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| Candidate surname | Other names |
|---|---|
| | |

Centre Number | Candidate Number

# Pearson Edexcel International Advanced Level

## Friday 20 October 2023

Morning (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.

*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** It is estimated that Japan's population of working age will fall from 65.3 million in 2017 to 60.8 million in 2025.

*Ceteris paribus*, which **one** of the following might result from this fall in Japan's population of working age?

☒ **A** A decrease in job vacancies

☒ **B** An increase in the rate of unemployment

☒ **C** A decrease in immigration into Japan

☒ **D** An increase in wage rates

**(Total for Question 1 = 1 mark)**

**2** In 2022 the Government of Canada updated its competition policy in order to increase market contestability.

*Ceteris paribus,* which **one** of the following would increase market contestability?

☒ **A** An increase in legal costs to start a business

☒ **B** An increase in legislation to control mergers

☒ **C** An increase in patent protection

☒ **D** An increase in regulatory capture

**(Total for Question 2 = 1 mark)**

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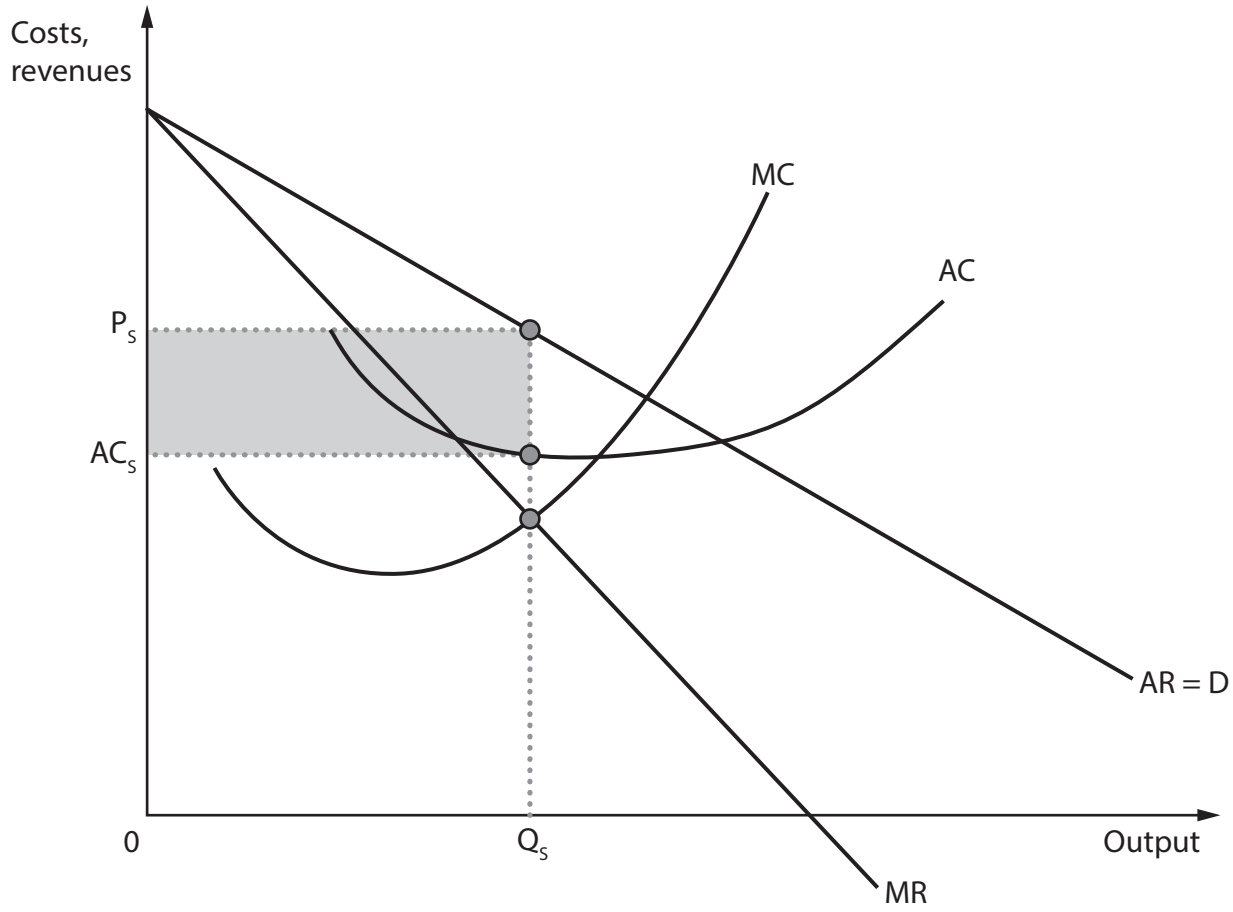
**3** The diagram illustrates the profit-maximising output for a street food seller in Taiwan operating in a monopolistically competitive market.




