Pearson

Mark Scheme (Results)

October 2025

International Advanced Level in Economics
WEC13/01A

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	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is incorrect because privatisation would result in private sector ownership **C** is incorrect because water supply is not a public good **D** is incorrect because privatisation is likely to cause job losses through rationalisation	**(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 B** **A** is incorrect because satisficing would result in a reduction of profits **C** is incorrect because shareholders would not accept a low level of dividend payments **D** is incorrect because the manufacturer would not want to maximise total costs	**(1)**
3	**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 a business in a monopolistically competitive market does not make supernormal profit in the long-run **C** is incorrect because a business in a monopolistically competitive market is not allocatively efficient **D** is incorrect because a monopolistically competitive business would make normal profit in the long-run	**(1)**

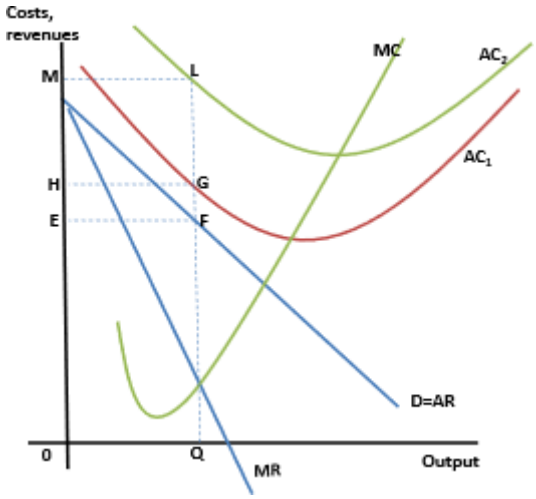
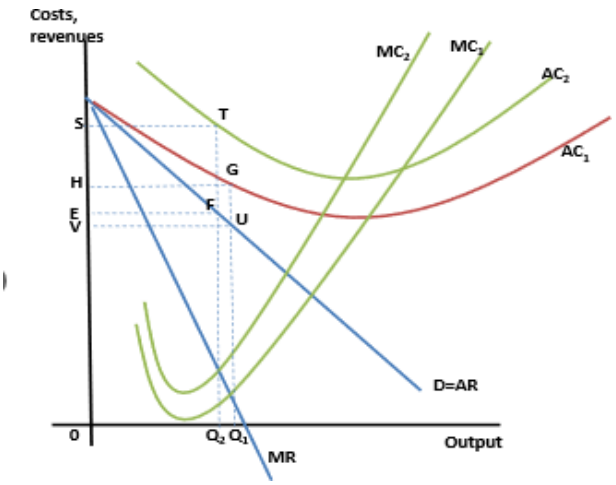
4	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is incorrect because this would help the success of the government intervention **B** is incorrect because a more flexible workforce would help the success of the government intervention **C** is incorrect because perfect knowledge would help the success of the government intervention	**(1)**
5	**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 this is average total cost at 2000 units **C** is incorrect because this is the average variable cost at 2500 units **D** is incorrect because this is the average cost at 2500 units	**(1)**
6	**QS4:** Construct and interpret a range of standard graphical forms **QS6:** Calculate cost, revenue and profit (marginal, average, totals) **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 C** **A** is incorrect because demand will become more price elastic **B** is incorrect because demand will become more price elastic **D** is incorrect because total revenue would fall	**(1)**

Section B

Question	With reference to Figure 1, calculate the percentage change in average diesel prices between July 2023 and June 2024. 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. 1,462 – 794 = 668 **(1)** (668/794) = 0.841 x 100 = 84.1% **(1)** **NB: Award full marks for correct answer (84.1%, 84%, 84.13%, 84.131%, 84.1, 84, 84.13, 84.131) regardless of working**	**(2)**

Question	With reference to Extract A, explain the type of integration that would result from the merger between Unity Bank and Providus Bank. 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:** 1 mark for correct identification and 1 mark for definition: • Horizontal integration **(1)** • When two businesses merge at the same stage of the production process in the same industry **(1)** **Application:** Up to 2 marks for application to Extract A **(1+1)** e.g.: • Unity Bank has 220 branches/is one of the largest banks in Nigeria **(1)** • Providus Bank has 23 branches/is much smaller **(1)**	**(4)**

Question	With reference to Extract A, analyse **two** likely benefits of the merger between Unity Bank and Providus Bank. **Answer**	
7(c)	**Knowledge 2 Analysis 2 Application 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: • Bank survival. **(1K)** Without the merger Unity Bank would shut down as it cannot cover its costs/losses/large debts **(1AN)** • Increased market share/larger customer base/access new customers **(1K)**, which increases its revenue **(1AN)** • Economies of scale **(1K)** reduces the firm's LRAC/moves the firm towards its MES/makes the firm more productively efficient as output rises. **(1AN)** This may be awarded with a correct diagram. • Unity Bank has a good reputation/is well-established/has financial stability **(1K)** **Application** Up to 2 marks for use of Extract A e.g. • Unity Bank had total debts of N303.7 billion **(1)** • Unity Bank has a large network of branches in Northern Nigeria/the combined firm will own 243 branches **(1)** • Providus Bank can share its expertise in financial investments **(1)**	**(6)**

