PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 3: REVENUE, COSTS AND PROFITS

SCORE	PERCENTAGE
/188	%

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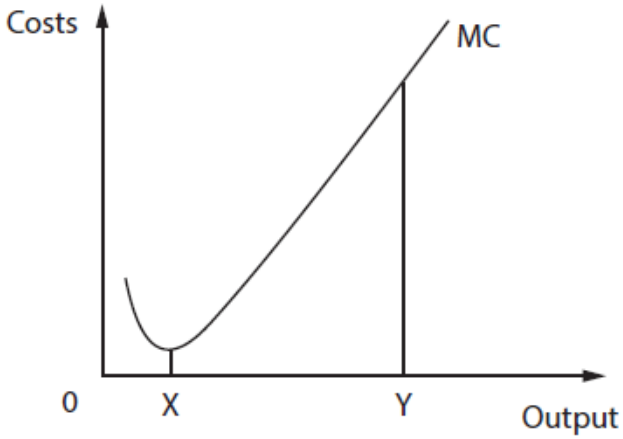
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Q1.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows a short-run marginal cost curve for a small café in Thailand.



Which **one** of the following is the reason why the MC curve slopes upwards from point X to point Y?

☒ **A** Decreasing returns to scale

☒ **B** Increasing fixed costs

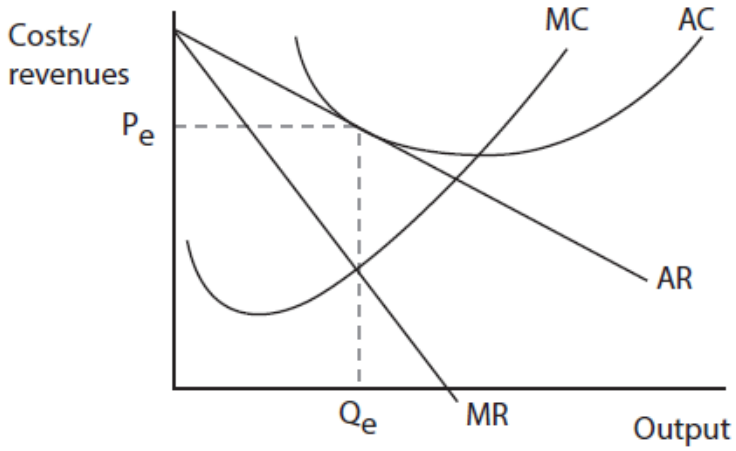
☒ **C** Diminishing returns

☒ **D** Diseconomies of scale

(Total for question = 1 mark)

Q2.

The diagram shows the short-run cost and revenue curves for a profit maximising street food business in Sri Lanka.



Which **one** of the following can be deduced from this diagram?

☒ **A** The firm is dynamically efficient

☒ **B** The firm is making normal profit

☒ **C** The firm operates in a perfectly competitive market

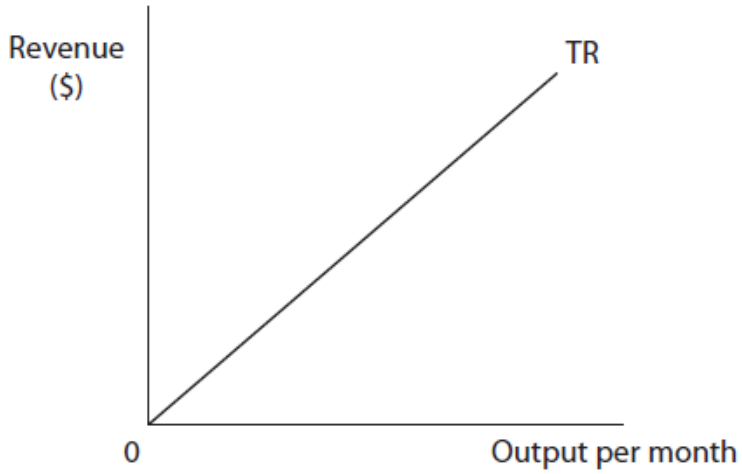
☒ **D** The firm will shut-down in the short-run

(Total for question = 1 mark)

Q3.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows a firm's total revenue as output increases.



