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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Business competition (1.2.4)

International GCSE Economics · Paper 1: Microeconomics and Business Economics

67 questions · 246 marks · Mark schemes included
Past papers June 2019 - June 2025 · 3 specification sub-topics

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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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55. Q2(b)	IGCSE Paper 1R June 2024	1	100
56. Q2(a)	IGCSE Paper 1 November 2024	1	101
57. Q2(e)	IGCSE Paper 1 June 2024	2	102
58. Q1(h)	IGCSE Paper 1 November 2020	3	103
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QUESTIONS

67 questions · 246 marks · 3 sub-topics

SUB-TOPIC 1.2.4 (a-d)

COMPETITION AND THE SIZE OF FIRMS

Sub-topic 1.2.4 (a-d) · 31 questions · 111 marks · lowest tariff first



- (c) Calculate the price elasticity of demand for a product when price increases by 15% and quantity demanded falls by 12%. You are advised to show your working.

(2)

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- (d) Define the term innovation.

(1)

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- (e) State **one** factor that will cause a demand curve to shift to the left.

(1)

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(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)



The Irish Artisan Charcoal Company (IACC) is the only firm producing charcoal in Ireland. Damaged trees which would otherwise have been left to rot are used to produce top quality charcoal.

(Source adapted from: <https://www.limerickleader.ie/video/home/348948/watch-irish-artisan-charcoal-company-in-limerick-blazing-a-trail-with-unique-product.html>)

- (f) Describe the type of market structure in which the Irish Artisan Charcoal Company operates.

(2)

Street lighting is considered to be a public good.

- (g) Explain **one** reason why this may cause a free rider problem.

(3)



1 (e) Define the term takeover.

(1)

(f) Describe **one** reason why demand for a product usually becomes more price elastic over time.

(2)

In the UK, the speed limit for drivers in urban areas is 30 miles per hour (48 kilometres per hour).

(g) Explain **one** reason why the UK Government may use fines to reduce the negative externalities caused by drivers speeding in urban areas.

(3)



3 (a) Which **one** of the following can be described as an advantage to a small firm?

(1)

- ☐ **A** Access to many sources of finance
- ☐ **B** Flexibility
- ☐ **C** Market domination
- ☐ **D** Risk spreading

(b) Which **one** of the following options describes a price elasticity of supply (PES) of 0.7?

(1)

- ☐ **A** Perfectly price elastic
- ☐ **B** Perfectly price inelastic
- ☐ **C** Price elastic
- ☐ **D** Price inelastic



- 2 A country is able to produce agricultural and non-agricultural goods with a given amount of resources. Its production possibility curve (PPC) is shown in Figure 2.

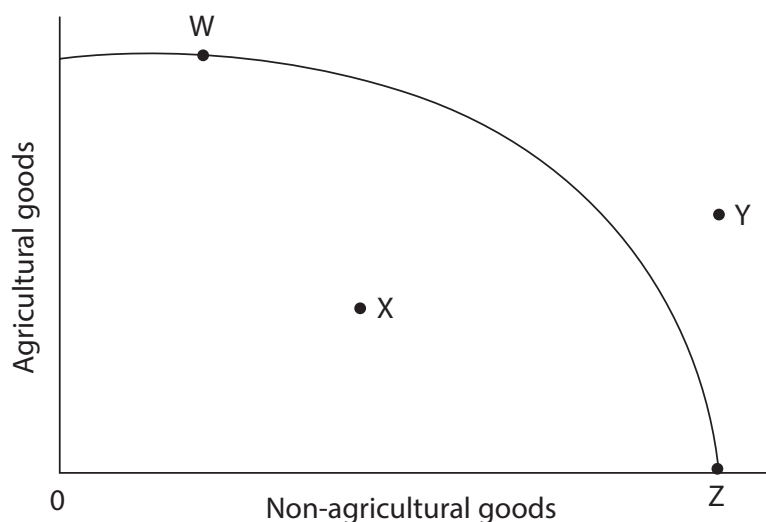


Figure 2

- (a) Which **one** of the following points shows unemployed resources?

(1)

- ☐ A W
- ☐ B X
- ☐ C Y
- ☐ D Z

- (b) A trade union is an organisation that aims to protect

(1)

- ☐ A consumer interests
- ☐ B the environment
- ☐ C employee rights
- ☐ D the government

- (c) State **one** reason why firms stay small.

(1)

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(d) State the formula for social benefits.

(1)

(e) Define the term niche market.

(1)

Greg produces pottery at a small factory in his local area. At the start of the year price increased by 5.4% and quantity supplied increased by 4.7%.

(f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for Greg's pottery. You are advised to show your working.

(2)



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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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)

- (e) Define the term takeover.

(1)

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

(2)



2 (a) Which **one** of the following would lead to an increase in the supply of labour?

(1)

- ☐ A Decrease in the retirement age
- ☐ B Increase in the school-leaving age
- ☐ C Increase in female participation
- ☐ D Decrease in population

A small firm manufactures jewellery to the exact requirements of its customers.

(b) This is an example of which **one** of the following markets?

(1)

- ☐ A Monopoly
- ☐ B Labour
- ☐ C Niche
- ☐ D Financial

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

(1)

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3 (a) Which **one** of the following is the definition of a merger?

(1)

- ☐ A The joining together of two firms
- ☐ B The transfer of ownership from the government
- ☐ C The takeover of one firm by another firm
- ☐ D The creation of a competitive market

(b) Which **one** of the following is a reason why a government would introduce a minimum wage?

(1)

- ☐ A To increase the benefits paid by a government
- ☐ B To reduce the motivation of workers
- ☐ C To close the income gap between the rich and the poor
- ☐ D To ensure producers increase their profits

(c) On the blank pie chart below, draw and label the likely approximate size of employment in the primary (P), secondary (S) and tertiary (T) sectors for a developed country, such as Japan.

(3)

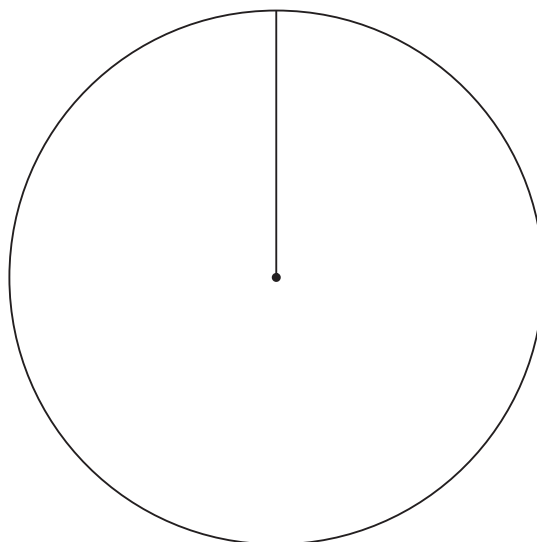


Figure 5

(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)



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)

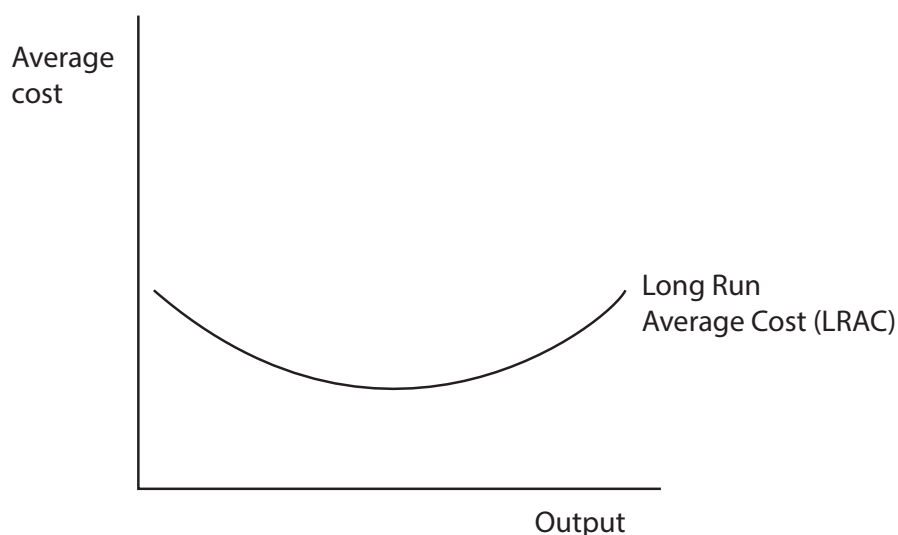


Figure 4

(c) What is meant by the term external benefit?

(2)

(d) State **one** example of an external cost.

(1)

(e) Define the term takeover.

(1)



Beating the congestion in Dhaka

Nearly 17 million people live in Dhaka, the capital of Bangladesh. The majority of people live in the city centre and traffic congestion is a problem. However, there are many auto rickshaws (a small, three-wheeled vehicle, driven by a motorcycle engine) competing in the city centre to take passengers to their destinations. Fares tend to be cheaper in the city centre than they are outside the city centre and are usually agreed between passengers and drivers.

Dhaka has a large number of auto rickshaws competing for fares.

(f) Apart from price, describe **one** advantage for passengers of this competition.

(2)

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(g) With reference to the information given in '**Beating the congestion in Dhaka**', explain **one** reason why prices for journeys using an auto rickshaw might be higher outside the city centre.

(3)

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1 (f) Describe **one** factor that may influence the growth of a firm.

(2)

There are many health warnings about the dangers of eating too much sugar but some consumers continue to do so.

(g) Explain **one** reason why consumers may still make this decision.

(3)



(e) Define the term substitute.

(1)

(f) Describe **one** reason why a firm might stay small.

(2)

There are many market stalls selling food in Taba, Egypt. Some of these stalls have received positive reviews on social media about the quality of the food they sell.

(g) Explain **one** advantage of positive reviews for the owners of food stalls in Taba.

(3)



A firm increases supply by 5.4% following a price increase of 7.8%.

- (c) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm.
You are advised to show your working.

(2)

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

(2)

- (e) Describe **one** reason why a car mechanic is a factor of production.

(2)



2 (a) Which **one** of the following is part of the economic problem of scarcity?

(1)

- ☐ A When to produce
- ☐ B What to produce
- ☐ C Whether to produce
- ☐ D Where to produce

A country is able to produce agricultural and non-agricultural goods. Its production possibility curve is shown in Figure 3.

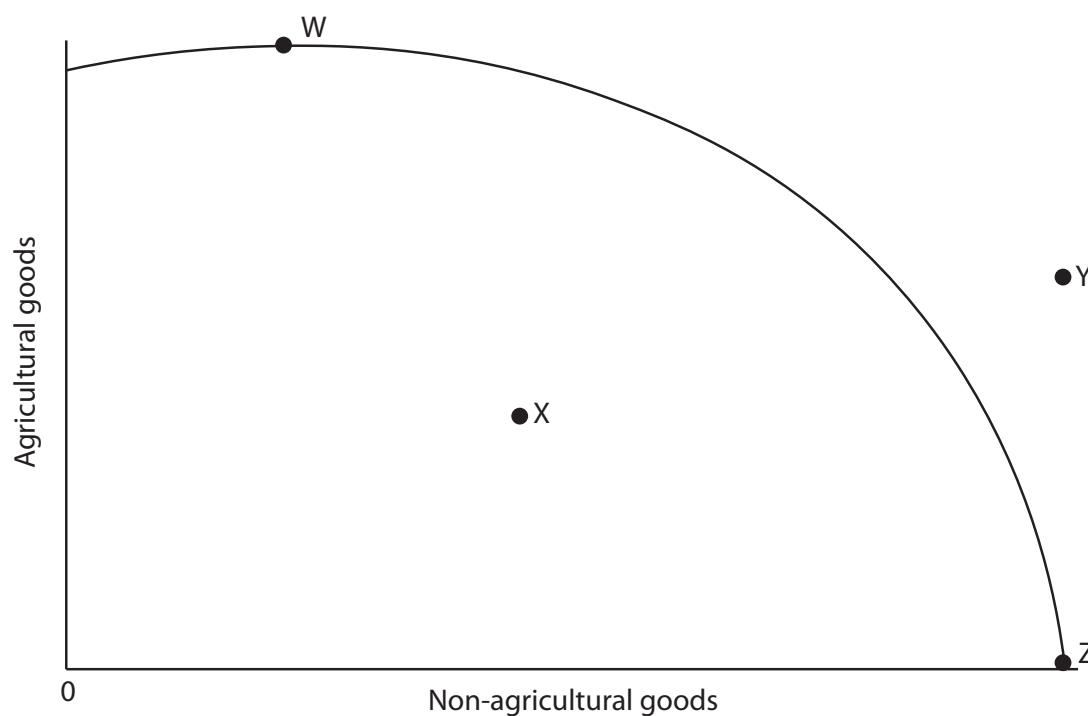


Figure 3

(b) Which **one** of the following points is **not** achievable?

(1)

- ☐ A W
- ☐ B X
- ☐ C Y
- ☐ D Z

Beating the congestion in Dhaka

Nearly 17 million people live in Dhaka, the capital of Bangladesh. The majority of people live in the city centre and traffic congestion is a problem. However, there are many auto rickshaws (a small, three-wheeled vehicle, driven by a motorcycle engine) competing in the city centre to take passengers to their destinations. Fares tend to be cheaper in the city centre than they are outside the city centre and are usually agreed between passengers and drivers.

Dhaka has a large number of auto rickshaws competing for fares.

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(2)

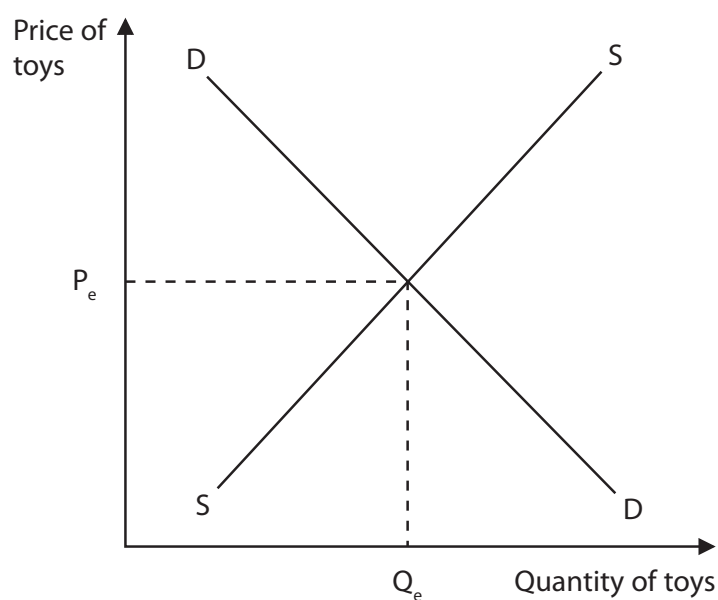
(g) With reference to the information given in '**Beating the congestion in Dhaka**', explain **one** reason why prices for journeys using an auto rickshaw might be higher outside the city centre.

(3)



- (g) Using the diagram below, draw the likely effects of an increase in the birth rate on the market for toys. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

**Figure 2**

Virgin Atlantic took over a part of budget airline Flybe in the spring of 2019 to form Connect Airways.

(h) Explain **one** possible advantage for customers of Connect Airways from the takeover.

(3)

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Abi owns a small cafe. It is often very busy and customers may have to wait for a table. Abi is considering whether to move to a larger premises. A larger property has become available but it would cost almost double the current rent.

(g) Explain **one** factor that could affect whether Abi is able to expand her business.

(3)

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High pollution levels in the busy Indonesian city of Jakarta are mainly due to the large volume of traffic. There are over 17 million vehicles registered in the area, each emitting fumes into the environment. The number of vehicles is increasing.

In 2007, government regulations were introduced to reduce the volume of traffic in the city. For example, every Sunday morning, over 8 km of Jakarta's roads are traffic-free as vehicles are banned. In 2016, it was reported that air quality had improved by 65% compared to the levels before the regulations were introduced.

- (h) With reference to the data above and your knowledge of economics, assess the effectiveness of government regulations when dealing with externalities such as air pollution in Jakarta.

(9)

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Heather runs a successful restaurant in a small town in Portugal. When her friend asked whether she was going to expand by opening another restaurant, Heather said she was not.

(f) Explain **one** reason why Heather may have decided to keep her business small.

