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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WEC13/01**

Economics

International Advanced Level
UNIT 3: Business behaviour

You must have:
Source Booklet (enclosed)

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 **ALL** questions in Sections A and B.
- Answer **TWO** questions in Section C.
- 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.*
- 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.

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an a er, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 In 2020 the Turkish airline AtlasGlobal ceased its operations. Which **one** of the following will cause a firm to shut down in the short-run?

☒ **A** Average revenue was below marginal revenue

☒ **B** Average revenue equalled marginal cost

☒ **C** Average revenue was below average variable cost

☒ **D** Average revenue equalled average cost

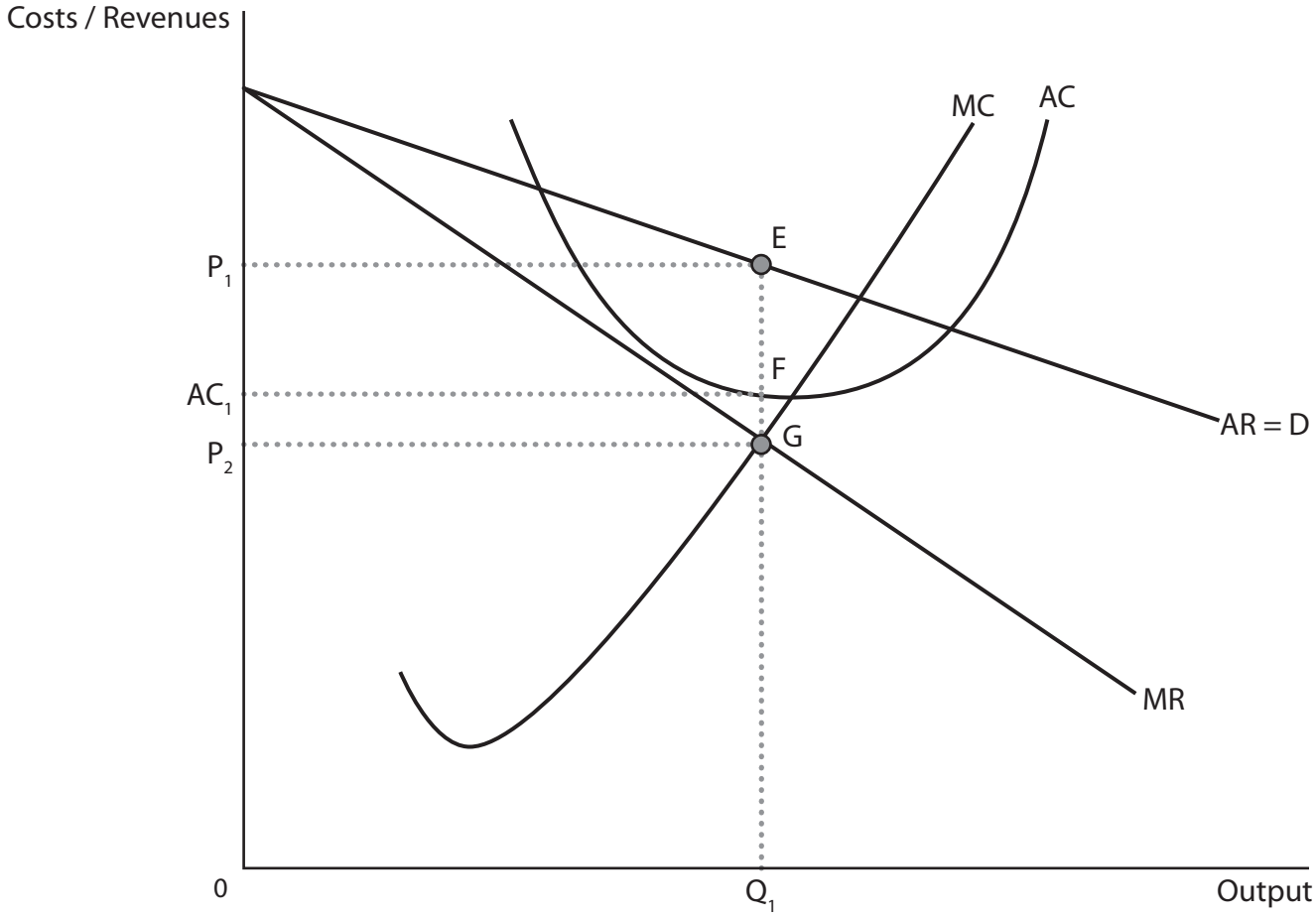
(Total for Question 1 = 1 mark)

