

Please write clearly in block capitals.

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I declare this is my own work.

INTERNATIONAL A-LEVEL ECONOMICS

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

Monday 13 January 2025

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.

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.

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



Section AAnswer **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



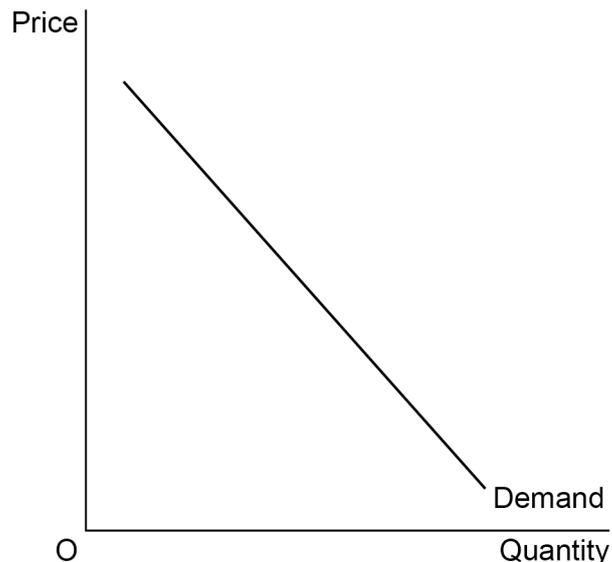
WRONG METHODS



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** **Figure 1** shows the relationship between the price of a good and the quantity demanded.**Figure 1**

Which one of the following supports this relationship?

[1 mark]

- A** Decreasing returns to scale
- B** Diminishing marginal utility
- C** Diseconomies of scale
- D** The law of diminishing returns



0 2

Which one of the following shows that the distribution of income in a country has become more equal?

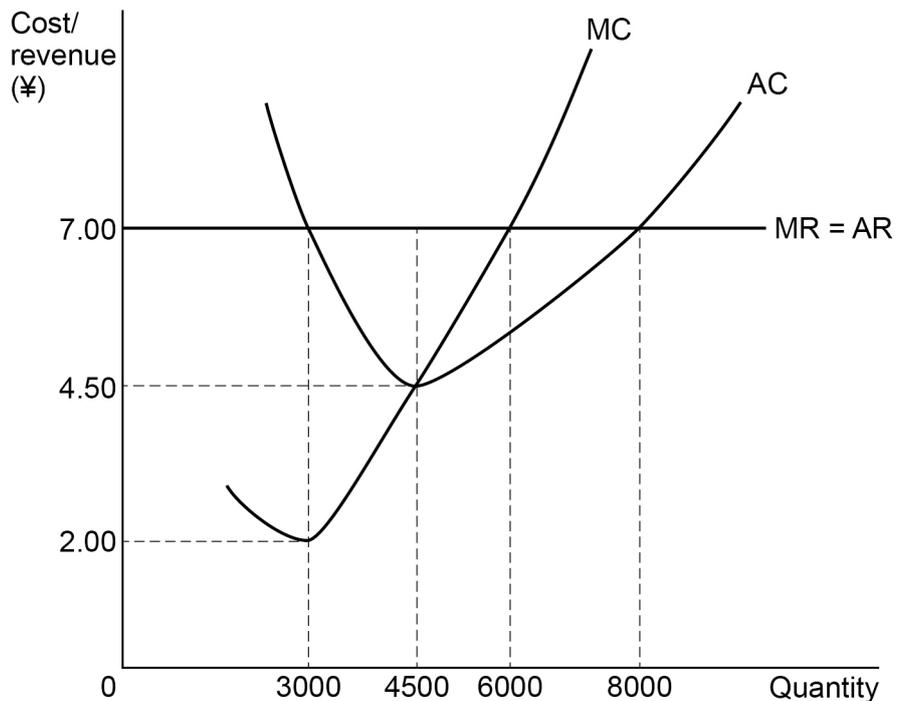
[1 mark]

- A A decrease in levels of unemployment
- B A reduction in the Gini coefficient
- C An increase in average real incomes
- D An outward shift of the Lorenz curve

0 3

Figure 2 shows the short-run cost and revenue curves for a profit-maximising firm in perfect competition.

