

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Thursday 1 June 2023

Afternoon (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.

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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 .

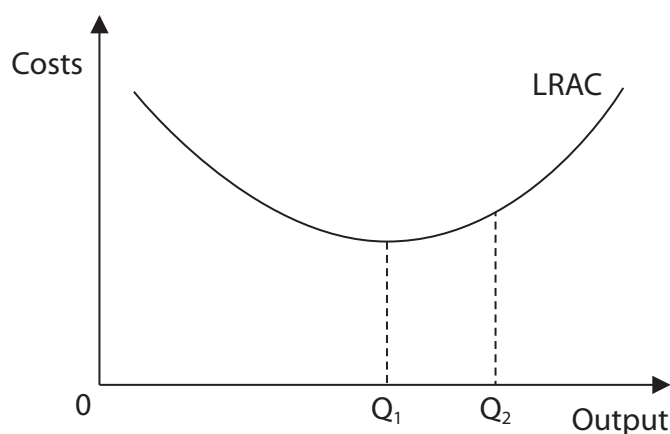
- 1 In 2022 the entertainment production companies Sony Picture Networks India and Zee Entertainment Enterprises Ltd signed an agreement to merge.

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

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

(Total for Question 1 = 1 mark)

- 2 The diagram shows a long-run average cost curve for a firm.



Which **one** of the following must be true as output rises from Q_1 to Q_2 ?

- A Marginal costs are falling
- B There are economies of scale
- C Marginal costs are constant
- D There are diseconomies of scale

(Total for Question 2 = 1 mark)



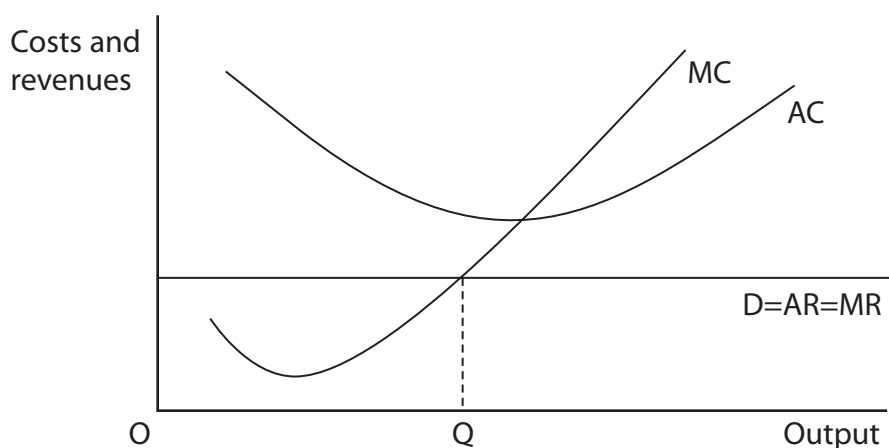
- 3 A firm employs 50 workers in its factory. Each worker is paid a weekly wage of \$1 500. To attract an additional worker the firm needs to raise the wage from \$1 500 a week to \$1 600 a week for each of its employees.

Which **one** of the following is the marginal cost of employing the additional worker?

- A \$100
 B \$6 600
 C \$75 000
 D \$81 600

(Total for Question 3 = 1 mark)

- 4 The diagram shows the equilibrium output of a profit-maximising firm operating in a perfectly competitive market.



Which **one** of the following can be deduced from this diagram?

	Profits of the firm in the short-run	Number of firms in the industry in the long-run
<input type="checkbox"/> A	Loss	Increase
<input type="checkbox"/> B	Normal	Decrease
<input type="checkbox"/> C	Normal	Increase
<input type="checkbox"/> D	Loss	Decrease

(Total for Question 4 = 1 mark)



5 A German electricity company aims to maximise its total revenue.

At which **one** of the following would total revenue be maximised?

- A The level of output at which marginal cost is equal to marginal revenue
- B The level of output at which average variable cost is equal to marginal cost
- C The level of output at which average revenue is equal to zero
- D The level of output at which marginal revenue is equal to zero

(Total for Question 5 = 1 mark)

6 A diamond mining company is considering whether to set up operations in Botswana.

Which **one** of the following would be a barrier to entry into this industry?

- A High level of government subsidies
- B High sunk costs
- C Low level of government regulation
- D Low concentration ratio

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION B

Study Figures 1 and 2 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 percentage change in Deliveroo's total revenue between 2017 and 2021. You are advised to show your working. (2)
- (b) With reference to Figure 2, explain the market structure of the UK food delivery market in 2021. (4)
- (c) With reference to Extract B, analyse **two** factors that influence the demand for online food delivery. (6)
- (d) With reference to Figure 1 and the first paragraph of Extract B, examine **two** reasons why Deliveroo is making a loss. (8)
Illustrate your answer with an appropriate diagram(s).
- (e) With reference to the information provided, discuss the strategies used by food delivery businesses to increase their market shares. (14)
Refer to game theory analysis in your answer.

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(c) With reference to Extract B, analyse **two** factors that influence the demand for online food delivery.

(6)

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(d) With reference to Figure 1 and the first paragraph of Extract B, examine **two** reasons why Deliveroo is making a loss.

Illustrate your answer with an appropriate diagram(s).

(8)

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(e) With reference to the information provided, discuss the strategies used by food delivery businesses to increase their market shares.

Refer to game theory analysis in your answer.

(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 2015 Egypt's Government introduced a maximum wage of \$5 800 per month. This was 35 times greater than the minimum wage of public sector workers. Many Chief Executives were earning far more than this maximum wage at the end of 2014. As a consequence, 200 executives in the banking sector resigned.

