



# Examiners' Report Principal Examiner Feedback

January 2018

Pearson Edexcel IAL  
In Economics (WEC03)  
Paper 01 Business Behaviour

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## General comments

This was the fifth series for a January examination of WEC03 Business Behaviour. The examination seeks to test the candidates' abilities to select and apply appropriate economic concepts, theories and techniques in a variety of contexts. As Unit 3 is a synoptic unit, the examination may draw on material from Units 1 and 2.

Students attempt two out of four essay titles in Section A. Each essay is marked out of a total of 20 marks using a 5 level of response performance criteria.

Students also choose one out of two data response questions in Section B. Each question has four parts to it. Part (a) is worth 4 marks and parts (b) to (d) are each worth 12 marks. For parts (b) to (d) it is vital that students make effective use of the information provided in order to access levels 2 and 3 for knowledge, application and analysis marks. A further 4 marks are available for evaluation.

In line with the trend over recent series there was an overall improvement in the quality of responses this series.

Successful students were able to:

- Clearly identify what they were being asked to do. For example, in question 1 assess the relative importance of various constraints on business growth, and in Q6(c) make effective use of the relevant extract to consider the factors which affect competition authorities decisions on takeover proposals.
- Draw and label appropriate diagrams accurately. For example, diagrams for the shut-down point in the short run and the long run in question 2, and for the impact of price discrimination in question 3.
- Select and apply appropriate information from the extracts to enhance their answers in Section B.

Less successful students:

- Do not read the question carefully. For example, failing to realise that question 1 is about constraints on business growth and that question 2 is primarily about the shut-down point.
- Do not refer to the extracts in Section B and therefore limit their KAA mark to level 1.
- Continue to copy out sections of the extracts in Section B under the misapprehension that this will achieve application marks.
- Draw inaccurate and badly drawn diagrams. For example, not understanding the relationship between AVC ATC and AR in question 2.

### **Specific comments**

#### **Section A**

##### **Question 1**

Students who performed well provided a response which focused on the constraints on business growth. A well-balanced answer analysed at least three possible constraints. Evaluation needed to consider why the size of the market may not be a constraint. A fully developed response also evaluated why other constraints may not be applicable. Such an answer would achieve a level 5 or a high level 4 mark depending upon its quality and depth.

Students who focused their answer on methods of growth or the comparative advantages of large versus small firms typically achieved a level 2 mark.

##### **Question 2**

Thorough answers quickly established that the question was about the shut-down point. Students who analysed the significance of price (AR) needing to at least cover the average variable costs (AVC) in the short run and both AVC and average fixed costs in the long run swiftly attained level 3. Accurate and appropriate diagrams enhanced the quality of the answer, typically into level 4. Evaluation needed to consider issues such as not-for-profit organisations and the possibility of government financial support.

Those students who performed less well struggled to understand the concept of the shut-down point and its significance.

Centres are advised to make sure that this aspect of the specification is fully covered.

### Question 3

There were several good answers to this question. High achieving responses were able to apply their economic theory of price discrimination effectively with the analysis focusing on the impact which the pricing strategy may have on **consumers**.

Evaluation considered why the strategy may benefit certain groups of consumers, (those with relatively elastic demand), and various other factors, such as higher profits being used to improve quality. With the addition of accurate diagrams, such a response achieved a level 5 mark. Those students who performed less well either had a superficial understanding of the concept of price discrimination or provided a response which did not focus on how consumers may be affected. Price discrimination is still a topic which is not fully understood by a significant minority of students.

### Question 4

There were some very thorough answers to this question. High level 4 and level 5 responses identified several relevant forms of government intervention and then carried out an in-depth analysis of the likely impact on business behaviour.

Centres need to be aware that evaluation marks for a question of this type are awarded for considering why intervention may have **less of an impact** or be **ineffective** in altering business behaviour. Therefore, the opportunity cost, budget deficit type of evaluative comment does not address the question.

Responses which achieved at best a level 2 mark did not focus on the business behaviour aspect of the question.

## Section B

### Question 5(b)

Students who achieved well on this question were able to select 2 or 3 significant points from the relevant extract and explain how a small airline is able to compete. The analysis needed to focus on factors which may give a small airline a competitive edge. Evaluation marks were obtained for commenting on why a small airline will find it difficult to compete giving supported reasons.

Several low achieving responses discussed the advantages of large firms out of context.

As with all other Section B 12 mark questions, weaker answers copied out sections of the information and provided little in the way of application and clear understanding.

### **Question 5(c)**

Thorough answers were able to explain why collusion may be a beneficial strategy for the large US airlines.

The reverse argument was equally valid to achieve KAA marks. Weaker responses confused collusion with merger and takeover.

### **Question 5(d)**

Students who selected 2 or 3 appropriate policies and explained how business behaviour may be affected achieved high level 2 or level 3 marks for KAA. The context did not need to be from the extracts but could be about any other industry.

Once again, evaluation marks were not awarded for the opportunity cost, budget deficit type of comment.

### **Question 6(a)**

Marks were awarded for knowledge if the student identified either horizontal or conglomerate integration followed by a correct definition. Application marks were awarded for reference to extract 1 which linked up with the choice of integration.

### **Question 6(c)**

Those students who achieved high marks on this question were able to clearly focus on 2 or 3 key factors which would be taken into account by the competition authorities in the context of extract 2.

Weaker answers provided a generic response on the disadvantages of takeovers.

## Paper summary

The main implications for future teaching, learning and examination preparation are:

- To ensure that **all** parts of the specification are taught and internally assessed. For example, knowledge of constraints on business growth, the shut-down point and the factors which competition authorities need to consider was weak in several cases.
- To ensure that students refer to the relevant extracts but do not copy from them. Brief quotes are acceptable but, in themselves, will not achieve any marks.
- To encourage students to make full use of previous examination papers, mark schemes and principal examiner reports.

