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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.

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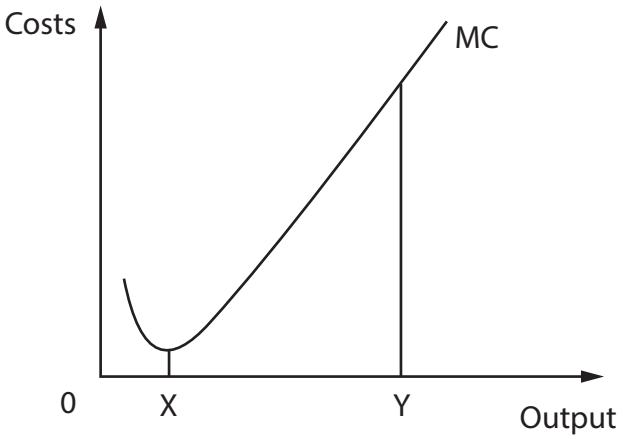
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SECTION A

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 The diagram shows a short-run marginal cost curve for a small café in Thailand.



Which **one** of the following is the reason why the MC curve slopes upwards from point X to point Y?

☒ **A** Decreasing returns to scale

☒ **B** Increasing fixed costs

☒ **C** Diminishing returns

☒ **D** Diseconomies of scale

(Total for Question 1 = 1 mark)

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2 The output of a textile manufacturer based in Botswana is 30 000 units of clothing per month. The firm's total revenue is $78 000, its total costs are $57 800 and its total fixed costs are $30 800 per month.

Which **one** of the following is the firm's average variable cost at this level of output?

- ☒ **A** $0.90
- ☒ **B** $1.03
- ☒ **C** $1.93
- ☒ **D** $2.60

(Total for Question 2 = 1 mark)

3 A survey conducted in 2021 found that 76% of US companies with factories in China were in the process of moving operations to other countries in southeast Asia. This would cause thousands of manufacturing workers in China to lose their jobs.

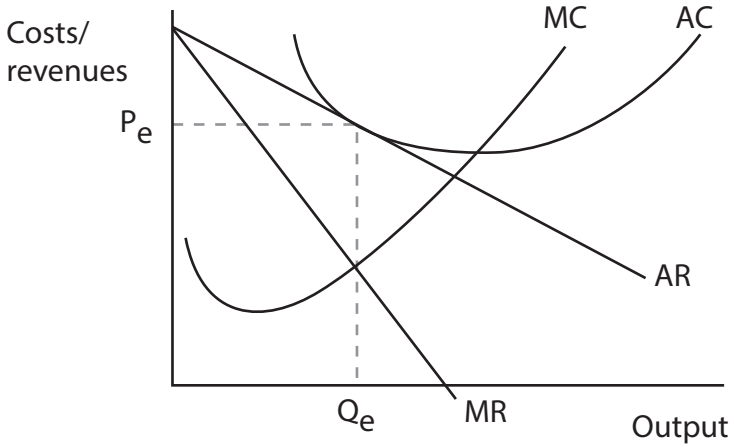
Which **one** of the following government measures is most likely to increase the occupational mobility of labour?

- ☒ **A** An increase in unemployment benefits
- ☒ **B** An increase in relocation grants for businesses
- ☒ **C** An increase in training schemes
- ☒ **D** An increase in the national minimum wage

(Total for Question 3 = 1 mark)

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4 The diagram shows the short-run cost and revenue curves for a profit maximising street food business in Sri Lanka.



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

- ☒ **A** The firm is dynamically efficient
- ☒ **B** The firm is making normal profit
- ☒ **C** The firm operates in a perfectly competitive market
- ☒ **D** The firm will shut-down in the short-run

(Total for Question 4 = 1 mark)

5 A monopolist changes its objective from profit maximisation to sales volume maximisation.

Which **one** of the following is the most likely impact of this decision?

- ☒ **A** A fall in the number of workers employed by the firm
- ☒ **B** An increase in the price of the good
- ☒ **C** A fall in the firm's total fixed costs
- ☒ **D** An increase in the firm's output

(Total for Question 5 = 1 mark)

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6 The elasticity of demand for agricultural workers in South Africa is estimated to be –0.3.

