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 27 May 2025

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 Integris, a UK-based management services business, was founded in 2021 as a result of the merger of several businesses providing similar services. This enabled it to benefit from internal economies of scale.

Which **one** of the following is an example of internal economies of scale?

☒ **A** Availability of a skilled labour force

☒ **B** Access to transport links

☒ **C** Lower corporation tax

☒ **D** Purchasing supplies in bulk

(Total for Question 1 = 1 mark)

2 A monopoly sets its price at the output where average revenue is equal to average cost.

Which **one** of the following best describes this firm's objective?

☒ **A** Revenue maximisation

☒ **B** Profit maximisation

☒ **C** Sales maximisation

☒ **D** Profit satisficing

(Total for Question 2 = 1 mark)

3 In 2024, the Government of Japan decided to subsidise construction companies to modernise old homes in the city of Kyoto.

Ceteris paribus, which **one** of the following is the most likely impact of this policy?

☒ **A** The price elasticity of supply of construction workers would increase

☒ **B** The demand for construction workers would increase

☒ **C** The skills of construction workers would decrease

☒ **D** Wage rates for construction workers would decrease

(Total for Question 3 = 1 mark)

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4 The table shows the total costs of a garment manufacturer at different levels of output.

Output	Total costs ($)
0	100 000
6 000	160 000
12 000	210 000
18 000	250 000
24 000	280 000

Which **one** of the following is the average variable cost if the garment manufacturer is producing 12 000 items?

- ☒ **A** $8.33
- ☒ **B** $9.17
- ☒ **C** $10.00
- ☒ **D** $17.50

(Total for Question 4 = 1 mark)

5 The table shows the price for an adult ticket at a particular cinema in Dhaka in 2024.

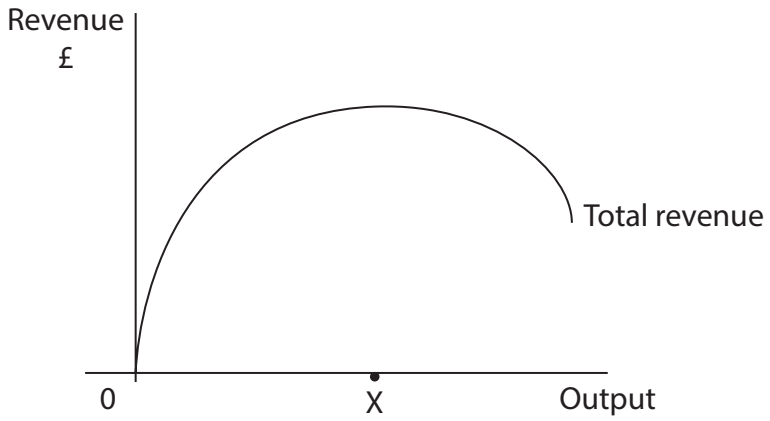
Time	Price (BDT)
Afternoon	300
Evening	450

Which **one** of the following best describes the reason for this price difference?

- ☒ **A** Demand is more price elastic in the afternoon
- ☒ **B** Demand is more price inelastic in the afternoon
- ☒ **C** Supply is perfectly elastic in the evening
- ☒ **D** Supply is more elastic in the evening

(Total for Question 5 = 1 mark)

6 The following diagram shows the total revenue curve for an imperfectly competitive business in Nepal selling mobile phones.



Which **one** of the following can be deduced from the diagram at an output of 0X?

☒ **A** Marginal revenue is zero

☒ **B** Marginal revenue is negative

☒ **C** Marginal revenue is equal to one

☒ **D** Marginal revenue is maximised

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering Question 7.

Write your answers in the spaces provided on the following pages.

7 (a) With reference to Figure 1, calculate the percentage change in bicycle sales between 2022 and 2023.

You are advised to show your workings.

(2)

(b) With reference to the first two paragraphs of Extract B, explain what is meant by 'a reduction in contestability'.

(4)

(c) With reference to Extract B and your own knowledge, analyse **two** reasons why some bicycle retailers remain small.

(6)

(d) With reference to Figure 1, Extract A and Extract B, examine **two** reasons why some bicycle retailers were forced to close.

(8)

(e) With reference to Extract C, discuss methods that Halfords could use to increase its profitability.

Illustrate your answer with a costs and revenues diagram.

(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 60% of the world's cocoa is produced by 2.5 million farming families in Ghana and Cote d'Ivoire. Much of this cocoa is sold to multinational companies for processing into chocolate. However, cocoa workers receive only 6% of the price of a bar of chocolate.

Evaluate measures that a government can use to protect employees **and** suppliers in a product market of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 Sabesp is a natural monopoly supplying water in São Paulo, Brazil.

Evaluate the benefits of a natural monopoly supplying a product or service in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 In 2024 Prembly Group, a digital security business based in Nigeria, merged with Peleza, a business specialising in making background security checks, based in Kenya.

Evaluate the benefits of the growth of a business by merger in an industry of your choice.

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 23.

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

GradeMax

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Economics

International Advanced Level

UNIT 3: Business behaviour

Source Booklet

Do not return this Booklet with the question paper.

