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AQA AS ECONOMICS: QUESTIONS BY TOPIC

Perfect Competition, Imperfectly Competitive Markets and Monopoly

AQA AS Economics 7135 — Topic 4.1.5

13 questions · 30 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
4.1.5.1 MARKET STRUCTURES		4 Qs · 7 marks	3
1. Q02	AS Paper 1, Section A (MCQ) June 2017	1	4
2. Q08	AS Paper 1, Section A (MCQ) June 2019	1	5
3. Q09	AS Paper 1, Section A (MCQ) November 2020	1	6
4. Q22	AS Paper 1, Context 1 June 2017	4	7
4.1.5.2 THE OBJECTIVES OF FIRMS		1 Qs · 3 marks	8
5. Q21	AS Paper 1, Context 1 June 2022	3	9
4.1.5.3 PERFECT COMPETITION		1 Qs · 1 marks	10
6. Q06	AS Paper 1, Section A (MCQ) November 2020	1	11
4.1.5.6 MONOPOLY AND MONOPOLY POWER		4 Qs · 13 marks	12
7. Q19	AS Paper 1, Section A (MCQ) June 2017	1	13
8. Q06	AS Paper 1, Section A (MCQ) June 2023	1	14
9. Q12	AS Paper 1, Section A (MCQ) June 2023	1	15
10. Q25	AS Paper 1, Context 1 June 2017	10	16
4.1.5.10 MARKET STRUCTURE, EFFICIENCY AND RESOURCE ALLOCATION		3 Qs · 6 marks	20
11. Q18	AS Paper 1, Section A (MCQ) June 2018	1	21
12. Q07	AS Paper 1, Section A (MCQ) June 2019	1	22
13. Q22	AS Paper 1, Context 1 June 2019	4	23



QUESTIONS

13 questions · 30 marks · 5 sub-topics



SUB-TOPIC 4.1.5.1

MARKET STRUCTURES

Sub-topic 4.1.5.1 · 4 questions · 7 marks · lowest tariff first



2

Do not write
outside the
box**Section A**Answer **all** questions in this section.Only **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**

Demerit goods represent a type of market failure because

- A** their consumption results in positive externalities. 
- B** their production results in negative production externalities. 
- C** they are over-consumed in a free market. 
- D** they are under-consumed when left to free market forces. 

[1 mark]**0 2**

Which one of the following sets of characteristics can best be used to distinguish between different market structures?

- A** The concentration ratio and the income elasticity of demand 
- B** The ease of entry to the industry and the degree of product differentiation 
- C** The number of buyers in the market and the productivity of firms 
- D** The scale of production in the industry and the presence or absence of externalities 

[1 mark]

IB/G/Jun17/7135/1

5

0 7

A construction firm uses workers, machines and raw materials to build new houses. One year the firm builds 20 more houses than in the previous year. It can be concluded that there must have been an increase in

A employment.

☐

B production.

☐

C productive efficiency.

☐

D productivity.

☐

[1 mark]

0 8

The following table shows the market shares of the five leading manufacturers in a particular industry.

Manufacturer	Market share (%)
Firm A	13
Firm B	24
Firm C	11
Firm D	15
Firm E	7
Others	30

If Firm A and Firm C combine to become one firm, what happens to the three-firm concentration ratio and the five-firm concentration ratio?

	Three-firm concentration ratio	Five-firm concentration ratio	
A	Falls	Falls	☐
B	Falls	Rises	☐
C	Rises	Falls	☐
D	Rises	Rises	☐

[1 mark]

Turn over for the next question

Turn over ►



0 5

IB/M/Jun19/7135/1

6

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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

14

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

Use **Extract B** to calculate the three firm concentration ratio for sales in the supermarket industry in December 2015.

[4 marks]

2 3

Use **Extract A** to identify **two** significant points of comparison between the changes in real income and real food prices for low-income households in the UK over the period shown.

[4 marks]Comparison 1

Extra space

Extra space



IB/G/Jun17/7135/1

SUB-TOPIC 4.1.5.2

THE OBJECTIVES OF FIRMS

Sub-topic 4.1.5.2 · 1 question · 3 marks · lowest tariff first



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.

