

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

Wednesday 11 June 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 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 Decisions made by consumers are often influenced by rules of thumb.

Which one of the following best describes a rule of thumb?

[1 mark]

- A** A rational approach that is used by consumers to ensure they maximise their utility 
- B** A way of thinking, based on experience, that consumers use to make decisions quickly 
- C** An approach to decision making that is influenced by what is considered acceptable in society 
- D** Consumers relying too much on the first piece of information they receive about a product 



0 2

A journalist makes two statements, **Statement 1** and **Statement 2**, about a country's economy.

Statement 1: A 5% decrease in the Gini coefficient for income will lead to a 3% decrease in spending.

Statement 2: A decrease in the Gini coefficient for income means that the distribution of income is fairer.

Which one of the following combinations describes these two statements?

[1 mark]

	Statement 1	Statement 2	
A	Normative	Normative	<input type="radio"/>
B	Normative	Positive	<input type="radio"/>
C	Positive	Normative	<input type="radio"/>
D	Positive	Positive	<input type="radio"/>

Turn over for the next question

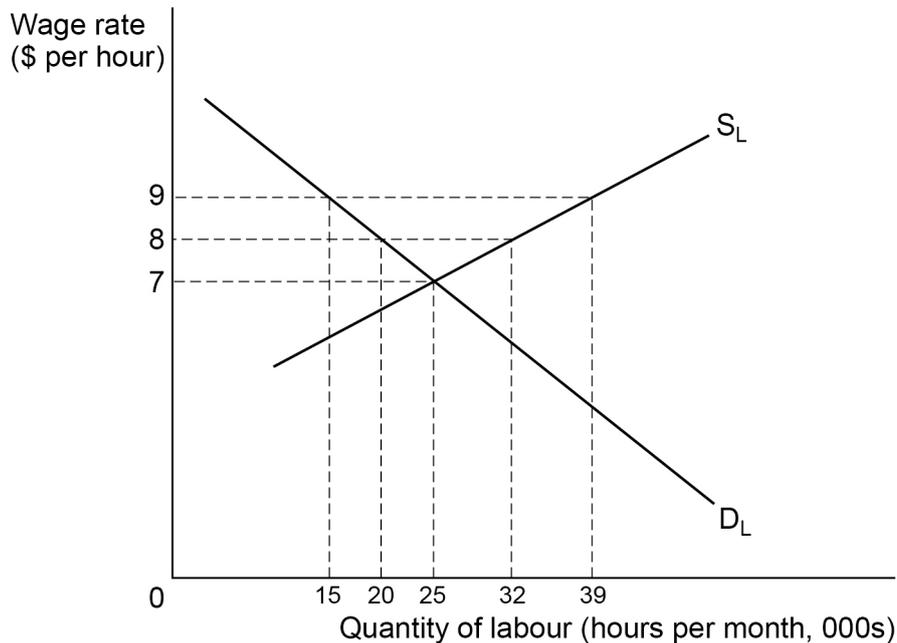
Turn over ►



0 3

Figure 1 shows the demand for labour (D_L) and supply of labour (S_L) in a labour market.

Figure 1



All other things being equal, which one of the following will result if the minimum wage rate is increased from \$8 to \$9 per hour?

[1 mark]

- A** Employment will fall by 12 000 hours per month
- B** The total wage costs per month would decrease by \$40 000
- C** The total wage costs per month would increase by \$95 000
- D** Workers would be willing to work 7000 more hours per month

0 4

Firms in a market are most likely to experience hit-and-run competition if

[1 mark]

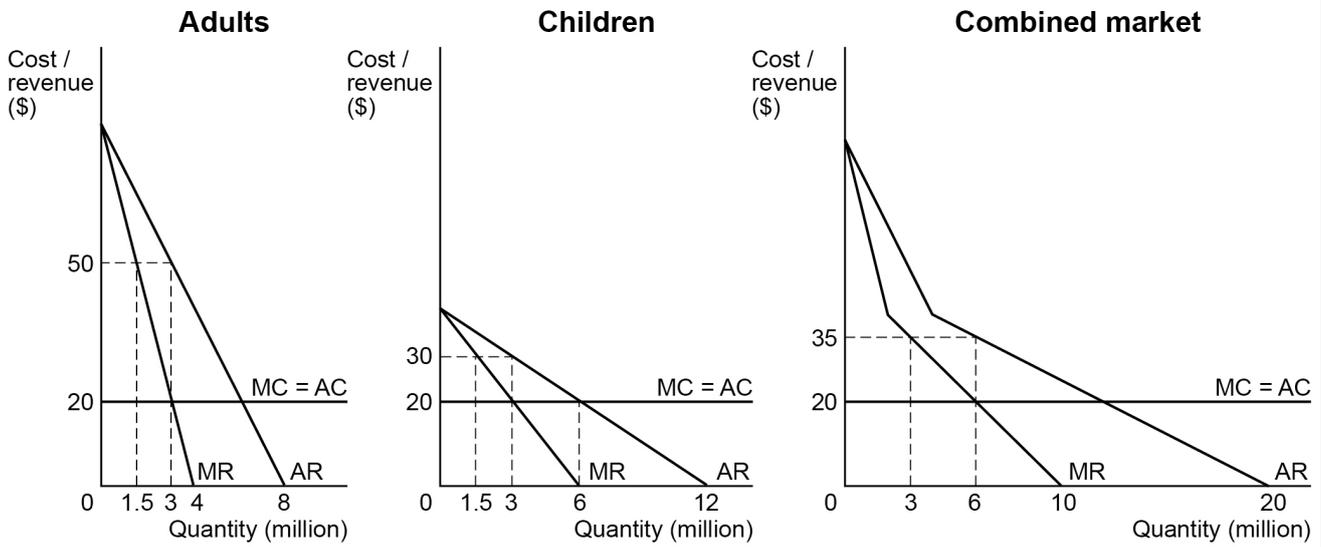
- A** firms are making normal profits in the short run.
- B** the market has a very high minimum efficient scale.
- C** there are few barriers to leaving the market.
- D** there are high sunk costs and a high concentration ratio.