Which **one** of the following best characterises such a firm?

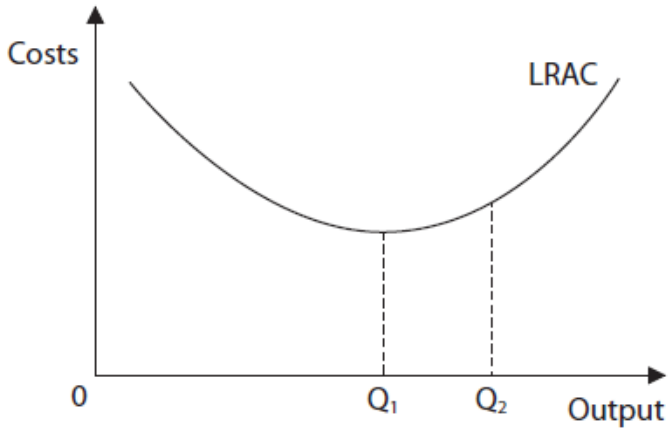
		Marginal Revenue
☒	**A**	Rising
☒	**B**	Constant
☒	**C**	Negative
☒	**D**	Falling

(Total for question = 1 mark)

Q4.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows a long-run average cost curve for a firm.



Which **one** of the following must be true as output rises from Q_1 to Q_2?

☒ **A** Marginal costs are falling

☒ **B** There are economies of scale

☒ **C** Marginal costs are constant

☒ **D** There are diseconomies of scale

(Total for question = 1 mark)

Q5.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

A car manufacturer employs 40 engineers at a wage rate of $570 per week. To attract an additional worker, the car manufacturer must raise the wage rate for all engineers to $590 per week.

What is the marginal cost of employing this additional worker?

☒ **A** $20

☒ **B** $820

☒ **C** $1 390

☒ **D** $24 190

(Total for question = 1 mark)

Q6.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the total costs of a battery manufacturer at different levels of output.

Output	Total costs (£)
0	£4 500
100	£8 000
200	£10 700
300	£13 200
400	£15 300

Which **one** of the following is the average variable cost at 300 units?

☒ **A** £15

☒ **B** £27

☒ **C** £29

☒ **D** £44

(Total for question = 1 mark)

Q7.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 1, calculate the percentage change in Amazon's revenue between 2010 and 2020.

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(Total for question = 2 marks)

Q8.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Figure 1, calculate the change in Uniqlo's total costs between 2021 and 2022. Show your workings.

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(Total for question = 2 marks)

Q9.

Study Figure 1 and Extracts A and B in the Source Booklet before answering the question.

With reference to Figure 1, calculate the percentage change in electric car sales from 2013 to 2017. You are advised to show your working.

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(Total for question = 2 marks)

Q10.

With reference to Figure 1, calculate the percentage change in the wholesale price of gas from 1 April 2021 to 1 April 2022. You are advised to show your working.

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(Total for question = 2 marks)

Q11.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 1, calculate the percentage change in Deliveroo's total revenue between 2017 and 2021. You are advised to show your working.

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(Total for question = 2 marks)

Q12.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet.

With reference to Figure 1, calculate the percentage change in Uber India's revenue from 2016 to 2018.
You are advised to show your working.

(Total for question = 2 marks)

Q13.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Figure 1 and Figure 2, calculate Tata Steel's total costs for steel production in 2019.

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(Total for question = 2 marks)

Q14.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between February 2020 and February 2021 approximately 65 000 businesses shut down in New Zealand. The majority of these closures were caused by a fall in revenue as a result of the global health crisis.

Which **one** of the following would cause a firm to shut down in the short-run?

☒ **A** Average revenue is above its average total cost of production

☒ **B** Average revenue is below its average total cost of production

☒ **C** Average revenue is above its average variable cost of production

☒ **D** Average revenue is below its average variable cost of production

(Total for question = 1 mark)

Q15.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Big Bazaar is a large grocery retailer in India. It faces a downward-sloping average revenue curve and is making supernormal profits. In 2022 rental costs increased by an average of 6.5%.