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

- ☒ **A** The street food seller is operating at the short-run equilibrium output
- ☒ **B** The street food seller is operating at the long-run equilibrium output
- ☒ **C** The street food seller is operating at the productively efficient level of output
- ☒ **D** The street food seller is operating at the allocatively efficient level of output

**(Total for Question 3 = 1 mark)**

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**4** Big Bazaar is a large grocery retailer in India. It faces a downward-sloping average revenue curve and is making supernormal profits. In 2022 rental costs increased by an average of 6.5%.

*Ceteris paribus,* which **one** of the following combinations indicates the impact of this increase in rental costs on Big Bazaar?

| | Profit | Price |
|---|---|---|
| ☒ **A** | No change | No change |
| ☒ **B** | Rise | Decrease |
| ☒ **C** | Fall | No change |
| ☒ **D** | No change | Decrease |

**(Total for Question 4 = 1 mark)**

**5** The table shows the total costs of a shirt manufacturer at different levels of output.

| Output | Total costs $ |
|---|---|
| 0 | 100 000 |
| 5 000 | 120 000 |
| 10 000 | 150 000 |
| 15 000 | 170 000 |
| 20 000 | 180 000 |

Which **one** of the following is the average fixed cost if the shirt manufacturer is producing 10 000 shirts?

☒ **A** $5

☒ **B** $6.67

☒ **C** $10

☒ **D** $20

**(Total for Question 5 = 1 mark)**

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**6** In 2022 the average price of a standard cinema ticket in Johannesburg, South Africa, was R60 in the daytime and R105 in the evening.

Which **one** of the following is the most likely reason for this price difference?

- ☒ **A** The demand for cinema tickets is more price inelastic in the daytime than in the evening
- ☒ **B** The demand for cinema tickets is more price elastic in the daytime than in the evening
- ☒ **C** The supply of cinema tickets is perfectly price elastic
- ☒ **D** The supply of cinema tickets is more price elastic in the evening than in the daytime

**(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 2, calculate the percentage change in the price of the Model 3 Rear Wheel Drive vehicle between January and October 2022.

**(2)**

(b) With reference to Extract A, analyse **two** reasons why sales of electric vehicles in China increased.

Illustrate your answer with a supply and demand diagram.

**(6)**

(c) With reference to Figure 1 and Extract B, explain the market structure that best describes the electric vehicle market in China.

**(4)**

(d) With reference to the first two paragraphs of Extract B, examine the impact of Tesla producing its electric vehicles in China on its costs and profits.

Illustrate your answer with a costs and revenues diagram.

**(8)**

(e) With reference to the information provided and your own knowledge, discuss the impact of Tesla reducing its prices on the behaviour of other electric vehicle manufacturers.

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**7** (a) With reference to Figure 2, calculate the percentage change in the price of the Model 3 Rear Wheel Drive vehicle between January and October 2022.

**(2)**

(b) With reference to Extract A, analyse **two** reasons why sales of electric vehicles in China increased.

Illustrate your answer with a supply and demand diagram.

**(6)**

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(c) With reference to Figure 1 and Extract B, explain the market structure that best describes the electric vehicle market in China.

