Examiners' Report
Principal Examiner Feedback

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

Unit 3: Business behaviour

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Introduction

There was a high number of impressive responses to all parts of the paper, this was especially true of the essay section where the candidates were clearly well prepared for the topics questioned and had taken the advice on board from previous examiners reports showing evidence of including more application in their answers.

In Section A, the multiple choice section, candidates performed better across all questions. Some candidates were not as confident on cost curves or the elasticity of demand for labour.

Section B, the data response section, was based on the electricity industry in the UK. On the whole, many candidates found the case study accessible and confidently use the information provided in their answers, this was particularly true of the use of context in evaluation. Answers were less generic than in previous exam series.

Question 7a was answered well for most students, some round down incorrectly and lost marks for an incorrect answer.

In part 7b, candidates needed to provide two applications to a concentration ratio and a clear definition. Many only achieved one application mark. Most students could define a concentration ratio for both of the marks available.

7c required the analysis of two barriers to entry into the UK energy market. Most students confidently identified barriers, however, many failed to achieve the analysis marks for their answer. Candidates often used their answer for 7b to evidence oligopolies as a barrier, regulation was also a popular identification point. A number of candidates wrote significantly too much for this question and this caused timing issues for them later on in the paper.

7d required candidates to explore the impact of the rising wholesale price of gas on the energy suppliers. Many students were able to do this effectively with a diagram, though this was not required. Candidates used the case study well to support their answer for both their analysis and evaluation. A large number of candidates focused too much on shut-down points and profits, which did noy fully address the question asked. They lost knowledge and analysis marks because of this. Candidates need to carefully read the question and ensure all of their points are relevant.

Question 7e candidates to include a costs and revenues diagram to show the impact of a rise in the price cap for energy on both the suppliers and consumers. Many students failed to provide accurate diagrams, instead provided supply and demand market analysis. There was evidence of strong application and developed, contextual evaluation which was pleasing to see. Candidates had also learned from previous exam series and more students included analysis for both the consumer and supplier. Candidates needed to reference both the suppliers and consumers to reach level three for

knowledge, application and analysis, and also include an accurate cost and revenue diagram. Responses not achieving the higher levels often were often included limited chains of reasoning, a high number of these listed impacts with limited development.

Section C, the essay section offered candidates the opportunity to choose between three questions. The section was more demanding and this is reflected in the mean scores on all questions. Candidates tended to perform better on question 10 on the benefits of growth than on questions 8 and 9, monopsony and differing objectives between the public and private sector. Candidates showed a good understanding of economic theory in all questions, however many are still lacking sufficient context to reach the higher levels. Many candidates did not offer fully develop their chains of reasoning, instead provided multiple short generic points. Evaluative comments lacked the application or development for level three. Many candidates included diagrams and the better candidates integrated these into their written analysis.

Most candidates were able to complete the paper in the time available. A large number of candidates did not answer their essays in the correct section and centres should ensure that candidates know the layout of the answer booklet to address this issue.

The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and also on how to improve further.

Question Level Feedback

The feedback on each question shows how they were well answered and also how to improve further.

Section A

Question 1:
The question asked for the reason why the MC curve slopes upwards from point X to point Y on a diagram. A larger number of candidates failed to correctly identify diminishing returns and confused the diagram with a LRAC identifying diseconomies of scale incorrectly.

Question 2:
For this question candidates needed to calculate average variable costs using for a textile manufacturer using a set of data provided. Most candidates provided the correct answer for this question.

Question 3:
Candidates were confident in their understanding of measures the government could implement to improve the occupational mobility of labour, those that answered inaccurately confused the occupational and geographical mobility of labour.

Question 4:
Candidates tended to perform well on this question which required an understanding of a short-run cost and revenue diagram. It was evident that candidates were secure in their knowledge on normal profit levels in imperfect competition.

Question 5:
This question tested the different profit levels a firm may wish to achieve, moving from profit maximisation to sales volume maximisation. This proved to be less accessible then other questions and many candidates inaccurately suggested either costs would fall or price would rise.

