

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

Specimen 1 2019

Morning

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 The marginal revenue product of labour is the

[1 mark]

- A** addition to total revenue when the firm produces and sells an extra unit of output.
- B** amount produced per worker per time period.
- C** change in total output that is produced when one extra worker is employed.
- D** revenue gained by selling the extra output produced by employing one more worker.

0 2 The table below shows possible differences between the meanings of the terms invention and innovation. Which combination, **A**, **B**, **C** or **D**, correctly identifies the difference between the meanings of these terms?

[1 mark]

	Invention	Innovation	
A	Making something entirely new	Turns the results of invention into a product	<input type="radio"/>
B	Applies to changes in goods only	Applies to changes in services only	<input type="radio"/>
C	Applies to changes in services only	Applies to changes in goods only	<input type="radio"/>
D	Turns the results of innovation into a product	Making something entirely new	<input type="radio"/>

0 3

A firm employs three factors of production: land, labour and capital. The table below shows how the firm's output is affected by changing the amount employed of these factor inputs.

[1 mark]

Units of output	Units of capital	Units of land	Number of workers
10 000	10	4	120
20 000	40	16	480
40 000	70	28	840
60 000	105	42	1260
80 000	150	58	1720

The firm experiences constant returns to scale when it increases its output from

- A** 10 000 to 20 000 units.
- B** 20 000 to 40 000 units.
- C** 40 000 to 60 000 units.
- D** 60 000 to 80 000 units.

0 4

The price elasticity of demand for the chairs produced by a firm is -2. It can be concluded that if the firm increases the price of its chairs by 20%, the firm's total revenue will

[1 mark]

- A** fall.
- B** increase by less than 20%.
- C** increase by more than 20%.
- D** remain the same.

0 5

Which one of the following is most likely to measure the degree of competition in an oligopolistic industry?

[1 mark]

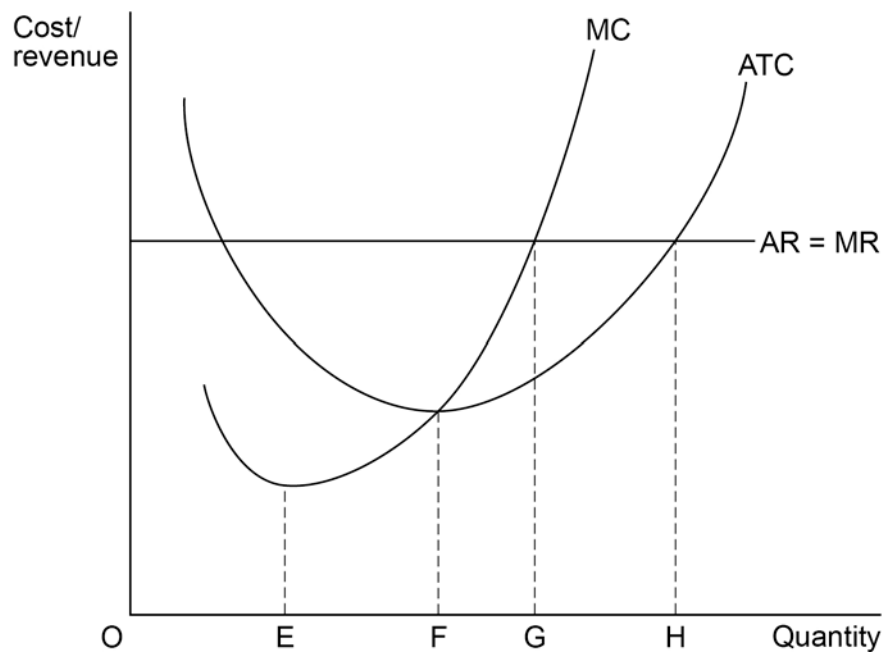
- A The price elasticity of supply in the industry
- B The profitability of the 10 largest firms in the industry
- C The three firm concentration ratio
- D The value of the Gini coefficient

0 6

The diagram below shows a firm operating in perfect competition in the short run.

Which quantity, **OE**, **OF**, **OG**, or **OH**, indicates the output where profits are maximised?

[1 mark]



- A OE
- B OF
- C OG
- D OH

0 7

The table below shows the profit maximising output, average variable costs (AVC), average fixed cost (AFC) and average revenue (AR) for four firms.

Firm	Units of output	AVC (\$)	AFC (\$)	AR (\$)
Firm 1	100	15	12	14
Firm 2	80	10	4	12
Firm 3	250	12	6	16
Firm 4	200	11	4	15

If these firms aim to maximise their profits, which one of the following is correct?

[1 mark]

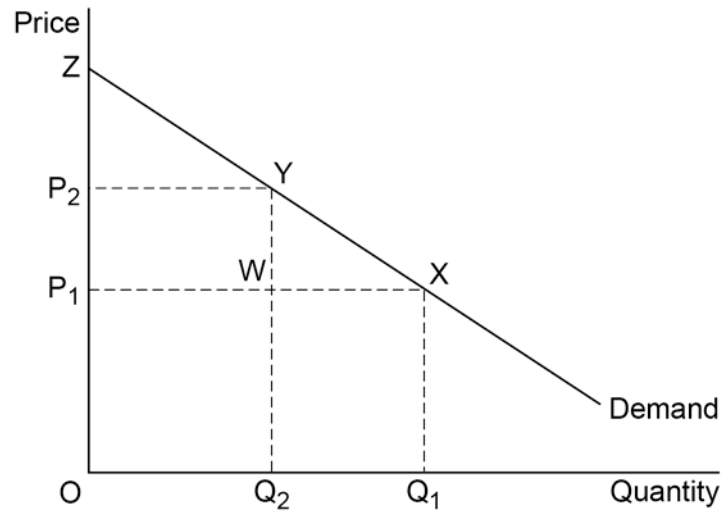
- A** Firm 1 will produce in the short run but not in the long run.
- B** Firm 2 will produce in the short run and in the long run.
- C** Firm 3 will produce in the short run but not in the long run.
- D** Firm 4 will produce in the short run but not in the long run.

Turn over for the next question

Turn over ►

0 8

The diagram below shows the demand curve for plastic cups.



What is the change in consumer surplus if the price charged for plastic cups increases from P_1 to P_2 ?

[1 mark]

A P_1P_2YW

B P_1P_2YX

C P_2YZ

D WYX

0 9

The table below shows the costs for a firm that produces 20 units of output each month.

Marginal cost	Average variable cost	Average total cost
£130	£120	£150

The firm's total fixed costs are

[1 mark]

- A** £30
- B** £200
- C** £400
- D** £600

1 0

Which one of the following is an example of vertical integration?

[1 mark]

- A** A firm manufacturing bicycles merging with another bicycle manufacturer
- B** A firm producing biscuits taking over a firm producing bread
- C** A food manufacturing company buying a farm
- D** A supermarket merging with an insurance company

Turn over for Section B

Turn over ►

Section B

Answer **all** questions in the spaces provided

1 1

The table below shows the units of utility an individual derives from eating sweets.

Number of sweets	Total utility	Marginal utility	Average utility
1	20		20
2	36		
3		10	
4	54		
5		1	
6		-1	
7		-5	

1 1 . 1

Define 'marginal utility'.

[2 marks]

1 1 . 2

Calculate the marginal utility from the 4th sweet consumed.

You are advised to show your working.

[2 marks]
