Mark Scheme (Results)

January 2025

Pearson Edexcel International Advanced Level
In Economics (WEC13) Paper 01
Unit 3: Business Behavior

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** **B** is incorrect because this is the lowest point on the AC curve **C** is incorrect because this is where change in TC is constant **D** is incorrect because this is the equilibrium for revenue maximisation	**(1)**
2	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** **A** is incorrect because Sony and Honda are two different companies **B** is incorrect because they are privately owned companies **D** is incorrect because the two companies are at different stages of production in different markets	**(1)**
3	**QS8:** Make calculations of elasticity and interpret the result **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** **A** is incorrect because the demand for labour would be elastic **B** is incorrect because this impacts the elasticity of supply of labour **C** is incorrect because this impacts the elasticity of supply of labour	**(1)**
4	**QS4:** Construct and interpret a range of standard graphical forms **QS6:** Calculate cost, revenue and profit (marginal, average, totals) **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B A** is incorrect because the firm would shut down in the short-run **C** is incorrect because the firm is covering ATC and therefore would not shut down in the long-run **D** is incorrect because the firm is covering ATC and therefore would not shut down in the long-run	**(1)**

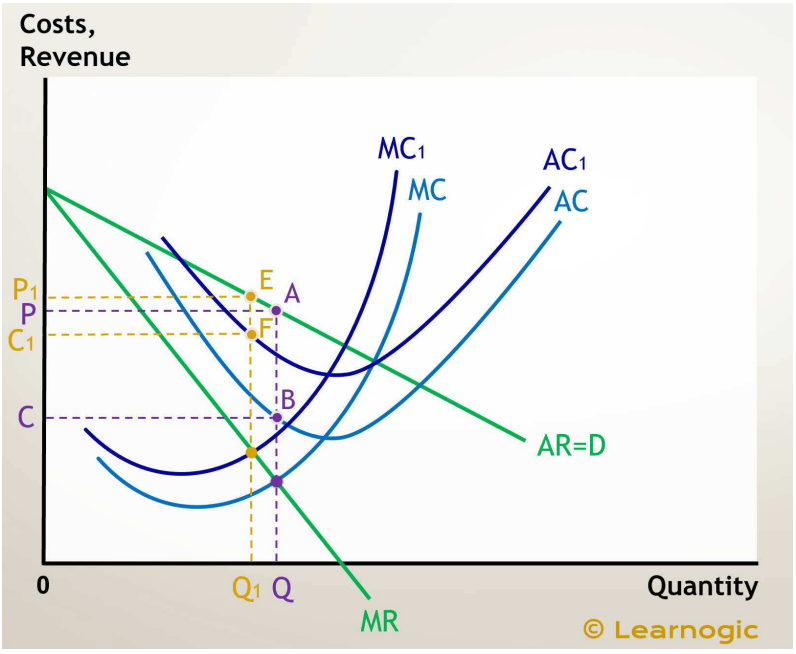
5	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** **A** is incorrect because MC pricing is not where price is set below average variable cost **B** is incorrect because limit pricing is not where price is set below average variable cost **D** is incorrect because price discrimination is not where price is set below average variable cost	**(1)**
6	**QS4:** Construct and interpret a range of standard graphical forms **QS6:** Calculate cost, revenue and profit (marginal, average, totals) **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** **A** is incorrect because this is the average revenue curve **C** is incorrect because this is the total fixed cost curve or an AR curve for a perfectly competitive firm **D** is incorrect because this is a total revenue curve for a firm operating in an imperfectly competitive market	**(1)**

Section B

Question	With reference to Figure 1, calculate the 4-firm concentration ratio of the global fast-food industry. You are advised to show your workings. **Answer**	Mark
7(a)	**Application 2** **Quantitative skills assessed:** **QS2: Calculate, use and understand percentages, percentage changes and percentage point changes** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.** 2 marks for calculation of concentration ratio: e.g. 21.4 + 7.5 + 2.8 + 2.8 = **(1)** 34.5% **(1)** **NB: Award full marks for correct answer (34.5%) regardless of working** **NB: If no percentage sign only award 1 mark**	**(2)**

