OCR
Oxford Cambridge and RSA

Tuesday 13 May 2025 – Morning

AS Level Economics

H060/01 Microeconomics

Time allowed: 1 hour 30 minutes

You can use:
- a scientific or graphical calculator

1329248307

H06001

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

Centre number | | | | | | Candidate number | | | | |

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 **20** pages.

ADVICE
- Read each question carefully before you start your answer.

Section A

Write your answer for **each** question in the box provided.

1 Whose objective is it to raise tax revenue?

A Employees
B Firms
C Government
D Households

Your answer [ ] **[1]**

2 The table shows the production possibility curve for a country that produces capital and consumer goods.

Capital goods (million units)	Consumer goods (million units)
0	50
10	35
20	23
30	8
40	0

What is the opportunity cost of moving from 20 million units of capital goods to producing 30 million units of capital goods?

A 10 million capital goods
B 20 million capital goods
C 8 million consumer goods
D 15 million consumer goods

Your answer [ ] **[1]**

3 What is **most** likely to occur, if the price of a smartphone fell from £950 to £800?

A Demand curve shifts right
B Extension in demand
C Extension in supply
D Supply curve shifts left

Your answer [ ] **[1]**

4 Which of these would cause a shift outwards of the production possibility curve?

A Decrease in productivity
B Increase in unemployment
C Technological improvements
D Underutilisation of machinery

Your answer ☐ **[1]**

5 A bottled water firm sells 600 bottles of water every week at a price of 80p.
The price elasticity of demand for bottled water is –1.5.
What is the change in weekly sales revenue if the firm increases the price to £1.20?

A £60
B £240
C £300
D £600

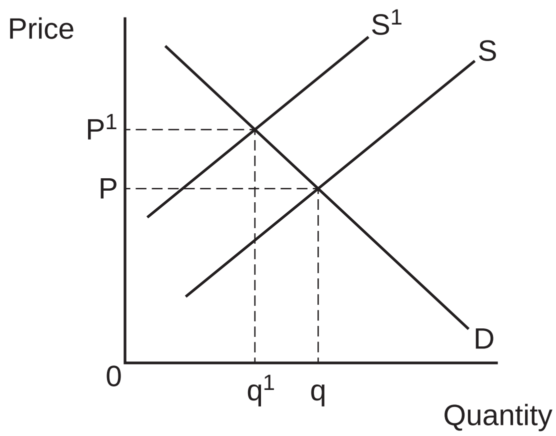
Your answer ☐ **[1]**

6 A change in price will usually result in a change in quantity demanded.
The size of this change will be determined by the:

A elasticity of demand
B opportunity cost of the change
C producer surplus available
D profit gained from the change

Your answer ☐ **[1]**

7 The diagram shows a shift in the supply curve for wheat production.



What could have caused this shift from S to S^1?

A Increase in price
B Increase in productivity
C Increase in subsidy
D Increase in tax

Your answer ☐ **[1]**

8 What is a reward for labour?

A Interest
B Profit
C Rent
D Wages

Your answer ☐ **[1]**

9 What is an example of market failure?

A Buffer Scheme
B Pollution
C Subsidies
D Taxes

Your answer ☐ **[1]**

10 What will be an incentive for consumers to reduce consumption of orange juice?

Increase in the price of:

A apple juice
B apples
C orange juice
D oranges

Your answer ☐ **[1]**

11 What is one of the features of a planned economy?

A Capitalism
B Government intervention
C Invisible hand
D Market clearing price

Your answer ☐ **[1]**

12 The table shows the price of good A and the quantity demanded for good B, a competitive good.

Price of Good A	Quantity Demanded of Good B
£160	500
£200	560

What is the cross elasticity of demand?

A 0.48
B 0.54
C 0.67
D 2.08

Your answer ☐ **[1]**

13 Government intervention in the market can result in government failure due to a more inefficient allocation of resources.

What is this **most** likely to result in?

A Fewer public goods
B Greater welfare loss
C Higher levels of taxation
D Less information provision

Your answer [ ] **[1]**

14 Productive efficiency is when a firm is:

A maximising the total costs of production
B maximising its profits and revenue
C producing goods and services that match consumer preferences
D producing maximum outputs from the given inputs

Your answer [ ] **[1]**

15 Opportunity cost is useful as it shows the value of:

A all the choices available
B the choice given up
C the choice of scarce resources
D the choice that the consumer made

Your answer [ ] **[1]**

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Section B starts on the next page