Question	With reference to Extract B, examine **two** reasons why some businesses made significant losses. Illustrate your answer with an appropriate diagram(s). **Answer**	Mark
7(d)	**Knowledge 2 Analysis 2 Application 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: • Downward sloping AR and MR **(1)** • MC = MR and loss-minimising equilibrium **(1)** **Analysis** Up to 2 marks for showing**:** • A **shift** of AC so that it ends up being **above the AR (1)** • Area of loss identified MLFE (or FEST if increase in costs is shown) **(1)**	

	Application Up to 2 marks for reference to Extract B: • The Government removed the subsidies on petrol and diesel **(1)** • The prices of petrol and diesel were already rising **(1)** • Inflation rose to 34.8% in December 2024 **(1**) • Productivity has also been an issue in Nigeria **(1)** • A lack of investment in infrastructure/poor quality of roads/ telecommunications **(1)** • The base interest rate rose to 27.5% in February 2025 **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2 + 0), e.g.: • Some businesses in service sector industries are still growing in Nigeria **(1)** because their AR>AC **(1)** • Some manufacturing firms in other parts of the country might be profitable **(1)** • The size of losses depend on the magnitude of the increase in costs **(1)** • The cost increases may be offset by an increase in revenue in the long-run **(1)** • In the long-run inflation and interest rates may fall, allowing more businesses to make profits **(1)**	**(8)**

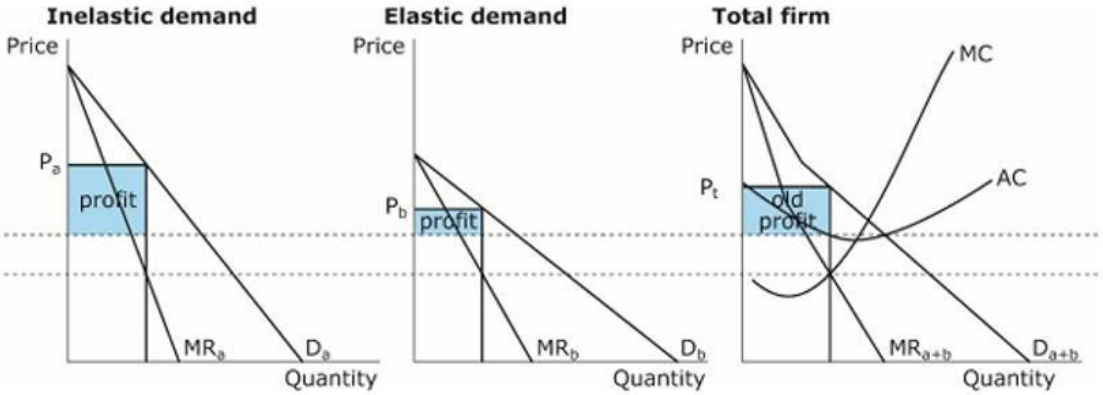
Question	With reference to Extract C, evaluate policies that the Government of Nigeria could use to support businesses. **Indictive content**
7(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative 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. **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (8 marks) – indicative content** • **'**The Government is working in partnership with private companies to invest in fibre optic infrastructure'. The improvements in infrastructure will improve communication for firms, increasing productivity and efficiency, lowering average costs • 'The Government also allocated N200 billion to support small-sized and medium-sized businesses in the capital city, Abuja.' / 'Loans were offered to these businesses to help support them as they faced rising costs'. This will enable businesses to reduce their costs and maintain profits, enabling them to survive • 'Manufacturing businesses were provided with grants'. These help them invest in better capital equipment, ~~improving~~ increasing output and increasing productive efficiency • 'Tax breaks of up to three years' reduce costs for businesses so they are able to increase their profits. This retained profit can be used for investment to increase dynamic efficiency • '25% tax reduction for businesses in tourism and up to 15% tax reduction for businesses who are producing goods for export' decreases costs for businesses in key areas. These businesses may pass on these lower costs in the form of lower prices, increasing the businesses' competitiveness, increasing sales and market share **NB: A candidate can achieve a maximum of Level 2 if they refer to policies not in Extract C**