Question	With reference to Extract C, explain what is meant by organic growth. **Answer**	Mark
7(b)	**Knowledge 2 Application 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge:** Up to 2 marks for correct definition: • Growing internally/ natural growth **(1)** • Expansion of a firm's operations/entering new markets/increasing sales/opening new stores **(1)** • Growth without merger/takeover/acquisition/integration **(1)** **Application:** Up to 2 marks for application to Extract C **(1+1)** e.g.: • McDonald's opened a new café - CosMc's **(1)** • It plans to open CosMc's in 10 different locations/in Texas, USA, by December 2024 **(1)** • It plans to expand CosMc's globally/open 10 000 new restaurants worldwide by 2027 **(1)** • McDonalds enter on the go market/beverage market **(1)**	**(4)**

Question	With reference to Extract A, analyse **two** reasons why the global fast-food market is expected to grow. **Answer**	
7(c)	**Knowledge 2 Application 2 Analysis 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 knowledge marks for identifying two reasons and up to 2 analysis marks for linked explanations: • A rise in the number of people living in cities **(1K)** means there are more potential customers to use fast food outlets/means there will be more demand for fast-food **(1AN)** • Change in lifestyles **(1K)** meaning the convenience of quick meals/fast-food is needed **(1AN)** • Affordability **(1K)** lower real incomes make people substitute expensive meals for fast food **(1AN)** • Marketing expenditures/branding **(1K)** increasing awareness/appeal of fast-food **(1AN)** • Greater use of mobile applications **(1K)** increases convenience for consumers when ordering fast food for home delivery **(1AN)** **Application** Up to 2 marks for use of Extract A e.g. • Between 2010 and 2021 the population living in cities increased from 3.59 billion to 4.59 billion **(1AP)** • Limited time for preparing meals **(1AP)** • Slow wage growth/ increased living costs **(1AP)** • In 2020 fast-food companies spent $4.5 billion on advertising **(1AP)** • In 2023 Zomato was downloaded 52 million times/Uber Eats 41 million times **(1AP)**	

Question	With reference to the last paragraph of Extract B, examine the likely impact on McDonald's profits by switching 'to suppliers that use more ethical and sustainable methods of production'. Illustrate your answer with an appropriate diagram. **Answer**	Mark
7(d)	**Knowledge 2 Application 2 Analysis 2 Evaluation 2** **Quantitative skills assessed:** **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge**  Up to 2 marks for drawing a diagram that shows knowledge of: • AR, MR, AC, MC and profit maximisation equilibrium **(1)** • Area of initial supernormal profit identified ABCP **(1) Analysis** Up to 2 marks for showing**:** • Increase in MC and AC to MC_1 AC_1 **(1)** • New area of supernormal profit EFC_1P_1 **(1)** NB Accept new area of profit if AR/MR has also been increased with supporting explanation **Application** Up to 2 marks for reference to Extract B: • Deforestation-free supply chains for beef **(1)** • Sustainable fisheries for fish **(1)** • Sustainable palm oil production **(1)** • Make a positive impact on the planet **(1)**	

	• Locally-sourced ingredients to reduce its carbon footprint **(1)** **Evaluation** **Up to 2 marks for evaluative comments (1+1 or 2 + 0), e.g.:** • It depends on the magnitude of the increase in costs **(1)** • If the cost increases can be offset by price increases it may not impact profits **(1)** • Improvement in sustainable farming may reduce these costs **(1)** • Consumers are becoming more aware of health risks and choosing healthier options **(1)** this may increase revenue, increasing profits **(1)** • There is a growing demand for fresh/organic food **(1)** • Consumers may be willing to pay more for ethically sourced food, which offsets the increase in costs **(1+1)**	**(8)**

