***AQA AS Economics exam practice answers***

3 Production, costs and revenue

**1 Correct answer: C** an increase in new capital equipment in the industry [1]

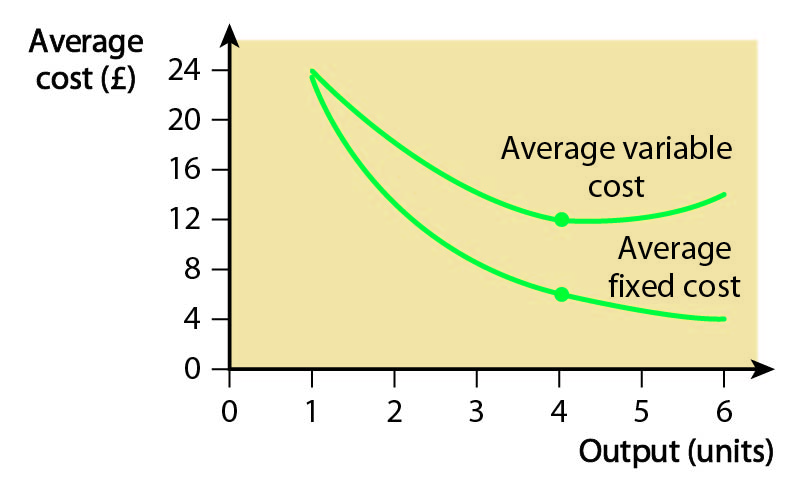
**2** The completed table showing the productivity of the four firms should read as follows: [4]

|  |  |  |  |
| --- | --- | --- | --- |
| **Firm** | **Total output (units)** | **Number of employees** | **Productivity (output per employee)** |
| A | 140 | 7 | 20 |
| B | 350 | 25 | 14 |
| C | 88 | 11 | 8 |
| D | 261 | 9 | 29 |

**3** Relevant points include:

* definitions of specialisation, division of labour and productivity
* benefits of repetition
* making best use of skills/aptitudes
* it becomes more practical to equip workers with specialist capital equipment [4]

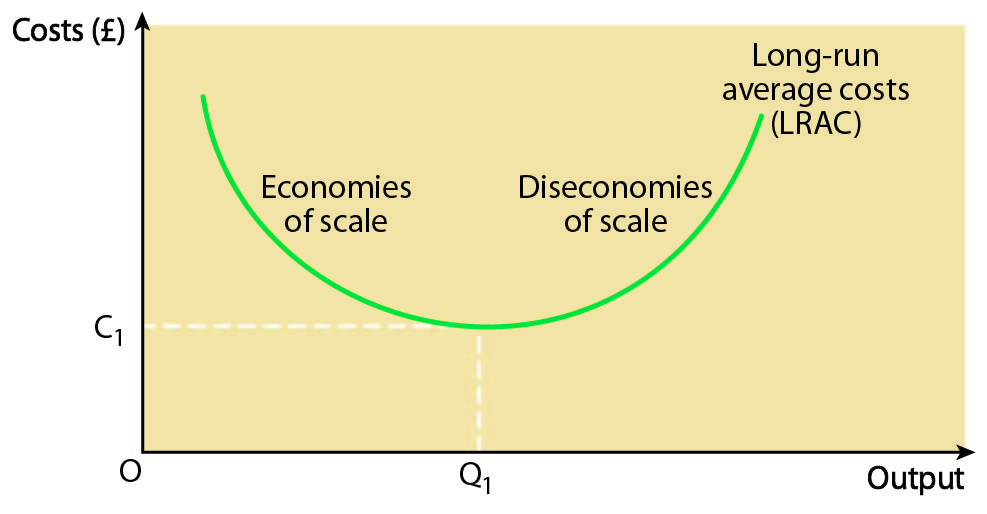
**4** A correct diagram, as below, earns 4 marks:



Points for analysis include:

* definition/explanation of short run, fixed costs and variable costs
* continually downward-sloping AFC curve as overheads spread over increasing output
* more U-shaped AVC curve as productivity of variable factors of production initially increases and then decreases [6]

**5** A correct diagram, as below, earns 4 marks:



Points for analysis include:

* definition of long run, economies of scale and diseconomies of scale
* reasons for falling LRAC, e.g. technical, financial, marketing, external economies of scale
* reasons for possible eventual rising LRAC: sources of diseconomies of scale [8]

**6** Relevant points include:

* definition of economies of scale
* relevant diagram
* application of technical, financial, marketing, managerial or external economies of scale to the airline industry [8]