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OCR A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

Introduction to Microeconomics

OCR A-level Economics H460 — Topic MICRO 1

9 questions · 58 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions run from the lowest mark tariff to the highest, so similar questions sit together.

Click any row below to jump straight to that question.

On every question page, click the header (top right) to jump to its mark scheme, and click again to jump back.

Mark schemes are collected together at the end of this booklet, cropped from the genuine OCR mark-scheme grid.

9 questions · 58 marks · lowest tariff first

	QUESTION	SOURCE	MARKS	PAGE
1.	Section A (MCQ), Q3	H460/03 Themes in Economics · June 2019	1 mark	5
2.	Section A (MCQ), Q12	H460/03 Themes in Economics · June 2022	1 mark	6
3.	Section A (MCQ), Q1	H460/03 Themes in Economics · October 2020	1 mark	7
4.	Section A (MCQ), Q29	H460/03 Themes in Economics · October 2020	1 mark	8
5.	Section A (MCQ), Q1	H460/03 Themes in Economics · October 2021	1 mark	9
6.	Section A (MCQ), Q26	H460/03 Themes in Economics · October 2021	1 mark	10
7.	Section B, Q32	H460/03 Themes in Economics · October 2020	2 marks	12
8.	Section C (Essay), Q4*	H460/01 Microeconomics · October 2021	25 marks	14
9.	Section C (Essay), Q5*	H460/01 Microeconomics · October 2021	25 marks	19

QUESTIONS

9 questions · 58 marks · lowest tariff first

1-MARK QUESTION

6 questions in this booklet

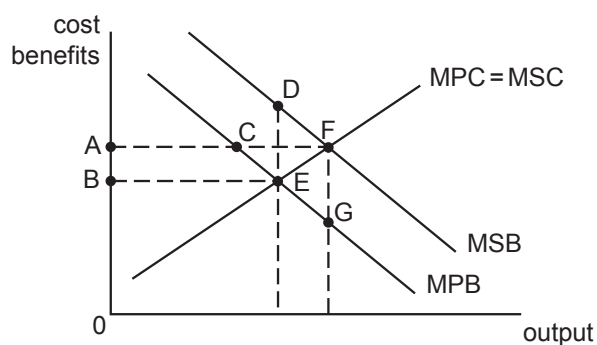
3

- 3 The theory of comparative advantage seeks to explain patterns of trade. Which of the following is a weakness of the theory of comparative advantage?
- A A developing country may lack the capital to have an absolute advantage in the production of any good or service over a developed country
 - B Countries will import goods from countries that can produce those goods at a lower opportunity cost
 - C Heckscher-Ohlin theory suggests countries should specialise in producing goods which intensively use factors of production they have large endowments of
 - D High transport costs mean countries are more likely to trade with neighbouring countries

Your answer

[1]

- 4 Which area represents the size of the welfare loss if provision of the good in the diagram below is left to the free market?



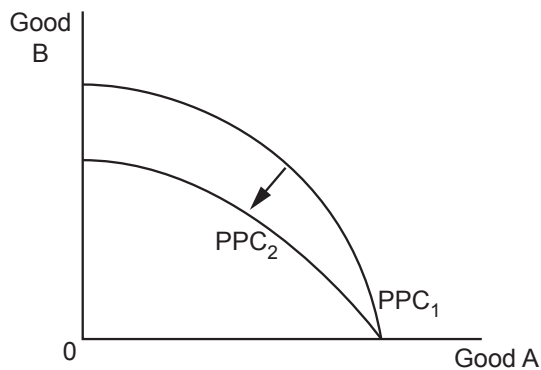
- A ABEF
- B CEF
- C DEF
- D EFG

Your answer

[1]

7

- 12 What does the shift of the PPC from PPC_1 to PPC_2 in the diagram below show?



- A A fall in the production of good A
- B A fall in the production of goods A and B
- C An increase in the opportunity cost of producing good A
- D An increase in the opportunity cost of producing good B

Your answer

[1]

- 13 What is one of the stages in the process of calculating the rate of inflation in the UK?

