



Mark Scheme (Results)

Summer 2025

Pearson Edexcel International Advanced Level
In Economics (WEC13) Paper 01

Unit 3: Business Behaviour

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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	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D A is incorrect because this is an external economy of scale B is incorrect because this is an external economy of scale C is incorrect because this is not an economy of scale	(1)
2	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 this is when $MR=0$ B is incorrect because this is when $MC=MR$ D is incorrect because the firm will make some supernormal profit to pay as dividends	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is incorrect because PES of labour would not change C is incorrect because this would not decrease the skills of construction workers D is incorrect because the wage rates of construction workers are likely to increase	(1)
4	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 fixed costs for 12 000 items C is incorrect because this is the average variable costs for 6 000 items D is incorrect because this is the average total cost for 12 000 items	(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 A B is incorrect because demand is more price elastic in the afternoon C is incorrect because supply is perfectly inelastic D is incorrect because supply is perfectly inelastic	(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 A B is incorrect because marginal revenue is negative after an output of 0X C is incorrect because marginal revenue is equal to zero at an output of 0X D is incorrect because total revenue is maximised at an output of 0X	(1)

Section B

Question	With reference to Figure 1, calculate the percentage change in bicycle sales between 2022 and 2023. You are advised to show your workings. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS1 Calculate, use and understand ratios and fractions 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. Up to 2 marks for correct calculation: e.g. 1.87 million - 2.04 million = -0.17 (1) $(-0.17/2.04) \times 100 = -8.33\%$ (1) NB: Award full marks for correct answer (-8.33%) regardless of working. Also accept -8.33, -8.3, -8 NB: Award 1 mark for a positive value: 8.33, 8.3 and 8	(2)

Question	With reference to the first two paragraphs of Extract B, explain what is meant by 'a reduction in contestability'. 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 an understanding of a reduction in contestability e.g.: • An increase in (1) barriers to entry into/exit from the market (1) Award 1 mark for an understanding of contestability e.g.: • Reference to barriers to/exit from the market/sunk costs/'hit and run' competition (1) Application: Up to 2 marks for application to Extract B (1+1): • Larger businesses quickly dominated the online market (1) • Investing heavily in advertising/branding (1) • Offering online discounts (1) • A rise in online shopping (1)	(4)

Question	With reference to Extract B and your own knowledge, analyse two reasons why some bicycle retailers remain small. 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 e.g.: - Declining sales/demand (1K) as consumers go back to their old routines/so less opportunity for small firms to grow their sales (1AN) - To provide niche products (1K) to meet specific consumer needs (1AN) - To provide flexibility (1K) so that the small firm can quickly adapt to changing market conditions (1AN) - A lack of access to finance (1K) limiting the ability of the retailers to become large/grow (1AN) - Objectives of the business (1K) mean that many small bicycle retailers do not wish to expand/exhibit satisficing behaviour (1AN) - Dominance of larger firms (1K) so smaller firms find it difficult to compete and therefore remain small (1AN) - Not enough customers/limited sales in the local market (1K) so there may not be enough demand to expand (1AN) Application: Up to 2 marks for use of Extract B and/or your own knowledge e.g.: - Small retailers offer unique expertise and specialist services such as bike fitting and servicing (1) - Reference to an example of a niche product e.g. e-bike/triathlon bike (1) - There are 2234 bicycle retailers in the UK (1) - High costs of advertising/branding (1)	(6)

Question	With reference to Figure 1, Extract A and Extract B, examine two reasons why some bicycle retailers were forced to close. Answer	Mark
7(d)	Knowledge 2 Application 2 Analysis 2 Evaluation 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 2 analysis marks for linked expansion e.g.: • Decrease in consumer demand/falling revenues (1K) causing losses to be made (this could be shown by a relevant diagram) (1AN) • High inflation rates/increased costs (1K) resulting in revenues lower than costs (this could be shown by a relevant diagram) (1AN) • Challenge of online shopping (1K) with many small retailers unable to compete (1AN) • Increasing dominance of larger retailers (1K) who have lower average costs/benefit from economies of scale/greater X-efficiency (1AN) • Excess supply of bicycles causing a fall in price (1K) meant that many small retailers were unable to compete (1AN) • Price/non-price competition (1K) forcing small firms out of business (1AN) Application: Up to 2 marks for reference to Figure 1, Extract A or Extract B: • Sales of bicycles fell from, e.g.: 3.51 million in 2015/3.30 million in 2020 to 1.87 million in 2023 (1)/reduced by 43.3%/1.43m between 2020 and 2023 (2) • In 2023 sales were at their lowest in over 10 years (1) • As the global health crisis eased, people started returning to using old routines/other methods of transport e.g.: car, bus, train (1) • Investment by large businesses in advertising and branding/offering online discounts (1) Evaluation: Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • This was a decrease of only 2.1% compared with 2022 (1) so most bicycle retailers were not forced to close (1) • Despite the overall downturn, sales of e-bikes increased in 2023 (1) so retailers specialising in e-bikes will benefit from an increase in demand (1) • A 12% increase in bicycle sales was forecast for 2024 (1) because consumer spending is likely to increase and retailers are reducing prices (1) • Short-run/long run implications (1)	(8)

