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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 Section A and Section 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.

Turn over ▶

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SECTION A

Answer ALL questions in this section.

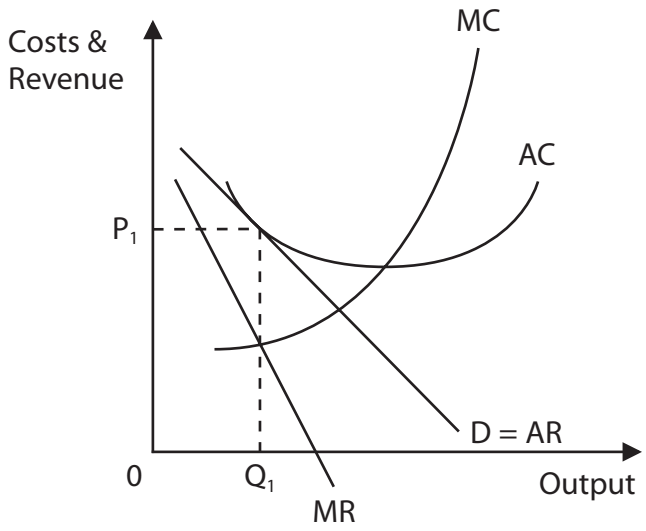
Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 *Ceteris paribus*, which **one** of the following would reduce the geographical mobility of labour within a country?

- ☒ **A** An increase in relocation grants paid by the government
- ☒ **B** An increase in the costs of relocating from one region to another
- ☒ **C** More accurate information about job opportunities in different locations
- ☒ **D** Similar average house prices in different regions of the country

(Total for Question 1 = 1 mark)

2 The diagram shows the long-run equilibrium for a restaurant in Bangkok, Thailand, operating in a monopolistically competitive market.



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

- ☒ **A** The firm is producing the allocatively efficient level of output at price P_1
- ☒ **B** The firm will leave the industry if average costs fall
- ☒ **C** The firm is producing the productively efficient level of output Q_1
- ☒ **D** The firm is making normal profit

(Total for Question 2 = 1 mark)

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3 The table shows the total costs of a battery manufacturer at different levels of output.

Output	Total costs (£)
0	£4 500
100	£8 000
200	£10 700
300	£13 200
400	£15 300

Which **one** of the following is the average variable cost at 300 units?

- ☒ **A** £15
- ☒ **B** £27
- ☒ **C** £29
- ☒ **D** £44

(Total for Question 3 = 1 mark)

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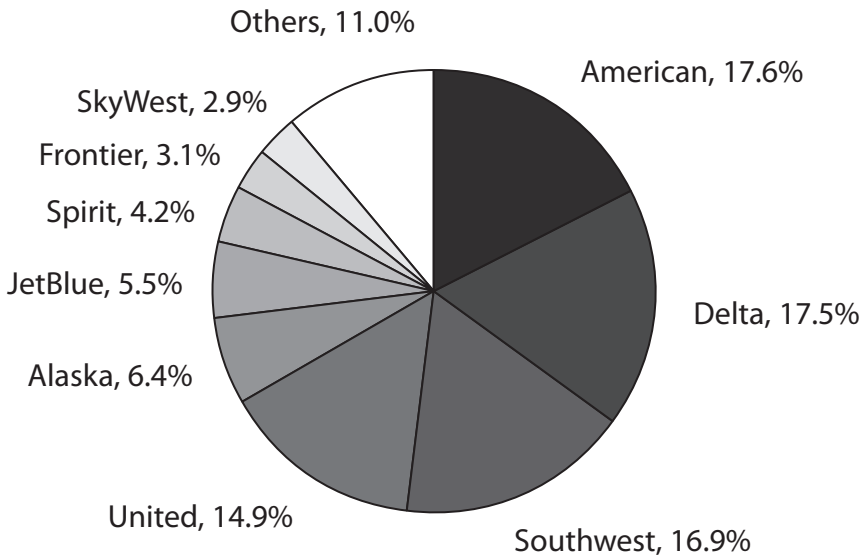
4 The chart shows the market share, by revenue, for airlines operating domestic flights in the USA, February 2019–January 2020.



Which **one** of the following is the five-firm concentration ratio for airlines operating domestic flights in the USA?

- ☒ **A** 66.9%
- ☒ **B** 73.3%
- ☒ **C** 77.9%
- ☒ **D** 78.8%

(Total for Question 4 = 1 mark)

5 In January 2021 the UK Government set up a new national construction products regulator to ensure that homes are built from safe materials.

Which **one** of the following would limit the impact of government intervention in the housing market?