(3)



Sajad owns a shop selling smartphones in Karachi, Pakistan. The shop has been successful for several years and there is an opportunity for Sajad to open an additional shop on the other side of the city.

(f) Explain **one** reason why Sajad may decide to expand his business.

(3)

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In January 2023, the minimum wage in the Netherlands was increased by 10.15% to €1 934.40 per month. The decision was partly due to inflation increasing to 17% during 2022.

However, the decision has been criticised because the economy is still weak following the global health crisis.

- (g) With reference to the data above and your knowledge of economics, assess the likely benefits of increasing the minimum wage for employees and firms in the Netherlands.

(9)

[illegible]

(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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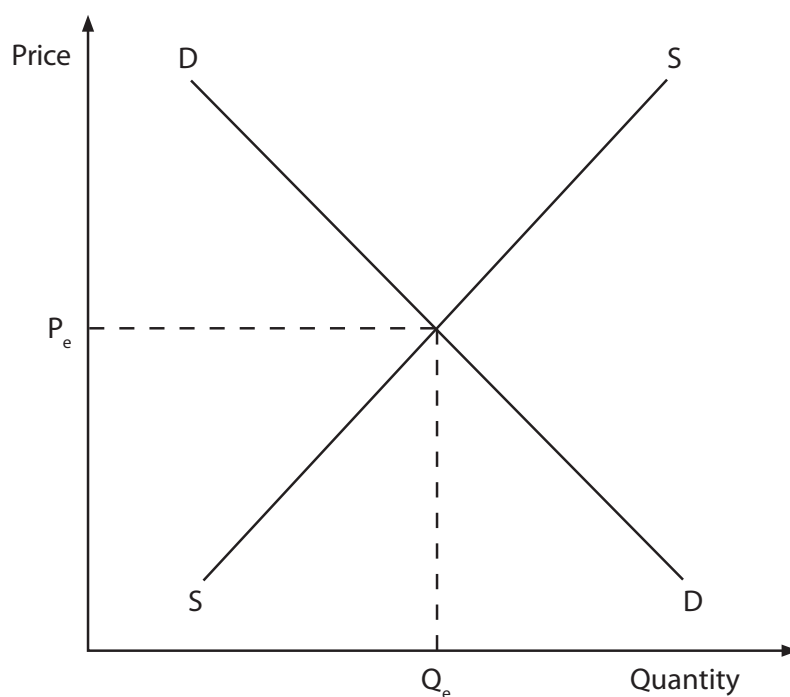
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- (g) Using the diagram below, draw the effects on the market for crops after a hurricane destroys farm land. Label the new curve, new equilibrium price and new equilibrium quantity.

(3)

**Figure 2**

Concert tickets to see the most popular music artists can sell for very high prices.

- (h) Explain **one** reason why the demand for these tickets might be price inelastic.

(3)

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Introduced in 1935, Inca Kola is a yellow-gold coloured, fizzy, soft drink that is popular all over Peru. By 1995, Inca Kola had grown to become a strong competitor of Coca-Cola. Inca Kola had a 32.9% market share compared to Coca-Cola's 32.0% in Peru.

By 2014, Coca-Cola owned 48.5% of Inca Kola shares.

(Source: adapted from Peru's 'improbable' Inca Kola wins out over Coke by Andres Schipani © Financial Times September 2014)

- (i) With reference to the data above and your knowledge of economics, analyse the possible reasons for Coca-Cola purchasing shares in Inca Kola.

(6)

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

(Total for Question 1 = 20 marks)



- (g) Using the diagram below, draw the effects on the market for locally sourced goods of more customers preferring to buy from local firms. Label the new curve, new equilibrium price and new equilibrium quantity.

(3)

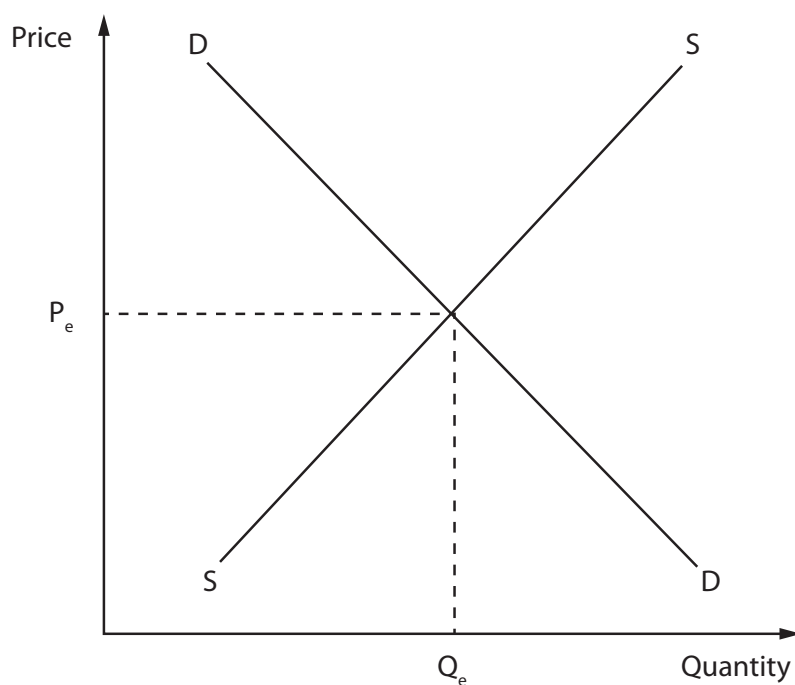


Figure 1

Robert is the only business specialising in handmade door signs in the local area.

- (h) Explain **one** disadvantage for customers of Robert being the only local firm specialising in handmade door signs.

(3)

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Despite his success, Robert has decided to keep his business small and not expand.

- (i) With reference to the data in **'Small but successful'** and your knowledge of economics, analyse why Robert might have decided not to expand his business.

(6)

(Total for Question 1 = 20 marks)



- (g) Using the diagram below, draw the likely effects on the market for cars of the introduction of more effective technology in production. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

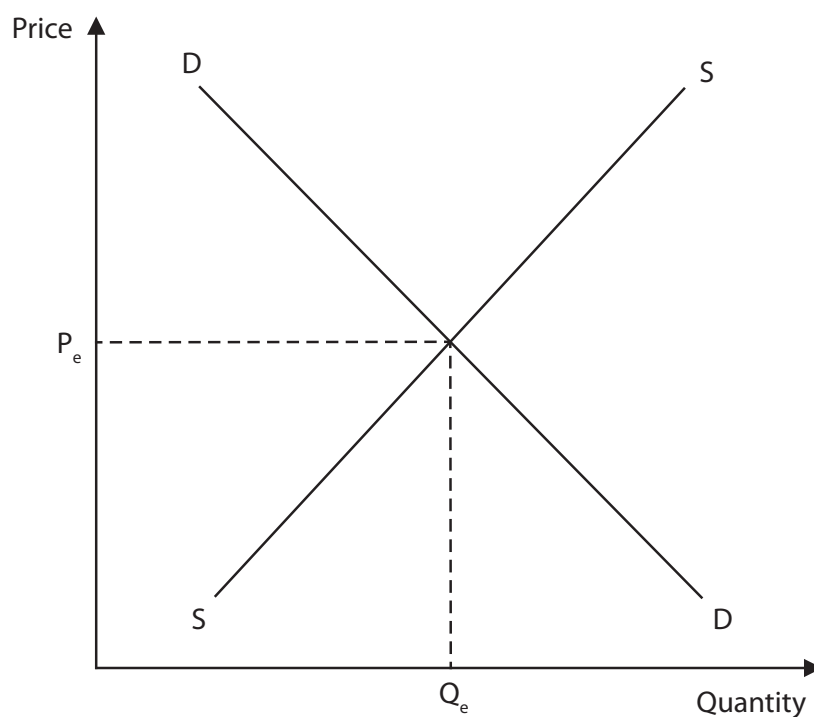


Figure 1

In 2015, the school-leaving age in England was raised from 16 to 18.

- (h) Explain **one** possible effect on the supply of labour of the school-leaving age being raised.

(3)

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(6)



Figure 1 shows the market for solar panels.

- (g) Using the diagram below, draw the likely effects on the market for solar panels if the government removes an indirect tax on them. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

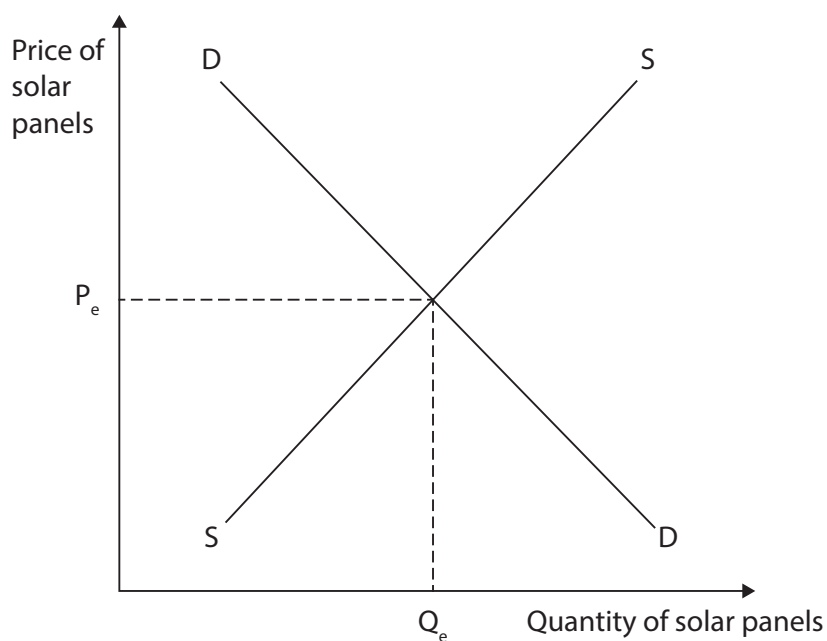


Figure 1

Casper has decided to purchase a new television.

- (h) Explain **one** possible opportunity cost for Casper of this decision.

(3)

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(6)



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(Total for Question 1 = 20 marks)



4 Figure 6 shows the population of Finland in the years 2021, 2022 and 2023.

Year	Population
2021	5,541,075
2022	5,569,299
2023	5,601,185

Figure 6

- (a) Calculate, to two decimal places, the **percentage change in the population** of Finland between 2021 and 2023. You are advised to show your working. (2)

It offers flights to over 150 destinations in 25 countries.

- (6)





In 2024, the Latvian Government increased the national minimum wage from €620 per month to €700 per month.

A study had shown that 16% of the population of Latvia were paid the minimum wage. Although this was the lowest percentage for five years, many people had been struggling to pay bills following a rise in the prices of food, energy and clothing.

- (c) With reference to the data above and your knowledge of economics, evaluate whether an increase in the minimum wage would benefit everyone in an economy such as Latvia.

(12)

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

Wonderful Wax is a small, UK-based firm that produces candles. The candles are environmentally friendly because they are handmade with soy wax and pure essential oils. This is instead of harmful paraffin wax which produces toxins when burned. Elissa Newham set up the business because she wanted to help the environment. She was surprised when a larger firm made contact, offering its facilities to increase production if Elissa was prepared to share the profits.

- (h) With reference to the data above and your knowledge of economics, assess whether Wonderful Wax would have more benefits from remaining a small firm rather than becoming a large firm.

(9)

[illegible]

(Total for Question 2 = 20 marks)



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

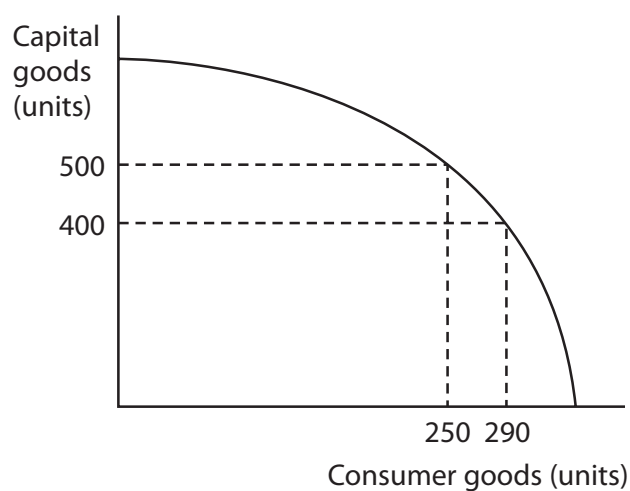


Figure 4

- (a) When the current level of output is 250 units of consumer goods, calculate the **opportunity cost** of producing an additional 40 units of consumer goods. You are advised to show your working.

(2)

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TOTAL FOR PAPER = 80 MARKS



4 Figure 6 shows financial data for a firm selling a selection of products.

Product	X	Y
Price	\$3 000	\$3 300
Quantity sold	50	40
Total revenue	$\$3\,000 \times 50$	$\$3\,300 \times 40$
PED	-0.62	-1.53

Figure 6

- (a) Calculate the **total revenue** for the product that has a price elasticity of demand (PED) which is **inelastic**. You are advised to show your working.

(2)

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NT Massage is a small but successful, family-run business in a residential part of Hong Kong. It offers traditional foot and head massages to local residents, many of whom have been customers for many years.

A younger member of the family, Mei, would like to expand the business. She wants to open a chain of shops offering foot and head massages in busier areas of Hong Kong. She would like her new employees to be fully trained, to advertise in hotels and to focus more attention on attracting custom from the 7.5 million population of Hong Kong.

Even though there would be competition from many other similar businesses, additional custom from tourists and business people would enable NT Massage to charge higher prices in the new shops.

- (c) With reference to the data above and your knowledge of economics, evaluate whether the family should expand the business rather than keeping it small.

(12)

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



TOTAL FOR PAPER = 80 MARKS

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)





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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



SUB-TOPIC 1.2.4 (e-g)

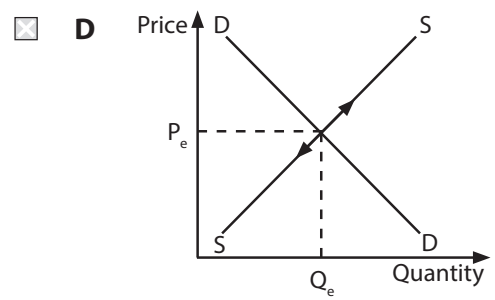
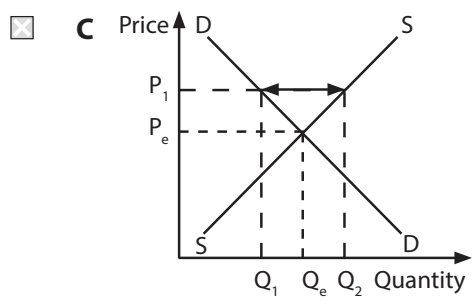
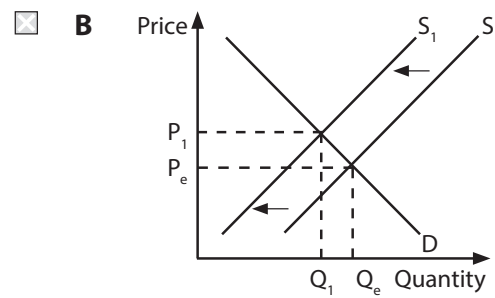
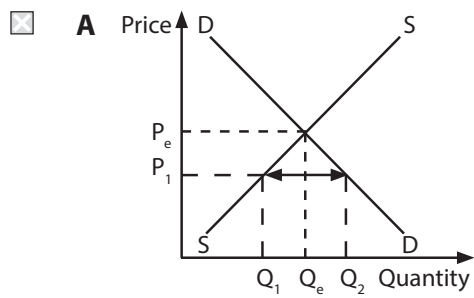
MONOPOLY

Sub-topic 1.2.4 (e-g) · 19 questions · 64 marks · lowest tariff first



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

(1)



(b) Which **one** of the following is most likely to create a barrier to entry?

(1)

- ☐ A Government provides subsidies for new firms
- ☐ B Increasing personal incomes in the economy
- ☐ C Low start-up costs
- ☐ D Use of expensive technology

(c) Calculate the **price elasticity of demand (PED)** for a product if price falls by 10% and quantity demanded increases by 19%. You are advised to show your working.

(2)

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(d) State the formula for social benefits.

