GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Thursday 21 May 2026

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.

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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 Thailand, the Metropolitan Waterworks Authority is considered to be a natural monopoly.

Which **one** of the following is the most likely reason for a natural monopoly?

☒ **A** The business has high advertising costs

☒ **B** There are diminishing returns in the industry

☒ **C** There are high infrastructure costs in the industry

☒ **D** The business will reduce its average costs by demerging

(Total for Question 1 = 1 mark)

2 In April 2024 the Government of India allowed private sector businesses to bid for contracts to produce renewable energy.

This is an example of which **one** of the following?

☒ **A** Regulation

☒ **B** Market failure

☒ **C** Government failure

☒ **D** Competitive tendering

(Total for Question 2 = 1 mark)

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3 A fast food retailer in Rio de Janeiro is operating in a monopolistically competitive market.

Ceteris paribus, which **one** of the following is most likely to be true in the short-run?

		Objective	Profit
☒	**A**	Profit maximisation	Supernormal
☒	**B**	Sales maximisation	Supernormal
☒	**C**	Revenue maximisation	Normal
☒	**D**	Satisficing	Normal

(Total for Question 3 = 1 mark)

4 The table shows the number of workers employed and the total number of jumpers produced per hour in a textile factory.

Number of workers	Output
1	10
2	25
3	47
4	71
5	89
6	89
7	78

Diminishing returns set in when which **one** of the following occurs?

☒ **A** A 4th worker is employed

☒ **B** A 5th worker is employed

☒ **C** A 6th worker is employed

☒ **D** A 7th worker is employed

(Total for Question 4 = 1 mark)

5 In 2024 the minimum wage rate in Samoa was increased from $1.49 to $1.77 per hour.

Assume that the elasticity of demand for cleaners in the hospitality industry currently earning the minimum wage is –0.9.

C*eteris paribus*, which **one** of the following will be true for the demand for these workers?

☒ **A** It will rise by 16.9%

☒ **B** It will fall by 16.9%

☒ **C** It will rise by 25.2%

☒ **D** It will fall by 25.2%

(Total for Question 5 = 1 mark)

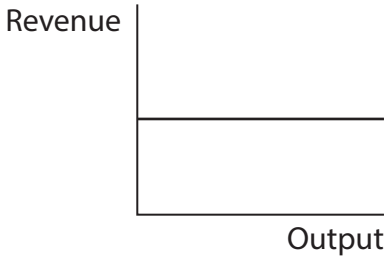
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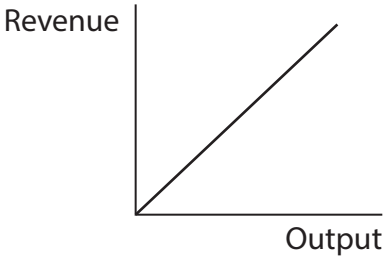
6 An agricultural business in Niger is selling its produce in a perfectly competitive market.

Which **one** of the following represents its average revenue curve?

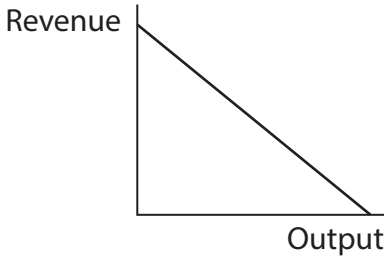
☒ **A**



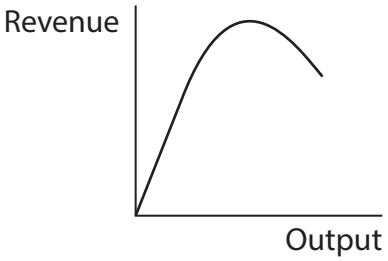
☒ **B**



☒ **C**



☒ **D**



(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 spaces provided on the following pages.

7 (a) With reference to Figure 1, calculate how much more expensive it would be for a customer to shop at Waitrose instead of Aldi. Express your answer as a percentage.

You are advised to show your workings.

(2)

(b) With reference to Figure 2, explain what is meant by the term 'concentration ratio'.

(4)

(c) With reference to Extract A, analyse **two** reasons why UK grocery stores compete using non-price competition.

(6)

(d) With reference to Extract B, examine the likely impact of the increase in the wage rate on the profits of Tesco.

Illustrate your answer with a cost and revenue diagram.

(8)

(e) With reference to Extract C and your own knowledge, discuss the disadvantages of monopsony power used by grocery stores on UK farmers **and** consumers.

(14)

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(d) With reference to Extract B, examine the likely impact of the increase in the wage rate on the profits of Tesco.

Illustrate your answer with a cost and revenue diagram.

(8)

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(e) With reference to Extract C and your own knowledge, discuss the disadvantages of monopsony power used by grocery stores on UK farmers **and** consumers.

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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 2024 the US aerospace business Honeywell announced plans to demerge into three independent businesses. Each of these would have a separate focus: automation, aerospace and advanced materials.