**(4)**

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(d) With reference to the first two paragraphs of Extract B, examine the impact of Tesla producing its electric vehicles in China on its costs and profits.

Illustrate your answer with a costs and revenues diagram.

**(8)**

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(e) With reference to the information provided and your own knowledge, discuss the impact of Tesla reducing its prices on the behaviour of other electric vehicle manufacturers.

**(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 Pakistan, internet services are provided by a monopolist, Pakistan Telecommunication Company Ltd (PTCL). The quality of the service offered is poor and the internet speed is slow resulting in a high level of complaints from consumers.

Evaluate policies that a government could use to control and regulate monopolies, such as PTCL.

Illustrate your answer with an appropriate diagram(s).

**(Total for Question 8 = 20 marks)**

**9** In 2022 Belgium had an unemployment rate of 5.5% and a vacancy rate of 4.8%.

Evaluate policies that a government could use to reduce the geographical immobility of labour **and** the occupational immobility of labour.

Refer to industries of your choice in your answer.

**(Total for Question 9 = 20 marks)**

**10** Nestlé is the largest manufacturer of pre-packaged food and beverages in the world, based on revenue. Its size has enabled it to reduce its average cost of production.

Evaluate the impact that the size of a business has on its efficiency.

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

## Friday 20 October 2023

Morning (Time: 2 hours)

Paper reference **WEC13/01**

# Economics

**International Advanced Level**

**UNIT 3: Business behaviour**

**Source Booklet**

**Do not return this Booklet with the question paper.**

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**Sources for use with Section B**

