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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

Tuesday 28 May 2024

Afternoon (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 In 2021, Koji Sato, the CEO of Toyota, stated that technical economies of scale were one of the main reasons for the company's success.

Which **one** of the following results from technical economies of scale?

☒ **A** An increase in purchasing economies

☒ **B** A decrease in advertising costs

☒ **C** An increase in short-run average costs

☒ **D** A decrease in long-run average costs

(Total for Question 1 = 1 mark)

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2 The table shows the costs for a small hairdressing business as it increases the number of haircuts.

Number of haircuts	Total fixed costs ($)	Total variable costs ($)	Marginal cost ($)
1	50	12	
2	50	18	
3	50	26	
4	50	36	

Which **one** of the following is the marginal cost of increasing the number of haircuts from 2 to 3? You may use the blank column for your workings.

☒ **A** $4.00

☒ **B** $8.00

☒ **C** $8.66

☒ **D** $12.50

(Total for Question 2 = 1 mark)

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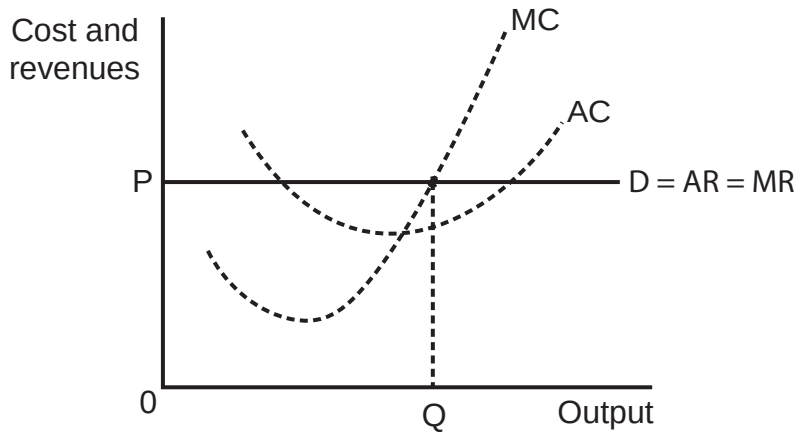
3 In 2022 the pharmaceutical company GlaxoSmithKline (GSK) demerged from the consumer health business Haleon. GSK's shareholders believed that the businesses would be able to work more successfully as separate companies.

Which **one** of the following is the most likely reason why GSK decided to demerge from Haleon?

- ☒ **A** To benefit from external economies of scale
- ☒ **B** To diversify the business
- ☒ **C** To achieve diseconomies of scale
- ☒ **D** To focus on its core business

(Total for Question 3 = 1 mark)

4 The diagram shows the short-run costs and revenues for a farmer producing wheat in India.



Which **one** of the following is most likely to occur in the long-run?

- ☒ **A** Additional wheat farmers will enter the market
- ☒ **B** Some wheat farmers will leave the market
- ☒ **C** The wheat farmer will make supernormal profit
- ☒ **D** The wheat farmer will make a loss

(Total for Question 4 = 1 mark)

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5 A profit maximising firm decides to change its objective to revenue maximisation.

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

		Supernormal profit	Price
☒	**A**	No change	No change
☒	B	Increase	Increase
☒	C	Decrease	Decrease
☒	D	Increase	No change

(Total for Question 5 = 1 mark)

6 A 2022 study found that the geographical mobility of labour in the USA has been decreasing for the last 30 years.

Which **one** of the following is most likely to cause a **decrease** in the geographical mobility of labour?

☒ **A** An increase in the skills of the workforce

☒ **B** An increase in relocation grants provided by the government

☒ **C** An increase in average house prices and rents

☒ **D** An increase in the availability of affordable housing

(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, 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 change in Uniqlo's total costs between 2021 and 2022. Show your workings.

(2)

(b) With reference to the first paragraph of Extract A, explain what is meant by the term 'organic growth'.

(4)

(c) With reference to the second paragraph of Extract A, analyse **two** reasons why Uniqlo has been very successful in establishing itself in international markets.

(6)

(d) With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits.