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2 The diagram shows the short-run cost and revenue curves for a hairdresser opera in a monopolistically competitive market in Mumbai.



Which **one** of the following can be deduced from the diagram?

- ☒ **A** At output Q_1 the firm is maximising its total revenue
- ☒ **B** At output Q_1 the firm is minimising its average cost
- ☒ **C** At output Q_1 the firm is making normal profit
- ☒ **D** At output Q_1 the firm is making supernormal profit

(Total for Question 2 = 1 mark)

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3 The table shows the number of international subscribers for Netflix and its total revenue for Q4 in the years 2017 to 2020.

	International subscribers (millions)	Total revenue ($ million)
Q4 2017	110.64	3 286
Q4 2018	139.26	4 187
Q4 2019	167.09	5 467
Q4 2020	203.66	6 644

Which **one** of the following can be deduced from the table?

☒ **A** Average revenue was $32.62 in Q4 2017

☒ **B** Average revenue was $29.70 in Q4 2018

☒ **C** Average revenue was $32.72 in Q4 2019

☒ **D** Average revenue was $30.07 in Q4 2020

(Total for Question 3 = 1 mark)

4 Total revenue for American Airlines fell from $45.77 billion in 2019 to $17.34 billion in 2020. In response, American Airlines made 31 000 staff redundant.

Which **one** of the following was the most likely reason for these staff redundancies?

☒ **A** The number of airline passengers rose

☒ **B** The derived demand for labour fell

☒ **C** Government employment subsidies to airlines increased

☒ **D** Taxation on airline employees decreased

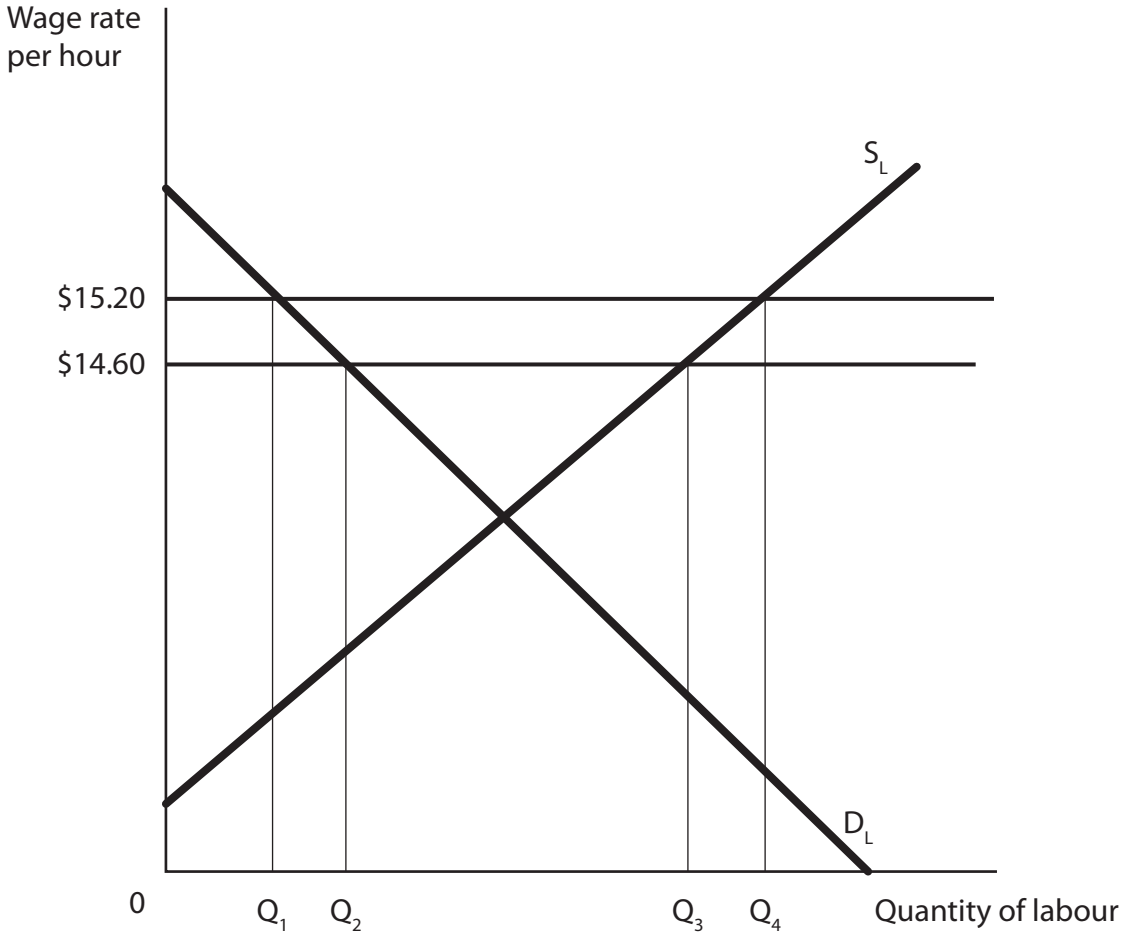
(Total for Question 4 = 1 mark)

