



# Examiners' Report June 2019

## IAL Economics WEC03 01

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# Introduction

This was the sixth series of the summer examination of WEC03 Business Behaviour. A further eight papers have been set for previous Winter and Autumn series.

The examination seeks to test the candidates' ability 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.

Candidates choose to attempt two out of four essay titles in Section A. Each essay is marked out of a total of 20 marks using five levels of response performance criteria.

Question 4 was the most popular question ('Evaluate government measures to promote the international competitiveness of businesses in Ghana or a country of your choice'). Question 1 also proved to be a popular choice. ('To what extent is the size of the market the main constraint on the growth of a small business?').

In keeping with recent WEC03 papers, an actual example of a relevant concept was provided at the beginning of the question. The candidate **may** choose to use this example in the course of attempting the question but this is **not** a requirement. The example is primarily given for illustrative purposes.

Candidates 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 candidates 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. Question 5 was the most popular question.

Successful candidates were able to:

- Clearly identify what they were being asked to do. For example, in Question 3 focus on how the **business behaviour of TNCs** may be affected by introduction of a new profits tax and in Question 6(c) focus on the impact of price discrimination on **consumers**.
- Draw and label appropriate diagrams accurately. For example, showing how a rise in production costs affects profits for Question 2 and showing the short-run and long-run shut down points for Question 5(b).
- Effectively time manage their answers. As was the case in more recent series, there was less evidence of candidates having to rush part (d) of Section B.
- Select and apply relevant information from the extracts to enhance their answers in Section B.

Less successful candidates often:

- Misinterpreted the question. This was the case with Question 4 where candidates did not analyse and evaluate government measures in relation to international competitiveness. A further example was in Question 6(b) where there was little reference to the impact of government measures on **business behaviour**.
- Automatically assumed that a takeover leads to the creation of a monopoly.
- Failed to use the extracts effectively in Section B.

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

- To ensure that **all** parts of the specification are taught and internally assessed.
- To encourage candidates to make full use of previous examination papers, mark schemes and examiners reports.

## **Question 1**

Candidates who performed well were able to identify and analyse several salient reasons why the size of the market may act as a constraint on the growth of a small business. In addition, a sound response would be one which analysed why other constraints, such as lack of finance and owner objectives may also be significant. Providing sufficient depth and breadth was apparent, such a response would score 13/14 marks.

Evaluation marks were awarded primarily for considering why the size of the market may not be a major restraint. For example, the market may be expanding or the small firm may be able to appeal to different sectors of the market, perhaps through internet selling. In addition, a weighing up of the relative importance of two or three constraints with sound reasoning would have added to the quality of evaluation. This would have led to a high Level 5 mark.

An answer which got side-tracked into an analysis of economies and diseconomies of scale, or different types of market structure, typically struggled to achieve more than a high Level 2 mark.

The size of a firm depends on its annual revenues, on the value of its capital, on the number of employees and its market share. Many firms experience growth through internal growth, when the size of the firm increases through investment on capital or increased labour, or through external growth, which is when a firm takes over another firm, including horizontal and vertical integration. However, some firms experience constraints which do not allow them to grow, such as the size of the market. However, the constraints are not always the same ~~and vary~~ and include the difficulty to access finance, the owner's objectives as well as government regulation.

The size of the market can be a major constraint. More precisely, a firm in order to grow must also have scope for greater sales. Therefore, if the firm operates in a market, which is either remote or addresses to a specific range of people, there is no incentive to grow, because growth would not lead to increased profits but in the contrary, to possible losses if the firm would not be able to find consumers.

for its products. For instance, the small business operating in Jordan is dependent on the effective demand which exists in the local market. Thus, if the market is very small, if it is a niche market, the firm cannot grow. ~~can't survive~~ Similarly, if a firm produces products with unique designs which are demanded only by a certain range of people, ~~the~~ growth would only mean the stock of these unique designs which will never be sold. ~~Finally, the size of the market sometimes is what attracts consumers. A small firm may create the loyalty to consumers who ~~then~~ develop a relationship with the firm, as it happens with local grocery stores. Therefore, it is clear that if the market does not grow, the firm cannot grow.~~

⊗ Moreover, this is justified by the fact that large TNCs will not set up to remote areas, where only firms with <sup>small size and</sup> low costs can survive.

