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Examiners' Report October 2025

Pearson Edexcel International Advanced Level in Economics (WEC13/01)

Unit 3: Business Behaviour

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General comments

This is the October series for assessment of WEC13: Business behaviour. There were over 2100 entries for this unit. Most learners were able to complete the paper in the time available. However, three were several unfinished or very brief essays suggesting that some learners had not planned their time well.

Section A

In this multiple-choice section, learners performed best on question 1 (benefits of privatisation) and question 2 (business objectives) and least well on question 3 (long run monopolistic competition outcomes) and question 6 (the relationship between AR, MR and price elasticity of demand). The use and manipulation of numerical and graphical data is an integral part of this specification and centres are advised to apply quantitative skills at regular intervals throughout the taught course.

Section B

The data response section was based around the merger between two banks in Nigeria, focusing on the benefits of mergers, analysing why some businesses made losses and policies that the Government of Nigeria could use to support businesses. The questions were based on information provided in the source booklet.

7a: The majority of learners were able to calculate the percentage change in average diesel prices based on the data given in the source booklet to gain the two application marks on offer.

7b: This question required learners to explain the type of integration that would result from the merger of Unity Bank and Providus Bank. There were two knowledge marks for a correct identification of horizontal merger and a correct definition of the term. Two relevant pieces of data were required to gain the two application marks on offer. A small number of learners did not fully understand the extract and identified that the merger was vertical. Many learners scored either both knowledge marks or both application marks, but only a minority scored full marks for this question.

7c: Most learners were able to correctly identify two benefits of the merger between the two banks with good use of the extract provided. Additionally they were able to refer to the data to exemplify their answer. However, a significant number of learners were unable to develop their points fully to score the available analysis marks. A common error was to suggest that economies of scale would lead to a reduction in the costs of the newly merged business. The correct analysis should link the economies of scale to a reduction in long-run average costs. Some learners drew a correct, large, well-labelled diagram to show economies of scale.

7d: This question tested learners' ability to apply the extract to show an imperfectly competitive business moving from a profitable to a loss-making equilibrium. Two knowledge and two analysis marks were available for drawing a correct diagram. This needed to show a downward sloping AR and MR curves, a clear equilibrium, an upwards shift in the AC curves so that it ended above the AR curve and a clearly identified area of loss. Learners often failed to gain full marks on the diagram as they did not show a loss, keeping the AR curve above the AC curve. This question also required learners to evaluate their analysis i.e. to suggest situations where a loss may not occur. Many learners failed to evaluate at all. Those that did focused on information given in the extract. This suggested that businesses in the service sector were still making profits; however, many failed to develop this point so could only score one evaluation mark.

7e: Learners were asked to evaluate policies that the Government of Nigeria could use to support businesses. The extract gave several policies for learners to use. Many learners simply copied the policies into their answers and failed to analyse them in any detail. This meant that they could not access the higher levels of KAA. Better responses gave several chains of analysis and linked this to the context given in the extract. Weaker responses gave generic evaluation points which were not focused on the policies that they had identified.

Section C

Learners had the opportunity to choose two out of three essay questions. Question 8 (the benefits of price discrimination), question 9 (the benefits of an increase in the minimum wage) and question 10 (the benefits of non-price competition) were all equally popular. All questions offered good opportunities for learners to differentiate themselves and showcase their skills of analysis and evaluation.

Learners' knowledge of relevant economic concepts was generally sound in both questions, but they often struggled to apply them by referring to a named industry, as requested in the questions for 8 and 10. This meant that most learners failed to access the highest mark level. As in question 7e, answers often lacked a fully developed chain of reasoning. Too many learners focused their explanations on several points which meant that they did not have time to develop them fully. Some learners drew appropriate and accurate diagram(s) and incorporated them into their answer with sound analysis.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many learners were unable to offer developed chains of reasoning. Often evaluation was limited to one or two generic sentences.

Over 100 learners still failed to tick the box to show which questions they were attempting.

Comments on individual questions
Section A

Question 1
This question concerned the identification of a potential benefit of privatisation. The correct answer was option A: increased efficiency resulting from the profit motive. Privatised businesses have shareholders to satisfy and their business objective is likely to be profit maximisation. They will therefore seek to cut costs wherever possible and increase their efficiency to increase profits.

Question 2
This question tested learners' understanding of satisficing objectives. The correct answer was option B: achieving an acceptable level of profit and sales. All the other options involved other business objectives.

Question 3
This question tested learners' understanding of long-run monopolistic competition. Learners needed to work out what would happen in the long-run to the profit and allocative efficiency. The correct answer was option A. In the long-run, normal profit is earned as there are zero barriers to entry into the industry; however, as the market structure is imperfectly competitive, the downward sloping demand curve means that the business will be allocatively inefficient. In a question such as this learners may find it helpful to sketch down a diagram to help them to answer the question.