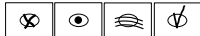
Do not write
outside the
box

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

Context **0 1** ☐

Context **0 2** ☐

WRONG METHODS



CORRECT METHOD

**EITHER****Context 1**

Total for this context: 50 marks

WATER

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 'profit' **Extract B** (line 9).

[3 marks]



IB/M/Jun22/7135/1

SUB-TOPIC 4.1.5.3

PERFECT COMPETITION

Sub-topic 4.1.5.3 · 1 question · 1 marks · lowest tariff first



5

0 6

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

Table 2

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

When the firm increases its output from

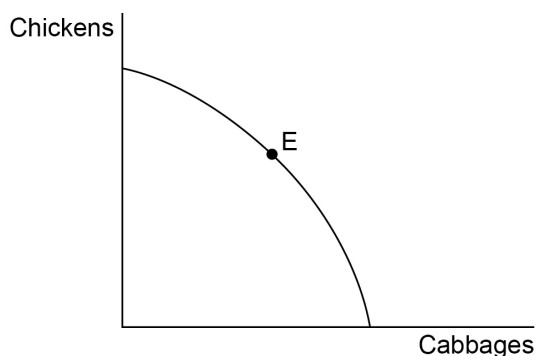
- A** 50 to 100, the price falls by £2
- B** 50 to 100, the price falls by £3
- C** 100 to 150, the price falls by £2
- D** 100 to 150, the price falls by £3

☐☐☐☐

[1 mark]

0 7

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

Figure 2

Which one of the following statements is true?

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

☐☐☐☐

[1 mark]

Turn over ►



0 5

IB/M/Jun20/7135/1

SUB-TOPIC 4.1.5.6

MONOPOLY AND MONOPOLY POWER

Sub-topic 4.1.5.6 · 4 questions · 13 marks · lowest tariff first

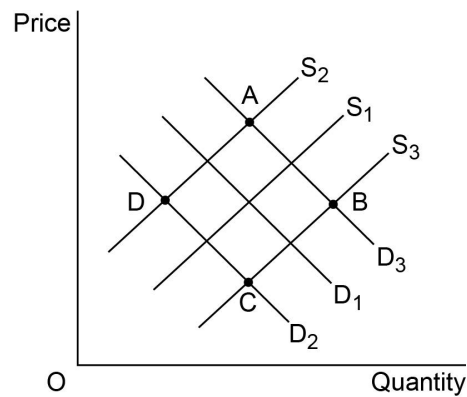


11

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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

4

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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.

☐☐☐☐

0 4

IB/M/Jun23/7135/1

8

1 | 2

Table 1 shows the market shares of supermarkets in an economy in 2020.

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Table 1

Company	% share of market
Fresh Co	35
Food Co	28
Value Co	16
Other companies	21

In 2021, **Value Co** fails to make any profits and decides to leave the market.

The most likely result is that the

[1 mark]

- A** market becomes more competitive.
- B** monopoly power of Fresh Co increases.
- C** other companies' market share rises to 37%.
- D** two-firm concentration ratio becomes 63%.

☐
☐
☐
☐

1 | 3

Hedges around fields encourage wildlife and bring widespread benefits but many farmers choose to have wire fences instead.

Which one of the following best describes the resulting failure in the market for hedges?

[1 mark]

- A** The social optimum output is greater than the free market output because the private benefit is greater than the social benefit.
- B** The social optimum output is greater than the free market output because the private benefit is less than the social benefit.
- C** The social optimum output is less than the free market output because the private benefit is greater than the social benefit.
- D** The social optimum output is less than the free market output because the private benefit is less than the social benefit.

☐
☐
☐
☐


0 8

IB/M/Jun23/7135/1

16

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2	5
---	---

Extract B (lines 2–3) refers to ‘the monopoly power of well-established firms’ in the supermarket industry.

Explain **two** factors that could influence the monopoly power of firms in the supermarket industry.

[10 marks]

[illegible]

IB/G/Jun17/7135/1

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Extra space



Handwriting practice area with 25 horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

SUB-TOPIC 4.1.5.10

MARKET STRUCTURE, EFFICIENCY AND RESOURCE ALLOCATION

Sub-topic 4.1.5.10 · 3 questions · 6 marks · lowest tariff first



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

5

0 7

A construction firm uses workers, machines and raw materials to build new houses. One year the firm builds 20 more houses than in the previous year. It can be concluded that there must have been an increase in

A employment.

