GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | Candidate Number

Monday 18 May 2020

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 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 ▶

P63976A

©2020 Pearson Education Ltd.

1/1/1/1/1

P 6 3 9 7 6 A 0 1 2 4

Pearson

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 2018 the Competition and Markets Authority carried out an investigation into a proposed merger between two of the largest UK supermarket companies, Sainsbury's and Asda.

If approved, this type of merger would be an example of

☒ **A** conglomerate integration

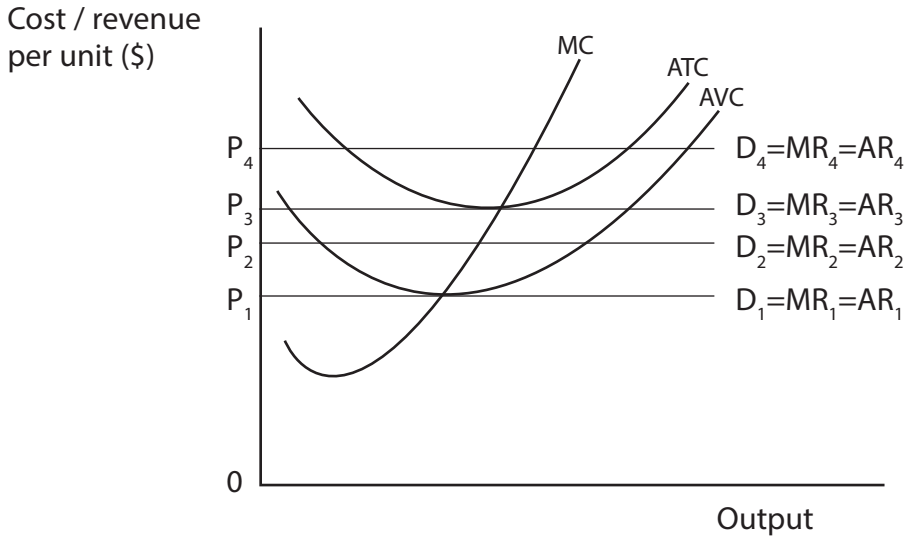
☒ **B** horizontal integration

☒ **C** backward vertical integration

☒ **D** forward vertical integration

(Total for Question 1 = 1 mark)

2 The diagram shows a firm operating in a perfectly competitive market. The firm has the objective of profit maximisation.



Which **one** of the following is true?

☒ **A** At a price of P_1 the firm will shut down in the short-run

☒ **B** At a price of P_2 the firm will cover fixed costs and variable costs

☒ **C** At a price of P_3 the firm will shut down in the long-run

☒ **D** At a price of P_4 the firm will make supernormal profits

(Total for Question 2 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

3 Which **one** of the following is most likely to cause the supply of engineers to the aerospace industry to be inelastic?

- ☒ **A** Jobs in the aerospace industry require a high level of skill
- ☒ **B** Aerospace engineers are very responsive to changes in wage rates
- ☒ **C** The government provides support for training programmes
- ☒ **D** There is a fall in demand for aerospace industry products

(Total for Question 3 = 1 mark)

4 Which **one** of the following characteristics always applies to a highly contestable market?

- ☒ **A** There is a large number of small firms
- ☒ **B** There are high sunk costs
- ☒ **C** There are low barriers to entry
- ☒ **D** There is imperfect information

(Total for Question 4 = 1 mark)

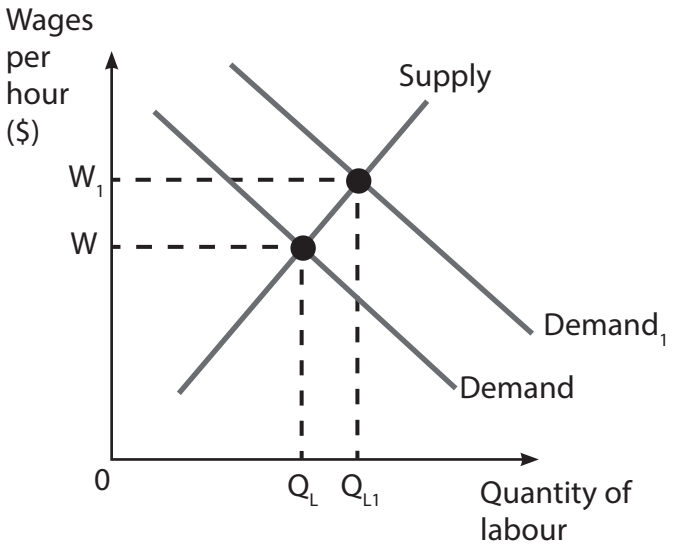
5 In 2019 the minimum wage rate in Spain was increased by 22%.

