Candidate surname | Other names

Pearson Edexcel
International
Advanced Level

Centre Number | Candidate Number

Time 2 hours

Paper reference **WEC13/01**

Economics
International Advanced Level
Unit 3: Business behaviour

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Sections A and B.
- Answer **TWO** questions in Section C.
- Answer the questions in the spaces provided
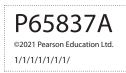 – *there may be more space than you need*.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question*.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.
- Good luck with your examination.

Turn over ▶

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Mara Phone is a new smartphone developed by the African conglomerate, Mara Group. The business is aiming to grow its market share by maximising its sales.

Which **one** of the following conditions is necessary for Mara Group to maximise sales volume of this new phone without making a loss?

☒ **A** Marginal revenue equals marginal cost

☒ **B** Average revenue equals average cost

☒ **C** Marginal revenue equals zero

☒ **D** Average revenue equals marginal revenue

(Total for Question 1 = 1 mark)

2 A Swedish company, Lantmännen, is an agricultural business owned by 25 000 farming partners.
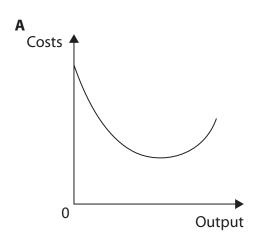
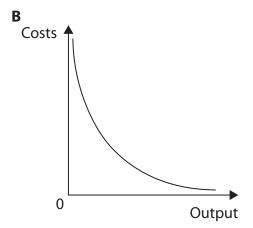Which **one** of the following is the best description of this type of business?

☒ **A** State-owned enterprise

☒ **B** Joint venture

☒ **C** Conglomerate

☒ **D** Co-operative

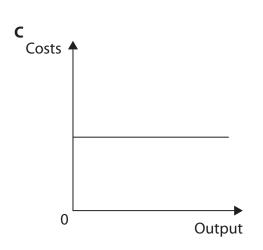**(Total for Question 2 = 1 mark)**

3   Which **one** of the following diagrams illustrates a firm's average fixed cost curve?

A
Costs

0   Output

B
Costs

0   Output

C
Costs

0   Output

D
Costs

0   Output

☒   **A**

☒   **B**

☒   **C**

☒   **D**

(Total for Question 3 = 1 mark)

4 Which **one** of the following will influence the elasticity of demand for labour?

☒ **A** The size of the population

☒ **B** The level of welfare benefits

☒ **C** Labour costs as a percentage of total costs

☒ **D** The rules determining the number of immigrants

(Total for Question 4 = 1 mark)

5 The table shows a firm's total costs of producing textbooks.

Output	Total costs ($)
0	14 000
1 000	15 000
2 000	16 000
3 000	17 000
4 000	18 000
5 000	19 000

What would be the average variable cost at an output of 4 000 textbooks?

☒ **A** $0.75

☒ **B** $1.00

☒ **C** $3.25

☒ **D** $4.50

(Total for Question 5 = 1 mark)

6 A farm producing wheat is operating in a monopolistically competitive market. Which **one** of the following will apply to this firm?

- ☒ **A** Allocative inefficiency in the long-run
- ☒ **B** Productive efficiency in the short-run
- ☒ **C** Supernormal profit in the long-run
- ☒ **D** Allocative efficiency in the short-run

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

7 In 2018 total new car sales in China were 23.7 million.

(a) With reference to Figure 2, calculate the 4-firm concentration ratio for the car market in China in 2018. You are advised to show your working.

(2)

(b) With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** reasons for the fall in car sales in China since 2017.

(6)

(d) With reference to Extract A, examine the likely effects of the Chinese Government's subsidy on the profits of an electric car manufacturer.

Illustrate your answer with an appropriate diagram.

(8)

(e) With reference to Extract A and Extract B and your own knowledge, discuss the types of non-price competition that could be used by car manufacturers to increase the sales of cars.

(14)

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(a) With reference to Figure 2, calculate the 4-firm concentration ratio for the car market in China in 2018. You are advised to show your working.

(2)

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(b) With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.

(4)

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(c) With reference to Figure 1 and Extract A, analyse **two** reasons for the fall in car sales in China since 2017.

(6)

P 6 5 8 3 7 A 0 9 2 8

(d) With reference to Extract A, examine the likely effects of the Chinese Government's subsidy on the profits of an electric car manufacturer.

Illustrate your answer with an appropriate diagram.

(8)

P 6 5 8 3 7 A 0 1 0 2 8

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(14)

P 6 5 8 3 7 A 0 1 2 2 8

P 6 5 8 3 7 A 0 1 3 2 8

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.

SECTION C

Answer TWO questions from this section.

8 In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million.

Evaluate the possible benefits of privatisation for the consumer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 In the UK, for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel.

Evaluate the view that price discrimination is always beneficial for producers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 In New Zealand, in 2018, it was estimated that the average worker employed in the private sector earned 30% less than the average worker in the public sector.

Evaluate the reasons why wage differences exist.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)

Write the answer to your FIRST chosen question here.

