OXFORD AQA
INTERNATIONAL QUALIFICATIONS

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

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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 12 June 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.

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	

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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 an example of price discrimination?

[1 mark]

A A cinema charging lower prices to customers aged 65 or over. ⬭

B A large firm cutting the price of its products to limit competition. ⬭

C A restaurant selling chicken burgers for $4 and vegetable burgers for $3. ⬭

D A supermarket charging less for a branded good than a competitor. ⬭

Do not write outside the box

0 2 **Table 1** shows the marginal revenue of a firm in monopolistic competition selling different quantities of hats.

Table 1

Quantity of hats sold	Marginal revenue ($)
18	40
19	25
20	10
21	–5

Which one of the following statements is correct when the firm sells the 20th hat?

[1 mark]

A Average revenue is falling and demand is price inelastic. ⬭

B Average revenue is increasing and demand is price elastic. ⬭

C Total revenue and average revenue are both increasing. ⬭

D Total revenue is increasing and demand is price elastic. ⬭

Turn over for the next question

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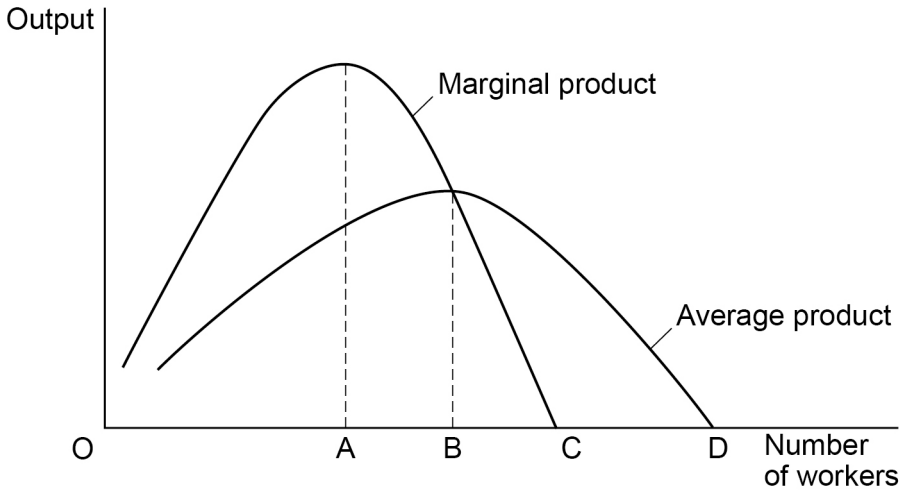
0 3 **Figure 1** shows how a firm's output changes as it adds more workers to its fixed capital.

Figure 1



How many workers should the firm employ if it wants to maximise its output?

[1 mark]

A OA

B OB

C OC

D OD

0 4 Which one of the following is most likely to help a trade union achieve a large wage increase for the workers in an industry?

[1 mark]

A Demand for the industry's product is very price inelastic

B Few workers in the industry are trade union members

C There is only one employer in the industry

D Unemployment in the economy is high

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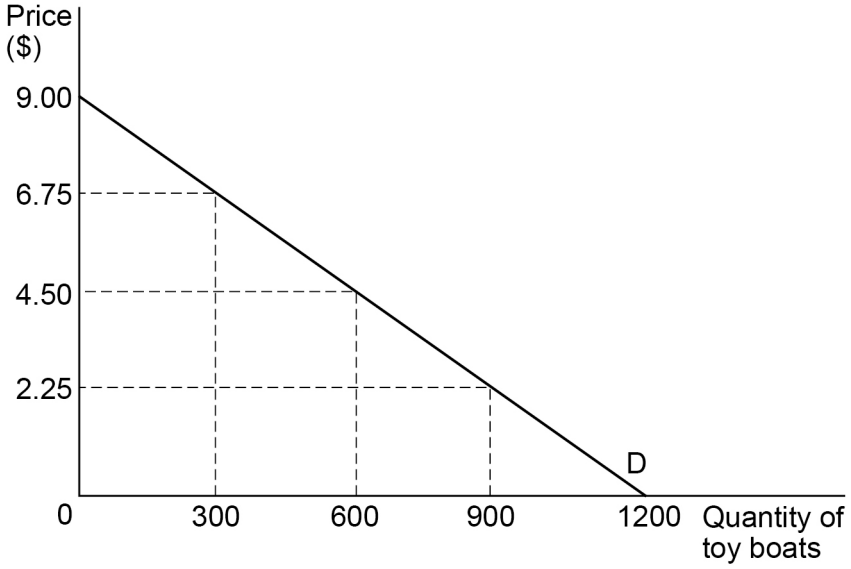
0 5 **Figure 2** shows the demand (D) curve for Fang's toy boat business.

Figure 2



Which one of the following can be concluded from the diagram?