If the elasticity demand for labour currently earning the minimum wage is –0.6, then the demand for these workers will

- ☒ **A** rise by 13.2%
- ☒ **B** fall by 13.2%
- ☒ **C** rise by 36.7%
- ☒ **D** fall by 36.7%

(Total for Question 5 = 1 mark)

6 The diagram shows a competitive labour market.



Which **one** of the following would cause the increase in the wage rate from W to W_1 as shown in the diagram?

- ☒ **A** An increase in firms' costs of production
- ☒ **B** A decrease in the productivity of labour
- ☒ **C** An increase in demand for the final product
- ☒ **D** A decrease in net migration

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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 change in Uber India's revenue from 2016 to 2018. You are advised to show your working.

(2)

(b) With reference to Extract B, explain what is meant by 'privatisation'.

(4)

(c) With reference to Extract B, examine **two** likely effects of deregulation and privatisation.

(8)

(d) With reference to Figure 2 and Extract A, analyse the likely effect of predatory pricing on the profits of a ride-hailing taxi firm.

(6)

(e) With reference to Extract C and your own knowledge, discuss the likely effects on consumers of the price discrimination strategy.

Illustrate your answer with an appropriate diagram(s).

(14)

7 (a) With reference to Figure 1, calculate the percentage change in Uber India's revenue from 2016 to 2018. You are advised to show your working.

(2)

(b) With reference to Extract B, explain what is meant by 'privatisation.'

(4)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(c) With reference to Extract B, examine **two** likely effects of deregulation and privatisation.

(8)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(d) With reference to Figure 2 and Extract A, analyse the likely effect of predatory pricing on the profits of a ride-hailing taxi firm.

(6)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(e) With reference to Extract C and your own knowledge, discuss the likely effects on consumers of the price discrimination strategy.

Illustrate your answer with an appropriate diagram(s).

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 7 = 34 marks)

(TOTAL FOR SECTION B = 34 MARKS)

SECTION C

Answer TWO questions from this section.

8 In 2017 19% of firms in the UK construction industry were small or medium-sized businesses.

Evaluate why some firms remain small.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 There are many hotel businesses in the Philippines that operate in a monopolistically competitive market.

To what extent would a perfectly competitive market be more efficient than a monopolistically competitive market?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 Garuda Indonesia is the country's national airline. In November 2017 the company's Vice-President stated that the airline's main objective was to maximise revenue.

Evaluate the extent to which different business objectives may affect a firm's profits.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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 20.

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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** ☒

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

GradeMax

Pearson Edexcel International Advanced Level

Monday 18 May 2020

Time: 2 hours | Paper Reference **WEC13/01**

Economics

International Advanced Level
Unit 3: Business behaviour

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

Turn over ▶

P63976A

©2020 Pearson Education Ltd.

