Examiners' Report
Principal Examiner Feedback

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Introduction
There was a high number of impressive responses to all parts of the paper, this was especially true of section B part d and all parts of section C where the candidates were clearly well prepared for the topics questioned and had taken the advice on board from previous examiners reports showing evidence of detailed analysis and evaluation.

In Section A, the multiple-choice section, candidates performed better on the questions examining barriers to entry, supply of labour and profit maximisation. Candidates were not as confident on the calculation questions and highlights the need to better prepare for quantitative skills questions.

Section B, the data response section, was based on the smart phone industry in India. On the whole, many candidates found the case study accessible and were able to use the information provided to support their answers with high quality application in both their analysis and evaluation. Answers were less generic than in previous exam series.

Question 7a posed difficult for many students who calculated the concentration ratios without the percentage point change, clearly not fully addressing the question, some made inaccurate calculations of the concentration ratios.

In part 7b, candidates needed to provide two reasons why India had become the world's second largest smartphone market. Most candidates correctly identified two reasons and were able to support this with case study evidence; however, many candidates dropped marks for their lack of analytical development.

7c required an explanation of economies of scale, the knowledge of this was often too vague to be awarded two marks, many candidates did not state that economies of scale caused long-run average costs to fall, missing the identification of the long-run for a knowledge mark. Many candidates did not include appropriate application and linked their answer to costs more generally rather than costs falling because expansion into India.

7d required candidates to include a costs and revenues diagram to show how Samsung's falling costs of production would impact their profits. Many students achieved full marks on this question as the provided accurate diagrams, strong application and developed, contextual evaluation. A number of candidates misread the questions and included a economies of scale diagram, as this does not demonstrate profits this was not awarded. The case study provided many opportunities for application and evaluation which was well used by candidates, and many achieved full marks for this. It is advisable that candidates know when to apply the correct diagram to answer similar questions on future papers.

Question 7e examined the benefits of non-price competition for consumers and businesses in the smartphone industry in India. The question allowed students to include their own knowledge to provide possible benefits beyond the case study. Better responses supported their understanding with reference to the market structure that the smartphone businesses compete it. Candidates needed to reference both the business and consumers to reach level three for knowledge, application and analysis. Responses not achieving the higher levels often were often generic or included limited chains of reasoning, a high number of these listed benefits with limited development. Evaluation on this question was also limited and often generic. Strong candidates were able to counter their arguments using the case study evidence.

Section A

Question 1
The question asked for the correct identification of a barrier to entry. Many candidates were able to correctly identify predatory pricing as the correct option. The most common incorrect answer was constant returns to scale.

Question 2
For this question candidates needed to understand and interpret a cost and revenue diagram under the conditions of perfect competition in the short run. Only some students were able to provide the correct answer. There was an equal balance of incorrect answers options which shows candidates were not confident on this question. Many students had not realised the inelastic revenue curve displays perfect competition in the short-run and were not able to answer this question.

Question 3
Candidates were confident in their understanding of the supply of labour and correctly identifies that an increase in benefits would decrease the supply of labour.

Question 4
Candidates tended to perform badly on this question which required a calculation of the marginal cost of labour. It was evident that candidates were not secure in their knowledge on this question and would benefit from further practise.

Question 5
This question tested the shut-down point in the short-run. Many candidates were able to correctly identify this, however quite a large number of candidates confused the short-run shut down with the long-run shut down position.

Question 6
This question was one of the most accessible on the paper with many candidates selecting the correct answer. It asked candidates to interpret a cost revenue diagram

and select the correct objective being met by the pricing decision. Many students were able to identify the correct answer as sales volume maximisation; a number of candidates selected revenue maximisation as the incorrect answer.

Section B

Question 7a
For this question students needed to use the data in figure 1 to calculate the percentage point change in the four firm concentration ratios. A number of students miscalculated this and were able to achieve one mark for the correct ratios but didn't calculate the percentage point difference. Candidates also included 'others' as a business in their calculation, achieving no marks. It is advisable that centres emphasise that others is not a business and often in the data. They should also teach the difference between percentages, percentage change and percentage point change.

