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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Business costs, revenues and profit (1.2.3)

International GCSE Economics · Paper 1: Microeconomics and Business Economics

59 questions · 164 marks · Mark schemes included

Past papers June 2019 - June 2025 · 3 specification sub-topics

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 Piccadilly Business Centre, Unit C, Aldow Enterprise Park
Blackett Street, Manchester, M12 6AE

HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

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; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

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

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QUESTIONS

59 questions · 164 marks · 3 sub-topics

SUB-TOPIC 1.2.3 (a)

COSTS, REVENUE AND PROFIT

Sub-topic 1.2.3 (a) · 40 questions · 69 marks · lowest tariff first



Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a factor of production?

(1)

- ☐ **A** Land
- ☐ **B** Profit
- ☐ **C** Wages
- ☐ **D** Manufacturing

(b) A firm has total fixed costs of \$40 000 per month and variable costs of \$150 per unit. If it produces 1,000 units, what are the total costs per month for the firm?

(1)

- ☐ **A** \$190 000
- ☐ **B** \$150 000
- ☐ **C** \$41 150
- ☐ **D** \$40 150

(c) What is meant by the term demand?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following is a feature of an oligopoly?

(1)

- ☐ **A** Large firms dominate
- ☐ **B** Unique product
- ☐ **C** One firm dominates
- ☐ **D** No barriers to entry

- (b) A firm has monthly total costs of \$150 000 and monthly fixed costs of \$90 000. If it produces 1,000 units, what are the monthly total variable costs for the firm?

(1)

- ☐ **A** \$60
- ☐ **B** \$90
- ☐ **C** \$60 000
- ☐ **D** \$240 000

- (c) What is meant by the term luxury good?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 (a) Which **one** of the following values shows perfect price inelasticity of supply?

(1)

- ☐ A 1.5
☐ B 1
☐ C 0.5
☐ D 0

- (b) A firm has total costs of \$1 250 000 per month and variable costs of \$100 per unit. If it produces 5,000 units, calculate the **total fixed costs** per month for the firm.

(1)

- ☐ A \$1 750 000
☐ B \$1 250 100
☐ C \$1 249 900
☐ D \$750 000

- (c) What is meant by the term supply?

(2)

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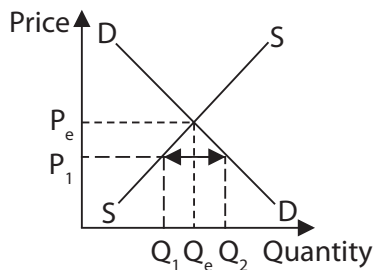
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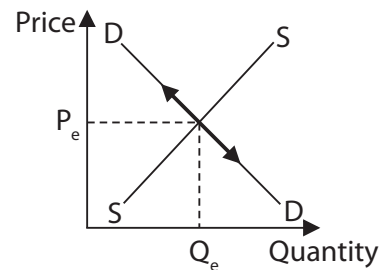
2 (a) Which **one** of the following diagrams shows excess demand?

(1)

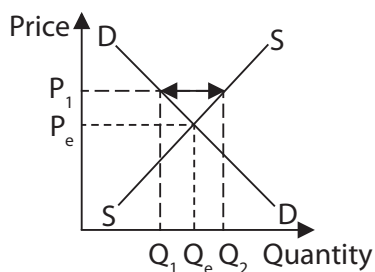
☐ A



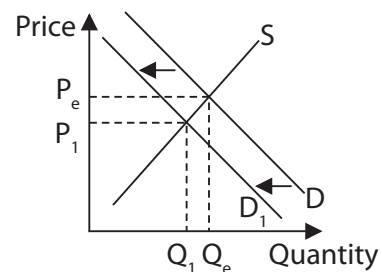
☐ B



☐ C



☐ D



(b) Land can be described as which **one** of the following?

(1)

- ☐ A A diseconomy of scale
- ☐ B A factor of production
- ☐ C A variable cost
- ☐ D A market failure

(c) State the formula for profit.

(1)

(d) Calculate the **price elasticity of supply (PES)** for a product when price increases by 30% and quantity supplied increases by 36%. You are advised to show your working.

(2)

(e) Define the term finance.

(1)



Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following values shows perfect price inelasticity of demand?

(1)

- ☐ **A** -1.5
- ☐ **B** -1
- ☐ **C** 0
- ☐ **D** 0.5

- (b) A firm has total costs of \$500 and sells each item at a price of \$50. It sells 100 items. What is the **profit or loss** for the firm?

(1)

- ☐ **A** \$45 000 profit
- ☐ **B** \$4 500 profit
- ☐ **C** \$20 000 loss
- ☐ **D** \$450 loss

- (c) What is meant by the term mixed economy?

(2)

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- 3 (a) Which **one** of the following is most likely to cause an increase in the supply of labour?

(1)

- ☐ A A higher retirement age
- ☐ B A higher school-leaving age
- ☐ C A fall in population
- ☐ D A fall in demand for the final product

- (b) Average costs can be calculated by which **one** of the following equations?

(1)

- ☐ A $\frac{\text{Total revenue}}{\text{Total costs}}$
- ☐ B $\frac{\text{Total revenue}}{\text{Price}}$
- ☐ C $\frac{\text{Output}}{\text{Total fixed costs}}$
- ☐ D $\frac{\text{Total costs}}{\text{Output}}$

- (c) Draw a demand curve on the diagram below that has price elastic demand (PED). Label the impact of a price change from P_1 to P_2 and its impact on quantity from Q_1 to Q_2 .

(3)

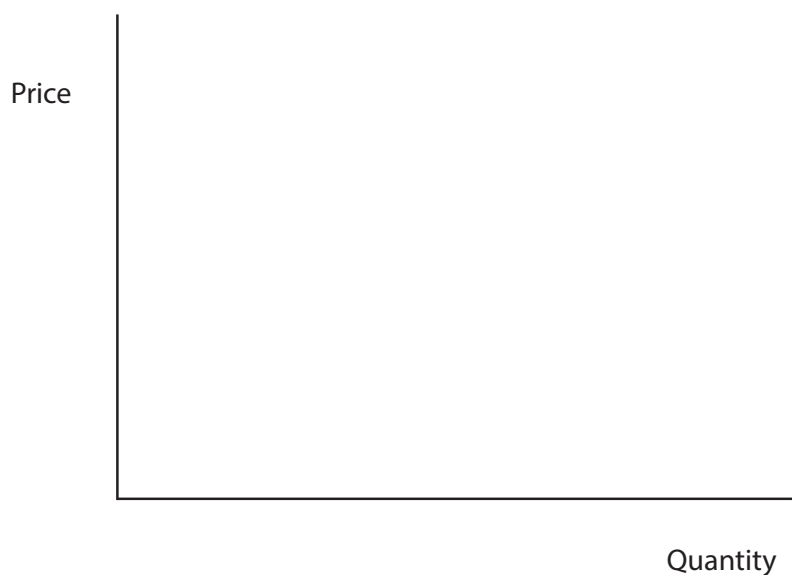


Figure 2

2 (a) Which **one** of the following products has a price inelastic demand?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	1

(b) Which **one** of the following is the formula for calculating average cost?

(1)

- ☐ A $\frac{\text{Total fixed cost}}{\text{Quantity produced}}$
- ☐ B $\frac{\text{Total revenue}}{\text{Quantity produced}}$
- ☐ C $\frac{\text{Total cost}}{\text{Quantity produced}}$
- ☐ D $\frac{\text{Total variable cost}}{\text{Quantity produced}}$

(c) State **one** reason why governments intervene in the economy.

(1)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a factor of production?

(1)

- ☐ **A** Taxation
- ☐ **B** Gym workout
- ☐ **C** Enterprise
- ☐ **D** Restaurant meal

A firm charges a price of \$160 per item and has average costs of \$120 per item. It sells 20 000 items.

(b) What is the total revenue for the firm?

(1)

- ☐ **A** \$19 200
- ☐ **B** \$20 160
- ☐ **C** \$2 400 000
- ☐ **D** \$3 200 000

(c) What is meant by the term normal good?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following is defined as 'breaking down the production process into smaller tasks'?

(1)

- ☐ **A** Division of labour
- ☐ **B** Innovation
- ☐ **C** Labour intensive
- ☐ **D** Productivity

A firm sells 40 units of a good. Variable costs are \$4 per unit. Customers pay \$10 per unit.

- (b) Which **one** of the following equals \$400?

(1)

- ☐ **A** Price
- ☐ **B** Total costs
- ☐ **C** Profit
- ☐ **D** Total revenue

- (c) What is meant by the term inferior good?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 (a) Water is an example of which factor of production?

(1)

- ☐ A Land
- ☐ B Labour
- ☐ C Capital
- ☐ D Enterprise

- (b) A firm has total costs of \$700. It sells 300 items at a price of \$20 each. What is the **profit** for the firm?

(1)

- ☐ A \$5 300
- ☐ B \$6 000
- ☐ C \$13 700
- ☐ D \$14 000

- (c) What is meant by the term supply?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

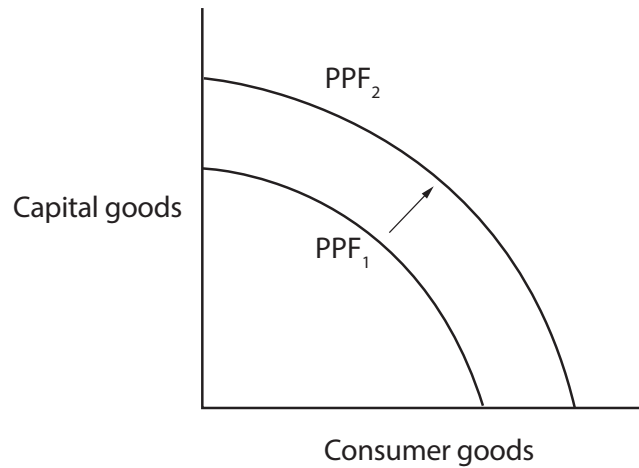


Figure 1

- 1 (a) Which **one** of the following might have caused the movement from PPF_1 to PPF_2 in Figure 1 above? (1)
- ☐ A Negative economic growth
 - ☐ B Positive economic growth
 - ☐ C Diseconomies of scale
 - ☐ D Economies of scale
- (b) A firm has total costs of \$10 000 and sells each item at a price of \$100. It sells 200 items. What is the **profit or loss** for the firm? (1)
- ☐ A \$20 000 profit
 - ☐ B \$10 000 profit
 - ☐ C \$20 000 loss
 - ☐ D \$10 000 loss

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) For which **one** of the following will demand increase when incomes decrease? (1)

- ☐ **A** Capital good
- ☐ **B** Inferior good
- ☐ **C** Luxury good
- ☐ **D** Normal good

A firm's monthly total costs are \$2 640 and monthly fixed costs are \$900.

- (b) Which **one** of the following equals \$1 740? (1)

- ☐ **A** Price
- ☐ **B** Profit
- ☐ **C** Average total costs
- ☐ **D** Total variable costs

- (c) What is meant by the term division of labour? (2)

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3 (a) An increase in which **one** of the following is most likely to cause a decrease in the supply of labour? (1)

- ☐ A The retirement age
- ☐ B The school-leaving age
- ☐ C The population
- ☐ D The demand for the final product

(b) Which **one** of the following is the formula to calculate total revenue? (1)

- ☐ A Quantity sold $\times$ price
- ☐ B Profit – price
- ☐ C Profit $\div$ price
- ☐ D Quantity sold $\div$ price

(c) Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price. (3)

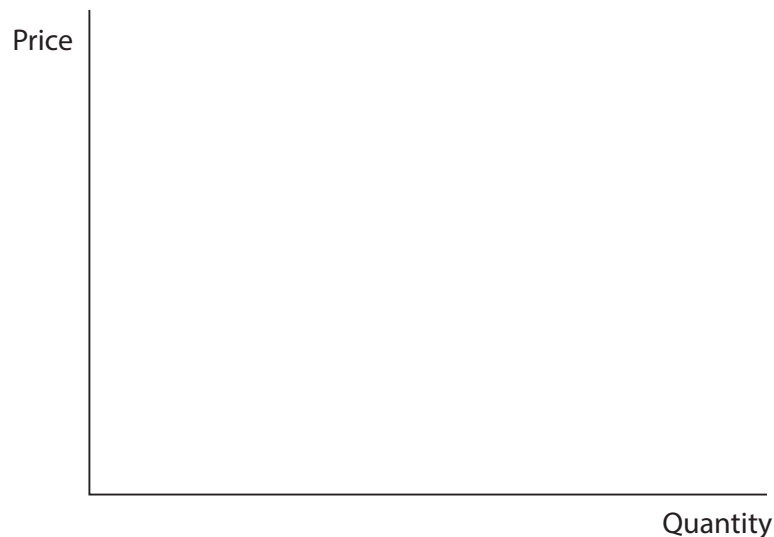


Figure 2

- 3 (a) Which **one** of the following is an example of a job in the primary sector of the economy?

