OXFORD

INTERNATIONAL
AQA EXAMINATIONS

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 16 June 2023 | 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	
TOTAL	

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.

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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 Which one of the following is most likely to increase wealth inequality in a country?

[1 mark]

A A decrease in income inequality ⬭

B A decrease in regressive taxes ⬭

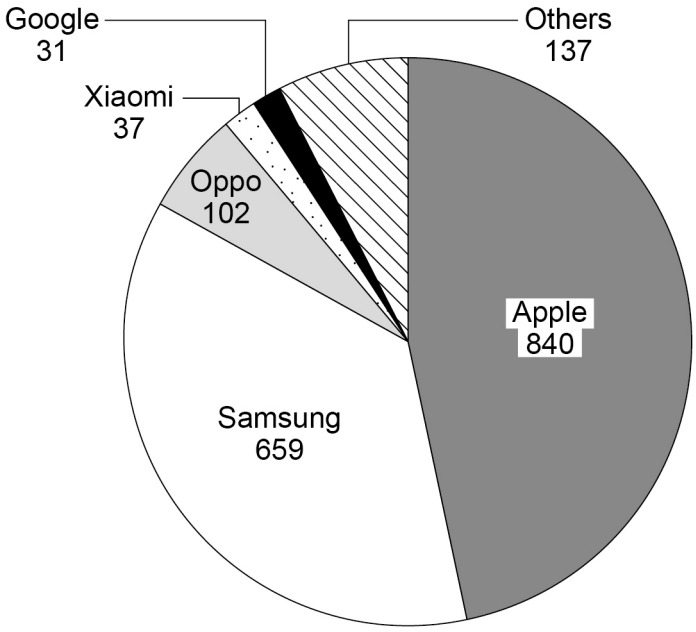
C An increase in progressive taxes ⬭

D An increase in property prices ⬭

Do not write outside the box

0 2 **Figure 1** shows the number of mobile phones sold in Australia, in thousands, during the first three months of 2022.

Figure 1



Total sales of mobile phones = 1 806 000

What is the 4-firm concentration ratio in the market (to one decimal place)?

[1 mark]

A 88.6% ⬭

B 90.4% ⬭

C 90.7% ⬭

D 96.2% ⬭

Turn over for the next question

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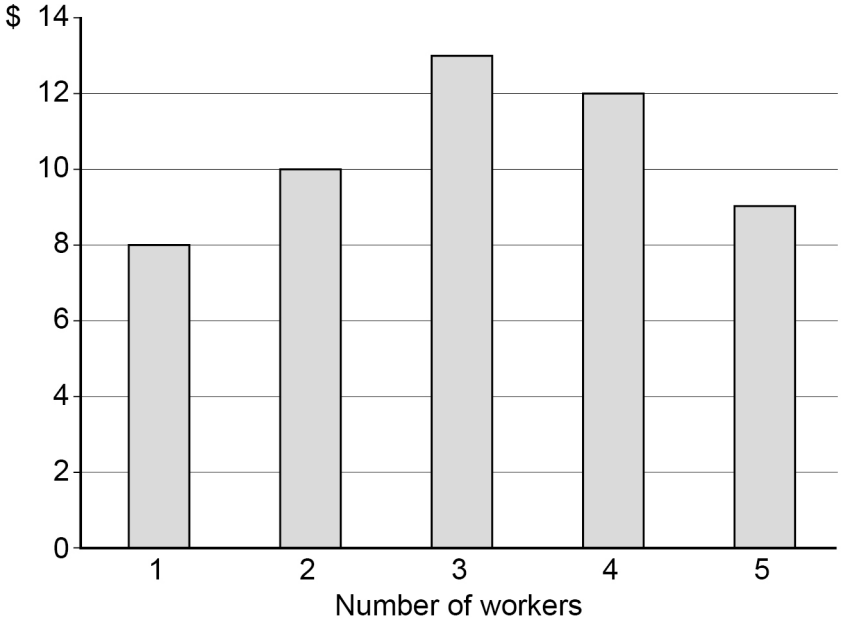
0 3 **Figure 2** shows the marginal revenue product of labour (MRP) per hour when different numbers of workers are employed by a firm. Workers are paid a wage of $10 per hour.

Figure 2



All other things being equal, how many workers will the firm employ to maximise its profit?

[1 mark]

A 2 ⬭

B 3 ⬭

C 4 ⬭

D 5 ⬭

Do not write outside the box

0 4 **Table 1** shows the inputs of land, labour and capital that a firm uses to produce different quantities of wheat.

