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 second opportunity for candidates to be entered for the IAL Unit 3 Business Behaviour examination paper and the first summer series examination.

A total of 381 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.

Mean marks for the four essay questions in Section A showed some degree of variation in standard ranging from 7.6 for Question 1 to 10.71 for Question 3. Additionally Question 3 had the lowest proportion of candidates scoring 8 or less marks (22.3%), whilst Questions 3 and 4 had the highest proportion scoring 14 or more marks (22.8% and 22.5% respectively).

Mean marks for questions 5 and 6 in Section B also showed some significant variation. The combined mean mark for the 12 mark b – d sections was 4.48 for Question 5 and 6.40 for Question 6. Q5a also had a lower average score of 1.84 as compared with 2.70 for Q6a.

The A grade was set at 58 marks and the E grade at 31 marks.

SECTION A

Question 1

This was the third most popular question in this section. There were some very good answers, with candidates demonstrating a clear understanding of a range of business objectives coupled with an appropriate analysis of diagrams to show profit maximisation and other business objectives such as sales maximisation and profit satisficing. Strong responses provided a well-structured answer which contrasted the need for perfectly competitive firms to maximise profits in the long run in order to make a normal profit with other market models where other objectives may be more important.

By contrast, a number of responses simply agreed with the statement without considering other possible business objectives. In such cases the aim of maximising profit was not questioned at all. This question had the lowest proportion of high quality answers.

Question 2

This was the second most popular question in this section. Good answers were able to discuss the possible impact of a demerger for a conglomerate covering issues such as reducing or eliminating diseconomies of scale, specialising in core activities, using funds raised from the sale of assets to develop into more profitable areas of the business. In addition, strong responses were able to evaluate as to whether this may prove to be a poor managerial decision in the long run. Weaker responses focused more on reasons for merging as opposed to demerging and described several forms of economies of scale without fully addressing the question. This question differentiated particularly well.

Question 3

This was the most popular question in this section of the paper and it was well answered by a significant proportion of candidates. Collusion was well understood by the vast majority and it was encouraging to note that all but a few answers considered the likely impact on both consumers and producers. Stronger answers were able to offer well balanced evaluation in terms of there being potential benefits to consumers and the possibility of firms breaking agreements alongside possible government actions to curtail collusive behaviour.

Question 4

This was the least popular question on the paper. Marks for this question showed a pronounced division between low and high scores. Weaker responses tended to interpret 'suppliers' in the broadest sense and wrote in a very descriptive and generalised way about increasing competition. By contrast, the best responses had a clearer focus on suppliers (i.e. as part of a supply chain) and were able to discuss government measures designed to limit monopsony power and/or improve opportunities for suppliers in international markets.

SECTION B

45.3% opted to answer Question 5 as compared with 54.7% choosing Question 6.

It is important to note that both 5a and 6a award 2 marks for knowledge and 2 marks for application. Consequently, an accurate definition or some other display of knowledge is required alongside interpretation of data. Many candidates across the ability spectrum are missing out on knowledge marks.

In this section weaker candidates are inclined to simply repeat parts of the extracts and consequently fail to gain marks for application and analysis.

Candidates need to be reminded that for parts b – d, 4 of the 12 marks available are awarded for evaluation.

Question 5

All parts of this question had lower mean marks than the alternative Question 6. Using information from the extracts proved to be challenging and candidates' understanding of price discrimination was weak in many cases.

5a

Many candidates failed to provide a coherent explanation for a fall in profits. Repetition of parts of the extract gained no marks. A strong answer - for example referring to falling revenue (due to higher or lower premiums), or the rising costs of meeting accident claims – was disappointingly rare. The mean mark was 1.84.

5b

Again there was much copying of parts of the relevant extract. However, some candidates used the opportunity to apply their knowledge of price discrimination with some excellent analysis of appropriate diagrams. Product differentiation provided an alternative route to obtaining marks. The mean mark was 4.69.

5c

On average, candidates did not score as well on this part of the question. The mean mark was 4.15. The best responses were able to identify appropriate government measures designed to prevent price discrimination, discuss how these may benefit consumers and then evaluate in terms of how some consumers may lose out. Weaker answers lost sight of the fact that the question was about price discrimination and considered more general consumer protection measures.

5d

This question discriminated well and there was a very wide range of responses. However, overall the general level of quality was disappointing with a mean mark of 4.59. Good answers made effective use of the relevant information and were able to identify key features such as high sunk costs and other factors which pointed towards natural monopoly. Some candidates showed a downward sloping LRAC curve with a high MES. Strong answers were able to appreciate that competitive conditions may be introduced in the form of franchising for example.

Question 6

6a

Most candidates could provide a definition of FDI and interpret the trends in FDI inflows. The mean mark was 2.70

6b

This question discriminated well with some very good responses. The mode was a relatively high mark of 9 with a mean mark of 7.26. It was encouraging to see clear explanations in context by the majority of candidates. Weaker responses discussed growth of IKEA but did not position their answer in an international context.

6c

A good discriminator. The best responses were able to identify appropriate government measures and assess their likely effectiveness. Other good answers missed out on evaluation marks because the focus shifted to drawbacks of TNC's and not an assessment of the government measures. Closer reading of the question would have enhanced marks. The mean score was 6.11.

6d

Again a good discriminator. Strong responses covered both government policies and pressure group campaigns with effective use of contexts. Weaker responses tended to repeat sections of the extracts without adding very much in the way of analysis or evaluation. This part of question 6 had the lowest mean mark of 5.82.

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