(1)

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(e) Define the term consumer.

(1)

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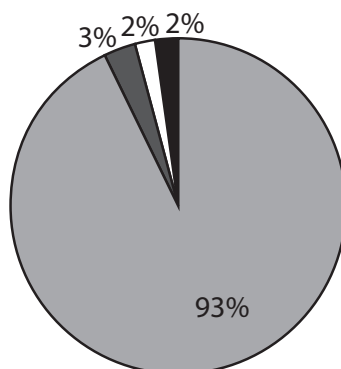
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2

Market share by firm for a market in Azerbaijan

■ Firm 1 ■ Firm 2 □ Firm 3 ■ Firm 4

**Figure 3**

- (a) Which **one** of the following options is the most suitable term for the type of market shown in Figure 3?

(1)

- ☒ A Cartel
- ☒ B Oligopoly
- ☒ C Monopoly
- ☒ D Competitive

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

(1)

- ☒ A Consumers may accurately calculate the satisfaction they gain
- ☒ B Consumers may have habits that are hard to give up
- ☒ C Consumers are always rational when making decisions
- ☒ D Consumers never copy the behaviour of others



(d) State **one** example of a factor of production that can be classified as land.

(1)

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(e) Define the term monopoly.

(1)

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Alfie provides a dog-walking service to dog owners in his local area. After a successful first year he increased prices by 1.5% and quantity demanded fell by 1.1%.

(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Alfie's dog-walking service. You are advised to show your working.

(2)

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A firm increases supply by 2.7% following a price increase of 4.9%.

- (d) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm.
You are advised to show your working.

(2)

- (e) Define the term price-maker.

(1)

- (f) Describe **one** reason why a computer can be a factor of production.

(2)



(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.

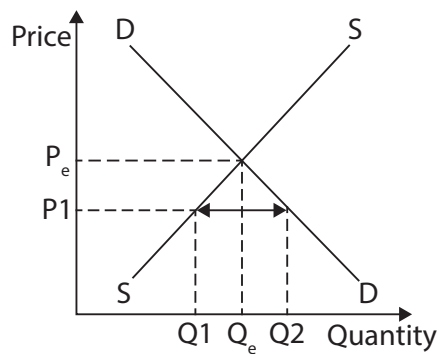
(2)



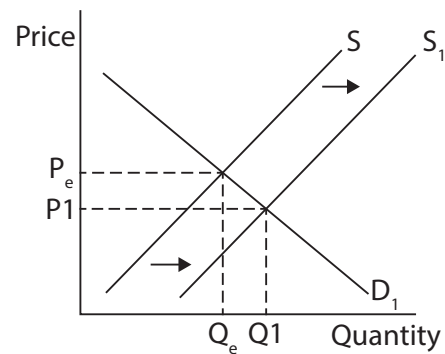
2 (a) Which **one** of the following diagrams shows excess supply?

(1)

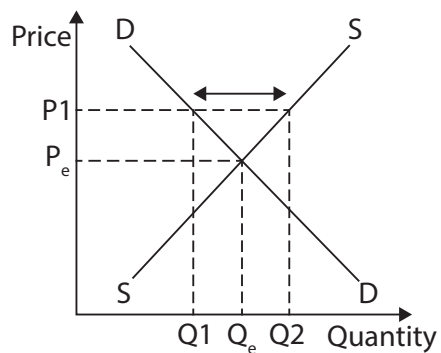
☐ **A**



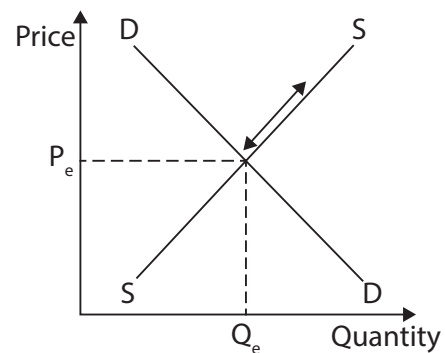
☐ **B**



☐ **C**



☐ **D**



(b) Which **one** of the following is a feature of a monopoly?

(1)

- ☐ **A** Consumers have a choice of firms
- ☐ **B** There are many firms competing in the market
- ☐ **C** The firm is a price-maker
- ☐ **D** There are low barriers to entry

(d) State **one** example of an item that can be classified as capital.

(1)

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(e) Define the term price-maker.

(1)

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(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for a good if the price decreases by 4.7% and the quantity demanded increases by 1.8%.
You are advised to show your working.

(2)

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The Irish Artisan Charcoal Company (IACC) is the only firm producing charcoal in Ireland. Damaged trees which would otherwise have been left to rot are used to produce top quality charcoal.

(Source adapted from: <https://www.limerickleader.ie/video/home/348948/watch-irish-artisan-charcoal-company-in-limerick-blazing-a-trail-with-unique-product.html>)

- (f) Describe the type of market structure in which the Irish Artisan Charcoal Company operates.

(2)

Street lighting is considered to be a public good.

- (g) Explain **one** reason why this may cause a free rider problem.

(3)

2

Chart to show market share held by firms within a market

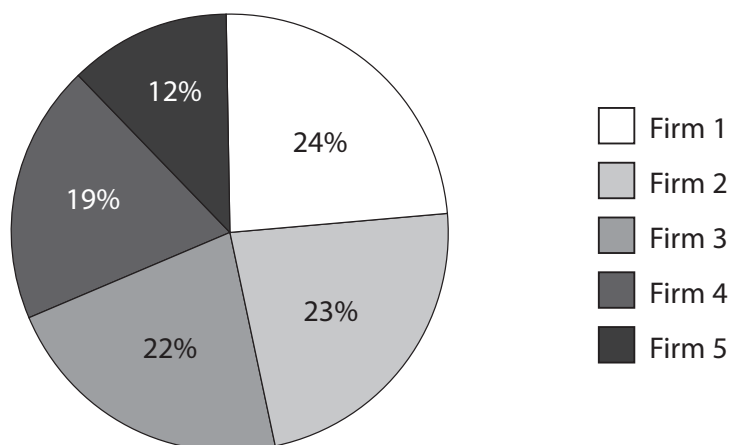


Figure 2

(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

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

(2)

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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)

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

(2)

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1 (e) Describe **one** way that high start-up costs can be a barrier to entry.

(2)

UK supermarkets operate in an oligopoly where the market is dominated by several large firms.

(f) Explain **one** disadvantage of this type of market structure for UK consumers.

(3)



- (c) Calculate the **percentage change in quantity supplied** for a product if the price elasticity of supply (PES) is 1.5 and the price increases by 12%. You are advised to show your working.

(2)

- (d) What is meant by the term social costs?

(2)

- (e) Describe **one** reason why innovation may be more likely to occur in a monopoly.

(2)



1

(e) Describe **one** feature of a monopoly.

(2)

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In 2023, the Italian Government introduced legislation to increase the number of taxis available to the public.

(f) Explain **one** reason why the Italian Government may have introduced legislation that makes it easier for new taxi firms to enter the market.

(3)

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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 effects on the market for locally sourced goods of more customers preferring to buy from local firms. Label the new curve, new equilibrium price and new equilibrium quantity.

(3)

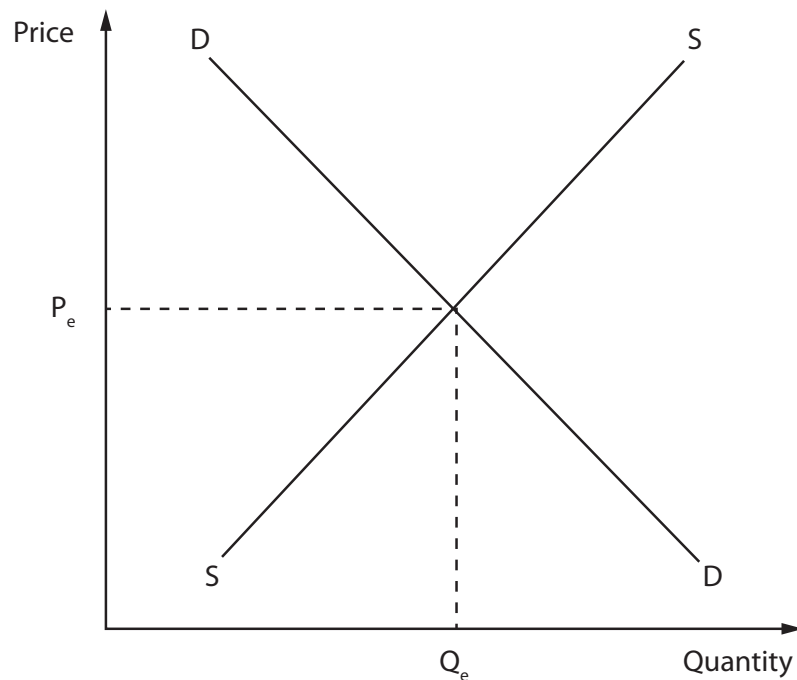


Figure 1

Robert is the only business specialising in handmade door signs in the local area.

- (h) Explain **one** disadvantage for customers of Robert being the only local firm specialising in handmade door signs.

(3)

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(f) Describe **one** benefit to consumers of privatisation.

(2)

Microsoft has a patent on a number of its technological designs.

(g) Explain **one** reason why Microsoft might have patents on its designs.

(3)



(9)



4 Figure 4 shows the quantity of a good supplied and demanded at different price levels.

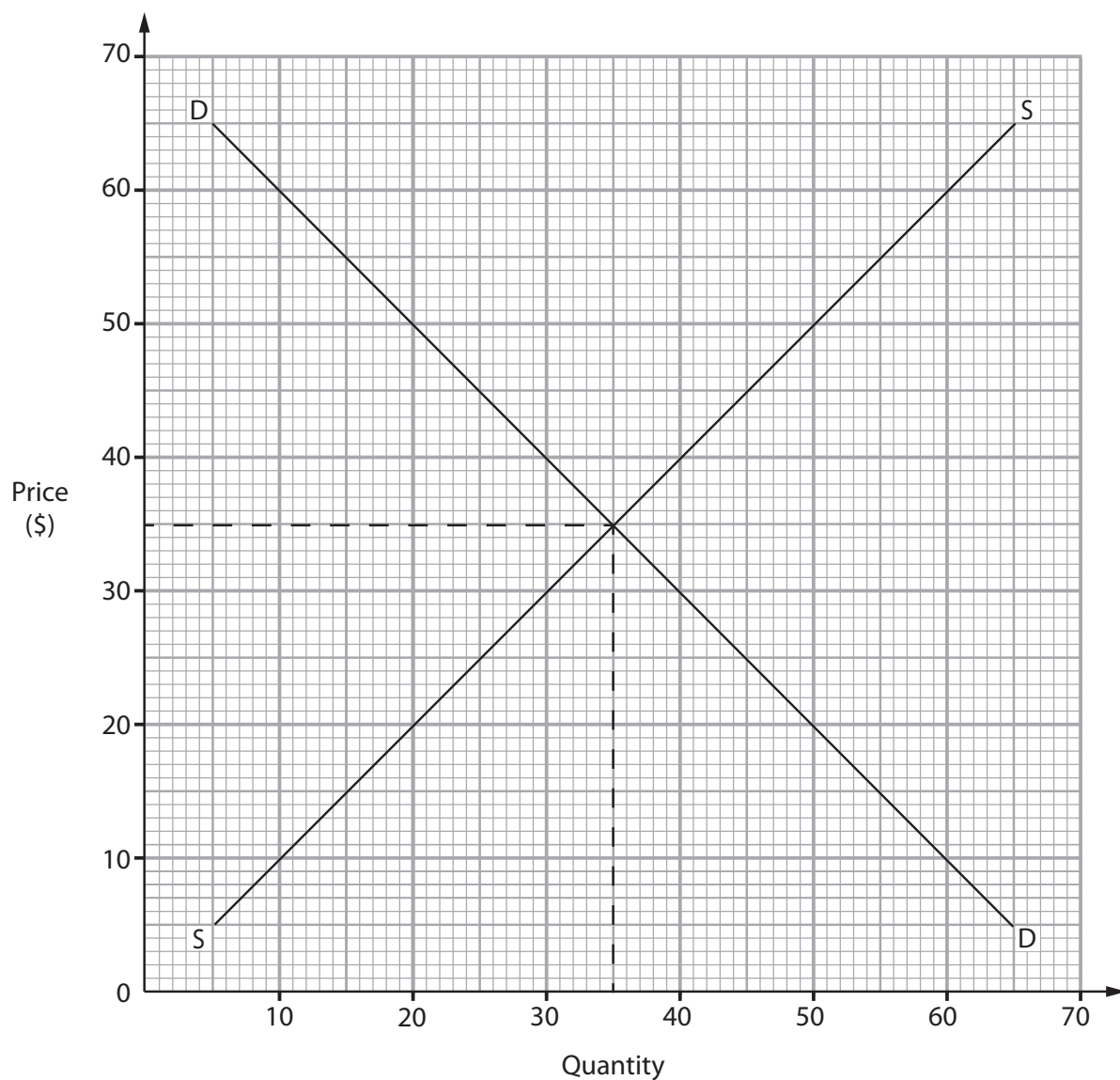


Figure 4

(a) Using the information in Figure 4, calculate the excess demand of goods in the market at a price of \$20. You are advised to show your working.

(2)

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NBC Universal pays \$7.75bn for Olympics through to 2032

The International Olympic Committee (IOC) announced it had agreed a \$7.75bn deal with the USA television network, NBC Universal. This will extend its broadcasting rights to the Olympic Games up until 2032. The deal gives NBC Universal total control over all media platforms in the USA, including television, internet and mobile. A spokesman for NBC Universal said they were confident they would get back the high cost through advertising.

(Source: adapted from <https://eu.usatoday.com/story/sports/olympics/2014/05/07/nbc-olympics-broadcast-rights-2032/8805989/>)

Figure 5 shows the market share in South America of search engine providers, between October 2016 and October 2017.

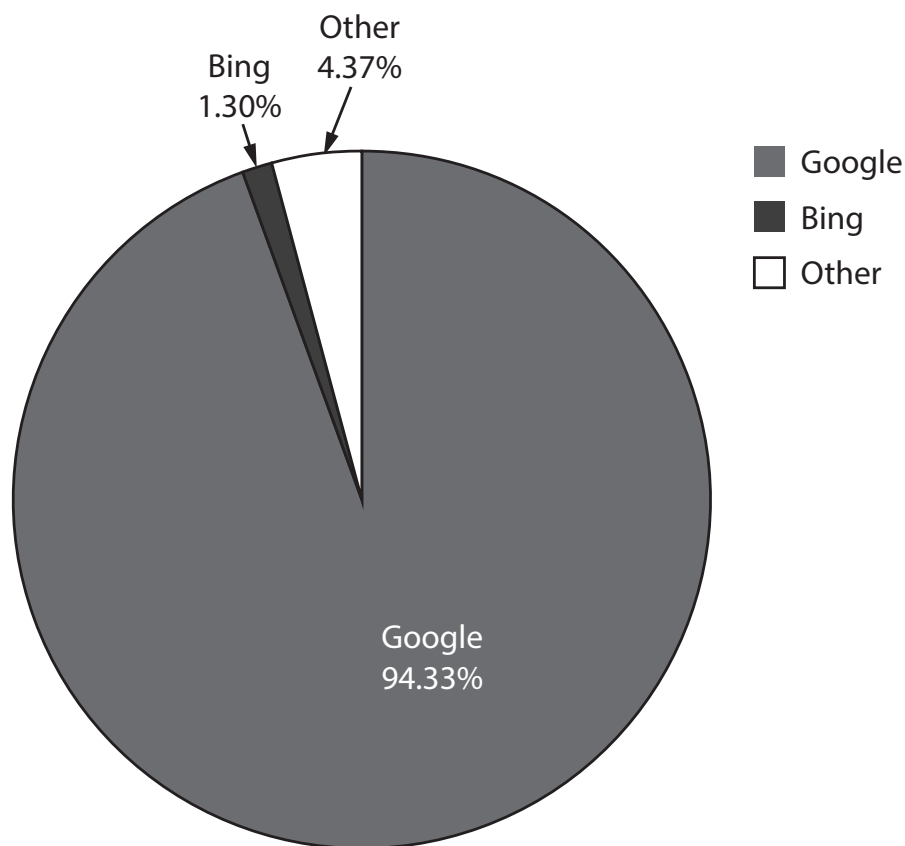


Figure 5

(Source: adapted from <http://gs.statcounter.com/search-engine-host-market-share/all/south-america#monthly-201610-201710-bar>)

Consumers do not pay to use search engines but firms pay to advertise on them. Google, because of the size of its market share, is considered to be a monopoly.