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 • It depends on the level of business confidence; if it remains low, businesses may not want to invest • Low demand may mean that revenues are still insufficient to cover costs and firms have to leave the market • Businesses may become dependent on loans/grants for survival in the long run so may become more X-inefficient • There will be a time-lag before the benefits of the increased infrastructure occur • The Government's support for Abuja does not help businesses in the North East of Nigeria • If petrol and diesel prices and inflation continue to rise, businesses may need additional support to survive/invest for the future • There are opportunity costs associated with the government grants meaning spending on other areas such as health/education may suffer • Unintended consequences of the policy e.g. businesses taking the subsidy and increasing prices to the consumer

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 price discrimination for producers **and** consumers. Refer to an industry of your choice in your answer. 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.  • Price discrimination is where a business is able to charge different prices to different subgroups of consumers for the same product or service • Higher price Pa where demand is inelastic, e.g., adult • Lower price of Pb where demand is elastic, e.g., pensioner/child • Higher total revenue leads to higher profit when compared with a single price Pt charged to both sub-groups

	Benefits for producers: • Charging higher prices to consumers with inelastic demand. Rail businesses charge higher fares to commuters who have no alternatives, while offering lower fares to occasional travellers, students or pensioners who are more price-sensitive. This increases revenue and may increase profits. • Extraction of consumer surplus to increase producer surplus. • Selling to a larger market increases revenue. By offering discounted fares for retired people and children, rail companies attract a broader customer base • More efficient use of resources. Train companies can encourage passengers to travel during off-peak hours by offering lower fares, helping to fill empty seats and spread demand more evenly throughout the day, improving efficiency and optimally using the capacity of the trains. • Increased economies of scale with better use of trains in the off-peak period. This will reduce LRAC. **Benefits to consumers:** • Cross-subsidisation allows more consumers to access rail services. Revenue from higher-paying adult travellers help subsidise discounted fares for low-income passengers, e.g. students and pensioners, making rail travel more affordable for those with elastic demand. This will increase the utility of those who are priced into the market. • Increased pricing options provide more travel choices. Rail companies offer a range of ticket types, such as off-peak discounts, advance purchase tickets and railcards, allowing consumers more choice. • Higher profits encourage dynamic efficiency and improve service quality. Profitable rail operators can reinvest in better infrastructure, modern trains and enhanced customer service, potentially leading to improved efficiency and lower fares in the long-run for all. • Without price discrimination, businesses may exit the industry, reducing consumer choice. If rail companies were unable to increase revenue through price discrimination, less profitable or loss-making services might be cut, leading to fewer transport options for consumers. **NB: A candidate can achieve a maximum of Level 3 if there is no diagram** **NB: A candidate can achieve a maximum of Level 3 if no industry is provided** **NB: A candidate can achieve a maximum of Level 3 if they only refer to consumers or producers**

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

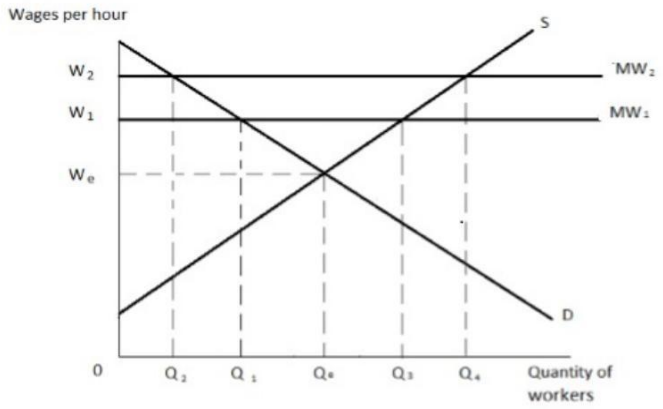
Producers

- Higher revenue/profits depend on maintaining price discrimination conditions. Rail companies can only continue price discrimination if they effectively separate customer groups (e.g., peak vs. off-peak travellers)
- Cost of preventing arbitrage. If passengers find ways to exploit fare differences (e.g., reselling discounted tickets), rail operators may face increased enforcement costs, limiting potential profits.
- Regulatory restrictions may limit price discrimination. Government regulations, such as fare caps or subsidies, may prevent rail companies from charging different prices, as seen in some countries where public transport fares have a maximum price
- Do firms have perfect information of the PED of different groups of consumers? Are they likely to get their decisions on prices correct?

Consumers

- Consumers pay higher prices due to inelastic demand. Those who use trains to get to work/have few transport alternatives may face expensive peak-time fares, leading to a reduction in their consumer surplus.
- Complex pricing structures can be confusing. A wide range of ticket options (e.g. peak, off-peak and flexible fares) may make it difficult for consumers to choose the cheapest option, potentially resulting in them overpaying due to asymmetric information.

