Examiners' Report/
Principal Examiner Feedback

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Pearson Edexcel
International Advanced Level (IAL)
Economics (WEC03) Unit 3

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Introduction

This was the first opportunity for candidates to be entered for the new IAL Unit 3 Business Behaviour examination paper.

A total of 205 candidates sat the examination. Questions were drawn from all sections of the specification and provided much scope for candidates to display a range of knowledge and skills.

Section A

Question 1

This was the most popular question in this section. There were many excellent answers, with candidates demonstrating a clear understanding of the benefits of growth for a business. Strong responses provided a well-structured answer which often centred on the potential effects of internal economies of scale alongside other possible benefits. Further development then considered the drawbacks of being too large and/or reasons for remaining small.

This is clearly a part of the specification which was well understood by the majority of candidates. Care needs to be taken to ensure that reference is made to falling long run unit costs when referring to economies of scale and not simply falling costs.

Question 2

The model of perfect competition was well understood and explained by a significant proportion of candidates with good use of accurate diagrams. The ability to apply the concept of economic efficiency in the form of productive and allocative efficiency, was one key factor in differentiating the quality of the response.

Sound evaluation tended to be where candidates considered the likely absence of dynamic efficiency and the inability to exploit economies of scale. Weaker responses outlined market structure models without considering the efficiency implications. This question had the lowest proportion of high quality answers.

Question 3

Marginally the least popular question in this section of the paper. Monopsony power was well understood by a significant proportion of candidates. It was encouraging to note that all but a few answers considered potential benefits of monopsony to **both** consumers and producers and that due heed was taken to providing a context for the response.

Stronger answers were able to offer well balanced evaluation in terms of benefits not being passed on the consumers and the negative long term impact on suppliers. This question differentiated particularly well.

Question 4

Marks for this question showed a pronounced division between low and high scores. The main reasons for this were twofold. Firstly, weak responses tended to wrongly interpret an increase in contestability as a creation of a perfectly

competitive market and secondly, there tended to be a lack of focus on the impact on business **behaviour**. By contrast, the best responses clearly understood the likely implications of greater contestability and discussed a range of possible effects. Such answers also made sound judgements regarding factors which may inhibit long run contestability.

Section B

The majority of candidates opted to answer Question 6 as opposed to Question 5. *Candidates need to be made fully aware that all four parts of the question require application to the context in order to score beyond Level 1.*

Question 5

Question 5a
Defining and then identifying what had happened to unit labour costs in South Korea proved to be a challenge for a significant proportion of candidates. Many confused the concept with wage and non-wage costs. The best responses were able to make the connection between labour cost and productivity and refer to the relevant data.

Question 5b
This part of the question was generally well answered with a good selection of relevant data (relative export prices, % of population with tertiary education, investment rates etc.) and sound analysis thereof. Stronger responses provided balanced evaluative comments. The mean mark was 7.02

Question 5c
On average, candidates did not score as well on this part of the question. The mean mark was 5.55. The best responses were able to appreciate the relevance and significance of the continued presence of large scale conglomerates (Extract 2) alongside a rising average market share for the largest companies in recent years (Figure 4). An ability to make evaluative balanced judgements in relation to the data further differentiated stronger from weaker answers.

Question 5d
A high proportion of candidates were able to identify further measures to improve international competitiveness and offer some development in relation to their possible effects. However, the ability to evaluate the impact of those measures proved challenging for many candidates. The mean mark was 5.80.

Question 6

Question 6a
This part was very well answered with the vast majority of candidates correctly identifying the oligopolistic market structure (not monopoly), and correctly calculating the concentration ratio.

Question 6b
A well answered question. Encouragingly, a significant proportion of candidates produced an accurate diagram showing a downward shift in both AR and MR curves with the resultant fall in profits. Judgements on the likely impact of lower barriers to entry to the market was less well done by a significant proportion of candidates. The mean mark was 6.83.

Question 6c
Most candidates made good use of the data and provided sound reasons as to why branches of Superbarn and IGA were more expensive. Weaker answers tended to merely repeat parts of the extracts. Once again, sound evaluation proved elusive in a number of instances resulting in a mean mark of 5.67.

Question 6d
This part of the question had the lowest mean mark at 5.45. Weaker responses tended to describe forms of government intervention and did not focus upon the likely effects of such intervention. In addition, it was not always clear as to why the chosen forms of intervention would help to protect consumers. The stronger answers considered effects upon consumers and firms in the specified industry but, as before, evaluative comment was often lacking.

Grade Boundaries

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