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5 The diagram shows an increase in the minimum wage in British Columbia, Canad 2021 it rose from $14.60 to $15.20 per hour.



Which **one** of the following is the most likely impact of this increase in the minimum wage on shop assistants in the retail industry in British Columbia?

- ☒ **A** Unemployment would rise to Q_1–Q_4
- ☒ **B** Unemployment would rise to Q_2–Q_3
- ☒ **C** The demand for labour would extend from Q_1 to Q_2
- ☒ **D** The supply of labour would contract from Q_4 to Q_3

(Total for Question 5 = 1 mark)

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6 A small fruit farm in Namibia is operating in a perfectly competitive market. Whic the following is true for such a firm in long-run equilibrium?

	Allocative efficiency	Profit
☒ **A**	No	Supernormal
☒ **B**	No	Normal
☒ **C**	Yes	Supernormal
☒ **D**	Yes	Normal

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Study Figure 1 and Extracts A and B in the Source Booklet before answering Que n 7.
Write your answers in the space provided on the following pages.

7 (a) With reference to Figure 1, calculate the four-firm concentration ratio for the US car market in 2019.

(2)

(b) With reference to Extract A, explain what is meant by 'horizontal integration'.

(4)

(c) With reference to Extract A, analyse **two** barriers that Stellantis are likely to experience when trying to increase market share in China.

(6)

(d) With reference to Extract A, examine the impact of an increase in car sales in the USA on the profits of Stellantis.

Illustrate your answer with an appropriate diagram.

(8)

(e) With reference to the information provided and your own knowledge, discuss the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers.

(14)

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7 (a) With reference to Figure 1, calculate the four-firm concentration ratio for the U car market in 2019.

(b) With reference to Extract A, explain what is meant by 'horizontal integration'.

(4)

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(c) With reference to Extract A, analyse **two** barriers that Stellantis are likely to experience when trying to increase market share in China.

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(d) With reference to Extract A, examine the impact of an increase in car sales in t USA on the profits of Stellantis.

Illustrate your answer with an appropriate diagram.

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(e) With reference to the information provided and your own knowledge, discuss possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers.

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

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SECTION C

Answer TWO questions from this section.

