

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

INTERNATIONAL A-LEVEL

ECONOMICS

UNIT 3: THE ECONOMICS OF BUSINESS BEHAVIOUR AND THE DISTRIBUTION OF INCOME

Additional Specimen 2020

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.
- Fill in the boxes at the top of the 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).
- All working must be shown.
- 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.
-

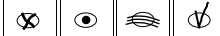



Section A


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**

A woman acting in her own self-interest makes a choice over a purchase based upon the information available to her at that moment in time. This best describes

[1 mark]

- A** Anchoring
- B** Bounded rationality
- C** Rules of thumb
- D** Social norms

0 | **2**

Which one of the following values for the Gini coefficient shows the greatest equality?

[1 mark]

- A** -0.5
- B** 0
- C** 0.5
- D** 1

0 3

The table below shows the output, average total cost and average revenue for a firm.

Units of output	Average total cost (\$)	Average revenue (\$)
16	9	14
17	8	13
18	7	12
19	6	10

At which one of the following levels of output will the firm maximise its profits?

[1 mark]

A 16 units

B 17 units

C 18 units

D 19 units

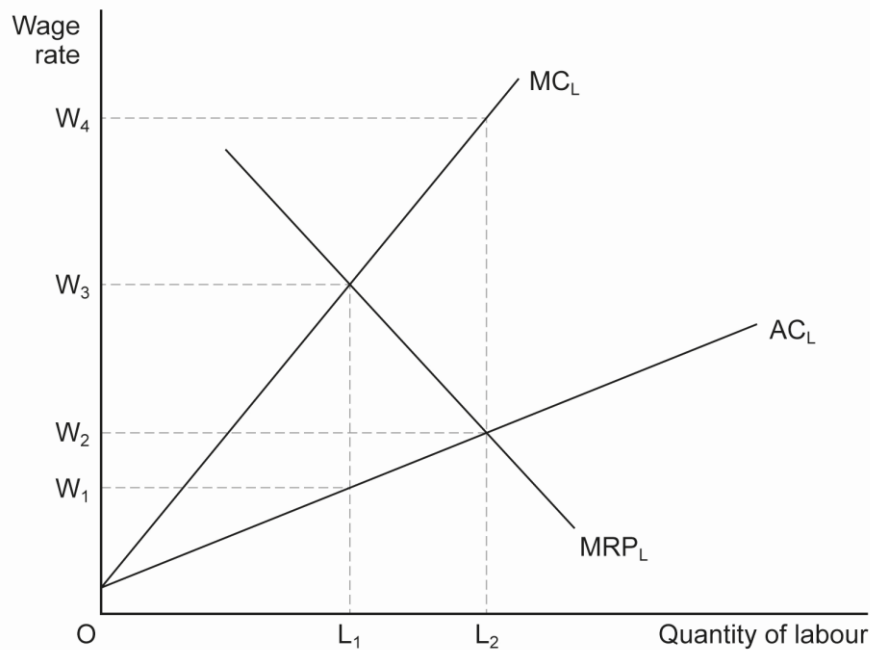
Turn over for the next question

Turn over ►

0 4

The diagram below shows the Marginal Revenue Product of Labour (MRPL), Marginal Cost of Labour (MCL) and Average Cost of Labour (ACL) curves in a monopsony labour market.

[1 mark]



The employer's profit-maximising wage rate and level of employment is a

- A wage of W_1 and employment of L_1 .
- B wage of W_2 and employment of L_2 .
- C wage of W_3 and employment of L_1 .
- D wage of W_4 and employment of L_2 .

0 5

Profit maximising monopolies are said to be allocatively inefficient due to their

[1 mark]

- A average revenue being greater than their average cost.
- B average revenue being greater than their marginal cost.
- C marginal revenue being greater than their marginal cost.
- D marginal revenue being equal to their marginal cost.

0 6

The table below shows how a firm's total and average product change, in the short run, with different inputs of labour.

[1 mark]

Number of workers	Total product	Average product
6	120	20
7	210	30
8	360	45
9	432	48
10	460	46

Diminishing marginal returns to labour set in when the firm employs

- A** 7 workers.
- B** 8 workers.
- C** 9 workers.
- D** 10 workers.