However, there are other important constraints. A significant one is access to finance. Finance is the money used for further I, which makes it necessary for a firm which wants to grow. However, if a firm is small, banks may be reluctant to give loans to it, because of the low value of assets of the small firm which makes lending



risky. Even if banks lend to small businesses, drafts and loans may be given on a very high interest rate which may deter the small businesses from further investment, if the cost of borrowing exceeds return on investment. In addition, the fact that access to finance is essential for growth is shown often in developing countries, where the banking systems are often fragmented, constraining as a result the growth of small firms. Overall, <sup>access to</sup> finance is essential and another obstacle for small firms is that they have little or no opportunity to raise share capital on the open market (stock market) as PLCs can do and ~~increase their finances~~ get access to greater finances which will allow them to grow, through <sup>initially</sup> internal or <sup>eventually,</sup> external growth.

In addition, the owner's objectives as well as those of the managers must be taken into account. ~~increase~~ Growth may not only be expensive, but also time consuming. There is the possibility thus, that the owner is unwilling to bare the extra risk <sup>and extra work</sup> ~~growth~~ and ~~if~~ needed in order to grow.

In the case, when the owner is satisfied with the profit being made, it is highly unlikely that the firm will grow. Moreover,



It must be mentioned that the lack of managerial skills as well as the lack of skilled labour can be a constraint to grow.

Finally, very high administration and legal costs can deter a firm from investing to grow. If the government regulations are strict, if there is high level of bureaucracy and Red Tape, a firm may find it really difficult to grow as it may not be able to cover these costs.

Nevertheless, it must be considered that constraints may differ for different small firms. For example, the Andalus Dairy Factory may be unable to grow because of the small size of its products, but another small business in a large town may be unable to grow because of its inability to access finance and cover administration costs which occur with increased growth.

Furthermore, over time constraints may change. ~~For example, access to market~~  
For example, the government may decide to change regulations and even support small firms in order to promote competition. Growth of a small firm may become easier

if government provides ~~to~~ subsidies or training grants.

Finally, there are some main constraints but the macroeconomic climate always plays a role. Low economic growth, high inflation, high interest rates and high taxes because of recession. make more difficult for a firm to grow.

In conclusion, it is undeniable that the size of the market can ~~be~~ be a major constraint in many cases however, that does not mean that it is always the main constraint, since constraints vary for different types of businesses and may also change over time.



After quite a lengthy first paragraph the candidate begins to analyse why the size of the market may act as a constraint on the growth of the small business. Hence the second paragraph develops several important points in relation to the market. At this juncture the response would attain a high Level 2 mark.

The third paragraph has a detailed analysis of lack of finance with valid and insightful development. For example the point relating to a fragmented banking system. A Level 3 mark is now secured.

Owner objectives are then included plus lack of managerial skills and government regulations.

This is a well-structured and accomplished account and at this point the depth and breadth of analysis would result in a Level 4 mark of 15.

The evaluation comments which follow are somewhat generic but have validity and consequently the final mark was 17 (Level 5).



Keep your introductory section brief and to the point. This saves you valuable time.

## Question 2

The more successful answers began by identifying wood pulp as a variable cost of production. Some sound analysis followed, in relation to how a rise in its cost was likely to affect the profits of a paper manufacturer. Ideally, an accurately drawn and labelled diagram served to enhance the analysis. A diagram which showed a shift in both AC and MC curves to the left and the resultant fall in profits meant that the response would be scoring high Level 3/mid-Level 4. (An alternative diagram was acceptable, providing it showed a fall in profit.)

Evaluation marks were awarded for identifying and explaining reasons why the rise in the cost may have little or no effect on the firm's profits. Factors such as the impact on competitors and the PED for paper were amongst the relevant points which could have been made.

Weaker responses tended to include inaccurate or irrelevant diagrams and did not focus on the impact on the *profits* of the manufacturer. Such responses struggled to score more than a mid-Level 2 mark.

### **Question 3**

Sound responses discussed the ways in which TNCs might respond to the fact that a new tax was imposed to deter the outflow of funds from the UK. For example, a response which discussed the degree to which TNCs may decide to comply, the option to raise prices, the possibility of pulling out of the economy altogether and other related factors would potentially be in Level 4.

Higher level responses also offered valid evaluation. For example, by discussing the possible limited impact of such measures in relation to the power and influence of TNCs, the relevance of PED in relation to raising the price and the magnitude of the tax relative to overall profit levels.

