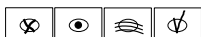
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Shade the circle below to indicate which context you have answered.

Context **0 1** ☐

Context **0 2** ☐

WRONG METHODS



CORRECT METHOD

**EITHER****Context 1**

Total for this context: 50 marks

PALM 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 'specialisation' **Extract B** (line 15).

[3 marks]



IB/M/Jun19/7135/1

SUB-TOPIC 4.1.4.4

COSTS OF PRODUCTION

Sub-topic 4.1.4.4 · 8 questions · 13 marks · lowest tariff first



8

1 4

The table below shows the relationship between a firm's output and its production costs.

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box*

Output	Average variable costs (£)	Average total costs (£)
10	50	80
20	40	55
30	35	45

When the firm increases its output from

A 10 to 20 units, average fixed costs do not change.

☐

B 10 to 20 units, average fixed costs fall by £15.

☐

C 20 to 30 units, average fixed costs fall by £10.

☐

D 20 to 30 units, average fixed costs fall by £15.

☐

[1 mark]



0 8

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10

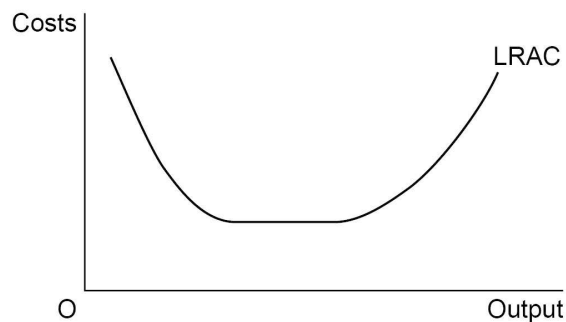
1 | 7

A government sets a maximum price below the current market price for rented housing. The likely long-run consequence is that

- A** fewer people can live in rented housing.
- B** the rationing function of prices will improve.
- C** there will be a fall in supply of owner-occupied housing.
- D** there will be excess supply of rented housing.

☐☐☐☐**[1 mark]****1 | 8**

The following diagram shows the long-run average cost curve (LRAC) for a firm.



From the diagram it can be concluded that

- A** average fixed costs will fall and then rise.
- B** economies of scale are present at some levels of output.
- C** the firm will inevitably experience diseconomies of scale.
- D** total costs must first fall and then rise.

☐☐☐☐**[1 mark]**

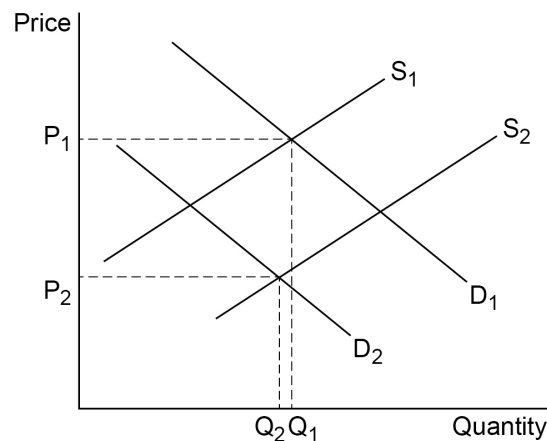
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8

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.

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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

9

Do not write
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- 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 ►**

IB/M/Jun22/7135/1

6

0 9

One week, a business has to pay £80 interest for its loan, £95 for raw materials and £210 on rent. If the business has no other costs, what are its fixed costs for that week?

[1 mark]**A** £210☐**B** £290☐**C** £305☐**D** £385☐**1 0**

A good is in joint demand when it is

[1 mark]**A** an alternative to buying another good.☐**B** consumed by more than one person.☐**C** consumed together with another good.☐**D** demanded for two or more distinct uses.☐

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0 6

IB/M/Jun23/7135/1

7

1 1

Antonio sells ice creams in the local park. In a typical week, he sells 500 ice creams at £2 each and his total costs are £700. One week he does not work, so he sells no ice creams but his total costs are £200.

What are his variable costs in a typical week?

A £200

☐

B £300

☐

C £500

☐

D £700

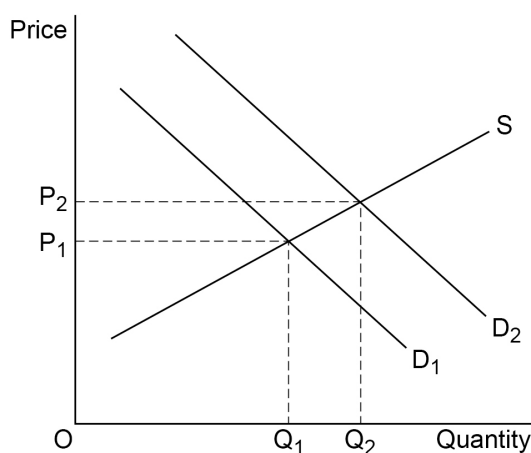
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[1 mark]

1 2

Figure 3 shows the market demand (D_1) and supply (S) of loft insulation material. If consumers have full information about the benefits of insulating their lofts, demand will be D_2 .

