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 Section B Part E and the essays in Section C. Candidates were clearly well prepared for the topics questioned and had taken the advice on board from previous examiners' reports, showing evidence of detailed analysis and evaluation.

In Section A, the multiple-choice section, candidates performed best on the questions examining costs and revenues and price discrimination. Candidates were not as confident in answering questions that required an understanding of the consequences of changes in the labour market. This highlights the need for centres to cover more analysis-style multiple-choice questions.

Section B, the data response section, is based on Tesla and changes to the electric car market. It was evident that candidates were confident in applying the case study, and there were some good examples of students using prior knowledge of the electric car market in their answers. The information provided was regularly used to support their answers with high-quality application. There were very few generic answers this series, and it is evident that candidates understand the skills expected of them in Section B. For question 7a, most candidates achieved 2 marks for accurately calculating the percentage change. However, quite a number were unable to produce a correct calculation and achieved no marks. In part 7b, the 6-mark analysis question, candidates were required to identify why sales of electric cars had increased. This was answered well with a mean score of 4.62/6. Marks were awarded for the correct identification of. Most students were able to achieve full marks on this question, but some candidates did not develop each point fully to be awarded 2 analysis marks. A large number of candidates correctly provided supply and demand analysis for both knowledge marks. 7c was the 4-mark question and required candidates to identify the market structure for the electric vehicle market. Most students could access four marks on this question by accurately identifying an oligopoly and supporting this with a concentration ratio calculation. 7d questioned the examine the impact of Tesla producing its electric vehicles in China on its costs and profit. Candidates had clearly taken on board the advice from previous exam series, and fewer students were overwriting for this question. Most students provided an accurate cost and revenue diagram, identifying either a decrease or increase in costs, supported with application. However, many candidates did not include any evaluation, therefore they did not access the final two marks available. Question 7e examined the impact of Tesla reducing its prices on the behavior of other electric vehicle manufacturers. Better responses supported their understanding of pricing strategies with diagrams and application, reaching level three for knowledge, application, and analysis. A number of excellent answers introduced game theory to support their analysis. Responses not achieving the higher levels often provided shorter statements that were not fully developed or provided limited context. Evaluation on this question was strong, and candidates were able to counter their arguments using the case study for evidence, such as subsidies and brand loyalty in China.

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 9 on the immobility of labor, then on 8 and 10, government intervention to control monopolies and how the size of a business could impact its efficiency. Candidates showed a good understanding of economic theory in all questions; however, candidates did not always offer much application in the context of the question. Many candidates struggled to fully develop their chains of reasoning. Only the strongest candidates were able to provide application or development of their evaluative comments.

Most candidates were able to complete the paper in the time available. However, a number of candidates' second essay was much shorter, suggesting timing was an 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 a consequence of the fall in the working population in Japan. This was the lowest-scoring question in this section. Candidates were unsure about the link between the supply of labor and wage rates. The most common incorrect answer was a decrease in job vacancies.

Question 2:
For this question, candidates needed to identify the factors that increase contestability in the market. The correct answer is B, as all the others decrease contestability. This is a topic that candidates find difficult to understand, and they should ensure they know the difference between an increase and decrease in contestability.

Question 3:
Candidates were tested on their understanding of the short-run equilibrium for a monopolistically competitive market. This was the second most difficult multiple-choice question, with a mean mark of 0.65/1. The most common incorrect answer was identifying the street food seller as operating in the long run.

Question 4:
Students tended to perform well on this question, which asked for an understanding of the impact of increased costs on profit and price. Many candidates were able to choose the correct answer, displaying a strong understanding of this topic.

Question 5:
This proved to be one of the less accessible multiple-choice questions. Students were asked to calculate the average fixed costs from a provided table. Many were not able to identify the calculation of fixed costs from the information; instead, they opted for average costs as their answer.

Question 6:
This question required students to interpret the given information addressing price differences in cinema tickets as price discrimination. Many students were able to do this effectively and apply the reasons why to different elasticities. However, some candidates confused elastic and inelastic demand and selected the incorrect answer.

Section B, the data response section, is based on information provided in the source booklet. The extracts focus on Tesla and the competition in the electric vehicle market.

Q7a
The calculation of percentage change is a very common question, and the majority of candidates were able to calculate the change in the vehicle's price using the data provided. Centres should ensure they support their candidates by practicing this style of question. They should also prompt their students to include a negative sign if the value has decreased.

Q7b
This was a synoptic question and drew upon candidates' first-year understanding of supply and demand. The question asked candidates to analyse two reasons why the sales of electric vehicles in China increased. Two knowledge marks were awarded for correctly drawing a supply and demand curve and shifting the demand curve outwards. Most candidates achieved these marks. A further two marks were awarded for correct application, then two development marks. This question proved to be very accessible to most students, and they were able to identify two reasons and included two references to extract A for the application marks. Not all students were able to fully develop the explained reason identified, which stopped them from achieving the available analysis marks. Evaluation was not needed for this question, though a number of candidates included it.

Q7c

This 4-mark questioned asked students to explain the market structure that best describes the electric vehicle market in China, referencing Figure 1 and Extract B. Most students could identify the market as an oligopoly for one

mark. They also gave a characteristic of an oligopoly for a second knowledge mark. There were two marks available for a correct calculation of a concentration ratio. This question was very accessible and showed that the majority of candidates were well practiced in the 4-mark question techniques. Centres are advised to encourage their students to use concentration ratio analysis as an application in oligopoly questions. Those candidates who failed to do so often only achieved one mark for application.

