Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number ☐☐☐☐☐ Candidate Number ☐☐☐☐

Pearson Edexcel International Advanced Level

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 In December 2020 Electronic Arts, an American video game producer, agreed to take over Codemasters, the producer of Formula One racing video games.

Which **one** of the following is likely to be a benefit of this takeover for Electronic Arts?

☒ **A** An increase in contestability in the video games market

☒ **B** A decrease in total costs of production

☒ **C** An increase in competition in the video games market

☒ **D** A decrease in long-run average costs

(Total for Question 1 = 1 mark)

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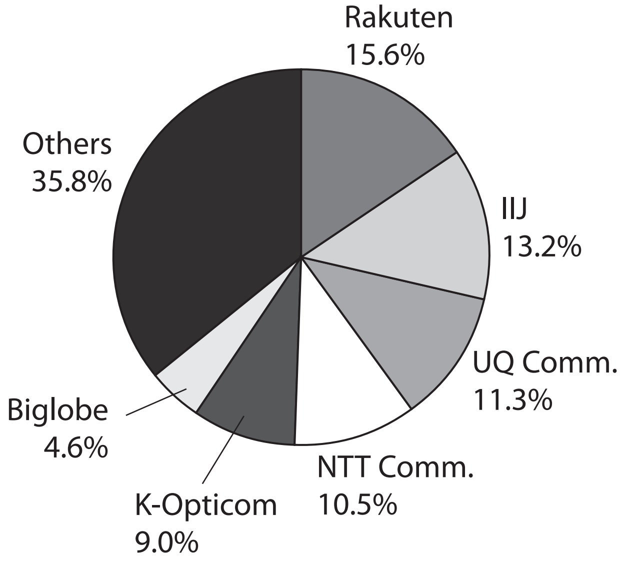
2 The chart shows the market share for mobile virtual network operators (MVNOs) in Japan for 2019.



What was the five firm concentration ratio for MVNOs in Japan for 2019?

☒ **A** 48.6%

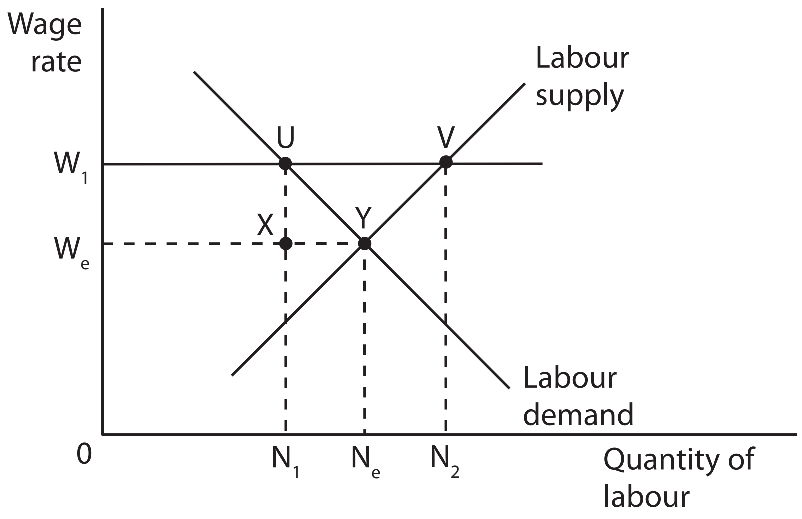
☒ **B** 50.6%

☒ **C** 59.6%

☒ **D** 86.4%

(Total for Question 2 = 1 mark)

3 The diagram shows the effect of the introduction of a national minimum wage on the labour market for agricultural workers in South Africa.



Which **one** of the following is the most likely impact of the introduction of the national minimum wage?

☒ **A** There will be N_1 to N_2 more agricultural workers employed

☒ **B** There will be an extension of demand for agricultural workers from Y to U

☒ **C** There will be a contraction of supply of agricultural workers from Y to V

☒ **D** There will be N_1N_2 unemployed agricultural workers

(Total for Question 3 = 1 mark)

4 The table shows the total costs of producing sports footwear by a firm in the USA.

Units of output	Total Cost ($)
0	12
1	16
2	19
3	22
4	27
5	33
6	40
7	48

Between which of the following outputs do diminishing returns start to set in?

