

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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Pearson Edexcel International Advanced Level

Monday 13 January 2025

Morning (Time: 2 hours)

Paper
reference

WEC13/01

Economics

International Advanced Level

UNIT 3: Business behaviour

You must have:

Source Booklet (enclosed)

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.

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 Luxottica is a French–Italian company based in Italy. It sells sunglasses in an imperfectly competitive market. In 2022, its net profit was €2.28 billion.

Which **one** of the following conditions is necessary for Luxottica to maximise its profits?

- A Marginal revenue is equal to marginal cost
- B Average cost is equal to marginal cost
- C Marginal cost is equal to zero
- D Marginal revenue is equal to zero

(Total for Question 1 = 1 mark)

- 2 Sony, an electronics company, and Honda, a vehicle manufacturing company, have collaborated to develop a new electric car.

Which **one** of the following best describes this type of arrangement?

- A A co-operative
- B State-owned enterprise
- C A joint venture
- D Horizontal integration

(Total for Question 2 = 1 mark)

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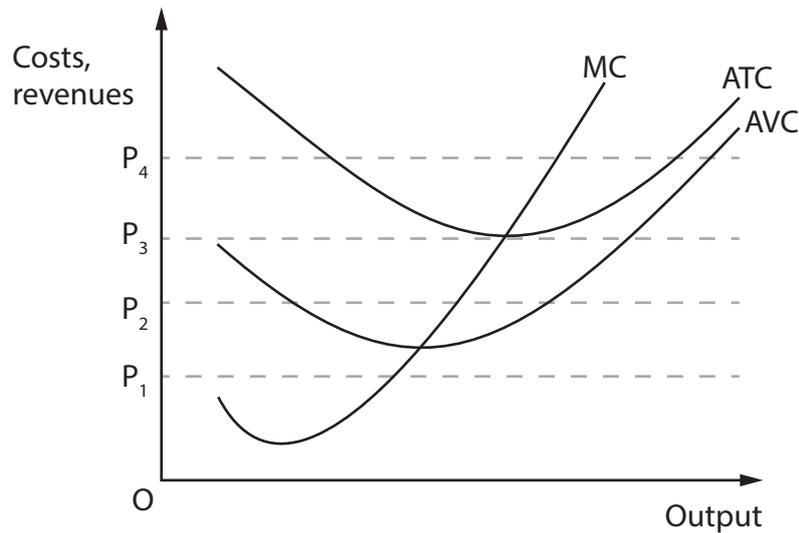
- 3 The elasticity of demand for labour for workers in the shipbuilding industry in France is estimated to be -0.88 .

Which **one** of the following is most likely to cause the demand for labour to be inelastic?

- A Labour can be easily substituted by capital
- B The workers are all members of a trade union
- C There is a large supply of labour available to work in the industry
- D Labour costs are a small percentage of total costs

(Total for Question 3 = 1 mark)

- 4 The diagram shows marginal cost, average total cost and average variable cost curves for a profit-maximising sweetcorn producer in Argentina operating in a perfectly competitive market.



At which **one** of the following prices would the producer sell sweetcorn in the short-run but shut-down in the long-run?

- A P_1
- B P_2
- C P_3
- D P_4

(Total for Question 4 = 1 mark)



5 In 2019 the European Union fined Qualcomm, a semiconductor manufacturer, €242 million for setting its price below its average variable cost.

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

- A Marginal cost pricing
- B Limit pricing
- C Predatory pricing
- D Price discrimination

(Total for Question 5 = 1 mark)

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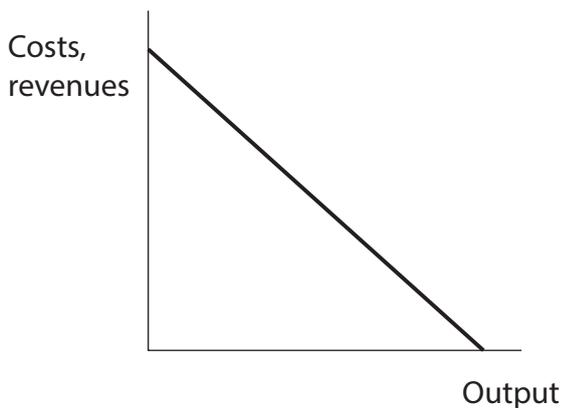
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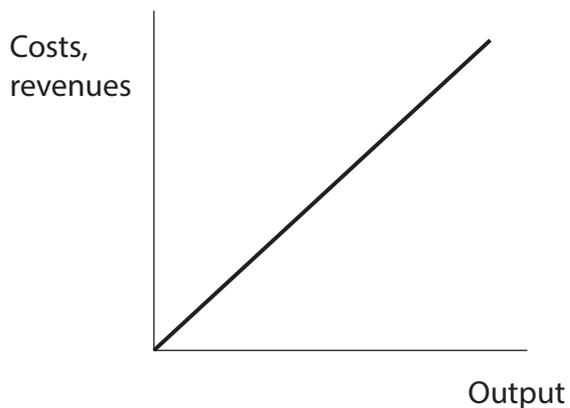


6 Which **one** of the following diagrams illustrates the total revenue curve for a profit-maximising firm operating in a perfectly competitive market?

