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Surname

Other names

**Pearson Edexcel
International
Advanced Level**

Centre Number

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Candidate Number

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Economics

International Advanced Level

Unit 3: Business behaviour

Sample assessment material for first teaching
September 2018

Time: 2 hours

Paper Reference

WEC13/01

You must have:

Source booklet (enclosed), calculator.

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.*
- **Candidates may use any calculator permitted by Pearson regulations.**

Advice

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

Turn over ►

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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 2015, the minimum wage rate in Indonesia was increased by 14%. If the elasticity of demand for labour is -0.5, then the demand for labour will:

- A fall by 28%
- B fall by 7%
- C rise by 7%
- D rise by 14%

(Total for Question 1 = 1 mark)

2 Nissan operates a car-production plant in Mexico. Following the depreciation of the Mexican peso in 2016, Nissan faced a significant increase in the cost of imported vehicle components.

What is the most likely impact on Nissan's costs and on the prices of its cars in Mexico?

	Average cost	Marginal cost	Price
<input type="checkbox"/> A	Fall	Fall	Fall
<input type="checkbox"/> B	Rise	Rise	Unchanged
<input type="checkbox"/> C	Unchanged	Rise	Unchanged
<input type="checkbox"/> D	Rise	Rise	Rise

(Total for Question 2 = 1 mark)

3 In 2016, 10% of senior business executives in Brazil believed that a poorly-educated workforce was the main problem for their operations and growth. This suggests that there is:

- A geographical immobility of labour
- B occupational immobility of labour
- C a low vacancy rate
- D a high rate of net migration into Brazil

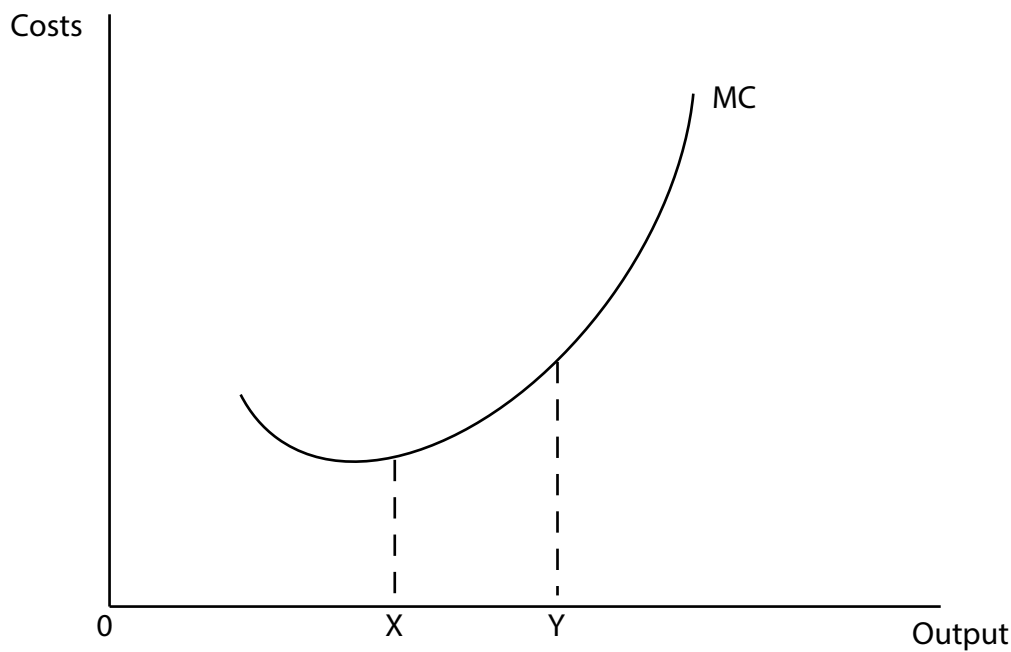
(Total for Question 3 = 1 mark)

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4 The diagram shows a short-run marginal cost curve for a firm.



Which **one** of the following must be true as output rises from point X to point Y?

- A Marginal productivity is falling
- B Average cost is rising
- C There are decreasing returns to scale
- D Total cost is falling