(1)

- ☐ **A** Farmer
- ☐ **B** Mechanic
- ☐ **C** Shop assistant
- ☐ **D** Teacher

- (b) Total revenue can be defined as the quantity of goods sold

(1)

- ☐ **A** added to the price
- ☐ **B** subtracted from the price
- ☐ **C** multiplied by the price
- ☐ **D** divided by the price

- (c) Using the diagram below, draw a diagram to show a demand curve that has price inelastic demand. Label the curve and show the impact on both axes from a change in price.

(3)



Figure 2



2 (a) Which **one** of the following products has a price elastic demand?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	0

(b) Which **one** of the following is the formula for calculating average cost?

(1)

- ☐ A Total cost $\div$ quantity produced
- ☐ B Total fixed cost $\div$ quantity produced
- ☐ C Total variable cost $\div$ quantity produced
- ☐ D Total revenue $\div$ quantity produced

Figure 3 shows selected financial data of a firm producing calculators.

	\$ per calculator
Selling price	\$12.50
Raw materials	\$3.25
Labour	\$4.58

Figure 3

- (c) Calculate the **profit or loss** for the firm for each calculator. You are advised to show your working.

(2)

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- (d) What is meant by the term patent?

(2)

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(d) State the formula for social costs.

(1)

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(e) Define the term tertiary sector.

(1)

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Figure 1 shows the costs of production per month for a firm making 2,000 units.

Quantity	Total fixed costs	Total variable costs
2,000	\$7 340	\$4 760

Figure 1

(f) Calculate the average cost per unit for the firm when it makes 2,000 units. You are advised to show your working.

(2)

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3 (a) Which **one** of the following may result in economic growth?

(1)

- ☐ **A** Increasing unemployment
- ☐ **B** Decreasing government spending
- ☐ **C** Decreasing productivity
- ☐ **D** Increasing technological advancements

(b) Which **one** of the following is an example of an economic want?

(1)

- ☐ **A** Food
- ☐ **B** Water
- ☐ **C** Shelter
- ☐ **D** Education

The total revenue of a printing firm is \$75 000 per month when it sells 100,000 newspapers. The price of a newspaper increases to \$0.85 and demand falls to 95,000 newspapers per month.

(c) Calculate the new total revenue. You are advised to show your working.

(2)

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(d) Using your answer to 3 (c), state the price elasticity of demand for newspapers.

(1)

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4 Veronique owns a shop that makes cakes for special occasions. The cakes sell for an average price of €40 each.

(a) Calculate the quantity of cakes sold by Veronique's shop when total revenue is €3 600. You are advised to show your working.

(2)

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(c) State the formula for price elasticity of supply (PES).

(1)

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Figure 4 shows some of the production costs in the month of May for a firm manufacturing football souvenirs in Qatar, in preparation for the 2022 World Cup.

Production costs	Qatari Riyal (QR)
Rent	5 000
Raw materials	2 000
Advertising	500
Labour (paid according to output)	15 000

Figure 4

(d) Calculate the **total variable costs** for the firm in the month of May. You are advised to show your working.

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 (a) Car production is most likely to take place in which sector of the economy?

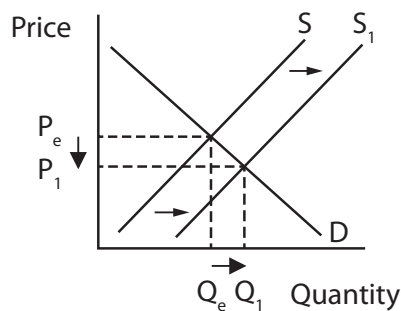
(1)

- ☒ A Primary
☒ B Secondary
☒ C Tertiary
☒ D Mixed

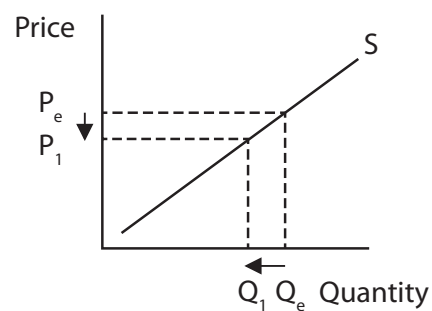
- (b) Which **one** of the following diagrams shows the new equilibrium price and quantity for lemon ice cream in Thailand following a price reduction in chocolate ice cream?

(1)

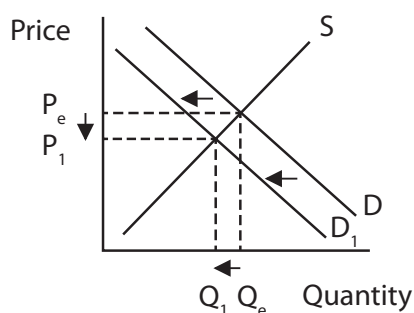
☒ A



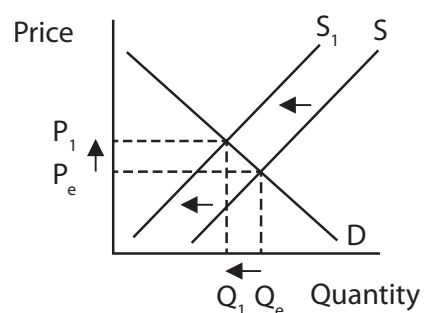
☒ B



☒ C



☒ D



1 (c) What is meant by the term total revenue?

(2)

(d) State **one** possible cause of positive economic growth.

(1)

(e) Define the term external benefit.

(1)



- 2 (a) Which **one** of the following is the correct label to replace 'X' on the diagram below? (1)

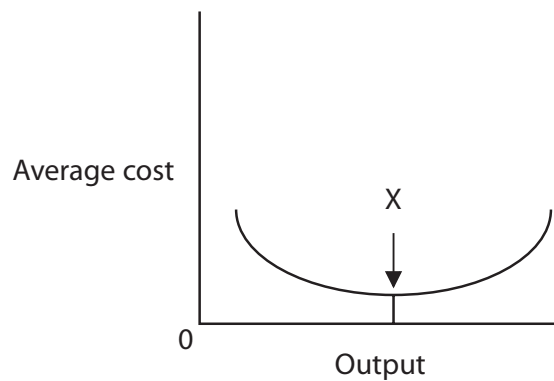


Figure 3

- ☐ **A** Internal economies of scale
 - ☐ **B** External economies of scale
 - ☐ **C** Total costs
 - ☐ **D** Most efficient
- (b) Which **one** of the following is an example of derived demand? (1)

- ☐ **A** Consumer demand for clothes to wear
- ☐ **B** Tourist demand for foreign holidays
- ☐ **C** Producer demand for labour to make goods
- ☐ **D** Student demand for computer games to play

Figure 4 shows some of the production costs in November for a firm manufacturing rugs and carpets in Pakistan.

Production costs	Pakistani Rupee (Rs)
Rent	40 250
Raw materials	20 050
Advertising	10 125
Labour (paid in direct proportion to output)	210 000

Figure 4

- (c) Calculate the **total fixed costs** for the firm in November. You are advised to show your working.

(2)

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- (d) What is meant by the term demand?

(2)

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Figure 2 shows selected financial data of a firm selling shoes.

	Cost/Revenue per pair of shoes (\$)
Selling price	89
Raw materials	17
Labour	35

Figure 2

- (d) Calculate the **profit or loss** for the firm for each pair of shoes. You are advised to show your working.

(2)

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Governments can use fines to deal with externalities.

- (e) Define the term fine.

(1)

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(d) State the formula for calculating social costs.

(1)

(e) Define the term producer.

(1)

A firm has total fixed costs of \$50 000 per month and variable costs of \$250 per unit. It produces 750 units per month.

(f) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)



4 Figure 4 shows profit for a firm between 2017 and 2019.

Year	Profit (\$)
2017	80 750
2018	83 550
2019	87 100

Figure 4

- (a) Calculate, to two decimal places, the **percentage change in profit** between 2017 and 2019, for the firm. You are advised to show your working.

(2)

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Trekking is a very popular activity for tourists in Nepal. In the main tourist town of Pokhara, there are a few large firms that offer guides, porters and resources. Some smaller firms specialise in taking customers on less popular routes, whereas others offer guides who speak different languages. It is difficult for new competitors to set up in Pokhara, as expensive permits are required.

- (b) With reference to the data above and your knowledge of economics, analyse why the market for trekking in Pokhara could be described as an oligopoly.

(6)



A firm has total fixed costs of \$75 000 per month and variable costs of \$525 per unit. It produces 1350 units per month.

- (d) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)

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- (e) Define the term takeover.

(1)

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- (f) Describe **one** reason why consumers do not always maximise their benefit from the consumption of a product.

(2)

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Figure 2 shows some of the monthly production costs for a firm which manufactures clothing.

Production costs	US\$
Rent	25 000
Raw materials	12 000
Insurance	5 500
Labour (payment depends on output)	115 000

Figure 2

- (d) Calculate the **total variable costs** for the firm each month. You are advised to show your working.

(2)

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- (e) Define the term minimum wage.

(1)

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(c) What is meant by the term barriers to entry?

(2)

A firm has total fixed costs of \$57 000 per month and variable costs of \$750 per unit. It produces 1,820 units per month.

(d) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)

(e) Describe **one** disadvantage for a government of using subsidies.

(2)



(c) What is meant by the term trade union?

(2)

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Figure 4 shows the monthly costs per unit when a firm makes 3,000 units.

Quantity	Total fixed costs	Total variable costs
3,000	\$6 200	\$3 550

Figure 4

(d) Calculate the **average cost per unit (AC)** for the firm when it makes 3,000 units.
You are advised to show your working.

(2)

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Figure 2 shows some of the monthly production costs for a firm which makes furniture.

Production costs	€
Rent	30 000
Raw materials	16 500
Insurance	7 000
Labour (payment depends on output)	95 000

Figure 2

(f) Calculate the **total variable costs** for the firm each month. You are advised to show your working.

(2)

(d) State **one** reason why a supply curve will shift to the left.

(1)

(e) Define the term competition.

(1)

A firm sells its products at a price of €75 per unit and has a cost per unit of €35.

(f) Calculate the **total revenue** for the firm when its monthly sales are 250 units.
You are advised to show your working.

(2)



4 Figure 5 shows profit for a firm between 2020 and 2022.

Year	Profit (\$)
2020	20 250
2021	21 000
2022	22 950

Figure 5

(a) Calculate, to two decimal places, the **percentage change in profit** for the firm between 2020 and 2022. You are advised to show your working.

(2)



4 Figure 3 shows the daily costs of hiring a vehicle to transport goods to a customer.

Vehicle hire cost (\$ per day)	Fuel cost (\$ per km)	Distance travelled (km)	Cost of insurance (\$ per day)
90	0.25	65	20

Figure 3

- (a) Calculate the **daily total costs** of transporting the goods to the customer. You are advised to show your working.
- (2)

4 Figure 3 shows the costs to a firm of running a machine to produce an order of goods.

Purchase price of machine (\$)	Electricity (\$ per hour)	Production time (hours)	Insurance (\$)
1 036	0.45	19	17

Figure 3

(a) Calculate the **total variable costs** of this order for the firm.
You are advised to show your working.

(2)

A project to update the infrastructure and develop new routes along Indian railways has been in progress for a number of years. One part of the plan is to expand the rail network between Hyderabad and Karnataka.

The expanded railway network will provide more services for passengers, along with more freight trains. This will mean more raw materials, including cement, iron ore and steel can be transported.

(b) With reference to the data above and your knowledge of economics, analyse the impact of external economies of scale on construction firms in India.

(6)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.

2

Market share by sales of firms in a market in Kuwait

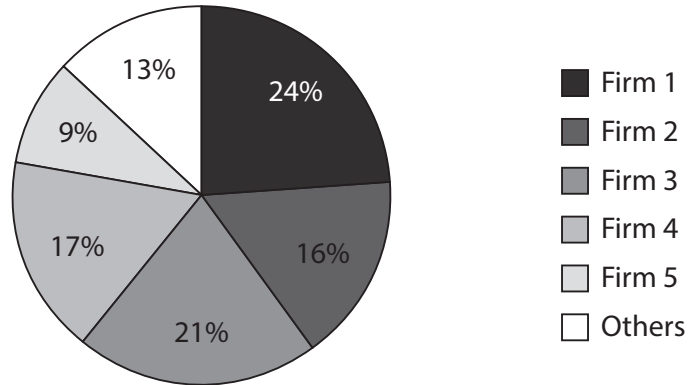


Figure 2

- (a) Which **one** of the following options is the most suitable term for the type of market shown in Figure 2?

(1)

- ☐ A Monopoly
- ☐ B Oligopoly
- ☐ C Public sector
- ☐ D Labour

- (b) Which **one** of the following is a reason why consumers may not maximise their benefit?

(1)

- ☐ A Consumers may not accurately calculate benefits
- ☐ B Consumers may find it easy to give up habits
- ☐ C Consumers never copy the behaviour of others
- ☐ D Rational decisions are always made by consumers

Figure 3 shows some of the production costs in the month of September for a firm manufacturing rugby souvenirs in France, in preparation for the 2025 Six Nations tournament.

