Examiners' Report
Principal Examiner Feedback

January 2022

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

Unit 3: Business behaviour

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Introduction

The number of entries for WEC13 in January was higher than in October. There was a high number of impressive responses to all parts of the paper, this was especially true of section C where the candidates were well prepared for the topics questioned.

In Section A, the multiple-choice section, the opening question was testing the short-run shut down point. Many students were able to select the correct option. However, a high number chose the distractors which were only partially correct.

Q2 tested candidates ability to interpret a cost revenue diagram displaying a firm in monopolistic competition. Most candidates were able to select the correct answer.

Q3 tested candidates understanding of average revenue. The candidates need to calculate this using total subscribers and total revenue. Candidates knowledge of this topic was strong and most selected the correct option.

Q4 asked for students to select a reason for staff redundancies, this was a topic that candidates answered well.

Q5 candidates needed to interpret a national minimum wage diagram and identify the impact of the rise in NMW on the retail industry in British Columbia. Candidates were able to accurately select the area of the rise in unemployment.

For Q6, candidates were tested on their understanding of perfect competition in the long-run. Many candidates understood that these businesses make normal profit and are allocatively efficient.

Section B, the data response section is based on information provided in the source booklet. The extracts focused on Stillantis a new American firm created through the merger of PSA Group and Fiat Chrysler.

Q7a, asked for candidates to calculate the four-firm concentration ratio for the US car market. Most students were able to offer a correct answer, though some included 'others' as a firm in their calculation giving them an incorrect answer.

Q7b, required students to define horizontal integration. Most candidates could define this, however not all could provide a full definition for the 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 both knowledge marks. Or they did not provide enough application, or the application was irrelevant to the question.

Q7c, candidates examined two barriers to entry that Stellantis were likely to experience when trying to increase their market share in China. Many candidates were able to offer two barriers though not all candidates offered sufficient application for full marks. A few candidates did not offer analysis of the points they identified and some only explained one obstacle.

Q7d, asked candidates to examine the impact of an increase in car sales in the USA on the profits of Stellantis. This question required a dynamic diagram. Candidates who included a correct diagram with some application and evaluation achieved high marks in their responses. Those students who did not include a diagram, or a correct shift, struggled to gain marks for knowledge and analysis.

Q7e, required students to analyse the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers. Most candidates could identify the impact of the merger from the extract provided. A number of candidates did not provide impacts for both workers and consumers limiting their marks as their responses were too narrow to achieve level three. A number of candidates offered impacts for the firms and these responses did not answer the question being asked.

Section C, the essay section offered candidates the opportunity to choose between three questions. Candidates choices were evenly spread across all three options. Question 8 required students to evaluate the possible benefits of collusive behaviour between firm, Q9 questioned the methods that a government could use to control monopoly behaviour. Question 10 evaluated the view that revenue maximisation was always the main objective of a firm. The quality of economics did vary between the questions. Students found the developed analysis of question 9 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 tested the conditions for a firm to shut down in the short-run. This was answered fairly well, although some students selected option A possibly because they had partially learned the definition. The correct answer is C

Question 2:
For this question candidates needed to understand the cost and revenue diagram for a monopolistically competitive firm. The correct answer is D. A few candidates answered this as a firm in the long-run incorrectly selecting option C.

Question 3:
Candidates were confident in calculating the average revenue using the data provided. Most were able to select option C which was the only correct answer.

Question 4:
Students tended to perform well on this question, which asked for the reason why staff redundancies. The correct answer is B, as labour is derived demand and if revenue is falling in the airline industry, demand must be decreasing. This causes demand for labour to fall.

Question 5:
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 A.

Question 6:
This question required the students to be able to deduce the level of efficiency and profit in a perfectly competitive market in the long-run. Many students were able to identify the correct answer as D; both allocatively efficient and making normal profits.

