Examiners' Report
Principal Examiner Feedback

January 2017

Pearson Edexcel
International Advanced Level (IAL)
Economics (WEC03) Unit 3

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Introduction

This was the fourth series for a January examination of WEC03 Business Behaviour. An additional three papers have been sat for previous summer series.

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.

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 Q3 were the most popular questions (possible reasons for demergers and non-pricing strategies by oligopolies 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.

In line with the trend over recent series there was a rise in the number of higher quality answers this year.

Successful candidates were able to:
- Clearly identify what they were being asked to do. For example, in Q4 assess the **costs** to consumers **and** firms of government measures to restrict monopsony power.
- Draw and label appropriate diagrams accurately. For example, diagrams for the shut down point in the short run and the long run in
Q2 and for the impact of a pressure group's campaign on Shell's costs, revenues and profits in Q5d).
- 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 score application marks.
- Draw inaccurate and badly drawn diagrams. For example, not understanding the relationship between AFC, AVC and ATC in Q2.
- In section A, and to a lesser extent in Section B, bullet point a large number of factors with little or no development.

Section A

Question 1
Students who performed well were able to identify 3 to 4 logical reasons why a business may decide to demerge, providing a developed analysis as to why this may be a preferred option for the business. Evaluation needed to consider why this strategy may not be a successful one. Such a response would potentially achieve a Level 5 mark. Evaluation was not relevant if it discussed the disadvantages of a small business, since a demerger does not necessarily result in a business becoming small.

Question 2
Sound answers were able to analyse the significance of price (AR) needing to at least cover the average variable costs (AVC) in the short run and both AVC and average fixed costs in the long run. Accurate and appropriate diagrams enhanced the quality of the sound answers. Evaluation needed to considers issues such as not for profit organisations and/or the possibility of government assistance.
Those students who performed less well struggled to understand the concept of the shut down point and its significance.
Centres are advised to make sure that this aspect of the specification is fully covered.

Question 3
There was a number of very good answers to this question. High scoring responses were able to apply their economic theory of oligopoly effectively with the analysis focusing on the reasons **why** price competition may not be a sensible strategy.
Those candidates who performed less well **described** non-price strategies but did not analyse why these may be preferred because of the interdependence of firms.
It was entirely acceptable for a student to take a reverse position and consider the case **for** price competition.

Question 4
Monopsony power was clearly understood by a significant proportion of candidates. However, there was a minority of students who confused monopsony with monopoly and these answers were awarded very low marks. Sound Level 4 and Level 5 responses identified several potential costs to both consumers and firms of government intervention. The impact also depended upon the **type** of firm being discussed (supplier, buyer or competitor) and quality answers were able to convey this. Evaluation issues were concerned with how government intervention may, in fact, benefit consumers and firms. Once again, the arguments could be reversed.

Section B

Question 5(a)
From the information provided in the extract it was correct to identify the takeover as either a horizontal or a vertical integration. Marks were awarded in either instance.

Question 5(b)
Students who scored well on this question were able to select 3 to 4 salient point from the data and explain how Shell may benefit from the takeover of BG Group. Evaluation marks were obtained by commenting on why Shell may not benefit giving supported reasons. As with all other Section B 12 mark questions, weaker answers copied out sections of the information and provided little in the way of application and clear understanding.

Question 5(d)
This question focused on what might be the impact of the Greenpeace campaign on Shell's finances. Sound answers were able to provide a balanced response which recognised that whilst there may be negative impacts, the campaign itself was directed at a relatively small part of Shell's overall business. Weaker responses tended not to address the impact on costs, revenues and profits and offered a more generic answer.

Question (6a)
A disappointing number of answers thought that FDI meant any form of money flowing into an economy and did not understand the term **direct** investment. Some confused it with share capital.

Question (6d)
High quality answers identified 3 to 4 measures which a government could take to control TNC activity, developing each point to discuss the possible impact of such measures. Impact could be on micro or macro aspects of the domestic economy. A balanced approach, considering positives and negatives accessed the evaluation marks.
Weaker responses identified possible policies but did not consider the issue of impact.

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 shut-down point and the impact of pressure groups was weak in several cases.
- To encourage candidates to make full use of 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