Pearson

Mark Scheme (Results)

Summer 2026

Pearson Edexcel International Advanced Level in Economics WEC13/01
Unit 3: Business Behaviour

Summer 2026
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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 C** **A** is incorrect because a natural monopoly is unlikely to have high advertising costs **B** is incorrect because diminishing returns are not present in a natural monopoly **D** is incorrect because average costs are likely to increase following a demerger	**(1)**
2	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** **A** is incorrect because regulations control business operations B is incorrect because this would increase positive externalities **C** is incorrect because this increases competition and efficiency	**(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 the business is most likely to profit maximise **C** is incorrect because the business is most likely to profit maximise and would make supernormal profit **D** is incorrect because the business is most likely to profit maximise and would make supernormal profit	**(1)**
4	**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 there are increasing returns C is incorrect because diminishing returns have already set in D is incorrect because diminishing returns have already set in	**(1)**
5	**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 B** **A** is incorrect because the demand for labour will fall by 16.9%	**(1)**

		C is incorrect because this is the change in NMW divided by the PED **D** is incorrect because this is the change in NMW divided by the PED	
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 as this is the total revenue curve for a firm in a perfectly competitive market **C** is incorrect because this is the average revenue curve of a firm in an imperfectly competitive market **D** is incorrect because this is the total revenue curve of a firm in an imperfectly competitive market	**(1)**

Section B

Question	With reference to Figure 1, calculate how much more expensive it would be for a customer to shop at Waitrose instead of Aldi. Express your answer as a percentage. You are advised to show your workings. **Answer**	Mark
7(a)	**Application 2** **Quantitative skills assessed:** **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. 2 marks for calculation of percentage difference: e.g. Difference: £176.41 – £133.73 = £42.68 **(1)** Percentage difference: (£42.68/£133.73) ×100 **=** 31.91% **(1)** **NB: Award full marks for 31.91%, 32%, 31.9%, 31.92% regardless of working.**	**(2)**

	NB: 1 mark may be awarded without the % sign.	

Question	With reference to Figure 2, explain what is meant by the term 'concentration ratio'. **Answer**	Mark
7(b)	**Knowledge 2 Application 2** **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge:** Up to 2 marks for correct definition: • The market share **(1)** held by the largest N number of firms in an industry **(1)** **Application:** Up to 2 marks for a correct calculation **(1+1)** e.g.: **2 Firm** – **43.3%** **3 Firm** – **55.2%** **4 Firm** – **66.1%** **5 firm** – **74.5%** **6 Firm** – **82.6%**	**(4)**

Question	With reference to Extract A, analyse **two** reasons why UK grocery stores compete using non-price competition. **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: • To avoid price competition **(1K)** because a price war may lead to a loss of revenue **(1AN)** • To make demand more price inelastic **(1K)** which would enable the business to increase price and revenue **(1AN)** • To increase demand **(1K)** in order to increase revenue and profit **(1AN)** • Products are very similar **(1K)** so firms must differentiate in other ways **(1AN)** • Differentiate products **(1K)** so products to stand out through features, packaging, quality, or reputation rather than price alone **(1AN)** • Create barriers to entry **(1K)** to make it harder for new competitors to enter the market **(1AN)** • To avoid collusion (1K) because it is illegal (1AN) **Application** Up to 2 marks for use of Extract A **(1+1)** e.g. • Waitrose offers high quality customer service **(1AP)** • Asda announced that it was opening 25 new stores **(1AP)** • Tesco partnered with The Entertainer, a toy shop, to start selling toys in over 2 000 of its stores **(1AP)** • Up to 70% of the goods sold by these businesses are identical or very similar **(1AP)** • All of the grocery stores compete with branding and advertising **(1AP)**	

Question	With reference to Extract B, examine the likely impact of the increase in the wage rate on the profits of Tesco. Illustrate your answer with a cost and revenue diagram. **Answer**	Mark

7(d)