Table 1

Land (units)	Labour (units)	Capital (units)	Output of wheat (tonnes)
4	8	12	1000
8	16	24	2400
12	24	36	3900
16	32	48	5600

Which one of the following best describes what the firm experiences when output increases from 1000 to 5600 tonnes?

[1 mark]

A Constant returns to scale ⬭

B Decreasing returns to scale ⬭

C Diseconomies of scale ⬭

D Increasing returns to scale ⬭

Turn over for the next question

Do not write outside the box

0 5 **Table 2** shows the number of boats that a firm can produce in a month. It also shows the total variable costs and average revenue at each level of output. The firm has fixed costs of $22 000 for that month.

Which one of the following is the most profitable level of output for the firm?

[1 mark]

Table 2

	Output (boats)	Total variable costs ($)	Average revenue ($)	
A	1	20 000	40 000	⬭
B	2	37 000	38 000	⬭
C	3	64 000	35 000	⬭
D	4	94 000	33 000	⬭

0 6 Which one of the following best describes the replacement of existing products, markets and firms by new ones as a result of technological change?

[1 mark]

A Competitiveness ⬭

B Conglomerate integration ⬭

C Contestable markets ⬭

D Creative destruction ⬭

0 7 Which one of the following is the best example of a sunk cost for a firm that provides bus travel?

[1 mark]

A Advertising the bus service ⬭

B Buying the buses ⬭

C Fuel for the buses ⬭

D Wages of bus drivers ⬭

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0 8 **Table 3** shows the marginal utility that Chi receives from each visit to her local park during a particular week.

Table 3

Number of visits (per week)	Marginal utility (units)
1	150
2	120
3	90
4	40

What is the average utility that Chi receives from visiting the park 4 times in that week?

[1 mark]

A 10 units ⬭

B 50 units ⬭

C 100 units ⬭

D 400 units ⬭

Turn over for the next question

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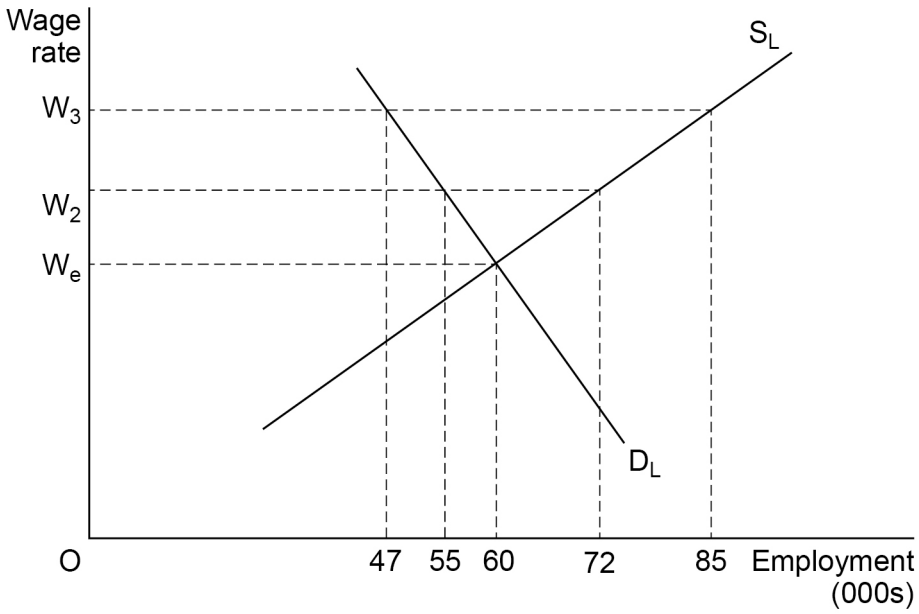
0 9 **Figure 3** shows the demand for labour (D_L) and supply of labour (S_L) in a labour market.

Figure 3



All other things being equal, if the government increases the minimum wage from W_2 to W_3, unemployment in this labour market will increase by

[1 mark]

A 8000

B 13 000

C 21 000

D 38 000

1 0 Which one of the following is the most likely reason why a firm's minimum efficient scale of production is low?

[1 mark]

A Few economies of scale are available.

B Profit maximisation is its main objective.

C The firm has high sunk costs.

D The industry is a natural monopoly.

10

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Section B

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

1 1 . 1 Define ‘producer surplus’.