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 an increase in the minimum wage for businesses **and** workers. 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. • Minimum wage: is the legally lowest hourly wage that employers must pay workers.  Benefit for businesses: • Businesses may benefit from increased productivity due to workers having more motivation • Reduced labour turnover as employees are paid more and are happy to stay working in the business; this will reduce recruitment costs • Increased wages may also attract higher-quality workers/give businesses a larger pool of potential workers to choose from • It may force businesses to invest in capital as the relative price of capital and labour have changed. This could increase productivity. • May force firms to improve their training to ensure that they improve worker productivity to offset the increased costs • Increase in minimum wage results in higher disposable income, increased consumption giving higher demand for goods/services which will increase revenue of businesses

	Benefits for workers: • Workers directly benefit from higher wages, W_1 to W_2, leading to increased disposable income and improved living standards. For example, workers in low-paying sectors, such as hospitality, may see their purchasing power increase, which may help them cover rising living costs • Increased wages reduce the incidence of poverty, benefiting the economy by increasing consumer spending, especially in low-income households • Higher wages may incentivise workers, encouraging them to increase their skills to make them more marketable **NB: A candidate can achieve a maximum of level 3 if there is no relevant diagram** **NB: A candidate can achieve a maximum of Level 3 if they only refer to businesses or workers**

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

Evaluation for businesses:

- Increased costs for firms. Cost/revenue diagram showing the impact of higher wages on the AC/MC curves reflecting higher production costs and lower profits. This is significant in labour-intensive industries, such as hospitality or retail.
- Smaller businesses with less financial flexibility may struggle to cope with wage increases, whereas larger businesses may have the resources to absorb the costs
- In times of high inflation, higher wages may benefit workers in the short term, but in periods of economic slowdown, businesses may struggle to manage the costs
- The overall impact depends on the sector and the ability of firms to adapt to new wage levels
- The elasticity of demand for products: businesses in highly competitive markets with elastic demand for their products may find it more difficult to raise prices without losing customers

Evaluation for workers:

- Risk of unemployment. Some workers, particularly low-skilled ones, may face reduced employment opportunities as businesses may cut staff to manage increased labour costs or invest in automation
- Workers may reduce non-wage benefits to offset the rise in wage costs
- Elasticity of demand for labour. If demand for labour is elastic, firms may reduce hiring when wages increase, while inelastic demand may result in little change to employment
- Elasticity of labour supply for labour. If the supply of labour is inelastic workers will not increase their labour supply with a rise in the NMW
- The minimum wage may be insufficient to allow meeting of basic needs for workers
- The increase in NMW will only impact those individuals who earn that level of pay, those with a higher pay may not be impacted
- The imposed NMW may not reflect the cost of living in the region where they live; this means that there may be an increase in regional inequality

Level	Mark	Descriptor
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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 non-price competition in oligopolistic markets for consumers **and** businesses. Refer to an industry of your choice in your answer. **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:** QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Non-price competition includes strategies such as product improvements, technological advancements, advertising, branding, celebrity endorsements, and after-sales service **Benefits for business:** • Non-price competition can increase demand for electronic goods • Can make demand less price elastic/more price inelastic • Increase in revenue. As businesses, such as Apple and Samsung, focus on product quality and brand loyalty, they do not have to compete on price. Price competition/price wars may lead to falling revenue. • Increased market share by offering a greater variety of products, thereby meeting the diverse preferences of consumers in a large and growing market • May create a barrier to entry into the industry which means that incumbent firms continue to have market power • Increased brand loyalty which will maintain consumer demand in the long-run

	Benefits for consumers: • Consumers are able to purchase unique products that meet their needs. Consumers may be more willing to purchase a higher-priced product due to its perceived higher value to them. • Increases the variety of products available, leading to greater consumer choice, especially in markets like India where multiple brands (e.g., Apple, Samsung, and OnePlus) compete. This will increase consumer welfare. • Dynamic efficiency. Quality improvements may lead to goods that function better, last longer or which offer enhanced safety or other desirable features **NB: A candidate can achieve a maximum of Level 3 if they only refer to consumers or businesses** **NB: A candidate can achieve a maximum of level 3 if no industry is provided**

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Evaluation (8 marks) – indicative content

Costs for producers**:**

- Non-price competition generates sunk costs e.g. advertising, marketing for an oligopoly.
- Not all new ideas will generate higher profits
- Research and development creates an opportunity cost
- Time lag in relation to potential benefits arising from R&D
- Price competition might be a superior way of competing for goods and services that are more homogenous
- Risk of imitation by competing firms which may reduce any advantage in the long-run

Costs for consumers:

- Non price competition might confuse consumers preventing them from making rational choices, e.g., advertising
- Non price competition might result in higher prices for consumers as businesses seek to pass on higher costs of production
- Limit pricing and predatory pricing may be more beneficial to consumers in the short-run

Level	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.