8 In 2020 three pharmaceutical firms Lexon, King Pharmaceuticals Ltd and Alissa Healthcare Research Ltd, were found to have illegally shared information in order to keep prices artificially high. Each firm was fined £1.2 million for this collusion by the UK competition authorities.

Evaluate the possible benefits of collusive behaviour between firms.

Use a simple game theory model in your answer.

(Total for Question 8 = 20 marks)

9 In 2019 the New Zealand Government created a new organisation to regulate the local monopolies that supply water. This organisation imposed a price cap that resulted in these water companies making insufficient profit for investment in improving water quality.

Evaluate methods that a government could use to control monopoly behaviour.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 JBS is the largest meat processing firm in the world, as measured by value of sales. Its revenue was $814.5 million in 2020. After a significant increase in sales to China in quarter 4 2020, its total revenue from sales to China rose by 60%.

Evaluate the view that revenue maximisation is always the main objective of a firm.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)

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Write the answer to your FIRST chosen question here.

Indicate which question you are answering by marking a cross in the box ☒. If you ch e your mind, put a line through the box ☒ and then indicate your new question with a cro

Write the answer to your SECOND chosen question on page 22

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

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Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

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

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Pearson Edexcel International Advanced vel

Time 2 hours

Paper reference **WEC13/0**

Economics

International Advanced Level
UNIT 3: Business behaviour

Source Booklet

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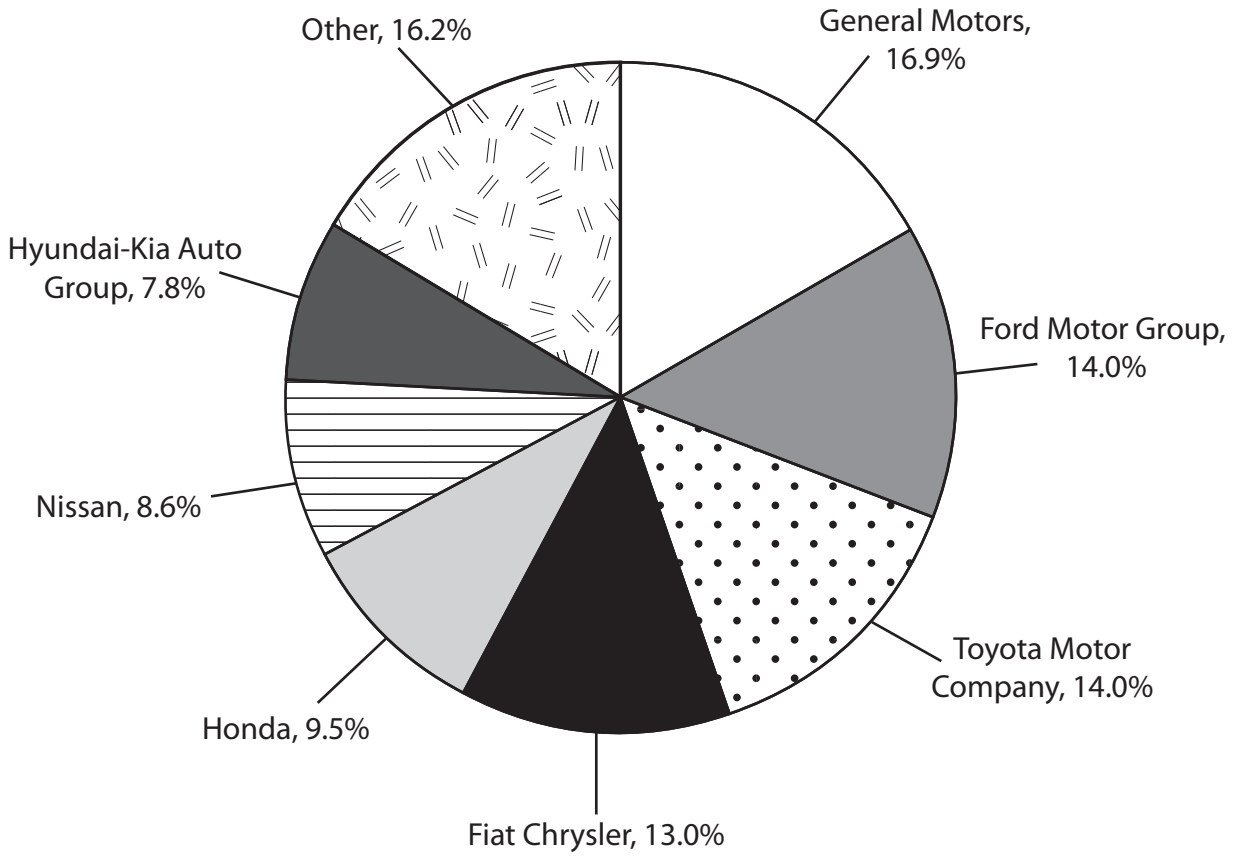
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Sources for use with Section B