- ☒ **A** Perfect mobility of resources
- ☒ **B** A flexible labour market
- ☒ **C** Perfect knowledge of the housing market
- ☒ **D** Regulatory capture

(Total for Question 5 = 1 mark)

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6 Prior to 2016 there was a competitive labour market for nurses in Argentina. Following the introduction of a universal healthcare system there is now a monopsony employer of nurses in the country.

Which **one** of the following combinations is the most likely impact of the introduction of this monopsonistic labour market?

		Wages	Number of employees
☒	**A**	Lower	Lower
☒	**B**	Lower	Higher
☒	**C**	Higher	Lower
☒	**D**	Higher	Higher

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 7.

Write your answers in the space provided on the following pages.

7 (a) With reference to Figure 1, calculate the percentage change in Amazon's revenue between 2010 and 2020.

(2)

(b) With reference to Figure 2, explain the market structure of cloud infrastructure providers.

(4)

(c) With reference to Extract A, analyse the likely impact on consumers of **two** methods by which Amazon competes with other retailers.

(6)

(d) With reference to Extract A, examine **two** likely effects of the global health crisis on Amazon's profits.

(8)

(e) With reference to Extract B and your own knowledge, discuss reasons why many SMEs in South Africa shut down in 2020.

Illustrate your answer with an appropriate diagram.

(14)

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7 (a) With reference to Figure 1, calculate the percentage change in Amazon's revenue between 2010 and 2020.

(2)

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(b) With reference to Figure 2, explain the market structure of cloud infrastructure providers.

(4)

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(c) With reference to Extract A, analyse the likely impact on consumers of **two** methods by which Amazon competes with other retailers.

(6)

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(d) With reference to Extract A, examine **two** likely effects of the global health crisis on Amazon's profits.

(8)

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(e) With reference to Extract B and your own knowledge, discuss reasons why many SMEs in South Africa shut down in 2020.

Illustrate your answer with an appropriate diagram.

(14)

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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 2021, the UK-based firm PhotonLens, which produces virtual reality smart glasses, merged with the Chinese firm Shadow Creator, which specialises in virtual reality software.

Evaluate the benefits of growth by merger.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 The tax authority in Singapore offers a tax incentive of up to S$100 000 to new businesses in their first three years of trading. The objective of this scheme is to promote competition.

Evaluate methods that a government could use to promote competition in a market.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 The Indian premium smartphone industry is dominated by three firms: Apple, Samsung and OnePlus. These firms compete mainly using non-price competition.

Evaluate the use of non-price and price competition in oligopolistic markets.

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 change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Write the answer to your SECOND chosen question on page 22.

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

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Write the answer to your SECOND chosen question here.

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

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 Level

Time 2 hours

Paper reference **WEC13/01**

Economics

International Advanced Level
UNIT 3: Business behaviour

Source Booklet

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Sources for use with Section B

The impact of the global health crisis

Figure 1 Amazon's annual revenue, 2010–2020 (billion US dollars)