1/1/1/1/1

P 6 3 9 7 6 A

Pearson

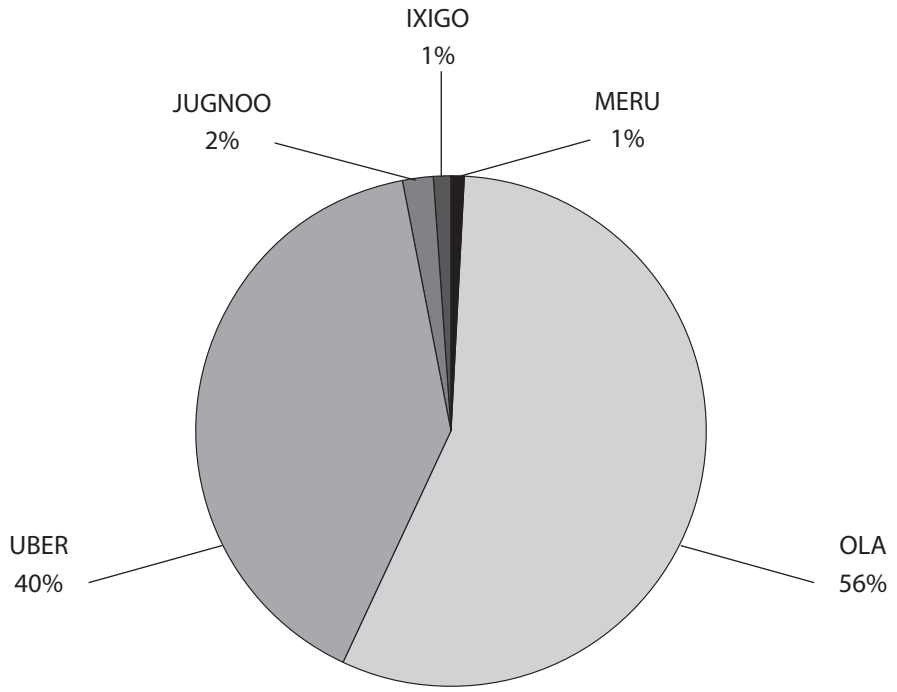
Sources for use with Section B.

The business behaviour of large firms

Figure 1 Uber India's revenue for year ending in March in rupees billion (Rs)

2016	3.7
2017	4.1
2018	5.3

Figure 2 Market share of ride-hailing taxi firms in India, December 2017



Extract A Predatory pricing in India?

The Chief Executive of Ola, India's biggest ride-hailing taxi firm, has heavily criticised the pricing policies of Uber. He claims that Uber has been adopting a predatory pricing strategy. A spokesperson for Uber denied this, stating that her company competes fairly to attract customers.

The two major ride-hailing taxi firms have been engaged in continuous price competition since Uber entered the Indian market in 2013. Since then both firms have repeatedly cut fares in big cities to levels either equal to or below the cost of each ride. For example, in March 2016 Ola offered rides in small cars for just Rs6 ($0.09) per kilometre, in addition to a flat rate charge. This price cut was made as a response to a price reduction by Uber.

Extract B End of state-owned coal monopoly in India

In 2017 the Indian Government announced its decision to deregulate and privatise parts of India's coal mining industry. This would end the long-standing monopoly of state-owned Coal India Ltd. Certain mines will be auctioned and contracts then awarded to private sector mining firms. As well as enabling domestic firms to enter the industry, the decision could also lead to global mining companies such as Rio Tinto, BHP Billiton and Vale entering the industry.

It is claimed these changes will lead to increased investment and create more direct and indirect employment in coal mining areas. However, representatives of mining trade unions fear that it may lead to job losses.

Extract C Price discrimination in Zambia

Zambia Sugar is responsible for over 90% of total sugar production in Zambia. In 2017 the Government's Competition and Consumer Protection Commission (CCPC) found that Zambia Sugar had engaged in price discrimination against several household sugar and industrial sugar* customers. The firm was charging Zambian consumers of household sugar 40% more than the export price for the same product. This price difference was not linked to any changes in Zambia's exchange rate.

In addition, some manufacturers were charged lower prices for the same industrial sugar compared to others. These price differences could not be explained by differences in the quantities of sugar purchased.

The CCPC fined the firm 76 million Zambian Kwacha (ZK) for unfair pricing. Zambia Sugar was told that it should end its price discrimination strategies and set fair prices for both household sugar and industrial sugar in future.

* where sugar is an ingredient in further production

BLANK PAGE

Acknowledgements

Figure 1 adapted from https://www.business-standard.com/article/companies/uber-india-sees-moderate-revenue-growth-of-9-5-at-rs-4-1-bn-in-fy17-118062001372_1.html and https://yourstory.com/2019/01/uber-india-increase-revenues

Figure 2 adapted from https://www.statista.com/chart/14650/ride-hailing-market-share-india/

Extract A adapted from https://www.ft.com/content/332bc018-9f5f-11e6-891e-abe238dee8e2

Extract B adapted from https://indianexpress.com/article/business/business-others/coal-india-monopoly-ends-mines-are-opened-to-private-players-5072057/

Extract C adapted from https://www.lusakatimes.com/2017/10/12/zambia-sugar-fined-penalty-fee-k-76-7-million-competion-consumer-protection-commission/

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.