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

Tuesday 19 January 2021

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 ▶

P66166A

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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 Between 2009 and 2019 real house prices in Sydney, Australia rose by 40%. This price increase was more than in any other part of Australia.

What might be the effect of this increase in house prices in Sydney on the mobility of labour?

☒ **A** A decrease in the geographical mobility of labour

☒ **B** A decrease in the occupational mobility of labour

☒ **C** An increase in the geographical mobility of labour

☒ **D** An increase in the occupational mobility of labour

(Total for Question 1 = 1 mark)

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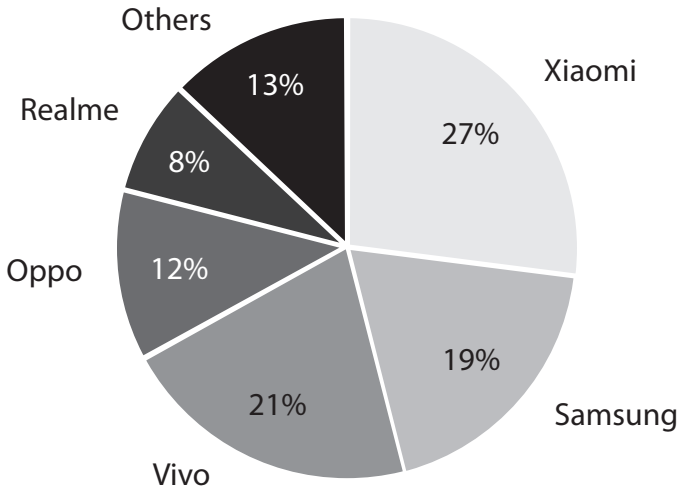
2 The chart shows the market share of smartphone companies in India in quarter 4, 2019.



What is the 4-firm concentration ratio?

- ☒ **A** 67%
- ☒ **B** 79%
- ☒ **C** 80%
- ☒ **D** 87%

(Total for Question 2 = 1 mark)

3 Hairdressing salons are assumed to operate under conditions of monopolistic competition.

Which **one** of the following will be true for a hairdressing salon in long-run equilibrium?

- ☒ **A** It is productively efficient
- ☒ **B** It makes supernormal profit
- ☒ **C** It is allocatively efficient
- ☒ **D** It makes normal profit

(Total for Question 3 = 1 mark)

4 In 2017 the Centre for Economic Analysis estimated that the elasticity of supply of labour for car manufacturing in Poland was 1.3.

Which **one** of the following would have caused the elasticity of the supply of labour to become more elastic?

- ☒ **A** A fall in net migration
- ☒ **B** A rise in the level of welfare benefits
- ☒ **C** A fall in income tax rates
- ☒ **D** A rise in trade union membership

(Total for Question 4 = 1 mark)

5 In March 2020 the Angolan Government announced that it was privatising three state-owned textile factories.

Which **one** of the following is the most likely effect of this privatisation?

- ☒ **A** A decrease in X-inefficiency
- ☒ **B** A decrease in productive efficiency
- ☒ **C** A decrease in consumer choice
- ☒ **D** A decrease in share ownership

(Total for Question 5 = 1 mark)

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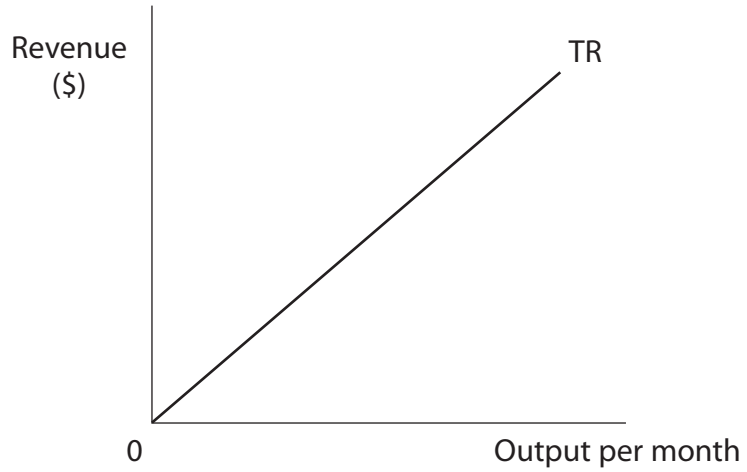
6 The diagram shows a firm's total revenue as output increases.



Which **one** of the following best characterises such a firm?

		Marginal Revenue
☒	**A**	Rising
☒	**B**	Constant
☒	**C**	Negative
☒	**D**	Falling

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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 and Figure 2, calculate Tata Steel's total costs for steel production in 2019.

(2)

(b) Explain what is meant by the term 'monopsony employer' (Extract C, line 11).

(4)

(c) With reference to Extract B, examine the likely effects of the proposed merger between Tata Steel and Thyssenkrupp on the profits of European car manufacturers.

