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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 ☒.

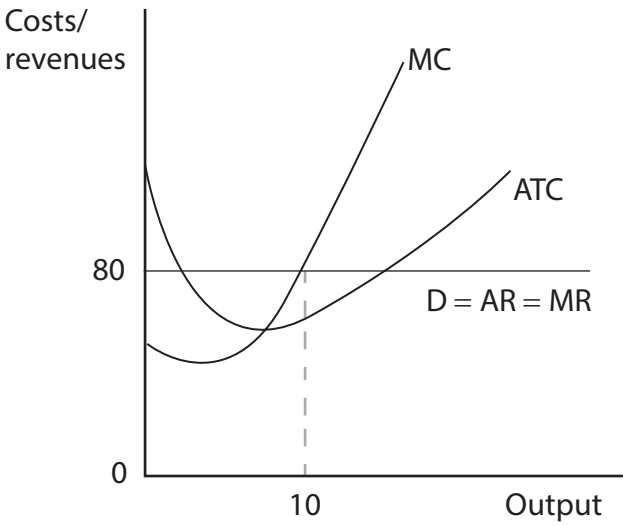
1 Patent protection makes it difficult for new firms to enter the pharmaceutical industry.

Which **one** of the following is also a barrier to entry for new firms?

- ☒ **A** Predatory pricing
- ☒ **B** Constant returns to scale
- ☒ **C** Low advertising costs
- ☒ **D** High supernormal profits

(Total for Question 1 = 1 mark)

2 The diagram shows the short-run profit-maximising equilibrium of a street food seller in Beijing.



Which **one** of the following can be deduced from the information provided?

- ☒ **A** The productively efficient level of output is being produced
- ☒ **B** The allocatively inefficient level of output is being produced
- ☒ **C** There would be an incentive for new firms to enter the market
- ☒ **D** Firms will always make supernormal profits in this market

(Total for Question 2 = 1 mark)

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3 From September 2019 to September 2021 the US labour force participation rate fell.

Which **one** of the following is most likely to have caused this fall in the supply of labour?

- ☒ **A** An increase in benefit payments
- ☒ **B** An increase in net migration
- ☒ **C** An increase in the wage rate
- ☒ **D** An increase in productivity

(Total for Question 3 = 1 mark)

4 A car manufacturer employs 40 engineers at a wage rate of $570 per week. To attract an additional worker, the car manufacturer must raise the wage rate for all engineers to $590 per week.

What is the marginal cost of employing this additional worker?

- ☒ **A** $20
- ☒ **B** $820
- ☒ **C** $1 390
- ☒ **D** $24 190

(Total for Question 4 = 1 mark)

5 Between February 2020 and February 2021 approximately 65 000 businesses shut down in New Zealand. The majority of these closures were caused by a fall in revenue as a result of the global health crisis.

Which **one** of the following would cause a firm to shut down in the short-run?

- ☒ **A** Average revenue is above its average total cost of production
- ☒ **B** Average revenue is below its average total cost of production
- ☒ **C** Average revenue is above its average variable cost of production
- ☒ **D** Average revenue is below its average variable cost of production

(Total for Question 5 = 1 mark)