Question 6:
This question was one of the least accessible on the paper with many candidates selecting an incorrect answer and select a reason for it. There was no pattern in the incorrect answer selected that may suggest this is a topic centres would benefit from revising.

Section B

Q7a
For this question students needed to use the data in figure 1 to calculate the percentage point change in wholesale price of gas. A number of students calculated the correct answer but rounded down instead of up and could only achieve one mark. It is advisable that centres emphasise how to accurately round numbers when calculating to avoid this error.

Q7b
Most students could provide a definition of concentration ratio, however these were often vague and lacked the concept of market share. In these 4 mark questions there are 2 marks for application and some students did not make sufficient use of Extract A to secure both marks. A large number of students only provided one reference to the extract and could not achieve the second application mark. Candidates are encouraged to always include two separate applications to achieve both marks and to carefully learn key definitions.

Q7c
This six mark question required candidates to identify two barriers to entry preventing a new firm wanting to start up in the UK energy market. These style of questions need two references to the extract(s) for application marks. Most candidates were able to provide these, commonly sighting the increase in regulation or the market structure as their points. However many were not able to fully develop their identification point to provide analysis achieving only four out of the possible six marks. The question clearly stated two points, however many candidates provided multiple barriers. Evaluation was not needed for this question, though a number of candidates included it. Candidates should also be careful not to overwrite on a six mark question as there is only two marks available for analysis therefore they do not need to provide chains of reasoning in their answer.

Q7d

This question required students to examine the impact of the increase in the wholesale price of natural gas on the costs of production for the UK gas suppliers. Unlike many previous exam series this question did not require a diagram, though an accurately drawn diagram showing increasing marginal costs and average costs was awarded analysis marks. Many candidates failed to accurately identify the increase in costs of production and did not achieve the analysis marks available. A large number of candidates did not fully address the question and focused too much on profits and shut-down points.

Most candidates were able to include application to the case study, and included accurate reference to the significant increase in the wholesale price

of gas. There are two marks available for application on an eight mark question and candidates should include two separate references to achieve these.

Evaluation was strong on this question and many candidates were able to use the case study to identify the significance of the impact with many small suppliers leaving the market. Candidates also explored the long-run short-run argument and were able to use the case study to identify the fall in costs in 2022 which would elevate the cost pressures the energy suppliers faced.

Q7e

This question required candidates to discuss the effects of the increase in the energy price cap on both the energy suppliers and consumers. For level three candidates need to include benefits for both businesses and consumers and an accurate cost-revenue diagram. This proved to be a challenging question and only stronger candidates were able to provide firm level analysis using an cost and revenue diagram for a firm in an imperfectly competitive market with the introduction of a price cap. Many candidates included a market level, supply and demand diagram that did not fully answer the question and these responses couldn't achieve level 3 KAA.

Almost all candidates provided analysis for both the consumer and supplier and this was an improvement on previous exam series. Candidates supported their analysis with the case study and were accurately able to identify the positive impacts for the supplier and the negative impacts for the consumers standards of living.

Evaluation was often well supported by the case study, with candidates identifying the support provided by the UK government to help cover the increase in costs. There were some excellent examples of candidates discussing the substitution effect of consumers switching to green technology for their energy supply to reduce the impacts of the price rise.

A number of candidates are still providing answers that were not developed often offering multiple points with limited chains of analysis. This scatter gun approach will limit the response to a level one. Candidates should focus on developing fewer points to achieve a higher level for knowledge application and analysis.

Section C

Q8

This question required students to evaluate the possible difference in objectives between the private sector and the public sector. This was the most popular of the three essays available. To achieve a level 3 for knowledge application and analysis, students needed to include a an appropriate diagram, many included were able to include profit maximisation diagram, the better candidates also included revenue and sales volume maximisation in their answers. Many candidates were able to offer application and used the stem to give evidence to explain why the government may meet social objectives with their education policy, compared to American Universities that are more profit focused. Level four responses required strong application throughout their answers and developed chains of reasoning. A large number of candidates achieved this. However a few candidates included analysis on how efficient the public and private sector were and this did not address the question. Weaker responses were too narrow or superficial with only two-stage chains of reasoning and were limited to a Level 2 mark for KAA.