[1 mark]

A Marginal revenue is decreasing when price falls from $4.50 to $2.25 ⬭

B Profit is increasing when price falls from $6.75 to $4.50 ⬭

C Total revenue increases when price falls from $6.75 to $2.25 ⬭

D Total revenue increases when price rises from $4.50 to $6.75 ⬭

0 6 Hibo grows coffee beans on her farm. She can increase her production and the quantity she sells without affecting the market price.

In order to maximise profits she should

[1 mark]

A produce as much coffee as she can sell at the market price. ⬭

B produce the level of output where marginal cost is rising and equals price. ⬭

C produce the level of output which minimises her marginal costs. ⬭

D produce the same level of output as before but increase the price. ⬭

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0 7 There has been a fall in **both** producer and consumer surplus in the market for cars.

Which one of the following is the most likely reason for these falls?

[1 mark]

A A large firm has begun to use third-degree price discrimination.

B A tariff has been placed on components used to make cars.

C There has been a fall in the cost of producing cars.

D There has been an increase in the price of a substitute for cars.

0 8 Pamela pays a monthly fee that allows her to visit a gym as many times as she wants.

Table 2 shows how her total utility is affected by the number of times she visits the gym in a particular month.

Table 2

Number of gym visits	Total utility (units)
5	38
7	54
10	72
13	78

Which one of the following can be concluded from the information provided?

[1 mark]

A Marginal utility is highest for the 10th gym visit

B The 11th gym visit provides 2 units of utility

C The average utility from 13 gym visits is 6 units

D The total utility from 6 gym visits is 46 units

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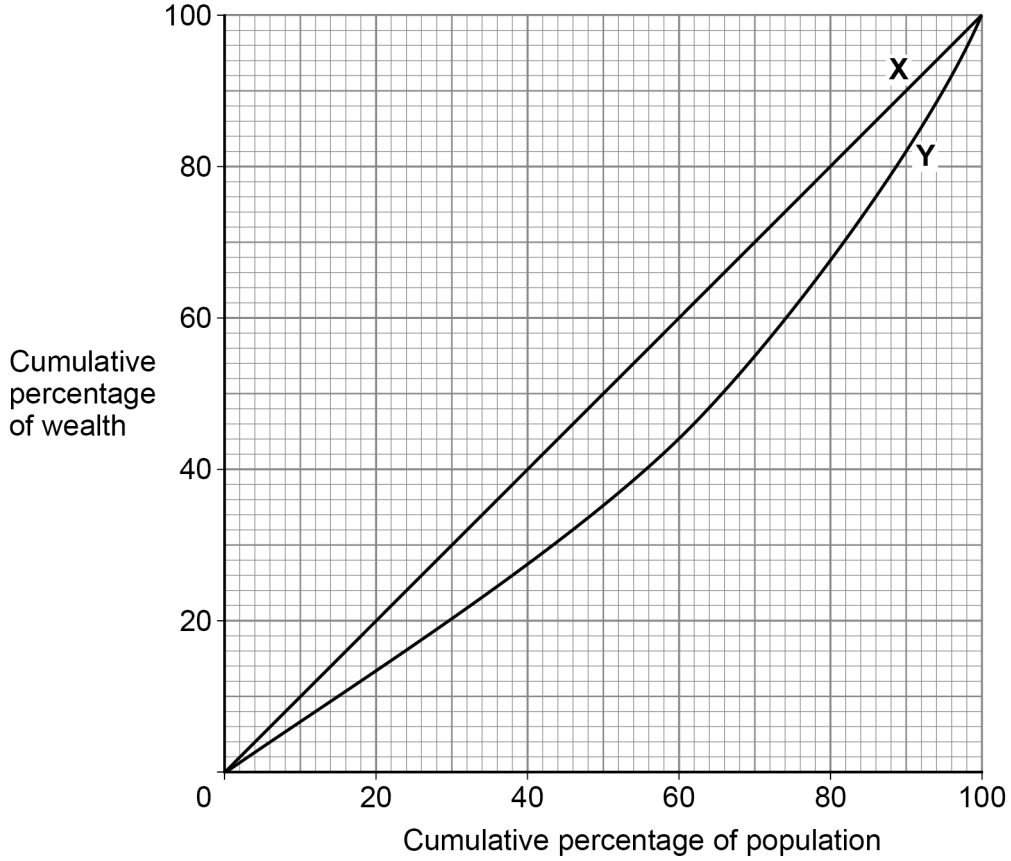
0 9 **Figure 3** shows a Lorenz curve X for a country that had a perfectly equal distribution of wealth. Lorenz curve Y shows a change in the distribution of wealth for this country.

The country has 8 million households and a total wealth of $240bn.

Figure 3



All other things being equal, by how much does this change reduce the mean wealth owned by the poorest 50% of the population?