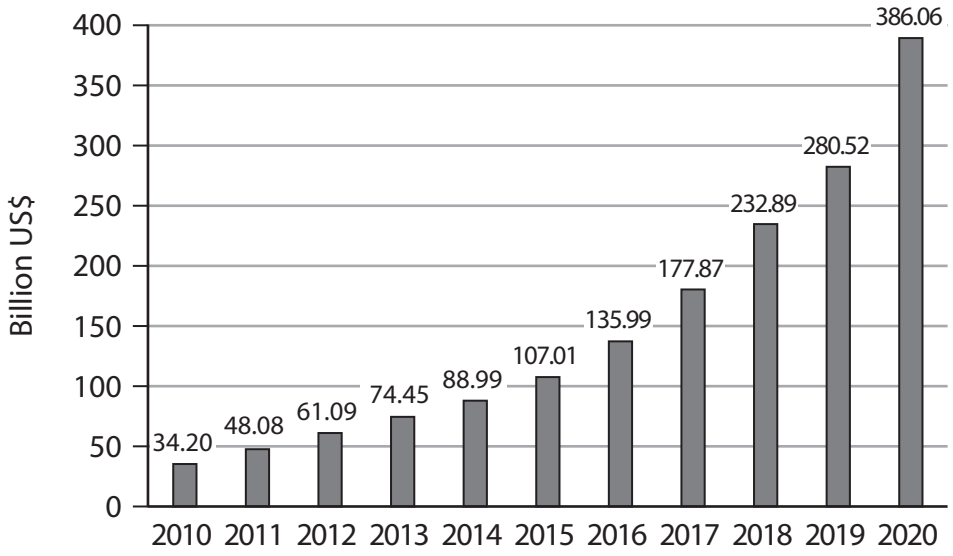
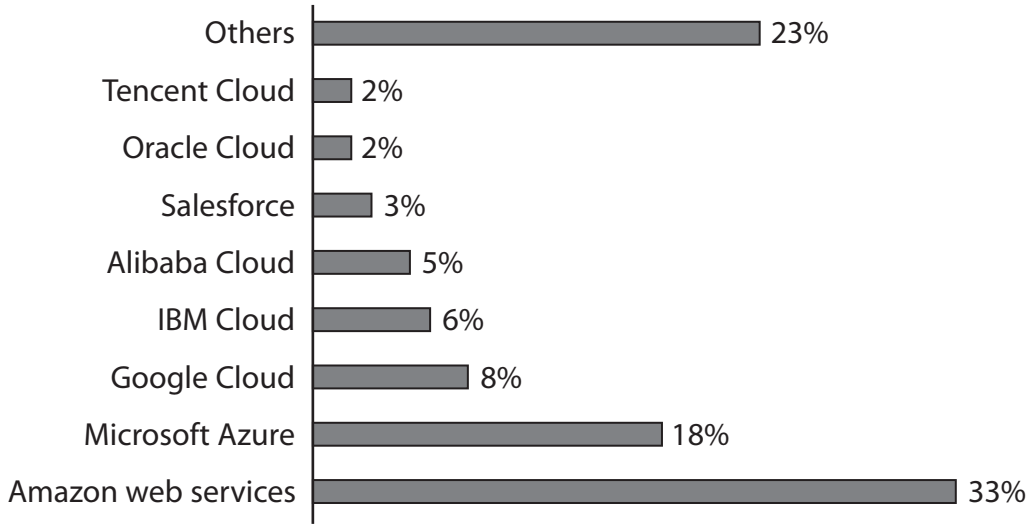


Figure 2 Worldwide market share of cloud infrastructure providers by revenue, Q4 2019



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Extract A Amazon

Amazon, the American global distribution business, increased its revenue from $280.5 billion in 2019 to $386.1 billion in 2020. For the year ending 31 March 2021 its profit was $167.6 billion. The business operates mainly online but it also has several physical stores. Amazon's success has been driven by its methods of competition including its focus on convenience, fast delivery, low prices and choice for its consumers. Over 28% of consumers complete an Amazon order in three minutes or less and 50% of consumers in under 15 minutes. Amazon produces its own products such as Amazon Prime, Alexa, Kindle, Fire and Echo, as well as selling millions of additional products. Amazon also offers the opportunity for third party suppliers to sell on its website.

During 2020, the global health crisis prevented consumers from visiting physical stores. As a result many people used Amazon to purchase products online. This led to an increase in the demand for goods supplied by Amazon. Its costs of production increased by $4 billion, mainly as a result of employing an additional 400 000 workers in 2020. By the end of the year, it employed 1.3 million full-time and part-time workers globally. A fall in labour productivity also caused an increase in costs.

Extract B Small and medium-size enterprises (SMEs) in South Africa

As a result of the global health crisis the revenues of many South African enterprises fell significantly. In July 2020 a management consultancy company conducted a survey of 4 500 businesses in South Africa to examine the impact of the global health crisis. It reported that 21% of enterprises were closed but, of these, 64% indicated that they expected to reopen.

The survey also established that SMEs were 26 times more likely to close than much larger enterprises. In addition, SMEs would require R1.1 trillion of government financial support in order to remain open in 2021. In South Africa SMEs make up 98.5% of the total number of enterprises and contribute 39% to the country's GDP.

In the survey 70% of SMEs reported that they cut back on spending to survive. Over half of medium-sized enterprises were only able to survive by closing parts of their business or reducing capacity until the economic situation improved. However, the revenue of many SMEs did not cover their variable costs and they were forced to shut down.

The survey findings were not all negative. Those SMEs offering essential services, such as food, reported an increase in revenues. Although costs had also risen, profits had either remained constant or had increased.

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Acknowledgements

Figure 1 www.statista.com/graphic/1/266282/annual-net-revenue-of-amazoncom.jpg

Figure 2 https://www.ibtimes.com/infographic-amazon-leads-100-billion-cloud-market-2920755

Extract A

https://s2.q4cdn.com/299287126/files/doc_financials/2021/ar/Amazon-2020-Annual-Report.pdf

https://ir.aboutamazon.com/annual-reports-proxies-and-shareholder-letters/default.aspx

Extract B

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https://www.timeslive.co.za/news/south-africa/2021-03-26-quarter-of-small-businesses-closed-because-of-covid-19--survey/

http://www.statssa.gov.za/publications/Report-00-80-01/Report-00-80-01April2020.pdf