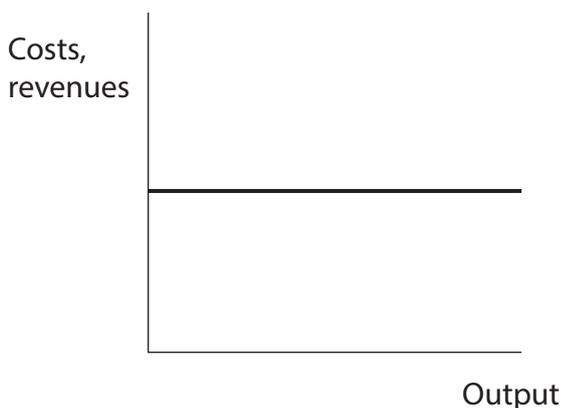
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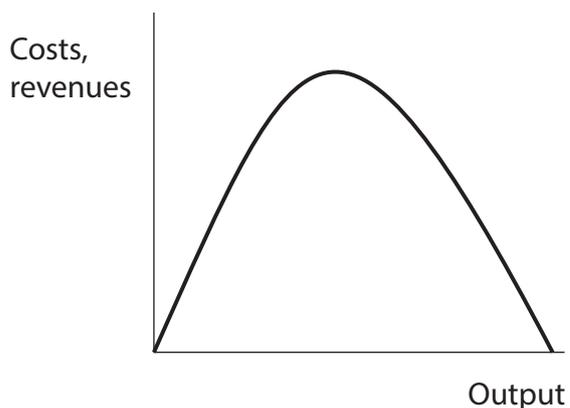
B



C



D



- A**
- B**
- C**
- D**

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION B

**Study Figure 1 and Extracts A, B and C 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 4-firm concentration ratio of the global fast-food industry.
You are advised to show your workings. (2)
- (b) With reference to Extract C, explain what is meant by organic growth. (4)
- (c) With reference to Extract A, analyse **two** reasons why the global fast-food market is expected to grow. (6)
- (d) 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. (8)
- (e) With reference to Figure 1, Extract C and your own knowledge, discuss the likely effects of McDonald's opening CosMc's on its competitors. (14)

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(c) With reference to Extract A, analyse **two** reasons why the global fast-food market is expected to grow.

(6)

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(d) 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.

(8)

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P 7 8 4 6 3 A 0 1 1 2 8

(e) With reference to Figure 1, Extract C and your own knowledge, discuss the likely effects of McDonald's opening CosMc's on its competitors.

(14)

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



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SECTION C BEGINS ON NEXT PAGE.



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SECTION C

Answer TWO questions from this section.

- 8** In 2023 British Sugar was the only purchaser of sugar beet from 3 000 farmers in the UK.

Evaluate the benefits of a monopsony to firms **and** consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2007 the Government of Indonesia set up the Kredit Usaha programme. The aim of this programme was to support small businesses by offering subsidies and low-cost loans. In 2022 the amount that a business could borrow was increased significantly.

Evaluate measures that a government could introduce to promote competition and contestability.

(Total for Question 9 = 20 marks)

- 10** In 2023 Mars, a confectionery manufacturer, completed the takeover of Hotel Chocolat, a UK luxury chocolate company, for £534 million.

Evaluate the benefits of a takeover for businesses **and** consumers.

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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Monday 13 January 2025

Morning (Time: 2 hours)

Paper
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Source Booklet

Do not return this Booklet with the question paper.

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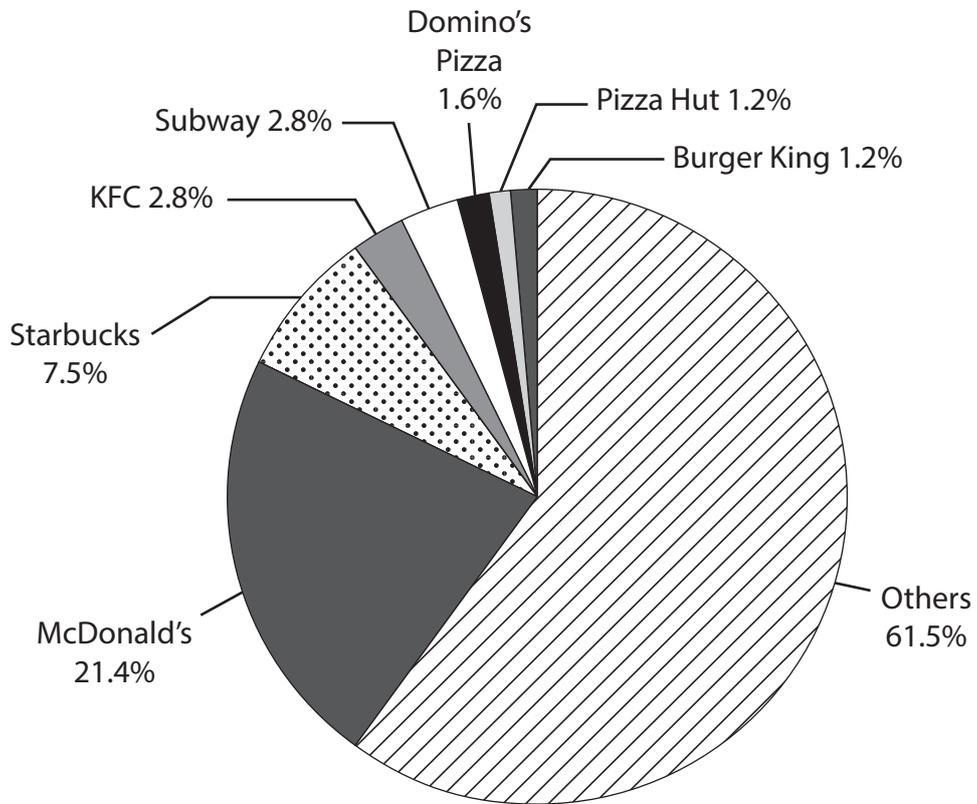