- (c) With reference to the data above and your knowledge of economics, evaluate the extent to which firms can benefit from advertising on Google.

(12)

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(e) Define the term substitute.

(1)

(f) Describe **one** reason why a firm might stay small.

(2)

There are many market stalls selling food in Taba, Egypt. Some of these stalls have received positive reviews on social media about the quality of the food they sell.

(g) Explain **one** advantage of positive reviews for the owners of food stalls in Taba.

(3)



(9)

[illegible]

(Total for Question 2 = 20 marks)

4 Figure 4 shows the quantity of a good supplied and demanded at different price levels.

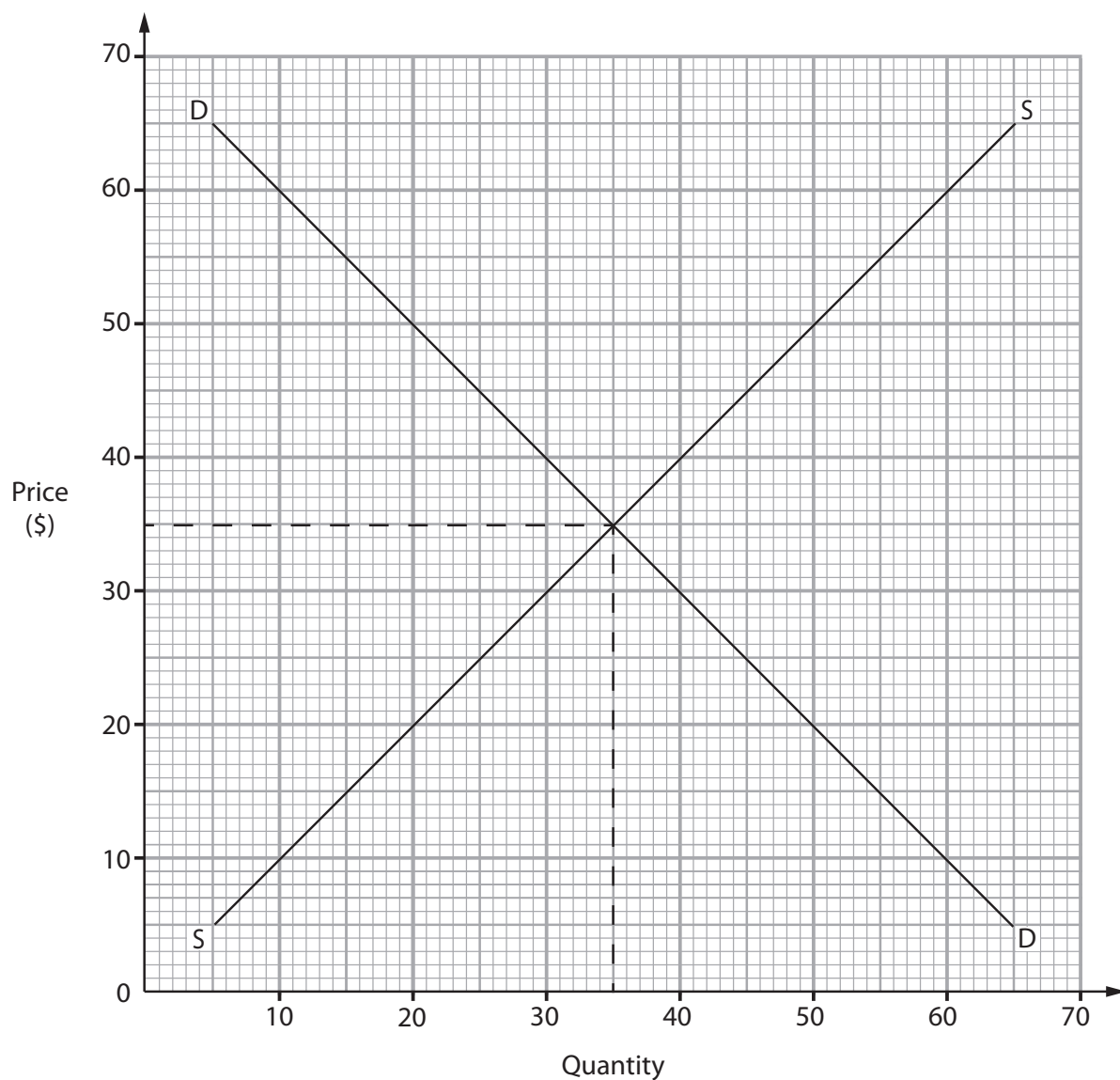


Figure 4

(a) Using the information in Figure 4, calculate the excess demand of goods in the market at a price of \$20. You are advised to show your working.

(2)

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Figure 5 shows the market share in South America of search engine providers, between October 2016 and October 2017.

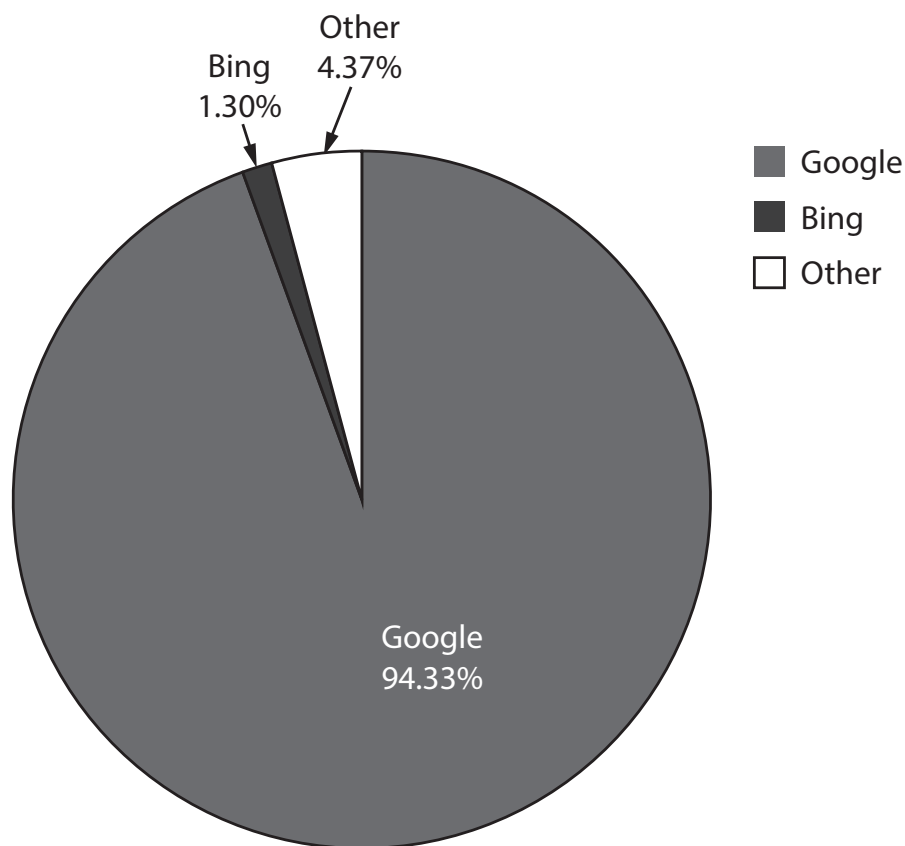


Figure 5

(Source: adapted from <http://gs.statcounter.com/search-engine-host-market-share/all/south-america#monthly-201610-201710-bar>)

Consumers do not pay to use search engines but firms pay to advertise on them. Google, because of the size of its market share, is considered to be a monopoly.

- (c) With reference to the data above and your knowledge of economics, evaluate the extent to which firms can benefit from advertising on Google.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



- 4 A restaurant in Cyprus can seat 136 diners each evening. The demand for seats from diners over three evenings is shown in Figure 5.

Evening	Quantity of seats demanded
Thursday	98
Friday	114
Saturday	107

Figure 5

- (a) Calculate the **excess supply** of seats if the quantity supplied during these three evenings totalled 408. You are advised to show your working.

(2)

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The English city of Kingston upon Hull has an independent telecoms network known as Kingston Communications (KCOM). It is the only provider serving the city and its surrounding towns and villages. People living there do not have many broadband options. The network remained independent when most others joined together to become British Telecom (BT) and it has remained as a separate company to this day.

As well as broadband, KCOM also offers home phone and mobile deals which are available at a discounted price when purchased together. It will soon offer high-quality television packages. Its broadband is fast, with fibre optic packages which can reach impressive speeds of up to 250 Mb. However, these are not available everywhere in the region and KCOM's packages are more expensive than those in the rest of the country. This is especially true as they have low download limits.

(Source adapted from: <https://www.broadbandchoices.co.uk/guides/broadband/hull-broadband>)

- (c) With reference to the data above and your knowledge of economics, evaluate whether a monopoly such as KCOM is always bad for the consumer.

(12)

This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Handwriting practice area with 25 horizontal dotted lines.



(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



SUB-TOPIC 1.2.4 (h-j)

OLIGOPOLY

Sub-topic 1.2.4 (h-j) · 17 questions · 71 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 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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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

Chart to show market share held by firms within a market

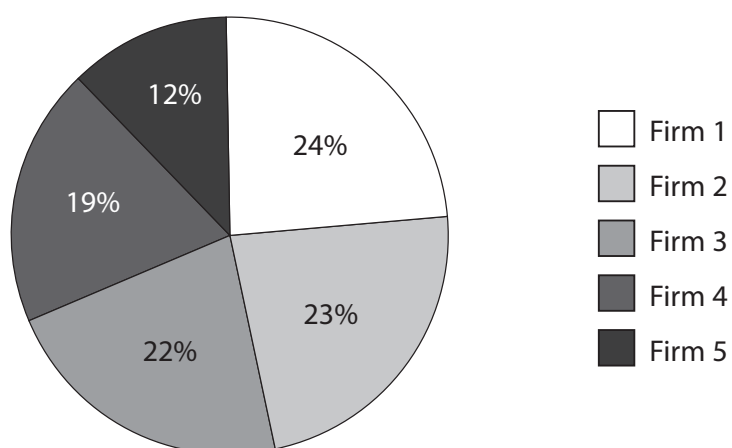


Figure 2

(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

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

(2)

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

(1)

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(e) Define the term excess supply.

(1)

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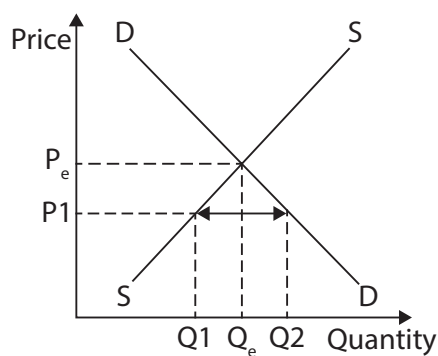
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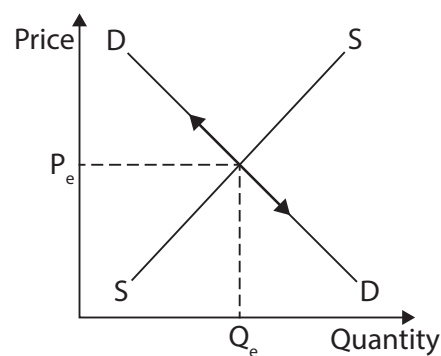
2 (a) Which **one** of the following diagrams shows excess demand?

(1)

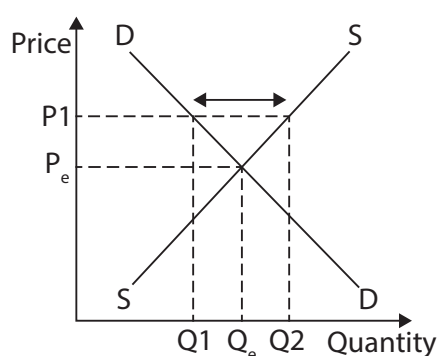
☐ **A**



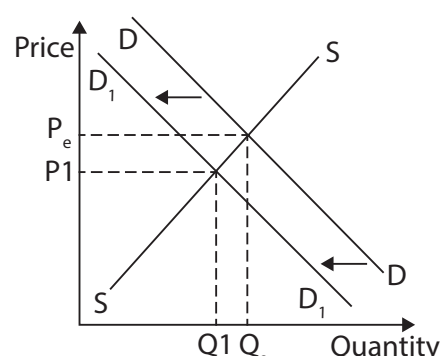
☐ **B**



☐ **C**



☐ **D**



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

(1)

- ☐ **A** There is only one firm in the market
- ☐ **B** Firms always act independently
- ☐ **C** Different products are sold
- ☐ **D** No barriers to entry are present

2

Market share by sales of firms in a market in Kuwait

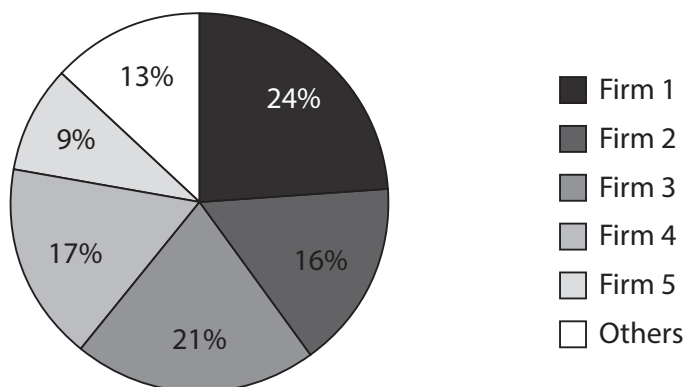


Figure 2

- (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

- (c) Calculate the **percentage change in quantity demanded** for a product if the price elasticity of demand (PED) is -1.9 and the price falls by 10%. You are advised to show your working.

(2)

- (d) What is meant by the term social benefits?

(2)

- (e) Describe **one** feature of an oligopoly.

(2)



- (g) Using the diagram below, draw the likely effects on the market for bread after a decrease in the population. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

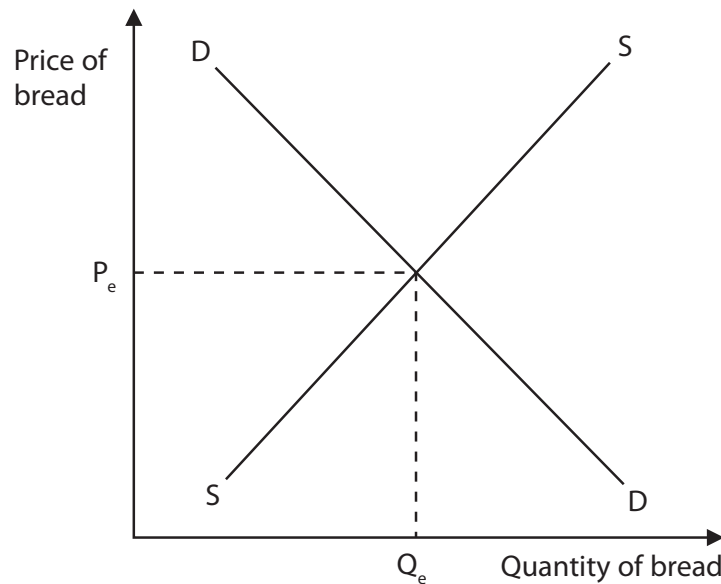


Figure 2

The music entertainment industry is dominated by a few main firms. These are BMG, EMI Group, Sony, Universal Music Group and Warner.

- (h) Explain **one** possible barrier to entry a new firm might face when trying to enter this industry.

(3)

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(e) Describe **one** way that high start-up costs can be a barrier to entry.

(2)

UK supermarkets operate in an oligopoly where the market is dominated by several large firms.

(f) Explain **one** disadvantage of this type of market structure for UK consumers.

(3)



Foxconn Technology produces the new Apple iPhone at its factory in Shenzhen, China. It employs 270,000 workers in its factory. Each worker carries out a specific task which ranges from handling the phone screen, assembling components, checking the phone works, to packaging the phone ready to ship to the customer.

