

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel International Advanced Level

Tuesday 16 January 2024

Afternoon (Time: 2 hours)

Paper reference **WEC13/01**

Economics

International Advanced Level

UNIT 3: Business behaviour

You must have:
Source Booklet

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Section A and Section B.
- Answer **TWO** questions in Section C.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 In 2022 Canadian National Railway paid \$27.2 billion to acquire Kansas City Southern, a Mexico-USA cross-border railway.

Which **one** of the following best describes the acquisition of the Kansas City Southern railway by Canadian National Railway?

- ☐ A Conglomerate integration
- ☐ B Forward vertical integration
- ☐ C Horizontal integration
- ☐ D Backward vertical integration

(Total for Question 1 = 1 mark)

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- 2 The table shows the quantity of shirts that would be sold at different selling prices by a textile manufacturer based in Botswana.

Selling price (\$)	Quantity of shirts demanded	
18	4 000	
16	5 000	
14	6 000	
12	7 000	

Which **one** of the following would be the textile manufacturer's marginal revenue if the price was reduced from \$16 to \$14?

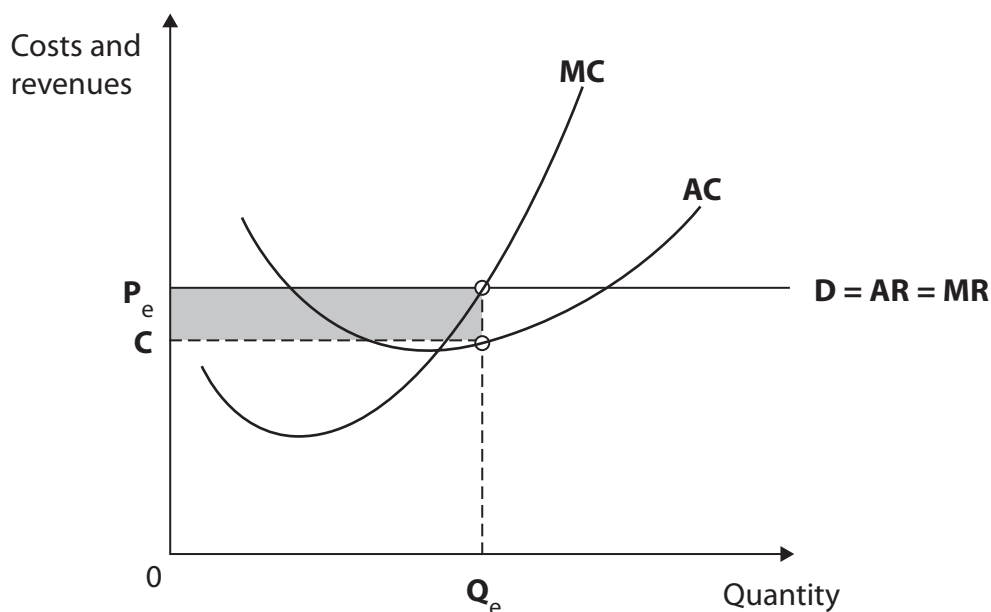
You may want to use the final column for your workings.

- ☐ A \$0
- ☐ B \$4
- ☐ C \$12
- ☐ D \$14

(Total for Question 2 = 1 mark)



- 3 The diagram shows the short-run profit maximising equilibrium for an agricultural business operating in a perfectly competitive market.



Ceteris paribus, which **one** of the following is the most likely outcome in the long-run?

- ☐ A The agricultural business will make normal profit
- ☐ B The agricultural business will shut down
- ☐ C The agricultural business will increase its output
- ☐ D The agricultural business will increase its price

(Total for Question 3 = 1 mark)

- 4 In 2022 Google's global market share of the internet search engine market was 84%.

Which **one** of the following is the most likely outcome of Google operating at its profit maximising output?

- ☐ A Average revenue is equal to marginal cost
- ☐ B Marginal revenue is greater than average revenue
- ☐ C Marginal revenue is equal to total cost
- ☐ D Average revenue is greater than average cost

(Total for Question 4 = 1 mark)



- 5 In Australia the elasticity of demand for construction workers is estimated to be -0.18 .

Which **one** of the following factors is the most likely explanation of this elasticity of demand for construction workers?

- ☐ A The construction workers cannot be easily replaced by capital
- ☐ B The costs of employing construction workers are low
- ☐ C The productivity of construction workers is low
- ☐ D The majority of construction workers are members of trade unions

(Total for Question 5 = 1 mark)

- 6 A cereal manufacturer lowers its price to deter new firms from entering the market while still covering its costs.

Which **one** of the following best describes this pricing strategy?

- ☐ A Predatory pricing
- ☐ B Limit pricing
- ☐ C Price leadership
- ☐ D Short-run profit maximisation

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION B

Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7.
Write your answers in the space provided on the following pages.

