

# Revision Dojo IB Economics Prediction Papers

May 2025 IB Economics  
Paper 3 HL

Duration: 1 hour 15 minutes

## Instructions for students:

- You are permitted access to a calculator for this paper.
- Answer all the questions.
- Answers must be written within the answer boxes provided.
- Unless otherwise stated in the question, all numerical answers must be given exactly or correct to two decimal places.
- You must show all your working.
- Answer in a separate sheet of paper, with your full name written on it.
- Use fully labelled diagrams where appropriate.
- The maximum mark for this examination paper is [30 marks].

Answer **all the questions** within the **boxes provided**.

### 1. India's Economic Landscape

India is one of the world's largest economies, with a diverse market structure comprising agriculture, manufacturing, and services sectors. Over the years, the Indian government has implemented several economic policies aimed at improving the standard of living and fostering long-term economic growth.

#### Economic Data in the Wheat Market

In India's wheat market, the following data reflects the price and output levels under normal market conditions:

Quantity of Wheat in tons(Q)	Price per Unit (P) in ₹	Total Revenue (TR) in ₹	Marginal Cost (MC) in ₹	Average Cost (AC) in ₹	Marginal Revenue (MR) in ₹	Average Revenue (AR) in ₹
0	0	0	0	0	0	0
10	10	100	6	8	10	10
20	12	240	7	7.5	12	12
30	15	450	8	7	15	15
40	18	720	9	6.5	18	18
50	20	1000	10	6	20	20
60	22	1320	12	5.5	22	22

- (a) (i) Using the data from the table above, calculate the total profit for the wheat market when the quantity of wheat produced is 50 units. [2 marks]

.....

.....

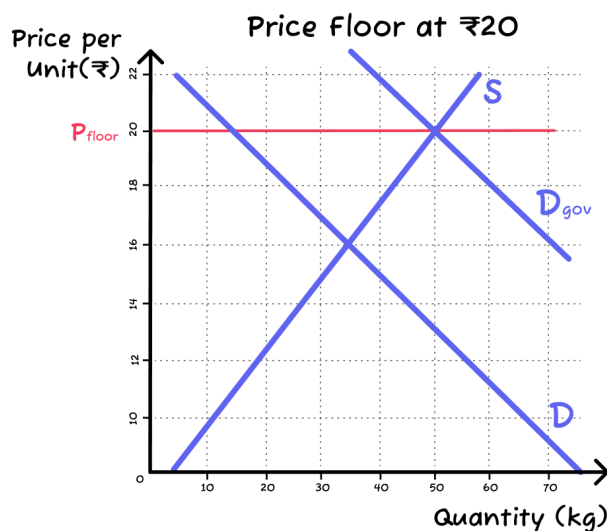
.....

.....

## The Wheat Market in India

As part of its efforts to modernize the economy, the government has introduced price floors for key agricultural products to ensure that farmers receive a stable income, particularly in rural areas.

In 2024, the Indian government set a minimum price floor of ₹20 per kilogram of wheat, one of the country's staple crops. This decision was made to protect farmers from market volatility. The price floor policy has been successful in guaranteeing higher incomes for producers. However, the policy has led to surplus production, which, after being purchased by the government, has raised concerns about inefficiencies in resource allocation.



(ii) Explain why firms in perfect competition are price takers.

[4 marks]

.....

.....

.....

.....

.....

.....

.....

.....

(iii) Using information from the diagram provided, calculate the welfare loss resulting from the price floor set at ₹20 per unit. [2 marks]

.....

.....

.....

.....

.....

.....

.....

(iv) Define the term “market failure”. [2 marks]

.....

.....

.....

.....

### India's Macroeconomic Landscape

India is also considering fiscal stimulus policies to address slowing economic growth. The government is planning to boost demand through a fiscal approach, centered around increasing public spending on infrastructure. However, experts suggest such fiscal package could worsen then 5% inflation rate in the country.

(v) Calculate the Keynesian multiplier for India, assuming the marginal propensity to consume (MPC) is 0.75. [2 marks]

.....

.....

.....

.....

