

Please write clearly in block capitals.

Centre number

Candidate number

Surname \_\_\_\_\_

Forename(s) \_\_\_\_\_

Candidate signature \_\_\_\_\_

I declare this is my own work.

## INTERNATIONAL A-LEVEL ECONOMICS

### Unit 3 The Economics of Business Behaviour and the Distribution of Income

Friday 5 January 2024

07:00 GMT

Time allowed: 2 hours

#### Materials

For this paper you must have:

- the Source Booklet, provided as an insert (enclosed)
- a calculator, which you are expected to use where appropriate.

#### Instructions

- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Sections A, B and C**.
- Answer **EITHER** Question 15 **OR** Question 16 in **Section D**.
- You must answer the questions in the spaces provided. Do **not** write outside the box around each page or on blank pages.
- Do **not** write in the Source Booklet.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

For Examiner's Use	
Question	Mark
1–10	
11	
12	
13	
14	
15	
16	
<b>TOTAL</b>	

#### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.



**Section A**

Answer **all** questions in the spaces provided.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



**0 1** Relative poverty is best defined as where

**[1 mark]**

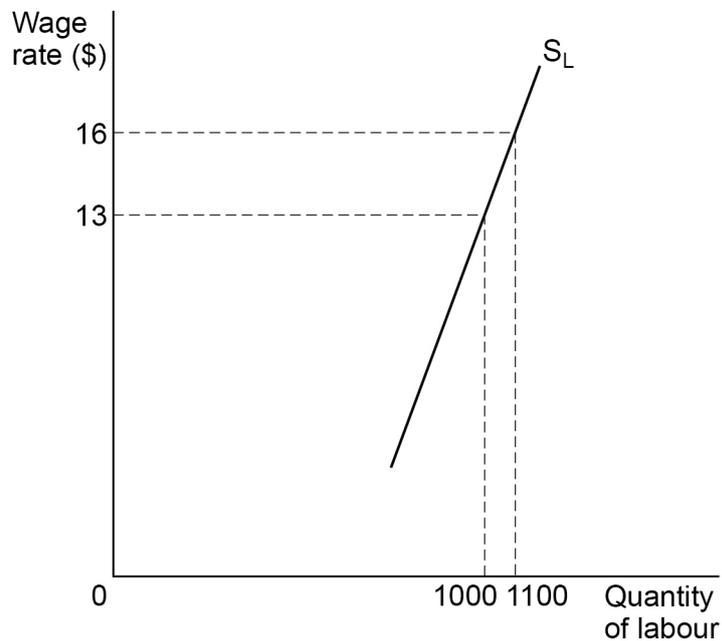
- A** a worker is paid less than a similar worker doing a different job.
- B** a worker is paid less than another worker doing the same job with the same skills.
- C** an individual does not receive enough income to satisfy their basic needs.
- D** an individual receives less than a certain percentage of a country's average income.



0 2

**Figure 1** shows the change in the supply of labour to an industry when the wage rate rises from \$13 per hour to \$16 per hour.

**Figure 1**



Which one of the following is most likely to have caused the increase in the supply of labour to the industry?

[1 mark]

- A** Demand for the industry's products has increased
- B** The industry offers high levels of non-monetary benefits
- C** Very low levels of skills are required in the industry
- D** Workers can move into the industry very easily

**Turn over for the next question**

**Turn over ►**



**0 3**

Esteban enjoys eating biscuits. **Table 1** shows the average utility he obtains from consuming different quantities of biscuits on a particular day.

**Table 1**

Number of biscuits consumed	Average utility (units)
5	23
6	20
7	17
8	14

If Esteban wishes to maximise the total utility he obtains from eating biscuits, how many biscuits should he eat that day?