- A Goods and services are weighted according to the level of utility they bring society
- B Prices of goods and services are compared to prices in other countries
- C Survey data is used to establish the most commonly consumed goods and services
- D The amount of quantitative easing introduced by the Bank of England is recorded

Your answer

[1]

2

SECTION A

Answer **all** the questions in this section.

Write your answer for each question in the box provided.

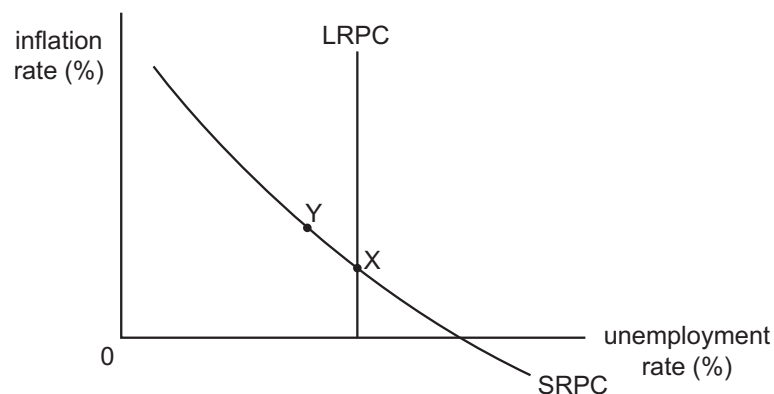
1 What is the short run?

- A A period of time in which all factors of production are fixed
- B A period of time in which all factors of production are variable
- C A period of time in which at least one factor of production is fixed
- D A period of time in which at least one factor of production is variable

Your answer

[1]

2 What is the most likely explanation of the movement from X to Y in the diagram below?



- A A decrease in the natural rate of unemployment
- B An adjustment in inflationary expectations
- C Contractionary fiscal policy
- D Money illusion

Your answer

[1]

13

28 Wood is used to make paper and furniture, amongst other things. What type of demand is this?

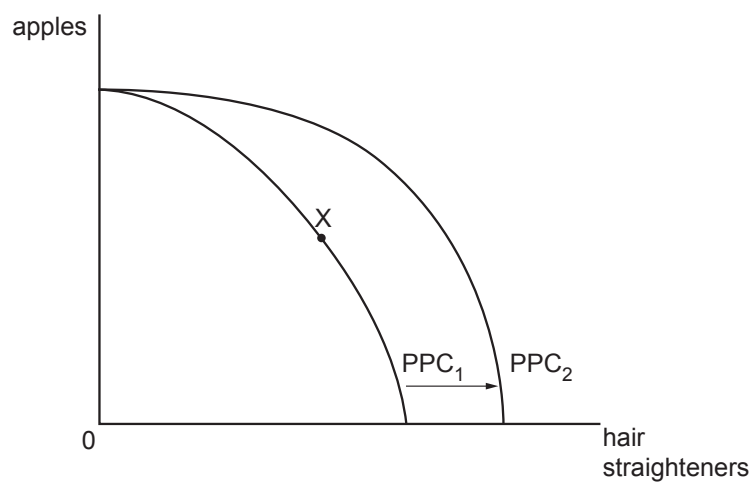
- A Competitive demand
- B Composite demand
- C Joint demand
- D Market demand

Your answer

☐

[1]

29 An economy in which apples and hair straighteners are produced is initially operating at point X. If the production possibility curve shifts from PPC_1 to PPC_2 , which of the statements identifies the change in the production possibilities?



- A It is not possible to increase the production of either apples or hair straighteners
- B It is only possible to increase the production of apples
- C It is only possible to increase the production of hair straighteners
- D It is possible to increase the production of both apples and hair straighteners

Your answer

☐

[1]

2

SECTION A

Answer **all** the questions in this section.

Write your answer for each question in the box provided.

1 What is a characteristic of positive economic statements?

- A They are subjective opinions
- B They can be proven true or false
- C They explain correctly what is happening in an economy
- D They explain the best outcome from a choice that can be made

Your answer

[1]

2 Which of the industries below operates in the tertiary sector?

- A Construction
- B Fishing
- C Leisure
- D Manufacturing

Your answer

[1]

13

25 The table below shows the income tax brackets in France in 2020:

Taxable Income	Tax Rate
€0 – €10 064	0%
€10 065 – €27 794	14%
€27 795 – €74 517	30%
€74 518 – €157 806	41%
Over €157 807	45%

What is the average tax rate for an individual who earns €110 000?

