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Write your name here

Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Economics

International Advanced Level
Unit 3: Business Behaviour

Monday 20 June 2016 – Afternoon
Time: 2 hours

Paper Reference
WEC03/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **two** questions in Section A and **one** question from Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- You should take care in your responses with your spelling, punctuation and grammar, as well as the clarity of expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer TWO questions from this section.

You should spend 60 minutes on this section.

You should include diagrams in your responses where appropriate.

1 'The main factor which constrains the growth of small businesses is limited access to finance'. To what extent do you agree with this statement?

(Total for Question 1 = 20 marks)

2 Discuss the advantages to a business of becoming a transnational company (TNC).

(Total for Question 2 = 20 marks)

3 'Efficiency can only be achieved in a perfectly competitive market'. To what extent do you agree with this statement?

(Total for Question 3 = 20 marks)

4 Assess the likely impact of government intervention **and** pressure group activity to protect the interests of employees on business behaviour.

(Total for Question 4 = 20 marks)

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Put a cross in the box ☒ indicating the question from Section A that you have chosen for your FIRST essay. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

You must answer TWO essays in this section. Please start your second essay response on page 8.

Essay Choice 1: **Question 1** ☒ **Question 2** ☒ **Question 3** ☒

Question 4 ☒

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(Total for Question = 20 marks)

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Put a cross in the box ☒ indicating the question from Section A that you have chosen for your SECOND essay. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Essay Choice 2: (This must be different from your first essay response)

Question 1 ☒ **Question 2** ☒ **Question 3** ☒ **Question 4** ☒

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(Total for Question = 20 marks)

TOTAL FOR SECTION A = 40 MARKS

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QUESTION 5 BEGINS ON THE NEXT PAGE.

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SECTION B

Answer either Question 5 or Question 6.

You should spend 60 minutes on this section.

If you answer Question 5 put a cross in the box ☒ .

Question 6 starts on page 26.

5 Private sector business organisations

Extract 1 Sony's finances

The Sony Corporation is one of the world's largest private sector businesses. The company is facing financial problems and expects to make a loss of around US$486 million for the year ending March 2015. Sony's senior management team is proposing to reduce annual variable costs in an attempt to become profitable again. Talks have been held with trade unions with the aim of ending the system of paying production workers' wages based on the number of years employed. The productivity bonus scheme is also being reviewed.

Sony's smartphone division has been struggling in a highly competitive market. The sales target for smartphones was cut by 14% in 2014. This is still expected to generate enough revenue to more than cover variable costs but may prove insufficient to cover the total costs of smartphone production.

(Source: adapted from http://www.redherring.com/hardware/sonys-surprise-q2-profits-belie-poor-annual-figures/)

Extract 2 Co-operative organisations in the European Union (EU)

In Finland 75% of the population are members of retail co-operatives. In Poland, one in three people live in housing co-operatives. In Germany, co-operative banks have 16 million members. Overall, the EU's 160 000 co-operative organisations employ over five million people.

Co-operatives measure their success, not only in terms of financial performance, but also on their ability to meet their members' needs. Because of their typically small size, producer co-operatives often group together in order to gain economies of scale and to improve their access to financial services.

According to EU commissioner Antonio Tajani, government support for co-operatives leads to a more successful, internationally competitive economy. Mr. Tajani believes there is an argument for a more diversified range of business models, given the importance of the co-operatives' role in meeting Europe's social and economic objectives.

(Source: adapted from http://www.theguardian.com/social-enterprise-network/2012/apr/30/european-cooperative-society-laws)

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Extract 3 Co-operatives in the global economy

Co-operatives operate in more than 100 countries across the world. In the developing world the co-operative approach can be seen as a possible route out of poverty for many people.

The Toledo Cocoa Growers Association (TCGA) is a producer co-operative in Belize, Central America, located in the poorest district of the country. The TCGA was formed in 1984 in order to bring about higher prices, improve living conditions for cocoa growers and help farmers increase the quality of their cocoa.

In many countries co-operatives often have to comply with more regulations than other private sector organisations. For example, setting up a co-operative enterprise typically involves more paperwork and bureaucracy leading to relatively high start-up costs. Many co-operative organisations believe that governments could do more to encourage the further growth of co-operatives. Subsidies and low-cost or interest-free loans are examples of policies which have been suggested.

(Sources: adapted from http://www.thenews.coop/40147/news/agriculture/top-300-co-operatives-are-worth-over-2-trillion/#.U-NiqfldX6Y and http://www.theguardian.com/global-development-professionals-network/2013/jul/06/international-day-of-cooperatives and http://www.globalexchange.org/fairtrade/cocoa/cooperatives)

(a) With reference to Extract 1, explain **one** possible reason why the Sony Corporation expected to make a loss.