Question 4
This question focused on a factor that would limit government intervention in the housing market. The correct answer was option D: regulatory capture. All the other options would ensure that government intervention was effective.

Question 5
This was the first of two questions testing learners' quantitative skills. Learners were given data on the total costs of a manufacturing business and were asked to calculate the average variable costs at an output of 2000 units. To answer this correctly, learners needed to identify total fixed costs. This can be seen by observing total costs at zero output; this is where there are zero variable costs. This figure can then be subtracted from total costs at output 2000 to find total variable cost at that level of output. The total variable costs then needs to be divided by 2000 to find the average variable costs at that level of output. The correct answer was option A: $19.00.

Question 6
The final question in this section tested learners' ability to understand and manipulate a firm's AR and MR curves. The business was operating on the elastic part of its AR curve. This can be deduced as the graph shows that the MR is

positive. A 15% rise in the price of coffee would therefore lead to a fall in the total revenue of the café. This means that the correct answer is option C. Learners do need to understand the interrelationships between TR, AR, MR and PED and this is something that centres should spend more time on.

Section B

Question 7a

Learners needed to calculate the percentage change in diesel prices between two given months. The majority of learners correctly calculated the answer as 84.1%.

Question 7b

Many learners were able to successfully identify that the form of integration was horizontal i.e. between two firms in the same industry at the same stage of production. This scored the two knowledge marks. The two available application marks were harder to score. Examiners were seeking direct reference to the two businesses that were merging rather some general comment about the industry. Full marks could be gained by explaining that Unity Bank is one of the largest banks, whereas Providus Bank is much smaller.

Question 7c

The question required learners to analyse two likely benefits of the merger between the two banks using Extract A. Many learners identified that the merged business would have increased market share and enjoy economies of scale. However, some responses failed to develop this knowledge to say why this was a benefit; some learners confused costs with average costs when analysing the benefit of achieving economies of scale. These learners therefore could not access the two analysis marks for linked development to the identified benefits. Application was generally well-done by most learners, picking up two references to Extract A. A small number of learners provided evaluative comments. In a 6-mark question, there are no marks available for this skill, so it is important that learners read the question carefully.

Question 7d

For eight-mark questions, it is important to remember that there are two marks available for each of knowledge, application, analysis and evaluation.

This question asked learners to examine two reasons which might explain why some businesses in Nigeria made significant losses. The question required an appropriate diagram. Unfortunately the quality of many diagrams was poor: often labels on curves were missing and several diagrams were too small and therefore it was hard for examiners to distinguish any changes to the cost and revenue curves. Both learners and centres need reminding that diagrams must be large, well-labelled and clear.

Using the extract, the majority of learners identified two reasons why businesses in Nigeria made losses. However, many learners provided more than two reasons; this meant that time was wasted on this question. The stated reasons would cause the cost curves to shift upwards. To show losses, it is crucial that the AC is above the AR curve at all levels of output. The area of the loss needed to be clearly identified on the diagram by either shading or by putting a letter on each of the four corners of the loss rectangle.

This question required evaluation and many learners pointed out that losses would not be made by all businesses in Nigeria, especially those in the service sector which had less need to use petrol and diesel, or those businesses who did not have significant amounts of debt. However, few responses scored both marks for evaluation as they did not develop their point further.

Question 7e

Learners needed to use the source to discuss policies that the Government of Nigeria could use to support businesses. Many learners identified all the policies that were outlined in the passage and gave some brief analysis of each of them. It is important that learners refer to just two policies and develop their analysis by focusing on those points rather than trying to cover as many policies as possible. This will allow the learners to access the higher levels of response and make effective use of their time.

The most commonly identified policies were: loans being offered to small and medium sized businesses in Abuja, and tax breaks to reduce costs for businesses. Learners must ensure that they do not just copy out the extract into their answer. Instead they should take the key benefit of the policy and develop several chains of argument in their analysis of that policy. This is essential if learners want to access the highest mark band.

Evaluation points needed to be focused on the policies that were identified. In a question such as this, it is good practice to evaluate each policy after analysing it, rather than leaving all the evaluation till the end of the answer. As with the analysis, learners should ensure that they only make two developed evaluative paragraphs with chains of reasoning, rather than several separate undeveloped points.

Section C

Learners often make a number of valid points but do not develop a coherent chain of reasoning. The best answers will have two analysis points which are fully developed, rather than covering as many points as possible. Many responses did not include any form of contextual reference and therefore could not achieve the highest mark band. Context can be from the stem provided in the question and/or from other examples that have been learners have studied. Simply writing a business name in the answer does not merit as context.