Figure 2



In the long run, when the industry is in equilibrium, how much revenue will the firm earn?

[1 mark]

- A ¥20 250
- B ¥31 500
- C ¥42 000
- D ¥56 000

Turn over ►



0 4

Table 1 shows the average revenue and average cost for a firm at different levels of output that can be produced in a day.

Table 1

Output (units per day)	Average revenue (\$)	Average cost (\$)
6	150	120
7	130	105
8	110	100
9	90	90

If the firm's objective is to maximise its total revenue, how much profit will it make in a day?
[1 mark]

- A \$0
- B \$80
- C \$175
- D \$180

0 5

An industry regulator introduces a policy to increase the contestability of a market.

Which one of the following is the most likely consequence of this policy for firms in this market?

[1 mark]

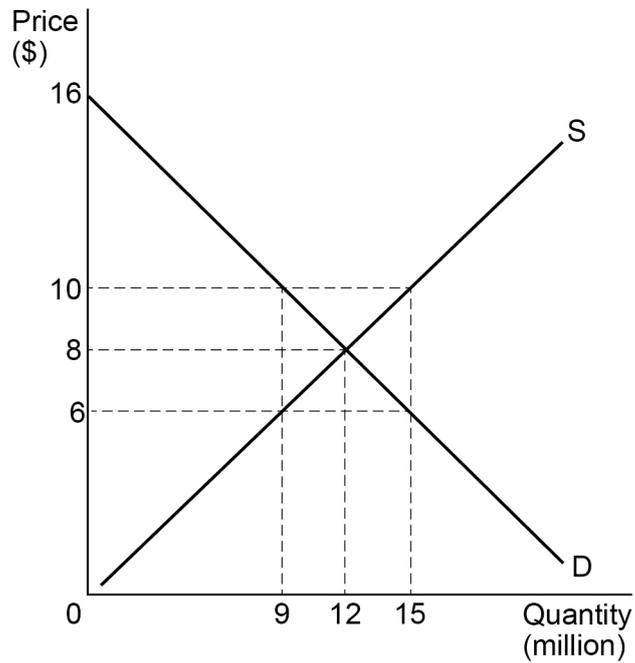
- A Firms will be able to earn higher profits.
- B Firms will be able to use price discrimination.
- C Firms will have more monopsony power over workers.
- D Firms will produce closer to allocative efficiency.



0 6

Figure 3 shows the supply (S) and demand (D) curves for an industry.

Figure 3



The government introduces a maximum price of \$6 per unit.

What is the change in consumer surplus?

[1 mark]

- A \$15 million
- B \$18 million
- C \$27 million
- D \$75 million

Turn over for the next question

Turn over ►



0 7

The three largest firms in an oligopolistic market collude and all agree to raise their prices by 20%.

Which one of the following is the most likely outcome of this action?

[1 mark]

A Greater economies of scale for the three firms

B Higher barriers to entry to the market

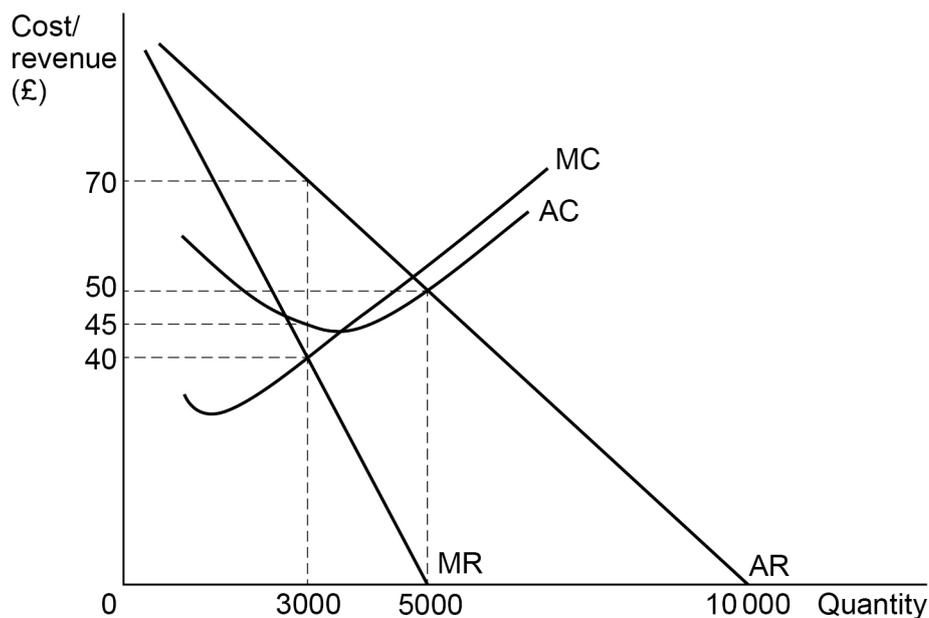
C Increased total profits for the three firms