Figure 3



There is underproduction, $Q_2 - Q_1$, of loft insulation material because

A at the social optimum, Q_2 , the price would be too high.☐B firms have no incentive to increase output beyond Q_1 .☐

C firms lack information about the external benefits of loft insulation.

☐

D the government has failed to set a minimum price for loft insulation.

☐

[1 mark]

Turn over ►



0 7

IB/M/Jun20/7135/1

11

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

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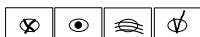
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Shade the circle below to indicate which context you have answered.

Context **0 1** ☐

Context **0 2** ☐

WRONG METHODS



CORRECT METHOD

**EITHER****Context 1**

Total for this context: 50 marks

BUS TRAVEL

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 'fixed costs' in **Extract B** (line 13).

[3 marks]

Turn over ►



IB/M/Jun20/7135/1

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

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.

27

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

[3 marks]

28

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]

Turn over ►



SUB-TOPIC 4.1.4.5

ECONOMIES AND DISECONOMIES OF SCALE

Sub-topic 4.1.4.5 · 10 questions · 12 marks · lowest tariff first



6

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09

The growth of car manufacturing around Birmingham led to firms producing components for cars. As a result, car manufacturing firms experienced a fall in their average cost of production. This is an example of

A a financial economy of scale.

☐

B a marketing economy of scale.

☐

C a technical economy of scale.

☐

D an external economy of scale.

☐

[1 mark]

10

Claire's sweet stall in Chorley market sells sweets in 100g bags. She has the following costs of production:

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Assuming Claire sells 100 bags of sweets per day, what is the average cost of a bag of sweets?

A £0.57

☐

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☐

C £0.83

☐

D £0.84

☐

[1 mark]



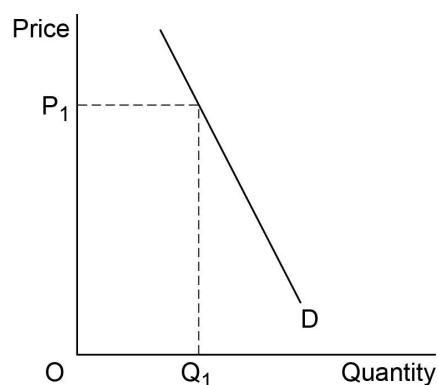
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IB/G/Jun17/7135/1

12

Do not write
outside the
box**2 0**

The diagram below shows the market demand curve (D) for a product. The market is currently operating as a monopoly with price P_1 and output Q_1 .



If barriers to entry to the market are removed, the most likely result will be that

- A** firms will experience diseconomies of scale.
- B** the benefits from economies of scale will increase.
- C** the market price falls and output increases.
- D** the market price rises and output falls.

☐☐☐☐**[1 mark]**

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



1 2

IB/G/Jun17/7135/1

10

Do not write
outside the
box**1 7**

Which one of the following would generate a short-run disequilibrium with excess supply in the market for Cornish pasties?

- A** A minimum price for Cornish pasties is set above the current market price ☐
- B** Higher meat prices increase the cost of producing Cornish pasties ☐
- C** More advertising increases the demand for Cornish pasties ☐
- D** The government levies a new indirect tax on Cornish pasties ☐

[1 mark]**1 8**

One way to allocate road space in a congested city would be to charge drivers to use the roads.

One reason why this policy is likely to result in a more efficient allocation of resources is because

- A** incentives to build new roads would be higher. ☐
- B** only higher income drivers would choose to use the roads. ☐
- C** road use would be rationed to drivers who benefit from it the most. ☐
- D** the government would raise a large amount of revenue from drivers. ☐

[1 mark]**1 9**

Firms in an industry with a high concentration ratio will typically experience

- A** a large amount of competition. ☐
- B** a large degree of monopoly power. ☐
- C** few economies of scale. ☐
- D** low prices and profits. ☐

[1 mark]

IB/G/Jun18/7135/1

11

20

Online clothes retailers invest in new warehouses to enable them to hold larger stocks of clothes.

Other things remaining the same, this is most likely to result in

A a higher price elasticity of supply of clothes sold online.

