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Examiners' Report Principal Examiner Feedback

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Pearson Edexcel IAL
In Economics (WEC03)
Paper 01 Business Behaviour

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General comments

This was the first series for an October examination of WEC03 Business Behaviour. All previous examinations have been for the January series and the June series.

The examination seeks to test the students' abilities to select and apply appropriate economic concepts, theories and techniques in a variety of contexts. As Unit 3 is a synoptic unit, the examination may draw on material from Units 1 and 2.

Students attempt two out of four essay titles in Section A. Each essay is marked out of a total of 20 marks using a 5 level of response performance criteria.

Q1 and Q4 were the most popular questions (comparative efficiencies of small and large firms, and monopsony business behaviour respectively). Students also choose one out of two data response questions in Section B. Each question has four parts to it. Part (a) is worth 4 marks and parts (b) to (d) are each worth 12 marks. For parts (b) to (d) it is vital that students make effective use of the information provided in order to access Levels 2 and 3 for knowledge, application and analysis marks. A further 4 marks are available for evaluation.

There was a fall in the proportion of higher quality answers compared to recent examination series.

The more successful students were able to:

- Clearly identify what they were being asked to do. For example, in Q4 evaluate the impact of government measures to restrict monopsony power on the business behaviour of the monopsony firms themselves and not on suppliers.
- Draw and label appropriate diagrams accurately. For example, diagrams to illustrate price discrimination for Q5(c).
- Select and apply appropriate information from the extracts to enhance their answers in Section B.

Less successful students:

- Continue to copy out sections of the Extracts in Section B under the misapprehension that this will achieve application marks.
- Bullet point a large number of factors with little or no development.

Specific comments

Section A

Question 1

Students who performed well were able to critically evaluate the statement. A response which was clearly focused on efficiency concepts and analysed whether or not small firms could conceivably be more efficient than large firms achieved Level 5 or high Level 4 standard. It is worth noting that small firms are not necessarily operating in perfectly competitive markets and large firms are not necessarily monopolies. Whilst credit was given to such answers, the question was not specifically addressing these market models.

Question 2

Good answers were able to analyse the impact of a reduction in barriers to entry on **incumbent** firms. Those students who explained that the market would become more contestable and proceeded to effectively analyse and evaluate a range of three or more possible responses by such firms achieved a Level 4 or Level 5 mark.

Students who performed less well did not focus on incumbent firms and tended to consider how new entrants were likely to behave. Such responses tended to score Level 2 or low Level 3 marks at best.

Question 3

This was the least popular of the essay questions. Students who used relevant economic theory to analyse the connection between diminishing marginal productivity and cost curves achieved a Level 4 or Level 5 mark. In some cases diagrams were effectively utilised, with correct labelling and relevant application. The important distinction between the short run and the long run was clearly identified and evaluated. Those students who performed less well, struggled to explain the key economic concepts and did not display a clear understanding of the theory of the firm.

Centres need to ensure that they cover all aspects of the specification with their students.

Question 4

Monopsony power was clearly understood by a significant proportion of students. Good responses focused on the central strand of the question, namely how monopsony behaviour may need to change. Providing three or more appropriate responses were analysed and evaluated, students scored a high Level 4 or Level 5 mark.

There was a significant minority of students who discussed the impact of government behaviour on suppliers with little mention of monopsony firms. Such responses were awarded low marks at either Level 1 or Level 2.

Section B

Question 5(b)

Students who scored well on this question were able to select two or three relevant points from Extract 1 and explain how the use of non-price competition may benefit consumers. It was not necessary to explain how this would benefit firms unless there was a spill over benefit for consumers, for example higher profits leading to improved quality. Evaluation marks were obtained by commenting on why non-price methods may not benefit consumers giving supported reasons.

Question 5(c)

This question focused on the conditions necessary for price discrimination and whether or not they applied in the market for new cars in the European Union.

Good responses effectively applied the information in Extract 2 and evaluated on the basis that the conditions may not necessarily be met. A significant number of students struggled with this question and displayed an elementary understanding of the concept at best.

As with other Section B 12 mark questions, weaker answers consisted of copied out sections of the information with little in the way of application and clear understanding.

Question 5(d)

As in Q5(c) it was disappointing to note that a number of students had a limited understanding of the concept of price discrimination and the selection of government measures was often inappropriate, for example subsidies and minimum prices.

Centres are advised to ensure that the topic of price discrimination is clearly understood by students.

Question (6a)

Good answers were able to clearly define labour productivity and identify two points in relation to the trends in Figure 1 for application marks.

Weaker responses ignored the dates specified in the question and selected random values from the graph as opposed to trends.

Question (6b)

High quality answers displayed some understanding of competitive tendering and effectively used the information in Extract 1 to consider the impact of government policies.

Weaker responses did not realise that the Brazilian Government was the consumer and provided a generic answer to the question.

Question 6(c)

Good responses selected appropriate information from the extracts in order to consider how Brazilian businesses may respond to the changes in Brazil's competitive position. Two or three developed points coupled with effective evaluation scored 10 or more marks.

Less successful answers discussed what was happening to Brazil in terms of international competitiveness and did not focus on how businesses may respond.

Paper summary

The main implications for future teaching, learning and examination preparation are:

- To ensure that **all** parts of the specification are taught and internally assessed. For example, knowledge of price discrimination, diminishing marginal productivity and competitive tendering was often weak.
- To ensure that students read the questions very carefully. Students should be discouraged from trying to reword a question to fit in with one which he or she may have previously revised.
- To encourage students to make full use of previous examination papers, mark schemes and principal examiner reports.

