IQM4008

LEVEL 4 · CONTROLLED ASSESSMENT

INTO QUALIFICATIONS

Microeconomics

Sample final written examination

Candidate question paper

Duration
120 minutes

Total marks
50

Assessment window
Sample assessment

Assessment set
Set S of 2026

Response instruction
Follow the response instructions shown for each section.

Release timing
exam release

Paper
IQM4008 A2

Assessment set ID
2026-S

INTO QUALIFICATIONS LEARNER ID

DELIVERY CENTRE ID (OPTIONAL)

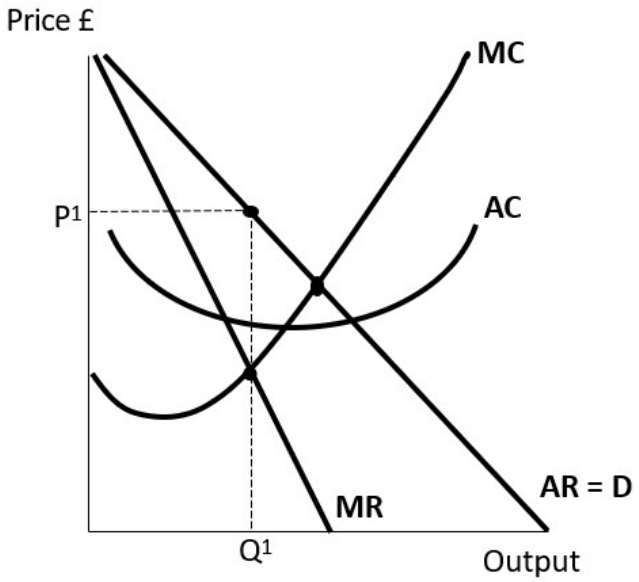
EXAM DATE
_____

ASSESSMENT SET
Set S of 2026

Do not open this paper until instructed. Record answers in the separate answer booklet as instructed.

FOR MARKER USE ONLY

Marker initials	**Mark / 50**



About this sample assessment

Closed-book examination sampling demand and supply, elasticity, costs, market structures, market failure, intervention and firm behaviour. Source authority: A2 120 minutes, 50 marks; 20 one-mark MCQs and three 10-mark short answers; non-programmable non-graphing scientific calculator.

Examination conditions: This is a secure, invigilated 120-minute closed-book examination. No additional materials are permitted. Only a non-programmable, non-graphing scientific calculator may be used. Calculators with CAS, text, image or document storage, or internet capability, and phones, tablets and smart watches, are prohibited. Generative AI must not be used at any stage. Record all answers in the separate answer booklet.

Assessment context and task

Section A Instructions: Answer all questions. Choose one answer A-D; one mark each.

Mcqs

1

The next-best alternative forgone when resources are used is the:

- A: fixed cost
- B: opportunity cost
- C: consumer surplus
- D: sunk cost

2

A rise in the price of a good, other things equal, causes:

- A: a movement along demand
- B: a shift of demand
- C: a shift of supply
- D: a change in tastes

3

If demand is price inelastic, a 5% price rise will usually cause total revenue to:

- A: fall by more than 5%
- B: rise
- C: remain exactly unchanged
- D: become zero

4

A product with positive income elasticity is normally:

- A: an inferior good
- B: a normal good
- C: a public good
- D: a complement by definition

5

A rise in wages for all producers of a good is most likely to:

- A: shift supply left
- B: shift demand right
- C: cause movement along supply only
- D: leave costs unchanged

6

At output 400, total cost is £3,200. Average total cost is:

- A: £4
- B: £8
- C: £800
- D: £3,200

7

A firm's marginal revenue exceeds marginal cost at its current output. To raise profit, it should generally:

- A: expand output
- B: close immediately
- C: reduce output
- D: raise fixed cost

8

A market dominated by a few interdependent firms is:

- A: monopoly
- B: perfect competition
- C: oligopoly
- D: monopsony

9

A firm has fixed costs of £600 and variable costs of £1,400 at 200 units. Total cost is:

- A: £4
- B: £7
- C: £2,000
- D: £2,800

10

A binding minimum price above equilibrium creates:

- A: excess demand
- B: excess supply
- C: no market effect
- D: lower supply

11

Where a firm's production creates unpriced pollution, marginal social cost is generally:

- A: below marginal private cost
- B: equal to marginal private cost
- C: above marginal private cost
- D: zero

12

A non-excludable good may be underprovided because of:

- A: free riding
- B: diminishing marginal utility only
- C: price discrimination
- D: a surplus of sellers

13

A subsidy for vaccination is justified where vaccination creates:

- A: external benefits
- B: only private costs
- C: a natural monopoly
- D: a negative supply shock

14

When the price of a substitute rises, demand for the good is likely to:

- A: fall
- B: rise
- C: become supply
- D: remain necessarily unchanged

15

A firm makes £1,200 revenue selling 60 units. Average revenue per unit is:

- A: £20
- B: £60
- C: £1,140
- D: £72,000

16

A technological improvement that lowers unit production costs shifts:

- A: market supply right
- B: market demand left
- C: demand right
- D: the demand curve upward

17

A monopolist's price is £30 and marginal cost is £18. In the standard model this suggests:

- A: price equals marginal social cost
- B: possible allocative inefficiency
- C: perfect competition
- D: zero profit

18

A 10% price fall increases quantity demanded by 20%. PED magnitude is:

- A: 0.5
- B: 1
- C: 2
- D: 10

19

A firm is more able to increase output quickly when it has spare capacity. Its short-run PES is likely to be:

- A: more elastic
- B: more inelastic
- C: negative
- D: equal to PED

20

A cap below equilibrium rent, if enforced, most directly creates:

- A: excess supply
- B: excess demand
- C: a higher equilibrium price
- D: zero demand

Section B

21 [10 marks]

A frost reduces the weekly supply of pears. At the same time, a health campaign increases consumer demand for pears. Analyse the likely effects on equilibrium price and quantity. Use a clearly labelled demand-and-supply diagram.

22 [10 marks]

In a perfectly competitive market for reusable lunch containers, firms earn abnormal profit in the short run. Explain why abnormal profit is unlikely to persist in the long run. Use a firm diagram or clear verbal equivalent.

23 [10 marks]

A regional rail operator plans to reduce off-peak fares by 8% to increase revenue. Analyse how price elasticity of demand affects whether the policy raises total fare revenue.