(Source adapted from: <https://www.patentlyapple.com/2021/10/foxconn-shenzhen-factory-to-hire-an-additional-100000-plant-workers-to-keep-iphone-13-production-on.html>)

- (g) With reference to the data above and your knowledge of economics, assess the benefits for Foxconn Technology of using division of labour.

(9)

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 practice. There are no margins, text, or other markings on the page.

4 Figure 6 shows the quantity of a good supplied and demanded at different price levels.

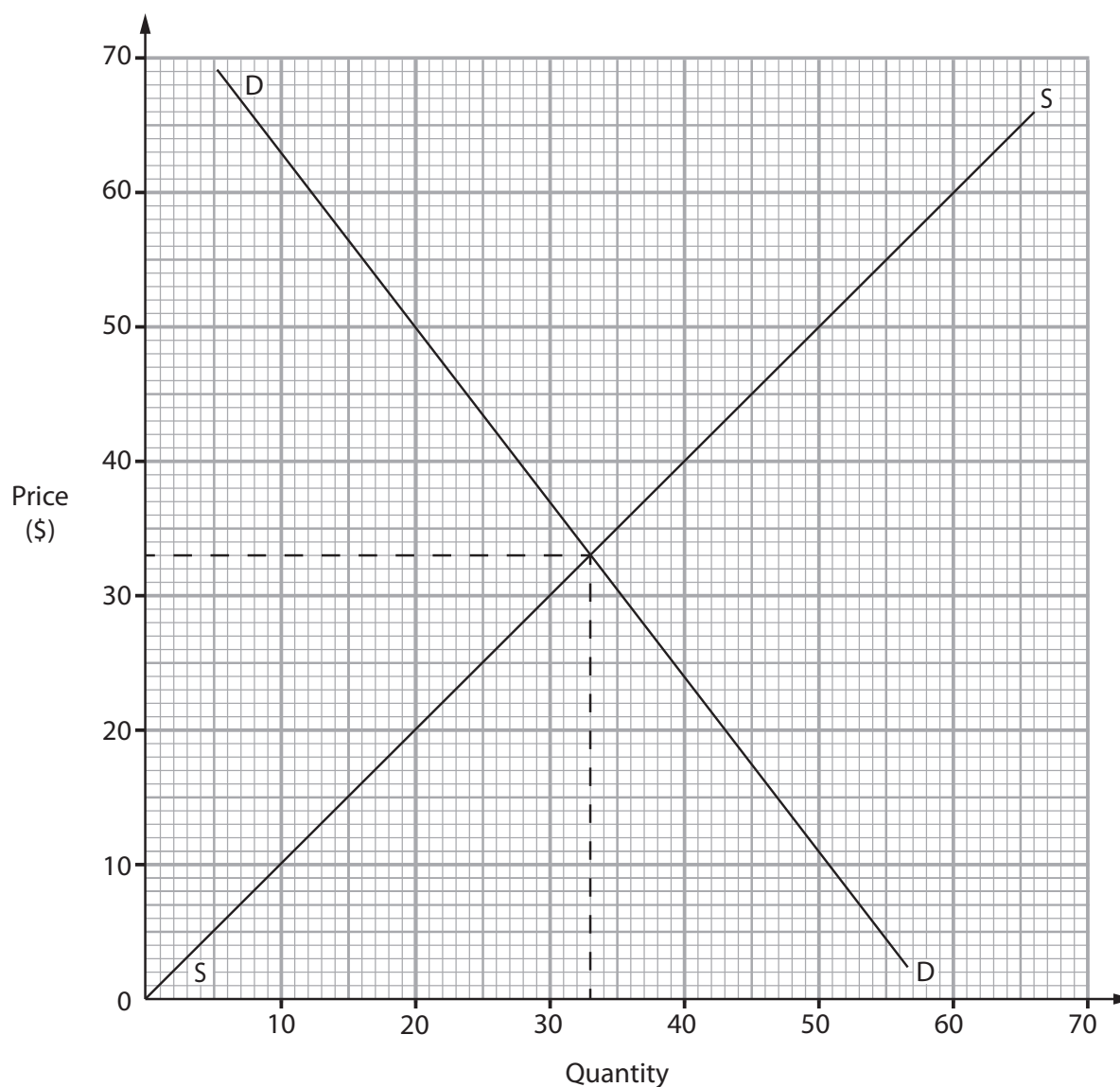


Figure 6

- (a) Using the information in Figure 6, calculate the excess supply of goods in the market at a price of \$50. You are advised to show your working.

(2)

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Competition and Markets Authority warns online sellers about collusion

The Competition and Markets Authority (CMA) is a UK government department that aims to increase competition. It has reminded online sellers of electrical equipment that collusion is illegal and can result in serious penalties. The CMA stated that buying electrical equipment online, such as laptops and games consoles, means consumers can search a wide range of deals from many different sellers. However, it also stated that collusion is a threat.

(Source: adapted from © Crown Copyright)

- (b) With reference to the data above and your knowledge of economics, analyse why collusion may be a disadvantage for online consumers buying electrical equipment.

(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 practice. There are no margins, text, or other markings on the page.

Figure 7 shows the market share of supermarkets in the Netherlands in 2017.

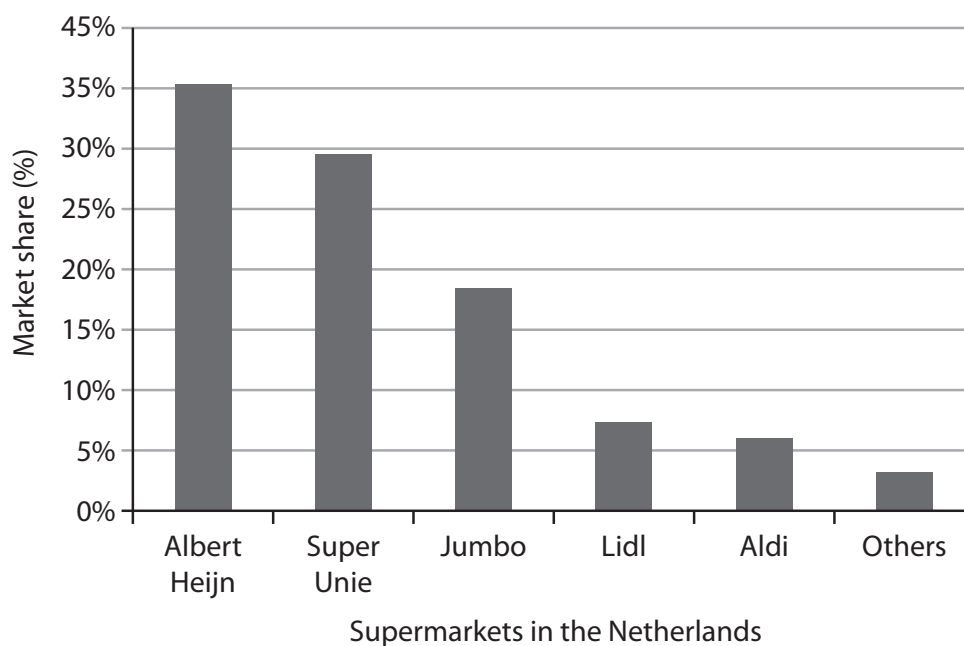


Figure 7

- (c) With reference to the data above and your knowledge of economics, evaluate how firms might be influenced by competing in an oligopoly, such as supermarkets in the Netherlands.

(12)

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- (g) Using the diagram below, draw the effects on the equilibrium price and quantity after the government removes an indirect tax on sustainable fuel. Label the new curve, the new equilibrium price and quantity.

(3)

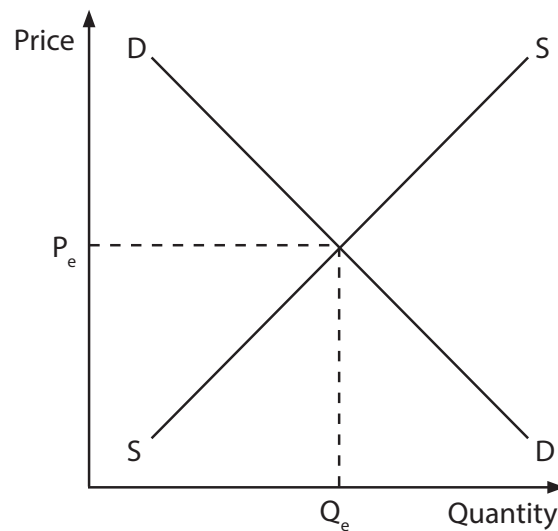


Figure 1

A firm has decided to purchase a new computer system.

- (h) Explain **one** possible opportunity cost for the firm of this decision.

(3)

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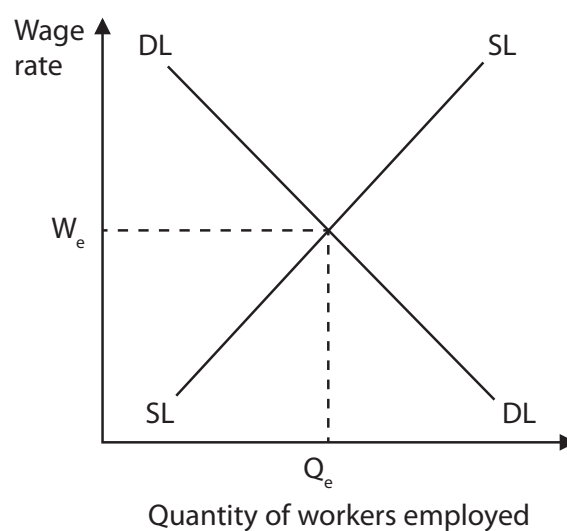
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(Total for Question 1 = 20 marks)



- (c) Using the diagram below, draw the effects of an increase in the retirement age on the labour market in a country. Label the new curve, the new equilibrium wage rate and the new equilibrium quantity of workers employed.

(3)

**Figure 5**

[illegible]

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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(6)



State-owned airline, Air India, currently offers a high number of domestic flights from both Mumbai and New Delhi. It also flies to destinations worldwide, including the US and Europe. However, it has reduced the number of countries it flies to, especially in other parts of Asia and Africa.

The Indian Government has announced plans to sell all its shares in the airline. Air India had been making a loss and struggling to pay oil companies for its fuel. However, the government reduced almost half of this debt before making the announcement to sell the airline.

- (c) With reference to the data above and your knowledge of economics, evaluate whether Air India is likely to benefit from privatisation.

(12)

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4 The demand for meals over three lunchtimes at a café in Austria is shown below.

Day	Quantity of meals demanded
Thursday	58
Friday	64
Saturday	79

Figure 5

(a) Calculate the **excess supply** of meals if the quantity supplied during these three days totalled 261. 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 the benefits of this type of market structure for airline passengers.

(6)



[illegible]

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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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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Figure 3 shows the demand for cocoa beans during 2019.

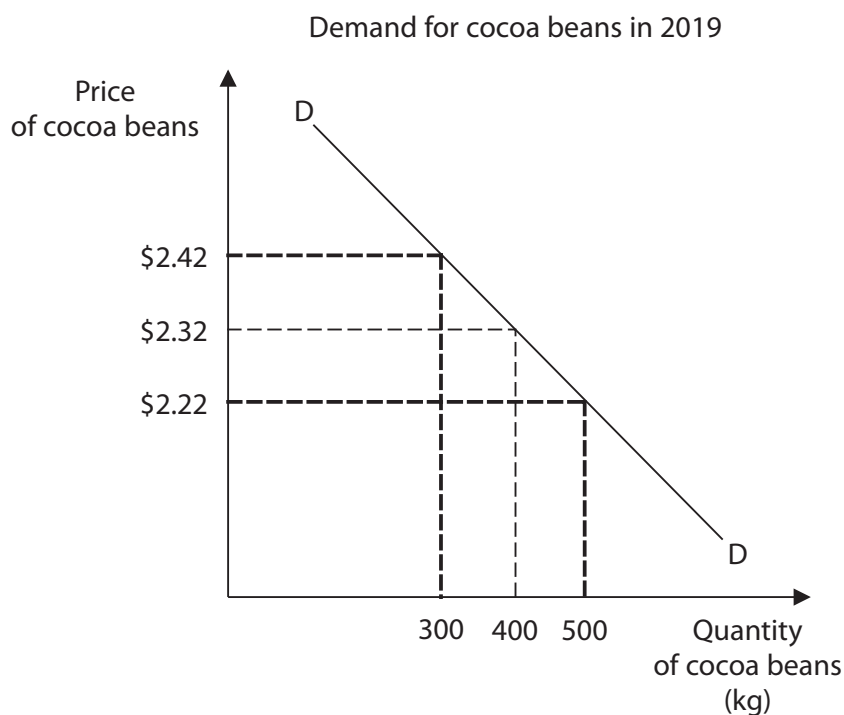


Figure 3

- (g) Explain **one** effect on the demand curve for cocoa beans following a change in the price.

(3)

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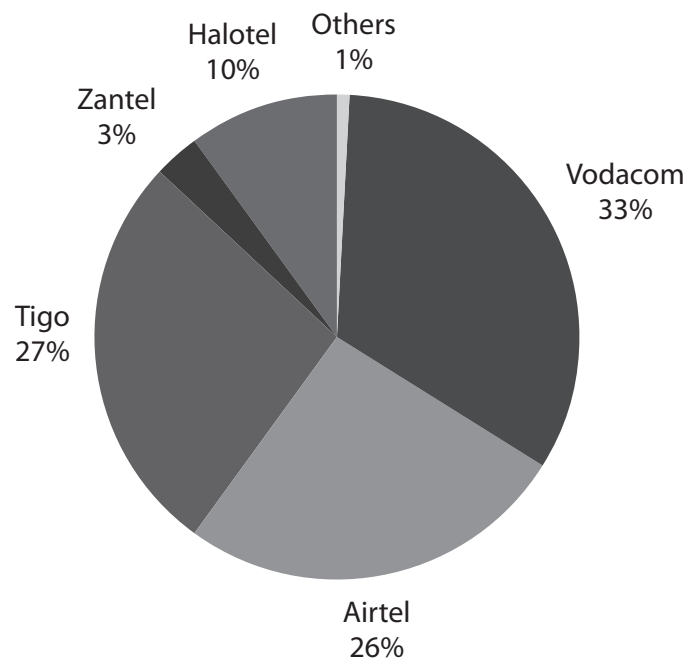
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Market share of telecom subscriptions in Tanzania (June 2019)



(Source adapted from: <https://www.tanzaniainvest.com/telecoms/tanzania-add-50000-mobile-subscriptions-in-6-months>)

Figure 4

In November 2019, two Tanzanian telecoms firms, Zantel and Tigo, merged. Smart Telecoms, a small firm with a declining market share, stopped trading. A spokesperson said that Smart Telecoms could no longer compete with the increasing dominance of larger firms in the market.

- (h) With reference to the data above and your knowledge of economics, assess whether the oligopoly in the Tanzanian telecoms market is likely to benefit consumers.

(9)



Handwriting practice area with 25 horizontal dotted lines.