☐

B production.

☐

C productive efficiency.

☐

D productivity.

☐

[1 mark]

0 8

The following table shows the market shares of the five leading manufacturers in a particular industry.

Manufacturer	Market share (%)
Firm A	13
Firm B	24
Firm C	11
Firm D	15
Firm E	7
Others	30

If Firm A and Firm C combine to become one firm, what happens to the three-firm concentration ratio and the five-firm concentration ratio?

	Three-firm concentration ratio	Five-firm concentration ratio	
A	Falls	Falls	☐
B	Falls	Rises	☐
C	Rises	Falls	☐
D	Rises	Rises	☐

[1 mark]

Turn over for the next question

Turn over ►



0 5

IB/M/Jun19/7135/1

13

2 2

Extract B (lines 15–16) states: ‘Another important reason for the increased popularity of palm oil with growers is that it is the most productive oil crop...’

If 4 hectares of land yield 15 tonnes of palm oil, calculate, to **one** decimal place, the expected yield of sunflower oil from 6 hectares of land.

[4 marks]

Turn over for the next question

Do not write
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Turn over ►

IB/M/Jun19/7135/1

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 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 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

22 Use **Extract B** to calculate the three firm concentration ratio for sales in the supermarket industry in December 2015. **[4 marks]**

For a correct answer: 61% or 0.61 Or 61:100	4 marks
For the correct value but with incorrect or missing units: 61 or 61/100	3 marks
For another value between 60% and 62%	2 marks
For the correct calculation but the wrong answer: 28 + 17 + 16	2 marks
For another value between 60 and 62 but with incorrect or missing units	1 mark
For any valid attempt at a calculation, even though the answer is incorrect	1 mark

MAXIMUM FOR PART 22: 4 MARKS

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

Section B

Context 1 WATER

Total for this context: 50 marks

2	1
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 Define 'profit' **Extract B** (line 9).

[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

Example of acceptable definition worth 3 marks:

- total revenue minus total cost.

Examples of a definition worth 2 marks:

- revenue minus cost (no total)
- the difference between total revenue and total cost (no direction)
- the reward to an entrepreneur

Examples of a definition worth 1 mark:

- the difference between revenue and cost (no total or direction)
- money made by firms.

MAXIMUM FOR QUESTION 21: 3 MARKS

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 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 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 2017

25 *Extract B (lines 2-3) refers to 'the monopoly power of well-established firms' in the supermarket industry.*

*Explain **two** factors that could influence the monopoly power of firms in the supermarket industry.* **[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:

- market share
- number of competitors
- advertising
- degree of product differentiation
- economies of scale
- high start-up costs
- brand loyalty
- government intervention.

MAXIMUM FOR PART 25: 10 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 2019

2 2 *Extract B (lines 15–16) states: ‘Another important reason for the increased popularity of palm oil with growers is that it is the most productive oil crop...’*

*If 4 hectares of land yield 15 tonnes of palm oil, calculate, to **one** decimal place, the expected yield of sunflower oil from 6 hectares of land.*

[4 marks]

Calculation involves $(15 \div 8) \times (6 \div 4)$ or equivalent = 2.8125 tonnes, which rounds to 2.8 tonnes to one decimal place

Response	Max 4 marks
For the correct answer: 2.8 tonnes	4 marks
For the correct value but with incorrect or missing units: 2.8 OR For the correct answer but not to one decimal place: any answer which rounds to 2.8 tonnes	3 marks
For the correct answer but not to one decimal place <u>and</u> with missing/incorrect units: any answer which rounds to 2.8 For the correct calculation but the wrong answer (with or without the correct units): e.g. $(15 \div 8) \times (6 \div 4)$ or equivalent	2 marks
For the correct answer for palm oil on 6 hectares (with or without the correct units): 22.5 (tonnes) OR For the correct answer for sunflower on 4 hectares (with or without the correct units): 1.9 or 1.875 or 1.87 or 1.88 (tonnes)	1 mark

MAXIMUM FOR QUESTION 22: 4 MARKS