

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 9 January 2026

07:00 UK Time

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	



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 the best description of profit-satisficing behaviour?

[1 mark]

A When consumers receive sufficient, but not maximum, satisfaction from a good

☐

B When firms aim to make sufficient profit but not the most that could be obtained

☐

C When managers choose to maximise the amount of profit a firm earns

☐

D When the owners of a firm are not responsible for decisions about output and price

☐


0 2

Table 1 shows the sales revenue of four of the firms in an industry in 2023 and 2025. Total sales revenue for the industry was £100 million in both years.

Table 1

Firm	Sales revenue (£ million), 2023	Sales revenue (£ million), 2025
W	26	33
X	12	18
Y	7	10
Z	3	0

Which one of the following statements can be concluded from **Table 1**?

[1 mark]

A Firm W had more monopoly power than any other firm in the market in 2025.

☐

B Firm X's market share rose by a greater percentage than firms' **W** or **Y**.

☐

C Firm Y and **Firm Z** have taken part in a merger between 2023 and 2025.

☐

D The 4-firm concentration ratio changed from 48% in 2023 to 61% in 2025.

☐**0 3**

Which one of the following is most likely to be a feature of a contestable market?

[1 mark]

A Firms do not advertise their products.

☐

B Firms earn high levels of supernormal profit in the long run.

☐

C Firms find it difficult to leave the market.

☐

D Firms need a licence to operate in the market.

☐**Turn over ►**

0 4

The wage rate paid to workers in an industry increases significantly.

Which one of the following is the most likely reason for this?

[1 mark]

A Firms reduce the qualifications they require workers to have.

☐

B Innovations mean workers can be more easily replaced with capital.

☐

C New rules prevent people entering the country to work.

☐

D Paid holiday and other benefits are introduced for the workers.

☐**0 5**

Doctors in a country can supply their labour to either private-sector hospitals or government-owned hospitals. The marginal revenue product of each doctor is the same.

The government then reduces the wage it pays to female doctors but not to male doctors.

All other things being equal, what is the most likely effect on the wage and employment of female doctors in private-sector hospitals?

[1 mark]

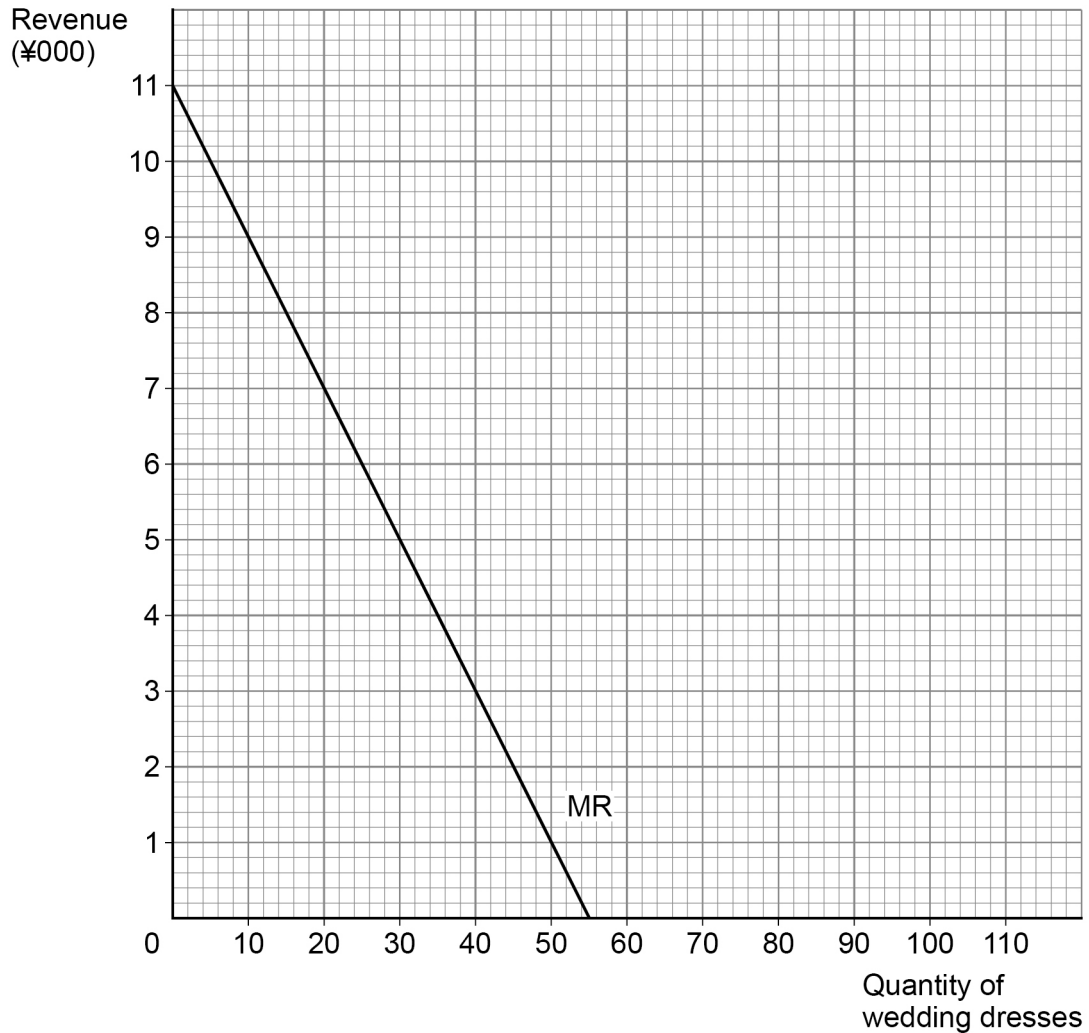
	Wage	Employment of female doctors	
A	Falls	Falls	☐
B	Falls	Rises	☐
C	Rises	Falls	☐
D	Rises	Rises	☐