Question 7b
This six-mark question required candidates to identify two reasons why India had become the world's second largest smartphone market. This style of questions needs two references to the extract(s) for application marks. Most candidates were able to provide these, however many were not able to fully develop their identification point to provide analysis, or in some cases they used the same development twice, only allowing the candidate to achieve a maximum of five marks. Some responses were quite repetitive, and candidates explained their identification point using the same language as their application, for example high incomes. Students must be aware they cannot be awarded the marks twice for the same point. Evaluation was not needed for this question, though a number of candidates included it. The mark structure changed slightly on this examination paper to follow the case study more closely and candidates must carefully identify the correct question order to ensure they answer the question including the necessary level of analysis and evaluation.

Question 7c
Most students could provide a definition of economies of scale; however, these were often vague and lacked stating either 'long-run', 'average costs' or 'as output rises'. Students were able to achieve these marks from a diagram in it was clearly labelled or showed the falling long-run average cost curve. Omitting one of these stages such as stating 'average costs are falling as output rises' only achieved one mark for knowledge. In these 4-mark questions there are 2 marks for application and some students did not make sufficient use of Extract A to secure both marks. A large number of students referenced transportation costs falling, this was not rewarded as it didn't link to the long run expansion and did not directly answer the questions. Candidates are encouraged to carefully select the appropriate application form the case study to ensure it addresses what is being asked of them.

Question 7d
This question required students to examine the likely impact on the profits of Samsung of opening up a smartphone factory in India. Students need to include an appropriate diagram. Those candidates that correctly included a cost and revenue diagram with the initial profit maximisation equilibrium achieved the first knowledge mark. The second mark was awarded for either a shift in average costs or average and marginal costs. The analysis marks were achieved from showing the original supernormal profit level and an increase in the new supernormal profit level. A total of four marks were allocated for correct diagram regardless of the write up.

Many candidates choose to include an economies of scale diagram, this did not address the question and it does not demonstrate any change in profits therefore no marks were awarded for it. Candidates should carefully read the question and consider the correct diagram to use in their answer.

Most candidates were able to include application to the case study and had picked up on the reduction in transportation costs and the relatively low labour costs. There are two marks available for application on an eight-mark question and candidates should include two separate references to achieve these.

Evaluation was strong on this question and many candidates were able to use the case study to suggest why costs might rise limiting the profitability of Samsung. The tariff on imported components was commonly cited and with some development achieved both the available marks. Candidates should seek to use the case study to provide high quality evaluation in their answers.

Question 7e
This question required candidates to discuss the benefits of non-price competition for both consumers and businesses in the Indian smartphone industry. For level three candidates need to include benefits for both businesses and consumers. Stronger candidates were able to explore the benefits of non-price competition for an oligopoly as price competition was unlikely to occur. Questions that allow for a candidates own knowledge to be used accept students to draw upon plausible reasons beyond the case study as application. Some candidates used their own ideas, stronger candidates were able to reference branding, quality and after sales services from the case study.

Evaluation focused on the draw backs of non-price competition, increasing costs and limited success rates were the most commonly cited. There were some excellent examples of candidates discussing the increase in barriers to entry caused by the non-price competition and the negative impact this has on smaller firms ability to remain in the industry.

Many candidates provided generic answers that were not developed often offering multiple statements with chains of analysis. This scatter gun approach will limit the response to a level one. Candidates should focus on developing fewer point to achieve a higher level for knowledge application and analysis.

Section C

Question 8
This question asked student to evaluate the possible benefits of a demerger and was the most popular of the three essays available. To achieve a level 3 for knowledge application and analysis, students needed to include an appropriate diagram, many included a economies of scale diagram moving to a more productively efficient output. A correct diagram with some development pushed students responses into high level 2 low level three. Many candidates were able to offer application and used the stem to give evidence for greater levels of specialisation for Peak Minerals and Vertex Minerals after the merger. Level four responses required strong application throughout their answers and developed chains of reasoning. Many candidates focused their answer too heavily on pre-learned material and did not fully address the question. Their answers became too narrow or superficial with only two-stage chains of reasoning and were limited to a Level 2 mark for KAA.

For evaluation, students were able to consider the negative impacts of the demerger, this was not as strong as the analysis and often lacked context and development, often points only achieved a level one as they were statements rather than logical chains of reasoning. Only a few candidates were able to offer critical evaluation which led to an informed judgement.