Q7d
This question required students to examine the impact of Tesla producing its electric vehicles in China on its costs and revenues, referencing the first two paragraphs of Extract B. A diagram was also required. This question was similar to the one questioned in previous exam series and candidates have clearly heeded the advice given as the average scores have significantly improved, with a mean score of 6.69/8.

Most candidates offered a costs and revenues diagram. They could earn marks by shifting cost curves upwards or downwards. Marks were also awarded for knowledge of the original equilibrium and the area of super-normal profits. Further marks were given for shifting the MC and AC curves and identifying the new area of super-normal profits. Candidates who did not include a diagram could only achieve one mark for analysis.

Many candidates were able to apply the case study to their responses, with two marks available for this. Candidates should provide two separate references. Some candidates provided extensive written explanations, although these are not necessary. Centres should encourage their students to write less to reduce time pressure.

Not all students offered evaluation, which is required by the command word 'examine'. Stronger responses included the reverse argument for analysis.

Q7e

This question required candidates to discuss the impact of Tesla reducing its prices on the behaviour of other electric vehicle manufacturers. Students were able to use both the case study and their own knowledge to apply in their answers. This answer tests candidates' ability to use chains of reasoning to develop their analysis. It is recommended that answers focus on fewer points and provide more depth. A significant number of candidates are still including too many brief points at the expense of offering a full analysis. These responses normally are limited to a level two for KAA. Though not explicitly required, better responses often included game theory analysis as part of their answer to explain price rigidity or possible price wars, building upon their understanding of the oligopolistic market structure.

A pleasing number of students offered contextual evaluation and addressed the level of differentiation in the market, as well as the impact this would have on the responsiveness of other firms to Tesla's price changes. However, the evaluation was not always well-developed and often generic.

It is important that the evaluation is both developed and in context in order to access Level 3.

Section D

Q8

This question required students to evaluate policies that a government could use to control and regulate monopolies, such as PTCL. To achieve a level 3 for knowledge application and analysis, students needed to include a diagram, and for level 4, their answer needed to be in context. A correct diagram with some development pushed students' responses into high level 2. Many candidates failed to include a correct maximum price diagram (or alternative). A significant number didn't include one, and a few used supply and demand market analysis rather than firm-level analysis.

Most students could identify policies governments used; however, the context was frequently missing. Many candidates offered superficial analysis with only two-stage chains of reasoning and were, therefore, limited to a Level 2 mark for KAA. The most regularly cited analysis was performance targets, and candidates were able to use the stem to identify how the Government of Pakistan could use these targets to improve the quality of service provided by PTCL. Price regulation was also frequently analyzed; however, many students were not able to explore this in detail with a correct diagram.

For evaluation, students often included regulatory capture and government failure. However, for many students, evaluation was not supported by chains of reasoning.

Q9

This question was the most popular on the paper and also the most confidently answered of the three essays. It asked candidates to evaluate policies that a government could use to reduce the geographical immobility of labour and the occupational immobility of labour. This question did not require a diagram; however, a maximum of Level 3 was rewarded for a response that does not refer to an industry or that didn't consider both types of labour immobility. Many candidates used the stem to identify the level of immobility of labour in Belgium to provide some context. Most students were able to accurately define and explain the different types of labour immobility and provide some policies that could be implemented. Better responses showed a clear understanding of how policies worked and could explain in detail the impact on the labor market. The best responses included actual examples, often linking to vocational education or examples of relocation grants. The candidates that had prepared good examples often achieved a Level 4 for KAA.

Much of the analysis was superficial and not well developed. In weaker responses, the policies were poorly understood and often listed with little development. The best evaluation provided context of government failure or time lags. These fully addressed the question and offered a strong balanced

argument. The most commonly cited evaluation was the limitations on government resources to fund the projects or opportunity cost. For many candidates, evaluation was often generic, lacking examples and only supported by partially-developed chains of reasoning, so it could secure a maximum of a Level 2 mark.

Q10

This question required candidates to evaluate the impact that the size of a business has on its efficiency. Candidates were able to include any relevant diagram, and often included either an economies of scale diagram or a cost revenue diagram. Those that included the diagram with some development would reach a high level 2 for KAA. If they fully developed their point with context, the candidate could reach a level 4.

Most candidates were able to explain how larger firms such as Nestlé achieved economies of scale to a firm with a diagram. Less confident responses focused too much on explaining the different types of economies of scale and did not accurately explain the link with efficiency. Some of these answers were very generic and did not attain higher than level 2 for KAA. There were some excellent responses that compared different market structures and their efficiencies; smaller firms in perfective competition achieving allocative efficiency and large monopolies achieving dynamic efficiency. Candidates who were able to develop their chains of reasoning in context often achieved high level 3 or level 4 for KAA. A number of candidates still provided multiple short analysis points which only achieved level 2.

Diseconomies of scale was the most referenced evaluation point. Better candidates were able to link this theory to falling productive efficiency. Some strong candidates evaluated how the market structure and objectives of the firm changed the level of efficiency.

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. Performance on two of the multiple-choice questions suggested that students were less secure in their understanding of labour market and cost calculations.

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 C: For essays (and the 14-mark data response question), it is important for students to develop chains of reasoning by analyzing two or three relevant points in depth and to provide some context for their answers (either that provided in the question or using their own examples).

Section C continued: Students must be aware of the need for application in their essays. Students must prepare for an industry of their choice and include policies used by the government in their answers.

Section C continued: When appropriate, diagrams should be included and integrated into candidates' answers.

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, make reference to the context, and include an informed judgment.