Less successful responses did not focus on how the tax might affect the **behaviour** of TNCs.

could lower their supernormal profit. A rise in costs due to a rise in taxation, and may encourage them to charge higher prices to the consumers, lowering consumer surplus. Furthermore, as their profit falls, there would be less incentive available to invest in R&D to innovate the existing goods and services and launch new products according to consumer tastes and preferences, limiting wider choice for consumers. In addition, to cover their costs, ~~and limit profits~~ and they may also encourage to use poor quality raw materials in the production production, thus, providing lower quality goods and services. Moreover, many ~~from~~ MNCs could move out of the economy and would set up in a region or a country where there is lower taxation and interest rate.

Lastly, ~~the~~ introduction of new taxation may encourage to pay lower wages and salaries to the workers and employees along with poor working conditions to cover their ~~prof~~ costs and increase profits. All these would lead to a rise in business corruption.

However, the impact on the behaviour of the MNCs depend on the magnitude and duration



of the taxation imposed. If the taxation imposed is a lower amount or percentage, <sup>for a shorter period of time</sup> then there would be no impact and the MNCs would continue transferring their profit out of the UK economy. Furthermore, MNCs are large companies and moving out of the economy would lead to a rise in unemployment rate. As a result, the government bodies might work in favour of the MNCs, leading to government failure.

<sup>In addition,</sup> Furthermore, charging higher price to the consumers may increase their supernormal profit which can be invested in R&D to innovate goods and services and providing better working conditions and higher wages to the workers. ~~And, the MNCs might~~

~~In conclusion,~~

And the MNCs might fail to provide poor working conditions and lower wage if the trade Unions of the UK economy is powerful and stand against this behaviour.



The extract from this candidate's answer starts with the second page. It is only at this point that the candidate begins to fully focus on the question.

Several points are made relating to the behaviour of a TNC. Charging higher prices, investing less, using lower quality raw materials, moving out of the economy and paying lower wages. All of these points are valid but none of them are fully developed. Consequently, at this stage, the mark would be a low Level 3 = 10.

The quality of evaluation is good and explains why a TNC may not respond in the ways suggested. This brings the final mark up to Level 4 = 13.



Be sure to develop your points.

Provide more detail on specific points in preference to listing as many points as you can.

This will increase the likelihood of achieving a good Level 3 or Level 4 mark, before evaluation is taken into account.

## Question 4

Sound responses discussed how a range of relevant government measures might improve a country's *international* competitiveness. For example, a response which analysed the potential impact of policies aimed at export industries, policies aimed at developing education and skills and subsidies to firms seeking overseas markets would potentially attain a sound Level 4 mark. Higher level responses also offered valid evaluation in terms of the possible limited impact of such measures, short-run and long-run impacts and the constraints on government (e.g. financial, exchange rate system).

Less successful responses identified a range of government measures but provided tenuous links as to how these might affect international competitiveness. Such a response would not attain anything above a mid-Level 3 mark.

The vast majority of candidates were able to refer to a specific country in their answer.

International competitiveness is the ability of a country's firms to compete successfully in international markets, i.e. do sell goods and services at competitive prices in foreign markets and do attract FDI.

One measure that the government of Ghana can undertake to improve its country's international competitiveness, is investment in education and training. By improving the quality and availability of school education, financially supporting universities and ~~creating~~ launching vocational training programmes, the government of Ghana (which is a country with relatively low levels of educational attainment) can significantly improve the skills of the working population and increase the country's human capital. A more highly skilled ~~work~~ workforce means that employees of businesses located in Ghana can perform a wider range of tasks or use less time and resources performing the same tasks, which <sup>will</sup> increase productivity and thus reduce ~~unit labour~~ average costs for businesses. This is likely to translate into lower prices for Ghana's goods in international markets ~~on~~ and make them more

attractive for foreign consumers and more international internationally competitive. Higher skills of the workforce may also ~~mean~~ result in better quality of goods, which will also make them more internationally competitive in terms of non-price factors. A second option for the government of Ghana is to devalue the currency. This can be done by lowering interest rates, which will decrease hot money flows into the economy and reduce demand for the currency of Ghana, making it cheaper. A cheaper currency will ~~mean~~ make that goods produced in Ghana relatively cheaper for foreigners to buy by lowering their prices in their own currencies, so some of Ghana's exports' international competitiveness is likely to be restored. Demand for Ghana's exports ~~can~~ then be expected to rise, increasing producers' revenues and profits. A final ~~mea mea measure~~ possible measure to promote Ghana's international competitiveness is investment in infrastructure. ~~Thus~~ the government may choose to invest in building better roads, airports, railways, etc. to reduce transportation costs for businesses. With better infrastructure, both ~~the~~ production inputs and finished goods will be cheaper and quicker to transport to the ~~firm's production~~ firm's factories and do the



final consumers, which, by reducing ~~in~~ firms' costs and improving efficiency, will improve the competitiveness of Ghana's exports both on price (as firms will be able to offer lower prices and still earn the same profits) and non-price (e.g. delivery times) factors. Moreover, better infrastructure makes FDI more likely to come in by making Ghana's firms both more convenient and more profitable to invest in, which, in the long term, is likely to grow Ghana's export capacity even further.

