



Pearson
Edexcel

Examiners' Report Principal Examiner Feedback

October 2021

Pearson Edexcel International Advanced Level In
Economics (WEC13/01)

Unit 3: Business behaviour

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October 2021

Publications Code WEC13_01_2110_ER

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Introduction

The number of entries for WEC13 this October was quite low. There was however, a good number of impressive responses to all parts of the paper.

In Section A, the multiple-choice section, the opening question was on the reasons for a takeover between two video game producers, students were able to identify these firms would benefit from economies of scale reducing long run average costs.

Q2 tested students ability to calculate concentration ratios. Most candidates were able to calculate the correct answer.

Q3 tested students understanding on national minimum wage by interpreting a diagram. Students correctly identified that the impact of an introduction of a national minimum wage would be an increase unemployment.

Q4 asked for students to calculate the level at which diminishing returns set in for a firm producing sports footwear. This was a challenging question and many students were unable to calculate the correct output.

Q5 required students to identify reasons for the supply of labour to decrease. Students were able to correctly identify that rising welfare payments reduced the supply of labour.

For Q6, students needed to choose the level of efficiency and profit for profit-maximising monopolistically competitive firm in the long-run. This question seemed challenging to many students and they were not able to identify that only normal profits are made in the long-run and the firms would be productively inefficient.

Section B, the data response section is based on information provided in the source booklet. The Extracts focused on the growing and the supply and demand for coffee.

Q7a, asked for a percentage change in the average world coffee bean price between 2017 and 2019. Most students were able to offer a correct answer, though some did not include a negative percentage change restricting marks.

Q7b, required students to define short-run shut-down point. Most candidates could define shut-down point, however not all could develop this for a second mark. Most candidates were able to identify relevant examples from the Extract. Those that did not answer this question well offered basic inaccurate definitions that were too vague to be awarded knowledge mark, and not providing enough application for two marks.

Q7c, candidates examined two reasons for the increase in the supply of coffee between 2015 and 2019. Many candidates were able to offer two effects though not all candidates offered sufficient application for full marks. A few candidates did not offer analysis of the points they identified or only analysed one effect.

Q7d, asked students to examine two barriers to entry into the US coffee shop market. This was well done with a typical response gaining two of the knowledge marks, two application marks and one of the two analysis marks. Students did fail to separate their identification mark from their application point, losing marks. Also some candidates didn't evaluate their points losing two evaluation marks.

Q7e, required students to analyse changes in profits; most candidates could identify reasons for the profits to increase from the extract provided. Many were able to draw relevant diagrams and most offered evaluation. Better candidates were able to draw a dynamic cost and revenue diagram showing a shift and change in the profit level.

Section C, the essay section offered students the opportunity to choose between three questions. Students were more likely to attempt Q8 and Q9 than 10. Students tended to perform better on these questions as they were able to utilise a range of diagrams to support their answers. Question 8 required students to evaluate why businesses have growth as their main objective, Q9 questioned the efficiency of a monopoly. Question 10 evaluated measures to reduce the occupational and geographical immobility of labour. The quality of economics did vary between the questions. Students found the developed analysis of question 10 more challenging than the other two.

Most students were able to complete the paper in the time available. We did however see several unfinished or very brief essays suggesting that some students had not planned their time well. The performance on individual questions is considered in the next section of the report.

Question Level Feedback

The feedback on each question shows how they were well answered and also how to improve further.

Section A

Question 1:

This question concerned the benefits of a takeover between firms in the computer games industry. This was answered fairly well, although some students confused a decrease in production costs and a decrease in long-run average costs. The correct answer is D

Question 2:

For this question students needed to understand the concentration ratio and how to calculate it. The correct answer is C. Some made an incorrect calculation by summing the market shares of the 4 largest firms and 'others'.

Question 3:

This proved to be one of the most accessible of the multiple choice questions and students who understood national minimum wages were able to deduce that the introduction of one would cause unemployment to increase. The correct option is D.

Question 4:

The correct answer is B. Many students were unable to correctly calculate the diminishing returns from the data provided. This was the weakest amongst all the multiple-choice questions.

Question 5:

Students tended to perform well on this question, which asked for the reason why the supply of labour would decrease. The correct answer is A, which is decrease in welfare benefits. The other options would all either increase the supply or demand for labour.

Question 6:

This question required the students to be able to deduce the level of efficiency and profit in a monopolistically competitive market in the long-run. Many students were able to identify the correct answer as A; both productively inefficient making normal profits.

Section B

Q12a

Students could typically access all of the marks for this question as they were confident calculating the percentage change in the price of coffee. Some students were awarded only 1 mark because they omitted the negative sign from their answer.

Q12b

Most students could define short-run shut-down point, but some did not secure knowledge marks because their definition was too vague or they did not expand their definition to provide additional information for the second knowledge mark. In these 4 mark questions there are also 2 marks for application and some students did not make sufficient use of Extract A to secure both marks.

Q12c

In this question students were asked to analyse two possible reasons for the increase in the supply of coffee beans between 2015 and 2019. This question proved to be very accessible to most students and they were able to identify two reasons with some linked explanation and included 2 references to figure 2 and extract A for the application marks. A few students didn't separate their knowledge and application marks out and only received one mark for identification and application.