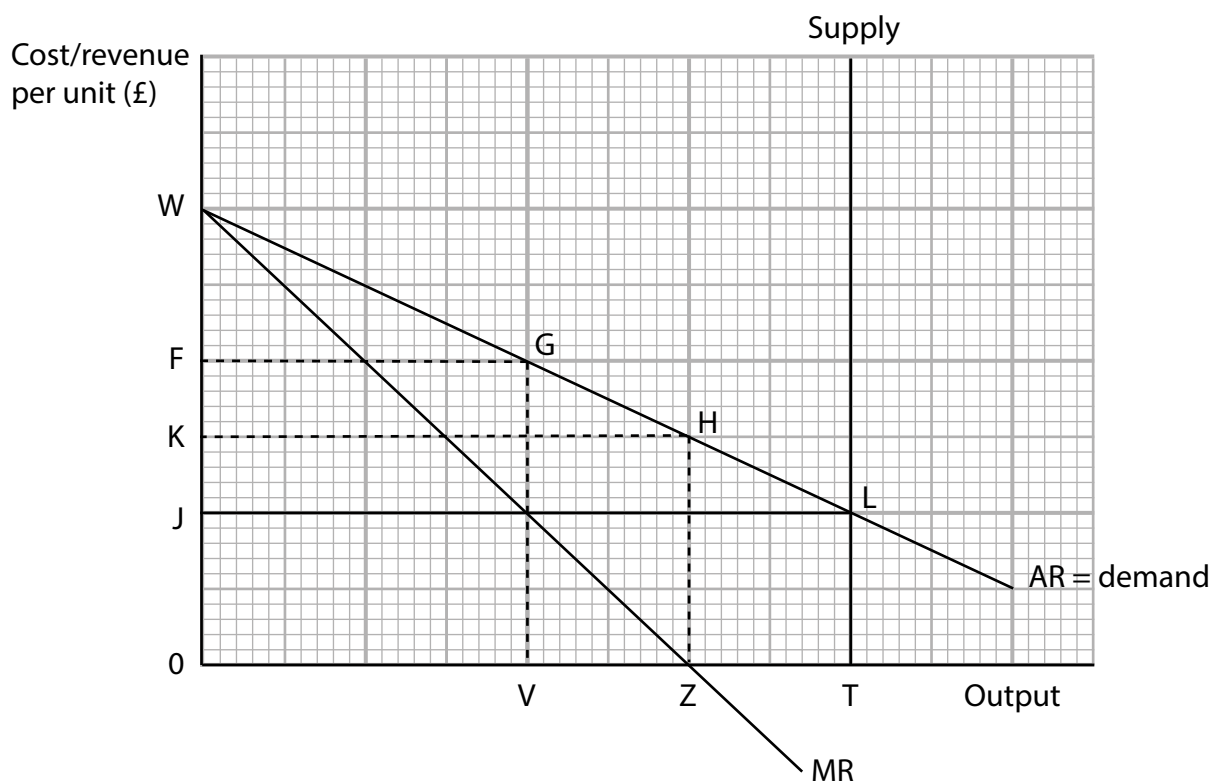
(Total for Question 4 = 1 mark)

5 A profit-maximising firm is operating in a monopolistically competitive market in the long run. Which **one** of the following is true?

- A It will operate at the productively efficient level of output.
- B It will operate at the allocatively efficient level of output.
- C It will produce at an output where normal profits are made.
- D It will produce at the output where marginal revenue is zero.

(Total for Question 5 = 1 mark)

- 6 The diagram shows the supply, average revenue and marginal revenue schedules for parking spaces in a car park.



At which price would the car park's total revenue be maximised?

- A Zero
- B 0J
- C 0K
- D 0F

(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, calculate the four-firm concentration ratio of the inkjet printer market. You are advised to show your working. (2)
- (b) With reference to Figure 1 and Extract A, explain **two** characteristics of the oligopolistic structure of the inkjet printer market. (4)
- (c) With reference to Extract A, analyse the cross elasticity of demand between low-price non-HP cartridges and HP cartridges, before 13 September 2016. (6)
- (d) With reference to Extract B, examine the likely effect of a fall in demand for personal computers on HP's profits. Illustrate your answer with an appropriate diagram. (8)
- (e) With reference to the information provided, discuss **two** pricing strategies which HP could use to increase its revenue. Illustrate your answer with an appropriate diagram(s). (14)

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(c) With reference to Extract A, analyse the cross elasticity of demand between low-price non-HP cartridges and HP cartridges, before 13 September 2016.

(6)

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(e) With reference to the information provided, discuss **two** pricing strategies which HP could use to increase its revenue. Illustrate your answer with an appropriate diagram(s).

(14)

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

SECTION C

Answer TWO questions from this section.

- 8** In October 2016, the cigarette manufacturer, British American Tobacco, offered \$47 billion to take over Reynolds American, a cigarette manufacturer based in the USA.

Evaluate the likely economic effects of such a takeover. Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** Between 2009 and 2014, the number of immigrants to South Korea increased by an average annual rate of 9.3%.

Evaluate the likely effects of a significant increase in immigration on a country's economy. Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** 'Amtrak is a natural monopoly for rail travel between cities in the USA.'

To what extent are natural monopolies efficient? 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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International Advanced Level

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Do not return this Source booklet with the question paper.