- 7 (a) With reference to Figure 1 and Extract A, calculate the number of workers employed by SMEs in Bangladesh. You are advised to show your workings. (2)
- (b) With reference to Figure 1 and Extract A, explain what is meant by the term 'monopolistic competition'. (4)
- (c) With reference to Extract B, examine the impact of rising energy costs on the profits of a garment manufacturer in Bangladesh. Illustrate your answer with an appropriate diagram. (8)
- (d) With reference to extract B, analyse **two** likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22 000 taka. (6)
- (e) With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs. (14)

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- 7 (a) With reference to Figure 1 and Extract A, calculate the number of workers employed by SMEs in Bangladesh. You are advised to show your workings.

(2)

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- (b) With reference to Figure 1 and Extract A, explain what is meant by the term 'monopolistic competition'.

(4)

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- (c) With reference to Extract B, examine the impact of rising energy costs on the profits of a garment manufacturer in Bangladesh. Illustrate your answer with an appropriate diagram.

(8)

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(d) With reference to extract B, analyse **two** likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22 000 taka.

(6)

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- (e) With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs.

(14)



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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



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SECTION C

Answer TWO questions from this section.

- 8** In 2018 the US-owned business Toys “R” Us shut down after not being able to cover its costs.

Evaluate the view that a business will always shut down if it is not able to make a normal profit.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** The tyre market in India is dominated by three large businesses, MRF, Apollo Tyres and JK Tyres, with a combined market share of 70.4%. The price of tyres has remained relatively stable over time.

With reference to an industry of your choice, evaluate the likely disadvantages for a business operating in an oligopolistic market structure.

Illustrate your answer with a payoff matrix diagram.

(Total for Question 9 = 20 marks)

- 10** Jeff Bezos owns 12.7% of Amazon shares and works as the Executive Chair of the board of directors. By contrast, Daniel Kretinsky owns 22% of the shares in the UK’s Royal Mail Service but he does not work for the company.

Evaluate the likely impact of the divorce of ownership from control on business objectives.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)

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TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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Sources for use with Section B

Size of businesses and labour markets in Bangladesh

Figure 1 Size of businesses, 2022

Size	Number of businesses	% of total number of businesses	% of working population employed
Small	33 050	77.2	20.2
Medium	6 103	14.3	20.7
Large	3 639	8.5	59.1

Extract A Government support for small-sized and medium-sized enterprises (SMEs)

Bangladesh is a developing country located in South Asia with a population of over 160 million. In 2022 the number of people employed was 60.8 million. Its economy is heavily dependent on agriculture and on the production of garments and textiles. Bangladesh has made considerable progress in improving its rate of economic growth. The country's real GDP grew at an average rate of 6.5% per year between 2011 and 2020.

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Many SMEs compete in the agriculture, garment and textile industries. Most businesses in these industries operate in monopolistically competitive markets. However, low-skilled labour, a lack of innovation and limited access to finance restrict the differentiation of products between businesses in these markets.

10

To meet these challenges the Government of Bangladesh adopted several policies to support SMEs. These include:

- creating the SME Foundation that provides training and funds for research and development
- providing finance for the creation of industrial parks (locations where SMEs can all locate together)
- investing in the quality of infrastructure within industrial parks
- establishing loan schemes to support SMEs
- providing subsidies to SMEs in agriculture, energy and those that export
- encouraging SMEs to adopt new technologies, including artificial intelligence.

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However, critics of these policies have suggested that the Government needs to focus on reducing excessive administrative costs, deregulation and improving the quality of education.

25

Extract B Minimum wages in the garment industry

In April 2022 the minimum wage for all workers in Bangladesh not covered by industry-specific agreements was only 1 500 taka per month. However, some sectors have higher minimum wages. For example, the minimum wage for the country's 4.4 million garment workers was 8 000 taka per month. The Government has been under pressure from trade unions to increase this rate to 22 000 taka per month. The trade unions argue that recent high rates of inflation, and the fact the minimum wage for garment workers has not increased since 2018, have decreased the real incomes of its members. 5

Garment manufacturers argue that they do not have the funds to pay a higher minimum wage because they are already having to claim subsidies from the Government to cope with rising energy costs. In 2022 garment manufacturers experienced a 50% increase in energy costs. 10



Acknowledgements

Figure 1 from:

https://www.cipe.org/wp-content/uploads/2022/08/SMEs-in-Bangladesh_Report_August-2022.pdf

Extract A from:

<https://tradingeconomics.com/bangladesh/population>

https://www.cipe.org/wp-content/uploads/2022/08/SMEs-in-Bangladesh_Report_August-2022.pdf

<https://www.tbsnews.net/economy/sme-sector-bangladeshand-policy-priorities-266821>

Extract B from:

<https://www.theguardian.com/business/2019/jan/21/low-wages-garment-workers-bangladesh-analysis>

<https://www.ecotextile.com/2023020730346/labels-legislation-news/pay-rise-sought-for-bangladeshi-garment-workers.html>

<https://wageindicator.org/salary/minimum-wage/bangladesh/38599-textile>