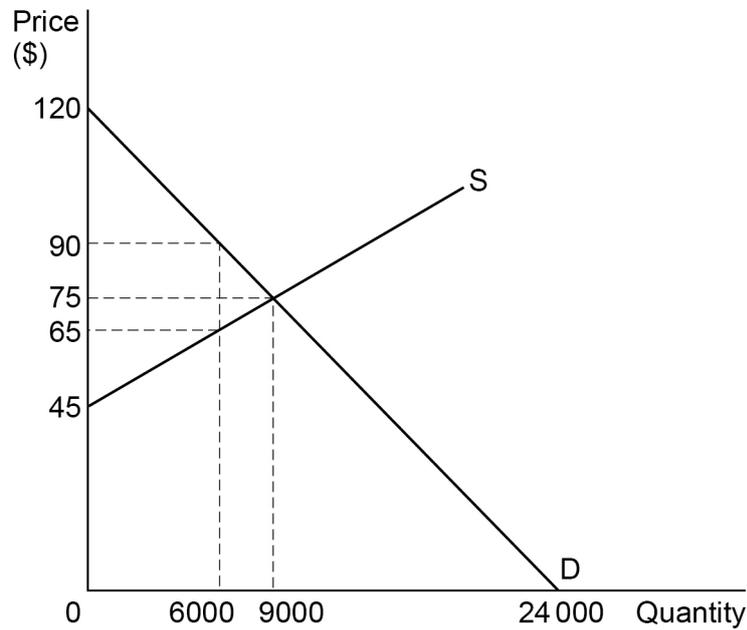
**[1 mark]**

- A** 5
- B** 6
- C** 7
- D** 8



0 4

**Figure 2** shows the supply (S) and demand (D) curves for a perfectly competitive market. This market then becomes a monopoly.

**Figure 2**

If the monopolist charges a price of \$90, what is the deadweight loss?

**[1 mark]**

- A** \$37 500
- B** \$75 000
- C** \$90 000
- D** \$112 500

0 5

In which one of the following market structures is non-price competition most likely to be a common feature?

**[1 mark]**

- A** Monopolistic competition
- B** Monopsony
- C** Perfect competition
- D** Pure monopoly

**Turn over ►**

0 6

A school pays female teachers 30% less than male teachers. Both female and male teachers do the same job and have the same skills.

Which one of the following is the most likely reason why the school is able to pay its female and male teachers a different wage for doing the same job?

[1 mark]

- A** Demand for teachers is highly wage inelastic
- B** The marginal revenue product of teachers is low
- C** There are no other schools in the area
- D** Unemployment for teachers is low

0 7

**Table 2** shows four different values of the Gini coefficient.

Which one of the following values of the Gini coefficient shows the highest possible level of income inequality?

[1 mark]