Ceteris paribus, which **one** of the following combinations indicates the impact of this increase in rental costs on Big Bazaar?

	Profit	Price
☒ **A**	No change	No change
☒ **B**	Rise	Decrease
☒ **C**	Fall	No change
☒ **D**	No change	Decrease

(Total for question = 1 mark)

Q16.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the total costs of a shirt manufacturer at different levels of output.

Output	Total costs $
0	100 000
5 000	120 000
10 000	150 000
15 000	170 000
20 000	180 000

Which **one** of the following is the average fixed cost if the shirt manufacturer is producing 10 000 shirts?

☒ **A** $5

☒ **B** $6.67

☒ **C** $10

☒ **D** $20

(Total for question = 1 mark)

Q17.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the total costs of a clothing manufacturer producing jeans at different levels of output.

Output	Total costs $
0	40 000
10 000	60 000
20 000	100 000
30 000	160 000
40 000	240 000

What is the average fixed cost per unit if the firm produces 20 000 pairs of jeans?

☒ **A** $2

☒ **B** $3

☒ **C** $4

☒ **D** $5

(Total for question = 1 mark)

Q18.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Figure 2, calculate the change in AstraZeneca's total costs between 2021 and 2022.

You are advised to show your workings.

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(Total for question = 2 marks)

Q19.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2023 the Government of the Philippines introduced a maximum price for rice of 41 pesos ($0.72) per kilogram.

Ceteris paribus, which **one** of the following is the most likely impact of the introduction of this maximum price for rice on producers?

☒ **A** Producer surplus will increase

☒ **B** Fixed costs will decrease

☒ **C** Dynamic efficiency will increase

☒ **D** Average revenue will decrease

(Total for question = 1 mark)

Q20.

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering in this question.

With reference to Extract A, analyse **two** reasons why the global fast-food market is expected to grow.

(Total for question = 6 marks)

Q21.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Figure 2 and Extract B, examine the likely impact on the profits of Samsung of opening a smartphone factory in India.

Use an appropriate diagram in your answer.

(Total for question = 8 marks)

Q22.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to the information provided, discuss the reasons for the increase in Starbucks' profits in 2019.

For **one** of these reasons, illustrate your answer with an appropriate cost and revenue diagram.

(Total for question = 14 marks)

Q23.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

In 2018 total new car sales in China were 23.7 million.

With reference to Extract A and Extract B and your own knowledge, discuss the types of non-price competition that could be used by car manufacturers to increase the sales of cars.

(Total for question = 14 marks)

Q24.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract B, explain what is meant by 'economies of scale'.

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(Total for question = 4 marks)

Q25.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract A, analyse **two** ways that pharmaceutical companies may benefit from external economies of scale.

(Total for question = 6 marks)

Q26.

Study Figure 1 and Extracts A and B in the Source Booklet before answering the question.

With reference to Extract A, examine the likely effect of a decrease in variable costs on Tesla's profits.

Illustrate your answer with an appropriate diagram(s).

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(Total for question = 8 marks)

Q27.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A, examine **two** likely effects of the global health crisis on Amazon's profits.

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(Total for question = 8 marks)

Q28.

In 2018 the US-owned business Toys "R" Us shut down after not being able to cover its costs.

Evaluate the view that a business will always shut down if it is not able to make a normal profit.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q29.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A, examine the impact of an increase in car sales in the USA on the profits of Stellantis.

Illustrate your answer with an appropriate diagram.

(Total for question = 8 marks)

Q30.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract B, examine the impact of rising energy costs on the profits of a garment manufacturer in Bangladesh. Illustrate your answer with an appropriate diagram.

(Total for question = 8 marks)

Q31.

With reference to Figure 1 and Extract A, examine the impact of the increase in the wholesale price of natural gas on the cost of production for UK gas suppliers.

(Total for question = 8 marks)

Q32.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits.