Illustrate your answer with an appropriate diagram.

(8)

(d) With reference to Extract C, analyse **two** reasons why the proposed merger between Tata Steel and Thyssenkrupp was blocked by the European Competition Commission.

(6)

(e) With reference to Extract A, Extract B and your own knowledge, discuss the benefits to Tata Steel and Thyssenkrupp of the proposed horizontal integration.

Illustrate your answer with an appropriate diagram.

(14)

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(Total for Question 7 = 34 marks)

(TOTAL FOR SECTION B = 34 MARKS)

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SECTION C BEGINS ON THE NEXT PAGE.

SECTION C

Answer TWO questions from this section.

8 In South Africa, in 2019, insurance, mobile phones and retail banking were markets that had high concentration ratios. For example, the 4-firm concentration ratio was 96% for mobile phones and 74% for insurance.

Evaluate the disadvantages of an oligopolistic market for producers and consumers. Refer to an industry of your choice in your answer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 In 2020 the low-cost airline Flybe shut down. A decrease in demand for European flights led to Flybe's revenue falling below its costs of production.

Evaluate whether a firm should always shut down if its costs of production are greater than its revenue. Refer to an industry of your choice in your answer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 In 2018 the South African Government passed the National Minimum Wage Act.

Evaluate the likely microeconomic effects of the introduction of a national minimum wage on businesses and workers in the tourism industry.

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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TOTAL FOR SECTION C = 40 MARKS

TOTAL FOR PAPER = 80 MARKS

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GradeMax

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Economics

International Advanced Level
Unit 3: Business behaviour

Source Booklet
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Sources for use with Section B.

Tata Steel

Figure 1 Tata Steel's total revenue, 2015–2019, in billion Rupees (Rs)

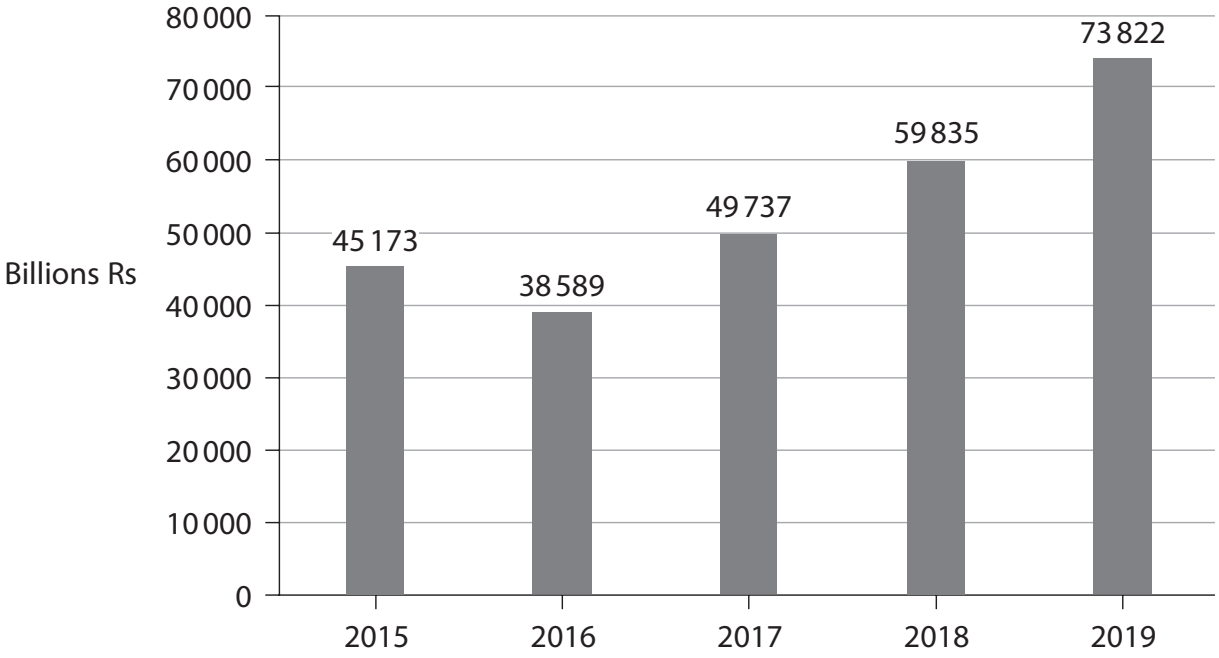
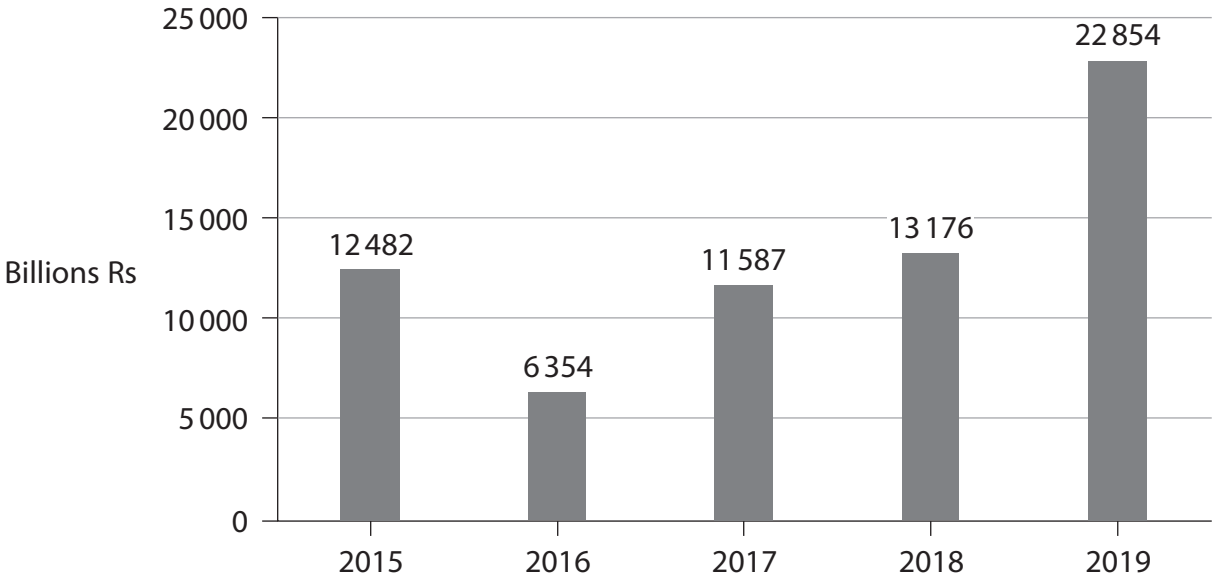