☐

B an increase in demand for clothes sold online.

☐

C diseconomies of scale in the online clothes industry.

☐

D lower barriers to entry to the online clothes industry.

☐

[1 mark]

*Do not write
outside the
box*

20

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



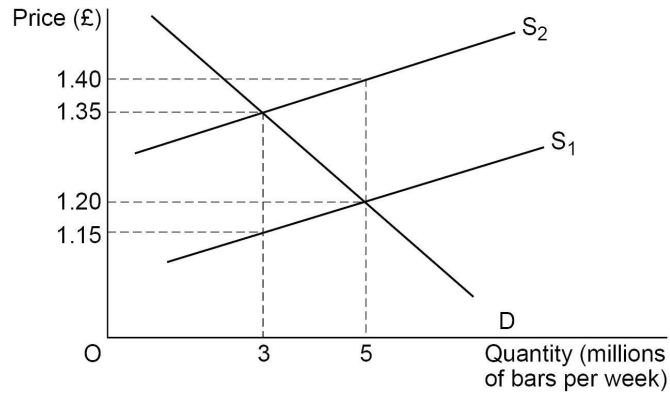
Turn over ►

IB/G/Jun18/7135/1

6

0 9

The following supply and demand diagram shows the impact of a government tax on chocolate bars.



Do not write
outside the
box

The amount of tax revenue raised each week is

- A £0.45 million
- B £0.60 million
- C £0.75 million
- D £1.00 million

☐
☐
☐
☐

[1 mark]

1 0

Two large firms dominate the market for manufacturing rail track. This means that

- A abuse of monopoly power will result in diseconomies of scale.
- B barriers to entry are low as neither firm is a pure monopoly.
- C neither firm has monopoly power but benefits from economies of scale.
- D the two firms have monopoly power but may also compete.

☐
☐
☐
☐

[1 mark]



0 6

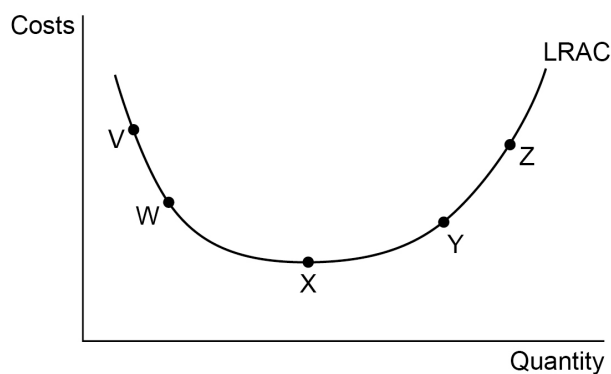
IB/M/Jun19/7135/1

3

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

Do not write
outside the
box

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

4

Do not write
outside the
box

0 4

A soap manufacturer experiences a fall in long-run average costs. This is most likely to be the result of

[1 mark]

- A** fewer external economies of scale.
- B** lower labour productivity.
- C** opportunities for internal economies of scale.
- D** total costs increasing by more than output.

☐☐☐☐

0 5

A government decides that visitor centres in nature reserves are merit goods and therefore increases their provision.

It can be concluded that this decision

[1 mark]

- A** avoided government failure.
- B** did not have an opportunity cost.
- C** ensured provision of a public good.
- D** involved a normative judgement.

☐☐☐☐

0 6

The median income is higher in country W than in country Z.

It can be concluded that

[1 mark]

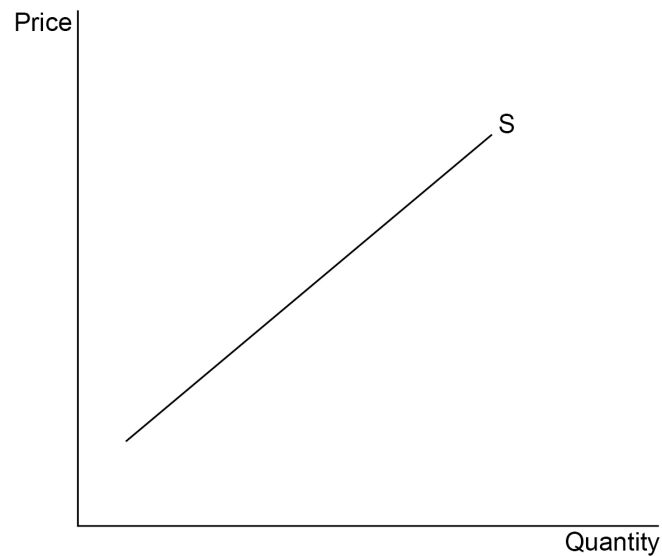
- A** incomes are more equitably distributed in country W than in country Z.
- B** incomes are more unequally distributed in country Z than in country W.
- C** the mean income may be higher or lower in country Z compared with country W.
- D** the ratio of the highest to lowest income is greater in country W than in country Z.