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Sources for use with Section B

The fast-food industry

Figure 1 Global market share of companies in the fast-food industry, 2023



Extract A The global fast-food market

The global increase in fast-food consumption has been caused by several factors:

- a rise in the number of people living in cities. For example, between 2010 and 2021, the population living in cities increased from 3.59 billion to 4.59 billion
- changes in people's lifestyles has led to limited time for individuals to spend preparing meals 5
- the affordability of fast food has made it popular as a result of slow wage growth and increased living costs
- the large marketing expenditures and branding strategies of the companies in the fast-food industry. For example, in 2020, fast-food companies spent \$4.5 billion on advertising 10
- greater use of mobile applications by consumers to order fast food for home delivery. For example, in 2023, Zomato was downloaded 52 million times and Uber Eats 41 million times.

However, in many countries there is an increased awareness of health risks associated with consuming fast food, such as heart disease and obesity. This has led to changes in consumer behaviour as evidenced by an increase in demand for fresh food and organic food that use locally sourced ingredients. 15

Extract B McDonald's

McDonald's Corporation is an American business that operates over 40 275 restaurants worldwide. It produces a range of fast foods including burgers, fries, salads and drinks. In 2023 its assets were valued at \$170 billion and it was the fourth-largest employer globally, employing over 1.9 million workers. McDonald's has over 70 million customers daily, selling an average of 80 burgers every minute. 5

In recent years, McDonald's has had to adapt its products to meet changing consumer preferences. McDonald's has made significant changes to provide healthy options for its customers. For example, it has expanded its menu to include salads, fruit bags and lower-calorie alternatives. 10

Moreover, McDonald's has switched to suppliers that use more ethical and sustainable methods of production. As a result, McDonald's costs of production have increased. The purpose of this change of suppliers was to make a positive impact on the planet. For example, McDonald's now uses:

- deforestation-free supply chains for beef 15
- sustainable fisheries for fish
- sustainable palm oil production
- locally-sourced ingredients to reduce its carbon footprint.

Extract C McDonald's opens CosMc's

In December 2023 McDonald's opened a new café called CosMc's. It sells a variety of drink and food options. CosMc's has a menu of drinks such as coffees and teas, with the ability to customise them. There are also limited food choices for on-the-go eating. McDonald's aims to compete with Starbucks in the growing beverage market and plans to open CosMc's in 10 different locations, mainly in Texas, USA, by December 2024. McDonald's is planning to establish 10 000 new CosMc's cafés worldwide by 2027.

5

Acknowledgements

Figure 1 adapted from:

<https://www.zippia.com/advice/burger-king-statistics/>

Extract A adapted from:

<https://www.foodbusinessnews.net/articles/22941-fast-foods-future>

<https://www.fortunebusinessinsights.com/fast-food-market-106482>

https://www.reportlinker.com/market-report/Food-Services/9301/Fast-Food?term=fast%20food%20statistics&matchtype=b&loc_interest=&loc_physical=1006925&utm_group=standard&utm_term=fast%20food%20statistics&utm_campaign=ppc&utm_source=google_ads&utm_medium=paid_ads&utm_content=transactionnel-3&gad_source=1&gclid=Cj0KCQiAtaOtBhCwARIsAN_x-3KQ6IPGiHO3NjUBbVH-IBGUv39amVw5J1Drqhoe_falcV_B46MrgW8aAnhVEALw_wcB

Extract B adapted from:

<https://corporate.mcdonalds.com/corpmcd/home.html>

<https://officechai.com/learn/the-biggest-employers-in-the-world-by-workforce/>

<https://www.enterpriseappstoday.com/stats/mcdonalds-statistics.html>

<https://www.theguardian.com/business/2007/jul/05/lifeandhealth.consumerandethicaliving>

Extract C adapted from:

<https://www.independent.co.uk/voices/mcdonalds-cosmcs-cafe-independent-coffee-shops-capitalism-b2461310.html>

<https://www.independent.co.uk/life-style/cosmcs-mcdonalds-menu-spinoff-b2460726.html>