(Total for Question 2 = 20 marks)



4 Figure 6 shows the quantity of a good supplied and demanded at different price levels.

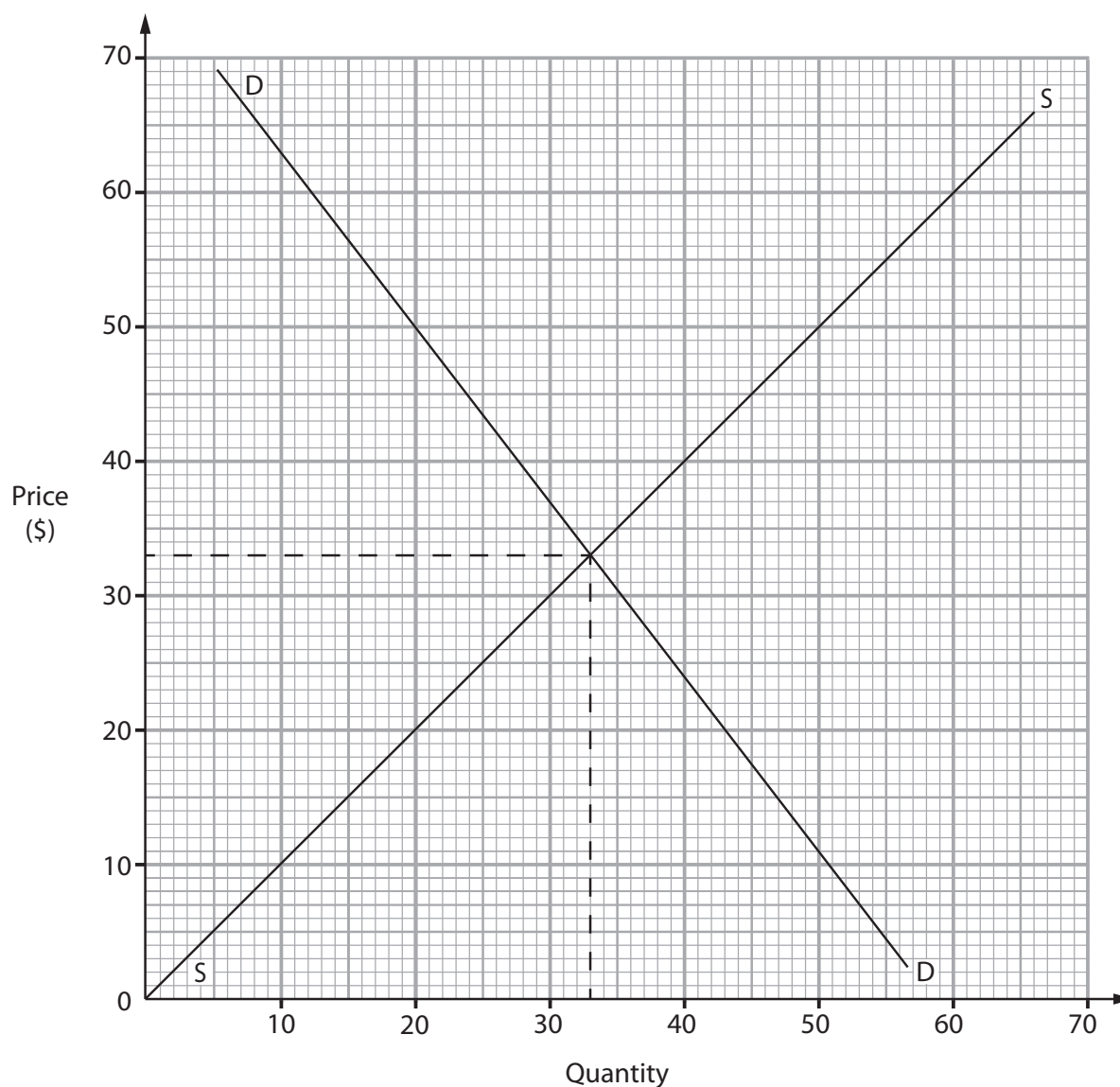


Figure 6

- (a) Using the information in Figure 6, calculate the excess supply of goods in the market at a price of \$50. You are advised to show your working.

(2)

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Figure 7 shows the market share of supermarkets in the Netherlands in 2017.

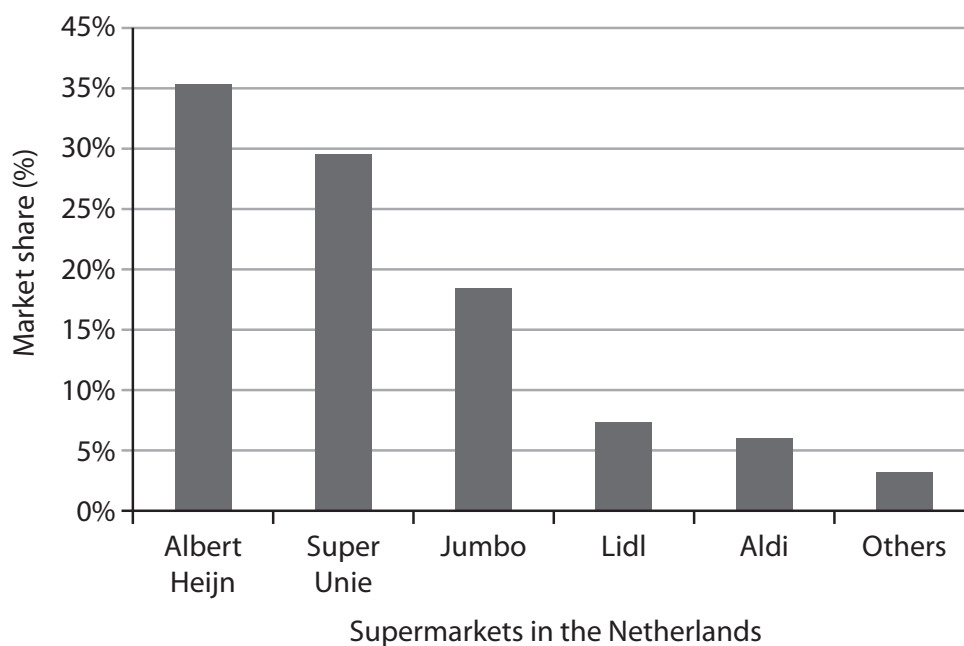


Figure 7

- (c) With reference to the data above and your knowledge of economics, evaluate how firms might be influenced by competing in an oligopoly, such as supermarkets in the Netherlands.

(12)





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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



MARK SCHEMES

official mark schemes, in the same order as the questions



Question number	Answer	Mark
2(a)	AO1 1 mark B What to produce	(1)

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

Question number	Answer	Mark
2(c)	AO2 2 marks Award 1 mark for showing correct calculation. -12 ÷ 15 (1) Award 1 mark for correct price elasticity of demand (PED). = -0.8 (1) Award 1 mark if students show calculation and put 0.8 without the minus sign Award 2 marks if PED is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
2(d)	AO1 1 mark Award 1 mark for reference to an invention or new idea An idea which leads to a new product/process	(1)



Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for reference to money used by a business Funding for a firm Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for the type of business competition and 1 mark for development of the response The Irish Artisan Charcoal Company (IACC) is a monopoly (1) as there are no other firms producing charcoal in Ireland (1) Accept any other appropriate response	(2)

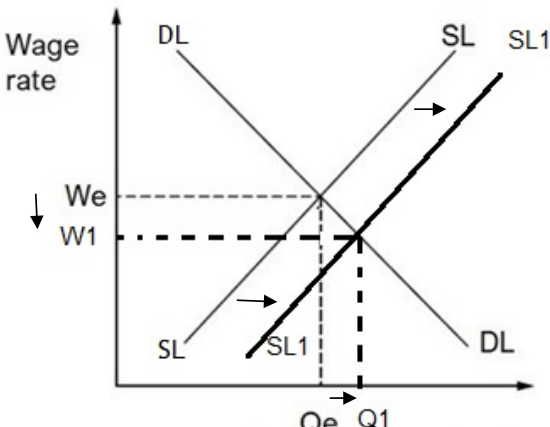
Question number	Answer	Mark
2(d)	A02 2 marks Award 1 mark for identifying the variable costs 2 000 + 15 000 (1) Award 1 mark for calculating total variable costs = 17 000 QR (1) Award 2 marks if total variable costs are correctly calculated as 17 000QR, even if no calculations are shown Award 1 mark 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
3(a)	AO1 1 mark B Flexibility	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark D Price inelastic	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for rightward shift of labour supply, labelled Award 1 mark for lower equilibrium wage rate, labelled Award 1 mark for higher equilibrium quantity of workers employed, labelled  Wage rate DL SL SL1 We W1 Qe Q1 Quantity of workers employed	(3)

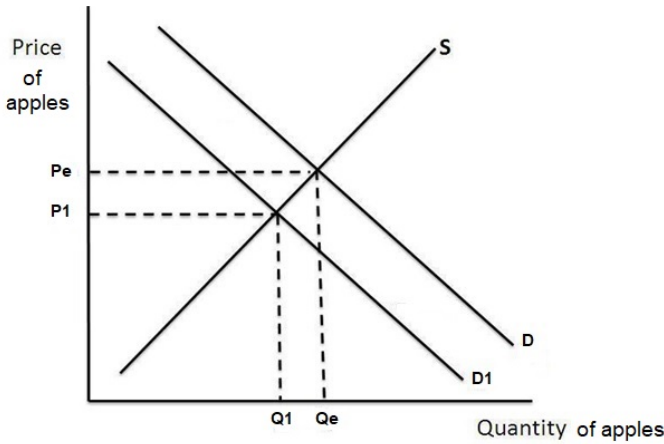
Question number	Answer	Mark
2(a)	AO2 1 mark The only correct answer is: B X A is not correct because there will be no unemployed resources C is not correct because it is not achievable D is not correct because all resources will be fully employed	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark The only correct answer is: C employee rights A is not correct because consumers are not members of the union B is not correct because this is not the responsibility of a trade union D is not correct because trade unions are independent of the government	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for a correct reason • Size of market • Nature of market (niche) • Lack of finance • Aims of the entrepreneur Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition A specialised market for a particular product Accept any other appropriate response	(1)

	Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation 4.7%/5.4% (1) Award 1 mark for correct PES = 0.87 (1) Award 2 marks if PES is correctly calculated as 0.87, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
1(g)	AO2 3 marks Award 1 mark for leftward shift of demand, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled 	(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	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(a)	AO1 1 mark The only correct answer is: C Increase in female participation A is not correct because this would lead to a decrease in the supply of labour B is not correct because this would lead to a decrease in the supply of labour D is not correct because this would lead to a decrease in the supply of labour	(1)

Question number	Answer	Mark
2(b)	AO2 1 mark The only correct answer is: C Niche A is not correct because this is where there is one dominant seller in the market B is not correct because this relates to the demand and supply of labour D is not correct because this does not relate to manufacturing to customer requirements	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for correct formula in words/as an equation $\frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$	(1)

Question number	Which one of the following is the definition of a merger?	Mark
	Answer	
3(a)	A01 1 mark The only correct answer is: A The joining together of two firms B is not correct because this is privatisation C is not correct because this means one firm ceases to exist D is not correct because a merger reduces competition in the market	(1)

Question number	Which one of the following is a reason why a government would introduce a minimum wage?	Mark
	Answer	
3(b)	A01 1 mark The only correct answer is: C To close the income gap between the rich and the poor A is not correct because if wages increase fewer benefits would need to be paid B is not correct because higher wages may increase motivation D is not correct because this would increase their costs and reduce their profits	(1)

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	Which one of the following is a reason why a firm may decide to stay small?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: B To sell a niche product A is not correct because bureaucracy should be reduced C is not correct because risk cannot easily be spread D is not correct because there is less chance of taking over competitors	(1)

Question number	The introduction of a minimum wage above the equilibrium wage in a labour market, is most likely to:	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: D decrease quantity of labour demanded and increase the wage rate A is not correct because employers are less likely to demand labour and the wage rate will be higher than the equilibrium B is not correct because employers are less likely to demand labour C is not correct because the wage rate will be higher than the equilibrium	(1)

Question number	State one example of an external cost. Answer	Mark
1(d)	AO1 1 mark Award 1 mark for a correct example • Pollution • Congestion • Environmental damage Accept any other appropriate response	(1)

Question number	Define the term takeover. Answer	Mark
1(e)	AO1 1 mark Award 1 mark for a correct definition When one firm takes control of another firm Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of supply (PES) for a good if price decreases by 9.4% and quantity supplied decreases by 3.7%. You are advised to show your working. Answer	Mark
1(f)	AO2 2 marks Award 1 mark for showing correct calculation -3.7%/-9.4% (1) Award 1 mark for correct PES = 0.39 (1) Award 2 marks if PES is correctly calculated as 0.39 even if no calculations are shown Award 1 mark if PES is calculated as 0.39%, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for one correct factor: • a decrease in advertising • a decrease in income • an adverse change in taste and fashion • a decrease in price of substitute goods • an increase in price of complementary goods • a decrease in population Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the advantage and 1 mark for development of the advantage • The large number of vehicles competing means there is a lot of choice (1) therefore it is easier for passengers to hire an auto rickshaw (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(g)	AO2 3 marks Award 1 mark for identifying a relevant reason for the difference in price Award 1 mark for developing the reason Award 1 mark for the response being in the context of transport in Dhaka • One reason is that there are likely to be fewer vehicles competing outside the city centre (1) because most of the 17 million people live in the city centre (1) and so there is less potential business for the drivers (1) Accept any other appropriate response	(3)

Question number	Answer	Mark
2(d)	AO1 1 mark Award 1 mark for correct formula Private benefits + external benefits Accept any other appropriate response	(1)

Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition The end user/a person who makes a purchase for their own use Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the factor and 1 mark for development of the factor • The firm may be able to access more finance (1) therefore it can spend more on advertising (1) • The firm may wish to take over competitors (1) so it may gain more customers (1) Accept any other appropriate response	(2)

Question number	Calculate, to two decimal places, the price elasticity of supply (PES) for shoes. You are advised to show your working. Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation -2.7%/-1.9% (1) Award 1 mark for correct PES 1.42 (1) Award 2 marks if PES is correctly calculated as 1.42, even if no calculations are shown Do not award marks for a formula	(2)

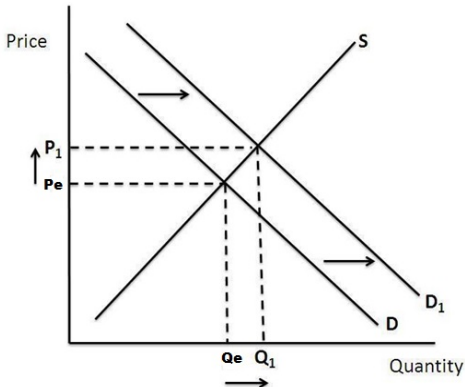
Question number	Define the term substitute. Answer	Mark
2(e)	AO1 1 mark Award 1 mark for a correct definition • An alternative bought/produced in place of something else Accept any other appropriate response	(1)

Question number	Describe one reason why a firm might stay small. Answer	Mark
2(f)	AO1 2 marks Award 1 mark for reference to the reason and 1 mark for development of the reason • It may already be making enough money (1) to satisfy the needs of the owner (1) • The size of the market may be small (1) which means expansion is difficult (1) Accept any other appropriate response	(2)

Question number	Calculate, to two decimal places the price elasticity of supply (PES) for the firm. You are advised to show your working.	Mark
	Answer	
2(c)	A02 2 marks Award 1 mark for showing the correct calculation 5.4%/7.8% (1) Award 1 mark for calculating the correct PES = 0.69 (1) Award 2 marks if PES is correctly calculated as 0.69, even if no calculations are shown Award 1 mark if the answer given is 0.69%, with or without calculations shown Do not award marks for a formula	(2)

Question number	What is meant by the term innovation?	Mark
	Answer	
2(d)	A01 2 marks Award up to 2 marks for a correct definition The commercial exploitation (1) of a new invention (1) OR Innovation is the process of improving/creating new products/ services/production methods (1) to increase efficiency/in the production process (1) Accept any other appropriate response	(2)

Question number	Describe one reason why a car mechanic 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	

Question number	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	Answer	Mark
1(h)	AO2 3 marks Award 1 mark for identifying a relevant advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage of the takeover may be improved quality (1) because Connect Airways may make higher profits (1) so it may be able to finance more comfortable airline seats for its passengers (1) • One advantage may be economies of scale from the link with Virgin (1) because the new airline can buy fuel in bulk at a lower cost (1) passengers may then benefit from decreased prices (1) Accept any other appropriate response	(3)

Question number	Answer	Mark
2(g)	AO2 3 marks Award 1 mark for identifying a relevant factor Award 1 mark for developing the response Award 1 mark for the response being in context • Access to finance. (1) Abi would need to obtain more money to be able to move to larger premises. (1) She may not have enough/be able to borrow enough finance to fund the expansion (1) Accept any other appropriate response	(3)

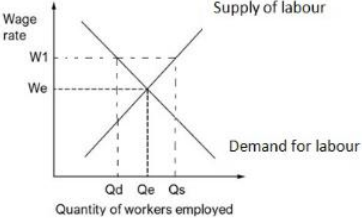


Question number	Explain one reason why Heather may have decided to keep her business small. Answer	Mark
2(f)	A02 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • The size of the market. (1) There may already be a high number of restaurants in the area (1) meaning Heather does not want to try to compete with other restaurant chains (1) • Access to finance may be difficult for a small business (1) because banks/lenders may believe it is too much of a risk, (1) so Heather may not be able to afford to buy the new premises necessary to open another restaurant (1) Accept any other appropriate response	(3)

