



GuideMyGrades

— YOUR GOALS. OUR EXPERTISE. —

OCR AS ECONOMICS: QUESTIONS BY TOPIC

Business Objectives

OCR AS Economics H060 — Topic MICRO 3

15 questions · 16 marks · Mark schemes included

 guidemygrades.com

 [@Guidemygrades](https://www.instagram.com/Guidemygrades)

 [@Guidemygrades](https://twitter.com/Guidemygrades)

 [@Guidemygrades](https://www.youtube.com/Guidemygrades)

 info@guidemygrades.com

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

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.

15 questions · 16 marks · lowest tariff first

	QUESTION	SOURCE	MARKS	PAGE
1.	Section A (MCQ), Q12	H060/01 Microeconomics · June 2017	1 mark	5
2.	Section A (MCQ), Q2	H060/01 Microeconomics · June 2017	1 mark	6
3.	Section A (MCQ), Q7	H060/01 Microeconomics · June 2017	1 mark	7
4.	Section A (MCQ), Q11	H060/01 Microeconomics · June 2018	1 mark	8
5.	Section A (MCQ), Q14	H060/01 Microeconomics · June 2018	1 mark	9
6.	Section A (MCQ), Q4	H060/01 Microeconomics · June 2018	1 mark	10
7.	Section A (MCQ), Q10	H060/01 Microeconomics · June 2019	1 mark	11
8.	Section A (MCQ), Q6	H060/01 Microeconomics · June 2019	1 mark	12
9.	Section A (MCQ), Q7	H060/01 Microeconomics · June 2019	1 mark	13
10.	Section A (MCQ), Q8	H060/01 Microeconomics · June 2019	1 mark	14
11.	Section A (MCQ), Q5	H060/01 Microeconomics · June 2022	1 mark	15
12.	Section A (MCQ), Q7	H060/01 Microeconomics · June 2023	1 mark	16
13.	Section A (MCQ), Q7	H060/01 Microeconomics · November 2020	1 mark	17
14.	Section A (MCQ), Q8	H060/01 Microeconomics · November 2020	1 mark	18
15.	Section B, Q16(d)(i)	H060/01 Microeconomics · June 2017	2 marks	20

QUESTIONS

15 questions · 16 marks · lowest tariff first

1-MARK QUESTION

14 questions in this booklet

6

- 12 The table below shows the output and total costs for a firm. The firm has fixed costs of £100 000 per week.

Output per week (000's)	Total costs (£)
24 000	388 000
26 000	438 000
28 000	492 000
30 000	550 000
32 000	612 000

From the above data it can be concluded that

- A average cost is £16 when output is 32 000.
- B average variable cost is £17.57 when output is 28 000.
- C marginal cost is £40 000 when output is 26 000.
- D total variable cost is £450 000 when output is 30 000.

Your answer

[1]

- 13 When is price elasticity of supply most likely to be greater than one?

- A The product is an agricultural product
- B The product is a necessity
- C There are a large number of firms in the market
- D There is no spare capacity in the industry

Your answer

[1]

2

SECTION A

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

Write your answer for each question in the box provided.

1 Which of the following is a function of money?

- A To act as an incentive to invest
- B To act as a standard of deferred payment
- C To be generally acceptable
- D To be widely recognisable

Your answer

[1]

2 What is it assumed that firms seek to maximise?

- A Income
- B Profit
- C Revenue
- D Utility

Your answer

[1]

3 Which of the following will cause an extension in demand for a product X?

- A A fall in the price of X if the price and quantity of X are inversely related
- B A fall in the price of Y if X and Y are substitutes
- C An increase in consumer preferences for X
- D An increase in income if X is a normal good

Your answer

[1]

4

6 Price elasticity of demand for a good will be determined by

- A a consumers level of income.
- B the age distribution of the population.
- C the availability of alternative products.
- D the time it takes to produce the product.