Production costs	Euro (€)
Rent	7 000
Raw materials	3 000
Advertising	1 300
Labour (paid according to output)	18 000

Figure 3

(c) Calculate the **total variable costs** for the firm in the month of September. You are advised to show your working.

(2)

(d) What is meant by the term total revenue?

(2)

(d) State the formula for social costs.

(1)

(e) Define the term producer.

(1)

A firm has total fixed costs of €37 000 per month and variable costs of €170 per unit. It produces 650 units per month.

(f) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)

4 Figure 4 shows profit for a firm between 2021 and 2023.

Year	Profit (\$)
2021	211 600
2022	213 700
2023	214 100

Figure 4

(a) Calculate, to two decimal places, the **percentage change in profit** for the firm between 2021 and 2023. You are advised to show your working.

(2)



The market for petrol in Uganda has five main companies, each with a distinctive logo and colours representing its brand. These companies benefit considerably from barriers to entry, due to very high set-up costs.

Each company offers something different to stand out from its competitors. Vivo Energy offers excellent customer service. Total Energies aims to improve its impact on the environment. Nile Energy has a reputation for modern facilities. Hass Petroleum uses a loyalty card to retain customers and Stabex International focuses on having motivated employees.

(b) With reference to the data above and your knowledge of economics, analyse why the market for petrol in Uganda could be described as an oligopoly.

(6)

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2 (a) Which **one** of the following products has a price elastic demand?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	0

(b) Which **one** of the following is the formula for calculating average cost?

(1)

- ☐ A Total cost $\div$ quantity produced
- ☐ B Total fixed cost $\div$ quantity produced
- ☐ C Total variable cost $\div$ quantity produced
- ☐ D Total revenue $\div$ quantity produced

Figure 3 shows selected financial data of a firm producing calculators.

	\$ per calculator
Selling price	\$12.50
Raw materials	\$3.25
Labour	\$4.58

Figure 3

(c) Calculate the **profit or loss** for the firm for each calculator. You are advised to show your working.

(2)

(d) What is meant by the term patent?

(2)

- (g) Using the diagram below, draw the likely effects on the market for crops after farmland is damaged by flooding. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

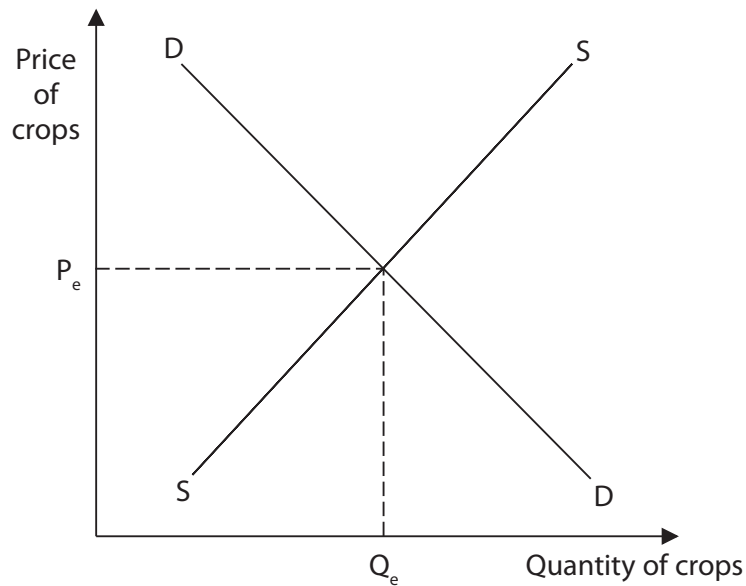


Figure 1

Tertiary sector employment has increased by 13.1% in China during the last 10 years. However, there have been few changes in the level of employment in the secondary sector.

- (h) Explain **one** possible reason for this trend.

(3)

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SUB-TOPIC 1.2.3 (b)

ECONOMIES OF SCALE

Sub-topic 1.2.3 (b) · 15 questions · 84 marks · lowest tariff first



3 (a) Which **one** of the following is an example of an external economy of scale?

(1)

- ☐ A Bulk buying
- ☐ B Skilled labour
- ☐ C Bureaucracy
- ☐ D Managerial

(b) Which **one** of the following is a main feature of an oligopoly?

(1)

- ☐ A Rising fixed costs
- ☐ B No barriers to entry
- ☐ C Large firms dominate the market
- ☐ D Specialises in the public sector

2 (a) Which **one** of the following products has demand that is price elastic?

(1)

	Product	Price elasticity of demand (PED)
☐ A	W	-1.5
☐ B	X	-1
☐ C	Y	-0.5
☐ D	Z	1

(b) Which **one** of the following is a situation when firms in a growing industry all benefit from lower average costs?

(1)

- ☐ A Internal economies of scale
- ☐ B External economies of scale
- ☐ C Diseconomies of scale
- ☐ D Technical economies of scale

(c) State **one** disadvantage to firms of increased competition.

(1)

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1 (d) State **one** type of an external economy of scale.

(1)

(e) Define the term unique product.

(1)

Connor owns a hair salon. He increased prices by 2% and was willing to increase quantity supplied by 2.6%.

(f) Calculate the **price elasticity of supply (PES)** for Connor's hair salon. You are advised to show your working.

(2)



Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following does a point on a production possibility curve (PPC) represent?

(1)

- ☐ **A** Where capital goods should be produced
- ☐ **B** How the production of all goods can be increased
- ☐ **C** Government revenue from production
- ☐ **D** A given amount of resources being fully employed

Andreas is a plumber. Unlike his competitors, he is prepared to work at the weekend. However, he charges customers 50% more for his services at the weekend.

- (b) Which **one** of the following describes this economic assumption?

(1)

- ☐ **A** Businesses aim to maximise their profit
- ☐ **B** Producers may complete charitable work
- ☐ **C** Consumers sometimes copy others' behaviour
- ☐ **D** Governments try to increase the number of days worked

- (c) What is meant by the term economies of scale?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☐. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☐.

- 1** (a) A trade union is an organisation that aims to improve

(1)

- ☐ **A** profit margins
- ☐ **B** tax revenue
- ☐ **C** the environment
- ☐ **D** working conditions

- (b) Figure 1 below shows a change in demand for tickets to a sporting event.

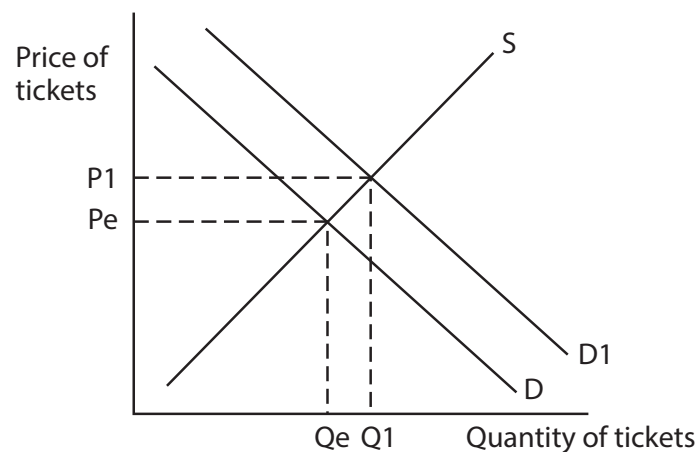


Figure 1

Which **one** of the following statements is true?

(1)

- ☐ **A** When the price falls, the quantity demanded falls
- ☐ **B** The demand curve slopes upwards from left to right
- ☐ **C** An increase in demand is shown by a shift to the right
- ☐ **D** A decrease in demand is shown by a shift to the right

1 (c) What is meant by the term economies of scale?

(2)

(d) State **one** main feature of an oligopoly.

(1)

(e) Define the term excess supply.

(1)



Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following can represent a point on a production possibility curve (PPC)?

(1)

- ☐ **A** Where consumer goods should be produced
- ☐ **B** How the production of all goods can be increased
- ☐ **C** Total revenue from production
- ☐ **D** Production which is obtainable

On one day a month, a firm charges each customer a price of \$10 for providing one hour of gardening services. The cost to the firm for providing the service to each customer is \$15.

- (b) Which **one** of the following describes why the firm might do this?

(1)

- ☐ **A** Producers aim to maximise their profit
- ☐ **B** Producers may complete charitable work
- ☐ **C** Consumers have habits that are hard to give up
- ☐ **D** Consumers sometimes copy others' behaviour

- (c) What is meant by the term economies of scale?

(2)

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Sky Team is a group of 19 airlines, including Delta Airlines, KLM, Air France and China Airlines that share operating facilities and cooperate when setting flight routes. This allows more choice for passengers. Vietnam Airlines is a small airline that became a member of Sky Team in 2010. It was the first Southeast Asian airline to join Sky Team and has become more well-known to air passengers as a result of the group's advertising campaigns.

- (b) With reference to the data above and your knowledge of economics, analyse how a smaller airline may benefit from internal economies of scale by joining a group such as Sky Team.

(6)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.



Wong Thien runs the family's noodle-making factory, which has been operating in Jenjarum, Malaysia since 1950. The noodle-making process involves each worker blending ingredients to make dough, kneading the dough with long wooden rolling pins and cutting noodles to various sizes. Wong's factory now supplies 70% of the noodle-based food stalls in the town. He is considering introducing division of labour in the production process in order to increase productivity.

- (c) With reference to the data above and your knowledge of economics, evaluate whether introducing division of labour is the best way for Wong to increase productivity in his noodle-making factory.

(12)

[illegible]

- (g) Using the diagram below, draw the likely effects on the market for smartphones following a rise in the cost of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

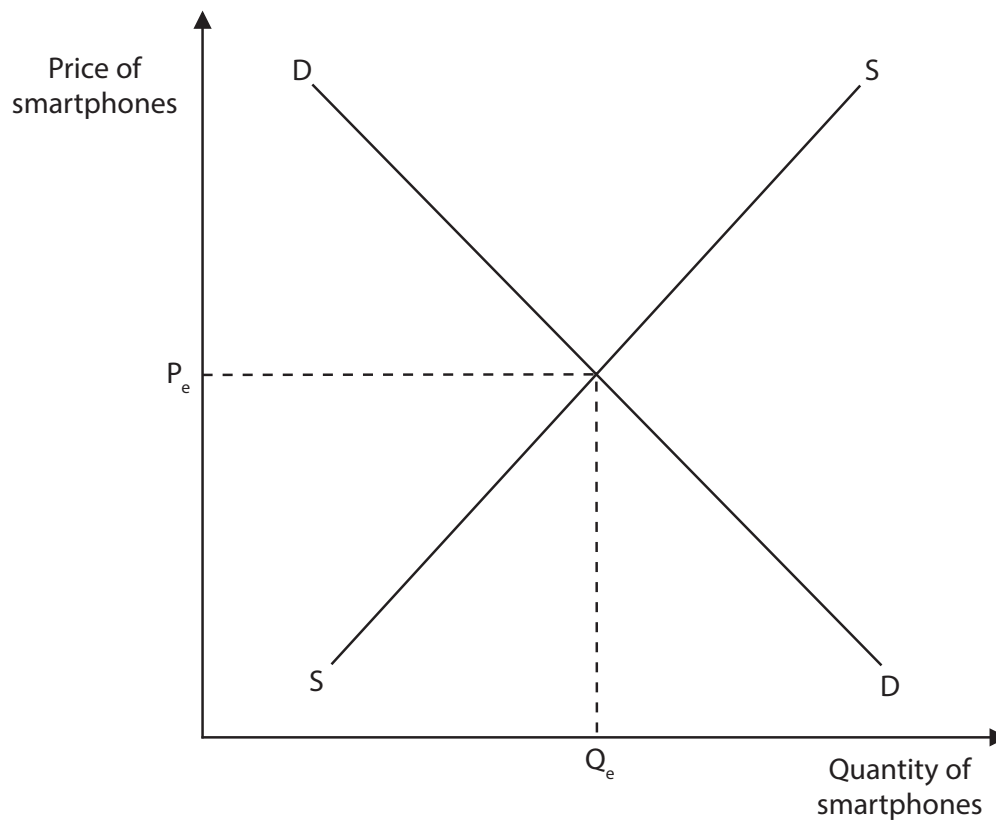


Figure 1

The New Zealand Government is to introduce new legislation to limit the interest rate firms can charge on loans made to customers. The maximum interest rate firms can charge will be 0.8% per day.

- (h) Explain **one** reason why the New Zealand Government may be introducing this legislation.

(3)

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(6)

68

4 Figure 3 shows the daily costs of hiring a vehicle to transport goods to a customer.

Vehicle hire cost (\$ per day)	Fuel cost (\$ per km)	Distance travelled (km)	Cost of insurance (\$ per day)
90	0.25	65	20

Figure 3

- (a) Calculate the **daily total costs** of transporting the goods to the customer. You are advised to show your working. (2)



(6)





The largest airport in Nigeria is located in Lagos. The Nigerian Government has made several attempts to privatise the country's four main airports over recent years. This has been unsuccessful due to resistance from trade unions that have members at the airport.

However, recently there has been increased interest from a number of private investors. This is due to the growing population, increasing demand for flights to and from Lagos and a stronger industrial base in the country. This means privatisation of Lagos Airport is now more likely to happen.