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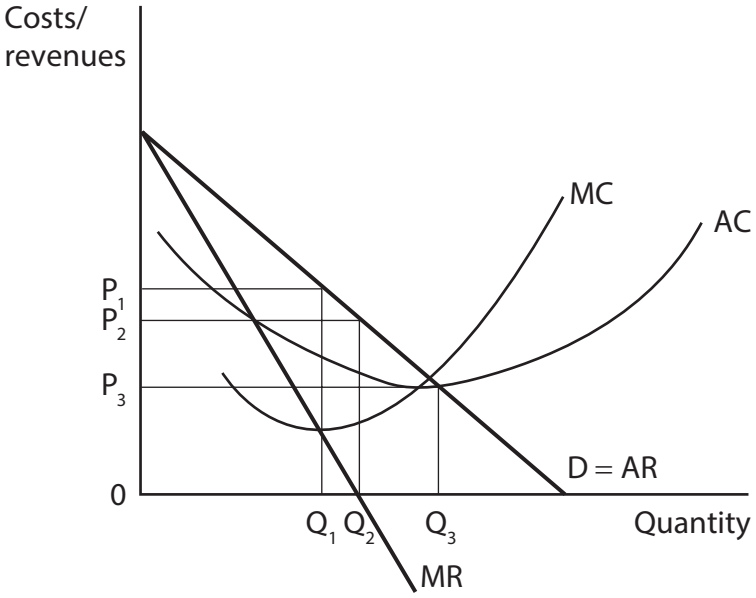
6 A monopolist decides to set its price at P_3, as shown in the diagram.



Which **one** of the following business objectives is shown by this pricing decision?

☒ **A** Revenue maximisation

☒ **B** Sales volume maximisation

☒ **C** Profit maximisation

☒ **D** Satisficing

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B BEGINS ON THE NEXT PAGE

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SECTION B

Study Figures 1 and 2 and Extracts A, B and C 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 point change in the four-firm concentration ratio between 2020 and 2021.

(2)

(b) With reference to Extract A, analyse **two** reasons why India has become the world's second largest smartphone market.

(6)

(c) With reference to Extract B, explain what is meant by 'economies of scale'.

(4)

(d) With reference to Figure 2 and Extract B, examine the likely impact on the profits of Samsung of opening a smartphone factory in India.

Use an appropriate diagram in your answer.

(8)

(e) With reference to Extract C, Figure 2 and your own knowledge, discuss the benefits of non-price competition for consumers and businesses in the Indian smartphone industry.

(14)

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7 (a) With reference to Figure 1, calculate the percentage point change in the four-firm concentration ratio between 2020 and 2021.

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(b) With reference to Extract A, analyse **two** reasons why India has become the world's second largest smartphone market.

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(c) With reference to Extract B, explain what is meant by 'economies of scale'.

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(d) With reference to Figure 2 and Extract B, examine the likely impact on the profits of Samsung of opening a smartphone factory in India.

Use an appropriate diagram in your answer.

(8)

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(e) With reference to Extract C, Figure 2 and your own knowledge, discuss the benefits of non-price competition for consumers and businesses in the Indian smartphone industry.

(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 January 2022 the Australian firm Peak Minerals demerged from Vertex Minerals. The main reason for the demerger was to enable Peak Minerals to focus on copper and gold mining production in Western Australia.

Evaluate the possible benefits of a demerger.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 In February 2020 the European Commission fined the Spanish hotel group Meliá €6.678 million for charging consumers from different EU countries different prices for the same rooms.

Evaluate the possible benefits of price discrimination to both the business and consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 In January 2022 the Government of Greece announced plans to raise the national minimum wage by 2% to €773 per month. However, many restaurant owners are worried about the impact of this increase in the minimum wage on their businesses.

Evaluate the likely microeconomic effects of an increase in the national minimum wage on an industry of your choice.