0 6

Figure 1 shows the marginal revenue (MR) in Chinese yuan earned by Jing from selling different quantities of wedding dresses in a week.

Figure 1



If Jing sells 100 wedding dresses in a week, what is her total revenue?

[1 mark]

A ¥100 000

☐

B ¥200 000

☐

C ¥302 500

☐

D ¥605 000

☐

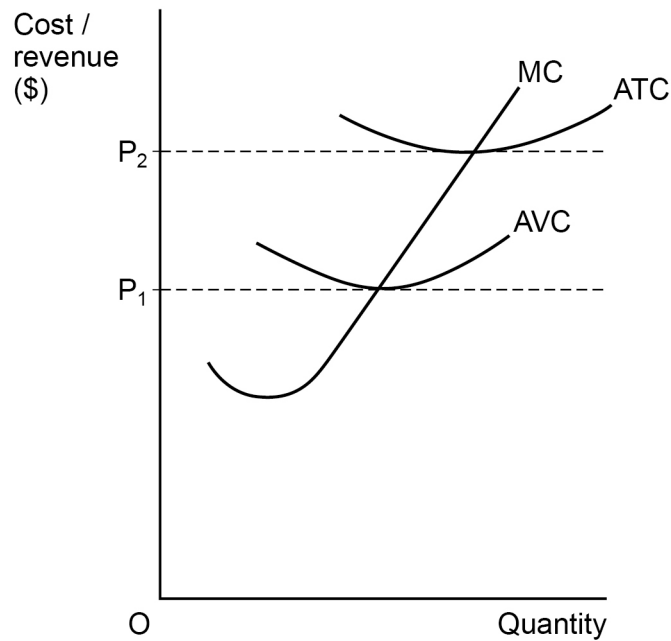
Turn over ►



0 7

Figure 2 shows the average total cost (ATC), average variable cost (AVC) and marginal cost (MC) curves for a firm in a perfectly competitive market.

Figure 2



Which one of the following is most likely to be true at a price of P_2 ?

[1 mark]

- A** The firm will leave the industry in the long run.
- B** The firm will leave the industry in the short run.
- C** The firm will make abnormal profit in the long run.
- D** The firm will make normal profit in the long run.

☐
☐
☐
☐


0 8

Table 2 shows the average cost, marginal cost and marginal revenue product for a profit-maximising monopsonist when it employs different numbers of workers.

Table 2

Number of workers	Average cost of labour (\$/hour)	Marginal cost of labour (\$/hour)	Marginal revenue product of labour (\$/hour)
3	11	15	28
4	14	23	23
5	18	34	18
6	22	42	13

Following an agreement with a trade union, the firm now employs and pays workers at the levels that would apply in a perfectly competitive labour market.

What is the increase in the firm's total wage costs per hour?