**The electric vehicle market in China**

**Figure 1 Market share for electric vehicle passenger sales, based on sales revenue, 2021**

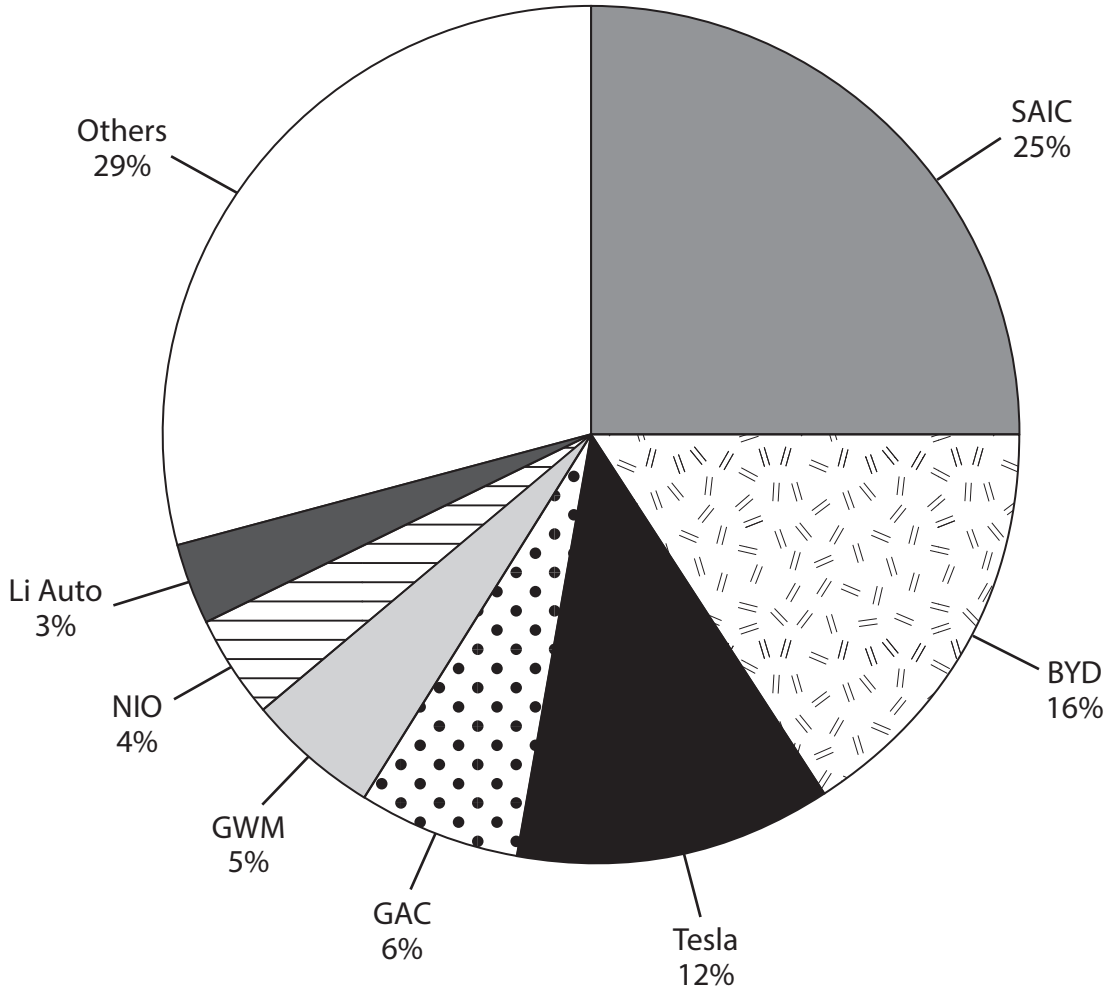


**Figure 2 Tesla electric vehicle prices, 2022 (Yuan, 000s)**

| Model of vehicle | January 2022 | October 2022 |
|---|---|---|
| Model 3 Rear Wheel Drive | 280 | 266 |
| Model 3 Performance | 368 | 350 |
| Model Y Rear Wheel Drive | 317 | 289 |
| Model Y Performance | 418 | 398 |

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**Extract A Changes in the Chinese electric vehicle market**

In 2020 the Chinese Government adopted many new measures to reduce $CO_2$ emissions, in order to meet its climate change goals by 2030. For example, the Government has increased the number of charging points and raised the tax on non-electric vehicles. The global increase in the price of fuel has also led to an increase in demand for electric vehicles. Between 2021 and 2022 the sales of electric vehicles in China increased by 83% to 5.92 million.

**Extract B Tesla in China**

Tesla, a US-owned vehicle company, has attempted to increase its sales in China to take advantage of the increasing demand for electric vehicles. In 2019 the company opened a factory in Shanghai. It became the first fully foreign-owned vehicle manufacturer in the country. By producing vehicles in China, Tesla was able to take advantage of government incentives, such as subsidies, aimed at promoting the domestic electric vehicle industry, as well as benefiting from low-cost labour. This new factory was expected to increase Tesla's competitiveness in the Chinese market by making its vehicles more affordable for consumers. China has become a key manufacturing centre for Tesla. Its factory in Shanghai produced over 710 000 vehicles in 2022. This represented 52% of the company's worldwide output.

However, production has been difficult in China. Tesla faced supply chain disruptions as a result of the global health crisis of 2020 to 2022. This resulted in a reduction in output and an increase in its costs of production. Tesla also had to pay taxes on imported components and finished vehicles.

In October 2022 Tesla reduced the price of several of its electric vehicles. The two main reasons for these price reductions were:

- a fall in its production costs arising from government subsidies to electric car manufacturers
- improved efficiency from manufacturing in Shanghai.

The lower prices of Tesla's electric vehicles had a significant impact on its competitors. Domestic and other international manufacturers responded by reducing their prices for electric vehicles as they competed for market share.

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**Acknowledgements**

Figure 1: https://www.schroders.com/en/insights/economics/why-chinas-electric-vehicle-market-is-at-full-throttle/
Figure 2: https://www.bloomberg.com/news/articles/2022-10-24/tesla-cuts-china-prices-partly-reversing-previous-increases

Extract A:

https://www.statista.com/outlook/mmo/electric-vehicles/china
https://www.bbc.co.uk/news/business-62825830

Extract B:

https://www.ft.com/stream/35edec46-ef7b-4f9b-b85a-25174e6e07fa
https://www.ft.com/content/d5781c37-ee16-4ef5-94a9-b77a251aaadb
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