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**

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Economics

International Advanced Level
UNIT 3: Business behaviour

Source Booklet

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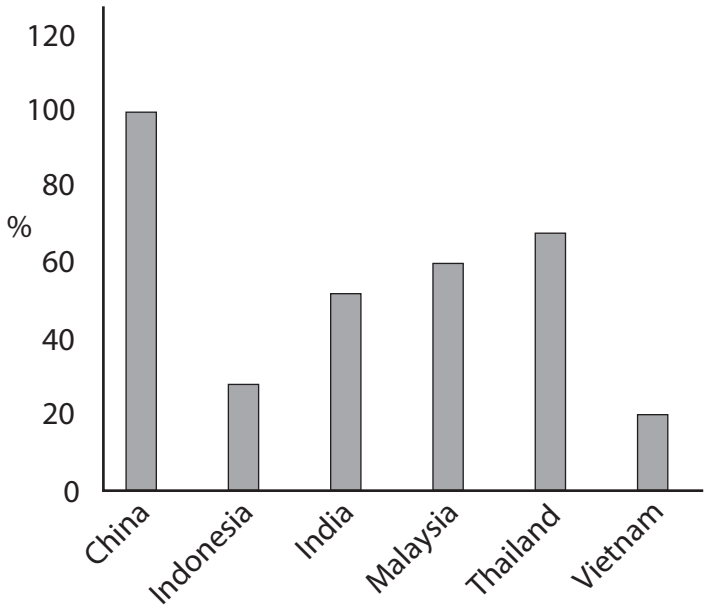
Sources for use with Section B

The Indian mobile phone market

Figure 1 Market shares of mobile phone companies in India, 2020 and 2021

	2020	2021
Xiaomi	26%	21%
realme	11%	17%
Samsung	20%	16%
vivo	15%	13%
OPPO	10%	9%
Others	18%	24%

Figure 2 Hourly labour cost for selected countries as a percentage of China's hourly labour costs, September 2018



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Extract A The Indian smartphone market

In October 2021 India's population was 1.38 billion, the second largest in the world after China. India's per capita real income increased from US$ 1 000 in 2015 to US$ 1 301 in 2020. It is predicted that incomes will continue to rise steadily over the next few years. India's large population and increasing disposable incomes have made it the world's second largest smartphone market. Over half the population of India owns a smartphone. It is expected that the market will grow from US$ 25.1 billion in 2018–19 to US$ 80 billion in 2025–26.

Extract B The production of smartphones in India

The manufacture of smartphones in India has increased significantly, making it the second largest manufacturing country after China. If production continues to rise at its current rate, India will soon become the global leader in smartphone production.

The Indian Government has been encouraging foreign direct investment (FDI) through the "Make in India" programme. This scheme offers tax relief for any companies manufacturing in India. The scheme also introduced a 12.5% tax on any imported phone components needed in the manufacturing process. This has caused an increase in the local production of handsets and phone components. Also, it is estimated that wages for skilled workers are 15% less in India than in China. As a result, Samsung Electronics, a South Korean company, opened the world's largest smartphone factory in India. The company will benefit from economies of scale and from reduced transport costs when selling its products in India, the Middle East and Africa. Foxconn, a Taiwanese company, moved its production of the new Apple iPhone from China to India to reduce long-run average costs.

There are several challenges facing smartphone producers in India. For example, the supply of components is insufficient to meet the level of demand. This forced some businesses to import more expensive and heavily taxed components from China. In addition, the power supply is not always reliable, reducing output and efficiency. Transportation can also be slow and costly. Poor roads and railways mean that it takes a long time for manufactured goods to reach the coast to be transported to other countries.

Extract C Competition in the smartphone industry

The smartphone industry in India is dominated by a few large businesses because smaller businesses find it difficult to compete on quality, functions and variety of smartphones. The large smartphone businesses mainly use non-price competition in order to increase market share. These strategies include advertising and branding, innovation, design and after-sales service.

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Acknowledgements

Figure 1 https://odi.org/en/publications/asia-in-2025-development-prospects-and-challenges-for-middle-income-countries/

Figure 2 https://candytech.in/smartphone-market-share-india/

Extract A and Extract B

https://icrier.org/pdf/Competition-Issues-in-India-Mobile-Handset-Industry.pdf

https://www.ibef.org/blogs/indian-smartphone-market-to-reach-a-record-173-million-units-in-2021

https://www.maximizemarketresearch.com/market-report/india-smartphone-market/20060/

https://www.electronicsb2b.com/eb-specials/industry-report/mobile-phone-manufacturing-in-india-a-success-story/

Extract C https://icrier.org/pdf/Competition-Issues-in-India-Mobile-Handset-Industry.pdf