[1 mark]

- A** \$16 ☐
- B** \$34 ☐
- C** \$78 ☐
- D** \$90 ☐

Turn over for the next question

Turn over ►

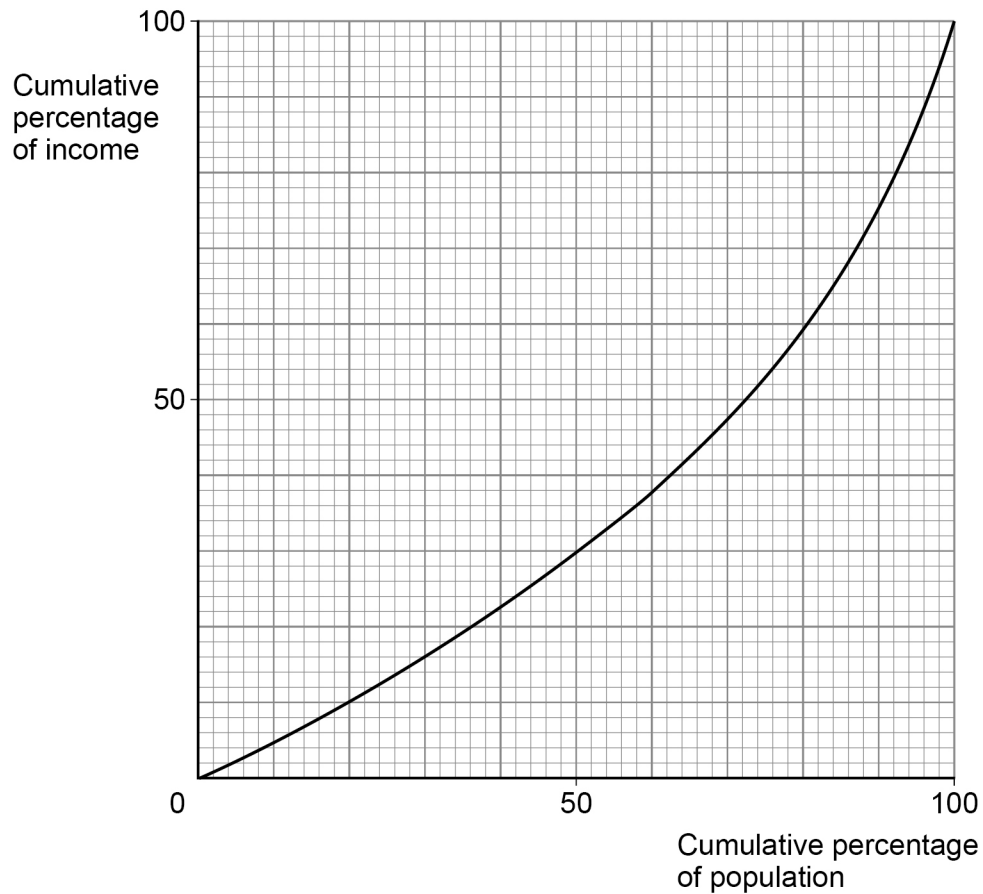


0 9

Figure 3 shows the Lorenz curve for income in a country with a population of one million people. Total income in the country is \$12 billion.

The government decides to pay an income to the poorest 5% of the population. The cost to the government will be equal to 10% of the total income received by the poorest 50% of the population.

Figure 3



Each person will receive an equal share of the total amount. How much will each person receive?

[1 mark]