Question 9
This question demanded an understanding of the benefits of price discrimination to both the producer and consumer and a diagram to support the analysis of candidates responses. To reach a level four both consumer and producer benefits needed to be explored. Most students were able to accurately define and explain a price discrimination, often providing examples to support their knowledge. The stem was well understood by candidates, and many included the hotel example in their answers. Though most students attempted a diagram, these were often inaccurate and only the better responses showed the correct gradient of the revenue curves to express the different elasticities in submarkets. Much of the analysis was superficial and not well developed. In weaker responses, reasons were poorly explained and generic, and diagrams were often inaccurate or not included.

The best evaluation provided context of price discrimination to a particular industry. The most commonly used points were the loss of consumer surplus for the inelastic consumer group, or the costs involved in maintaining the submarkets for the producer.

For many candidates, evaluation was often generic, lacking examples and only supported by partially developed chains of reasoning, this could achieve a Level 2. This essay was commonly the second chosen and often unfinished, or more rushed than the others. Many students did not offer an informed judgement. Those that did provided a summary of their points rather than an overall judgement.

Question 10
This was the second most popular of the essay questions and it required candidates to evaluate the impact of a rise in the national minimum wage rate. Candidates often misread the question and answered based on an introduction of a national minimum wage. This limited the marks they could achieve for their diagrams and analysis. Correctly drawn rising national minimum wage diagrams achieved a level two plus. Better candidates used the stem material well and discussed the impacts of the rise in the national minimum wage in Greece. These candidates included a correct diagram and analysis on the impact of both the supply and demand for labour, costs and rising unemployment. There were some strong examples of candidates exploring this topic comparing the impact on different industries with different levels of labour intensity. Most candidates were able to explain what a national minimum wage was and the impact it has on the economy. Too many answers explored the impact on the macroeconomy which did not address the question asked. A number of candidates still provided multiple short analysis points which only achieve level 2, or level one if these explained the impact of an introduction of a national minimum wage. Rising unemployment was the most referenced evaluation point, better candidates were able to link this theory to a diagram and example to achieve level three evaluation. Strong evaluation focused on the question and refrained from generic points such as size of increase and time frame. As with the other essays, however, much evaluation was not well related to the context and/or the points were not well developed

A significant number did not put an x next to the question they had selected. It is helpful if students remember to put an x in the box of the question they select. It is also helpful if they change their mind to change the selected question by putting a line through the incorrect question number and replacing the question attempted. Candidates must also ensure they do not answer two essays on the same page.

Paper Summary

Based on their performance on this paper, students are offered the following advice:

Section A
- Ensure that they have studied all parts of the specification. Performance on two of the multiple-choice questions suggested that students were less secure in their understanding of key diagrams and the quantitative methods questions.

Section B
- These questions have their basis in the data so use of the context is important: in the points-based questions 2, 4, 6 and 8 mark questions there are 2 marks for application. In the 14-mark question (which used level-based marking) application is captured in the 8 marks available for KAA.
- Evaluation is only required for the 8 mark and 14 mark questions.
- Students should be confident in providing dynamic diagrams (shifts) when asked for a costs and revenue diagram in an 8 mark questions. They should also carefully read to check if the question requires a diagram showing changing profits.
- Candidates should be aware that the mark order will change to follow the case study and carefully checked the amount of marks available for each question
- Candidates should learn precise definitions and the difference between percentage, percentage change and percentage points.

Section C
- For essays (and the 14 mark data response question) it is important for students to develop chains of reasoning by analysing two or three relevant points in depth and to provide some context for their answers (either that provided in the question or using their own examples).
- Students must be aware of the need of application in their essays. Students must prepare for an industry of their choice and policies used by the government to be included in their answers. They should also be aware that the stem can be used as a reference point for application but shouldn't be lifted and copied into their answer.
- When appropriate diagrams should be included and integrated into candidates answers.
- All essays need to include evaluation for which up to 8 marks may be awarded. To achieve Level 3 for evaluation in Section C it is necessary to support points with a logical chain of reasoning, to make reference to the context and to include an informed judgement.