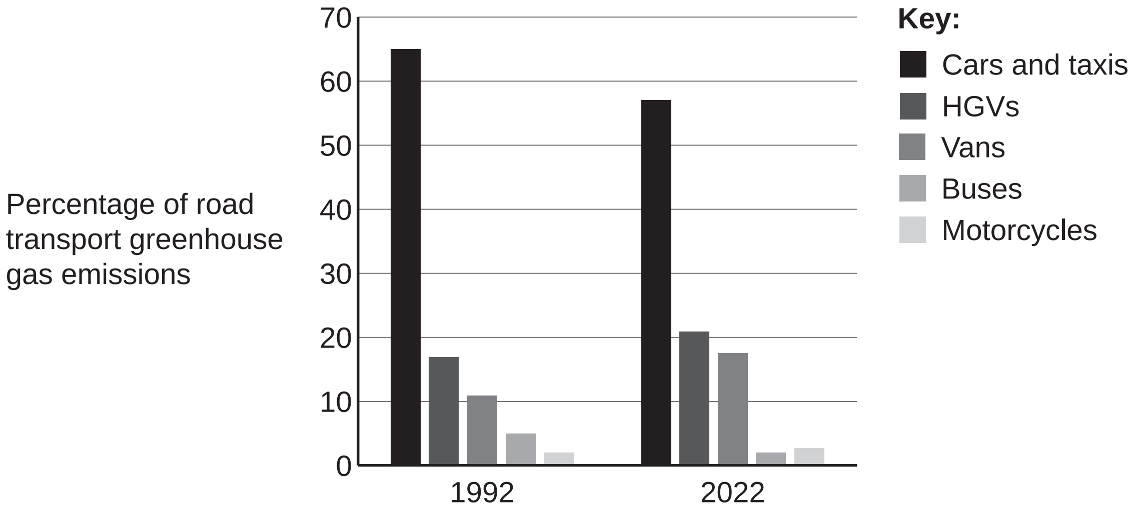
Section B

Electric cars speed ahead

In 2022, road transport accounted for approximately 21% of the UK's total greenhouse gas emissions. The largest contributor to this was cars and taxis as shown in Fig. 1.

Fig. 1

Percentage of road transport greenhouse gas emissions contributed by different forms of road transport 1992 and 2022.



In 2022, the sale of new cars in the UK dropped. The demand for new electric cars, which are environmentally cleaner than petrol or diesel cars continued to increase.
Fig. 2 shows the increase in sales for new electric cars in the UK.

Fig. 2

Year	No. of new electric cars sold
2018	15 500
2019	37 850
2020	108 200
2021	190 700
2022	267 000

The production of electric cars is very specialised. There are chemical engineers who work on the car batteries, process engineers who manage the production process and software engineers who design and install the software systems that are used.

The sale of new petrol and diesel cars in the UK is due to be banned in 2030. To encourage the switch away from the use of these vehicles, some economists suggest the government should promote building more charging points for electric cars. Others argue that the indirect tax imposed on electric cars should be removed. Encouragement to buy electric cars is needed as real income in the UK is forecast to continue to fall. The income elasticity of demand for electric cars is estimated to be 3.0.

Changes in the number of electric cars produced affects the market for cobalt. This is a metal used in electric car batteries. Nearly 70% of all cobalt is supplied by Democratic Republic of the Congo. Some of the country's mines do use modern technology but many provide workers with only basic equipment. Working hours in many of the mines are long and some workers are paid less than £3 a day. Working conditions are often dangerous. Some workers, including children, dig out the cobalt with their hands or sticks. Many are not provided with protective clothing and they breathe in the toxic cobalt dust. This can result in what is called cobalt lungs, a disease that can cause serious illness or death. The mines also pollute local mines and raise radioactivity levels in the local areas.

16

(a) Using **Fig. 1**, state which form of road transport had the greatest percentage fall in greenhouse gas emissions between 1992 and 2022.

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.... **[1]**

(b)

(i) Using **Fig. 2**, calculate which year had the largest percentage rise in the number of new electric cars sold in the UK.

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.... **[2]**

(ii) Using the extract, explain how division of labour is used in the production of electric cars.

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(c) Using a diagram, explain what effect the removal of indirect tax would have on the market of electric cars.

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(d)
(i) Using the information on income and elasticity of demand in the extract, explain the likely effect of a continuing fall in real income on electric car producers.

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.... **[4]**

(ii) Explain the effect on the price and quantity demanded of electric cars of an increase in the price of cobalt.

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.... **[2]**

Question continues on the next page

(e)* Evaluate, using an appropriate diagram, the effect of an increase in demand for electric cars on people in the Democratic Republic of the Congo. **[10]**

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Section C

Answer Question 17 **or** Question 18.

17* In 2022, the price of food on average, increased by 70%, while the price of clothing, on average, increased by 10%.

Evaluate, using an appropriate diagram(s) the impact of these changes in price on consumer surplus. **[20]**

OR

18* Norway devoted more of its resources to the output of capital goods in 2022. This had an impact on the country's output of consumer goods.

Evaluate, using an appropriate diagram(s), the effect on consumers of an economy devoting more resources to the output of capital goods. **[20]**

Question No. ....

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END OF QUESTION PAPER

EXTRA ANSWER SPACE

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