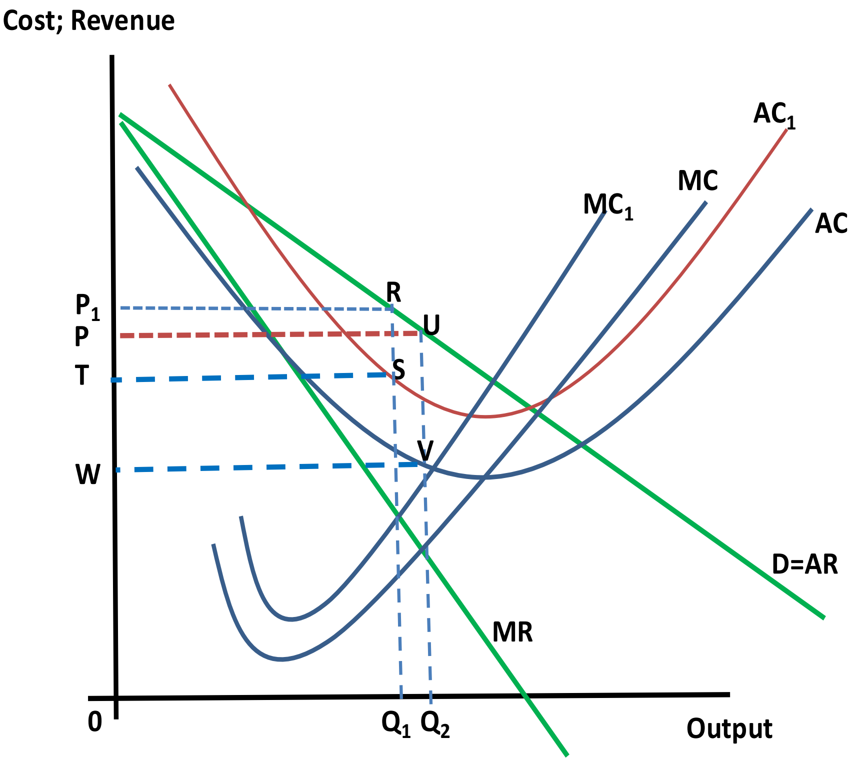
Knowledge 2 Application 2 Analysis 2 Evaluation 2

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:

• AR, MR, AC, MC and profit maximisation equilibrium **(1)**

• Area of original supernormal profit identified (PUVW) **(1)**

Analysis

Up to 2 marks for showing**:**

- Increase in MC **and** AC to MC_1 AC_1 **(1)**
- New area of supernormal profit (P_1RST) **(1)**

Application

Up to 2 marks for reference to Extract B: **(1+1)**

	• Tesco increased the hourly wage rate for its workers from £12.02 to £12.64 **(1)** • The hourly wage rate rose by 0.62p **(1)** • The hourly wage rate rose by 5.52% **(1+1)** • The NLW increased from £11.44 to £12.21 per hour **(1)** **Evaluation** Up to 2 marks for evaluative comments **(1+1 or 2+0)**, e.g.: • Tesco may be able to increase its prices to offset the increase in wages **(1)** especially if demand for Tesco's products is price inelastic **(1)** • Some stores have reduced opening hours and closed down their fresh food counters **(1)** this may offset the increase in wage costs for Tesco **(1)** • It depends on the magnitude of the increase in costs **(1)** for a grocery store an increase of 62p per hour may have a significant impact on profits • It depends on wages as a proportion of total costs **(1)** e.g. if wages are a low proportion the impact on profits is reduced **(1)**	**(8)**

<table>
<tr><td>Question</td><td>With reference to Extract C and your own knowledge, discuss the disadvantages of monopsony power used by grocery stores on UK farmers and consumers.

Indictive content</td></tr>
<tr><td>7(e)</td><td>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.

Knowledge, Application, Analysis (8 marks) – indicative content

UK farmers:
Fall in revenue/profits: The monopsony power of the grocery stores has caused the price received by farmers to be low. This reduces revenues and profits
Farmers could shut-down because of rising costs and low prices
Between 2021 and 2024 the price of a packet of strawberries in the stores increased by an average of 27 pence but the price paid to farmers only increased by an average of 3.5 pence
Farmers have less funds available for investment leading to a reduction in productivity
Weaker bargaining power when negotiating prices with monopsonist. Monopsonists can impose strict contracts, quality standards, and delivery terms that farmers must accept/take it or leave it basis
Consumers:
Reduced supply: if farmers shut down supply may fall for consumers, causing shortages
Less variety leading to less choice and possibly lower quality
Potentially higher grocery store prices for consumers in the long run: Farm closures may mean that grocery stores may face rising input costs in future that could be passed on to consumers in form of higher prices
NB Award maximum of Level 2 (6 marks) if reference is not made to both UK farmers and consumers</td></tr>
</table>

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

UK farmers

- May not shut down if they continue to cover average variable costs
- If shortages occur, farmers may be able to negotiate better prices
- Farmers may be able to negotiate long term contracts with grocery stores so guaranteeing sales
- Countervailing power: farmers may gain bargaining strength through merger or forming cooperatives, limiting the harm of monopsony
- Alternative markets: some farmers may reduce dependency on selling their produce to grocery stores e.g. set up a farm shop, sell to restaurants, sell direct to customers
- Depends on size of the farm: monopsony power of grocery stores does not harm all farms equally