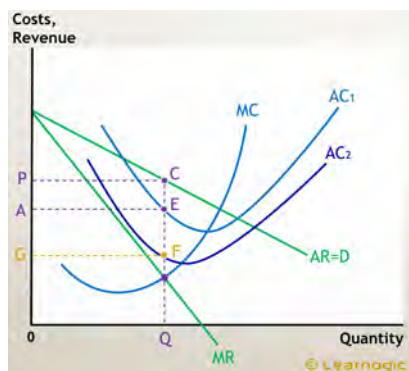
Question	With reference to Extract C, discuss methods that Halfords could use to increase its profitability. Illustrate your answer with a costs and revenues diagram. Indictive content
7(e)	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general 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. QS4: Construct and interpret a range of standard graphical forms. Knowledge, Application, Analysis (8 marks) – indicative content • Definition of profit: revenue - costs • Focus on the servicing business which is less affected by economic downturns. This is likely to ensure that revenues do not fluctuate as much • Invest in its online presence to reach more consumers: building awareness would encourage new demand. This is likely to increase revenue and boost market share • Increase its price competitiveness: this would make it harder for other retailers to compete and increase sales for Halfords • Expand its e-bike and e-scooter business which are growth areas. Further investment/research and development may increase demand and sales for its products • Increase in revenue shown on a diagram with an outward shift in marginal revenue (MR₁-MR₂) and average revenue curves (AR₁-AR₂), increasing supernormal profit from WP₁UV to TP₂RS • Also accept a relevant diagram showing a reduction in costs The graph illustrates the relationship between costs and revenues for a firm. The vertical axis represents Costs and Revenue, while the horizontal axis represents Quantity. The Marginal Cost (MC) curve is upward sloping, and the Average Cost (AC) curve is U-shaped. The initial Marginal Revenue (MR₁) and Average Revenue (AR₁) curves are downward sloping. An outward shift in both curves results in MR₂ and AR₂. The initial profit-maximizing quantity is Q₁, where MR₁ intersects MC, leading to price P₁ on AR₁ and average cost W on AC. The new profit-maximizing quantity is Q₂, where MR₂ intersects MC, leading to price P₂ on AR₂ and average cost R on AC. Points U and V are on the initial AR₁ and MC curves at Q₂, respectively. Points R and S are on the new AR₂ and MC curves at Q₂, respectively. The profit increases from WP₁UV to TP₂RS. NB: Maximum level two if no costs and revenues diagram included NB: Maximum level two if only one method 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. 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 • External influences such as government policy/poor weather conditions/inflation cannot be controlled so it may be difficult to increase revenue • It depends on how rivals react to Halfords: there is a lot of competition in the market and other businesses may also reduce prices and increase online competition • It may be difficult to increase profitability with the rise of minimum wages by 10% • It may be difficult to increase profitability with a significant increase in transport costs • Increasing advertising increases costs for the business so profits may not rise • The shift into the e-bike market may increase costs for the business • Lowering prices depends on the PED for bicycles - if they are price inelastic then revenue will fall • Time lag: it may take time for methods to increase profitability • The success of these methods will depend on how much Halfords spends in order to increase sales	
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 measures that a government can use to protect employees and suppliers in a product market of your choice. 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. Policies to protect employees e.g.: • Restrictions on the monopsony power of TNCs buying cocoa by promoting trade unions to bargain for higher wages and better working conditions • Employment regulations e.g.: maximum working hours, health and safety regulations. These can protect workers from exploitation and ensures that they are treated fairly • Minimum wage: can prevent employers from exploiting workers by offering wages lower (W_1) than those in a perfectly competitive market • Nationalisation: can ensure that employees are paid fairly by the business as the government will set the price/wage. This can be a higher level than in the free market as the government is not trying to achieve a profit maximisation objective • Fund training schemes so that workers are able to be more occupationally mobile Policies to protect suppliers e.g.: • Ensures that local producers are protected from more competitive foreign suppliers. This enables producers to survive and jobs to be protected • Impose fines for the exploitation of market power: this increases the costs of exploitation and prevents businesses from abusing their power • Barriers to entry of foreign firms • Regulation/imposition of a cap on profits of the TNC • Minimum price guarantees/Fairtrade schemes

- Government subsidies to farmers causing a rise in supernormal profits from PAEC to PGFC



- Competition policy could block mergers that create monopolies or break up existing monopolies. These measures reduce the dominance of businesses and prevents them from exploiting suppliers

