



Pearson

Examiners' Report

Principal Examiner Feedback

October 2019

Pearson Edexcel
International Advanced Level
In Economics (WEC03)

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INTRODUCTION

This was the third series for an October 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.

The overall standard for this examination continues to improve.

Successful students were able to:

- Clearly identify what they were being asked to do. For example;
 - : for Q1, assess whether or not organic growth is more beneficial to a business than growth by merger
 - : for Q2, focus on the specific benefits which may arise if a company becomes a TNC
 - : for Q5b, make effective use of the relevant extract to evaluate the possible benefits for consumers and employees following the merger of three co-operative organisations.
- Draw and label appropriate diagrams accurately. For example, a diagram showing productive efficiency for Q5a and a diagram showing profit in an imperfectly competitive market for Q6c.
- 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 the focus of Q1 is on the relative benefits of organic growth and not about the benefits of business growth per se.
- Continue to copy out sections of the extracts in Section B in the mistaken belief that this will score application marks.
- Draw inaccurate and badly drawn diagrams. For example, not correctly identifying the area of supernormal profit in Q6c.

Section A

This was the second October series where an example of the 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 there primarily for illustrative purposes.

Q1

Students who performed well produced a balanced answer which analysed at least three possible benefits of organic growth in preference to growth by merger. In addition, potential drawbacks of growth by merger were analysed. Evaluation considered the shortcomings of organic growth. Such an answer would achieve a high Level 4 or a Level 5 mark depending upon its quality and depth.

Typically, a Level 2 mark was achieved where a response did not clearly distinguish between the different methods of growth. The response focused on factors which could apply equally to either method.

Students could take the reverse perspective in their approach to the question.

Q2

Sound answers analysed reasons which applied to the *international* dimension of the expansion of a company. At least three reasons needed to be identified and analysed in depth in order to achieve a high Level 3 or a low Level 4 mark. Credit was given to relevant examples.

Evaluation marks were awarded where a student discussed why a TNC may experience problems, such as opposition from pressure groups and overseas governments.

Those students who performed less well produced answers which could apply to any form of business expansion. Analysis was not specifically related to expanding as a TNC.

Q3

All students showed a good understanding of the types of non-price competition. High scoring responses were able to apply relevant economic theories and concepts in relation to why oligopoly firms may choose such strategies. Price elasticity of demand, the effects of price wars and collusion were some of the concepts which were applicable.

Evaluation needed to consider why such strategies may not always be appropriate and why pricing strategies may prove to be a better option.

Students who performed less well offered descriptive accounts of various non-price strategies without using the tools of economic analysis.

Q4

Most students displayed a good understanding of the concept of monopsony. High scoring responses were able to apply their economic theory effectively, with the analysis focusing on the impact of government intervention on monopsonists. An answer containing at least three relevant impacts with developed analytical points achieved a high Level 3 or low Level 4 mark.

Pertinent evaluation points considered why government intervention may be ineffective or may have a negative impact.

Those students who performed less well did not analyse the impact on the *business behaviour* of monopsonists. In addition, evaluation tended to cover irrelevant issues such as opportunity cost and budget deficits.

Section B

Q5(a)

A knowledge mark was awarded for a correct definition of productive efficiency plus a further mark for development.

Accurate diagrams which illustrated productive efficiency achieved both available application marks.

A significant minority of students provided inaccurate diagrams.

Q 5(b)

Students who selected 2 or 3 appropriate points from Extract 1 and explained why this merger could lead to benefits for both consumers and employees achieved Level 3 or high Level 2 KAA marks.

Evaluation comments included points such as the potential loss of jobs and possible store closures.

Weaker answers offered a generic response which was primarily about the benefits of any merger. Such a response also tended to assume that a merger automatically results in monopoly power (which was not the case in this context).

Q5(c)

Sound answers were able to focus on why business objectives may differ for co-operatives compared with other types of private sector companies. Evaluation comments needed to address reasons why objectives may be very similar.

References to Extract 1 were essential to achieve Levels 2 and 3 KAA.

The reverse perspective was equally valid.

Q5(d)

Students needed to select, and analyse the impact of, at least 3 *appropriate* government measures in order to gain high Level 2 or Level 3 KAA marks. Impacts could cover both microeconomic and macroeconomic factors.

Evaluation marks were awarded for considering why such measures may have little impact or be ineffective.

Q6(a)

Students who performed well were able to provide a correct definition of unit labour cost (ULC) and comment on the trend shown in Figure 1 for the period of time stated in the question.

Less successful responses showed a lack of understanding of the term and/or did not identify a downward trend in ULC.

Q6(b)

Sound answers focused on the likely responses of Australian businesses to changes in international competitiveness. Effective use was made of the information provided. Analysis which linked a change to a response automatically warranted a Level 2 KAA mark. Two or more linked points resulted in a high Level 2 or Level 3 mark.

Evaluation marks were awarded for either reversing the direction of the change in international competitiveness and/or commenting on why the business response may be ineffective.

Weaker answers failed to focus on business responses. Instead, such answers tended to describe changes in Australia's competitive position.

Q6(c)

High scoring answers carried out an analysis as to why profits may be greater in markets with significant barriers to entry. An appropriate diagram was often used to show supernormal profit. Effective use was made of the relevant information in Extract 2, for example, high concentration in Australian markets, such as electricity distribution and telecommunications.

Evaluation comments covered aspects such as the possible short-term nature of barriers and/or other reasons why profit margins may have been higher.

Weaker answers did not focus on the issue of profit and often failed to make use of the context.

Q6(d)

It was essential that students identified and analysed *appropriate* government policies which could prevent exploitation of consumers. Examples such as, maximum price controls and encouraging consumers to switch provider, were flagged up in the extract. Sound analysis of at least 2 relevant policies resulted in a high Level 2 or Level 3 mark.

Evaluation comments needed to consider why these policies may be ineffective. The market power of large firms and government failure were valid points here. Less successful students selected inappropriate policies, such as subsidies to the large firms. Evaluation often reverted to opportunity cost and government deficit, neither of which addressed the issues.

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 co-operative organisations and unit labour cost was weak in several cases.
- To encourage students to draw accurate, appropriate, legible and labelled diagrams.
- 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.

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>

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