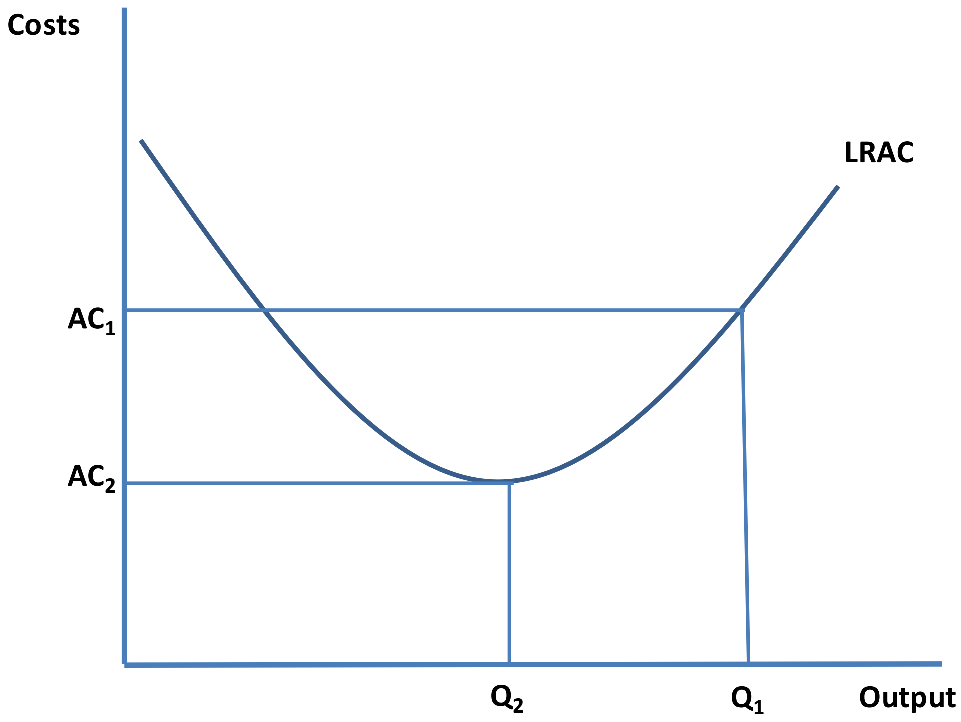
Consumers

- Lower prices may be passed on to consumers which may cause an increase in consumer surplus, increasing consumer welfare
- The four largest grocery stores stated that they were working hard to limit price increases for consumers, since many people are struggling to afford essential food items
- Grocery stores may be able to smooth supply disruption caused by potential farm closures via imports

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	In 2024 the US aerospace business Honeywell, announced plans to demerge into three independent businesses. Each of these will have a separate focus: automation, aerospace, and advanced materials. Evaluate possible benefits of a demerger for **a** business **and** its workforce. 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. • Understanding of demerger- separation of one business into two or more independent businesses/this would apply in the case of the dissolution of a previous merger Award relevant diagram e.g.



Benefits for a business:

- Lower LRAC if the business was previously experiencing diseconomies of scale at AC_1 after the demerger costs fell to AC_2 as output fell from Q_1 to Q_2
- Greater productive efficiency as the business moves closer to MES/less x-inefficiency
- Increase in profits (or reduced losses) as a result of lower LRAC
- An increase in funds through the sale of assets - which may be used to invest in R & D, improving dynamic efficiency or to pay off debts incurred when merged
- Avoid intervention from competition authorities – if the merged businesses had a high market share and dominance
- Focusing on the core business may lead to higher profits/ increased efficiency
- Increased communication as the business is now smaller
- Specialised workforce enables efficiency/productivity gains
- Reduced risk of culture clash between different parts of the business

Benefits for the workforce:

- A demerger may result in greater job security if the previously larger business had been experiencing inefficiencies and diseconomies of scale
- Pay rises - if one or both businesses find it difficult to recruit new staff/if profits of the businesses rise/workforce become more productive
- Working for smaller business units can be more motivating as communication improves (e.g. fewer layers of management/ more autonomy)
- A more focused business is able to provide more specialist training to improve skills making workers more employable

NB: Award a maximum of Level 3 (9 marks) if there is no appropriate diagram.

NB: Award a maximum of level 3 (9 marks) if only one economic agent identified.