Figure 2 Tata Steel's profit, 2015–2019, in billion Rupees (Rs)



Extract A The Indian steel industry

India is the world's second largest steel producer. The growth in the Indian steel industry has been stimulated by the availability of iron ore and low-cost labour. Firms in this industry are dynamically efficient, using the latest technology in their production process.

Tata Steel is the largest steel producer in India with the capacity to produce 13 million tonnes per year. It is also one of the largest steel-producing companies globally and operates in 26 countries with major sites in India, the Netherlands and the UK. It employs 85 500 workers globally.

Extract B Merger proposal

The German steel producer, Thyssenkrupp, is Europe's second largest producer of high-value steel, followed by Tata Steel. In 2017 these companies planned to merge their European manufacturing operations. This integrated business would have 48 000 workers and generate €15 billion in sales.

The merged company would be based in the Netherlands and become the second largest European steel manufacturer. Even after this merger, ArcelorMittal SA would still be the largest European steel manufacturer.

The merger was proposed after the European steel industry had a 25% tariff (tax on imports) placed on its sales to the USA, its largest market. Since the tariffs were imposed, steel manufacturers experienced a fall in annual profits of between 8% and 17%.

The merged firm expected that improvements in efficiency would result in savings of over €400 million. It is planned to reduce staff by a total of 4 000 in administration and manufacturing. It also hoped that it could benefit from lower long-run average costs.

Extract C Merger blocked

In June 2019 the European Competition Commission blocked the proposed merger between Tata Steel and Thyssenkrupp. It concluded that the merger would cause a reduction in competition which would result in a significant increase in the price of steel. During the investigation the Commission received feedback from car manufacturers and firms in the packaging industry. These industries believed the merger would give Tata Steel and Thyssenkrupp more dominance in the market. This would be likely to result in higher costs of production that would make it difficult for firms in these industries to remain profitable.

Employees of Tata Steel and Thyssenkrupp were concerned that the merger would create a monopsony employer of steel workers in the UK and the Netherlands. Employees expected job losses and lower real wages. This would have a negative effect on their standard of living as they would have no alternative employer for their skill set.

Acknowledgements

Figures 1 and 2 based on data from https://economictimes.indiatimes.com/tata-steel-ltd/yearly/companyid-12902.cms

Extract A adapted from
https://www.thebalance.com/the-10-biggest-steel-producers-2010-2340299 and
https://www.tatasteeleurope.com/

Extract B adapted from
https://www.independent.co.uk/news/business/tata-steel-merger-thyssenkrupp-port-talbot-wales-a8423946.html and
https://www.theguardian.com/business/2017/sep/20/tata-steel-merge-thyssenkrupp-job-losses-port-talbot

Extract C adapted from
https://www.ft.com/content/5f0feae0-8c3f-11e9-a24d-b42f641eca37 and
https://www.wsj.com/articles/eu-blocks-merger-of-steelmaking-units-of-tata-thyssenkrupp-11560251203