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

Question number	Describe one reason why innovation may be more likely to occur in 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 Monopoly may be a price-maker (1) allowing higher profits which can be used to develop new products/services (1) Accept any other appropriate response	(2)

Question number	Explain one reason why Sajad may decide to expand his business.	Mark
	Answer	
2(f)	AO2 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 - Economies of scale may be gained (1) due to spreading marketing costs across the business (1) because Sajad could advertise both shops for the same cost as just one (1) - The desire to spread risk (1) may mean Sajad is more confident of maintaining a successful business (1) because even if sales decrease at one shop, he has the other to fall back on (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, assess the likely benefits of increasing the minimum wage for employees and firms in the Netherlands. Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • The minimum wage is the lowest amount that a firm is legally allowed to pay its employees • The minimum wage in the Netherlands increased to €1 934.40 per month at the start of 2023 • This means that the incomes of employees earning the minimum wage increased by 10.15% each month, giving them more disposable income • Therefore, employees may be able to enjoy a better standard of living due to the wage increase • It may mean employees are more motivated and therefore, lead to higher levels of productivity, meaning firms could increase output • This increase in productivity/output may allow firms to offset the higher wage costs AO4 • However, if firms cannot afford to pay the higher wage costs because the economy is still weak, they may not be able to employ as many people and this may increase unemployment • Possible use of a diagram:  • If unemployment increases there may be even less spending in the economy, meaning further revenue decreases for firms • This may be more likely at a time when spending in the economy may be reduced due to the high inflation rate of 17% seen in 2022, leading to lower revenues for firms • Employees may not enjoy a higher standard of living, even with the wage increase, due to the high rate of inflation of over 17%

Question number	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Inca Kola was a major competitor of Coca-Cola and the market leader • Coca-Cola had a slightly lower share of the market than Inca Kola, with 32.0% compared to 32.9% • Inca Kola was well established in Peru (since 1935) • Buying a share of the company was a way to benefit from the success rather than struggle to compete • The purchase meant Coca-Cola no longer needed to compete with Inca Kola for market share • Coca-Cola's purchase means they have much more control over the Peruvian fizzy soft drinks market • Coca-Cola also gets a share of Inca Kola's 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
1(h)	AO2 3 marks Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the disadvantage Award 1 mark for the response being in the context of Robert's wood carving business - One disadvantage is that the price may be higher (1) this is due to a lack of choice (1) because there are no other local wood carvers that customers can use (1) - One disadvantage is that it may take a long time to receive the order (1) because Robert is a small business and he is working alone (1), and it takes time for him to make each individual door sign (1) Accept any other appropriate response	(3)

Question number	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Robert may have decided it could be too time consuming and difficult to obtain additional finance in order to expand - Robert is operating in a niche market, meaning he can specialise in the requirements of his customers rather than mass production - As the door signs and gifts are made to order, and to the requirements of the customer, Robert prefers to stay small and focus on their individual needs - Robert is an entrepreneur and may have different aims to the more typical profit maximisation of some firms - He may feel that working from home, providing a high quality specialised customer service is more important - The size of the market for speciality carvings may not warrant expansion

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 why Bupa may have decided to operate in a wider range of markets.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • There are several factors that can affect the growth of firms. One of these is the desire to spread risks • By expanding its product range, Bupa can reduce the risk because it is trading in different markets • This means that if there is a problem in one market (such as health insurance) it has other areas in which it can continue to trade • Therefore the range of services, such as hospital and dental treatment, could help to finance the firm and allow it to continue to be successful, if there are problems in other markets • As Bupa operates in 190 countries, it is likely to encounter uncertainty in the different markets and therefore having a range of services means it is reducing the overall risk to the firm

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	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	With reference to the data above and your knowledge of economics, analyse two possible factors influencing Anastasia's decision to open a second club.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Factors influencing the growth of firms include the desire to spread risk, to take over competitors, access to finance, economies of scale and government regulation - The martial arts club has been successful for a few years, meaning Anastasia may have access to finance - Therefore, she may have enough finance with which to open a second club in another district of Budapest - Although the club is successful in District 16, Anastasia may wish to spread the risk - In case demand changes at her existing club the revenue from the second club is able to support the running of the firm

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 why Air Asia may benefit from spreading its risk across a wider range of markets.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • One factor that can affect the growth of firms is the desire to spread risks • By expanding its product range, Air Asia can reduce the risk because it is trading in different markets (risk-bearing economies of scale) • This means that if there is a problem in one market (such as travel insurance) it has other areas in which it can continue to trade • Therefore, the range of services, such as airport transfers and holiday packages, could help to finance the firm and allow it to continue to be successful, if there are problems in other markets • As Air Asia operates internationally, it is likely to encounter uncertainty in the different markets and therefore having a range of services means it is reducing the overall risk to the firm

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 an increase in the minimum wage would benefit everyone in an economy such as Latvia. Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - The minimum wage in Latvia rose from €620 to €700 per month in 2024, meaning that the increased income of employees should lead to a better standard of living - It may mean that employees are more motivated and could therefore lead to higher levels of productivity and so increased output for the firm - This increase in productivity could allow firms to offset the increase in wage costs - Employees could have more disposable incomes and be able to spend more in the economy, allowing the revenue of firms to increase - The rise in incomes would also lead to more tax being paid and so a greater revenue for the Latvian Government - This could be used to further benefit the economy in Latvia AO4 - However, if firms cannot afford the increase in wage costs, they may not be able to employ as many people and this may increase unemployment - Possible use of a diagram: - If unemployment increases, there may be less spending in the economy and less tax revenue for the government - This could mean that not only the firms directly affected by the minimum wage increase are worse off but also other firms and their employees if there is less demand for goods and services - As the percentage of the population being paid the minimum wage had fallen to 16%, the lowest in five years, it may not increase costs as much for firms in Latvia as it may have done when more people were paid the minimum wage, as the firms may already be paying employees more than €700/month

Question number	Indicative content
2(h)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Small firms can offer a personal service so they can meet the needs of the customer more specifically than large firms • Wonderful Wax produces handmade candles and so the personal service offered maybe more likely to attract customers, bringing in more sales • The service offered by Elissa's small firm could cater for a niche part of the market and so some customers may pay higher prices for the candles • By operating a small firm, Elissa is able to maintain control of her business and help the environment by producing candles made with soy wax and essential oils • Increasing production of the candles may mean they can no longer be handmade and Wonderful Wax may lose its identity AO4 • However, small firms may struggle to meet demand and so may lose customers • Wonderful Wax could potentially sell many more environmentally-friendly candles through use of the production facilities on offer, thus further meeting Elissa's original objective to help the environment • Unit costs of a small firm are likely to be higher as it cannot exploit economies of scale and therefore the profits might be lower • A large firm is more likely to be able to compete should other firms set up selling environmentally-friendly candles

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, evaluate the likely impact of competition on restaurant customers in Dahab.
	Indicative content
4(c)	A02 (4 marks)/A03 (4 marks)/A04 (4 marks) A02 and A03 • Competition is where sellers aim to increase sales and profits by attracting customers from rivals in the market • There are many restaurants in Dahab. They are likely to have to keep prices low in order to remain competitive • This is beneficial to customers as they will be able to dine in a restaurant without the need to spend a lot of money • Customers are likely to benefit from good service and quality meals as the restaurant owners need to retain high levels of customer service to keep the custom • A variety of meals, discounts and live entertainment are offered as the restaurants aim to compete with their rivals • This gives customers more choice of what to eat as well as where to eat as the restaurants try to compete on other factors than price A04 • However, as the restaurants are less profitable, they may not be able to focus on improving ingredients • This means that some restaurants may not provide quality meals as they focus on trying to reduce costs to make more profit instead • Some restaurants may not be able to stay in business if they cannot bring in enough revenue to cover their costs • This may mean customers lose out on visiting their favourite restaurants, being able to select certain types of food or enjoying the live entertainment • In spite of the drawbacks, a number of new visitors are frequently likely to visit Dahab, meaning the restaurants may benefit from this new custom and be able to use profits to focus on improving meals for future customers • Therefore, there are likely to be a number of both positive and negative impacts for customers of restaurants in Dahab

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).



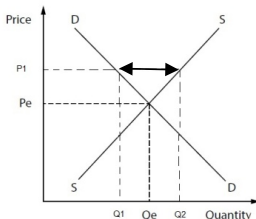
Question number	With reference to the data above and your knowledge of economics, evaluate whether the family should expand the business rather than keeping it small.
	Indicative content
4(c)	A02 (4 marks)/A03 (4 marks)/A04 (4 marks) A02 and A03 • Expanding a business means serving a higher number of customers, to potentially increase profits • Becoming a larger firm may mean NT Massage is able to make higher profits because it can charge higher prices to the tourists and business people in the new shops • It may have a large increase in customer numbers because there would be shops in busier areas of Hong Kong, this would lead to an increase in revenue and therefore, possibly profits • By having a chain of shops, advertising at hotels and targeting the 7.5 million population of Hong Kong as well as tourists/business people, NT Massage would be spreading its risks, rather than just relying on the original location and local residents • Due to its success as a small business, NT Massage may have more access to finance to be able to grow the firm • It may be possible for NT Massage to benefit from economies of scale, such as being able to spread advertising costs A04 • However, NT Massage currently offers a very traditional service which may be negatively affected if the firm expands • The long-standing customers may not like changes being made to the firm, especially if they value the traditional approach • It may experience diseconomies of scale such as difficulty in coordinating and controlling the firm in more than one location, especially if Mei and her family are only used to having one shop • There would be a lot of competition located near to the proposed new locations, meaning that it would be more difficult to attract custom • It would require time and money to grow the firm, meaning that it may be a long time before any profit is made • Raising finance may be difficult for a small business such as NT massage • This could cause further problems for the existing business • Therefore, it may depend on the strength of existing competitors, the ability of NT Massage to advertise successfully and the volume of tourism/business from which to attract potential custom

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 the likely benefits to Řešení of expanding the firm to Prague.
	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - Expanding a business means serving a higher number of customers, to potentially increase profits - Becoming a larger firm may mean Řešení is able to make higher profits because it can charge higher prices to the businesses in Prague - It may have a large increase in customer numbers because there are 8.5% more businesses in Prague than Brno, meaning a larger potential client base - Attracting some of these customers would increase revenue and therefore, potentially increase profit as well - By operating more than one office, Řešení would be spreading its risks, rather than just relying on the original location and businesses in Brno - Due to its earlier success, Řešení may have more access to finance to be able to expand the firm - It may be possible for Řešení to benefit from economies of scale, such as being able to spread advertising costs over a larger number of services AO4 - However, the small team of accountants in Řešení is already very busy so may be unable to offer the same quality service in Prague as well - Therefore, Daniella may need to employ more accountants to meet the needs of new customers in Prague, meaning additional expense for the firm - It may require some of the accountants in Brno to travel to Prague to help Řešení achieve an excellent reputation there too - As a result, some employees may be demotivated if they do not like the changes and requirement to travel, which could reduce the quality of service to existing customers in Brno - This could cause diseconomies of scale due to reduced productivity or if Daniella has difficulty coordinating/controlling the firm in more than one location, especially as it would be over 200 km apart - Thus, average costs may increase due to less productive workers and/or revenue to decrease due to dissatisfied customers/damaged reputation - There would be more competition located in Prague, meaning it may be difficult to attract custom in spite of the higher number of businesses located there - It would take time and money to open the new office and raising finance may be difficult as Řešení is only a small firm, meaning that making a profit may take a long time

	Therefore, it may depend on the strength of existing competitors and the ability of Řešení to manage the expansion
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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	Answer	Mark
2(a)	AO2 1 mark  C	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark D Use of expensive technology	(1)

Question number	Answer	Mark
2(c)	AO2 2 marks Award 1 mark for showing correct calculation $19 \div -10$ (1) Award 1 mark for correct price elasticity of demand (PED) $= -1.9$ (1) Award 1 mark if students show calculation and put 1.9 without the minus sign Award 2 marks if PED is correctly calculated as -1.9, even if no calculations are shown Do not award marks for the formula	(2)

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 C Monopoly	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark B Consumers have habits that are hard to give up	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for correct formula in words/as an equation % change in quantity supplied ----- % change in price	(1)



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	Answer	Mark
2(d)	AO2 2 marks Award 1 mark for showing correct calculation 2.7/4.9 (1) Award 1 mark for correct PES = 0.55 (1) Award 2 marks if PES is correctly calculated as 0.55, even if no calculations are shown Do not award marks for a formula	(2)

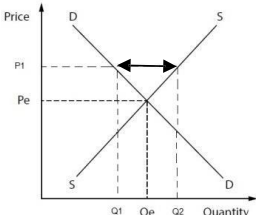
Question number	Answer	Mark
2(e)	AO1 1 mark Award 1 mark for reference to a firm setting the market price A dominant firm sets the price in the market Accept any other appropriate response	(1)

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 A computer can be used to help make goods and services (1) therefore a computer is capital (1) Accept any other appropriate response	(2)

Question number	State one type of an external economy of scale. Answer	Mark
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. Answer	Mark
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. Answer	Mark
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 diagrams shows excess supply? Answer	Mark
2(a)	AO2 1 mark The only correct answer is:  C A is not correct because this shows excess demand B is not correct because this shows an increase in supply D is not correct because this shows a movement along the supply curve	(1)

Question number	Which one of the following is a feature of a monopoly? Answer	Mark
2(b)	AO1 1 mark The only correct answer is: C The firm is a price-maker A is not correct because there is only one firm B is not correct because there would only be one firm in a monopoly D is not correct because barriers to entry would be high in a monopoly	(1)

Question number	State one example of an item that can be classified as capital.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct example • Machines • Computers • Factories • Vehicles Accept any other appropriate response	(1)

Question number	Define the term price-maker.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition A firm is able to set the price charged in the whole market Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of demand (PED) for a good if the price decreases by 4.7% and the quantity demanded increases by 1.8%. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation 1.8%/-4.7% (1) Award 1 mark for correct PED = -0.38 (1) Award 2 marks if PED is correctly calculated as -0.38 even if no calculations are shown Award 1 mark if PED is calculated as -0.38% with or without calculations shown Do not award marks for the formula	(2)

Question Number	Which one of the following options is the type of market shown in Figure 2?	Mark
	Answer	
2(a)	A02 1 mark The only correct answer is: D Oligopoly A is not correct because it does not show employment levels B is not correct because this is a sector not a market C is not correct because there is more than one firm	(1)

Question number	An increase in which one of the following is most likely to increase productivity?	Mark
	Answer	
2(b)	A01 1 mark The only correct answer is: C Irrigation A is not correct because this is likely to reduce productivity B is not correct because this increases time and costs D is not correct because this increases tasks for the firm to carry out	(1)

Question number	What is meant by the term barriers to entry?	Mark
	Answer	
2(c)	A01 2 marks Award 1 mark for reference to obstacles and 1 mark for reference to making it difficult for new firms to enter a market These are obstacles (1) that make it difficult for a new firm to enter a market (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	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)

	Answer	
2(d)	AO1 2 marks Award up to 2 marks for a correct definition A licence to be the only producer (1) of a newly designed product (1) Accept any other appropriate response	(2)

Question number	Describe one advantage to a firm of being privatised.	Mark
	Answer	
2(e)	AO1 2 marks Award 1 mark for reference to the advantage and 1 mark for development of the advantage The firm is able to set its own objectives (1) as it takes control over its own actions (1) Accept any other appropriate response	(2)

Question number	Explain one reason why the US Government may use fines to reduce the negative externalities caused by motorists who drive through a red traffic light.	Mark
	Answer	
2(f)	AO2 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 - It may encourage the driver to stop. (1) As driving through a red traffic light may cause accidents, (1) fines are likely to reduce the number of accidents (1) - It may reduce accidents (1) because the driver does not want to be fined, (1) so they are less likely to drive through a red light (1) Accept any other appropriate response	(3)

Question Number	Explain one reason why Microsoft might have patents on its designs. Answer	Mark
2(g)	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 One reason is that it would prevent competitors copying the designs (1) meaning Microsoft could charge higher prices to help recover the cost of research and development (1) needed to create the new computer software (1) Accept any other appropriate response	(3)