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 **Drawbacks for a business** • Regret over decisions: in the long-run, a business might regret its decision if the demerged entity thrives under new management or was undervalued during the sale • Increased Long-Run Average Cost (LRAC): the business may face higher LRAC and experience reduced economies of scale, as its size falls below the minimum efficient scale • Demerger costs: the expenses associated with the demerger, such as legal fees, potential disputes, redundancy costs, and the need for new IT systems, may exceed the anticipated benefits • Limited access to finance: the business might have diminished access to various financing sources post-demerger • Staff retention challenges: increased specialisation could result in difficulties retaining employees • Decreased market power: a decline in market influence may lead to reduced supernormal profits	

	Drawbacks for workers • Job losses: a demerger may lead to rationalisation, resulting in job losses and increased unemployment • Job security concerns: employees may feel less secure in their positions, leading to decreased motivation • Loss of benefits: workers might lose certain benefits that were available when employed by a larger business • Monotony of tasks: with increased specialisation, tasks may become repetitive • Limited promotion opportunities: as the business is smaller, there may be fewer chances for career advancement **General Considerations:** • The impacts can differ between the short-run and the long-run • The scale of the demerger plays a crucial role in its overall effects

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	The Government of Andhra Pradesh, a state in Southern India, offers to pay university tuition fees for students from economically disadvantaged backgrounds. Up to 2024 this policy had benefited nearly 3 million students, with a total expenditure of over $10 million. Evaluate measures to increase the occupational mobility of labour **and** the geographical mobility of labour. **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:**

	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Occupational mobility of labour: refers to the ease with which workers can move between different occupations Geographical mobility of labour: refers to the ease with which workers can move between different locations **Measures to increase occupational mobility:** • Subsidies for higher education: e.g. the Government of Andhra Pradesh is paying for disadvantaged individuals to access higher education. This initiative is expected to increase the number of individuals obtaining degrees, thereby enhancing the skill levels of young people in India • Training initiatives: offer training programs or subsidise businesses that provide specific training for their employees. This enhances workforce skills, enabling better alignment with labour market needs • Employment subsidies: provide financial incentives to businesses that employ individuals from high-unemployment groups. These businesses benefit from lower labour costs while helping improve the employability of these individuals • Apprenticeships: encourage more apprenticeship programs aimed at improving the skills of young people entering the workforce. This increases occupational mobility by enhancing skill levels • Immigration Policies: reduce barriers to immigration to increase occupational mobility • Improve labour-market information, highlighting areas of occupational shortages **Measures to increase geographical mobility:** • Relocation support: introduce relocation subsidies for individuals needing to move from areas with lower housing costs to regions with higher housing costs for job opportunities • Support for firms: encouragement for firms to move to where the workers are • Reduce information asymmetry in the job market: improve awareness of job openings across the country to assist individuals in identifying locations where they can find employment • Infrastructure development: invest in infrastructure improvements to increase geographical mobility of labour **NB: Award a maximum of Level 3 (9 marks) if reference is not made to both occupation and geographical immobility**

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.
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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 • The workforce may lack the capability to meet the demand for high-skilled jobs • If the education and training offered do not address the specific needs of the labour market, the ability of workers to change occupations will not improve • There can be delays in the effectiveness of education and training, which means labour mobility may not change in the short-run • The impact will depend on the level of investment from the government or businesses in these initiatives • Insufficient information for those implementing these measures may lead to inappropriate levels of support being provided • Opportunity cost of measures • There might be government failure making the policies ineffective • The impacts might not arise in the short-run/ or do not have a long-run impact • Many people are reluctant to relocate due to family connections or friendships, even when relocation assistance is provided by the government or businesses	

	• The cost of housing might be a very significant barrier to geographical mobility