☐☐☐☐

IB/M/Jun23/7135/1

7

1 1

Figure 3 shows a supply curve (**S**) for an industry.Do not write
outside the
box**Figure 3**

All other things being equal, which one of the following causes the upward slope of the supply curve?

[1 mark]

- A** An increase in monopoly power at higher levels of output
- B** Firms achieving economies of scale as output increases
- C** Higher prices causing firms to improve productive efficiency
- D** Higher profits providing an incentive to increase output

☐☐☐☐**Turn over for the next question****Turn over ►**

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

13

Do not write
outside the
box**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.

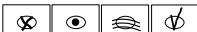
There is a total of 50 marks for either Context.

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

Context **0 1** ☐

Context **0 2** ☐

WRONG METHODS



CORRECT METHOD

**EITHER****Context 1**

Total for this Context: 50 marks

SUPERMARKETS

Use the source booklet 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 'internal economies of scale' **Extract B** (line 15).

[3 marks]

Extra space



Turn over ►

IB/G/Jun17/7135/1

SUB-TOPIC 4.1.4.6

MARGINAL, AVERAGE AND TOTAL REVENUE

Sub-topic 4.1.4.6 · 3 questions · 3 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]**

IB/G/Jun18/7135/1

Do not write
outside the
box

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
outside the
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

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 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

IB/M/Jun23/7135/1

SUB-TOPIC 4.1.4.7

PROFIT

Sub-topic 4.1.4.7 · 1 question · 1 marks · lowest tariff first

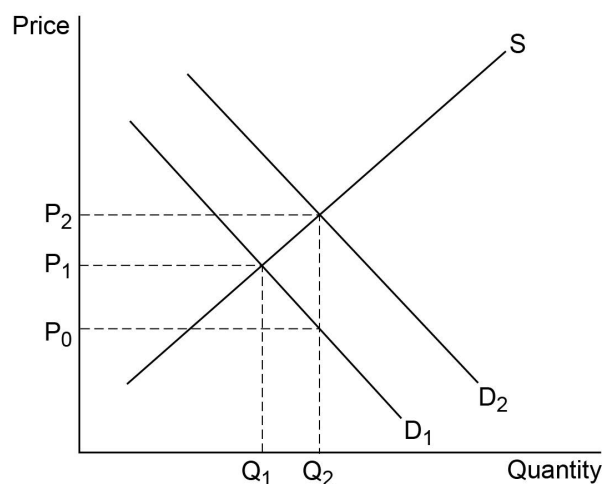


7

1 2

In the following diagram D_1 shows the market demand for smoke alarms when consumers have imperfect information about the benefits of installing a smoke alarm. If consumers had full information, the market demand for smoke alarms would be D_2 .

Do not write
outside the
box



Which one of the following policies is most likely to ensure that consumption and production of smoke alarms are at the social optimum level?

A A maximum price set at P_0

☐

B A maximum price set at P_2

☐

C A subsidy per unit equal to $P_1 - P_0$

☐

D A subsidy per unit equal to $P_2 - P_0$

☐

[1 mark]

1 3

In an economy hit by a recession, the owner of a small firm decides to continue to operate despite making losses.

This decision suggests that

A firms may have objectives other than profit maximisation.

☐

B monopoly power is widespread in the economy.

☐

C some small firms produce merit goods.

☐

D the firm's average revenue is greater than its average cost.

☐

[1 mark]



0 7

Turn over ►

IB/G/Jun18/7135/1

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 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 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 2022

- 2 3** Use **Extract A** to identify **two** significant points of comparison between the average annual water usage of households with and without a water meter.

[4 marks]

Award up to 2 marks for each point of comparison made.

Response	Max 4 Marks
Identifies a significant point of comparison. Makes accurate use of the data to support the comparison identified. Unit of measurement given accurately.	2 marks
Identifies a significant point of comparison 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. OR Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	1 mark

If a candidate identifies more than two significant points of comparison, reward the best two.