- A 28.2%
- B 30.0%
- C 32.1%
- D 40.0%

Your answer

[1]

26 What is the problem caused by scarcity?

- A Allocative inefficiency will occur
- B Individuals have to make choices
- C Productivity falls as a result of boredom from repetition
- D There will be a missing market as no one is willing to pay for the good

Your answer

[1]

27 What does the kinked demand curve in the oligopoly model show?

- A A firm's revenue will decrease if it increases or decreases its price
- B A firm's revenue will increase if it decreases its price
- C A firm's revenue will increase if it increases its price
- D A firm's revenue will remain constant if it increases its price

Your answer

[1]

2-MARK QUESTIONS

1 question in this booklet

20

- 31 Using Fig. 1.1, explain the relationship between the budget deficit and national debt between 2010 and 2019.

..... [2]

- 32** Explain, using an example from Extract 1, what is meant by capital expenditure.

[2]

- 33*** Evaluate, with the use of an appropriate diagram(s), whether ending austerity is likely to result in the government achieving higher levels of economic growth. **[15]**

This image shows a full page of white paper with horizontal dashed lines, typical of primary school writing 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.

25-MARK QUESTIONS

2 questions in this booklet

SECTION C

EITHER

- [25]

[25]

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

Turn over

Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

Area with horizontal dotted lines for writing.

SECTION C

EITHER

- [25]

[25]

[illegible]

Turn over

Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

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MARK SCHEMES

official OCR mark schemes

3	D	A The theory of comparative advantage demonstrates there is still an incentive for trade between two countries even when one country has the absolute advantage in the production of all goods and services	AO1	
		B This is the theory of comparative advantage		
		C Heckscher-Ohlin theory underpins the theory of comparative advantage as it explains why some countries can produce goods at a lower opportunity cost than other countries		
		D Correct: comparative advantage ignores transportation costs.		

12	D	A	No production points are shown on this diagram.	AO1	✓
		B	No production points are shown on this diagram.		
		C	The opportunity cost of producing Good A has decreased.		
		D	Correct: less of good A has to be sacrificed in order to produce good B than before.		

1	C	A	Only one factor of production needs to be fixed to be in the short run.	AO1	
		B	This is the long run.		
		C	Correct: The short run is a period of time in which at least one of the factors of production cannot be varied.		
		D	This does not define either the short or the long run – it is possible to have a short run and long run situation in which there is at least one variable factor of production.		

29	D	A An outward shift in the production possibility curve enables more production to take place. B The production of hair straighteners can increase because the shift will have been caused by an increase in the efficiency in the production of hair straighteners – a technology biased shift. C This would only be true if the economy was exclusively producing apples. At point X an increase in the efficiency of the production of hair straighteners will enable more apples to be produced because resources can be reallocated from the production of hair straighteners. D Correct: Hair straighteners can be produced using less resources, meaning the production of hair straighteners can be increased whilst resources can be reallocated to the production of apples to enable the production of apples to also increase.	AO3	✓
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1	B	A This is a characteristic of a normative statement	AO1	
		B Correct: positive economic statements are statements of fact that can be tested.		
		C A positive economic statement can be false – it just has to be possible to prove whether the statement is true or false.		
		D The word 'positive' does not mean 'good' in this context – it is simply whether the statement can be proven true or false.		

