Past-paper walk-through

Types of markets ▪ 3.7

eXercise

Questions in this set

- 0455/11 N25 Q27 ▪ 1 mark
- 0455/12 N25 Q16 ▪ 1 mark
- 0455/13 N25 Q16 ▪ 1 mark
- 0455/11 N24 Q27 ▪ 1 mark
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- 0455/11 J24 Q8 ▪ 1 mark

Question 27

0455/11 N25 ▪ Q27 ▪ 1 mark

27 What is an advantage for consumers from international specialisation?

A competition between firms results in lower prices

B labour can move more freely between countries

C less wealth is created throughout the world

D multinational companies can increase their profits

Solution 27

Answer: **A**

Why

- International specialisation lets each country produce what it does relatively best.
- That raises world output and allows economies of scale.
- Consumers gain lower prices and a wider choice of goods.

Question 16

0455/12 N25 ▪ Q16 ▪ 1 mark

16 What is likely to be found when there are many small firms in an industry?

A There are few barriers to entry.

B There is high expenditure on research and development.

C There is little competition.

D Very large capital costs are needed to establish a firm.

Solution 16

Answer: **A**

Why

- Many small firms can only survive if entry to the industry is easy.
- So barriers to entry must be low.
- High research spending and large economies of scale would push the industry towards a few large firms instead.

Question 16

0455/13 N25 ▪ Q16 ▪ 1 mark

16 What would make the existence of a monopoly market more likely?

A consumers prefer a variety of choice in products

B significant economies of scale can be achieved

C there are low barriers to entry and exit for firms

D there are no restrictions on international trade

Solution 16

Answer: **B**

Why

- A monopoly is more likely where one firm can supply the whole market most cheaply.
- Significant economies of scale mean average cost keeps falling with output.
- Consumers wanting variety, or low barriers to entry, would make monopoly *less* likely.

Question 27

0455/11 N24 ▪ Q27 ▪ 1 mark

27 Which statement shows two benefits for consumers from specialisation at a national level?

- **A** decreased prices and better quality
- **B** decreased profits and high-quality raw materials
- **C** increased choice and high transport costs
- **D** increased productivity and increased economies of scale

Solution 27

Answer: **A**

Why

- Specialisation lets each country concentrate on what it produces relatively best.
- That raises output and allows economies of scale, so costs and prices fall.
- Consumers therefore gain lower prices and better quality, plus greater choice.

Question 16

0455/12 N24 ▪ Q16 ▪ 1 mark

16 A competitive industry becomes a monopoly.

What is the most likely advantage for consumers?

A consumer choice may increase

B economies of scale may reduce prices

Question 16

C more goods may be produced

D prices may be set by market forces

Solution 16

Answer: **B**

Why

- A monopoly restricts output and raises price, which harms consumers.
- But a single large firm can exploit economies of scale.
- If those cost savings are passed on, prices could be lower – that is the possible advantage.

Question 8

0455/11 J24 ▪ Q8 ▪ 1 mark

8 What could **not** occur in a market economic system?

A a monopolist supplying specialist goods to the market

B excessive pollution created by power stations

C governments setting minimum wages to relieve poverty

D private ownership of firms making defence equipment

Solution 8

Answer: **C**

Why

- A pure market system has no government, so no public goods and no regulation.
- Monopolies, pollution and inequality can all arise in a market – indeed markets tend to produce them.
- What *cannot* occur is anything requiring state provision or state intervention.