☒ **A** 1–2 units

☒ **B** 3–4 units

☒ **C** 5–6 units

☒ **D** 6–7 units

(Total for Question 4 = 1 mark)

5 India's net migration was –2.7 million in 2017. This caused a decrease in the supply of labour.

Which other factor would also cause a decrease in India's supply of labour?

☒ **A** An increase in the level of welfare benefits

☒ **B** A decrease in the productivity of labour

☒ **C** An increase in the size of the population

☒ **D** A decrease in the price of capital

(Total for Question 5 = 1 mark)

6 Which **one** of the following combinations best describes a profit-maximising firm operating in a monopolistically competitive market in the long-run?

		Efficiency	**Profit**
☒	**A**	Productively inefficient	Normal profit
☒	**B**	Productively efficient	Supernormal profit
☒	**C**	Allocatively inefficient	Supernormal profit
☒	**D**	Allocatively efficient	Normal profit

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Study Figures 1 and 2 and Extracts A and B 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, calculate the percentage change in the average world price of coffee beans from 1 July 2017 to 1 May 2019. You are advised to show your working.

(2)

(b) With reference to Extract A (line 12), explain what is meant by 'short-run shutdown point.'

(4)

(c) With reference to Figure 2 and Extract A, analyse **two** possible reasons for the increase in supply of coffee beans between 2015 and 2019.

(6)

(d) With reference to Extract B, examine **two** barriers to entry into the US coffee shop market.

(8)

(e) With reference to the information provided, discuss the reasons for the increase in Starbucks' profits in 2019.

For **one** of these reasons, illustrate your answer with an appropriate cost and revenue diagram.

(14)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

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You are advised to show your working.

(2)

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(d) With reference to Extract B, examine **two** barriers to entry into the US coffee shop market.

(8)

(e) With reference to the information provided, discuss the reasons for the increase in Starbucks' profits in 2019.

For **one** of these reasons, illustrate your answer with an appropriate cost and revenue diagram.

(14)

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

SECTION C

Answer TWO questions from this section.

8 Visinema, an Indonesian company that produces TV shows and feature films, is expanding into neighbouring countries. The company is also planning to acquire several Indonesian animation studios.

For an industry of your choice, evaluate why many businesses have growth as their main objective.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

9 In July 2020 the mobile phone company, MTN Ghana, had a 70% market share in Ghana. The competition authorities in Ghana stated that this was preventing new firms from entering the market and was having a negative effect on the quality of service.

For an industry of your choice, to what extent is a monopoly market structure *inefficient*?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

10 In February 2020 the Indian Government announced plans for university degrees to be fully accessed online. This was to make higher education more accessible and to increase the skills of India's young people. Previously only 20% of a degree could be studied online.

Evaluate measures to reduce the occupational and geographical immobility of labour.

(Total for Question 10 = 20 marks)

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** ☒

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** ☒

TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WEC13/01**

Economics

International Advanced Level
Unit 3: Business behaviour

Source Booklet
Do not return this Booklet with your question paper.

Total Marks

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Sources for use with Section B.