Section B

Q12a
For this question students needed to understand and calculate a concentration ratio. Most students achieved 2 marks for this. Some made an incorrect calculation by summing the market shares of the 4 largest firms to include 'others' this gave them the wrong answers and inaccurate calculations.

Q12b

Most students could define horizontal integration, but some did not secure both knowledge marks. Often their definitions were too vague or they did not expand their definition, for instance, only stating 'the same stage of production' for 1 mark and omitting 'in the same industry' for the second 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 barriers to entry that Stellantis were likely to experience when trying to enter China. This question proved to be very accessible to most students and they were able to identify two reasons with some linked explanation and included two references to 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. A number of candidates didn't develop analysis for both points, dropping marks.

Q12d
This question required students to examine the impact of an increase in car sales in the USA on the profits of Stellantis with a diagram.
Most candidates offered a cost and revenue diagram. Including a correctly drawn diagram achieved knowledge marks. Further marks were achieved by drawing a correct shift in revenue curves. This would achieve the analysis marks available. If a candidate did not include a diagram they could only achieve one mark for analysis.
Many candidates were able to include application to the case study, there are two marks available for this and candidates should include two separate references.
Not all students offered evaluation which is required by the command word 'examine'. Stronger responses were able to explain why profits may not have providing reasons from the case study.

Q12e
This question required candidates to discuss the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers. This style of question requires candidates to reference both consumers and workers if both are not considered the response will be limited to level 2. A number of candidates did not read the question carefully and offered an

answer that explored the impact on the firm not which didn't address the question fully and these responses achieved level one at best. Better students were able to offer balanced arguments providing both positives for workers and consumers and evaluate with the negatives. These candidates were able to carefully select the information provided in extract three for their application. Candidates should note that questions of this nature will look for either both impacts to be positive/negative for KAA the reverse for evaluation.

Evaluation was not always well developed and often generic. Better responses used the context well by, for example, the potential impact of the trade union talks on factory closures. 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 to evaluate the possible benefits of collusive behaviour between firms. 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 simple game theory diagram and for level 4 their answer needed to be in context. A correct diagram with some development pushed students responses into high level 2.

Most students could identify some benefits of collusive behaviour such as price fixing and reductions in competition. Many candidates focused their answer too heavily on pre-learned material on oligopoly and did not 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 collusion with context and fully explained game theory models in their answer.

For evaluation, students were able to consider the negative impacts on consumers, output and possible breakdown. However, for many students evaluation was not supported by chains of reasoning.

Q9
This question demanded an understanding of the methods that a government could use to control monopoly behaviour, once again, it required students to make reference to policies that could be implemented and to include a diagram in their responses.

Most students were able to accurately define and explain a monopoly market structure and some policies that could be implemented. Better responses showed a clear understanding of how policies worked and could explain in detail the impact on the monopoly. The best responses included a maximum price diagram in their answers and explained its impact on supernormal profits and consumer surplus. Most candidates included a cost revenue diagram to explore how efficiency might be improved with a policy. These were not always fully explained in the analysis achieving level 2. Much of the analysis was superficial and not well developed. In weaker responses the policies was poorly understood, and diagrams were often inaccurate or not included.

The best evaluation provided context of government failure. The most commonly used was fines being too low to encourage firms to adapt their behaviour. 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
This question required candidates to evaluate the view that revenue maximisation is always the main objective of a firm. Candidates were able to include a cost revenue diagram to show the revenue maximisation position. Better student were able to move beyond explaining where it is an offer reasons why an firm might wish to operate there with examples. A few excellent responses offered examples of firms revenue maximising before the lockdown period early in the global health crisis.
Unfortunately, some answers were rather generic and, therefore, found it difficult to access high marks. Others offered a series of pre learned arguments of the different objectives that did not fully address the questioned asked.
Strong evaluation focused on the question and refrained from generic points such as opportunity cost 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. Arguments that addressed reasons why other objectives might be preferable with examples, 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. 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 shut down point.

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 an 8 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 and policies used by the government 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.