[1 mark]

A $9 000 ⬭

B $10 500 ⬭

C $18 000 ⬭

D $21 000 ⬭

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1 0 **Table 3** shows how the marginal income tax rates in a country changed between 2022 and 2023.

Table 3

Income ($/year)	Income tax rate in 2022	Income tax rate in 2023
0 – 10 000	0%	0%
10 001 – 40 000	20%	15%
40 001+	35%	50%

All other things being equal, which one of the following is the most likely effect of the change to marginal income tax rates introduced in 2023?

[1 mark]

A A reduction in relative poverty

B An increase in absolute poverty

C An increase in income inequality

D Reduced labour supply to unskilled jobs

10

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Turn over for Section B

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ANSWER IN THE SPACES PROVIDED

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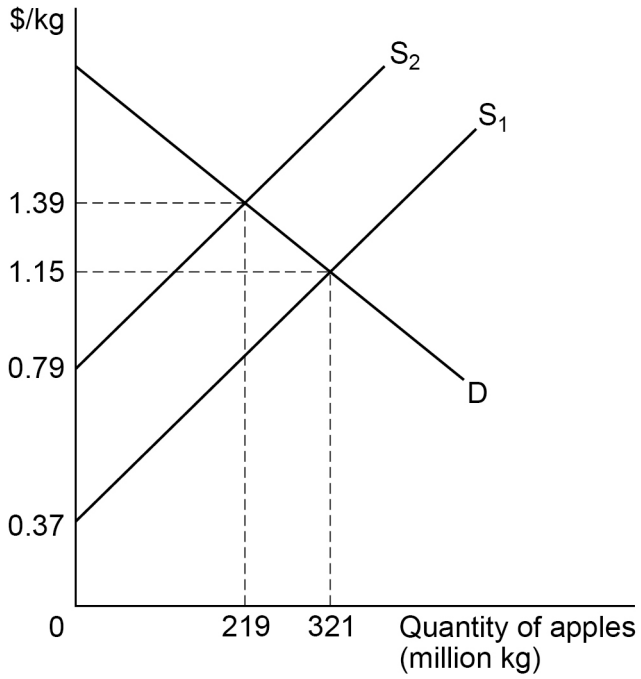
Section B

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

1 1 **Figure 4** shows the original market supply (S_1) and demand (D) curves for apples which are sold to make fruit juice. There are many thousands of farms supplying apples that are homogeneous (the same).

Bad weather causes the supply curve for apples to shift from S_1 to S_2.

Figure 4



1 1 . 1 Identify **two** functions of prices in the allocation of resources in a market economy.

[2 marks]

Function 1 _____

_____

Function 2 _____

_____

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1 1 . 2 Use **Figure 4** to calculate the producer surplus after the supply curve for apples shifts from S_1 to S_2.

You are advised to show your working.

[2 marks]

1 1 . 3 Use **Figure 4** to calculate the percentage change in total revenue following the shift of the supply curve from S_1 to S_2.

Give your answer to **two** decimal places.

You are advised to show your working.

[3 marks]

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1 1 . 4 Draw a diagram showing average revenue, average cost and marginal cost for a firm that would leave a perfectly competitive market in the long run.

[3 marks]

10

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Section C

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

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1 2 **Extract A** shows minimum monthly wage rates for supervisors and general cleaners and the Gini coefficient for income in Singapore.

1 2 . 1 Explain how increases in minimum wage rates are likely to affect the distribution of income in a country.

[4 marks]

Question 12 continues on the next page

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1 2 . 2 To what extent do the data suggest that increases in minimum wage rates affected the distribution of income in Singapore between 2018 and 2022?

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

[4 marks]

8

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1 3 **Extract C** (lines 1–2) states: 'Governments around the world are making more use of behavioural policies to achieve their objectives.'

Explain, using examples, how governments can use behavioural policies to influence decision making.

[12 marks]

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12

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1 4 **Extract B** (lines 20–21) states: 'Subsidies are available to help employers pay for training and minimum wage increases. A key focus of the PWM is that it should increase productivity in sectors where it applies.'

Evaluate the likely effects of increased education and training on the demand and supply of labour in Singapore.

[25 marks]

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Extra space

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25

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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 Governments in many countries have research and development agencies that are state controlled and financed. These agencies have contributed to important technological advances in areas such as satellites, computer networks, and cars that do not need drivers.

Assess the role of governments in generating technological change in an economy.

[25 marks]

or

1 6 An important way that producers of smartphones compete is by differentiating their products. However, in other oligopolistic industries, such as supermarkets in many countries, price competition is more significant.

Evaluate whether the use of price competition is likely to be the most effective way for firms in oligopolistic markets to increase their profits.

[25 marks]

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END OF QUESTIONS

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