However, investment in education has a very long time lag, and any benefits will only appear in the long term. Following an improvement in the quality of <sup>school or</sup> university education, for instance, it will take several years for the first generation of ~~new~~ new labour market entrants to graduate, and the first effects will only be felt ~~once~~ once they've found jobs. If preventing Ghana's international competitiveness from slipping is a priority in the short term, e.g. the government is hoping for a quick improvement in the current account balance, ~~then~~ and a boost to growth, then it might want to favour other policies.

Currency devaluation also comes with its



own set of hurdles. Lowering interest rates, for instance, may contradict domestic policy objectives, e.g. by raising AD and leading to higher inflation. A ~~strong~~ weaker currency might also <sup>increase the costs of buying</sup> ~~push up prices for~~ foreign factors of production for Ghana's firms, leading to yet more cost-push inflation, ~~which is likely~~ the resulting inflation can therefore increase ~~above~~ the prices of Ghana's exports and erode any competitiveness gains.

Lastly, infrastructure investment comes at a high <sup>financial</sup> ~~cost~~ to the government and limit its ability to spend on ~~any~~ for example, essential public goods. Its expenditure on healthcare (which also factors into competitiveness by determining workers' productivity) or defense may ~~decrease~~ as a result. ~~It is also~~ ~~an~~ ~~opportunity~~ ~~cost~~ <sup>Further,</sup> In order to fund investment in infrastructure the government may have to increase taxes, which may cause an economic slowdown and/or higher cost-push inflation. If the ~~opportunity~~ <sup>opportunity</sup> cost of infrastructure investment is too high, perhaps this is not a viable option.

To conclude, ~~the~~ ~~in~~ ~~a~~ the best ways of improving Ghana's international competitiveness

in the long term is likely by implementing supply-side policies such as investment in education and infrastructure, which will reduce costs for businesses and improve efficiency. However, there is a number of challenges that may limit the effectiveness of these policies, such as long time lags. The government may also choose currency devaluation to make Ghana's goods more attractive for foreign consumers, but this may be counter-productive due to the risk of higher inflation.



**ResultsPlus**  
Examiner Comments

The candidate starts by providing a succinct and accurate definition of international competitiveness. Paragraph two immediately identifies an appropriate measure.

All three measures put forward by the candidate are analysed in depth and each culminate with close links being made as to how each measure may impact on Ghana's international competitiveness.

In the latter part of the response the candidate evaluates each of the measures, leading to valid conclusions being drawn.

The entire answer is well-structured and the analysis is rigorous throughout.

The mark awarded was Level 5 = 20.



Here is a benchmark answer. Note how there are just three measures identified, but that each one is analysed in depth and all relate to how international competitiveness may be affected.

Make sure your answer keeps to the question at all times.

## **Question 5 (a)**

One knowledge mark was awarded for providing a correct definition of loss. A further knowledge mark was available for a development of the definition. Alternatively, both knowledge marks could be gained where a loss was correctly shown diagrammatically.

One application mark was awarded where *one* reason for the loss was identified from the extract. An additional mark was available where the candidate developed this point using relevant information from Extract 1.

## **Question 5 (b)**

The best responses were able to draw accurate diagrams which showed the shut-down point in both the short-run and the long-run. This then enabled candidates to make a clear distinction between an airline which may be able to survive in the short-run, because at least AVC was being covered, and one which could not survive.

High quality answers used the context effectively and were able to make valid evaluative comments, such as variable cost may be reduced by placing aircraft in storage in the short-run.

By contrast, weaker responses were those either lacking an accurate diagram, those which had little or no context, or those which had a combination of the two.

## **Question 5 (c)**

High scoring responses analysed at least two benefits of growth by takeover in the context of Extract 2. References such as access to new markets (in the USA), opportunities for synergy (given that all takeovers were in the mining industry) and increasing market share, were some of the salient factors. A response which showed clear understanding in this context attained a Level 3 KAA mark.