Whilst under the control of the government, subsidies have been used to pay some of the costs to operate the airport, as well as to improve safety and airport facilities.

- (c) With reference to the data above and your knowledge of economics, evaluate whether consumers are likely to benefit from the privatisation of Lagos Airport.

(12)

[illegible]

4 Figure 3 shows the costs to a firm of running a machine to produce an order of goods.

Purchase price of machine (\$)	Electricity (\$ per hour)	Production time (hours)	Insurance (\$)
1 036	0.45	19	17

Figure 3

(a) Calculate the **total variable costs** of this order for the firm.
You are advised to show your working.

(2)

(6)

[illegible]



Istanbul's new airport will be huge in size and capacity when construction is finished. It will have the ability to handle around 200 million passengers annually. This is double the number of the world's current busiest airport in Atlanta, USA. The airport will cost \$11.7bn to build. It will have four terminals, six runways and cover an area of 29.5 square miles, making it larger than the island of Manhattan in New York.

(Source adapted from: <https://matadornetwork.com/read/istanbul-new-airport-biggest-world/>)

- (e) With reference to the data above and your knowledge of economics, assess whether Istanbul's new airport is likely to benefit from internal economies of scale.

(9)

[illegible]

(Total for Question 3 = 20 marks)

2

Chart to show market share held by firms within a market

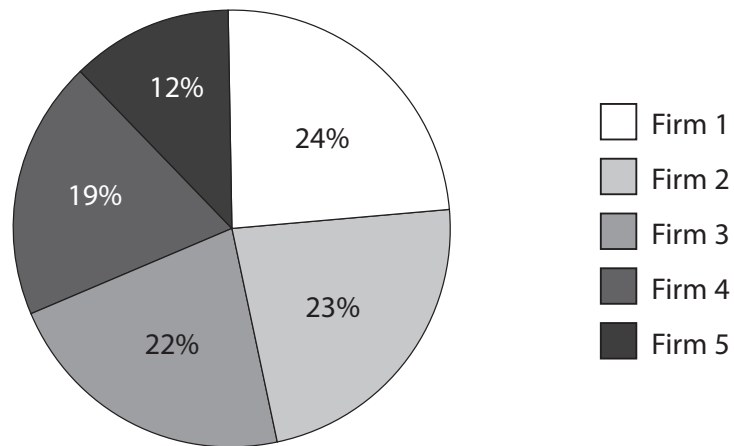


Figure 2

(a) Which **one** of the following options is the type of market shown in Figure 2?

(1)

- ☐ A Labour
- ☐ B Public
- ☐ C Monopoly
- ☐ D Oligopoly

(b) An increase in which **one** of the following is most likely to increase productivity?

(1)

- ☐ A Bureaucracy
- ☐ B Congestion
- ☐ C Irrigation
- ☐ D Regulation

Hong Kong telecommunications firm, CK Hutch, is planning to merge with Indosat which is based in Jakarta, Indonesia. Indosat provides services for mobile phones and broadband. It is a growing business, with a value of \$2.2bn and more than 60 million customers. Indonesia is Southeast Asia's most populated country.

(Source adapted from: <https://www.zdnet.com/article/ck-hutchison-and-ooredoo-indonesian-merger-to-create-indosat-ooredoo-hutchison/>)

- (g) With reference to the data above and your knowledge of economics, assess the extent to which a merger between CK Hutch and Indosat is likely to lead to economies of scale.

(9)

[illegible]

(Total for Question 2 = 20 marks)

3 (a) A minimum wage is a type of

(1)

- ☐ A factor of production
- ☐ B economic assumption
- ☐ C economy of scale
- ☐ D government intervention

(b) Which **one** of the following is likely to lead to an increase in the productivity of capital?

(1)

- ☐ A An increase in bureaucracy
- ☐ B A decrease in the availability of finance
- ☐ C An increase in technological advances
- ☐ D A decrease in the size of the market

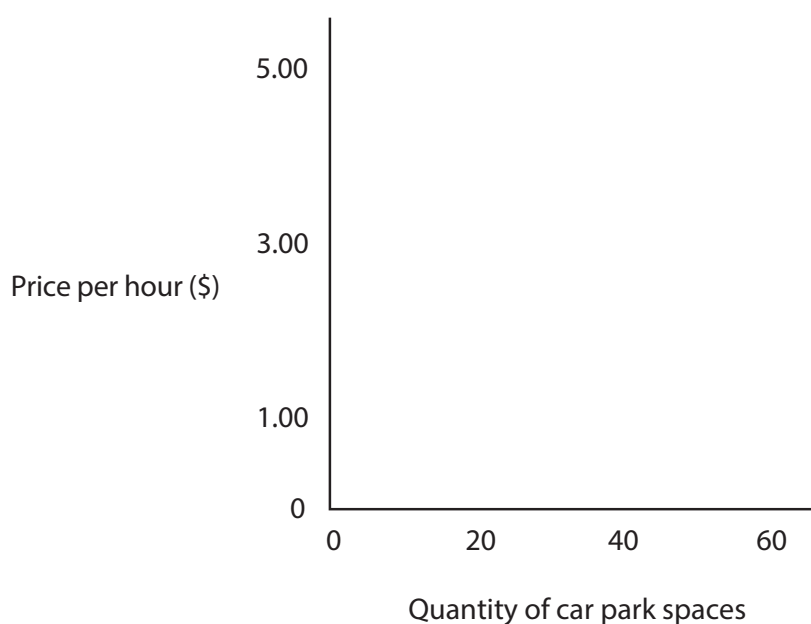
Figure 3 shows the estimated demand for car park spaces at a given price.

Price per hour (\$)	1.00	3.00	5.00
Demand	60	40	20

Figure 3

(c) Using the information in Figure 3, draw and label the demand curve for car park spaces on the diagram below.

(3)



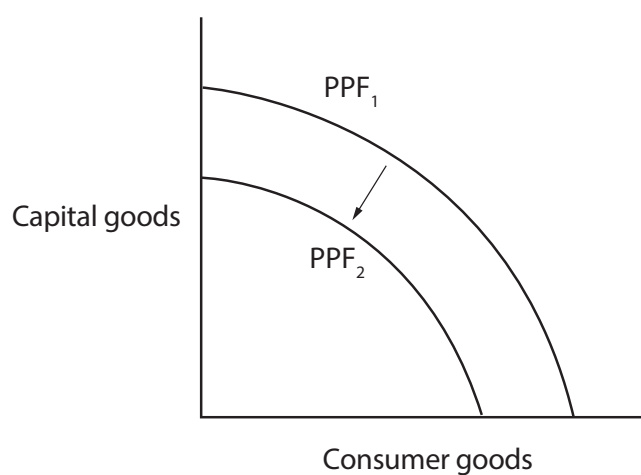
**Figure 4**

Figure 4 shows an inward shift in the production possibility frontier (PPF) for an economy.

- (d) With reference to the data above and your knowledge of economics, analyse why the economy might have moved from PPF_1 to PPF_2 .

(6)



(9)

[illegible]

(Total for Question 3 = 20 marks)

- 4 A concert venue in Malaysia holds a maximum of 3,200 people for each performance. The quantity of tickets demanded for the most recent concerts is shown in Figure 5.

Concert	Quantity of tickets demanded
A	4,200
B	6,000
C	3,250

Figure 5

- (a) Calculate the **excess demand** for tickets if the quantity supplied for all three concerts totals 9,600. You are advised to show your working.

(2)

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Instagram, WhatsApp and Facebook Messenger are social network messaging services, taken over and owned by Facebook. Between them, they have more than 2.6 billion users. Although they currently operate as stand-alone apps, Facebook's chief executive, Mark Zuckerberg, has now taken greater control of all three. He has plans to combine the services, allowing messages to be sent between the different apps.

Both Instagram and WhatsApp have grown considerably since the takeover but their original founders have left due to the increased control from Facebook. Some employees are unhappy and do not understand the planned changes to the services. However, Zuckerberg thinks there will be long-term benefits including reduced costs. He says that less software will be needed once the system is in place and consumers will be less likely to use competitors' apps.

(Source adapted from: <https://www.nytimes.com/2019/01/25/technology/facebook-instagram-whatsapp-messenger.html>)

- (c) With reference to the data above and your knowledge of economics, evaluate whether Zuckerberg's decision to combine all three services is likely to lead to economies of scale.

(12)





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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



4 A factory has been unable to meet the demand for its product due to a shortage of raw materials. The quantity demanded for the product during each of the first three months of 2024 is shown in Figure 5.

Month	Quantity of products demanded
January	13,600
February	14,200
March	11,700

Figure 5

(a) Calculate the **excess demand** for the product for the first three months of 2024, if the quantity supplied during each month was 11,000 (33,000 in total). You are advised to show your working.

(2)



Twitter, one of the most popular social media platforms, was bought for \$44bn by entrepreneur Elon Musk in 2022.

The aims of Elon Musk include the creation of an 'everything app' – a platform that includes messaging, payments, ridesharing, food delivery and more. To support this, Elon Musk introduced major changes to Twitter, including renaming it 'X'.

The number of X users increased to a new high of 530 million by 2023, following an increase in publicity about the change of name. This meant X did not need to pay high advertising costs to promote the platform.

Advanced technology will be introduced by X to enable users to operate multiple functions on the new platform. This research and development is likely to lead to a significant cost for the firm.

The platform has experienced a decrease of 65% in advertising revenue. Thousands of workers have already lost their jobs, including those in managerial roles.

(c) With reference to the data above and your knowledge of economics, evaluate whether X is likely to benefit from economies of scale.

(12)

[illegible]

Handwriting practice area with 25 horizontal dotted lines.



(Total for Question 4 = 20 marks)



SUB-TOPIC 1.2.3 (c)

DISECONOMIES OF SCALE

Sub-topic 1.2.3 (c) · 4 questions · 11 marks · lowest tariff first



3 A product has an income elasticity of demand (YED) of -0.16.

(a) Which **one** of the following best describes this product?

(1)

- ☐ **A** A luxury good
- ☐ **B** A normal good
- ☐ **C** A public good
- ☐ **D** An inferior good

(b) Which **one** of the following is a diseconomy of scale?

(1)

- ☐ **A** An increase in productivity
- ☐ **B** An increase in bureaucracy
- ☐ **C** A decrease in the cost of research and development
- ☐ **D** A decrease in government regulation

- 2 (a) Which **one** of the following is the correct label to replace 'X' on the diagram below? (1)

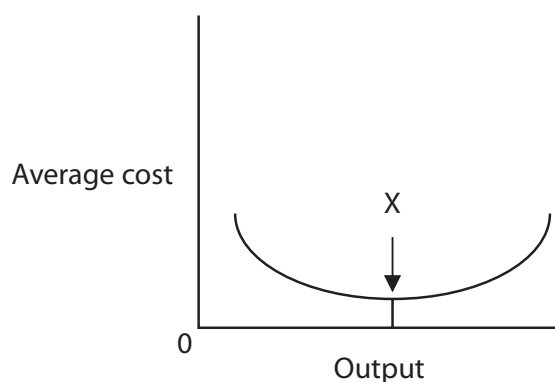


Figure 3

- ☐ **A** Internal economies of scale
 - ☐ **B** External economies of scale
 - ☐ **C** Total costs
 - ☐ **D** Most efficient
- (b) Which **one** of the following is an example of derived demand? (1)
- ☐ **A** Consumer demand for clothes to wear
 - ☐ **B** Tourist demand for foreign holidays
 - ☐ **C** Producer demand for labour to make goods
 - ☐ **D** Student demand for computer games to play

3 (a) Which **one** of the following is a reason why a firm may decide to stay small?

(1)

- ☐ **A** To increase bureaucracy
- ☐ **B** To sell a niche product
- ☐ **C** To spread business risk
- ☐ **D** To take over competitors

(b) The introduction of a minimum wage above the equilibrium wage in a labour market is most likely to

(1)

- ☐ **A** increase quantity of labour demanded and decrease the wage rate
- ☐ **B** increase quantity of labour demanded and increase the wage rate
- ☐ **C** decrease quantity of labour demanded and decrease the wage rate
- ☐ **D** decrease quantity of labour demanded and increase the wage rate

(c) On the diagram below, draw and label economies of scale, diseconomies of scale and the point at which the firm is most efficient.