0 5

Figure 2 shows the expected cost and revenue curves for adults, children and the combined market for a profit-maximising firm that owns theatres.

Figure 2



The firm currently charges the same price to all customers. However, it is considering setting lower prices for children compared to those it sets for adults. By how much will the firm's profits increase if they price discriminate between children and adults?

[1 mark]

- A \$15 million
- B \$30 million
- C \$120 million
- D \$240 million

Turn over for the next question

Turn over ►



0 6

Table 1 shows the quantity of land, labour and capital that the owner of a potato farm could use to produce two different levels of output.

Table 1

Units of land	Units of labour	Units of capital	Output (kg)
2	3	5	12 000
4	6	10	22 000

Which one of the following results, in the long run, if the farmer increases output from 12 000kg to 22 000kg?

[1 mark]

- A** Decreasing returns to scale
- B** Decreasing total returns
- C** Diminishing marginal productivity
- D** Diminishing marginal returns

0 7

A firm in an oligopolistic market creates a new product and uses a patent to protect it.

Which one of the following is the most likely result of the patent being granted?

[1 mark]

- A** A reduction in the firm's ability to set prices
- B** The firm loses its intellectual property rights
- C** The market becomes less contestable
- D** The product becomes excludable



0 8

Sunarti owns a firm that makes bags. The price elasticity of demand for the bags is -0.9 . If she decreases the price of the bags, her weekly sales will increase from 15 to 16 bags.

All other things being equal, which one of the following will result from this decrease in price?

[1 mark]

- A** Average revenue will increase
- B** Marginal revenue will be negative
- C** Total profits will increase
- D** Total revenue will remain constant

0 9

Table 2 shows the average utility that Juan receives from eating 3, 4 and 5 chocolate bars.

Table 2

Number of chocolate bars	Average utility (units)
3	33
4	30
5	25

How much marginal utility does Juan gain from eating the 4th chocolate bar?

[1 mark]

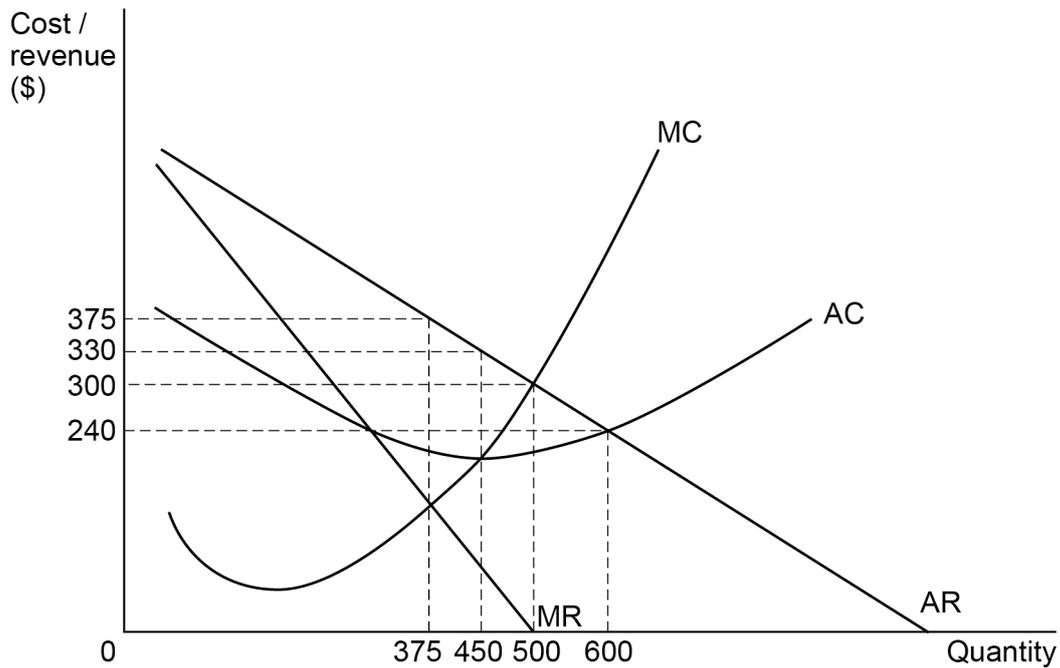
- A** -3 units
- B** 5 units
- C** 21 units
- D** 120 units