Which **one** of the following is the most likely reason for this value of the elasticity of demand for labour?

- ☒ **A** Labour cannot be easily replaced by capital
- ☒ **B** Wage rates are relatively high in the agricultural industry
- ☒ **C** Consumer demand for the final product is price elastic
- ☒ **D** Productivity is relatively low in the agricultural industry

(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 the wholesale price of gas from 1 April 2021 to 1 April 2022. You are advised to show your working.

(2)

(b) With reference to Figure 2 and the second paragraph of Extract A, explain what is meant by the term 'concentration ratio'.

(4)

(c) With reference to Figure 2 and Extract A, analyse **two** barriers to entry that might prevent a new firm from entering the UK energy market.

(6)

(d) With reference to Figure 1 and Extract A, examine the impact of the increase in the wholesale price of natural gas on the cost of production for UK gas suppliers.

(8)

(e) With reference to Extract A and Extract B, discuss the likely effects of the increase in the energy price cap on both energy suppliers and consumers.

Illustrate your answer with an appropriate cost and revenue diagram.

(14)

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7 (a) With reference to Figure 1, calculate the percentage change in the wholesale price of gas from 1 April 2021 to 1 April 2022. You are advised to show your working.

(2)

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(b) With reference to Figure 2 and the second paragraph of Extract A, explain what is meant by the term 'concentration ratio'.

(4)

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(c) With reference to Figure 2 and Extract A, analyse **two** barriers to entry that might prevent a new firm from entering the UK energy market.

(6)

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(d) With reference to Figure 1 and Extract A, examine the impact of the increase in the wholesale price of natural gas on the cost of production for UK gas suppliers.

(8)

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(e) With reference to Extract A and Extract B, discuss the likely effects of the increase in the energy price cap on both energy suppliers and consumers.

Illustrate your answer with an appropriate cost and revenue 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 The Government of Norway fully subsidises university education. Universities in Norway have social objectives rather than a profit maximising objective. By contrast, in the USA, students pay fees to study at profit maximising universities.

Evaluate the view that the objectives of state-owned enterprises and private sector organisations always differ.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 The global supermarket chain, Walmart, operates 10 500 stores in 24 countries. It has monopsony power when buying agricultural products and employing labour in these countries. A 2021 study suggested that Walmart buys these agricultural products at a lower price than when they are sold to other businesses.

Evaluate the likely impacts of monopsony power on employees and suppliers.

Refer to a firm with monopsony power in your answer.

(Total for Question 9 = 20 marks)

10 In 2022, the Canadian airline WestJet completed a takeover of Sunwing Travel Group, an airline and luxury holiday provider. WestJet's objective was to sell luxury flights and holidays to more destinations.

Evaluate the benefits of growth by takeover for a business in 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**