Your answer

[1]

7 Which of the following is an external economy of scale?

- A Employment of specialist managers
- B Falling average costs as a firm increases its output
- C Improved rail connections to distant parts of the country
- D Reduced input costs, as large firms can negotiate lower input costs

Your answer

[1]

8 What is marginal social cost?

- A Marginal external cost minus marginal private cost
- B Marginal private benefit plus marginal external cost
- C Marginal private cost plus marginal external cost
- D Marginal social benefit minus marginal private cost

Your answer

[1]

9 Income elasticity of demand for good X was 2.5. Income increased from £180 which caused demand to increase from 7800 to 9750. What was the new income?

- A £194.40
- B £198.00
- C £225.00
- D £292.50

Your answer

[1]

5

- 11 A small firm has a total fixed cost of £100. The table below shows its total variable cost across a range of output.

Output	Total variable cost (£)
10	20
20	30
30	50
40	80

If the firm produces 20 units of output what will be its average total cost?

- A £1.5
- B £3.5
- C £5.0
- D £6.5

Your answer

[1]

- 12 If price and total revenue are inversely related, what is price elasticity of demand?

- A Elastic
- B Inelastic
- C Perfectly inelastic
- D Unitary

Your answer

[1]

- 13 What will be the effect on consumer and producer surplus if costs of production increase?

- A Consumer and producer surplus will fall
- B Consumer and producer surplus will rise
- C Consumer surplus will fall and producer surplus will rise
- D Consumer surplus will rise and producer surplus will fall

Your answer

[1]

- 14 Minimum efficient scale of production occurs where:

- A average total cost is at a minimum
- B diseconomies of scale are at a maximum
- C external economies of scale are zero
- D total cost is falling

Your answer

[1]

5

- 11 A small firm has a total fixed cost of £100. The table below shows its total variable cost across a range of output.

Output	Total variable cost (£)
10	20
20	30
30	50
40	80

If the firm produces 20 units of output what will be its average total cost?

- A £1.5
- B £3.5
- C £5.0
- D £6.5

Your answer

[1]

- 12 If price and total revenue are inversely related, what is price elasticity of demand?

- A Elastic
- B Inelastic
- C Perfectly inelastic
- D Unitary

Your answer

[1]

- 13 What will be the effect on consumer and producer surplus if costs of production increase?

- A Consumer and producer surplus will fall
- B Consumer and producer surplus will rise
- C Consumer surplus will fall and producer surplus will rise
- D Consumer surplus will rise and producer surplus will fall

Your answer

[1]

- 14 Minimum efficient scale of production occurs where:

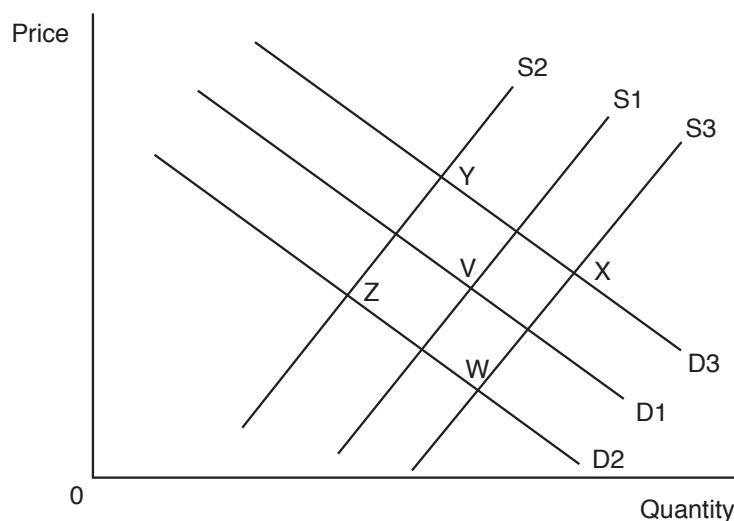
- A average total cost is at a minimum
- B diseconomies of scale are at a maximum
- C external economies of scale are zero
- D total cost is falling

Your answer

[1]

3

3



The market for a product is originally in equilibrium at V. There is a successful advertising campaign for the product and a rise in the rental cost of office space for the producer. At which point will the market reach a new equilibrium?