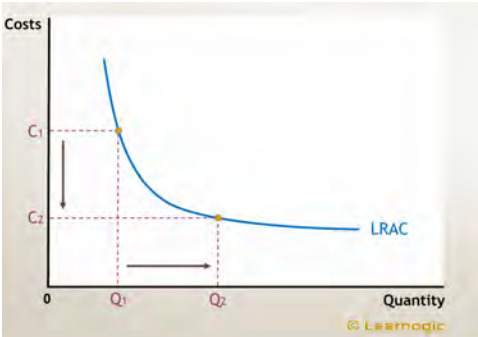
NB: A candidate can achieve a maximum of level 3 if there is no appropriate diagram

NB: A candidate can achieve a maximum of level 3 if no context is provided

NB: A candidate can achieve a maximum of level 3 if both suppliers and employees are not referenced

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 • Possible unemployment associated with the introduction of a minimum wage • Trade unions may not have sufficient bargaining power to improve wages or working conditions • Trade unions are illegal in some countries • Regulations may encourage TNCs/monopsonies to leave the country and produce elsewhere, increasing unemployment and forcing local suppliers to shutdown • Asymmetric information: the government may not have full information about the problem, causing the exploitation to continue • Inadequate resources: regulatory agencies may lack the funding, staff and expertise necessary to effectively monitor and enforce regulations • Lack of regulatory power can hinder government agencies from effectively addressing issues. Fines may be set too low to deter firms from abusing their power or disincentives may not be strong enough • Regulatory capture: the government agency may operate in favour of the business rather than suppliers or employees and leads to a lack of improvement in the market • The effectiveness of any minimum price scheme depends on where the price is actually set • Government subsidies may only be for the short-term		
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 the benefits of a natural monopoly supplying a product or service in an industry of your choice. Illustrate your answer with an appropriate diagram(s). 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. Benefits may occur to the firm, consumers or workers - A natural monopoly occurs when there are falling long-run average costs so it is productively efficient to have one firm in the market rather than many firms:  - LRAC continues to fall because of economies of scale - A natural monopoly is able to spread all the infrastructure costs across a much larger output than if there was competition. Reaching a lower minimum efficient scale makes it more productively efficient - This could lead to a reduction in prices for consumers of water and higher consumers' surplus - Avoids duplication/waste of resources in an industry - Dynamic efficiency: Sabesp would make higher supernormal profit than in a competitive market. This may be used for investment in improving water supply, leading to lower LRAC in the long-run and improved quality for consumers - The business may have greater buying/monopsony power so could pass this onto the consumer - Many natural monopolies are owned and run by the government who may have objectives of high levels of employment and/or setting a price so that allocative efficiency is reached NB: A candidate can achieve a maximum of level 3 if there is no appropriate diagram NB: A candidate can achieve a maximum of level 3 if no context is provided

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 • If poorly regulated, a natural monopoly may abuse its dominant position and increase prices reducing allocative efficiency • The lack of competition may act as a disincentive to invest, reducing dynamic efficiency • Consumers might suffer from less choice therefore they may not be able to fully meet their needs • With falling long-run average costs, allocatively efficient pricing ($P=MC$) would result in a loss. A private firm is unlikely to set its price at this point • A natural monopoly may suffer from X-inefficiency, resulting in higher costs and higher prices • A private natural monopoly may use its supernormal profits to pay its shareholders rather than for investment and innovation	
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 the benefits of the growth of a business by merger in an industry of your choice. 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 may occur to the firm, consumers or workers - Increased market share and therefore greater pricing power which may lead to higher profits - Faster expansion compared to organic growth. This allows businesses such as Prembly Group and Peleza to increase revenues/respond to changes in the market and instantly gain access to new markets, consumers and resources - Increased pool of talented and skilled employees. This can help to fill skill gaps, increasing productivity and efficiency such as Prembly group and gain knowledge of background checking from Peleza - Synergies: business profits may be greater than the sum of previous profits if resources/knowledge are combined effectively - Increased productive efficiency through economies of scale: this can reduce LRAC and increase profits - Access to supplies: Integrating with a supplier enables a business to have sole access to supplies at a lower price compared with its competitors. This can enable the business to reduce prices and increase profits - Access to new markets: If the newly merged business has expertise in new markets/different products this can increase risk bearing economies of scale NB: A candidate can achieve a maximum of level 3 if no appropriate diagram is included NB: A candidate can achieve a maximum of level 3 if no context is provided

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.
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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.
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 • Lower-than-expected profit: The merged business may turn out to be less profitable than initially anticipated/costs involved in the merger may be higher than expected • Diseconomies of scale: The merged business may experience inefficient operations and reduced profitability due to a larger scale of operations/ fall in productivity caused by communication problems • Culture clashes: can lead to conflicts, inefficiencies and delays, potentially hindering the expected benefits of the merger. Prembly Group is based in Nigeria and Peleza is based in East Africa, so they may have different cultures making it more difficult for the businesses to integrate • Financial risks: Mergers can be expensive, requiring significant debt or equity financing that can put a strain on the merged business's finances and increase the risk of financial distress • Regulatory approval processes can be expensive: competition authorities may have concerns that the merged business becomes too dominant in a particular market • Loss of focus on the merged business's core activities	
	Mark	Descriptor
	0	No evaluative comments.
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.