Evaluation marks were awarded for considering why these takeovers may not provide significant benefits. Factors such as the cost of the recent takeover and the possible negative impact of trade union actions were relevant.

Low scoring responses often lacked context and tended to automatically assume that a takeover would result in the creation of a monopoly. Other weaker answers focused almost entirely on the concept of economies and diseconomies of scale.

(c) With reference to Extract 2, evaluate the likely benefits to Sibanye-Stillwater of its growth through takeovers.

(12)

Sibanye-Stillwater is a company that has grown mainly through horizontal integration (takeovers of firms in the platinum industry at the same stage of production). One benefit that is likely to be gained through these takeovers is access to new markets. Initially, a South African company, Sibanye has still acquired American firms such as ~~of~~ Stillwater, an established company. This has likely helped Sibanye ~~to market~~ and sell to ~~the~~ American consumers more easily than by trying to expand there very organically. New markets may have more potential for higher demand sales, revenues and profits. Expansion to more international markets may <sup>have</sup> been necessary to supplement insufficient demand in the economies that it had previously been operating in: 'the depressed state of the mining industry was adversely affecting South African firms. Another benefit to Sibanye-Stillwater may be the removal of competitors. By acquiring other firms, Sibanye-Stillwater has become the third largest producer in the global industry. By gaining market share will likely ~~allow them~~ give the firm more power in the market, including pricing power.



This is likely to lead to higher revenues and profits for the company, which can be used for further investment. A final benefit way in which the firm may benefit from its growth through takeovers is by ~~further~~ exploiting economies of scale (where average costs decrease with more output) more fully. It may gain <sup>more</sup> purchasing economies of scale (e.g. buying equipment in bulk might lower average costs), marketing economies, borrowing economies (loans may be given at lower interest rates). Further, it may gain market knowledge and managerial expertise (e.g. SAIL-water was a more efficient company with lower average costs) and learn to operate more efficiently reducing costs and increasing profits.

~~However,~~ However, Sibanye-Sailwater may experience diseconomies of scale as a result of its takeovers. Having subsidiaries in many other countries may lead to communication problems and thus create issues like duplication of effort. Instead of enjoying economies of scale, the firm may therefore face increased average costs and lower profit margins.

Further, the costs of the takeover may also need to be taken into account. The



takeover of Stillwater set Sibanye back \$2.2 billion, and others may have been as expensive. Some of the companies taken over may later prove overvalued, and Sibanye will have ~~lost~~ spent more money than necessary (which may be a problem given skewing demand and to some loss-making operations).



Two benefits of growth by takeover are well-analysed and in context. These are access to new markets and increased market share. Additional benefits are covered in the form of economies of scale and expertise but without the depth and contextual links which applied to the first two benefits. The candidate has done enough to attain a Level 3 KAA mark of 7.

Two valid evaluation comments are made. The second point regarding the costs of takeovers is supported by relevant reasoning whilst the first point on diseconomies of scale is not as well supported. Therefore the evaluation mark is a Level 2 mark of 3.

Final mark = 10.

## **Question 5 (d)**

Sound responses clearly identified two or more relevant government measures to protect employees and linked the measures to how they may affect business behaviour. For example, introducing a national minimum wage may lead to a business reducing the number of its low-paid employees, or it may decide to reduce other costs.

Evaluation marks were awarded for commenting on why such measures may have little or no effect on business behaviour.

It was essential that some form of context was included, either by using the extracts or referring to other examples. Centres are reminded that for Section B 12 mark questions, all KAA marks at Levels 2 and 3 must have application to context.

Weaker answers did not focus on business behaviour and there tended to be little or no context in the response.

## **Question 6 (a)**

Two knowledge marks were awarded for identifying two characteristics of competitive tendering. A number of candidates displayed a lack of understanding, often confusing competitive tendering with collusion.

Up to two application marks were awarded for appropriate selection of information from the extract. For example, commenting that competitive tendering did not take place in this market, or that fines were imposed by the LCC.

## **Question 6 (b)**

Those candidates who performed well were able to identify and analyse two or three reasons for collusion *in context*. Sound responses typically discussed the probability of higher profits for the colluding firms and the benefits of greater price stability. Such a response would gain a high Level 2 or Level 3 KAA mark depending on the depth of analysis.

Evaluation marks were gained by discussing why collusion may not benefit the firms, particularly in the long-run when there was a greater likelihood of firms breaking the agreement.