- A W
- B X
- C Y
- D Z

Your answer

[1]

4 Which of the following statements about average fixed cost (AFC) is true?

- A AFC declines as a firm increases output
- B AFC does not change as output falls
- C AFC increases as output increases
- D AFC will always be greater than price

Your answer

[1]

5 Which one of the following is a function of a government in a mixed economy?

- A Banning public goods
- B Producing free goods
- C Reducing labour market flexibility
- D Regulating some firms

Your answer

[1]

4

- 8 The table below shows the price a firm charges and the total cost over a range of output 1–5.

Output	Price (£)	Total cost (£)
1	10	9
2	9.5	17
3	9	23
4	8.8	31.8
5	8.5	40.5

At which level of output is profit maximised?

- A 2
B 3
C 4
D 5

Your answer

[1]

- 9 The price of a product falls from £40 to £32 and as a result demand rises from 200 to 220. What is the price elasticity of demand?

- A -2.5
B -2.0
C -0.5
D -0.4

Your answer

[1]

- 10 In which circumstance may a firm experience diseconomies of scale?

	Quantity of capital employed	Quantity of enterprise employed	Quantity of labour employed	Quantity of land employed
A	Increased	Increased	Increased	Increased
B	Unchanged	Increased	Increased	Increased
C	Unchanged	Unchanged	Increased	Increased
D	Unchanged	Unchanged	Increased	Unchanged

Your answer

[1]

3

5 When will a product tend to have price elastic demand?

- A When it has addictive tendencies
- B When it has a large number of substitutes
- C When it is viewed as a necessity
- D When it can last a long time

Your answer

[1]

6 The information below shows the price at which different levels of output can be sold and the total cost of production for each level of output.

Price (£)	Quantity Per day	Total cost (£)
70	500	1000
54	600	1800
40	700	2400
32	800	3000
28	900	3800
26	1000	4750

If the price of the product is £54 what is the firm's average cost?

- A £0.33
- B £3.00
- C £11.10
- D £33.33

Your answer

[1]

7 The average cost of producing 20 units of a product is £30 and the average cost of producing 21 units is £32. What is the marginal cost of the 21st unit?

- A £2
- B £32
- C £42
- D £72

Your answer

[1]

3

5 When will a product tend to have price elastic demand?

- A When it has addictive tendencies
- B When it has a large number of substitutes
- C When it is viewed as a necessity
- D When it can last a long time

Your answer

[1]

6 The information below shows the price at which different levels of output can be sold and the total cost of production for each level of output.

Price (£)	Quantity Per day	Total cost (£)
70	500	1000
54	600	1800
40	700	2400
32	800	3000
28	900	3800
26	1000	4750

If the price of the product is £54 what is the firm's average cost?

- A £0.33
- B £3.00
- C £11.10
- D £33.33

Your answer

[1]

7 The average cost of producing 20 units of a product is £30 and the average cost of producing 21 units is £32. What is the marginal cost of the 21st unit?

- A £2
- B £32
- C £42
- D £72

Your answer

[1]

4

- 8 The table below shows the price a firm charges and the total cost over a range of output 1–5.

Output	Price (£)	Total cost (£)
1	10	9
2	9.5	17
3	9	23
4	8.8	31.8
5	8.5	40.5

At which level of output is profit maximised?

- A** 2
B 3
C 4
D 5

Your answer

[1]

- 9 The price of a product falls from £40 to £32 and as a result demand rises from 200 to 220. What is the price elasticity of demand?

- A** -2.5
B -2.0
C -0.5
D -0.4

Your answer

[1]

- 10 In which circumstance may a firm experience diseconomies of scale?

	Quantity of capital employed	Quantity of enterprise employed	Quantity of labour employed	Quantity of land employed
A	Increased	Increased	Increased	Increased
B	Unchanged	Increased	Increased	Increased
C	Unchanged	Unchanged	Increased	Increased
D	Unchanged	Unchanged	Increased	Unchanged

Your answer

[1]

3

- 5 The diagrams below show the relationship between price and quantity supplied of a product.