Indicate which question you are answering by marking a cross in the box ⊠. If you change your mind, put a line through the box ⊠ and then indicate your new question with a cross ⊠.

Write the answer to your SECOND chosen question on page 22.

Chosen question number:　　**Question 8** ⊠　　　**Question 9** ⊠　　　**Question 10** ⊠

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Write the answer to your SECOND chosen question here.

Indicate which question you are answering by marking a cross in the box ⊠. If you change your mind, put a line through the box ⊠ and then indicate your new question with a cross ⊠.

Chosen question number: **Question 8** ☒   **Question 9** ☒   **Question 10** ☒

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P 6 5 8 3 7 A 0 2 5 2 8

TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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Pearson Edexcel International Advanced Level

Time 2 hours

Economics
International Advanced Level
Unit 3: Business behaviour

Source Booklet
Do not return this Booklet with the question paper.

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The Chinese car market

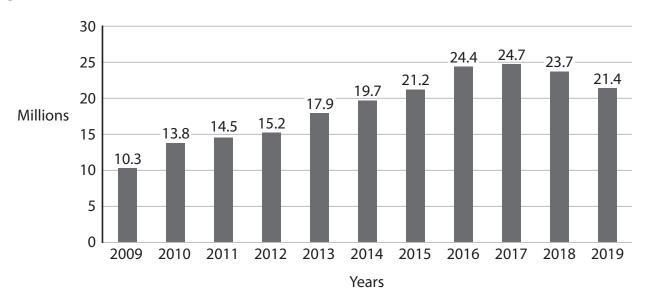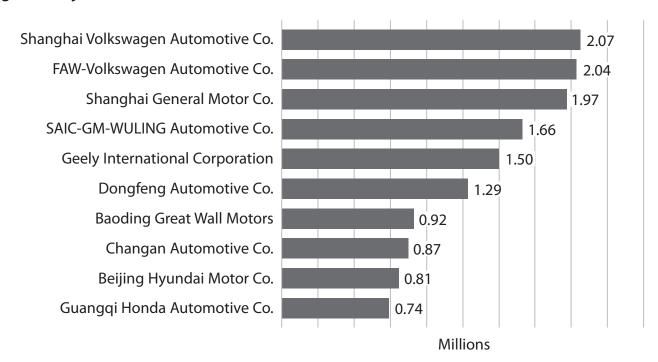**Figure 1 New car sales in China, 2009–2019 (millions)**

Figure 2 Major car manufacturers' sales in China, 2018 (millions)

Extract A Developments in the Chinese car market

In 2019 more cars were sold in China than in any other country. In that year, the Chinese car market accounted for 30% of total global car sales. Chinese manufacturers produced 42% of the cars sold in China in 2019. In 2018 23.7 million cars were sold in China, compared to only 4.4 million in Japan, 15.6 million in Europe and 17.2 million in the United States.

5

In 2018 car sales in China declined by 4%, the first reduction in 20 years. One reason for this was the slowdown in China's rate of economic growth. In 2009 real GDP rose by 9.4%, but in 2018 the rate of growth had fallen to 6.6%.

The decline in sales is also because of the increased availability of substitutes. Chinese car buyers are increasingly looking for low-cost alternatives to buying new cars. Many consumers are switching from car ownership to using car-hailing taxi apps instead. There are now over 100 different car-hailing platforms in China with over 330 million consumers. The price of these services is very low and the app makes them very easy to order. China is becoming the largest car-hailing taxi market in the world.

10

15

Growth in the electric and hybrid car market is promising, as younger consumers demand more environmentally friendly transportation. The Chinese Government is heavily subsidising electric cars, offering up to 90 000 yuan per car, in an attempt to encourage more production. The aims of the subsidies are to reduce air pollution to meet carbon performance targets and to improve the quality of electric cars. The Government is also increasing the number of public charging points available for electric cars. Local governments incentivise consumers to purchase electric cars by offering free licence plates and free parking.

20

Extract B Competition in the Chinese car market

A connected-car is one that has its own internet connection. This allows the car to share internet access and data with other devices inside and outside the car. The global connected-car market is expected to grow by 270% by 2022. Market research by Kantar TNS suggested 79% of the Chinese consumers planned to buy a connected-car in the future.

5

In 2018 BMW, a leading German luxury car manufacturer, started a joint venture with Alibaba Group, a Chinese multinational firm specialising in technology. Their aim was to develop a range of luxury connected-cars. Drivers are able to shop online, watch movies, listen to music and book appointments in their new BMW. Quality and innovation are very important in the Chinese car market. Consumers are very influenced by reputation and social media when choosing a car to purchase.

10

Chinese car manufacturer Geely is the main producer of connected-cars. Geely has a 6.3% market share of the total Chinese car market. The business produces highly connected-cars with ultra-modern design. The company targets its cars at younger consumers. The company is trying to expand internationally and recently bought the majority share in Lotus, a British sports car brand. The takeover should help Geely increase its sales in Europe. However, its main objective is to grow its market share in China.

15

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