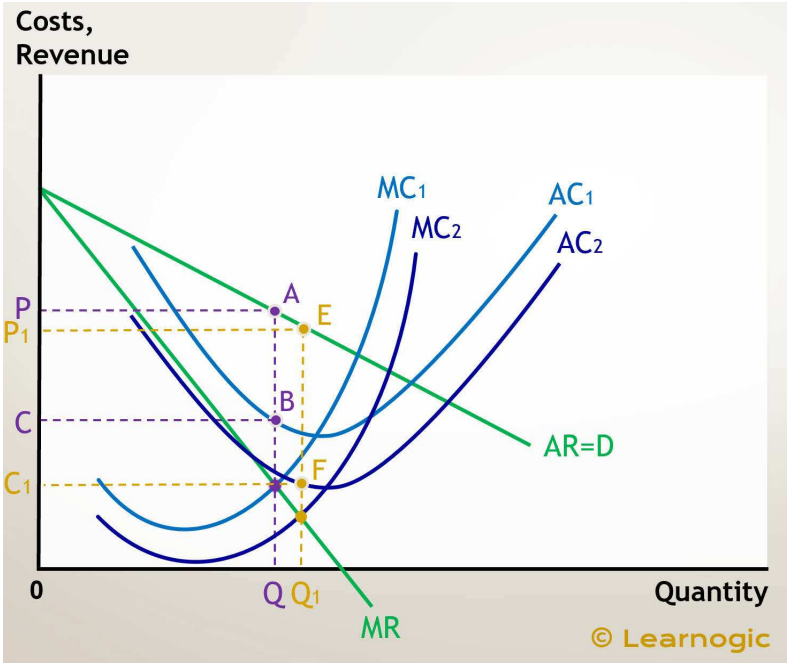
Question	With reference to Figure 1, Extract C and your own knowledge, discuss the likely effects of McDonald's opening CosMc's on its competitors. **Indictive content**
7(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (8 marks) – indicative content** **Competitors:** • In 2023 McDonald's had the largest market share at 21.4%, much larger than Starbucks at 7.5% • Fall in revenue/profits: McDonald's aims to compete with Starbucks in fast food restaurants. If consumers substitute CosMc's drinks for Starbucks' drinks, demand, revenue and profits would fall for Starbucks • Rising costs: competitors may face rising costs from increased advertising/differentiation. Or falling demand may reduce economies of scale • Change in pricing strategy: competitors selling coffee may choose to lower prices/or use limit pricing to compete with McDonald's • Product differentiation: competitors might also offer a greater variety of coffees and teas to compete with McDonald's directly • Increase in non-price competition: Competitors may increase their marketing and advertising to maintain brand loyalty. • Price competition- McDonalds benefits from substantial economies of scale allowing it to operate with lower average costs enabling it to charge lower prices- may push firms towards their shut down points. **NB Negative effects may be taken as KAA and positive effects as evaluation, or vice versa**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence
	Evaluation (6 marks) – indicative content • McDonald's market power suggests that the opening of CosMc's will have a significant impact on competitors • With 61.5% of the market being 'others' it suggests that consumers may prefer to use small independent cafes • It depends on the brand loyalty of consumers to competitors such as Starbucks • If Starbucks and CosMc's are not close substitutes the impact might be limited (reference to XED) • It is going to take a long time to have an impact, only 10 locations opened by December 2024 • There is likely to be a greater impact by 2027 when 10 000 new CosMc's cafés may be open • If pricing strategies/differentiation are successful there would be limited impact in the long-run	

Level	Mark	Descriptor
	0	No rewardable material.

Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	Evaluate the benefits of a monopsony to firms **and** consumers. Illustrate your answer with an appropriate diagram(s). **Indicative content**
8	**Indicative content guidance** **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4: Construct and interpret a range of standard graphical forms.** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.** A monopsony is a market condition in which there is only one buyer **For Firms**: • Lower costs: Monopsonies can negotiate lower input prices such as sugar, leading to cost savings, reducing MC_1 to MC_2 and AC_1 to AC_2 (shown on a diagram) for British Sugar • Lower costs due to lower costs of labour as a monopsony employer can pay lower wages • The monopsonist may be able to gain purchasing economies of scale by buying in bulk • Increased profits: Lower input costs contribute to higher profit margins for monopsonistic firms such as British Sugar (diagram showing a higher area of supernormal profit ABCP to EFC_1P_1)  • Market power: Monopsonies such as British Sugar enjoy enhanced bargaining power with suppliers due to their dominant position. This can enable them to negotiate price, supply and quality • Guaranteed demand from monopsony: Farmers supplying sugar to British Sugar will benefit from more stable demand for their sugar, improving stability in the market and their ability to plan for future supply