Diagram A

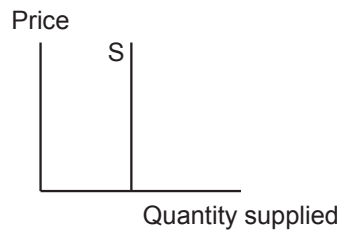


Diagram B

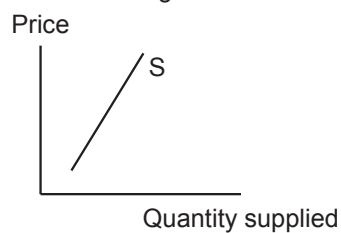


Diagram C

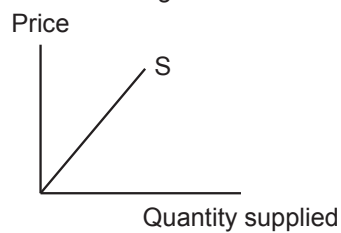


Diagram D



Which of the supply curves is likely to show the relationship between price and quantity supplied over the long run?

- A Diagram A
- B Diagram B
- C Diagram C
- D Diagram D

Your answer

[1]

4

6 Which item is **most** likely to be used as a medium of exchange in the UK?

- A A fifty pound bank note
- B A gold wedding ring
- C A government bond
- D A savings account

Your answer

[1]

7 The table shows the quantity demanded and quantity supplied of a product at different prices.

Price	Quantity Demanded	Quantity Supplied
£10	100	20
£15	80	30
£20	75	50
£25	60	60
£30	40	80

At the equilibrium price, what is the total revenue?

- A £1000
- B £1200
- C £1500
- D £2400

Your answer

[1]

8 Which of these is a cause of market failure?

- A Positive externalities
- B Positive income elasticity of demand
- C Positive price elasticity of supply
- D Positive private costs

Your answer

[1]

9 Which of these would lead to a negative externality?

- A A new firm which creates jobs for local people
- B A new firm which processes coal, releasing carbon emissions
- C Information on the effects of smoking cigarettes
- D Subsidy for solar-powered electricity

Your answer

[1]

4

- 6 The price of a product was initially £60. A rise in price caused the quantity supplied to change from 200 to 260. If Price Elasticity of Supply (PES) is 2.0, what was the change in price?

A £2
B £9
C £15
D £18

Your answer

[1]

- 7 The table shows the quantity traded of a product at different prices.

Price (£)	Quantity traded (per day)
30	70
40	60
50	50
60	40

At which price would total revenue be at its highest?

A £30
B £40
C £50
D £60

Your answer

[1]

- 8 Which of the following is an external benefit?

A A firm's transport costs increase due to higher congestion levels on roads
B A larger crop of soft fruit for farmers because of global warming
C Hotel profits rise as a result of greater internal economies of scale
D Workers' wages increase as their productivity rises

Your answer

[1]

- 9 In a free market economy what is the function of the price mechanism?

A To allocate resources
B To avoid government failure
C To create price stability
D To reduce competition

Your answer

[1]

4

- 6 The price of a product was initially £60. A rise in price caused the quantity supplied to change from 200 to 260. If Price Elasticity of Supply (PES) is 2.0, what was the change in price?

A £2
B £9
C £15
D £18

Your answer

[1]

- 7 The table shows the quantity traded of a product at different prices.

Price (£)	Quantity traded (per day)
30	70
40	60
50	50
60	40

At which price would total revenue be at its highest?

A £30
B £40
C £50
D £60

Your answer

[1]

- 8 Which of the following is an external benefit?

A A firm's transport costs increase due to higher congestion levels on roads
B A larger crop of soft fruit for farmers because of global warming
C Hotel profits rise as a result of greater internal economies of scale
D Workers' wages increase as their productivity rises

Your answer

[1]

- 9 In a free market economy what is the function of the price mechanism?