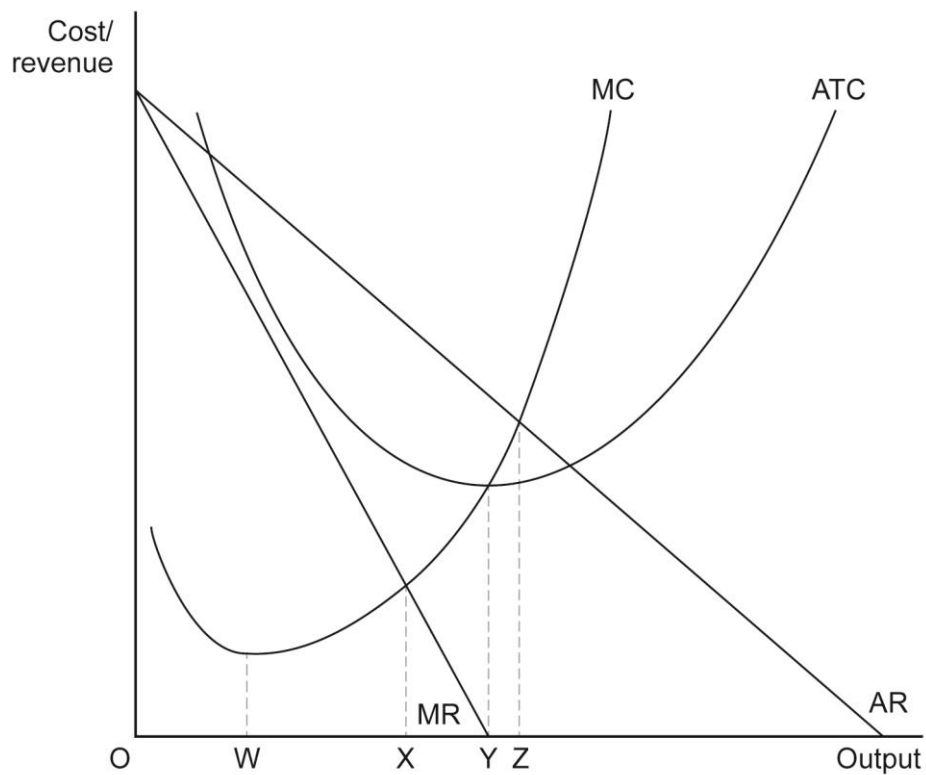
Turn over for the next question

Turn over ►

0 7

The diagram below shows the cost and revenue curves for a monopoly.

[1 mark]



At which one of the following levels of output would the firm be productively efficient?

- A OW
- B OX
- C OY
- D OZ

0 8

Which one of the following is a typical characteristic of a firm operating in monopolistic competition?

[1 mark]

- A A small number of competitors
- B High barriers to entry
- C Homogenous goods
- D Normal profit in the long run

0 9

The table below shows the total utility of an individual's consumption of slices of pizza.

[1 mark]

Quantity	Total utility
4	200
5	360
6	500
7	600
8	660

What is the marginal utility gained by the consumption of the sixth slice of pizza?

- A** 60
- B** 100
- C** 140
- D** 500

1 0

A firm hires 20 workers at \$10 per hour, but in order to recruit another worker has to pay \$11 per hour. All workers must now be paid the new wage rate. What is the marginal cost of the 21st worker?

[1 mark]

- A** \$10
- B** \$11
- C** \$21
- D** \$31

Turn over for section B

Turn over ►

Section B

Answer **all** questions in the spaces provided

1 1

The table below shows the output, total variable cost and average cost for a firm manufacturing baseball caps in one month. The total fixed cost at each level of output is \$200 000.

Output	Total variable cost (\$)	Total Cost (\$)	Average cost (\$)
300 000		704 000	2.35
350 000	588 000		2.25
400 000		872 000	2.18
450 000	756 000		2.12
500 000	840 000		

1 1 . 1

Identify two examples of business costs which would typically be classed as 'fixed costs'.

[2 marks]

1 1 . 2

Calculate the total variable cost of producing 400 000 units. Give your answer in dollars.

[2 marks]

You are advised to show your working.