Candidates could attempt this question from two opposing directions. One approach was to consider collusion as a rational business strategy, where evaluation discussed the irrationality of such a strategy. The alternative approach reversed the argument.

(b) With reference to Extract 1, Extract 2 and your own knowledge, to what extent is collusion a rational form of business behaviour?

(12)

Collusion refers to several firms in an oligopoly market "co-operate" together. There are two types of collusion, tacit collusion which means without formal agreements, and overt collusion, which means with a formal agreement. According to Extract 2, six companies set up an illegal agreement to exchange information and price—clearly, it is an overt collusion.

There are ~~two~~<sup>three</sup> main benefits those companies can gain from collusion. To begin with, with the high concentration ratio and market power, the six fuel retailers can react as a large "monopolist" in the market, which means they can have power to set price and make joint pricing policy.

~~Therefore, when a new entrant enters the market,~~ Therefore, they can fix their price at a relative high level and capture a greater producer surplus from consumer surplus. As a result, those firms can earn higher super normal profits and use them on several business activities, e.g. issuing <sup>dividends</sup> shares, paying ~~back~~ <sup>loans</sup> and tax payables and doing R&D.

Besides, those firms can have price stability as well as sales certainty by colluding together ~~the~~ fixing price and limiting output. This can effectively avoid over-production and save cost of producing, which can increase the productive efficiency of the firms and attract investors.

Also, those six companies can have a platform to change fuel sales information and do better research of the market. Therefore, they can have better information about the supply & demand, price change, and consumers' needs, which can make their production more effectively.

### Evaluation:

However, on the other hand, those firms may be fined heavily about their behaviour. This is because consumers in the market are suffered deeply as a result of high price and no choice. Therefore, government may impose heavy fines on their behaviors. According to Extract 2, CPC did not fined them but warned them to be more competitive. So, <sup>if there is a</sup> ~~the~~ next time of collusion, they may suffer a lot



Also, the effectiveness of collusion depends on Barriers to entry. If the Barriers to entry is low (especially artificial)  $\rightarrow$  BTE, collusion will be quite ineffective because new entrants will break "collusion". Fuel Retailers tend to have high BTE, therefore collusion might be <sup>quite</sup> effective.

What's more, collusion may be an irrational choice somehow, because it <sup>may</sup> damage the public image of the company and let it lose reputation. Also, the company should worry the risk of "betray" since some firm may ~~to~~ tell their behavior to the government.



In the first paragraph the candidate correctly asserts that the type of collusion in Bulgaria is overt collusion. An effective use of the context.

Three benefits are identified and analysed in context – acting as a monopolist, price stability and information sharing. The KAA mark awarded is a Level 3 mark of 7.

Evaluation is sound, whereby the risk of fines and strength of barriers to entry are identified with relevant reasoning. Hence an evaluation mark of 4.

Total mark awarded = 11.

## **Question 6 (c)**

Successful candidates showed a clear understanding of the ways in which price discrimination impacts on different consumers. Accurate diagrams were used to show the importance of the different values of price elasticity of demand. Sound responses used the context effectively.

Evaluation marks could be gained for commenting on why price discrimination may have little or no impact, especially in the long-run if governments intervene. (Given the nature of the question, evaluation was *not* about the disadvantages of price discrimination).

Weaker responses typically offered poorly drawn and inaccurate diagrams and copied out large parts of the extract.

## **Question 6 (d)**

High scoring responses identified two or more appropriate government policies and used the contexts to analyse how such measures may lead to more competitive markets. Relevant examples included voluntary agreements, competitive tendering and fines for anti-competitive behaviour. A chain of analysis in context, explaining how such measures could enhance competition, resulted in a Level 3 KAA mark.

Evaluation comments needed to consider why such measures may be less effective. Points regarding opportunity cost, magnitude and timescale were too generic to be worthy of anything above Level 1 for evaluation.

Once again, less successful responses did not apply the contexts effectively.

## Paper Summary

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

- Read the questions carefully and decide what is the main focus of each question.
- A brief plan can help you to decide whether or not to proceed with a question.
- For any diagram which you include make sure that it is accurate, labelled and large enough to be easily interpreted by an examiner.
- In Section B, avoid basing your choice of question solely on your knowledge of the concepts in part (a) – the 4 mark question.
- Do not copy out parts of the extracts in Section B. Application marks are awarded based on how you *use* the information in your analysis.

## Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