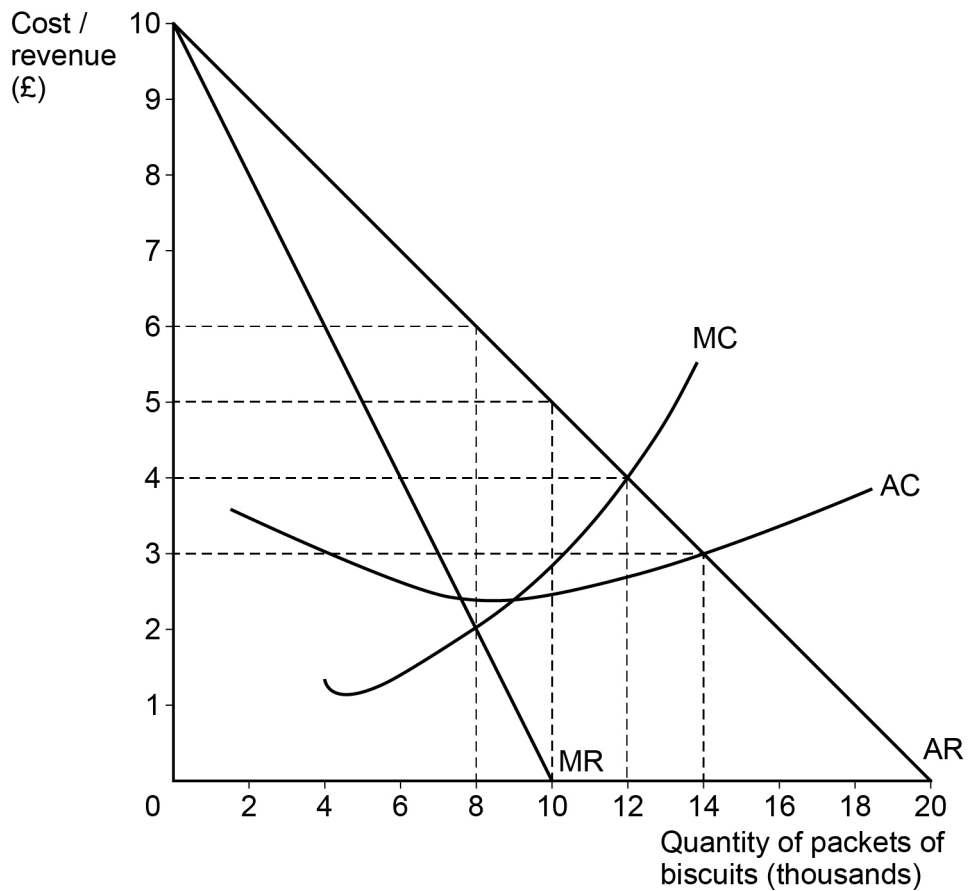
- A** \$360 ☐
- B** \$1440 ☐
- C** \$7200 ☐
- D** \$12 000 ☐



1 0

Figure 4 shows the costs and revenues for a firm when it produces different quantities of packets of biscuits in a day.

Figure 4



Which one of the following prices will maximise the firm's total revenue?

[1 mark]

- A £3 ☐
- B £4 ☐
- C £5 ☐
- D £6 ☐

10

Turn over ►



Section B

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

Table 3 shows the weekly output of a firm when different numbers of workers are employed.

Table 3

Number of workers	Total returns (tonnes)	Average returns (tonnes)	Marginal returns (tonnes)
3	131		60
4		47	
5	226		
6			26

1 1 . 1 Define 'the law of diminishing returns'.

[2 marks]

1 1 . 2 Use **Table 3** to calculate the percentage change in average returns when the firm increases the number of workers it employs from 5 to 6.

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

[2 marks]



[2 marks]

[4 marks]

10

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

1	2
---	---

1	2	.	1
---	---	---	---

[4 marks]

[illegible]



To what extent do the data suggest that increases in labour productivity affected the percentage of the population living in poverty in China between 2008 and 2020?

[4 marks]

[illegible][illegible]

Extract B (line 3–4) states: ‘Most of the global makhana output is produced by small, family-run farms.’

[12 marks]

[illegible]

Extra space



[25 marks]

[illegible]

[illegible]

[illegible]

25



Section DAnswer **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**

Artificial Intelligence (AI) involves computers learning to complete tasks that previously needed human intelligence. AI systems can do these tasks quickly and learn how to improve the results they produce.

A recent report suggested that AI could replace 300 million jobs around the world by 2030. However, previous technological changes have led to long-term job creation in related industries and those created by the new technologies.

Evaluate whether developments in technology, such as Artificial Intelligence (AI), are likely to reduce or increase employment in different labour markets.

[25 marks]**or****1 6**

In the early 2020s, costs of production rose following a sharp increase in energy and commodity prices. Many firms raised their prices to cover the increase in costs. However, some dominant firms were then accused of not reducing prices when their costs fell. Some economists argued that this behaviour was due to collusion between firms in oligopolistic markets.

Discuss whether, in the long run, profits are likely to be higher for firms operating in collusive oligopolies or competitive oligopolies.

[25 marks]

Turn over ►

[illegible]

[illegible]

25



There are no questions printed on this page

*Do not write
outside the
box*

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**



[illegible]

Do not write
outside the
box

[illegible]

[illegible]

There are no questions printed on this page

*Do not write
outside the
box*

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**

Copyright information

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from www.oxfordaqa.com

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and OxfordAQA will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2026 OxfordAQA International Examinations and its licensors. All rights reserved.



2 8



2 6 1 X E C 0 3

IB/G/Jan26/EC03