26	B	A	This will only occur if the scarce resources are not allocated correctly.	AO1	
		B	Correct: there are insufficient resources to meet all wants and needs, meaning individuals will		

32		Explain, using an example from Extract 1, what is meant by capital expenditure. <i>Award 1 mark for an explanation of capital expenditure:</i> • Investment • Spending that has a long-term benefit • Spending that increases productive capacity <i>Award 1 mark for an example of capital expenditure from Extract 1:</i> • Green transformation fund • Insulating 27 million homes • Building of social housing • Building new hospitals/schools/police stations	2 AO1 x 1 AO2 x 1	Spending on NHS/schools/police must be explicitly linked to capital rather than current expenditure to be credited.
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4	*	China is the world's second largest economy, has the fastest growing consumer market and is the second largest importer of goods – all from an economy a centrally planned economy. However, more than 50% of China's surface water is not fit for human consumption. Evaluate whether economic incentives are required to achieve an efficient allocation of resources. Level 5 (21–25 marks) Good – Strong knowledge and understanding of the role of economic incentives in achieving efficient allocation of resources. Strong analysis of the role of economic incentives in achieving efficient allocation of resources. It will have consistently well-developed links through a coherent chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. Strong evaluation of whether economic incentives are necessary to achieve efficient allocation of resources, weighing up both sides/alternatives and reaching a supported judgment. <i>There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i> Level 4 (16–20 marks) Good knowledge and understanding of the role of economic incentives in achieving efficient allocation of resources. Strong analysis of the role of economic incentives in achieving efficient allocation of resources. It will have consistently well-developed links through a coherent chain of reasoning which	25 (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7) For a mark at the top of each level the response should be in context. An efficient allocation of resources occurs when $P=MC$ and there are no costs or benefits occurring outside the market (an absence of external costs and benefits), missing markets, information gaps or information asymmetries. Economic incentives are what motivates economic agents to behave in a certain way. Consumers are motivated by their net benefit, producers are motivated by profit and workers are motivated by financial reward. A fundamental principle of economic analysis is that 'people respond to incentives'. In market-based economies, prices send signals which act as incentives to buyers and sellers, changing their behaviour – that is, the amount of a good or service they are willing to purchase or to offer for sale. So, when coffee prices rise rapidly, many consumers choose to drink less coffee by substituting some other drink or by simply not drinking as much. Low prices encourage buyers to purchase more. This is because the amount of utility gained per pound spent increases relative to other goods. Higher prices discourage spending. On the supply side, higher prices encourage suppliers to sell more to the market. Low prices discourage production. A prolonged fall in price will drive some firms (the less efficient ones) out of the market, as it is no longer profitable for them to supply. The price, therefore, acts as a signal, as well as rationing output. Market-based economies utilise the power of profit as an incentive. Profit motivates entrepreneurs to accept the risk of acquiring and organising resources to seek market opportunities. The
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5 *	According to scientists, there are at least half a million pieces of space rubbish in the earth's atmosphere. Delhi, India's capital city, sees 80 deaths a day due to air pollution. Evaluate how the problem of scarcity can be used to explain the requirement to make choices between free goods and economic goods. Level 5 (21–25 marks) Good – Strong knowledge and understanding of the economic problem of scarcity, choice, free and economic goods in context. Strong analysis of how the problem of scarcity can be used to make choices between free goods and economic goods. It will have consistently well-developed links through a coherent chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. Strong evaluation of how the economic problem of scarcity may help to make choices between free and economic goods, weighing up both sides/comparing alternatives and reaching a supported judgment. <i>There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i> Level 4 (16–20 marks) Good knowledge and understanding of the economic problem of scarcity, choice, free and economic goods in context. Strong analysis of how the problem of scarcity can be used to	25 (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	For a mark at the top of each level the response should be in context. Economic goods are those which are scarce and have an attached value to them. We find a way to use that good in an optimum way. Thus, we find complements and substitutes for these goods. They have an opportunity cost. Free (non-economic) goods are those which, when used, do not have a monetary value. For example, we breathe in air, but we do not have to pay for it. It is unlimited in supply and therefore has no opportunity cost. Free goods have no complements or substitutes. Scarcity is one of the fundamental issues in economics. The issue of scarcity means we have to make a choice about how and what to produce from limited resources. It means there is an opportunity cost involved in making economic decisions. The problem of scarcity implies that there is no need to make a choice between free goods and economic goods because there is no opportunity involved in the consumption of free goods. The problem of scarcity results in a price / value being placed on economic goods. The price discourages demand and encourages firms to develop an alternative. This can be shown by a simple supply & demand diagram which shows that as a good becomes scarce its supply falls and so price rises to ration the good.
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