Table 2

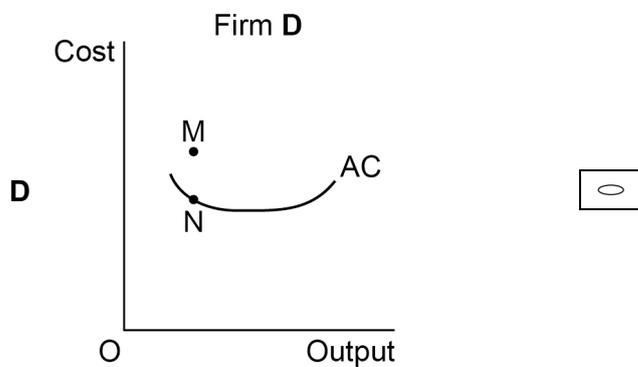
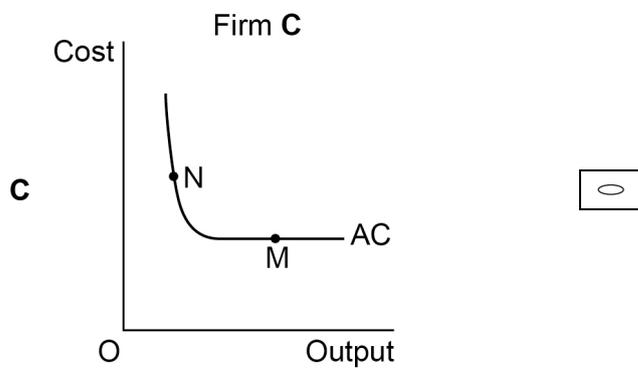
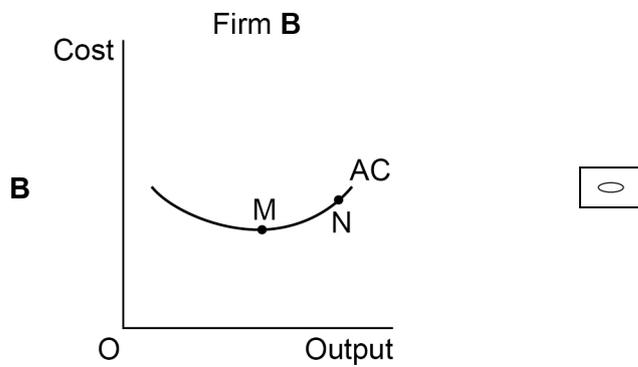
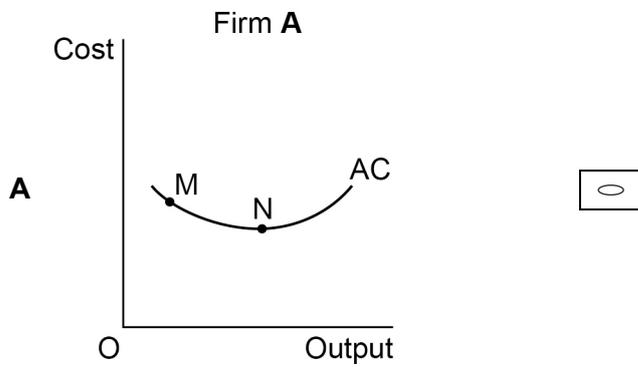
	Gini coefficient	
<b>A</b>	-1.0	<input type="radio"/>
<b>B</b>	0.0	<input type="radio"/>
<b>C</b>	1.0	<input type="radio"/>
<b>D</b>	2.0	<input type="radio"/>



**0 8**

The diagrams show the average cost (AC) curves for four different firms.

Which diagram shows a firm that has become X-efficient as a result of moving from point M to point N?

**[1 mark]****Turn over ►**

0 9

Vertical integration has taken place between two firms.

Which one of the following is the most likely reason for vertical integration between firms?

[1 mark]

- A** To gain greater market concentration
- B** To gain more control over supplies of materials
- C** To reduce the risk of a free-rider problem occurring
- D** To reduce the risk of diseconomies of scale

1 0

**Table 3** shows how a firm's total product changes, in the short run, when it employs different numbers of workers.

Table 3

Number of workers	Total product
9	421
10	512
11	607
12	700
13	787

Diminishing marginal returns begin to occur when the firm employs

[1 mark]

- A** the 10th worker.
- B** the 11th worker.
- C** the 12th worker.
- D** the 13th worker.

10



**Section B**Answer **all** questions in the spaces provided.

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 Define 'normal profit'.**[2 marks]**

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**Question 11 continues on the next page****Turn over ►**

1 1 . 2

Cem runs a firm that sells luxury holidays.

**Table 4** shows his revenues and costs from selling different quantities of holidays in a month.

**Table 4**

Quantity of holidays sold	Average revenue (\$)	Marginal revenue (\$)	Average variable cost (\$)
4	16 000		
5	15 000		
6		9 000	5 500

Calculate the marginal revenue Cem receives from selling the fifth holiday.

You are advised to show your working.

**[2 marks]**

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1 1 . 3

Use **Table 4** to calculate the amount of profit Cem will earn from selling six holidays if his fixed costs are \$30 000 each month.

You are advised to show your working.

**[2 marks]**

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**Question 11 continues on the next page**

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2 8



2 4 1 X E C 0 3

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