



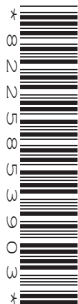
Oxford Cambridge and RSA

Monday 05 October 2020 – Morning

AS Level in Economics

H060/01 Microeconomics

Time allowed: 1 hour 30 minutes



You can use:

- a scientific or graphical calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

INSTRUCTIONS

- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions in Section A and Section B and **one** question in Section C.

INFORMATION

- The total mark for this paper is **60**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **16** pages.

ADVICE

- Read each question carefully before you start your answer.

SECTION A

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

Write your answer for each question in the box provided.

1 Which of the following solves the problem of what to produce in a planned economy?

- A** Consumers' tastes and preferences
- B** Government directives
- C** Profit maximising firms
- D** The operation of market forces

Your answer

[1]

2 Which of the following is a benefit of division of labour?

- A** Each worker is skilled in a variety of tasks
- B** Firms spend more on training
- C** Goods are all very similar
- D** Production costs are lower

Your answer

[1]

3 Which of the following statements would be described as a positive statement?

- A** Branded goods are better than non-branded goods
- B** Branded goods are more expensive than non-branded goods
- C** Branded goods do not represent value for money
- D** Branded goods should be taxed at a higher rate than non-branded goods

Your answer

[1]

- 4 The table shows the market for a product which was in disequilibrium with a surplus of 36.

Price (£)	Quantity demanded (per week)	Quantity supplied (per week)
6	40	86
5	46	82
4	54	76
3	64	64
2	75	57
1	90	54

The market then moved to equilibrium. What was the change in the quantity demanded?

- A** – 8
B – 10
C 18
D 26

Your answer

[1]

5

Price (£)	Quantity demanded (000s per month)	Quantity supplied (000s per month)
10	10	40
9	15	35
8	20	30
7	25	25
6	30	20
5	35	15
4	40	10

If the government imposes a tax of £2 on this good, what will the new equilibrium price be?

- A** £6
B £7
C £8
D £9

Your answer

[1]

- 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]

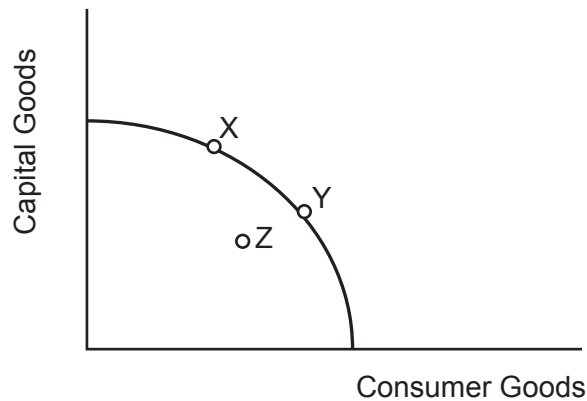
- 10 A firm adopts new technology that reduces the discharge of waste into the local river. Which of the following is **most** likely to fall?

A Marginal external benefit
 B Marginal external cost
 C Marginal private benefit
 D Marginal private cost

Your answer

[1]

- 11 A country is not currently making full use of all its resources. It decides to produce more consumer goods. Which of the following movements on the diagram represents the effect of this decision?



A X to Y
 B Y to Z
 C Z to X
 D Z to Y

Your answer

[1]

- 12 A government legislates to force producers of a good to put information on the packaging about the negative consumption externalities it causes. What would be the effects on the market for this good?

	Demand curve	Supply curve	Quantity traded
A	Shift to the left	Shift to the left	Fall
B	Shift to the left	Shift to the right	Uncertain
C	Shift to the right	Shift to the left	Uncertain
D	Shift to the right	Shift to the right	Rise

Your answer

[1]

13 What is an inferior good?

- A** One that represents less value for money than a close substitute
- B** One where the price and quantity demanded are positively related
- C** One with a cross elasticity of demand of less than one
- D** One with a negative income elasticity of demand

Your answer

☐

[1]

14 Which of the following is a free good?

- A** Health care
- B** Street lighting
- C** Sunlight
- D** Three for two offers

Your answer

☐

[1]

15 Which of the following is a reward to a factor of production?

- A** Free accommodation for a school caretaker
- B** Loyalty cards for frequent purchases
- C** Money received from the sale of a house
- D** Pensions paid to retired employees

Your answer

☐

[1]

SECTION B

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

How much does a festival cost?