(4)

(b) With reference to Extract 1, assess the impact of a fall in Sony's smartphone sales on Sony's profits. Use an appropriate diagram to support your answer.

(12)

(c) Discuss the extent to which the business objectives of a large private sector company, such as Sony, are likely to differ from those of a co-operative organisation.

(12)

(d) With reference to Extracts 2 and 3 and your own knowledge, evaluate the likely impact of government intervention to support co-operative organisations.

(12)

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(a) With reference to Extract 1, explain **one** possible reason why the Sony Corporation expected to make a loss.

(4)

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(b) With reference to Extract 1, assess the impact of a fall in Sony's smartphone sales on Sony's profits. Use an appropriate diagram to support your answer.

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(d) With reference to Extracts 2 and 3 and your own knowledge, evaluate the likely impact of government intervention to support co-operative organisations.

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(Total for Question 5 = 40 marks)

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If you answer Question 6 put a cross in the box ☒ .

6 Abuse of market power

Extract 1 Rail transport in Taiwan

The Taiwan High Speed Rail Corporation (THSRC) raised its prices in October 2013 with increases ranging from 7.1% to 9.7%. This decision was expected to raise revenue for the company.

The Taiwanese Government's Economic Committee has passed a resolution demanding the competition regulator investigate whether THSRC has abused its monopoly power by raising ticket prices for its rail services. The THSRC has replaced airlines and buses as the main means of middle and long-distance travel in the west of Taiwan. The resolution said the company is taking advantage of its monopoly power. THSRC may have broken Taiwan's Fair Trade Act which prohibits monopolies from improperly setting, maintaining or changing the price for goods or services.

A spokesperson for THSRC has defended its pricing policy. She claims that the company's large size means that it is more efficient and prices are lower than they would be in a more competitive market.

(Source: adapted from http://www.taipeitimes.com/News/biz/archives/2013/10/10/2003574117)

Extract 2 The electricity market in Vietnam

The Electric Power Trading Company (EPTC) is a major electricity buyer in Vietnam. A complaint has been made to the Vietnam Competition Authority (a government organisation) about EPTC abusing its monopsony power when purchasing electricity. It is claimed that the EPTC is breaking competition law as it only buys electricity from companies within the Vietnam Electricity Group and rejects electricity from firms which are not part of the group.

(Source: adapted from http://english.vietnamnet.vn/fms/business/81355/power-trader-accused-of-abusing-monopoly-position.html)

Extract 3 Morrisons accused of overcharging suppliers

The Groceries Code Adjudicator (GCA), an industry regulator, decided that Morrisons, the UK's fourth largest supermarket, was in breach of the groceries code of practice. Morrisons had charged 67 of its suppliers for displaying their names on Morrisons' website without their permission. The suppliers were all subsequently refunded.

The GCA had previously criticised Tesco for asking that suppliers pay for the best shelf positions for their products, saying that this operated against the spirit of the groceries code.

The relationship between suppliers and the large supermarkets has come under increased scrutiny by the UK competition authorities in recent years. Supermarkets have been attempting to cut costs to maintain profitability, while continuing to compete with each other on price. This has led to many suppliers being forced to reduce their profit margins to maintain sales to supermarkets.

(Source: adapted from:http://www.ft.com/cms/s/0/082e3a24-ea5f-11e3-8dde-00144feabdc0.html?ftcamp=crm/email/201463/nbe/ConsumerIndustries/product&siteedition=uk#axzz33a2QYZir)

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(a) With reference to the first paragraph of Extract 1, comment on the likely price elasticity of demand for THSRC's rail services.

(4)

(b) With reference to Extract 1, discuss whether it is possible for a monopoly to charge its customers lower prices than firms in a competitive market.

(12)

(c) With reference to Extracts 2 and 3 and your own knowledge, evaluate the benefits to a supplier of selling to a monopsonist.

(12)

(d) Evaluate the impact of government policies to protect suppliers on the business behaviour of monopsony firms.

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(a) With reference to the first paragraph of Extract 1, comment on the likely price elasticity of demand for THSRC's rail services.

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(b) With reference to Extract 1, discuss whether it is possible for a monopoly to charge its customers lower prices than firms in a competitive market.

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(c) With reference to Extracts 2 and 3 and your own knowledge, evaluate the benefits to a supplier of selling to a monopsonist.

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(Total for Question 6 = 40 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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