The global coffee market

Figure 1 Average world price of coffee beans, $ per kg, July 2017–May 2019

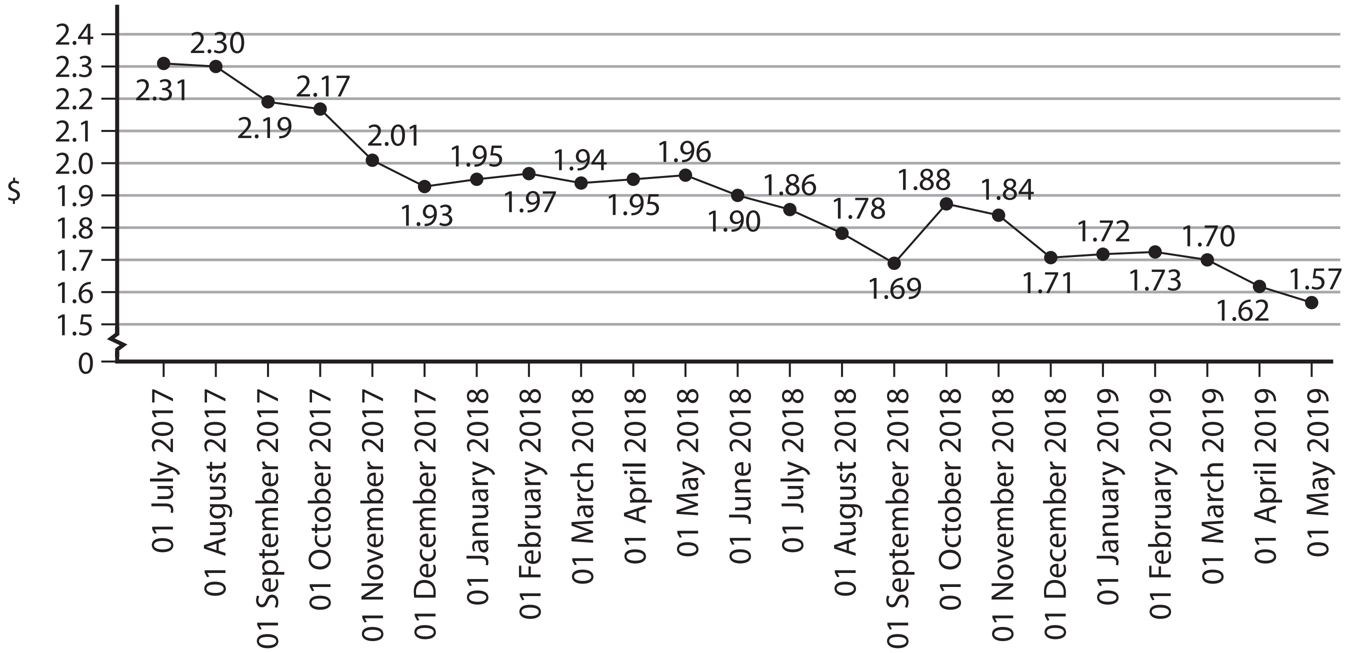
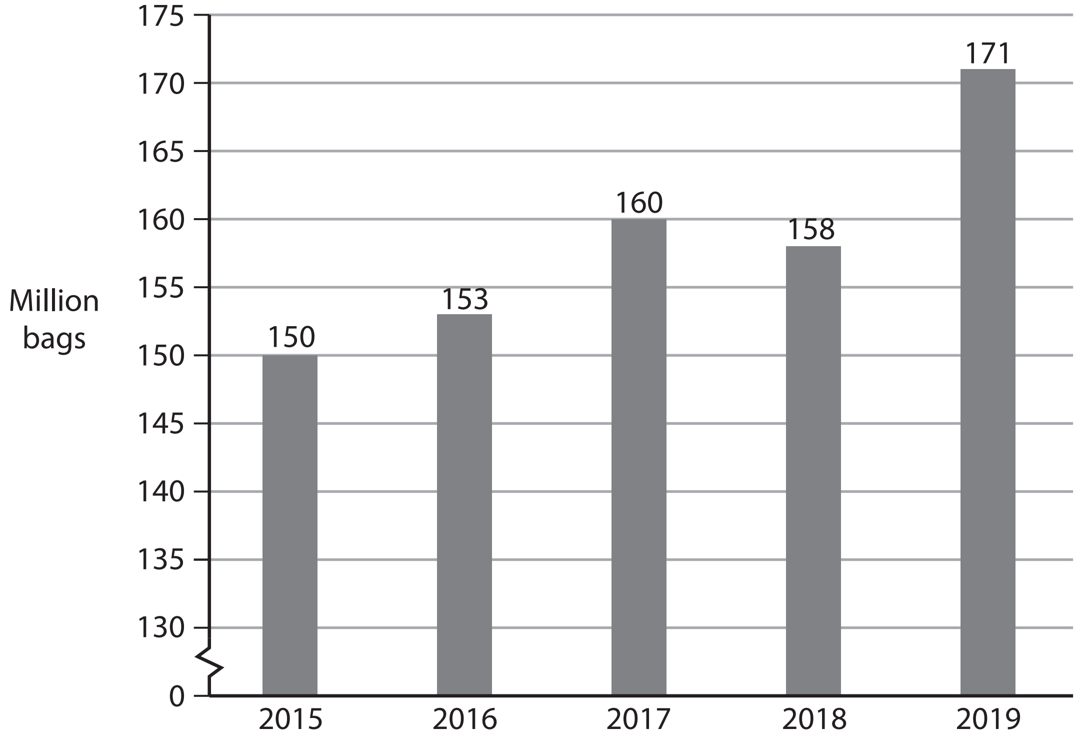


