



Examiners' Report  
Principal Examiner Feedback

January 2020

Pearson Edexcel International Advanced  
Level In Economics (WEC13/01)  
Paper 01: Business Behaviour

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## Introduction

This is the first series for the assessment of WEC13 Business Behaviour. Changes have been made to the specification, the assessment criteria and the structure of the examination paper. Given these factors the overall level of candidate performance is encouraging.

The examination seeks to test the candidates' 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.

In **Section A**, the multiple choice section, candidates performed best on the long-run average cost and the revenue maximising questions (4 and 5 respectively). The two questions with the focus on labour markets were the least well answered questions in this section (3 and 6 respectively) and this part of the specification may need attention by centres. On the remaining two questions, relating to competitive tendering and concentration ratios, candidates performed well.

In **Section B**, the data response section, questions are based on information provided in the source booklet. Unlike the legacy unit (WEC03) there is no choice of question.

7a: Candidates could access at least one mark by displaying knowledge of how to calculate a percentage change. 59% of candidates scored two marks for the correct calculation.

7b: This question required a definition of specialisation with some development for 2 knowledge marks. A relevant example from each extract was required to attain 2 application marks.

7c: Most candidates were able to draw a diagram to show a fall in the average cost curve and a rise in the level of profits (or a decline in losses). However, only a small percentage of candidates correctly shifted *both AC and MC* curves downwards. Application marks were frequently awarded for appropriate references to the extract. Sound responses also accessed evaluation marks by briefly considering why a fall in variable cost may not have a significant impact on profits.

7d: The vast majority of candidates were able to define price elasticity of demand (PED). A far smaller proportion could accurately show the relationship between PED and total revenue in the form of a diagram. Similarly, accurate analysis of this relationship was lacking in many candidates' answers. This is an area which centres are advised to address. Application marks were frequently awarded for relevant use of the extract.

7e: Most candidates made effective use of the contexts and were able to discuss several forms of barriers to entry and exit. A low proportion of candidates developed their analysis with clear chains of reasoning to achieve at least Level 3 KAA marks. A common feature in responses was to try to cover as many barriers as possible but without any real development in the analysis. A significant change in the new form of assessment for WEC13 is that 7e has 6 marks out of 14 available for evaluation. In order to access higher level evaluation marks candidates need to develop a chain of reasoning in their evaluative comments. This is an area which centres will need to focus upon.

In **Section C** the essay section, candidates have the opportunity to choose two out of three questions. The section was more demanding than previously and this is reflected in the mean scores on all three questions.

Candidates tended to perform less well on Question 10, where candidates needed to evaluate the benefits of an increase in the minimum wage for businesses and workers. This is a new area of Unit 3 and consequently the lower mean mark may be partly attributed to this fact.

In all three questions candidates' knowledge of relevant economic concepts was sound but they often struggled to apply it to the context of the question. Another challenge was the level of analysis. As in question 7e, answers frequently lacked a fully developed chain of reasoning. Successful candidates drew appropriate and accurate diagram(s) and integrated a diagram with sound analysis. This enabled them to consistently achieve within the top levels.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many were unable to offer a logical chain of reasoning. It should be noted that 8 marks are now awarded for evaluation in the essay section. Previously, 6 marks were awarded on the legacy examination WEC03.

An appropriate diagram will always form part of the questions in Section C. The mark scheme will show examples but alternative relevant diagrams are equally valid.

Most candidates were able to complete the paper in the time available.

The performance on individual questions is considered in the next section of the report.

## Section A Multiple Choice

### Question 1

This question concerned bidding for public transport contracts. The correct answer is C as this is an example of competitive tendering.

### Question 2

For this question candidates needed to calculate concentration ratios for UK grocery stores. The correct answer is D. The 3 alternative options were all either 10% higher or 10% lower than the correct ratio.

### Question 3

Candidates tended to struggle with this question on labour mobility. The correct is A. A decrease in occupational mobility of labour is the only factor which could cause workers to be changing jobs less frequently given the options in the question.

### Question 4

The correct answer is B. Most candidates were able to correctly deduce that the increase in output shown on the graph leads to a fall in long-run average costs (LRAC) and hence results in economies of scale. Diminishing returns is a short-run phenomenon, diseconomies of scale is where LRAC is rising and a rise in output is unlikely to result in a fall in **total** costs.

### Question 5

An encouraging number of candidates correctly identified that the revenue maximising output occurs where marginal revenue is zero and chose option D.

### Question 6

This question tested the candidates' knowledge of the elasticity of demand for labour. The correct answer is A, where labour forms a high proportion of total costs. Options B and C make demand for labour more inelastic and option D makes supply of labour more inelastic. A significant minority of candidates chose an incorrect statement.

## Section B

The source booklet focused on developments in the electric car market. It comprised one graph showing changes in electric car registrations in the UK, an extract about Tesla's financial performance and an extract about new entrants into the market.

### **Question 7a**

Candidates needed to calculate the change in electric car sales from 2013 to 2017 and then express this as a percentage change. Although 60% of total candidates scored the maximum of 2 marks this still indicates that 40% were not able to calculate a percentage change correctly.

### **Question 7b**

48% of candidates attained 3 marks out of 4 on this question. Most of these scored 1 knowledge mark and 2 application marks for correctly defining specialisation and for selecting an appropriate example of specialisation from each extract. 22% of candidates scored the maximum mark by developing their definition to gain the additional knowledge mark. For example, by briefly stating that specialisation can lead to increased efficiency.