(3)

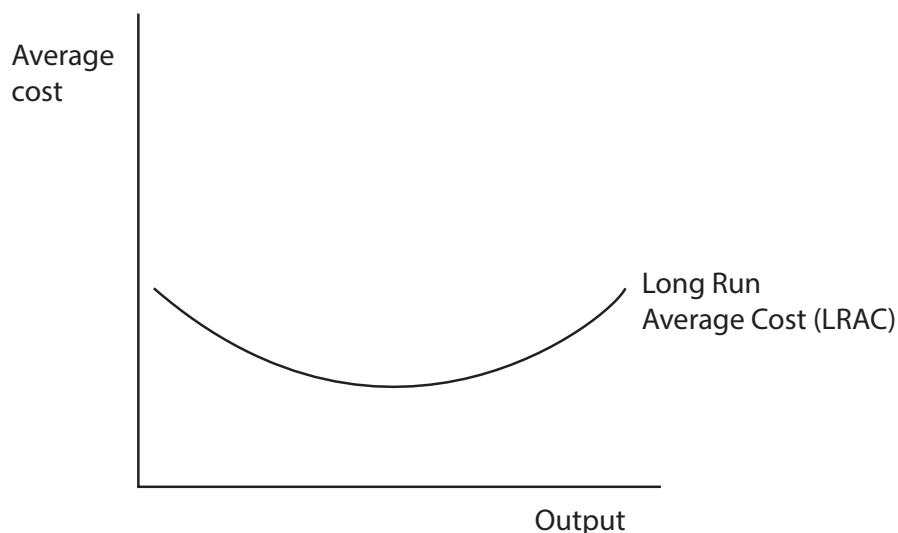


Figure 4

The education system in Japan is one of the best in the world. Primary and secondary education is free, with a typical school day from 08:00 to 15:00 or 16:00, depending on the age of the students.

(Source: adapted from <https://www.internations.org/japan-expats/guide/education>)

(d) With reference to the data above and your knowledge of economics, analyse why education in Japan may be an external benefit.

(6)

[illegible]

- 4 Figure 6 shows the Production Possibility Curve (PPC) for an economy making consumer goods and capital goods.

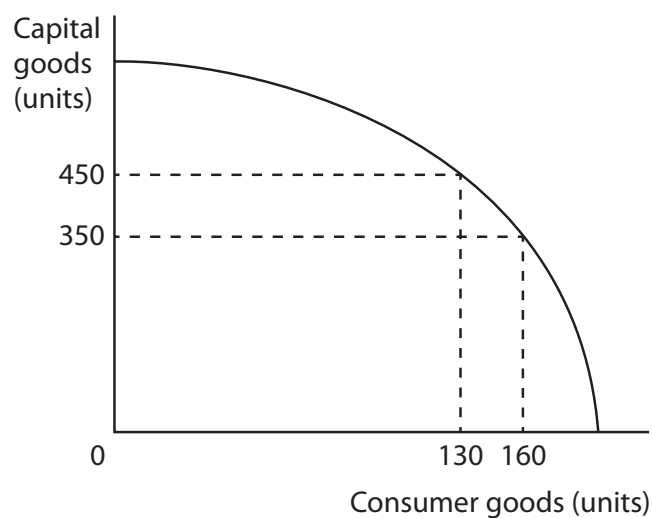


Figure 6

- (a) When the current level of output is 350 units of capital goods, calculate the **opportunity cost** of producing an additional 100 units of capital goods. You are advised to show your working.

(2)

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(b) With reference to the data above and your knowledge of economics, analyse why Ben's employer might be experiencing diseconomies of scale.

[illegible]

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Amazon Prime Video is a multinational entertainment provider. It streams films and television shows to subscribers through the internet. In Japan, Amazon holds 11.5% of the market share. This is higher than Netflix but less than dTV, U-NEXT and Hulu. Subscribers currently pay 3 900 yen (\$36.75) for annual membership to stream from Amazon, which is cheaper than its competitors.

(Source adapted from: <https://variety.com/2018/tv/news/amazon-netflix-gain-ground-japan-streaming-1202729953/>)

- (c) With reference to the data above and your knowledge of economics, evaluate the importance of income elasticity of demand (YED) for Amazon Prime Video as incomes in Japan increase.

(12)

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MARK SCHEMES

official mark schemes, in the same order as the questions



Question number	Answer	Mark
1(a)	AO1 1 mark	
	A Land	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark	
	A \$190 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks	
	Award 1 mark for reference to amount willing to be purchased and 1 mark for reference to price	
	The quantity of goods/services consumers are willing and able to buy (1) at a given price (1)	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark	
	Award 1 mark for correct formula	
	Private costs + external costs	(1)

Question number	Answer	Mark
1(a)	AO1 1 mark A Large firms dominate	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark C \$ 60 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to a good for which the rise in demand is proportionally more than that of income and 1 mark for reference to income elasticity of demand being greater than one - A good for which income elasticity of demand is greater than 1 (1) the proportionate change in demand is greater than the proportionate change in income (1) OR - Luxury goods are products that are not essential (1) but are highly desired and associated with wealthy people (1)	(2)

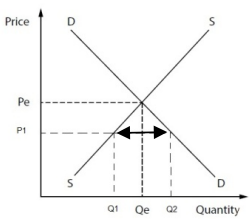
Question number	Answer	Mark
1(a)	AO1 1 mark D 0	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark D \$750 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to amount producers are willing and able to sell and 1 mark for reference to price The quantity of goods or services producers are willing and able to sell (1) at a given price/at a given time (1)	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct example Building construction/Car production/Shipbuilding Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition The people used in the production of goods and services Accept any other appropriate response	(1)

Question number	Answer	Mark
2(a)	AO2 1 mark A 	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark B A factor of production	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for correct formula in words/as an equation Total revenue minus total costs	(1)

Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation $36 \div 30$ (1) Award 1 mark for correct price elasticity of supply (PES) $= 1.2$ (1) Award 2 marks if PES is correctly calculated as 1.2, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
1(a)	AO1 1 mark C 0	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark B \$4 500 profit	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to both the public and private sectors and 1 mark for reference to providing goods and services The public and private sectors (1) provide goods and services between them (1) Accept any other appropriate response	(2)

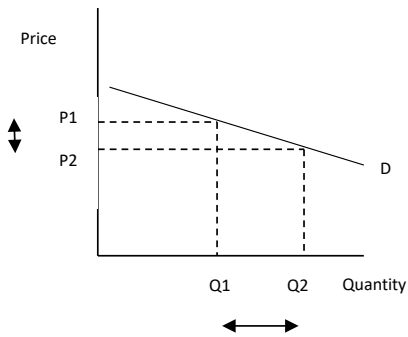
Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct example Retailer/Banker/Teacher Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A group with the authority to run a country or state Accept any other appropriate response	(1)



Question number	Answer	Mark
3(a)	AO1 1 mark A A higher retirement age	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark D $\frac{\text{Total costs}}{\text{Output}}$	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for clearly drawing an elastic demand curve Award 1 mark for showing smaller price change from P_1 to P_2 on the axis Award 1 mark for showing a greater change in the quantity Q_1 to Q_2 on the axis 	(3)

Question Number	Which one of the following products has a price inelastic demand?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: C Y -0.5 A is not correct because it shows elastic demand B is not correct because this shows unitary elasticity D is not correct because the responsiveness is equal	(1)

Question Number	Which one of the following is the formula for calculating average cost?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: Total cost C ----- Quantity produced A is not correct because not only fixed cost is included B is not correct because revenue is not used in this calculation D is not correct because not only variable cost is included	(1)

Question Number	State one reason why governments intervene in the economy.	Mark
	Answer	
2(c)	AO1 1 mark Award 1 mark for a suitable reason • To correct market failure • Lack of competition • Lack of information Accept any other appropriate response	(1)

Question number	Answer	Mark
1(a)	AO1 1 mark The only correct answer is: C Enterprise A is not correct because it is not a resource used in production B is not correct because it is not used to produce goods/services D is not correct because it is consumed by diners	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark The only correct answer is: D \$3 200 000 A is not correct because this is $\\$160 \times \\$120$ B is not correct because this is $20\,000 + \\$160$ C is not correct because $20\,000 \times \\$120$	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to an increase in demand and 1 mark for reference to increased income Goods for which demand will increase (1) as incomes increase (1) OR Goods for which demand will decrease (1) as incomes decrease (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct formula Private benefits + external benefits	(1)

Question number	Answer	Mark
1(a)	AO1 1 mark The only correct answer is: A Division of labour B is not correct because this is creating products from new ideas C is not correct because this is using more labour during production than capital D is not correct because this relates to the rate of production due to given resources	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark The only correct answer is: D Total revenue A is not correct because this is \$10 B is not correct because only variable costs are shown, not fixed costs C is not correct because this would be total revenue – total costs	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to an increase in demand and 1 mark for reference to decreased income Goods for which demand will increase (1) as incomes decrease (1) OR Goods for which demand will decrease (1) as incomes increase (1) Accept any other appropriate response	(2)

Question number	Water is an example of which factor of production? Answer	Mark
1(a)	A01 1 mark The only correct answer is: A Land B is not correct because labour is a human resource C is not correct because capital is a man-made resource D is not correct because enterprise is the element of risk	(1)

Question number	A firm has total costs of \$700. It sells 300 items at a price of \$20 each. What is the profit for the firm? Answer	Mark
1(b)	A02 1 mark The only correct answer is: A \$5 300 B is not correct because this is $300 \times \$20$ C is not correct because this is $(\$700 \times \$20) - 300$ D is not correct because this is $\$700 \times \$20$	(1)

Question number	What is meant by the term supply? Answer	Mark
1(c)	A01 2 marks Award 1 mark for reference to amount producers are willing and able to sell and 1 mark for reference to price The quantity of goods or services producers are willing and able to sell (1) at a given price/at a given time (1) Accept any other appropriate response	(2)

Question number	Which one of the following might have caused the movement from PPF ₁ to PPF ₂ in Figure 1 above? Answer	Mark
1(a)	AO2 1 mark The only correct answer is: B Positive economic growth A is not correct because this would shift the PPF inwards C is not correct because it does not show long-run average costs increasing with a rise in output D is not correct because it does not show long-run average costs decreasing with a rise in output	(1)

Question number	A firm has total costs of \$10 000 and sells each item at a price of \$100. It sells 200 items. What is the profit or loss for the firm? Answer	Mark
1(b)	AO2 1 mark The only correct answer is: B \$10 000 profit A is not correct because total costs have not been deducted C is not correct because a profit would be made and not a loss D is not correct because this is \$10 000 - \$20 000	(1)

Question number	What is meant by the term privatisation? Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to moving from the public sector and 1 mark for reference to transfer of ownership to the private sector The government sells/transfers an organisation (in the public sector) (1) to the private sector (1) Accept any other appropriate response	(2)

Question number	For which one of the following will demand increase when incomes decrease? Answer	Mark
1(a)	AO1 1 mark The only correct answer is: B Inferior good A is not correct because this is purchased by firms to produce other goods which should increase in demand as consumer incomes increase C is not correct because demand would increase as incomes increase D is not correct because as incomes increase, so would demand	(1)

Question number	Which one of the following equals \$1 740? Answer	Mark
1(b)	AO2 1 mark The only correct answer is: D Total variable costs A is not correct because price cannot be calculated from the information B is not correct because there is not enough information to calculate revenue and therefore profit C is not correct because the quantity of units produced is needed to do this calculation	(1)

Question number	What is meant by the term division of labour? Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to splitting up production and 1 mark for reference to tasks Breaking down the production process (1) into smaller tasks (1) Accept any other appropriate response	(2)

Question number	An increase in which one of the following is most likely to cause a decrease in the supply of labour?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: B The school-leaving age A is not correct because this would increase the supply of labour C is not correct because this would mean more people were available to work D is not correct because this would affect the demand for labour	(1)

Question number	Which one of the following is the formula to calculate total revenue?	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: A Quantity sold x price B is not correct because this does not allow revenue to be calculated C is not correct because this does not account for units sold D is not correct because this does not calculate revenue	(1)

Question number	Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price.	Mark
	Answer	
3(c)	AO2 3 marks Award 1 mark for drawing elastic demand curve, labelled Award 1 mark for showing smaller price change on the axis Award 1 mark for showing a greater change in the quantity on the axis	(3)

Question number	Which one of the following is an example of a job in the primary sector of the economy?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: A Farmer B is not correct because this is secondary C is not correct because this is tertiary D is not correct because this is the tertiary sector	(1)

Question number	Total revenue can be defined as the quantity of goods sold	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: C multiplied by the price A is not correct because this does not allow total revenue to be calculated B is not correct because this does not define total revenue D is not correct because this does not calculate revenue	(1)

Question number	Using the diagram below, draw a diagram to show a demand curve that has price inelastic demand. Label the curve and show the impact on both axes from a change in price.	Mark
	Answer	
3(c)	AO2 3 marks Award 1 mark for drawing inelastic demand curve, labelled Award 1 mark for showing greater price change on the axis Award 1 mark for showing a smaller change in the quantity on the axis	(3)

Question number	Which one of the following products has a price elastic demand?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: A W -1.5 B is not correct because this shows unitary elasticity C is not correct because it shows inelastic demand D is not correct because it is perfectly inelastic	(1)

Question number	Which one of the following is the formula for calculating average cost?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: A Total cost ÷ quantity produced B is not correct because only fixed cost is included C is not correct because only variable cost is included D is not correct because revenue is not used in this calculation	(1)

Question number	Calculate the profit or loss for the firm for each calculator. You are advised to show your working.	Mark
	Answer	
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation $\\$12.50 - (\\$3.25 + \\$4.58)$ (1) Award 1 mark for calculating correct profit = \$4.67 (1) Award 2 marks if profit is correctly calculated as \$4.67, even if no calculations are shown Award 1 mark if the answer given is 4.67 with or without calculations shown Do not award marks for a formula	(2)