A To allocate resources
B To avoid government failure
C To create price stability
D To reduce competition

Your answer

[1]

2-MARK QUESTIONS

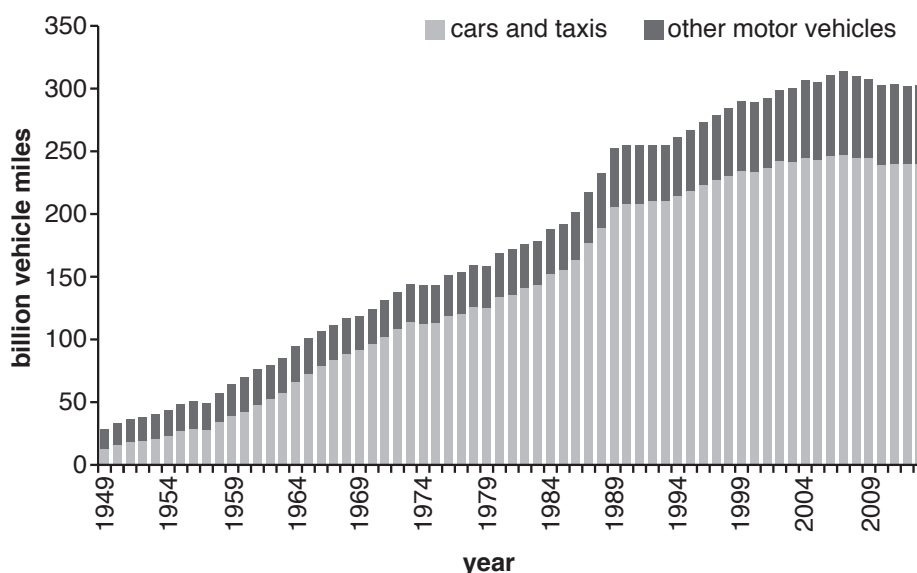
1 question in this booklet

8

SECTION B

Answer **all** the questions in this section.**Trends in UK Road Passenger Transport**

The demand for the vast majority of road transport is a derived demand. Since 1950, road traffic in the UK has increased almost tenfold up to 303.7 billion vehicle miles in 2013. The increase has mainly been accounted for by an increase in the number of cars and vans. This has brought with it a number of problems including increased congestion, air and noise pollution. However, more recently, the growth in road use has slowed and since 2008 there has been a slight decrease. Population has increased from 50 million in 1950 to 64 million in 2013 and GDP has increased from £0.29 trillion in 1949 to £1.50 trillion in 2012. However, since 2009 the price of unleaded petrol has increased from 86.3 pence per litre to 130.8 pence per litre in December 2013.

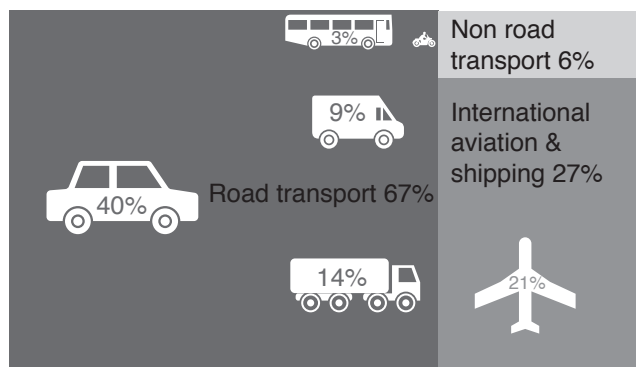
**Fig. 1 Road Traffic in Britain since 1949**

There was a slight decline in bus usage (outside London) from 1985–2008. In 2012 estimates for the income elasticity of demand for buses suggest an income elasticity of demand between -0.5 and -1.0 . Price elasticity of demand for buses is -0.36 in the short run and -0.7 in the long run. Cross elasticity for buses is estimated to be even lower, with the cross elasticity of demand between bus fares and car travel just -0.1 .

Bus fares have increased in real terms since 1986 but bus travel for older and disabled people has been free in England since April 2008. The Transport Act 2000 required all local authorities to provide low price travel for older and disabled people. From April 2008 this was extended to free travel by bus anywhere in England.

9

In the year ending 2014, the average level of subsidy for buses per passenger journey was 6.3 pence. This decreased (adjusted for inflation) from 10.5 pence in 2005. The subsidy in London is 1.8 pence per passenger journey.