Evaluate the impact of imposing a maximum wage.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2022 the French Government planned to pay nearly €10bn to nationalise EDF Energy. This business had a 90% market share. The Government aims to ensure stability of energy supplies and to prevent significant price fluctuations.

Evaluate the impact of a profit maximising monopolist being nationalised.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** According to a 2021 World Bank report, small and medium-sized enterprises accounted for 98.5% of the businesses in Malaysia. The report stated that these businesses were reluctant to invest in the technology that would enable them to expand because many of them wanted to remain small.

Evaluate why the objectives of small and medium-sized enterprises may differ from those of large enterprises.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)

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Write the answer to your FIRST chosen question here.

Indicate which question you are answering by marking a cross . If you change your mind, put a line through the box and then indicate your new question with a cross .

Write the answer to your SECOND chosen question on page 20.

Chosen question number: **Question 8** **Question 9** **Question 10**

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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

The food delivery market

Figure 1 Deliveroo's annual total revenue and loss, £ million, 2017–2021

Year	Total revenue	Loss
2017	277	199
2018	476	232
2019	771	317
2020	1 163	223
2021	1 824	298

Figure 2 Market share (%) of food delivery businesses in the UK, 2017–2021, (percentage share based on revenue)

	2017	2021
Just Eat	68	40
Deliveroo	12	27
Uber Eats	6	27
Dominos	5	3
Others	9	3



Extract A Deliveroo's market share in the UK

Deliveroo is a food delivery business operating mainly in western Europe. Consumers use an app to order food from a restaurant. Once the food has been prepared, a Deliveroo courier collects the food and delivers it to the consumer.

Deliveroo has three main competitors in the UK's food delivery market: Just Eat, Uber Eats and Dominos. All businesses provide consumers with an app to access their services. 5

During the global health crisis, Deliveroo experienced significant growth in its market share. This was because it differentiated itself by introducing home deliveries of groceries together with orders for takeaway meals. By the end of the crisis, Uber Eats and Just Eat had also introduced grocery deliveries to households. 10

Furthermore, the three largest businesses in the UK have been engaged in a price war and expensive advertising campaigns. The aim of these strategies was to increase market share and to force other competitors to leave the market.

Extract B Costs and revenues

In 2021 Deliveroo made a loss of £298 million. Marketing costs and fixed costs increased from £358.5 million in 2020 to £628.7 million in 2021. Costs are expected to continue to rise in the short-run because of the increase in the price of fuel and high rates of inflation across Europe. In the first six months of 2022, although Deliveroo's revenue was increasing, this was at a slower rate than the increase in its costs of production. 5

The average value of an order for a takeaway meal fell in many countries because consumers reduced the number of luxury items they purchased. In the European Union in June 2022 the annual growth in wages was 4.5% but the annual inflation rate was 9.6%. 10

However, demand for online food delivery and takeaway meals is expected to increase rapidly between 2023 and 2030. There are several reasons for this expected increase in demand including:

- An increase in the number of people living in cities. For example, from 2015 to 2025, there is expected to be a 7.6% increase in the population living in cities in the UK 15
- Greater consumer preference for online ordering associated with an increase in internet connectivity and smartphone usage. For example, online ordering and food delivery is growing at an annual rate of between 15% and 20% in the UK
- Increased advertising by food delivery businesses. For example, Just Eat's marketing expenditure in the first half of 2021 totalled £252 million compared with £83 million in the first half of 2020. 20

Acknowledgements

Figure 1: <https://www.businessofapps.com/data/deliveroo-statistics/>

Figure 2: <https://www.businessofapps.com/data/deliveroo-statistics/>

Extract A:

<https://www.businessofapps.com/data/deliveroo-statistics/>

<https://medium.com/edison-discovers/in-uk-food-delivery-battleground-just-eat-takes-1-spot-with-45-market-share-e81f79f7133b>

<https://internetretailing.net/delivery/deliveroo-reports-fast-revenue-growth-including-groceries-but-pre-tax-losses-widen-24551/>

Extract B:

<https://www.sharesmagazine.co.uk/news/shares/investors-willing-to-back-costly-deliveroo-growth-for-now-as-shares-soar>

<https://www.msn.com/en-gb/money/other/city-reaction-deliveroo-sees-h1-losses-widen-as-consumers-tighten-belts/ar-AA10wESB>

<https://uk.news.yahoo.com/deliveroo-eyeing-netherlands-exit-losses-114038860.html>

www.prnewswire.com/news-releases/global-online-food-delivery--takeaway-ma

<https://www.marketingweek.com/just-eat-share-gains/>

<https://www.futuremarketinsights.com/reports/delivery-and-takeaway-food-market>

[https://www.bing.com/search?q=Just+Eat+drives+UK+growth+after+tripling+marketing+investment+\(marketingweek.com\)&cvid=aef72d71184c48508dbb08af4dd95aeb&aqs=edge.0.69i59.2596j0j1&pglt=41&FORM=ANSPA1&PC=DCTS](https://www.bing.com/search?q=Just+Eat+drives+UK+growth+after+tripling+marketing+investment+(marketingweek.com)&cvid=aef72d71184c48508dbb08af4dd95aeb&aqs=edge.0.69i59.2596j0j1&pglt=41&FORM=ANSPA1&PC=DCTS)

<https://www.gov.uk/government/publications/trend-deck-2021-urbanisation/trend-deck-2021-urbanisation>