Question number	What is meant by the term patent?	Mark
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Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for reference to the relevant sector of the economy The provision of services in the economy	(1)

Question number	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $\\$12\,100 \div 2\,000$ (1) Award 1 mark for correct average cost per unit (AC) $= \\$6.05$ (1) Award 2 marks if average cost per unit is accurately calculated, even if no calculations are shown Award 1 mark if students show calculation and put 6.05 without the dollar sign Do not award marks for the formula	(2)

Question number	Answer	Mark
3(c)	AO2 2 marks Award 1 mark for showing correct calculation. $0.85 \times 95,000$ (1) Award 1 mark for correct total revenue (TR). $= \\$80\,750$ (1) Award 2 marks if TR is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)
Question number	Answer	Mark
3(d)	AO1 1 mark Inelastic (1) OFR applies e.g. if answer to 3(c) is less than \$75 000, award 1 mark for elastic	(1)

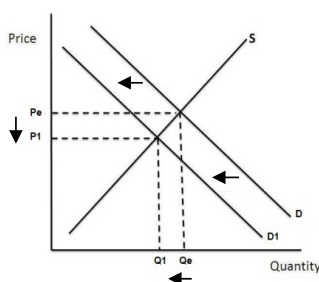
Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $€3\,600 \div €40$ (1) Award 1 mark for correct quantity = 90 cakes/units (1) Award 2 marks if quantity is accurately calculated as 90 cakes/units, even if no calculations are shown Award 1 mark if quantity is calculated as 90 with or without workings Do not award marks for the formula	(2)

Question number	Answer	Mark
2(d)	A02 2 marks Award 1 mark for identifying the variable costs 2 000 + 15 000 (1) Award 1 mark for calculating total variable costs = 17 000 QR (1) Award 2 marks if total variable costs are correctly calculated as 17 000QR, even if no calculations are shown Award 1 mark if total variable costs are correctly calculated as 17 000 even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	A01 1 mark Award 1 mark for reference to obtaining control of another firm One firm buys control of another firm Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	A01 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason In the short term, consumers may not be able to find an alternative product to switch to (1) and so it is only in the longer term that they have more opportunity to look for substitutes (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(a)	AO1 1 mark B Secondary	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark C 	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to multiplying the price of each unit and 1 mark for reference to the number of units sold The amount of money a firm receives (1) from selling its output (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct cause Better technology/increased efficiency Accept any other appropriate response	(1)

Question number	Answer	Mark
2(c)	AO2 2 marks Award 1 mark for identifying the fixed costs 40 250 + 10 125 (1) Award 1 mark for calculating total fixed costs = 50 375 Rs (1) Award 2 marks if total fixed costs are correctly calculated as 50 375 Rs, even if no calculations are shown Award 1 mark if total fixed costs are correctly calculated as 50 375 even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to amount willing and able to be purchased and 1 mark for reference to price The quantity of goods/services consumers are willing and able to buy (1) at a given price (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(e)	AO1 2 marks Award 1 mark for reference to the policy and 1 mark for development of the policy Taxation (1) to reduce the consumption of a demerit good that is over consumed (1) Accept any other appropriate response	(2)

Question Number	Calculate the profit or loss for the firm for each pair of shoes. You are advised to show your working.	Mark
	Answer	
2(d)	A02 2 marks Award 1 mark for showing correct calculation $\\$89 - (\\$17 + \\$35)$ (1) Award 1 mark for correct profit $= \\$37$ (1) Award 2 marks if profit is correctly calculated as \$37, even if no calculations are shown Award 1 mark if the answer given is 37 with or without calculations shown Do not award marks for a formula	(2)

Question Number	Define the term fine.	Mark
	Answer	
2(e)	A01 1 mark Award 1 mark for a correct definition A financial penalty Accept any other appropriate response	(1)

Question Number	Describe one benefit to consumers of privatisation.	Mark
	Answer	
2(f)	A01 2 marks Award 1 mark for reference to the benefit and 1 mark for development of the benefit Firms are likely to offer lower prices (1) because they are trying to attract custom away from competitors (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A person/company/country that supplies goods and services Accept any other appropriate response	(1)

Question number	Answer	Mark
1(f)	A02 2 marks Award 1 mark for showing correct calculation $50\,000 + (250 \times 750)$ (1) Award 1 mark for correct total costs $= \\$237\,500$ (1) Award 2 marks if total costs per month are correctly calculated as \$237 500, even if no calculations are shown Award 1 mark if the answer given is 237 500, with or without calculations shown Do not award marks for a formula	(2)

Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $\frac{87\,100 - 80\,750}{80\,750} \times 100 \quad \text{OR} \quad \frac{6\,350}{80\,750} \times 100 \quad (1)$ Award 1 mark for correct percentage change = 7.86% (1) Award 2 marks if percentage change is accurately calculated as 7.86%, even if no calculations are shown Award 1 mark if the answer given is 7.86 with or without calculations shown (2) Do not award marks for a formula	

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • An oligopoly is a market that is dominated by a few large firms • There are a few large trekking firms and a few smaller ones • Differentiation is a feature of an oligopoly • The small trekking firms differentiate by offering different routes and guide skills such as speaking different languages • By offering something different the small trekking firms are able to use non-price competition to attract a share of the tourists who wish to trek in Nepal • Barriers to entry are a feature of an oligopoly • Permits are required by trekking firms but are expensive and this is a possible barrier to entry for new firms

Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation $\\$75\,000 + (\\$525 \times 1350)$ (1) Award 1 mark for correct total costs $= \\$783\,750$ (1) Award 2 marks if total costs per month are correctly calculated as \$783 750, even if no calculations are shown Award 1 mark for 783 750, with or without calculations shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition • One firm buying out another firm • Obtaining control of a firm by buying over 50% of its shares Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason • They may develop buying habits (1) to stay loyal to a particular brand they enjoy (1) • They may copy the behaviour of others (1) in order to fit in with others in a group (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation \$12 000 + \$115 000 (1) Award 1 mark for correct total variable costs = \$127 000 (1) Award 2 marks if total variable costs are correctly calculated as \$127 000, even if no calculations are shown Award 1 mark if the answer given is 127 000 with or without calculations shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition Lowest legal amount paid to employees Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason There are finite/limited resources (1) therefore demand for resources is greater than the supply of them (1) Accept any other appropriate response.	(2)

Question number	Calculate the total costs per month for the firm. You are advised to show your working.	Mark
	Answer	
2(d)	A02 2 marks Award 1 mark for showing correct calculation $\\$57\,000 + (\\$750 \times 1820)$ (1) Award 1 mark for correct total costs $= \\$1\,422\,000$ (1) Award 2 marks if total costs per month are correctly calculated as \$1 422 000, even if no calculations are shown Award 1 mark for 1 422 000, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Describe one disadvantage for a government of using subsidies.	Mark
	Answer	
2(e)	A01 2 marks Award 1 mark for reference to the disadvantage and 1 mark for development of the disadvantage There may be an opportunity cost. (1) The money spent on the subsidy may be more effective if spent on other government projects (1) Accept any other appropriate response	(2)

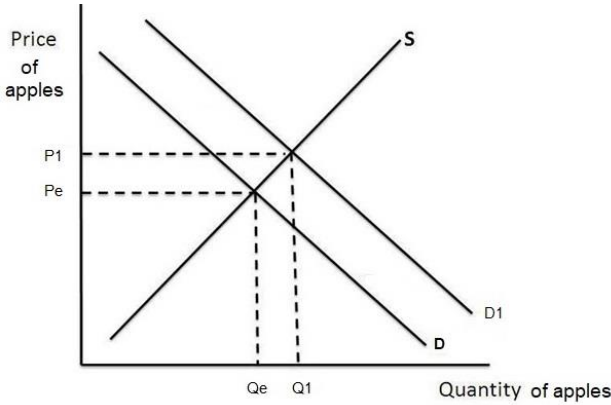
Question number	Calculate the average cost per unit (AC) for the firm when it makes 3,000 units. You are advised to show your working.	Mark
	Answer	
2(d)	A02 2 marks Award 1 mark for showing correct calculation $(\\$6\,200 + \\$3\,550) / 3,000$ (1) Award 1 mark for correct average cost per unit (AC) $= \\$3.25$ (1) Award 2 marks if average costs per unit is correctly calculated as \$3.25, even if no calculations are shown Award 1 mark for 3.25, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Describe one way that high start-up costs can be a barrier to entry.	Mark
	Answer	
2(e)	A01 2 marks Award 1 mark for reference to the way and 1 mark for development of the way If a large amount of money is needed to set up a business (1) many potential competitors will not be able to raise/borrow such a large amount (1) Accept any other appropriate response	(2)

Question number	State one reason why the government regulates competition in the economy. Answer	Mark
1(d)	AO1 1 mark Award 1 mark for a correct reason • To promote competition • To limit monopoly power • To protect consumer interests • To control mergers and takeovers Accept any other appropriate response	(1)

Question number	Define the term congestion. Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A situation where a place is crowded Accept any other appropriate response	(1)

Question number	Calculate the total variable costs for the firm each month. You are advised to show your working. Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation €16 500 + €95 000 (1) Award 1 mark for correct total variable costs €111 500 (1) Award 2 marks if total variable costs per month are correctly calculated as €111 500, even if no calculations are shown Award 1 mark for 111 500 with or without calculations shown Do not award marks for a formula	(2)

Question number	Using the diagram below, draw the likely effects on the market for apples following an increase in the advertising of apples. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(g)	AO2 3 marks Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question number	Explain one advantage of using division of labour for the firm. Answer	Mark
1(h)	AO2 3 marks Award 1 mark for identifying an advantage Award 1 mark for developing the response Award 1 mark for the response being in context • Production is more efficient (1) because workers at the factory will not need to change tools repeatedly to do a different task (1) meaning the quantity of tennis balls produced could increase (1) • Workers specialising in one task become better at that task (1) making them more productive (1) and helping to lower the average costs of producing each tennis ball (1) Accept any other appropriate response	(3)

Question number	State one reason why a supply curve will shift to the left. Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct reason • Rise in the cost of production • Rise in indirect taxes • Fall in subsidies • Natural factors/disasters Accept any other appropriate response	(1)

Question number	Define the term competition. Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition Rivalry that exists between firms Accept any other appropriate response	(1)

Question number	Calculate the total revenue for the firm when its monthly sales are 250 units. You are advised to show your working. Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation €75 x 250 (1) Award 1 mark for correct total revenue = €18 750 (1) Award 2 marks if total revenue is correctly calculated as €18 750, even if no calculations are shown Award 1 mark if the answer given is 18 750 with or without calculations shown Do not award marks for a formula	(2)

Question number	Using the diagram below, draw the likely effects on the market for mangoes after a study shows that eating them leads to an improvement in health. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(g)	AO2 3 marks Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled (3)	

Question number	Explain one possible reason why Christine serves large-sized meals. Answer	Mark
1(h)	AO2 3 marks Award 1 mark for identifying a reason Award 1 mark for developing the response Award 1 mark for the response being in context One reason is that Christine may prioritise caring for customer needs (1) because she has gained a positive reputation for serving large-sized meals (1) meaning, customers are more likely to remain loyal to her cafe (1) Accept any other appropriate response (3)	

Question number	Calculate the total fixed costs for the firm in March. You are advised to show your working.	Mark
	Answer	
2(d)	A02 2 marks Award 1 mark for showing correct calculation $20\,250 + 5\,125$ (1) Award 1 mark for calculating correct total fixed costs $= 25\,375$ Tk (1) Award 2 marks if total fixed costs are correctly calculated as $25\,375$ Tk, even if no calculations are shown Award 1 mark if total fixed costs are calculated as $25\,375$, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Describe one reason why an entrepreneur is a factor of production.	Mark
	Answer	
2(e)	A01 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason • An entrepreneur comes up with a business idea/takes a risk (1) therefore it is classed as enterprise (1) • An entrepreneur manages the other factors of production (1) in order to make goods/services (1) Accept any other appropriate response	(2)

Question number	Calculate, to two decimal places, the percentage change in profit for the firm between 2020 and 2022. You are advised to show your working.	Mark
4(a)	Answer	
	A02 2 marks Award 1 mark for showing correct calculation $\frac{\$22\,950 - \$20\,250}{\$20\,250} \times 100 \quad \text{OR} \quad \frac{\$2\,700}{\$20\,250} \times 100 \quad (1)$ Award 1 mark for correct percentage change = 13.33% (1) Award 2 marks if percentage change is correctly calculated as 13.33%, even if no calculations are shown Award 1 mark if percentage change is calculated as 13.33, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Calculate the daily total costs of transporting the goods to the customer. You are advised to show your working. Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $\\$90 + \\$20 + (65 \times \\$0.25)$ OR $\\$90 + \\$20 + \\$16.25$ (1) Award 1 mark for calculating correct total costs $= \\$126.25$ (1) Award 2 marks if total costs are correctly calculated as \$126.25, even if no calculations are shown Award 1 mark if total costs are calculated as 126.25, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Calculate the total variable costs of this order for the firm. You are advised to show your working.	Mark
	Answer	
4(a)	AO2 2 marks Award 1 mark for showing correct calculation \$0.45 x 19 (1) Award 1 mark for calculating correct total variable costs = \$8.55 (1) Award 2 marks if total variable costs are correctly calculated as \$8.55, even if no calculations are shown Award 1 mark if total variable costs are calculated as 8.55, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Calculate the total variable costs for the firm in the month of September. You are advised to show your working.	Mark
	Answer	
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation $€3\,000 + €18\,000$ (1) Award 1 mark for calculating total variable costs $= €21\,000$ (1) Award 2 marks if total variable costs are correctly calculated as €21 000, even if no calculations are shown Award 1 mark if the total variable costs are calculated as 21 000, even if no calculations are shown Do not award marks for a formula	(2)