[2 marks]

Question 11 continues on the next page

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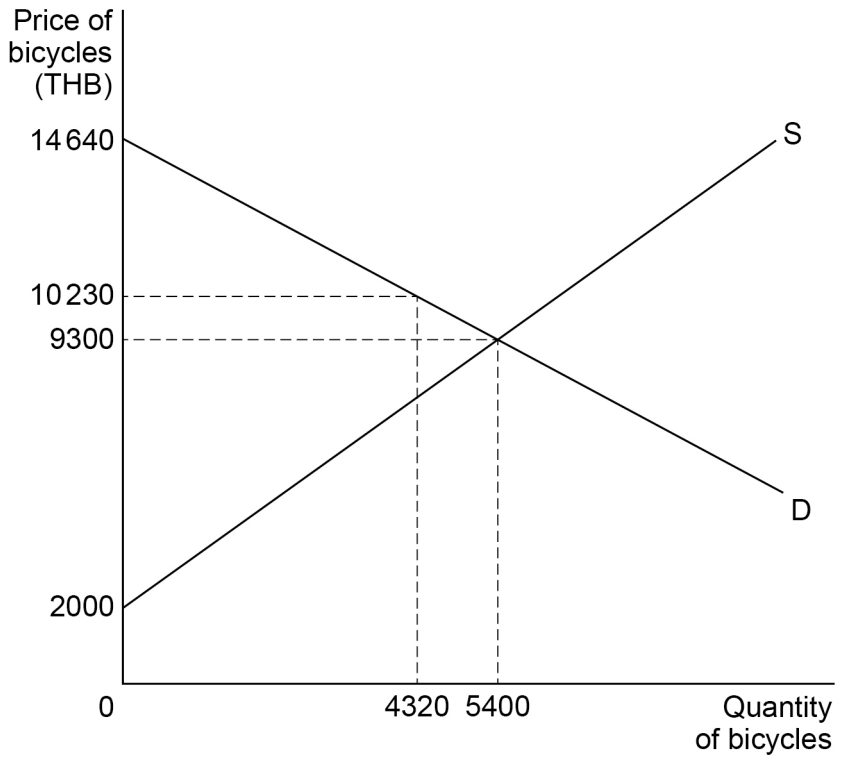
1 1 . 2 **Figure 4** shows the supply (S) and demand (D) curves for bicycles in Thailand in 2022.

The price is shown in the Thai currency, the baht (THB).

Figure 4



Calculate the value of consumer surplus when the bicycle market is in equilibrium.

[2 marks]

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1 1 . 3 A firm with monopoly power raises its price from 9300 baht to 10 230 baht.

Using the data from **Figure 4**, calculate the price elasticity of demand for this change in price.

[2 marks]

Question 11 continues on the next page

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1 1 . 4 Explain, using a cost and revenue diagram, how a monopoly supplier can earn abnormal profit in the long run.

[4 marks]

10

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Section C

Look at the Source Booklet and answer **all** questions in the spaces provided.

Do **not** write in the Source Booklet.

1 2 **Extract A** shows access to clean drinking water and average incomes in selected Indian states in 2019–2020.

1 2 . 1 Explain how access to clean drinking water may affect average incomes.

[4 marks]

Question 12 continues on the next page

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1 2 . 2 To what extent do the data suggest that access to clean drinking water has affected average incomes in Indian states in 2019–2020?

Use the data in **Extract A** to support your answer.

[4 marks]

8

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1 3 **Extract C** (lines 14–15) states: 'The Indian pharmaceutical industry was valued at $42bn in 2021 and is predicted to increase to $130bn in 2030.'

Explain how firms in the pharmaceutical industry may grow.

[12 marks]

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1 4 **Extract B** (lines 12–13) states: 'privatisation increases efficiency and innovation. This can improve the quality of the good or service provided.'

Evaluate the case for and against the privatisation of state-owned enterprises in the pharmaceutical sector.

[25 marks]

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Extra space

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25

Turn over ►

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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 Türkiye has an important tourism and leisure sector and museums are a valuable part of this industry. Many of them, such as the Topkapi Palace Museum, charge different ticket prices for different customers. Some museums offer free entry to students and local residents, and some change their prices according to the time of year.

Assess whether the advantages of price discrimination are greater than the disadvantages in the tourism and leisure sector.

[25 marks]

or

1 6 In 2020, the Indonesian Government introduced a new law designed to improve the functioning of labour markets and make them more competitive. Trade unions argued against this law, saying it would remove the minimum wage and reduce workers' rights to employment protection and benefits.

Assess whether trade unions improve the way that labour markets work.

[25 marks]

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END OF QUESTIONS

25

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ANSWER IN THE SPACES PROVIDED

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Question number	**Additional page, if required.** **Write the question numbers in the left-hand margin.**

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