- In 2011, road transport was the largest contributor to total transport greenhouse gas emissions (67% of the total).
- Cars and taxis contributed the most of any transport mode (40% of total).

*Non road transport consists mainly of domestic aviation and shipping and rail.

Fig. 2 UK Transport: Greenhouse gases (GHG) emissions by mode of transport 2011

There has also been growing concern about the contribution of road transport to rising emissions, air pollution and global warming.

The London Lorry Control Scheme (LLCS) has been in existence since 1986. It was set up to protect Londoners against the disturbance caused by heavy lorries at night and at weekends. Its objective is to reduce noise nuisance at antisocial times by eliminating through traffic and minimising the environmental effects of heavy lorries. Lorries are banned (or prohibited) from using urban roads during the most environmentally sensitive times, from 9pm–7am Monday–Saturday, and from 1pm Saturday to 7am Monday.

10

- 16 (a) What economic term is used to describe pollution and congestion?

.....
..... [1]

- (b) (i) Explain what is meant by the term 'derived demand'.

.....
.....
.....
..... [2]

- (ii) Using information from the case study identify **two** factors that may have led to the increase in car travel over the period shown in Fig. 1.

.....
..... [2]

- (c) Explain what is meant by the term 'income elasticity of demand'.

.....
.....
.....
..... [2]

- (d) Using information from the case study, calculate the effect of a 10% fall in bus fares on

- (i) bus travel in the long run.

.....
..... [2]

- (ii) the demand for car travel.

.....
..... [2]

MARK SCHEMES

official OCR mark schemes

12	D	Rationale <table><tr><th>Output per week (000's)</th><th>TFC</th><th>TVC</th><th>Total costs</th><th>AC</th><th>AFC</th><th>AVC</th></tr><tr><td>24000</td><td>100000</td><td>288000</td><td>388000</td><td>16.17</td><td>4.17</td><td>12</td></tr><tr><td>26000</td><td>100000</td><td>338000</td><td>438000</td><td>16.85</td><td>3.85</td><td>13</td></tr><tr><td>28000</td><td>100000</td><td>392000</td><td>492000</td><td>17.57</td><td>3.57</td><td>14</td></tr><tr><td>30000</td><td>100000</td><td>450000</td><td>550000</td><td>18.33</td><td>3.33</td><td>15</td></tr><tr><td>32000</td><td>100000</td><td>512000</td><td>612000</td><td>19.13</td><td>3.13</td><td>16</td></tr></table> A. Average costs is £19.13 when output is 32 000 B. Average variable cost £14 is when output is 28,000 C. Incorrect. D. Correct: Total variable cost is £450,000 when output per week is 30 000	Output per week (000's)	TFC	TVC	Total costs	AC	AFC	AVC	24000	100000	288000	388000	16.17	4.17	12	26000	100000	338000	438000	16.85	3.85	13	28000	100000	392000	492000	17.57	3.57	14	30000	100000	450000	550000	18.33	3.33	15	32000	100000	512000	612000	19.13	3.13	16	3	x
Output per week (000's)	TFC	TVC	Total costs	AC	AFC	AVC																																								
24000	100000	288000	388000	16.17	4.17	12																																								
26000	100000	338000	438000	16.85	3.85	13																																								
28000	100000	392000	492000	17.57	3.57	14																																								
30000	100000	450000	550000	18.33	3.33	15																																								
32000	100000	512000	612000	19.13	3.13	16																																								

2	B	Rationale A.Factors of production are assumed to maximise income B. Correct: It is assumed in economics that profit maximise (i.e. maximise the difference between total costs and total revenue) C.Firms may choose to Revenue maximise but this is not what is normally assumed D.Consumers are assumed to maximise their utility (satisfaction)	1	
---	---	--	---	--

7	C	Rationale A.This is an internal economy of scale (i.e. the result of an increase in the size of the firm) B.This is an internal economy of scale (i.e. the result of an increase in the size of the firm) C. Correct: This will benefit all the firms in the area, irrespective of their size D.This is an internal economy of scale (i.e. the result of an increase in the size of the firm)	1	
---	---	---	---	--