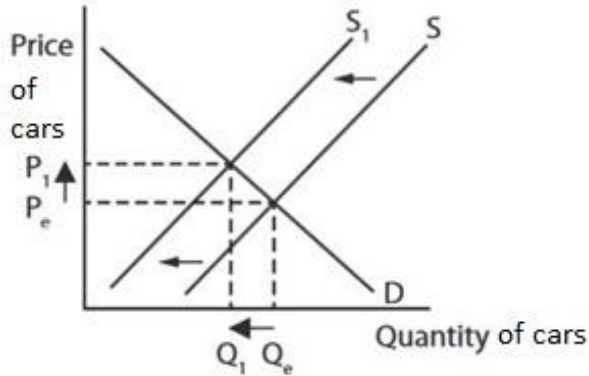
Question number	What is meant by the term total revenue?	Mark
	Answer	
2(d)	AO1 2 marks Award up to 2 marks for a correct definition The amount of money gained (1) from the sale of all products (1) Accept any other appropriate response	(2)

Question number	Describe one feature of a monopoly.	Mark
	Answer	
2(e)	AO1 2 marks Award 1 mark for reference to the feature and 1 mark for development of the feature High barriers to entry (1) therefore new firms cannot enter the market (1) OR Unique product (1) to allow the firm to remain alone in the market (1) Accept any other appropriate response	(2)

Question number	State the formula for social costs.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for correct formula Private costs + external costs Accept any other appropriate response	(1)

Question number	Define the term producer.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition A person/company/country that creates/makes goods and/or services Accept any other appropriate response	(1)

Question number	Calculate the total costs per month for the firm. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation $\text{€}37\,000 + (\text{€}170 \times 650)$ (1) Award 1 mark for calculating correct total costs $= \text{€}147\,500$ (1) Award 2 marks if total costs per month are correctly calculated as €147 500 even if no calculations are shown Award 1 mark if the answer given is 147 500, with or without calculations shown Do not award marks for the formula	(2)

Question number	Using the diagram below, draw the likely effect on the market for cars following a rise in the costs of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
1(g)	Answer A02 3 marks Award 1 mark for a leftward shift of the supply curve, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a lower equilibrium quantity, labelled 	(3)

Question number	Explain one reason why the CMA may have made this decision.	Mark
1(h)	Answer A02 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context In order to prevent monopoly power (1) and so promote competition (1) as a firm with over 60% of the market may be less likely to innovate (1) Accept any other appropriate response	(3)

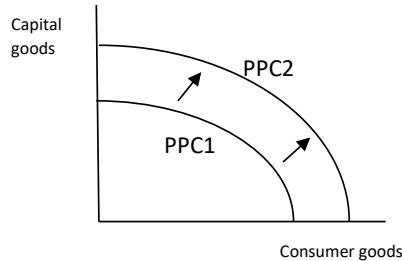
Question number	Calculate, to two decimal places, the percentage change in profit for the firm between 2021 and 2023. You are advised to show your working.	Mark
	Answer	
4(a)	A02 2 marks Award 1 mark for showing correct calculation $\frac{\$214\,100 - \$211\,600}{\$211\,600} \times 100 \quad \textbf{(1)}$ OR $\frac{\$2\,500}{\$211\,600} \times 100 \quad \textbf{(1)}$ Award 1 mark for correctly calculating the percentage change = 1.18% (1) Award 2 marks if the percentage change in profit is correctly calculated as 1.18% even if no calculations are shown Award 1 mark if the percentage change in profit is calculated as 1.18 with or without calculations shown Do not award marks for the formula	(2)

Question number	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • It is an economic assumption that businesses aim to maximise profits • It may take time to find suitable ways of reducing the overall amount of plastic used by 100,000 tonnes, which is likely to result in higher costs • By reducing the amount of non-recyclable plastic packaging it uses, Unilever is likely to incur higher costs as it uses the more expensive recyclable plastic • Unilever may need to source alternative suppliers to replace the remaining 600,000 tonnes of plastic packaging • This means that Unilever will not maximise profits

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Answer	Mark
3(a)	AO1 1 mark B Skilled labour	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark C Large firms dominate the market	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for correctly labelling the axes Award 1 mark for drawing PPC1 closer to the axes than PPC2 Award 1 mark for drawing PPC2 showing positive economic growth from PPC1 	(3)

Question number	Answer	Mark
2(a)	AO2 1 mark The only correct answer is: A W -1.5 B is not correct because this is unitary elasticity C is not correct because this is price inelastic D is not correct because the responsiveness is equal	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark The only correct answer is: B External economies of scale A is not correct because this is when an individual firm benefits from falling average costs C is not correct because this results from higher average costs D is not correct because this is a type of internal economies of scale	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for a suitable disadvantage • Reduced profit • Higher (advertising) costs • Need to reduce prices Accept any other appropriate response	(1)

Question number	State one type of an external economy of scale.	Mark
	Answer	
1(d)	A01 1 mark Award 1 mark for correct type • Skilled labour/infrastructure/access to suppliers/similar businesses in area Accept any other appropriate response	(1)

Question number	Define the term unique product.	Mark
	Answer	
1(e)	A01 1 mark Award 1 mark for a correct definition A good/service for which there is no substitute Accept any other appropriate response	(1)

Question number	Calculate the price elasticity of supply (PES) for Connor's hair salon. You are advised to show your working.	Mark
	Answer	
1(f)	A02 2 marks Award 1 mark for showing correct calculation 2.6%/2% (1) Award 1 mark for correct PED = 1.3 (1) Award 2 marks if PES is correctly calculated as 1.3, even if no calculations are shown Do not award marks for a formula	(2)

Question Number	Which one of the following does a point on a production possibility curve (PPC) represent?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: D A given amount of resources being fully employed A is not correct because this cannot be determined on a PPC B is not correct because a PPC cannot show <i>how</i> production can increase C is not correct because a PPC does not show government revenue	(1)

Question Number	Which one of the following describes this economic assumption?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: A Businesses aim to maximise their profit B is not correct because there is no indication of any charitable work taking place C is not correct because consumer behaviour is not described D is not correct because it is not linked to government actions	(1)

Question Number	What is meant by the term economies of scale?	Mark
	Answer	
1(c)	AO1 2 marks Award 1 mark for reference to reduced average cost and 1 mark for reference to increased output Average costs of production fall (1) as the level of output rises (1) Accept any other appropriate response	(2)

Question Number	State one example of a factor of production that can be classified as land. Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct example • Forest • Rainwater • Coal • Oil Accept any other appropriate response	(1)

Question Number	Define the term monopoly. Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition One dominant seller in a market Accept any other appropriate response	(1)

Question Number	Calculate, to two decimal places, the price elasticity of demand (PED) for Alfie's dog-walking service. You are advised to show your working. Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation -1.1/1.5 (1) Award 1 mark for correct PED = -0.73 (1) Award 2 marks if PED is correctly calculated as -0.73, even if no calculations are shown Do not award marks for a formula	(2)

Question number	A trade union is an organisation that aims to improve Answer	Mark
1(a)	AO1 1 mark The only correct answer is: D working conditions A is not correct because trade unions do not focus on the objectives of firms B is not correct because the government does not receive revenue due to trade union actions C is not correct because the environment is not a focus of trade union activity	(1)
Question number	Figure 1 below shows a change in demand for tickets to a sporting event. Which one of the following statements is true? Answer	Mark
1(b)	AO2 1 mark The only correct answer is: C An increase in demand is shown by a shift to the right A is not correct because when the price falls, the quantity demanded rises B is not correct because the demand curve slopes downwards from left to right D is not correct because a decrease in demand is shown by a shift to the left	(1)
Question number	What is meant by the term economies of scale? Answer	Mark
1(c)	AO1 2 marks Award up to 2 marks for a correct definition Falling average costs (1) due to expansion of the firm (1) Accept any other appropriate response	(2)

Question number	Which one of the following can represent a point on a production possibility curve (PPC)?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: D Production which is obtainable A is not correct because this cannot be determined on a PPC B is not correct because a PPC cannot show how production can be increased C is not correct because a PPC does not show revenue	(1)

Question number	Which one of the following describes why the firm might do this?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: B Producers may complete charitable work A is not correct because producers would not make a profit C is not correct because it is not linked to consumer actions D is not correct because consumer behaviour is not described	(1)

Question number	What is meant by the term economies of scale?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition Average costs of production fall (1) as the firm increases in size (1) Accept any other appropriate response	(2)

Question number	Indicative content	
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Economies of scale occur when average costs fall as a firm expands - Internal economies of scale can be purchasing, marketing, technical, financial, managerial or risk bearing - By joining the Sky Team, Vietnam Airlines is able to operate as if it is a larger airline as the 19 airlines can share some of the costs - Vietnam Airlines could share marketing costs, such as advertising with some of the other airlines in the Sky Team to reduce its average costs - Vietnam Airlines may be able to offer more routes or make improvements to planes through cooperation with other member airlines such as KLM or China Airlines, therefore benefitting from technical economies of scale - This may mean Vietnam Airlines can attract more passengers and so its average costs are reduced as each flight is more likely to be full - This means Vietnam Airlines may be able to expand and benefit further from other economies of scale	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	- Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). - Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	- Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). - Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	- Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). - Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Economies of scale result in falling average costs due to expansion • Technical economies of scale occur when larger firms can make better use of machinery than smaller ones • As Cutting Edge attracted more customers, it received more work that may require use of a powerful saw • This means it was cost-effective to purchase the equipment because the resource could be used a lot more than when Cutting Edge was only asked to cut through a small number of trees • This is because the price of the powerful saw can be spread between more gardening jobs

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, analyse how internal economies of scale may lead to benefits for MAS Supermarkets.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Internal economies of scale, such as purchasing, marketing, technical, financial, managerial or risk bearing, occur when average costs fall as a firm expands - MAS Supermarkets has a large number of shops across Cyprus, meaning the marketing costs can be shared by multiple shops - MAS Supermarkets may benefit from purchasing economies of scale, by buying inventory in large quantities to obtain discounts - By reducing its average costs, MAS Supermarkets may be able to pass on cost-savings to its customers, allowing it to achieve the aim of offering low prices - MAS Supermarkets may be able to open more stores or make improvements to existing ones due to success with offering quality, service and low prices - This may mean it is able to benefit further from other economies of scale

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	- Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). - Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	- Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). - Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	- Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). - Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, evaluate whether consumers are likely to benefit from the privatisation of Lagos Airport.
	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - Privatisation involves the sale of state-owned resources to the private sector - The Nigerian Government wants to sell Lagos airport (and three other main airports in Nigeria) to private investors - This means that the airport would no longer be controlled by the government and its owners would be more likely to pursue different objectives, such as making a profit (and making back the investment from buying the airport) - As a result, the prices may rise for consumers - The previous focus on safety and improving airport facilities may reduce, in order to cut costs for the new owners, especially as the Nigerian Government had used subsidies to help pay for these - Therefore, consumers may see an increase in problems with use of the airport and may face more risk of accidents at the airport - This issue may be more likely due to the resistance to the privatisation previously faced from trade unions, indicating the workers at the airport may be unhappy - Therefore, service may be affected leaving consumers unhappy with conditions at the airport AO4 - However, the focus of the new owners may not change as improving safety and airport facilities to meet customer needs may be seen as ways to attract more demand and therefore increase revenue - In order to make a profit, greater efficiency is likely to be a focus for owners of Lagos Airport, meaning the delivery of services may be better, not worse - Lagos Airport is the busiest in Nigeria, with potential for increased growth in both passenger and industrial use, meaning the new owners may be able to utilise higher revenues to maintain and increase customer satisfaction - This may complement, rather than replace the objective of making a profit - This is more likely to be achievable if the new owners have more experience and skills in managing an airport than the Nigerian Government - It may depend on the level of investment from the private owners as well as their objectives



Question number	With reference to the data above and your knowledge of economics, analyse how the impact of external economies of scale on construction firms in India.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Construction firms in India, not just those along the new route between Hyderabad and Karnataka may benefit from infrastructure developments leading to external economies of scale - External economies of scale occur when (long run) average costs decrease as the whole industry grows - They can occur due to access to suppliers and skilled labour for many firms in the same industry - The modernisation of the infrastructure of the Indian rail network and the introduction of the new rail line will allow raw materials such as iron ore and steel to be transported more easily across the country - This will mean that construction firms in India may benefit from cheaper costs of transportation - As a result, their overall costs are likely to decrease at the same time as production can increase owing to the greater accessibility of raw materials and other goods

