Q27 — Define ‘factors of production’ (Extract F, line 2) [3 marks]

Factors of production are the resources used in the production of goods and services. They include land, labour, capital and enterprise, which are combined to produce output.

Q28 — Average total cost of delivering food weighing one pound (4 marks)

Total cost of a delivery = £150 + £350 = £500
Total weight carried = 110 pounds

Average total cost per pound =
£500 ÷ 110 = £4.5454…

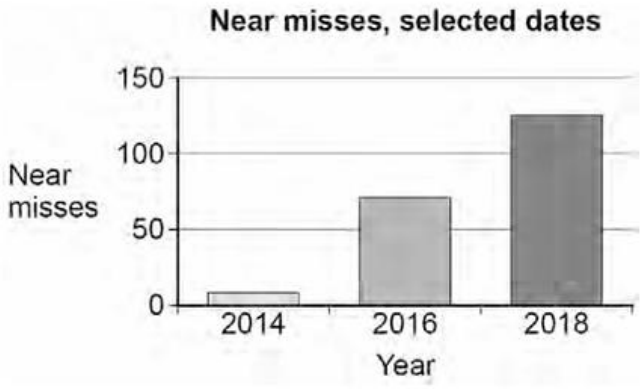
Rounded to the nearest penny: **£4.55 per pound**

Q29 — Two significant features of worldwide sales of commercial drones (4 marks)

Worldwide sales of commercial drones increase sharply over the period shown. Sales rise from well below 200 thousand units in 2016 to nearly 2,000 thousand units by 2023, showing rapid growth in the industry.

In addition, the rate of growth accelerates over time. Sales rise slowly between 2016 and 2018 but increase much more rapidly after 2019, suggesting growing adoption of drone technology across industries.

The correct diagram involves three bars, with the correct height and labels: 2014 = 9; 2016 = 71; and 2018 = 125 and/or a key. There needs to be some indication that the data refer to near misses, either on the vertical axis or in a title.



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Q25 — Explain two factors that could influence the monopoly power of firms in the supermarket industry (10 marks, chain-of-analysis)

First factor:
Extract B states that Aldi and Lidl have increased competition → increased price competition reduces the ability of large supermarkets to set prices above marginal cost → consumers switch to cheaper alternatives → demand for big supermarkets becomes more price elastic → monopoly power of established firms falls.

Second factor:
Internal economies of scale increase monopoly power → large supermarkets buy in bulk → average costs fall → firms can undercut smaller rivals → competitors are driven out of the market → market share of large firms increases → monopoly power rises.

Q26 — Assess whether the changes in the supermarket industry are likely to be better or worse for consumers and firms (25 marks)

Introduction:
Extracts A, B and C describe major changes in the UK supermarket industry, including rising competition, falling real incomes and changes in consumer behaviour. The issue is whether these changes have benefited or harmed consumers and firms.

Point 1:
Changes have been beneficial for consumers → Extract B shows increased competition from Aldi and Lidl → supermarkets cut prices to retain customers → food prices remain relatively low despite rising costs → Extract C states value for money has become more important → consumers gain from lower prices and greater choice → consumer surplus increases.

Evaluation of point 1:
However, Extract C highlights concerns over supermarkets driving down prices paid to farmers → lower supplier incomes may reduce long-term supply → quality may fall → misleading price deals reduce transparency → benefits to consumers may be short-term.

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Point 2:
For firms, increased competition has reduced profitability → Extract B shows the 'big four' losing market share → lower prices reduce profit margins → some supermarkets close large out-of-town stores → sunk costs increase → firm profitability declines.

Evaluation of point 2:
However, more efficient firms benefit → discount supermarkets exploit economies of scale and lower costs → firms like Aldi and Lidl increase market share → innovation such as online shopping improves efficiency → successful firms gain while inefficient firms exit.

Conclusion:
Overall, the changes in the supermarket industry have been largely beneficial for consumers through lower prices and increased choice, particularly for low-income households facing rising food prices. However, the impact on firms has been mixed, with increased competition reducing profits for some but rewarding efficient and innovative firms. On balance, the changes improve consumer welfare but create challenges for less competitive supermarkets.

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