Where a diagram is used, learners need to ensure that it is large and has all the appropriate labels on the axes and curves.

For evaluation, learners should provide a partially developed chain of reasoning to attain at least Level 2. Writing a list of points will only give learners access to Level 1.

Question 8

Learners were required to evaluate the benefits of price discrimination to both producers and consumers. An appropriate diagram was also required. Many learners correctly identified several benefits of price discrimination: lower prices to those with elastic demand, higher profits, the reinvestment of those higher profits to gain a better-quality product and a more efficient use of resources. Pleasingly, diagrams were generally presented and clear.

Evaluation often argued that the higher profits depended on the size of barriers to entry into the industry and businesses continued ability to separate the markets in a cost-effective way. Many learners correctly identified that those consumers with price inelastic demand would face higher prices which would reduce their consumer surplus. Many also argued that complex pricing structures would make consumers confused which would reduce their welfare.

Question 9

Learners were required to evaluate the benefits of a rise in the minimum wage for businesses and workers. An appropriate diagram was also required. Most learners drew an appropriate diagram, although some did not show a rise in the minimum wage, preferring to show a static diagram instead. The most common benefits identified were a rise in incomes of workers which would increase their welfare, an increased level of motivation from workers which may increase their productivity and an increase in the available pool of labour for businesses to choose from.

Evaluation tended to focus on the effects on businesses. A rise in the minimum wage would increase costs and may result in a lower level of profits. This may lead to an increase in cost-cutting measure from the business which may take the form of a higher level of unemployment for workers. Some discussed the effects that elasticity of labour demand and supply would have on the level of unemployment. More sophisticated responses outlined how a rise in the minimum wage would impact different types of businesses; for example, businesses which have a high proportion of labour costs to total costs (such as those in hospitality or tourism) would be most affected.

Question 10

This question required an evaluation of the benefits of non-price competition in oligopolistic markets for consumers and producers. To reach the highest mark band, learners needed to refer to an industry of their choice. Common points made for businesses included an increase in the demand for the product, the fact that demand may become more price inelastic due to higher brand loyalty and an increase in barriers to entry into the industry as new businesses would need to at least match the level of non-price competition. The best responses argued that non-price competition was superior to price competition as it avoided a price war. The most common points made for consumers was that it increased their welfare as the product in question was likely to be of a better quality and the fact that there was significant levels of dynamic efficiency in the market.

Evaluation points tended to focus on the cost to firms of advertising and marketing. Learners also pointed out that product development was not guaranteed to increase demand and that increased choice in the market often led to consumers making irrational decisions at higher prices.

Paper Summary

The main implications for centres regarding future teaching, learning and examination preparation are:

- Ensure that all parts of the specification are taught and internally assessed. This needs to include addressing all the quantitative skills (as found on page 69 of the specification).
- Learners must read all questions carefully, and make sure that they have addressed all parts of a question in their response. This is of vital importance when referring to appropriate data to score all the application marks available.
- Learners must draw accurate, appropriate, legible and correctly-labelled diagrams to support their arguments, even if not specifically asked for in the question. This always helps add depth to arguments.
- Learners should make full use of previous examination papers, mark schemes and especially Principal Examiner reports.
- Learners need to ensure that they have a plan of how they are going to allocate their time before starting the examination. This will ensure that all parts of the question paper are given due consideration.

Section A

- Learners and centres must ensure that their quantitative skills are practised throughout the course.
- Learners do need to understand the interrelationships between TR, AR, MR and PED and this is something that centres should spend more time on.

Section B

- Learners should refer to the relevant extracts but should not copy them word-for-word into their answers. Brief quotations are acceptable but, in themselves, will not achieve higher level marks.
- The 4- and 6-mark questions do not require evaluation, so learners should ensure that they do not do this and use the time given to them effectively.
- The 14-mark question requires learners to develop a chain of reasoning by analysing two points in depth. Covering a lot of points in a superficial way will limit the mark to a low Level 2, at best. Analysis needs to be contextualised by using relevant source information and appropriate examples, where possible.
- Diagrams must be large and the curves and axes must be appropriately labelled.

Section C

- Learners are encouraged to have a clear structure to their answers analysing two points in detail. They must avoid writing essays in bullet points or in prose without any paragraphs. There should be a clear distinction between their analysis and evaluation points. It is recommended that the evaluation of a point follows the analysis point.
- The nature of essay questions means that learners should draw on their knowledge that they have accumulated throughout their course, and on their ability to apply that knowledge directly to the question.