	For Consumers: • Potential lower prices/increased consumer surplus: Lower input costs may be passed on to consumers, resulting in potentially lower prices for goods and services and an increase in consumer surplus (GAP_1 to GEP_1) • Market stability: Monopsonies can provide stability by managing supply chains efficiently and avoiding price fluctuations. • Higher profits results in more investment and more dynamic efficiency resulting in better quality goods **NB: A candidate can achieve a maximum of level 3 if no diagram** **NB: A candidate can achieve a maximum of level 3 if only one economic agent is discussed**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content **Firms** • Reduced bargaining power: farmers selling their sugar beet to British Sugar have a lower ability to negotiate favourable terms and prices • Lower profits: Monopsonies such as British Sugar drive down the prices they are willing to pay, resulting in lower revenue for suppliers/ farmers and lower profits • Increased barriers to entry: Monopsonies can create significant barriers to entry for new firms, discouraging competition in the market for sugar • Dependence on a single buyer: Relying on British Sugar can expose farmers to increased risks, as any changes in British Sugar's demand or preferences would greatly impact the farmer, potentially causing cost increases or shut-down • Firms/ farmers/ suppliers may form a collective agreement with other sellers and improve their negotiating position • Regulatory intervention- may intervene to ensure consumer benefit is maximised but this may have negative effect on the monopsony **Consumers** • Higher prices: British Sugar may not pass on the cost savings to its customers. If it is the only seller of sugar it might increase the price reducing consumer surplus • Quality reduction: Farmers selling to British Sugar may prioritise cost reduction over quality or innovation, potentially leading to lower-quality products or services for consumers • Limited choice: The monopsony determines the available variety and choices for consumers, limiting their options in the market • Limited availability results in shortages as suppliers paid lower price

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate measures that a government could introduce to promote competition and contestability. **Indicative content**
9	**Indicative content guidance** **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.** Market contestability refers to the ease with which new firms can enter and leave a market. Students may use a costs and revenue diagram to show reduced costs or increase supply in the market. • Subsidy: by offering subsidies it will lower production costs to encourage the entry of new firms into the market by reducing barriers to entry and increasing incentives • Reduced tax burdens: these would reduce costs of entry into the market and make it easier for small businesses to compete with larger, established businesses, increasing competition • Support for small businesses: Indonesia's Government is offering low-cost loans to help small businesses to compete more easily with medium-sized and large businesses • Foreign Direct Investment (FDI): FDI allows foreign businesses to enter the market and compete. A government can offer tax incentives to encourage businesses to enter, as their costs will be reduced • Deregulation: eliminates unnecessary barriers and restrictions, making it easier for new businesses to enter the market • Privatisation: a government could transfer state-owned enterprises to private ownership, opening up industries to competition • Competitive tendering for public sector contracts: encourages private firms to bid for projects, promoting a competitive environment • Trade liberalisation: reduces barriers to international trade, allowing foreign businesses to enter domestic markets. This increases the number of firms in the market, promoting competition and contestability

Level	Mark	Descriptor
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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
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		Evaluation (8 marks) – indicative content • Tax incentives may not be high enough to overcome the barriers to entry if there are significant start-up costs in the industry • The time scale of any measures could determine how effective they are in promoting competition and contestability • Effectiveness depends on the scope and scale of the government measures • Measures will result in opportunity costs for the government • Government failure: imperfect knowledge, administrative costs, unintended consequences • Large foreign businesses may force smaller domestic firms out of the industry reducing competition • If foreign businesses are very efficient, their entry may act as a barrier to other firms in the long-run • Privatisation may create a private monopoly thereby reducing contestability and competition • Cost of measures may outweigh benefits • Businesses may fail anyway even with govt help • Economic conditions - growth phase or recession may have a significant impact on determining success of measures

