IQM4008

LEVEL 4 · SAMPLE ASSESSMENT

INTO QUALIFICATIONS

Microeconomics

Sample final written examination

STAFF ONLY · Staff marking and administration guide

Assessment
IQM4008 A2

Sample set
2026-S

Status
SAMPLE ASSESSMENT

Duration
120 minutes

Total marks
50

Release timing
exam release

Administration and delivery

- Administer as a secure, invigilated 120-minute closed-book examination. No additional materials are permitted. Candidates may use only a non-programmable, non-graphing scientific calculator. 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. Issue the question paper and a separate answer booklet; candidates must record all answers in the answer booklet.
- MCQ total 20; three constructed responses total 30; verify 50 marks.
- Credit correct economic reasoning and equivalent diagrams; do not require exact phrasing.

Mark scheme and indicative content

1 [1 marks]

Correct option: B

2 [1 marks]

Correct option: A

3 [1 marks]

Correct option: B

4 [1 marks]

Correct option: B

5 [1 marks]

Correct option: A

6 [1 marks]

Correct option: B

7 [1 marks]

Correct option: A

8 [1 marks]

Correct option: C

9 [1 marks]

Correct option: C

10 [1 marks]

Correct option: B

11 [1 marks]

Correct option: C

12 [1 marks]

Correct option: A

13 [1 marks]

Correct option: A

14 [1 marks]

Correct option: B

15 [1 marks]

Correct option: A

16 [1 marks]

Correct option: A

17 [1 marks]

Correct option: B

18 [1 marks]

Correct option: C

19 [1 marks]

Correct option: A

20 [1 marks]

Correct option: B

21 [10 marks]

Supply shifts left and demand shifts right. Both changes raise equilibrium price. The effect on equilibrium quantity is ambiguous: the supply fall lowers quantity while the demand rise raises it; relative shift sizes determine the final quantity. The diagram should label original D0/S0 and new D1/S1, axes, initial equilibrium and explain both movements. If demand shift is greater, quantity rises; if supply shift dominates, quantity falls; equal shifts could leave quantity similar.

A higher price signals scarcity and encourages suppliers to allocate available fruit to buyers with greater willingness to pay, although short-run orchard supply is inelastic. Consumers may switch to substitutes. The data give no shift magnitudes, so a definite quantity prediction is not justified.

Mark allocation

Diagram: 3

Direction And Price: 2

Quantity Ambiguity Explained: 2

Economic Mechanism And Application: 2

Clarity: 1

22 [10 marks]

Abnormal profit means price/average revenue exceeds average total cost at the profit-maximising output where MC=MR. With low entry barriers and accessible technology, positive economic profit attracts new firms. Market supply shifts right, reducing market price. Each price-taking firm's horizontal AR=MR line falls; output adjusts where MC=MR, and long-run equilibrium occurs when price equals minimum ATC (or the relevant normal-profit point). Entry continues until abnormal profit is competed away. The result depends on genuine entry freedom, comparable costs and no durable barriers such as patents, scarce inputs or strong brand loyalty.

Adjustment takes time and firms may still earn accounting profit equal to normal profit.

Mark allocation

Abnormal Profit And Firm Rule: 2

Entry Incentive: 2

Market Supply And Price: 2

Long Run Normal Profit Diagram Or Explanation: 2

Conditions And Limitations: 2

23 [10 marks]

PED measures percentage change in quantity demanded divided by percentage change in price. If demand is elastic (magnitude above 1), an 8% fare reduction can generate a proportionately larger rise in journeys and total fare revenue may increase. If demand is inelastic (magnitude below 1), quantity rises proportionately less and revenue usually falls. At unit elasticity revenue is approximately unchanged for a small change. Rail demand may be more elastic where close bus/car alternatives exist, trips are discretionary and passengers have time to adjust; it may be inelastic for essential journeys or where alternatives are poor.

Capacity, peak/off-peak substitution, concessions and variable costs matter: extra passengers may crowd services or add marginal costs, and a lower fare may shift existing peak passengers rather than generate new journeys. The operator should estimate elasticity for the specific segment and

monitor revenue, load factor and contribution, rather than infer success from passenger numbers alone.

Mark allocation

Definition And Revenue Rule: 3

Elastic Vs Inelastic Analysis: 3

Contextual Factors: 2

Qualified Recommendation: 2

Standardisation guidance

- 20 + 10 + 10 + 10 = 50.