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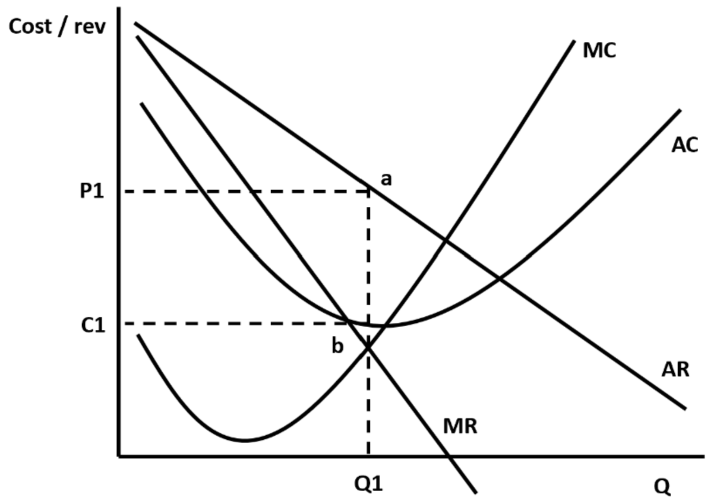
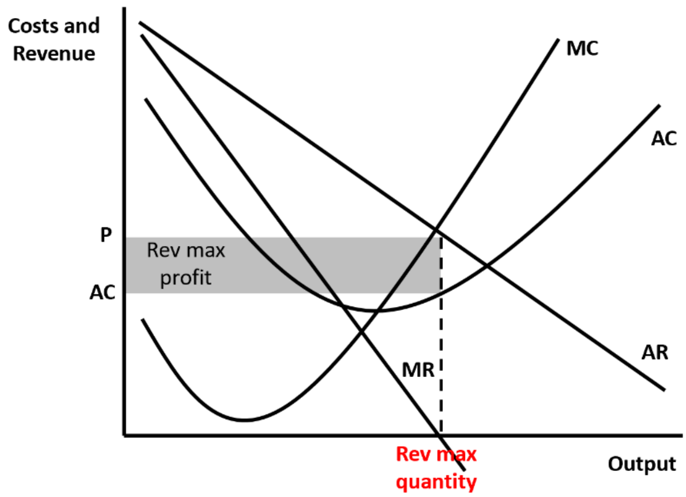
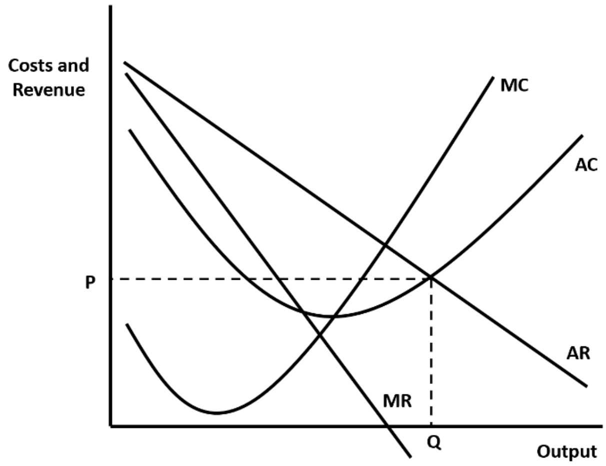
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed 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	In 2024 there were approximately 776 small traditional coffee shops (Kopitiams) in Singapore. Most of these businesses only operate one store. Starbucks has over 140 stores in Singapore. Evaluate why the objectives of small-size enterprises may differ from those of large enterprises. 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.** **Definition of small-size enterprises:** Those having fewer than 50 employees and an annual turnover of less than £10 million. **Small enterprises' objectives:** • Survival: the intense competition faced by small enterprises often leads them to prioritise survival over other objectives, as they struggle to maintain their position in the market/ or they do not possess sufficient market power to influence prices or profit margins effectively • Owner objectives: owners may choose to keep their businesses small to maintain control over operations and decision-making processes

	- Limited access to finance and resources: objectives may differ because of limited ability to grow because of lack of access to finance or other resources - Size of the market: objectives may differ because focused on meeting local customer needs or a niche market **Large enterprises' objectives:** - Profit maximisation: where MC=MR, as they can restrict output and charge higher prices because of the barriers to entry  - Revenue maximisation: where MR=0 because they want to increase market share and/or to deter the entry of new businesses and/or to force other competitors out of the market  - Sales Maximisation: a large enterprise may sales maximise where AC=AR and normal profits are made, to deter new businesses from entering the market as the incentives have reduced /or as a means of growing the enterprise

	 • Satisficing: large enterprises may have a separation between ownership and control **NB: Award a maximum of Level 3 (9 marks) if there is no appropriate diagram**

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	Evaluation (8 marks) – indicative content • Nature of the product: if operating in a niche market the small enterprise might aim for profit maximisation, if the demand for their products is inelastic • Level of competition: in more competitive markets, businesses are likely to prioritise maximising sales regardless of size • Some large enterprises, e.g. charities or government-owned businesses: may not have profit as their primary goal. They might focus on achieving social and environmental objectives • Small enterprises may sales maximise: as they are in competitive markets, the demand for their products is more elastic, causing them to sell at a lower price • Large enterprises that are experiencing difficult trading conditions, might have survival as their main objective • Significance of factors

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	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.