The car industry

Figure 1

Percentage market share of car manufacturers in the USA, 2019



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Extract A PSA Group and Fiat Chrysler merger

In January 2021 PSA Group and Fiat Chrysler agreed to merge, creating the world's third largest car manufacturer by volume. The new firm, named Stellantis, includes well-known car brands including Peugeot, Citroen and Vauxhall from PSA Group and Alfa Romeo, Jeep and Lancia from Fiat Chrysler. The ownership of the firm is split evenly between the shareholders of PSA Group and Fiat Chrysler. As a result of this merger, Stellantis owns manufacturing plants all over the world including the Netherlands, the USA and the UK. It has an expected annual turnover of over €170 billion.

This horizontal integration is expected to benefit both firms. Each firm will benefit from cost savings by sharing production expertise and technical knowledge. It is estimated that there will be an annual cost saving of €3.4 billion from purchasing economies of scale. PSA Group has gained access to the American car market, where Fiat Chrysler already has a significant market share, with 3 000 car showrooms across the USA. Following the merger, in Q1 2021 Stellantis experienced a 25% increase in revenue as a result of an increase in car sales in the US market.

Fiat Chrysler will benefit from gaining access to PSA Group's research and development into electric cars. This is important for the firm because demand for electric cars is increasing globally. PSA Group has developed a range of low-emission vehicles that Fiat Chrysler does not have the technology to produce. Electric cars are also important when moving into foreign markets such as China. Since 2010, the demand for electric cars in China has been rising steadily. In 2020 38% of global sales of electric cars were in China.

The shareholders of Stellantis hope that the firm will be able to compete more effectively in China, the world's biggest car market. In 2020 PSA Group and Fiat Chrysler had a combined market share of only 1% in the Chinese car market, whereas Chinese car firms had a 40% market share. In addition, a number of other well-established firms are operating in the Chinese car market including Volkswagen, Honda and Toyota. Trying to increase market share in China may prove to be difficult for Stellantis. Good communication and clear management will be essential if Stellantis is to be successful.

Extract B Concerns over factory closures

Trade unions are concerned that Stellantis will close factories to cut costs. Unite, the UK-based trade union negotiating on behalf of the 3 000 Vauxhall employees, has requested a meeting with the head of Stellantis, to prevent possible factory closures. The skilled car workers are highly specialised. Therefore, if these factories were to close, it would be very difficult for the workers to find new jobs without training.

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Acknowledgements

Figure 1 https://www.statista.com/statistics/249375/us-market-share-of-selected-automobile-manufacturers/

Extract A https://www.autoexpress.co.uk/fiat/108280/stellantis-fca-and-groupe-psa-merger-confirmed

https://www.forbes.com/sites/michaeltaylor/2020/12/21/eu-approves-psa-merger-with-fca-in-automotive-deal-of-the-year/?sh=1b5c00e07063

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https://www.autonews.com/article/20170127/RETAIL06/301279881/fca-adding-as-many-as-400-u-s-dealerships-sources-say

Extract B https://www.theguardian.com/business/2019/dec/18/peugeot-and-fiat-chrysler-agree-terms-of-38bn-merger