Economics

International Advanced Level
UNIT 3: Business behaviour

Source Booklet

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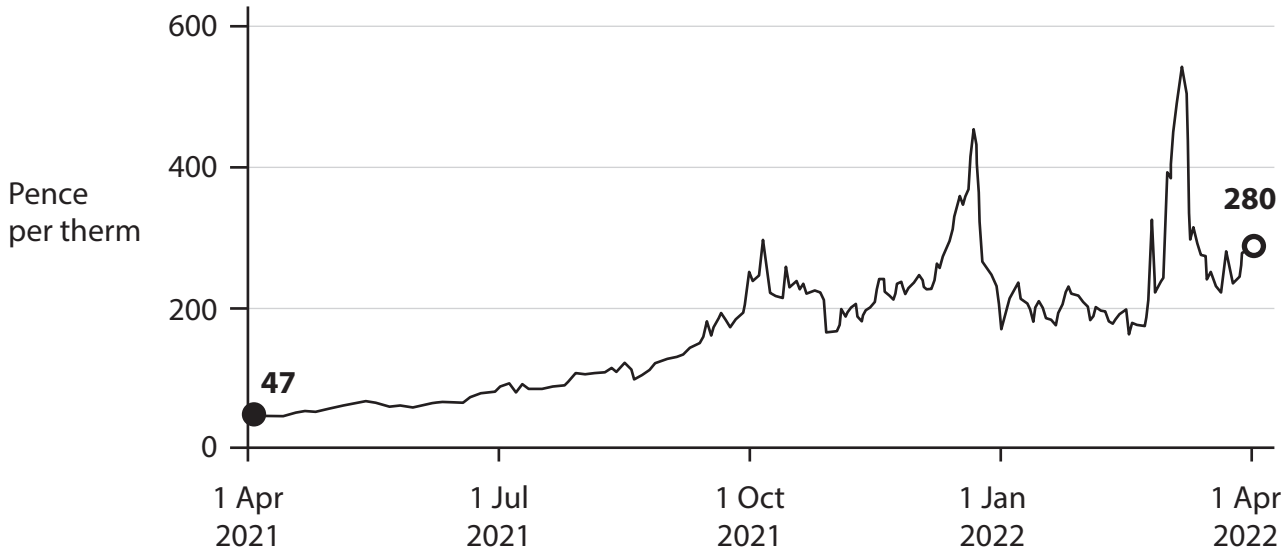
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Sources for use with Section B

The UK energy market

Figure 1 The UK wholesale price of natural gas, pence per therm*, 1 April 2021 to 1 April 2022



*A therm is a unit of heat

Figure 2 Market share of companies supplying natural gas, Q4 2020 and Q4 2021 (%)

	Q4 2020	Q4 2021
British Gas	26.9	27.6
E.ON Energy UK	12.5	14.7
Ovo	12.5	11.4
EDF UK	8.2	9.6
Scottish Power	8.0	7.9
Octopus	6.3	11.1
Other medium-sized gas suppliers	18.4	14.5
Small-sized gas suppliers	7.2	3.2

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Extract A The UK energy market

In 2021 the global wholesale price of natural gas increased significantly. This caused a large increase in the costs for UK companies supplying gas because they have to purchase gas at world market prices. Purchasing natural gas accounts for approximately 35% of the total costs for large gas suppliers. This increase in the wholesale price made it impossible for 31 smaller suppliers to cover their costs and resulted in them shutting down.

With the closure of many small suppliers, there was an increase in the concentration ratio in the market. The six largest suppliers controlled 82.3% of the market for gas by the end of 2021. These larger suppliers increased their market shares by acquiring new consumers from those firms that had left the market. For example, British Gas acquired 729 000 new consumers, EDF UK 580 000 new consumers and E.ON Energy UK 239 000 new consumers. This change in the market enabled these large suppliers to increase their output and achieve greater economies of scale.

It is expected that the energy regulator, Ofgem, will seek to increase barriers to entry in this market by strengthening regulations, to prevent similar disruptions happening again. In addition, Ofgem, announced plans to increase the energy price cap (the maximum price that a supplier can charge for energy to a consumer) from £1 277 per year to £1 971 in April 2022. This should help the surviving suppliers to remain in the industry and secure energy supply for consumers.

Extract B UK Government support for consumers

The cost of living for consumers is set to rise significantly after the increase in the price cap. In response, the UK Government announced help for approximately 28 million households by providing a discount on energy bills worth £200 in 2022. Consumers would be required to pay this back to the Government over 5 years. There would also be a £150 cash payment to some households that will not need to be repaid.

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Acknowledgements

Figure 1: https://www.thetimes.co.uk/article/b9862172-b1aa-11ec-8b8c-0207c0fd6104?shareToken=331dddc29573a7930c76be2a67bd692c

Figure 2: https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?sort=created&page=2

Extract A: https://www.independent.co.uk/news/uk/home-news/what-energy-price-cap-bills-gas-b2038789.html

https://www.forbes.com/uk/advisor/energy/failed-uk-energy-suppliers-update/

https://www.fitchratings.com/research/corporate-finance/uk-energy-price-cap-increase-helps-suppliers-pass-on-costs-04-02-2022

Extract B: https://www.gov.uk/government/speeches/chancellors-statement-to-the-house-energy-price-cap

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