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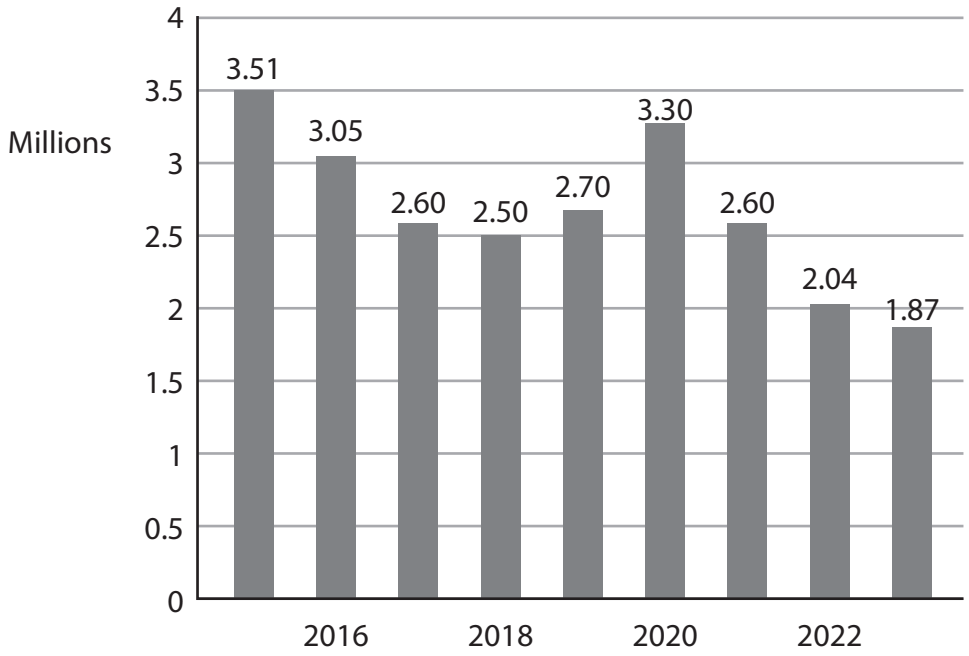
Sources for use with Section B

The UK bicycle industry

Figure 1 Number of bicycles sold in the UK, millions, 2015–2023



Extract A The UK bicycle market

The UK bicycle market is facing a challenging period with declining sales. In 2023, sales were at their lowest in over 10 years. Since 2020, this decline was mainly caused by:

- a decrease in consumer demand after the boom in bicycle sales during the global health crisis
- high inflation rates.

However, in 2023, sales of some types of bicycles increased. For example, electric bikes (e-bikes) are becoming a more popular choice. Mintel, a market research business, forecast a 12% increase in bicycle sales in 2024. This increase in demand is expected to be caused by a combination of factors, including a recovery in consumer spending and significant price reductions by retailers.

Extract B Competition in the UK bicycle market

There were 2 234 bicycle retailers in the UK in 2023. This was a decrease of 2.1% compared with 2022. The majority of these retailers are independently owned. However, a few large businesses dominate the market, including Evans Cycles, Chain Reaction Cycles, Wiggle and Halfords.

A rise in online shopping has been a challenge for many small-scale bicycle retailers. Online sales initially provided an opportunity for small-scale businesses to increase their market shares. However, the larger businesses quickly dominated the online market by investing heavily in advertising and branding, and by offering online discounts. These strategies have resulted in a reduction in contestability.

In 2023, an increasing number of bicycle retailers shut down. As the global health crisis eased, people started returning to their old routines and the demand for bicycles decreased. This left retailers with many unsold bicycles. To sell the excess supply, the large businesses reduced their prices. As a result, many small-scale retailers could not compete with these lower prices.

However, there are still opportunities for small-scale bicycle retailers to succeed. These businesses offer unique expertise and specialist services such as bike fitting and selling a niche range of bicycles. Some of these businesses have also been successful in adapting quickly to the growing demand for e-bikes.

Extract C Halfords

Halfords is the largest bicycle retailer in the UK, with a market share of approximately 20%. It has been successfully selling new and innovative products, such as electric scooters (e-scooters). Halfords is also a market leader for e-bikes.

In the first quarter of 2024, Halfords' profit before tax fell by 18% compared with the previous year. Revenue fell because poor weather caused a decrease in sales of bicycle products. Total costs had also increased by 12.7%. This was mainly caused by:

- a 10% increase in the national minimum wage
- significant increases in transport costs.

Halfords aims to overcome these challenges and continue to grow its business by:

- focusing on its services business e.g. bike servicing, which is less affected by economic downturns
- investing in its online presence to reach more consumers
- increasing its price competitiveness
- expanding its sales of e-bikes and e-scooters.

Acknowledgements

Figure 1 adapted from:

https://www.statista.com/outlook/mmo/bicycles/united-kingdom#unit-sales

Extract A adapted from:

https://bicycleassociation.org.uk/news/press-release/22/22-BA-2023-Annual-Market-Report-confirms-worst-mechanical-bike-sales#:~:text=It%20is%20likely%20to%20take,digits%20between%202024%20to%202026.

https://store.mintel.com/report/uk-cycling-market-report-2021

Extract B adapted from:

https://www.bicycleassociation.org.uk/market-data/

https://www.bikes.org.uk/small-bike-shops-can-compete-online/

https://cyclingindustry.news/ask-the-trade-where-is-the-bike-shops-greatest-competition-in-2021/

https://www.independent.co.uk/news/world/americas/bike-shops-sales-bicycle-prices-b2547853.html

Extract C adapted from:

https://www.cityam.com/halfords-profit-slides-as-cycling-and-motoring-retailer-warns-of-soft-trading/

https://halfords.annualreport2020.com/strategic-report/our-marketplace/cycling-market.html

https://www.theretailbulletin.com/general-merchandise/halfords-posts-drop-in-profits-as-demand-for-bikes-wanes-27-06-2024/

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https://road.cc/content/news/halfords-share-price-plunges-25-306993