The number of people attending live music festivals and 'gigs' has risen substantially in the last 10 years to 2015. Festivals across the UK have expanded and a number of new festivals, catering to a variety of different music tastes, have sprung up.

The amount people are spending on gigs and festivals has increased by 8.5% from July 2014 to £9bn in July 2015. The average person spends more than £450 attending live music events each year, according to figures from the Association of Independent Festivals. Glastonbury, which hosted around 190 000 attendees, is the most expensive festival, with the average person spending £425 over the long weekend alone, taking into account transport, food and drink. A high proportion of this spending is accounted for by the price of a ticket.

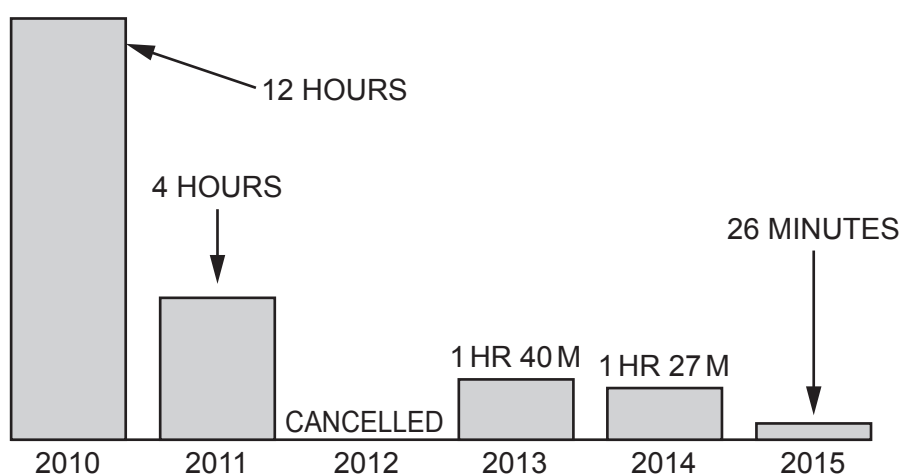
Fig. 1 The rise in the price of festival tickets (2006–2015)

	2006	2015
Latitude	£95	£192.50
V Festival	£120	£189
Glastonbury¹	£145	£220
Reading	£135	£205
Bestival	£105	£195
Benicassim	£105	£114

¹Price for 2007, no festival in 2006

Despite rising ticket prices, Glastonbury remains one of the most popular festivals in the UK. This is reflected in the time it takes for tickets to sell out leaving some potential purchasers disappointed.

Fig. 2 How quickly did Glastonbury tickets sell out?



The price of tickets for some festivals, however, has fallen. This is largely due to an increase in the number of festivals which has forced many promoters to lower ticket prices. In some cases, this has proved a very successful strategy. Green Man Festival reduced the price of a weekend ticket from £300 to £250 and this led to 23% increase in ticket sales. Better weather and improved transport provision also helped to account for the rise in ticket sales.

However, the impact of festivals on local communities is not all positive. Litter, vandalism and anti-social behaviour increases. The additional cost of policing at Glastonbury in 2015 was estimated to be £287 000. This cost was paid by the festival organisers.

16 (a) (i) Calculate the amount spent on going to gigs and festivals in July 2014.

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..... [2]

(ii) Which festival ticket saw the biggest proportionate increase in price between 2006 and 2015?

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(b) (i) Using information in the case study, explain one reason, other than price, why there has been an increase in demand for tickets at the Green Man Festival.

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..... [2]

(ii) Using Fig. 2 describe what happened to the time taken to sell Glastonbury tickets between 2010 and 2014.

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..... [2]

- (c) The number of tickets to Glastonbury Festival is fixed at 190 000. Using an appropriate diagram, explain why there is disequilibrium in the market for Glastonbury Festival tickets in 2015.

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(d) Explain how the additional policing costs might affect the price of Glastonbury Festival tickets.

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- (e) Evaluate the usefulness of the concept of price elasticity of demand for tickets to the organisers of the Green Man Festival.

[illegible]

SECTION C

Answer Question 17 **or** Question 18.

17* The UK government is being urged to reduce the indirect tax on gym membership.

Evaluate, using an appropriate diagram(s), the effectiveness of reducing the indirect tax on gym membership to encourage people to take more exercise. **[20]**

OR

18* In 2017 energy prices rose by an average of 6%.

Evaluate, using an appropriate diagram(s), the effect of an increase in energy prices on the producer surplus of energy supply firms. **[20]**

Question no.

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