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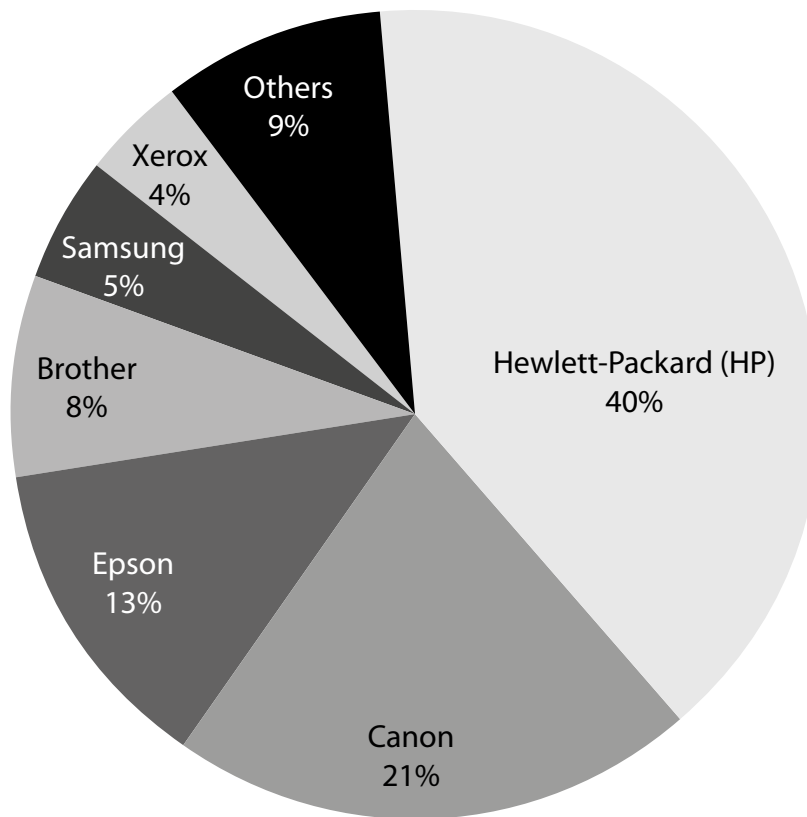



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Sources for use with Section B.

The inkjet printer market

Figure 1 - Global market share of inkjet printer manufacturers, 2015



Extract A - Printer ink cartridges stop working

Hewlett Packard (HP) is a transnational company that sells a wide range of products, including printers, printer inkjet cartridges, personal computers and cameras. It spends over \$400 million in advertising in the USA alone.

Printer ink cartridges are very expensive. However, until 13 September 2016, most HP printers accepted refills made by other businesses. These are sold at significantly lower prices than HP refill cartridges. Consequently, many consumers buy the cheaper non-HP cartridges. Often, there is no difference in quality between the HP cartridges and those made by other businesses. Naturally, HP dislikes this practice. 5

On 13 September 2016, large numbers of HP inkjet printers stopped working with the lower-price non-HP cartridges. The printer information displays warned about a 'cartridge problem' or claimed cartridges were missing. One Dutch ink cartridge seller said it received over 1 000 complaints in a single day. HP appears to have coded the printer software, setting 13 September 2016 as the date that non-HP cartridges would stop the printers working. 10

An HP spokesman stated that the software update was intended to 'protect HP's innovations and intellectual property'. 15

The company has not helped customers, many of whom have now been left with unusable equipment that they need to run their homes and businesses. Questions are currently being asked about whether HP's actions are legal. 20

Extract B - HP's attempt to diversify

Consumers are buying more smartphones and tablets, which has reduced demand for personal computers (PCs) substantially. Experts predict that PC sales will drop by around 6% in 2015. This is the fourth consecutive year that demand for PCs has fallen. Lower PC sales have resulted in falling revenues for HP since 2011. The company had revenue of \$127 billion in 2011. Revenue fell to \$111 billion in 2014, a drop of 12.6% for that period.

5

HP had tried to expand beyond the PC business and entered the mobile computing sector, acquiring Palm in 2010 for \$1.2 billion. The objective of this acquisition was to produce software and hardware products, including tablets and netbooks. However, only a year later, HP announced that it would be stopping the manufacture of all smartphones and tablets. Apple had a significant advantage in the smartphone and tablet market, which made it difficult for HP to compete.

10

Acknowledgements

Figure 1 based on data taken from <http://www.statisticbrain.com/ink-jet-laser-computer-printer-sales-statistics/>; Extract A adapted from <http://www.digitaljournal.com/tech-and-science/technology/hp-printer-timebomb-leaves-third-party-ink-cartridges-unusable/article/475211#ixzz4Po1fnz5F>; Extract B adapted from 'How the Decline of the Personal Computer Market is Affecting HP (HPQ)' <http://www.investopedia.com/articles/markets/101315/how-decline-personal-computer-market-affecting-hp.asp#ixzz4SRvrxUyC>