Q12d

This question required students to examine two barriers to entry in the US coffee shop market.

Many students were able to identify the number of large firms already competing in the market creating an obstacle as it would be difficult for a new firm to establish itself in a market with considerable brand loyalty. This idea was often supported with good application.

The second most cited reason was the level of non-price competition between firms. Student were able to apply this point well with good examples from the case study.

Those students who did not perform as well on this question negated to explain how the point they had identified would cause a barrier to entry in the market. Further, not all students offered evaluation which is required by the command word 'examine'. Stronger responses were able to explain why their analysis might not hold true by identifying that a large number of small independent coffee shops exited in the market as it is a relatively easy business to establish.

Q12e

This question required candidates to discuss reasons for the increase in Starbucks profits in 2019 and for one of these to provide a cost revenue diagram. Better responses provided a dynamic diagram shifting either the revenue curves outwards or the cost curves down. To move into the top of level three for knowledge, application and analysis students needed to

provide a shift in their curves and a new profit level identified. If there was only one reason given or no diagram, marks were capped at level two. Many candidates were able to support their answers with application to either profits or revenue rising. Strong candidates were able to link their reason to their diagram for full analysis. A number of candidates included an economies of scale diagram rather than a cost and revenue one that was required by the question. These responses were capped at level 2.

Evaluation was not always well developed and often generic. Better responses used the context well by, for example, the costs of competition in the market through methods such as advertising would offset the increase in revenues. It is important that evaluation is both developed and in context to be able to access Level 3.

Section D

Q8

This question asked student, using an industry of their choice, to evaluate why many businesses have growth as their main objective. This proved to be a popular question for many candidates. To achieve a level 3 for knowledge application and analysis, students needed to include a diagram and for level 4 their answer needed to be in context.

Most students could identify some advantage of growth as an objective, economies of scale was the most popular of these. Many candidates offered the economies of scale diagram as part of their discussion. Many candidates focused their answer too heavily on pre-learned material on economies of scale and didn't fully address the question. Their answers became too narrow or superficial with only two-stage chains of reasoning and were, therefore, limited to a Level 2 mark for KAA.

Better students were able to identify reasons for growth as a main objective providing examples of businesses wishing to expand; these students often cited increasing sales, revenues and profits as part of their discussion. For evaluation, students were able to consider alternatives to growth as a main objective, often arguing profits is ultimately every firm's main objective. However, for many students evaluation was not supported by chains of reasoning. Or focused too much on diseconomies of scale which didn't answer the question.

Q9

This question demanded an understanding of the inefficiency created by a monopoly market structure, once again, it required students to make reference to an industry of their choice and to include a diagram in their responses.

Most students were able to accurately define and explain a monopoly market structure with examples. Better responses showed a clear understanding of how the nature of the market structure would cause and increase in inefficiency. Often explaining how the high barriers to entry and lack of substitutes caused prices to be high and output restricted. This was often well linked with diagrams to both allocative and productive inefficiency. Many candidates had good knowledge of allocative, productive

and dynamic efficiency but were unable to provide clear chains of reasoning when explaining how these are effected by monopolies. Much of the analysis was superficial and not well developed. Answers to this question could only secure a Level 4 KAA mark if they referred to an industry in their answers. In weaker responses the concept of efficiency was poorly understood, and diagrams were often inaccurate.

The best evaluation provided context of monopolies that may be efficient. The most commonly used was natural monopolies. Many candidates explored how monopolies might be dynamically efficient because of the supernormal profits in the market. For many candidates, evaluation was often generic lacking examples and only supported by partially-developed chains of reasoning so could secure a maximum of a Level 2 mark.

Q10

Of the three essays this was the least popular and performance on it was slightly lower than on the other essays. Perhaps this was because it didn't require a diagram to support candidates answers. It did need a confident knowledge of government intervention to provide detailed KAA.

Students were asked to evaluate measures to reduce occupational and geographical immobility of labour. Most were able to distinguish between the two and offered policies for both. Those that only provided policies for one type of mobility of labour were capped at level 3.

The best responses developed their analysis and were able to identify a problem in the labour market, then explain with an example, how a government or business might intervene to fix it. Education was the most commonly used policy followed by improvements in infrastructure and relocation subsidies. Unfortunately, some answers were rather generic and, therefore, found it difficult to access high marks. Others provided too many short policies without developing chains of reasoning.

Strong evaluation focused on the question and refrained from generic points such as opportunity cost. As with the other essays, however, much evaluation was not well related to the context and/or the points were not well developed. Arguments such as family ties and time lags, when developed, provided much stronger evaluation.

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.

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 issues relating to the costs and diminishing returns.

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.

- Section B continued: Evaluation is only required for the 8 mark and 14 mark questions.
 - Section b continued: Students should be confident in providing dynamic diagrams (shifts) when asked for a costs and revenue diagram in a 14 mark question.
- 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).

Section C continued: Students must be aware of the need of application in their essays. Students must prepare for an industry of their choice to be included in their answers.

- Section C continued: when appropriate diagrams should be included and integrated into candidates answers.
- Section C continued: 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.