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	- Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). - Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	- Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). - Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	- Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). - Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, evaluate the extent to which these government programmes may affect farming productivity in a country such as Egypt. Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Productivity is the amount of output that can be produced with a given amount of resources • Government programmes affecting land as a resource include drainage, irrigation, use of fertiliser and reclamation • By increasing use of reclamation, it is possible to create new land where crops can grow, from previously infertile areas such as riverbeds and drained wetlands • As a result, farmers have access to more efficient land resources on which to grow crops such as wheat • Therefore, output can be increased, meaning that productivity for farmers in Egypt can be improved • This improvement in productivity may allow farmers to invest further in measures such as irrigation (redirecting water from natural sources to land in need of more water to be productive) • Therefore, becoming even more productive in the future AO4 • However, in order for such programmes to work, farmers need access to areas such as former riverbeds as well as drainage equipment. This may be too expensive for many farmers • It may take time for reclamation and irrigation to be effective, making it more difficult for wheat farmers to afford the necessary equipment, even with the raised price for wheat paid by the Egyptian Government • Not all farmers are likely to be in favour of such programmes, especially if farming methods have been more traditional in their region • This may make them averse to guidance on the use of irrigation and some may take time to adjust to the methods available • As some fertilisers can harm wildlife, the environment and even people, it may not be straightforward to introduce such programmes and/or may require legal controls to be adhered to • Therefore, the effect of land resource programmes on productivity may be reduced

Question number	Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Internal economies of scale are reduced average costs enjoyed by firms that expand, such as airports • They can include bulk buying, marketing, technical, financial, managerial and risk-bearing • Istanbul's new airport will be able to handle 200 million passengers each year meaning it will need to buy seating for waiting areas in very large quantities. This means it may be able to benefit from bulk buying economies • The new airport might be able to benefit from technical economies of scale as the cost of installing equipment can be divided between each of six runways • Marketing economies could be spread amongst a high number of cafes and shops if they focus advertising on being located in the world's largest airport (which is bigger than Manhattan) • Risk-bearing economies could be enjoyed as if there is a problem with a runway, aircraft could be moved to one of five others AO4 • However, if it becomes too large, Istanbul's new airport may suffer from diseconomies of scale, such as communication problems, leading to a rise in average costs • As the airport has not yet fully opened it may mean it has been built in stages and so furniture may not have been bought in such large quantities as to allow economies of scale to occur • Being so large could mean less care is taken during the installation of technical equipment. This could mean it needs to be repeated leading to additional costs • There is no guarantee that 200 million passengers will pass through the airport every year and so marketing economies may not result in the same benefits, especially if safety is a concern if there is a problem with a runway

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	With reference to the data above and your knowledge of economics, assess the extent to which a merger between CK Hutch and Indosat is likely to lead to economies of scale. Indicative content
2(g)	A02 (3 marks)/A03 (3 marks)/A04 (3 marks) A02 and A03 • Economies of scale occur when average costs decrease as a firm expands • A merger between CK Hutch and Indosat would lead to a new, larger telecommunications firm • Larger firms can usually operate at a lower unit cost than smaller firms due to the ability to make bulk purchases, combine marketing expenses and share technology • The new firm is likely to attract more customers, requiring a need to purchase more equipment. This could be done at a lower price per unit • Advertising of both CK Hutch and Indosat could be combined, reducing the advertising costs • As both firms would have used research and development departments, a merger would allow these to combine to reduce costs • This means economies of scale are likely to be enjoyed if the firms merge A04 • Economies of scale do not always occur or give the expected results • This expansion could result in pushing the merged firm beyond the minimum efficient scale, leading to diseconomies of scale • Diseconomies occur when average costs increase as a firm expands • Communication problems may occur due to the increased number of employees • There may be more bureaucracy due to the increased size of the firm • A larger gap between the management and the employees may occur due to the higher number of employees which could lead to reduced control • As Indosat's +60 million customer base is growing, this could result in further diseconomies of scale

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	With reference to the data above and your knowledge of economics, assess whether WarnerMedia merging with Discovery is likely to benefit from economies of scale. Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Economies of scale are falling average costs (in the long-run) due to expansion • Diseconomies of scale are rising average costs (in the long-run) because a firm grows too large • The combined number of subscribers will be 59 million, meaning that the unit costs are reduced because costs are spread over a larger number of customers • By bringing together technology from both WarnerMedia and Discovery, broadcasting would be more efficient • This means that Warner Bros. Discovery would be making better use of resources, leading to lower (long-term) average costs (technical economies) • Managerial economies may be present as specialist managers of the numerous channels, such as CNN news channel, could oversee the whole network, rather than having separate people in charge of each one • (Long-run) average costs could also be reduced as Warner Bros. Discovery could be advertised as one, therefore spreading the marketing costs and allowing marketing economies to take place • As the company is so large, with a value of \$150bn, financial economies are likely because it would be able to get access to money at lower interest rates than a smaller firm AO4 • However, some employees may be unhappy as a result of the merger, meaning they may not work as efficiently and diseconomies of scale may occur • Some employees may even leave if they are not able to adapt to any changes brought about due to the merger. This is likely to increase (long-run) average costs if Warner Bros. Discovery needs to recruit new employees • Communication problems and a lack of control may be caused by having such a large firm trying to integrate resources. As the broadcaster relies on technology being used effectively, this may lead to diseconomies of scale • The media company may have already reached the most efficient output and the lowest point on the (long-run) average cost curve • It will take time for the technology to be successfully implemented and so economies of scale may not occur for several years

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Economies of scale are falling average costs (in the long-run) due to expansion • Diseconomies of scale are rising average costs (in the long-run) because a firm grows too large • The combined number of consumers using the messaging apps is over 2.6 billion meaning that the costs are reduced because they are spread over a large number of users • By allowing messages to be sent between Instagram, WhatsApp and Facebook Messenger, less software would be needed • This means that the combined apps would be making better use of essential resources, leading to lower (long-term) average costs (technical economies) • Managerial economies may be present as specialist managers could oversee the whole messaging service, rather than having separate people in charge of each app • (Long-run) average costs could also be reduced as all three apps could be advertised together, therefore spreading the marketing costs and allowing marketing economies to take place • As the group of apps is so large, financial economies are likely because it would be able to get access to money more cheaply than a smaller firm AO4 • However, some employees are unhappy because Mark Zuckerberg has changed his plans since acquiring Instagram and WhatsApp, meaning they may not work as efficiently and diseconomies of scale may occur • The founders of Instagram and WhatsApp have already left and other employees may do the same if they do not understand the changes. This is likely to increase (long-run) average costs if Facebook needs to recruit new employees • Communication problems and a lack of control may be caused by having such a large firm trying to integrate resources. As the messaging services rely on technology being used effectively, this may lead to diseconomies of scale • As the combined number of users is already more than 2.6 billion, the apps may have already reached the most efficient point and the lowest (long-run) average cost • It will take time for the technology to be successfully implemented and so economies of scale may not occur for several years • If problems occur whilst combining the services, consumers may become frustrated and move to a competitor • It may depend on the outcome of combining the services whether economies or diseconomies of scale occur

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question number	With reference to the data above and your knowledge of economics, evaluate whether X is likely to benefit from economies of scale. Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • The number of users of the newly named X increased to a new high of 530 million people within the first year • This means that the (long-run) average costs are likely to be reduced because they are spread over a larger number of users • By creating a platform that enables users to perform multiple tasks, such as messaging, making payments and having food delivered, fewer resources would be needed, leading to lower (long-term) average costs (technical economies) • The cost of developing the advanced technology may be lower for X, as a substantial amount of research/components are likely to be required, possibly leading to purchasing economies • Due to the increase in size, managerial economies may be present as specialist managers could oversee separate functions of X, bringing in specialist expertise and lowering (long-run) average costs • (Long-run) average costs could also be reduced as all tasks could be advertised together, therefore spreading the marketing costs and allowing marketing economies to take place • The takeover cost of \$44bn suggests the platform is extremely large, therefore, financial economies are likely because it should be able to get access to money more cheaply than a smaller firm, including to purchase/develop the advanced technology AO4 • If a firm grows too large, average costs are likely to rise due to diseconomies of scale • The loss of around 65% advertising revenue may reduce X's ability to create the platform envisaged by Elon Musk • Thousands of workers lost their jobs as a result of the purchase by Elon Musk, meaning a decrease in efficiency of remaining workers may be likely if they are worried about losing their jobs too • This means diseconomies of scale may occur as the average costs may increase due to less productive workers • The renaming of the platform from Twitter to X, alongside other major changes may cause further issues for X, such as workers being demotivated • Communication problems and a lack of control may be caused by having such a large firm trying to integrate resources. As the platform relies on technology being used effectively, this may lead to diseconomies of scale

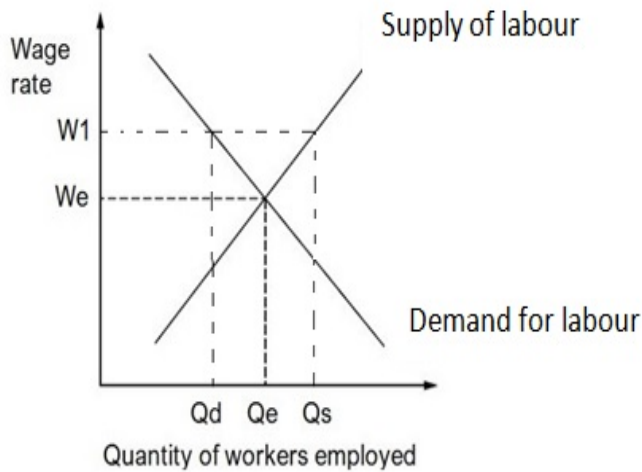


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| | <ul style="list-style-type: none">• As the combined number of users is already more than 530 million, the platform may have already reached the most efficient point and the lowest (long-run) average cost• It will take time for the technology to be successfully implemented and so economies of scale may not occur for several years• If users do not agree/like the changes they may move to a competitor• Workers may actually be more productive due to the high number of job losses, as they want to prove worthy of keeping employment. This could help to lower average costs• It may take time to understand the implications of the changes for X and whether economies or diseconomies of scale occur will therefore depend on the outcome |
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Level	Mark	Descriptor
	0	No rewardable material.
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Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question number	Answer	Mark
3(a)	AO1 1 mark D An inferior good	(1)

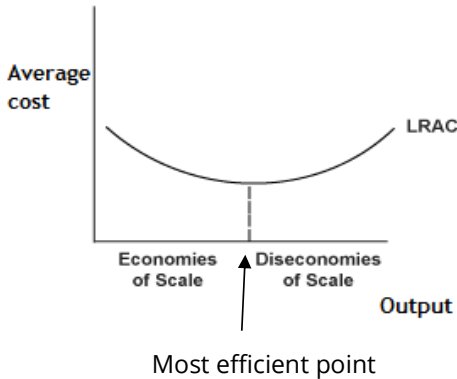
Question number	Answer	Mark
3(b)	AO1 1 mark B An increase in bureaucracy	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for drawing equilibrium wage rate, labelled Award 1 mark for new quantity demanded, labelled Award 1 mark for new quantity supplied, labelled 	(3)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Answer	Mark
2(a)	AO2 1 mark	
	D Most efficient	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark	
	C Producer demand for labour to make goods	(1)

Question number	On the diagram below, draw and label economies of scale, diseconomies of scale and the point at which the firm is most efficient.	Mark
3(c)	Answer A02 3 marks Award 1 mark for economies of scale labelled Award 1 mark for diseconomies of scale labelled Award 1 mark for point at which firm is most efficient labelled  The diagram is a graph with 'Average cost' on the vertical axis and 'Output' on the horizontal axis. A U-shaped curve is labeled 'LRAC'. A vertical dashed line drops from the minimum point of the LRAC curve to the horizontal axis. To the left of this line, the area is labeled 'Economies of Scale'. To the right of this line, the area is labeled 'Diseconomies of Scale'. An arrow points from the text 'Most efficient point' to the minimum point of the LRAC curve.	(3)

Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation 160 - 130 (1) Award 1 mark for calculating correct opportunity cost = 30 units of consumer goods (1) Award 2 marks if opportunity cost is correctly calculated as 30 units of consumer goods, even if no calculations are shown Award 1 mark if opportunity cost is calculated as 30, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Diseconomies of scale occur when a firm becomes too big and average costs rise • Types of diseconomies of scale are communication problems, bureaucracy, lack of control and the distance between managers and workers at the bottom of the organisation • As Ben's employer has grown over the last two years, it may have become more bureaucratic • As it takes a long time for decisions to be made and tasks to be completed, unit costs are likely to increase due to inefficiency of the London-based firm • Due to the increase in the number of employees, communication between employees like Ben and management may be more difficult • Ben feels his ideas are not listened to and is thinking about leaving the firm because he is frustrated. This would impose a cost on the firm which could lead to an increase in average costs, meaning it is experiencing diseconomies of scale

Level	Mark	Descriptor
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Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).