### **Question 7c**

A diagram showing a downward shift in both AC and MC curves and the change in the profit (or loss) areas scored maximum knowledge and analysis marks. The analysis marks were also available for a written explanation. Two relevant references to the extract secured the application marks. An 8 mark question in Section B will always allocate two marks for evaluative comments. On this occasion evaluation marks were awarded for comments which considered why an increase in profits (or a fall in losses) may not be significant.

### **Question 7d**

This question tested the candidate's understanding of the relationship between price elasticity of demand and total revenue. Most candidates were able to apply the information from the extract to explain, for example, that revenue will rise where price rises and demand is inelastic. Fewer candidates were able to show the relationship in diagrammatic form. For example, confusing revenue and profit areas below the demand curve.

### **Question 7e**

Candidates needed to use the source material to discuss the significance of barriers to entry and exit for new entrants. It is important that candidates select two or three factors and develop their analysis by focusing on those points rather than trying to cover as many barriers as possible. This will enable candidates to access the higher levels of response. For example, branding may be a significant barrier for Dyson. It is attempting to enter a market dominated by Tesla, a well-established electric car manufacturer. Dyson has a brand associated with domestic appliances, not electric cars. This could prove to be a problem in attracting consumer demand. Here we have a chain of reasoning based on one barrier. With a little

more development we would be moving into Level 3 as long as this is sustained when analysing another potential barrier.

Similarly, evaluative comments should be supported by a chain of reasoning, as opposed to a number of separate undeveloped points.

For example, branding may not prove to be a major barrier since Dyson has a good reputation with consumers for quality and for innovative products. Tesla may be dominant but its own reputation may be at risk as it has failed to deliver orders to a large number of customers. This type of response will potentially be awarded Level 3 evaluation marks.

### **Section C**

General points:

Candidates often make a number of valid separate points but do not develop a coherent chain of reasoning. In addition, a number of candidates do not include any form of contextual reference and consequently will not achieve more than a Level 2 KAA mark. Context can be from the stem in the question and/or from other examples used effectively by the candidate.

For their evaluation candidates should provide a partially-developed chain of reasoning to attain at least Level 2. An informed judgement is needed in order to gain a Level 3 evaluation mark.

### **Question 8**

Candidates were asked to evaluate possible benefits of a demerger for the business and its workforce. Candidates typically used a long-run average cost curve to show a larger firm experiencing diseconomies of scale. The analysis was developed to explain *why* a demerger might result in a move towards minimum efficient scale, hence a fall in AC and how this may benefit both economic agents. A common alternative analytical route was to show how an increase in specialisation may increase productivity, leading to higher wages and more job opportunities. Higher levels of attainment were apparent where there were clear links in the analysis with contextual references.

Evaluation marks were awarded for consideration of the possible drawbacks to the business and the workforce.

### **Question 9**

This question tested the candidates' understanding of how a monopoly may benefit consumers. The brief context referred to a state owned monopoly and many candidates used that scenario as a basis for developing their analysis and evaluation. However, this was by no means the only route which enabled candidates to attain high level marks.

Analysis which centred on falling long-run average costs and setting low prices were pertinent to the public ownership strand. References to the telecommunications market and possibly the need for a large firm which can

achieve efficiencies helped to develop a coherent chain of reasoning in context. Another relevant concept was price discrimination and why this may benefit those consumers with elastic demand. Diagram illustrating any of the above points were rewarded when used to enhance the analysis. For evaluation candidates needed to discuss why a monopoly may disadvantage consumers. Two well developed points leading to an informed judgement with a contextual reference would gain a Level 3 mark for evaluation.

### **Question 10**

Candidates were asked to evaluate the benefits of an *increase* in the minimum wage for businesses and workers. Several candidates missed the fact that the question refers to an increase. A diagram which showed two levels of minimum wage was effectively relating to the question and was contextualised. Many candidates were able to identify several benefits for both economic agents but analysis often remained on a superficial level. Successful candidates developed their analysis by, for example, linking higher wage to greater motivation, to greater efficiency of labour to lower unit labour cost in the long-run. With context and more detailed explanation this line of reasoning moves a candidate into Level 3 or Level 4, providing there is evidence of this quality elsewhere in the answer.

Evaluation focused on why a rise in the minimum wage may not be beneficial. Again, most candidates were able to flag up relevant points such as, higher costs to business and that it depends on the magnitude of the increase. However, to secure higher evaluation marks these points needed to be developed. For example, on the issue of magnitude the rise may be more than offset by a rise in productivity. Although in the case of the Malaysian textile industry the rise was a very substantial one. In which case it is unlikely the entire rise in costs will be offset. This point has a logical chain of reasoning and contains an informed judgement. It represents a Level 3 evaluative comment.



## Paper summary

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

- Ensure that **all** parts of the specification are taught and internally assessed. For example, an understanding of labour markets and the relationship between price elasticity of demand and revenue was weak in several cases.
- Encourage students to draw accurate, appropriate, legible and labelled diagrams.
- Section B: Ensure that candidates refer to the relevant extracts but do not copy from them. Brief quotes are acceptable but, in themselves, will not achieve any marks.
- Section B the 14 mark question and Section C essays: Encourage candidates to develop a chain of reasoning by analysing two or three salient point in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section B), appropriate examples (Sections B and C) or the context at the start of Section C questions.  
In addition, ensure that candidates are aware that evaluative comments should be linked to the context of the question. These should have a chain of reasoning or sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section C it is necessary to include an informed judgement.
- To encourage students to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports.

## Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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