## India's Government Future Plans

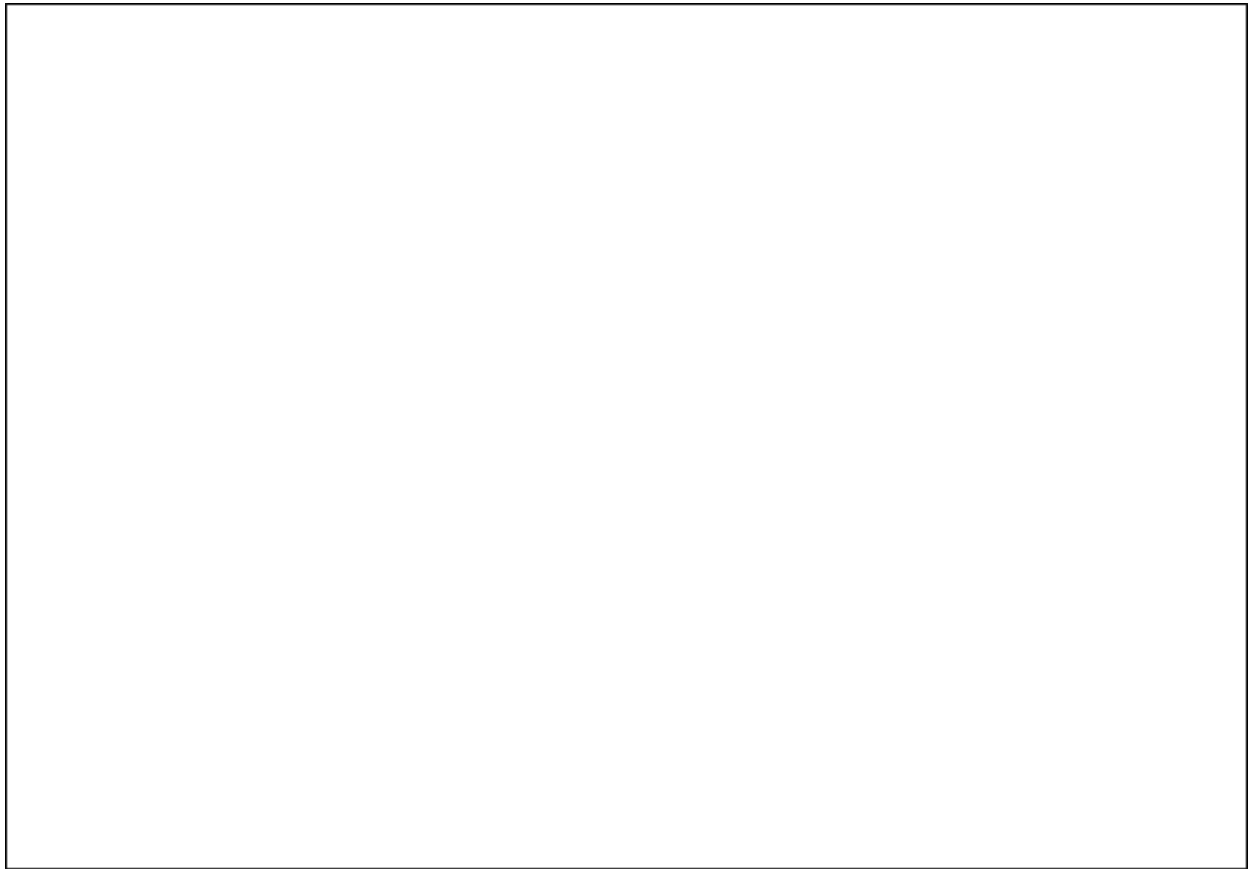
In response to the surplus production of wheat resulting from the price floor, the Indian government is considering the implementation of an export subsidy. This policy would encourage Indian wheat producers to sell their excess supply in international markets, helping to reduce the surplus that has been created domestically. By offering financial incentives to exporters, the government aims to make Indian wheat more competitive globally, potentially increasing demand for the product abroad. This could alleviate some of the inefficiencies caused by the price floor, as excess supply would be absorbed outside the domestic market.

However, economists argue that while an export subsidy could benefit Indian farmers by providing them with access to new markets and improving their incomes, it could also lead to challenges, including potential trade disputes with other countries and higher costs for the government. Additionally, over-reliance on subsidies may reduce the incentive for producers to adjust to market conditions in the long term. India's government is reportedly also considering removing business taxes for wheat producers.

(vi) Draw a diagram indicating the effects of India's export subsidy on its quantity of exports and wheat price. [2 marks]

(vii) Sketch a diagram to illustrate the possible effect of removing the business tax on the wheat market in India.

[2 marks]



(viii) Using an AD-AS diagram, explain how the fiscal package proposed by India's government could affect inflation. [4 marks]

.....

.....

.....

.....

.....

.....

[10 marks]  
of India

[illegible]