Turn over ►

1 0

Figure 3 shows the cost and revenue curves for a firm that sells chairs.

Figure 3



The owner of the firm has two objectives:

- to sell as many chairs as possible
- to make at least normal profit.

What is the highest amount of total revenue the firm could earn while still being able to achieve both objectives?

[1 mark]

A \$140 625

B \$144 000

C \$148 500

D \$150 000

10



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

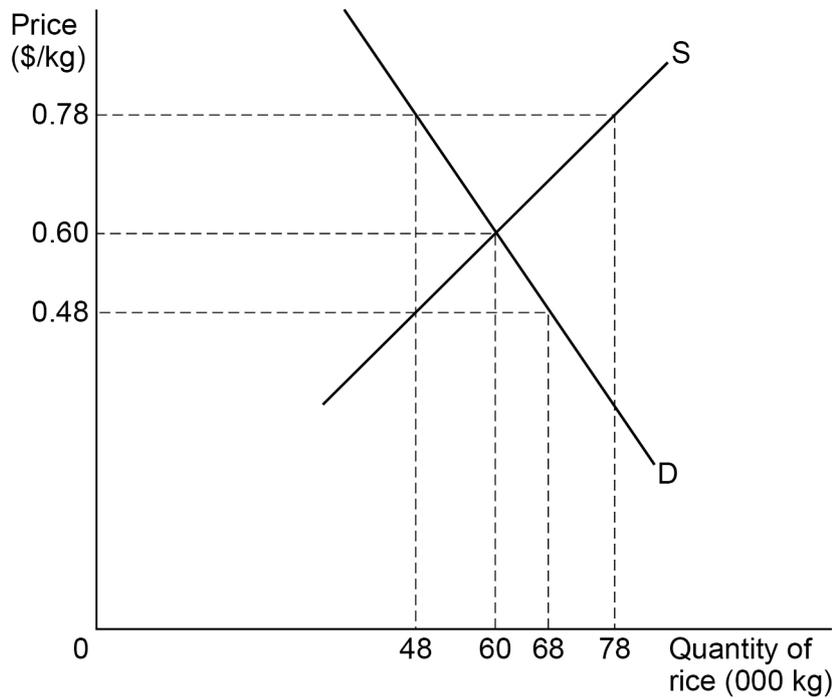
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 Define 'relative poverty'.**[2 marks]**

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

Figure 4 shows the original supply (S) and demand (D) curves in the market for rice.

Figure 4



To protect households from rising prices, the government imposes a maximum price of \$0.48/kg for rice.

1 1 . 2

Use **Figure 4** to calculate the percentage change in the total amount consumers spend on rice following the introduction of the maximum price.

You are advised to show your working.

[3 marks]



1 1 . 3

Use **Figure 4** to calculate the deadweight loss which results from the introduction of the maximum price.

You are advised to show your working.

[3 marks]

1 1 . 4

As well as maximum prices, there are other policies a government could use to influence the distribution of income.

Assuming these policies are successful, draw a Lorenz curve diagram to show a reduction in the inequality in the distribution of income.

[2 marks]**10****Turn over ►**

Section D

Answer **EITHER** Question 15 **OR** Question 16.

Shade the circle below to indicate which optional question you have answered.

Question 1 5

Question 1 6

CORRECT METHOD

WRONG METHODS

Either

1 5

In November 2023, some politicians in Indonesia recommended privatising PLN, the country's state-owned supplier of electricity. They said that the state-owned monopoly was inefficient and delaying the change to more renewable sources of energy. However, in the UK, a report suggests that a new, state-owned, renewable energy firm could reduce the average household electricity bill by up to 35% per year.

Assess the advantages and disadvantages to consumers of having a state-owned monopoly supplying electricity.

[25 marks]

or

1 6

In 2022, women in Mexico were paid 16.7% less, on average, than men doing similar work. The latest World Bank data showed that only 46% of Mexican women were either employed or actively seeking work, compared to 76% of men. However, unemployment in the country was just 2.7%, which is well below the global average.

Assess the likely impact of discrimination in the labour market on wages, levels and types of employment.

[25 marks]

Turn over ►



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2 8



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