D The industry becomes a natural monopoly

0 8

Figure 4 shows the cost and revenue curves for a profit-maximising firm that sells shoes.

Figure 4



How much profit is the firm making?

[1 mark]

A £0

B £75 000

C £90 000

D £210 000



0 9

Table 2 shows the total revenue product and marginal cost of labour for a profit-maximising firm when it employs different numbers of workers. Employment of all other factors of production remains the same.

Table 2

Number of workers	Total revenue product of labour (\$)	Marginal cost of labour (\$)
3	17	27
4	45	28
5	85	29
6	117	30
7	147	31

How many workers will the firm choose to employ?

[1 mark]**A** 4**B** 5**C** 6**D** 7

Turn over for the next question

Turn over ►



1 0

A consumer knows that adding sugar to their hot drinks will damage their health. They would like to change their behaviour. However, they continue to add sugar to their drinks.

Which one of the following best explains why they continue to add sugar to their drinks?

[1 mark]

- A** Altruism
- B** Anchoring
- C** Asymmetric information
- D** Bounded self-control

10

Section BAnswer **all** questions in the spaces provided.

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 Identify **two** determinants of the price elasticity of demand for labour.**[2 marks]**

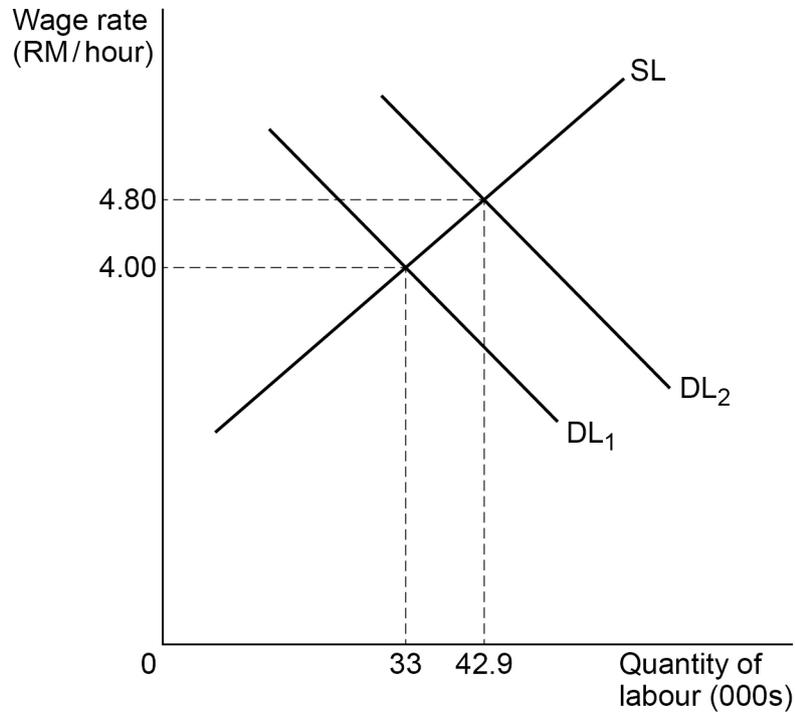
1 _____

2 _____

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

Figure 5 shows the original demand (DL_1) and supply curves (SL) for a labour market in Malaysia. An increase in the demand for the industry's product causes the demand for labour to shift to DL_2 .

Figure 5



1 1 . 2

Calculate the price elasticity of supply for labour when the wage rate increases from RM4.00 (Malaysian ringgits) per hour to RM4.80 per hour.

[2 marks]



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