Evaluate possible benefits of a demerger for a business **and** its workforce.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 The Government of Andhra Pradesh, a state in Southern India, offers to pay university tuition fees for students from economically disadvantaged backgrounds. By 2024 this policy had benefited nearly 3 million students, with a total expenditure of over $10 million.

Evaluate measures to increase the occupational mobility of labour **and** the geographical mobility of labour.

(Total for Question 9 = 20 marks)

10 In 2024 there were approximately 776 small traditional coffee shops (kopitiams) in Singapore. Most of these businesses only operate one store. Starbucks has over 140 stores in Singapore.

Evaluate why the objectives of small-size enterprises may differ from those of large enterprises.

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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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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Economics

International Advanced Level

UNIT 3: Business Behaviour

Source Booklet

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Sources for use with Section B

The UK grocery market

Figure 1 Total expenditure on a basket of 79 identical items in UK grocery stores, March 2025

Store	Total expenditure (£)
Aldi	133.73
Lidl	134.43
Asda	147.09
Tesco	149.83
Morrisons	156.86
Sainsbury's	159.24
Ocado	167.20
Waitrose	176.41

Figure 2 Market share of grocery stores, UK, 12 weeks to 15th June 2025

Grocery store	Market share, %
Tesco	28.1%
Sainsbury's	15.2%
Asda	11.9%
Aldi	10.9%
Morrisons	8.4%
Lidl	8.1%
Co-op	5.3%
Waitrose	4.5%
Iceland	2.3%
Ocado	1.9%
Others	3.4%

Extract A Competition in the UK grocery market

The UK grocery market is highly competitive. Up to 70% of the goods sold by these businesses are identical or very similar. They compete using a range of price and non-price strategies. Examples of non-price strategies include:

- Waitrose offers high-quality customer service
- In 2024 Asda announced that it was opening 25 new stores
- Tesco has partnered with The Entertainer, a toy shop, to start selling toys in over 2 000 of its stores
- All of the grocery stores compete with branding and advertising.

Extract B Increase in wage rates

Since 2024 the National Living Wage (NLW) has included workers aged 21 and over. Previously, the NLW applied only to those aged 23 and over. In 2025 the NLW was increased from £11.44 to £12.21 per hour.

In response, several stores increased wage rates. For example, Tesco increased the hourly wage rate for its workers from £12.02 to £12.64.

In order to retain their workers, grocery stores have introduced several measures to reduce their costs. For example, some stores have reduced opening hours and closed down their fresh food counters.

Extract C Problems facing UK farmers

A 2024 survey reported that 40% of British strawberry and raspberry farmers could shut down by 2026. This would be a result of rising costs and the low prices paid for their products by UK grocery stores. Many of these farmers reported no profits, with 53% indicating they were only just covering their costs.

Costs of production have been increasing significantly. However, this has not been reflected in the prices paid to farmers by the grocery stores. Between 2021 and 2024 the price of a packet of strawberries in the stores increased by an average of 27 pence but the price paid to farmers only increased by an average of 3.5 pence. This reflects the monopsony power of the grocery stores. The four largest grocery stores stated that they were working hard to limit price increases for consumers, since many people are struggling to afford essential food items.

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Acknowledgements

Figure 1 adapted from:

https://www.which.co.uk/reviews/supermarkets/article/supermarket-price-comparison-aPpYp9j1MFin

Figure 2 adapted from:

https://www.grocerygazette.co.uk/2025/06/24/lidl-ocado-waitrose-four-high/

Extract A adapted from:

https://business.yougov.com/content/50083-what-britons-want-out-of-loyalty-programmes-in-2024?utm_source=chatgpt.com

https://www.reuters.com/business/retail-consumer/uk-watchdog-says-supermarket-loyalty-schemes-offer-genuine-savings-2024-11-27/

https://www.thegrocer.co.uk/news/tesco-and-sainsburys-expand-aldi-price-match-by-over-100-products-each/691974.article?utm_source=chatgpt.com

https://www.insidermedia.com/news/business/asda-25-express-stores-opening-before-end-of-2025-possible-locations

https://www.thetoyshop.com/childhood-adventures/the-entertainers-tesco-toy-takeover

Extract B adapted from:

https://www.thegrocer.co.uk/analysis-and-features/how-pay-and-benefits-stack-up-at-the-supermarkets/556212.article

https://www.theguardian.com/business/2024/nov/08/asda-boss-says-100m-hit-from-labour-budget-could-affect-wages-and-hiring

https://www.retailgazette.co.uk/blog/2024/03/retailers-pay-rise/

https://www.grocerygazette.co.uk/2024/03/06/supermarket-pay-2024/

https://www.reuters.com/business/retail-consumer/britains-tesco-raise-store-workers-pay-1202-pounds-an-hour-2024-03-05/

Extract C adapted from:

https://www.theguardian.com/business/article/2024/jul/23/british-berry-growers-costs-supermarkets?utm_source=chatgpt.com