Illustrate your answer with an appropriate diagram.

(Total for question = 8 marks)

Q33.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 1 and the first paragraph of Extract B, examine **two** reasons why Deliveroo is making a loss.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 8 marks)

Q34.

Garuda Indonesia is the country's national airline. In November 2017 the company's Vice-President stated that the airline's main objective was to maximise revenue.

Evaluate the extent to which different business objectives may affect a firm's profits.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q35.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The output of a textile manufacturer based in Botswana is 30 000 units of clothing per month. The firm's total revenue is $78 000, its total costs are $57 800 and its total fixed costs are $30 800 per month.

Which **one** of the following is the firm's average variable cost at this level of output?

☒ **A** $0.90

☒ **B** $1.03

☒ **C** $1.93

☒ **D** $2.60

(Total for question = 1 mark)

Q36.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the quantity of shirts that would be sold at different selling prices by a textile manufacturer based in Botswana.

Selling price ($)	Quantity of shirts demanded	
18	4000	
16	5000	
14	6000	
12	7000	

Which **one** of the following would be the textile manufacturer's marginal revenue if the price was reduced from $16 to $14?

You may want to use the final column for your workings.

☒ **A** $0

☒ **B** $4

☒ **C** $12

☒ **D** $14

(Total for question = 1 mark)

Q37.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following will influence the elasticity of demand for labour?

☒ **A** The size of the population

☒ **B** The level of welfare benefits

☒ **C** Labour costs as a percentage of total costs

☒ **D** The rules determining the number of immigrants

(Total for question = 1 mark)

Q38.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the costs for a small hairdressing business as it increases the number of haircuts.

Number of haircuts	Total fixed costs ($)	Total variable costs ($)	Marginal cost ($)
1	50	12	
2	50	18	
3	50	26	
4	50	36	

Which **one** of the following is the marginal cost of increasing the number of haircuts from 2 to 3? You may use the blank column for your workings.

☒ **A** $4.00

☒ **B** $8.00

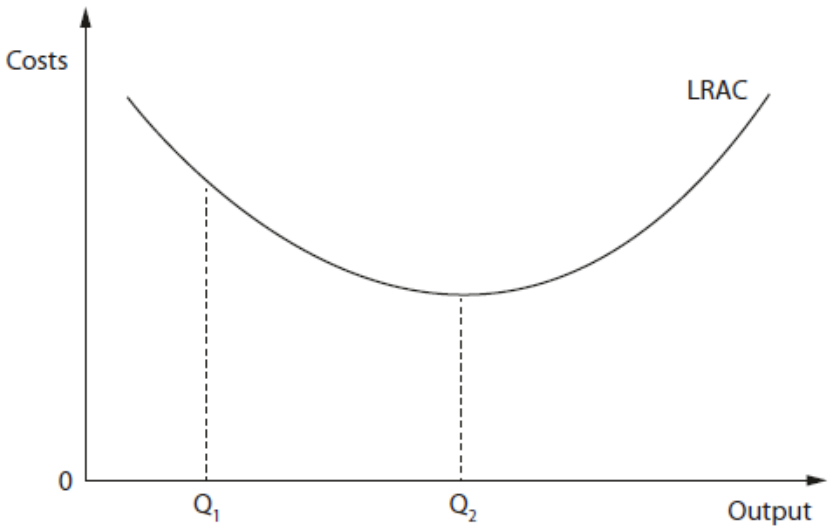
☒ **C** $8.66

☒ **D** $12.50

(Total for question = 1 mark)

Q39.

The diagram shows a long-run average cost curve for a firm.



Which **one** of the following must be true as output rises from point Q_1 to point Q_2?

☒ **A** There are diminishing returns

☒

B There are economies of scale

☒ **C** There are diseconomies of scale

☒ **D** There are falling total costs

(Total for question = 1 mark)

Q40.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to the first two paragraphs of Extract B, examine the impact of Tesla producing its electric vehicles in China on its costs and profits.

Illustrate your answer with a costs and revenues diagram.

(Total for question = 8 marks)