Figure 2 World coffee production, million bags, 2015–2019



Extract A Global coffee bean production

In 2019 the supply of coffee beans was greater than the demand, resulting in a global coffee bean surplus of over 4 million bags. Coffee bean supply increased by 8% whereas demand increased by only 2%. Consequently, by May 2019, the global price of coffee beans fell to its lowest level in over 10 years.

The increase in global production was caused by developments in farming equipment and improved methods of production. Also, favourable weather conditions in major coffee-producing countries, such as Brazil, contributed to the global increase in production.

The fall in the global price of coffee beans caused serious problems for small coffee growers in Central America and Africa. These farmers made large losses and many reached their short-run shutdown point. Some farmers have switched to the production of lower-risk crops.

Extract B Coffee shop chain growth

Coffee is the second most popular drink in the world and the demand for it is increasing steadily. Globally two billion cups of coffee are consumed every day. The revenue of coffee shop chains globally is projected to reach $237.6 billion by 2025.

Starbucks is the largest coffee shop chain worldwide. In 2019 Starbucks' revenue increased by 7.24%. Its profits also increased by 7.11% to $17.98 billion. The company had over 27 000 stores worldwide, with many new shops opening in China.

In the USA it is difficult for a new firm to enter the coffee shop market because there are already a number of well-known firms. These include Starbucks, Tim Hortons, Dunkin' Donuts, Dutch Bros Coffee and Peet's Coffee. The firms compete using special offers, large advertising budgets and loyalty schemes. More recently, these firms have been using higher quality coffee beans and cold coffee drinks to attract younger coffee drinkers. They have also been investing heavily in developing mobile phone apps and online ordering systems to increase brand loyalty and market shares. Industry leaders believe that social media advertising is the most effective form of marketing for coffee shops.

However, there are still a large number of successful, small independent coffee shops in the USA. These are often very different to the larger firms, offering alternative drinks and food options. They are also located in out-of-town-centres and aim to attract a different type of consumer.

Acknowledgements

Figure 1 https://www.indexmundi.com/commodities/?commodity=robusta-coffee&months=120

Figure 2 https://www.statista.com/statistics/263311/worldwide-production-of-coffee/

Extract A https://www.forbes.com/sites/lanabandoim/2019/11/27/here-is-why-coffee-prices-are-going-up/?sh=55cd902610b1

International Institute for Sustainable development, Global Market Report: Coffee 2018/2019

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https://www.globenewswire.com/news-release/2020/07/24/2067143/0/en/Global-Coffee-Shops-Market-to-be-Worth-237-6-Billion-by-2025.html

https://www.statista.com/topics/5945/coffee-market-worldwide/

Extract B https://www.statista.com/topics/1670/coffeehouse-chain-market/#dossierSummary__chapter2

https://www.statista.com/statistics/250166/market-share-of-major-us-coffee-shops/#:~:text=Starbucks%20was%20the%20largest%20coffee%20shop%20chain%20in,as%20Dunkin%27%20Donuts%29%20had%20around%209.57%20thousand%20stores.

https://www.worldcoffeeportal.com/Latest/News/2019/Major-chains-driving-US-coffee-shop-growth-–-But-o