Question Number	With reference to the data above and your knowledge of economics, assess whether a firm, such as a fast food restaurant, always benefits from using division of labour. Indicative content
2(h)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Division of labour is where the production process is split into small tasks • It means that each worker can specialise on a single part of the production process, such as chopping lettuce to put in burgers or peeling potatoes to make the fries • This means they can become more skilled at that particular task and removes the need to move around the kitchen as much • Employees are therefore much faster, increasing efficiency and reducing cost per unit for firms • Employees may also enjoy their job more because they are better at it, making them more motivated and increasing productivity • Therefore customers at the fast food restaurants can be served more quickly, in-keeping with the concept of 'fast food' and leading to higher profits for the firm AO4 • However, employees may find repeating the same task boring, especially if it is something straightforward such as frying burgers • Therefore they may actually become demotivated instead and this could increase staff turnover • This could lead to a decrease in productivity and/or higher costs for the restaurant if it needs to replace employees • Mistakes or slow production at one stage (such as chopping lettuce) may hold up a later stage and therefore customers would still need to wait for their orders

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • In the USA, NBC Universal is the only network allowed to televise the Olympic Games until 2032. This makes it a monopoly • As a result NBC Universal has a unique product • This means it is a price-maker and so can set high prices for the advertising on its platforms • By agreeing the rights with the IOC, a legal agreement has been made, creating a barrier to entry for any potential competitors

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, assess whether a monopoly such as PKP is likely to benefit consumers. Indicative content
2(h)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • A monopoly is a market structure with one dominant seller in the market • PKP is the main rail carrier for passenger and freight services in Poland, making it a monopoly • Due to its dominance of the rail network in Poland, PKP may be able to take advantage of economies of scale • This means that the firm may have low (long-run) average costs as a result of purchasing or technical economies of scale • Therefore, it is possible that PKP could decide to pass the lower costs on to its passengers in the form of lower prices • PKP may also be more efficient because it is not duplicating resources, such as the railway tracks, used by competitors • This may have helped PKP to meet the transport needs of the state; one of its aims • PKP may also be able to innovate due to its lower (long-run) average costs, meaning it may be able to provide a high-quality service on its trains AO4 • However, as it has few competitors, rail passengers and those transporting freight have little choice but to use PKP's service • This means PKP can be a price maker for its train services, which is not in the interest of its consumers • There is restricted choice in the market, such as which routes a passenger can take. This is because there is only one main supplier • PKP may be inefficient because it does not need to keep its costs low in order to compete with limited competition • It may be that PKP does not have any incentive to spend money on product innovation and some areas may not have access to train travel

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	Income elasticity of demand (YED) for a product is -0.43 and the price elasticity of demand (PED) for the same product is -0.27. The data above shows that the product is Answer	Mark
3(a)	AO1 1 mark The only correct answer is: A an inferior good and demand is price inelastic B is not correct because PED is less than -1, not greater than -1 C is not correct because YED is negative D is not correct because the PED would need to be greater than -1	(1)

Question number	The formula for social benefits is Answer	Mark
3(b)	AO1 1 mark The only correct answer is: C private benefits + external benefits A is not correct because it does not include any third-party effects B is not correct because it includes costs D is not correct because this is not a formula used to calculate social benefits	(1)

Question number	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • A monopoly occurs when one seller dominates the market • Google had a 94.33% market share in South America • Google's dominance could mean they are able to spend their profits on research and developing the search engine • Therefore the firms which advertise on Google can benefit from improvements to it, through innovation • Due to its size, Google may be able to benefit from economies of scale • These lower average costs could be passed on to the firms which advertise through cheaper prices • As the industry is fast moving, Google will need to provide a good service in order to remain so dominant. This may encourage them to maintain quality in the service offered • As a result of Google's dominance, firms advertising can be more confident that their adverts will be seen by more people if they advertise on Google • This could mean they are more likely to recoup their advertising costs through higher customer levels AO4 • However, due to its dominance, Google could choose to charge high prices to the advertisers because it has a lack of competition • There is a lack of choice for firms advertising on search engines • Although Bing and a small percentage of others provide some choice, it only amounted to 5.67% during the period • Google may feel complacent about their strong position and not develop the service to the satisfaction of the advertisers • Without more competition, Google may not be concerned with rising costs, as they could pass them on • It may depend on whether the competitors such as Bing, and those in other countries outside of South America, can develop a stronger following • It may depend on whether search engines remain so prominent in internet advertising

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	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • A monopoly is a market structure with one dominant seller in the market • KCOM is the only telecoms provider serving Kingston upon Hull, making it a monopoly • As it has no competition, broadband consumers have no choice but to use KCOM's service • This means KCOM can be a price maker for its broadband packages. It is expensive and costs more than anywhere else in England • There is restricted choice in the market, such as areas where fibre optic packages are not available and there are low download limits. This is because there is only one supplier • It may be that KCOM does not have any incentive to spend money on product innovation and some areas do not have access to fibre optics where the broadband is much faster • KCOM may be inefficient because it does not need to keep its costs low in order to compete with other firms AO4 • However, due to its dominance of the telecoms market in Kingston upon Hull, KCOM may be able to take advantage of economies of scale • This means that the firm may have low (long-run) average costs as a result of purchasing or technical economies of scale • Therefore it is possible that KCOM could decide to pass the lower costs on to the consumer in the form of lower prices • KCOM may also be more efficient because it is not duplicating resources used by competitors • This may have helped KCOM to provide fast fibre optic broadband speeds in some areas of up to 250Mb • KCOM may also be able to innovate due to its lower (long-run) average costs, meaning it may be able to provide high quality television packages when it makes them available • It may depend on the objectives of the monopoly owners whether the firm passes any of its benefits on to the consumer

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).

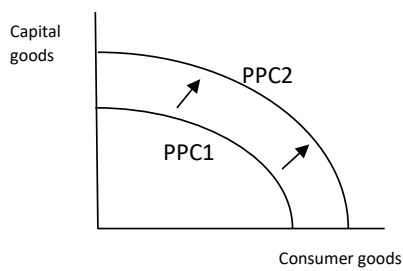
Question number	Answer	Mark
1(a)	AO1 1 mark A Large firms dominate	(1)

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
3(a)	AO1 1 mark B Skilled labour	(1)

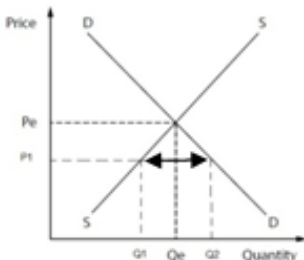
Question number	Answer	Mark
3(b)	AO1 1 mark C Large firms dominate the market	(1)

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	State one main feature of an oligopoly.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct feature • Few firms • Large firms dominate • Different products • Barriers to entry • Collusion • Price competition • Non-price competition Accept any other appropriate response	(1)

Question number	Define the term excess supply	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition • Where supply is greater than demand Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of supply (PES) for the firm. You are advised to show your working.	Mark
	Answer	
1(f)	A02 2 marks Award 1 mark for showing correct calculation 4.3%/3.7% (1) Award 1 mark for correct price elasticity of supply = 1.16 (1) Award 2 marks if price elasticity of supply is correctly calculated as 1.16, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Which one of the following diagrams shows excess demand?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: A  B is not correct because this shows a movement along the demand curve C is not correct because this shows excess supply D is not correct because this shows a decrease in demand	(1)

Question number	Which one of the following is a feature of an oligopoly?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: C Different products are sold A is not correct because there are a few large firms in the market B is not correct because firms often collude D is not correct because there are some barriers to entry	(1)

Question number	Which one of the following options is the most suitable term for the type of market shown in Figure 2?	Mark
	Answer	
2(a)	AO2 1 mark The only correct answer is: B Oligopoly A is not correct because only one firm would dominate C is not correct because this is not related to the market share D is not correct because the diagram shows sales and not levels of employment	(1)

Question number	Which one of the following is a reason why consumers may not maximise their benefit?	Mark
	Answer	
2(b)	AO1 1 mark The only correct answer is: A Consumers may not accurately calculate benefits B is not correct because consumers may have habits that are hard to give up C is not correct because consumers do sometimes copy the behaviour of others D is not correct because consumers are not always rational when making decisions	(1)

Question number	Calculate the percentage change in quantity demanded for a product if the price elasticity of demand (PED) is -1.9 and the price falls by 10%. You are advised to show your working.	Mark
	Answer	
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation $-10\% \times -1.9$ (1) Award 1 mark for correct change in quantity demanded $= 19\%$ (1) Award 2 marks if the change in quantity demanded is correctly calculated as 19%, even if no calculations are shown Award 1 mark if the change in quantity demanded is calculated as 19, even if no calculations are shown Do not award marks for a formula	(2)

Question number	What is meant by the term social benefits?	Mark
	Answer	
2(d)	AO1 1 mark Award up to 2 marks for a correct definition Private benefits (1) plus external benefits (1) Accept any other appropriate response	(2)

Question number	Describe one feature of an oligopoly.	Mark
	Answer	
2(e)	AO1 2 marks Award 1 mark for reference to the feature and 1 mark for development of the feature Barriers to entry (1) therefore fewer firms can enter the market (1) OR Different products (1) to stand apart from competitors (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(h)	A02 3 marks Award 1 mark for identifying a barrier to entry Award 1 mark for developing the response Award 1 mark for the response being in context One barrier to entry is economies of scale (1) because established larger firms such as Sony and Warner may have lower average costs (1) whereas new smaller firms may struggle to keep average costs down (1) Accept any other appropriate response.	(3)

Question number	Indicative content
1(i)	A02 (3 marks)/A03 (3 marks) A02 and A03 - The four factors of production are land, labour, capital and enterprise - Beans are harvested from coffee plants which means that land is needed to produce coffee - The coffee beans are picked by hand because labour is needed to determine when the fruit is ready to harvest - The process of sorting the beans and transforming them from their natural state to consumable beans, ground or instant products is done by machinery, which is capital. This maybe because is it more productive/cost effective than using labour. - Enterprise combines the other factors of production to make sure the bean gets to the consumer as a consumable product - Thus, all four factors of production may be used to produce coffee as without any one of them the process would not be completed as efficiently

Question number	Explain one disadvantage of this type of market structure for UK consumers.	Mark
2(f)	Answer A02 3 marks Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the response Award 1 mark for the response being in context Firms in an oligopoly may collude with one another (1) Therefore, the supermarkets may fix prices for groceries (1) meaning consumers would have to pay higher prices (1) Accept any other appropriate response	(3)

Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing quantity demanded is 20 and quantity supplied is 50 and 1 mark for correct calculation of excess supply $50 - 20$ (1) = 30 (1) Award 2 marks if excess supply is correctly calculated, even if no lines are shown on diagram or calculation shown	(2)

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Collusion between firms reduces competition and means firms cooperate with one another instead • Cooperation between firms often means they agree to fix prices and therefore restrict competition • Consumers would therefore pay higher prices for laptops and games consoles • If firms make more profit as a result, it will be harder for new firms to enter the market, making competition in the industry even less likely • Online electrical equipment firms may collude by restricting availability • This means they may only make a limited quantity of electrical items available, encouraging consumers to make more hasty purchasing decisions at higher prices

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 • An oligopoly is a market that is dominated by a few large producers • 87% of Dubai's shopping malls are owned by just five firms, meaning that the market is dominated by a few large producers • The shopping malls are differentiated by a variety of features such as an indoor ski slope and an indoor aquarium. Differentiation is a feature of an oligopoly • By offering something different the shopping malls are able to use non price competition to attract a share of the tourism sector that visits one of the busiest shopping destinations in the world • Sales are predicted to reach \$71bn by 2021 making the owners of the shopping malls very dominant. This would create a barrier to entry, another feature of an oligopoly	
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
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Collusion is where a firm in an oligopoly cooperates with its competitors • It is an anti-competitive practice because it makes firms such as those in the pharmaceutical industry, act like a monopoly • This means it is more difficult for new firms to enter the market and reduces the choice for consumers • This could make it more difficult for consumers to find cheaper medication or to have less choice of the firm they buy from • Collusion to fix prices could lead to the pharmaceutical firms receiving higher profits at the expense of the consumer • One such example of price fixing for prescribed medication was the consumer paying \$4.70 instead of just \$0.13 per tablet

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).



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 Do not award marks for a formula	(2)

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

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	Calculate the excess supply of meals if the quantity supplied during these three days totalled 261. You are advised to show your working. Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $261 - (58 + 64 + 79)$ (1) Award 1 mark for correct excess supply $= 60$ (1) Award 2 marks if excess supply is correctly calculated as 60 even if no calculations are shown Do not award marks for a formula	(2)

Question number	With reference to the data above and your knowledge of economics, analyse the benefits of this type of market structure for airline passengers. Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • An oligopoly is a market dominated by a few large firms • Airline passengers will have a choice over which airline they fly with because the firms in the oligopoly will be competing with one another to gain market share over their competitors • This means airlines such as Emirates may launch new routes or offer flights to different locations in order to attract more customers • Customers may also be offered lower prices and better quality of service • This is as a result of possible price wars between the airlines and/or non-price competition where the passenger's enjoyment of the flight is the focus of the airline when trying to increase custom

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 why the market for petrol in Uganda could be described as an oligopoly.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • There are five firms dominating the market for petrol in Uganda • Having a distinctive logo and colours for the brand of petrol allows the offering to customers to be different from competitors • The petrol companies compete through non-price competition, for example excellent customer service is offered by Vivo Energy whereas Total Energies aims to improve its impact on the environment • As a result of having something different about the product, such as Stabex International may be able to keep customers coming back to buy petrol from its pumps, rather than going to competitors such as Nile Energy or Hass Petroleum • Barriers to entry due to very high start-up costs mean it is unlikely new firms will be easily able to enter the market for petrol in Uganda, again showing features of an oligopoly

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
2(h)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • An oligopoly is where there are a few dominant firms, such as Vodacom, Airtel and Tigo (which have 86% of the market between them) • As a result of their dominance, these firms may be able to benefit from economies of scale and therefore enjoy lower average costs. They may pass these lower costs on to consumers in the form of lower prices • Firms like Vodacom may also be able to afford to use profits for research and development (R&D) which may lead to a better quality telecoms services for consumers • The firms in the telecoms oligopoly may try to compete in price wars and keeping prices low would benefit the consumer • They may also offer additional services to consumers who have subscribed to their networks in an attempt to gain market share from competitors AO4 • However, if the telecoms firms have high costs due to competing via non-price competition such as advertising, they may not be able to offer low prices to consumers • Such costs may also lead to fewer firms in the market. For example Smart Telecoms had to leave the market because it could not compete with the larger firms • This would mean there are fewer firms left to compete for market share and therefore there would be less choice available for consumers • Even the successful small firms run the risk of being taken over or crowded out by dominant telecoms providers. This may be the case with the merger between Tigo and Zantel • This may increase the barriers to entry as it will be difficult for new firms to enter the market to compete with the successful, dominant firms, meaning even less choice for consumers • The firms in the oligopoly may collude in order to restrict choice and/or price competition, again causing a disadvantage to consumers

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)	A02 (4 marks)/A03 (4 marks)/A04 (4 marks) A02 and A03 • An oligopolistic market is one where there are a few dominant firms, such as Albert Heijn, Super Unie and Jumbo (which have 83.5% of the market between them) • Due to brand names and advertising, set up costs are likely to be high, therefore creating barriers to entry for any new firms trying to compete • High profits may be enjoyed by the dominant firms such as Albert Heijn, Super Unie and Jumbo because of these barriers to entry • The dominant firms can benefit from economies of scale because they are large scale producers. As output rises, average costs decrease, further increasing profits (and dominance) • Small firms can still compete and survive by specialising and/or catering for niche markets, which are not served by the dominant firms A04 • However the supermarkets may have to compete via non price competition such as advertising, loyalty schemes, customer service and longer opening hours as they are likely to want to avoid price wars, which can be expensive • As the providers are interdependent, if one heavily invests in a major advertising campaign, it is likely to have an impact on the others' market share • The market is constantly changing and so dominance may only continue if the firms continue to develop new ways of attracting custom • Successful small firms run the risk of being taken over or crowded out by dominant supermarkets • It may depend upon how market trends change with regards to use of technology and online grocery shopping. • If the supermarkets in the oligopoly cannot keep up, they may lose dominance or be pushed from the market altogether

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).