Significant points include:

- the lowest annual water usage with a meter is 66 cubic metres for a 1-person household and the lowest annual water usage without a meter for a 1-person household is 54 cubic metres
- the highest annual water usage with a meter is 216 cubic metres for a 6-person household and the highest annual water usage without a meter for a 6-person household is 200 cubic metres
- the average annual water usage is lower with a meter than without for households of 1–4 people, for example a 1–person household uses 54 cubic metres with a meter and 66 cubic metres without a meter
- the average annual water usage is higher with a meter than without for households of 5 and 6 people, for example a 5–person household uses 191 cubic metres with a meter and 182 cubic metres without a meter
- the greatest saving in average annual water usage with a meter is for a 1–person household, using 54 cubic metres with a meter and 66 cubic metres without a meter (a saving of 12 cubic metres)
- the smallest saving in average annual water usage with a meter is for a 4–person household, using 164 cubic metres with a meter and 165 cubic metres without a meter (a saving of 1 cubic metre)
- the greatest increase in average annual water usage with a meter is for a 6–person household, using 216 cubic metres with a meter and 200 cubic metres without a meter (an increase of 16 cubic metres)
- the smallest increase in average annual water usage with a meter is for a 5–person household, using 191 cubic metres with a meter and 182 cubic metres without a meter (an increase of 9 cubic metres)
- the most similar average annual water usage with and without a water meter is for 4–person households, who use 164 cubic metres with a meter and 165 cubic metres without a meter (a difference of 1 cubic metre)
- the range of differences in average annual water usage with and without a water meter is a saving of 12 cubic metres for a 1–person household to an increase of 16 cubic metres for a 6–person household (a range of 28 cubic metres)
- the greater the number of people in the household, the greater the average annual water usage with and without a meter, for example, for a 1–person household usage is 54 cubic metres with and 66 without a meter, but for a 6–person household it is 216 and 200 cubic metres respectively.

MAXIMUM FOR QUESTION 23: 4 MARKS

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

Section B

Context 1 PALM OIL

Total for this context: 50 marks

2 1 Define 'specialisation' **Extract B** (line 15).**[3 marks]**

Level of response	Response	Max 3 marks
1	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
3	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

- different firms/regions/countries/factors of production concentrating on the production of different goods **and/or** services (at least two categories required).

Examples of a definition worth 2 marks:

- different firms/regions/countries/factors of production concentrating on the production of different goods **and/or** services (only one category mentioned)
- different firms/regions/countries/factors of production specialising in the production of different goods **and/or** services (at least two categories required)
- a worker performing one task/a narrow range of tasks.

Examples of a definition worth 1 mark:

- a worker specialising in one task/a narrow range of tasks
- making certain goods **and/or** services.

MAXIMUM FOR QUESTION 21: 3 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 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 B

Context 1 BUS TRAVEL

Total for this context: 50 marks

2	1
---	---

 Define 'fixed costs' in **Extract B** (line 13).

[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:

- costs of production which do not change with output
- costs incurred when paying for fixed factors of production.

Examples of a definition worth 2 marks:

- costs of production which do not change
- total costs minus variable costs.

Examples of a definition worth 1 mark:

- costs which are not variable
- costs per unit which do not change.

MAXIMUM FOR QUESTION 21: 3 MARKS

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

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]

Calculation:

$(£150 + £350) \div 110 = £4.54545\dots$ which rounds to £4.55 (to the nearest penny)

Response	Max 4 marks
For the correct answer: £4.55	4 marks
For the correct value, not rounded to the nearest penny or rounded the wrong way or with missing/incorrect units: £4.545 or £4.54 or 4.55 (for example)	3 marks
For the correct value, not rounded to the nearest penny and with missing/incorrect units: 4.545 (for example) OR For the correct calculation but the wrong answer: $(£150 + £350) \div 110$	2 marks
For the correct total cost: £500 OR For the correct calculation of either $£150 \div 110$, to the nearest penny or $£350 \div 110$, to the nearest penny: £1.36 or £3.18 OR For the correct calculation of the total cost of delivering food per person for a day ($£500 \div 50$) or per person per pound weight ($£500 \div 110 \div 50$) to the nearest penny: £10 or £0.09	1 mark

MAXIMUM FOR QUESTION 28: 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 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 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 2017

SECTION B**Context 1 SUPERMARKETS****Total for this Context: 50 marks**

21	Define 'internal economies of scale' Extract B (line 15).	[3 marks]
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Level of response	Response	Max 3 marks
1	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
3	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

- a fall in average cost due to growth of the firm

Examples of a definition worth 2 marks:

- a fall in cost due to growth of the firm
- a fall in short-run average cost due to the growth of the firm
- a fall in average cost

Examples of a definition worth 1 mark:

- a fall in cost
- the benefits of large firms

MAXIMUM FOR PART 21: 3 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 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 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>