Illustrate your answer with an appropriate diagram.

(8)

(e) With reference to Extract C, Figure 2 and your own knowledge, discuss the likely barriers to entry for a business wishing to enter the global fashion retail market.

(14)

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7 (a) With reference to Figure 1, calculate the change in Uniqlo's total costs between 2021 and 2022. Show your workings.

(2)

(b) With reference to the first paragraph of Extract A, explain what is meant by the term 'organic growth'.

(4)

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(c) With reference to the second paragraph of Extract A, analyse **two** reasons why Uniqlo has been very successful in establishing itself in international markets.

(6)

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(d) With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits.

Illustrate your answer with an appropriate diagram.

(8)

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(e) With reference to Extract C, Figure 2 and your own knowledge, discuss the likely barriers to entry for a business wishing to enter the global fashion retail market.

(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 2023 the US Department of Justice began an investigation into claims that Google had used its market power to limit competition and to increase the amount charged to advertisers.

Evaluate policies that a government could adopt to control monopolies.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 In 2023 the highest-paid lawyers in Switzerland earned, on average, three times more than the lowest-paid lawyers.

Evaluate possible reasons for wage differentials in an occupation of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 In July 2023 the Competition and Markets Authority fined Leicester City Football Club £880 000 for colluding with JD Sports. The club was found guilty of price fixing and restricting the selling of Leicester City-branded clothing in the UK.

Evaluate the likely effects of collusion on businesses **and** consumers in an industry of your choice.

Illustrate your answer with reference to game theory.

(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

Tuesday 28 May 2024

Afternoon (Time: 2 hours)

Paper reference **WEC13/01**

Economics

International Advanced Level

UNIT 3: Business behaviour

Source Booklet

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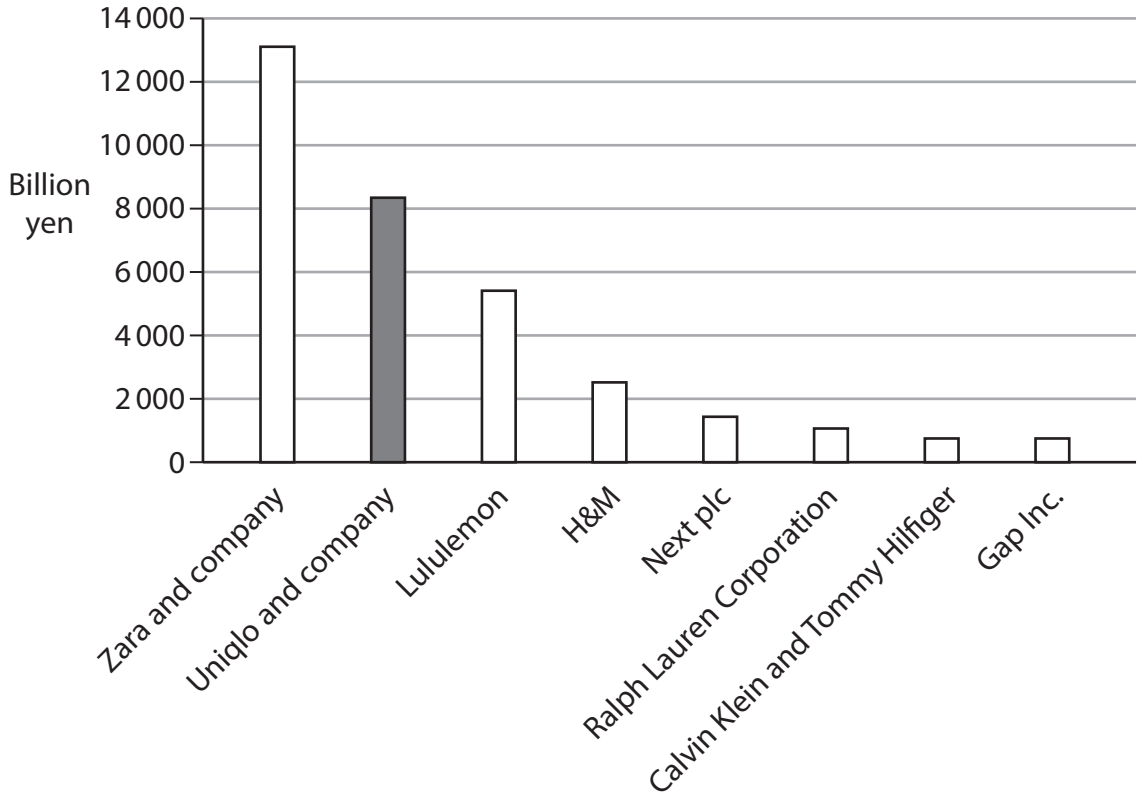
Sources for use with Section B