11	D	Rationale A. This is average variable cost: $30/20$. B. This is total fixed cost minus total variable cost divided by output: $100 - 30/20$. C. This is average fixed cost: $100/20$. D. Correct: Total cost divided by output: $130/20$.	2	✓
----	---	---	---	---

14	A	Rationale A. Correct: Minimum efficient scale is that output at which LRAC (long run average cost) are at their lowest. B. Diseconomies of scale will lead to a rise in LRAC C. External economies will cause the LRAC to shift downwards D. Total cost will only fall as output falls	1	
----	---	---	---	--

4	A	Rationale A. Correct: AFC equals total fixed costs divided by output, therefore AFC will fall as output rises B. As output increases, AFC will fall C. AFC (FC per unit) falls rather than increases as output rises D. This will depend on the relationship between price and AFC. AFC could be greater than price.	2	✓
---	---	---	---	---

10	A	Rationale A. Correct: diseconomies of scale can occur in the long run when the scale of production is changed and all factors of production are variable B. there are no fixed factors of production in the long run C. there are no fixed factors of production in the long run D. there are no fixed factors of production in the long run	1	
----	---	---	---	--

6	B	Rationale A. At price £54, quantity per day (Q) is 600 and total cost (TC) is £1800; average cost = $TC/Q = £3$. B. Correct: At price £54, quantity per day (Q) is 600 and total cost (TC) is £1800; average cost = $TC/Q = £3$ C. At price £54, quantity per day (Q) is 600 and total cost (TC) is £1800; average cost = $TC/Q = £3$ D. At price £54, quantity per day (Q) is 600 and total cost (TC) is £1800; average cost = $TC/Q = £3$	2	x
---	---	---	---	---

7	D	Rationale A. Marginal cost is the addition to total cost of one more unit which is £(632 – 600) = £32. B. Marginal cost is the addition to total cost of one more unit which is £(632 – 600) = £32. C. Marginal cost is the addition to total cost of one more unit which is £(632 – 600) = £32. D. Correct: Marginal cost is the addition to total cost of one more unit which is £(672 – 600) = £72.	2	x
---	---	--	---	---

8	B	Rationale A. Maximum profit occurs at the output where total revenue ($P \times Q$) minus total cost is at a maximum or where marginal revenue equals marginal cost. <i>Here it is £2 ($9.5 \times 2 - 17$).</i> B. Correct: Maximum profit occurs at the output where total revenue ($P \times Q$) minus total cost is at a maximum or where marginal revenue equals marginal cost; in this case £4 ($9 \times 3 - 23$) at output 3. C. Maximum profit is starting to decline. It is £3.4 ($8.8 \times 4 - 31.8$) D. Maximum profit is starting to decline. It is £2 ($8.5 \times 5 - 40.5$)	3	x
---	---	--	---	---

5	D	movement along Rationale: A Perfectly inelastic – very short run B Relatively inelastic – short run C Unitary elastic D Correct: Relatively elastic. more responsive to change	3	Yes
---	---	---	---	-----

7	C	Excess money Rationale: A $100 \times 10 = £1000$ demand (100) and supply (20) excess demand B $80 \times 15 = £1200$ demand (80) and supply (30) excess demand C Correct: $60 \times 25 = £1500$ demand(60) supply (60) equilibrium D $40 \times 30 = 1200$ not £ £2400 demand (40) and supply (80) excess supply	2	Yes
---	---	---	---	-----

7	C	Rationale A Quantity traded is at its highest but total revenue is only £2,100. B Total revenue is £2,400. C Correct. Total revenue is £2,500. D Total revenue is £2,400.	2	x
---	---	---	---	---

8	B	Rationale A This is a cost to the firm B. Correct: This is an external benefit to a third party (i.e. fruit growers) C. This is a private benefit to the hotel D. This is a benefit to workers	1	
---	---	--	---	--

Mark scheme row could not be matched automatically - see the official OCR H060/01 Microeconomics mark scheme (June 2017).