For evaluation, students needed to compare reasons why objectives may not differ between the public and private sectors. The majority of candidates were able to do this, the most effective also provided examples of organisations being aware of their social responsibility. A number of candidates did not provide any evaluation or the information provided was irrelevant or not developed. Only a few candidates were able to offer critical evaluation which led to an informed judgement.

Q9

This question demanded an understanding of the impact of a monopsony on their suppliers and workforce. To reach a level four both economic agents needed to be considered with context. Most candidates understood the concept of a monopsony, however many spent too much time relaying pre learned answers to this topic, providing explanations of the theory of monopsony and not the impact. This was awarded level one. A large number of candidates muddled monopsony and monopoly and provided irrelevant information that did not address the question. Analysis was often superficial and not well developed. In weaker responses, reasons were poorly explained and generic. Stronger responses were able to use the stem to explore the negative impacts on farmers prices and profits using the stem material on Walmart. They could also identify the lower wages a monopsony would pay if the bargaining power of the labour force was limited.

The best evaluation provided context and identified how the bargaining power of the farmers or a trade union, may offset the dominance of a monopsony such as Walmart. Many candidates used government legislation as an evaluation, however this was often generic and only reached level

one. For many candidates, evaluation was often generic, lacking examples and only supported by partially-developed chains of reasoning, this could achieve a Level 2.

Q10

This was the second most popular of the essay questions and it required candidates to evaluate the benefits of growth by a takeover. Candidates used the stem well to offer application in this answer, making it the best applied of all the essays. Strong candidates identified the opportunity of horizontal integration as a less risky way of moving into new markets such as the luxury airline industry; this level of application and analysis could move a response into level 4. Correctly drawn economies of scale diagrams were provided by most candidates, the best responses were able to explain these diagrams using context to move into level 3. A number of candidates still provided multiple short analysis points which only achieve level 2, or level one if these explained the theory of takeover without discussing the benefits. Strong evaluation focused on the problems with take overs with culture clashes often cited. Again, this achieved the highest levels when context was provided. As this was often in the second essay answered, many responses were not completed and lacked evaluation and a judgement. Points were often more rushed or less developed that could indicate issues with timing.

A significant number did not put an x next to the question they had selected. It is helpful if students remember to put an x in the box of the question they select. It is also helpful if they change their mind to change the selected question by putting a line through the incorrect question number and replacing the question attempted. Candidates must also ensure they do not answer two essays on the same page.

Paper Summary

Based on their performance on this paper, students are offered the following advice:

Section A: Ensure that they have studied all parts of the specification. Further revision on quantitative skills and interpreting data would benefit the candidates in this section.

Section B: These questions have their basis in the data so use of the context is important: in the points-based questions 2, 4, 6 and 8 mark questions there are 2 marks for application. In the 14-mark question (which used level-based marking) application is captured in the 8 marks available for KAA.

- Section B continued: Evaluation is only required for the 8 mark and 14 mark questions.

- Section B continued: a six mark question does not require chains of analysis. Candidates should also carefully read and identify how many points need to be identified.

- Section B continued: Candidates should learn the chain of reasoning for changing marginal costs on total costs.

- Section B continued: candidates should learn when to apply a firm-level diagram and a market diagram.

Section C: Students must be aware of the need of application in their essays. Students must prepare this. Stronger candidates often use the stem in their answer to ensure their response is not generic.

- Section C continued: when appropriate diagrams should be included and integrated into candidates answers and ensure they cover both economic agents identifies.

- Section C continued: All essays need to include evaluation for which up to 8 marks may be awarded. To achieve Level 3 for evaluation in Section C it is necessary to support points with a logical chain of reasoning, to make reference to the context and to include an informed judgement.