The global fashion retail market

Figure 1 Uniqlo's total revenue and profit, billion yen, 2020–2022

Year	Revenue (billion yen)	Profit (billion yen)
2020	2 008	975
2021	2 132	1 073
2022	2 301	1 206

Figure 2 Global fashion retailers, ranked by market value, billion yen, February 2023



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Extract A Uniqlo's successful growth strategy

Uniqlo is a Japanese fashion retailer. The company was set up in 1984 and it initially focused on the manufacturing and selling of casual, affordable clothing in Japan. In the 2000s Uniqlo started to sell in other countries such as the USA, China, UK, Australia and South Korea. Uniqlo expanded through a process of organic growth. The company opened stores in large cities within each country.

Uniqlo has been very successful in establishing itself in international markets. The business competes with other brands such as Zara and H&M by offering lower prices. Uniqlo has also used non-price competition to offer innovative products that meet its consumers' needs, such as ultra-lightweight and heat-generating fabrics (HeatTech). It also works with well-known designers and celebrities, such as Alexander Wang. The business has invested heavily in advertising and it was the first business in this market to use fast-moving digital images in its stores.

Extract B Uniqlo's revenues and costs

Between 2021 and 2022 Uniqlo's revenue increased by 7.9%. Demand for its products has steadily increased. One reason is that global financial pressures have caused consumers to demand quality items at lower prices.

In 2023 two factors may contribute to a reduction in Uniqlo's costs of production. It aims to negotiate lower prices from its suppliers, including for materials such as cotton and dyes. It is also replacing workers by investing in technology and automation.

However, in March 2023 Uniqlo had to increase wages for some employees by 40% in order to attract highly skilled labour. In addition, there was a global increase in the costs of raw materials.

Extract C The global fashion retail market

Uniqlo, H&M and Zara compete in the 'fast fashion' retail market. Fast fashion is where the businesses respond to the latest trends by supplying new affordable fashion items to the market very quickly. The retailers all offer low prices because they have significant bargaining power over their suppliers. They also provide desirable items because of their high-quality market research and their innovative designs. The businesses compete both online and in stores globally. The profits they make enable them to engage in extensive advertising campaigns.

In 2021 China was Uniqlo's largest international market with 917 stores. Uniqlo had a 1.4% share of the Chinese clothing market, larger than any other business. The rest of the market is made up of many small firms.

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Acknowledgements

Figure 1 adapted from: https://www.fastretailing.com/eng/ir/news/2204141800.html

Figure 2 adapted from: https://www.fastretailing.com/eng/ir/direction/position.html

Extract A adapted from:

https://www.uniqlo.com/eu/en/info/about.html

https://www.economist.com/business/2023/04/20/uniqlos-success-mirrors-the-growth-of-japans-industrial-giants

https://martinroll.com/resources/articles/strategy/uniqlo-the-strategy-behind-the-global-japanese-fast-fashion-retail-brand/

https://www.indigo9digital.com/blog/uniqlostrategy

Extract B adapted from:

https://www.retail-week.com/fashion/uniqlo-owner-fast-retailing-ups-profit-guidance/7044160.article#:~:text=Fast%20Retailing%20posted%20a%2021.9,trn%20(%C2%A311.8bn)

https://www.talkwalker.com/blog/uniqlo-marketing-strategy

Extract C adapted from:

https://fashionretail.blog/2017/07/18/global-fashion-retailers-sales-analysis/

https://www.indigo9digital.com/blog/uniqlostrategy