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
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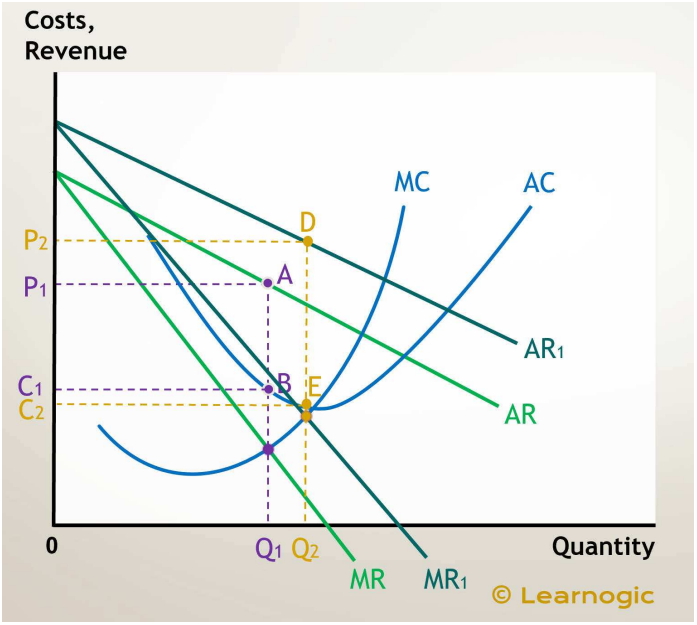
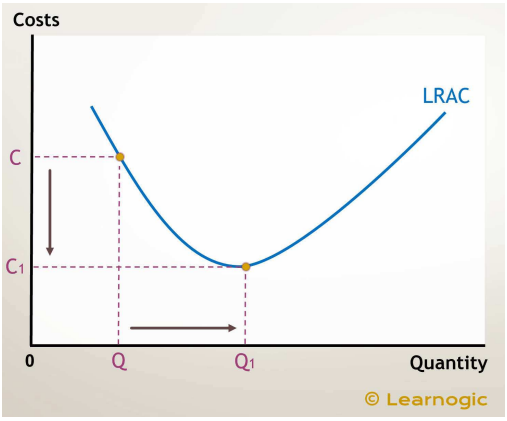
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the benefits of a takeover for businesses **and** consumers. Illustrate your answer with an appropriate diagram(s). **Indicative content**
10	**Indicative content guidance** **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4: Construct and interpret a range of standard graphical forms.** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.** **Benefits for businesses:** Revenue Growth: a takeover can help a business to achieve a higher market share, granting it more pricing power and access to new markets. For example, Mars being able to sell more products in the luxury chocolate market. This increases revenue and profit (MR/AR to MR1/AR1) and increase in supernormal profit as shown.  Increased synergies, a takeover may enable a sharing of expertise. This can improve efficiency and output Cost reduction: a takeover can lead to economies of scale and the acquisition of new skills, leading to cost savings as AC will fall and output will rise. Some takeovers can also take advantage of lower corporate tax rates in certain countries. Can be shown on a diagram:



- Risk bearing economies: enables the business to spread the risk by operating in different countries/markets
- Creates a barrier to entry as the business grows, protecting the business against competition
- Takeover may eliminate a competitor and therefore lead to an increase in market share/market power
- A backward vertical integration may help to guarantee the quantity and quality of supplies/ help to minimise costs
- A forward vertical integration will enable the business to have a guaranteed outlet for its products

Benefits for Consumers:

- Enhanced product quality and variety: takeovers often lead to improved dynamic efficiency through synergies and shared research and development, resulting in a better product quality and a wider product range
- Lower prices: if productive efficiency improves, or rationalisation occurs, the business may pass this onto the consumers by setting lower prices

NB: A candidate can achieve a maximum of level 3 if only one economic agent is discussed

NB: A candidate can achieve a maximum of level 3 if no diagram is included

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		Evaluation (8 marks) – indicative content **Businesses** • Lower than expected profit: The acquired business may turn out to be less profitable than initially anticipated/costs involved in the takeover/ transaction may be higher than expected • Diseconomies of scale: the business may experience inefficient operations and reduced profitability due to a larger scale of operations/fall in productivity caused by culture clashes • X-inefficiency: results from reduced competition in the market • The takeover might attract the attention of competition authorities **Consumers** • Higher prices: the company with increased market power may impose higher prices, reducing consumer surplus • Reduced product variety: the takeover may result in a reduction in the range of available products, limiting consumer choice • Disincentive to innovate: less competition may result in complacency and less urgency to develop new products

Level	Mark	Descriptor
	0	No evaluative comments.
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Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

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