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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Types and sizes of businesses (3.3.1)

International A Level Economics · Unit 3: Business behaviour

41 questions · 377 marks · Mark schemes included
Past papers January 2020 - June 2025 · 3 specification sub-topics

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

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2. Q2	IAL Unit 3 January 2025	1	5
3.3.1.2 SIZE OF BUSINESSES		26 Qs · 267 marks	6
3. Q1	IAL Unit 3 October 2020	1	7
4. Q1	IAL Unit 3 October 2021	1	8
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24. Q8	IAL Unit 3 October 2022	20	74
25. Q10	IAL Unit 3 January 2023	20	75
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QUESTION	SOURCE	MARKS	PAGE
33. Q5	IAL Unit 3 June 2023	1	84
34. Q5	IAL Unit 3 June 2024	1	85
35. Q1	IAL Unit 3 January 2025	1	86
36. Q2	IAL Unit 3 June 2025	1	87
37. Q10	IAL Unit 3 October 2020	20	88
38. Q10	IAL Unit 3 January 2022	20	89
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40. Q10	IAL Unit 3 June 2023	20	91
41. Q10	IAL Unit 3 January 2024	20	92



QUESTIONS

41 questions · 377 marks · 3 sub-topics

SUB-TOPIC 3.3.1.1

TYPES OF BUSINESS

Sub-topic 3.3.1.1 · 2 questions · 2 marks · lowest tariff first



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** Mara Phone is a new smartphone developed by the African conglomerate, Mara Group. The business is aiming to grow its market share by maximising its sales.

Which **one** of the following conditions is necessary for Mara Group to maximise sales volume of this new phone without making a loss?

- ☐ **A** Marginal revenue equals marginal cost
- ☐ **B** Average revenue equals average cost
- ☐ **C** Marginal revenue equals zero
- ☐ **D** Average revenue equals marginal revenue

(Total for Question 1 = 1 mark)

- 2** A Swedish company, Lantmännen, is an agricultural business owned by 25 000 farming partners.

Which **one** of the following is the best description of this type of business?

- ☐ **A** State-owned enterprise
- ☐ **B** Joint venture
- ☐ **C** Conglomerate
- ☐ **D** Co-operative

(Total for Question 2 = 1 mark)

SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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)



SUB-TOPIC 3.3.1.2

SIZE OF BUSINESSES

Sub-topic 3.3.1.2 · 26 questions · 267 marks · lowest tariff first



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 ☐.

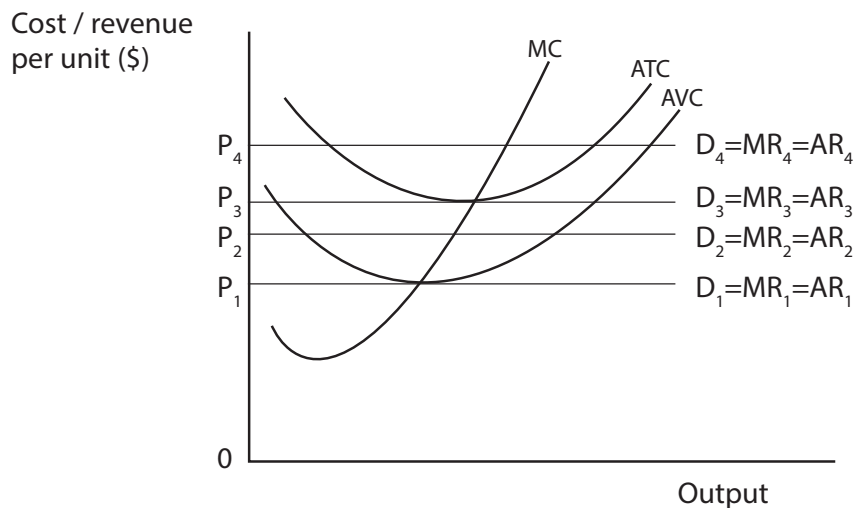
- 1 In 2018 the Competition and Markets Authority carried out an investigation into a proposed merger between two of the largest UK supermarket companies, Sainsbury's and Asda.

If approved, this type of merger would be an example of

- ☐ A conglomerate integration
- ☐ B horizontal integration
- ☐ C backward vertical integration
- ☐ D forward vertical integration

(Total for Question 1 = 1 mark)

- 2 The diagram shows a firm operating in a perfectly competitive market. The firm has the objective of profit maximisation.



Which **one** of the following is true?

- ☐ A At a price of P_1 the firm will shut down in the short-run
- ☐ B At a price of P_2 the firm will cover fixed costs and variable costs
- ☐ C At a price of P_3 the firm will shut down in the long-run
- ☐ D At a price of P_4 the firm will make supernormal profits

(Total for Question 2 = 1 mark)



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 ☒.

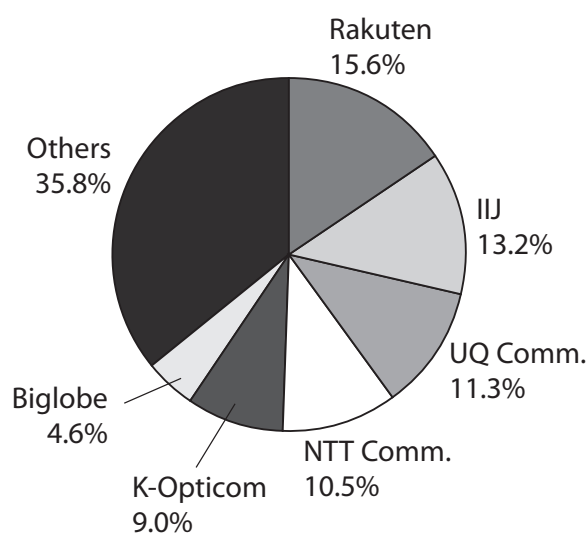
- 1 In December 2020 Electronic Arts, an American video game producer, agreed to take over Codemasters, the producer of Formula One racing video games.

Which **one** of the following is likely to be a benefit of this takeover for Electronic Arts?

- ☐ A An increase in contestability in the video games market
- ☐ B A decrease in total costs of production
- ☐ C An increase in competition in the video games market
- ☐ D A decrease in long-run average costs

(Total for Question 1 = 1 mark)

- 2 The chart shows the market share for mobile virtual network operators (MVNOs) in Japan for 2019.



What was the five firm concentration ratio for MVNOs in Japan for 2019?

- ☐ A 48.6%
- ☐ B 50.6%
- ☐ C 59.6%
- ☐ D 86.4%

(Total for Question 2 = 1 mark)

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 ☐.

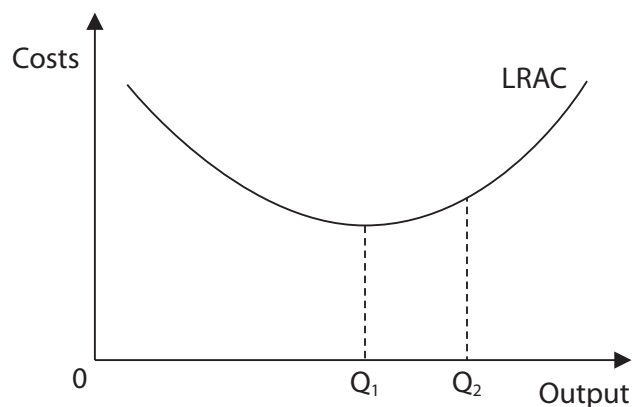
- 1 In 2022 the entertainment production companies Sony Picture Networks India and Zee Entertainment Enterprises Ltd signed an agreement to merge.

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)

SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 Canadian National Railway paid \$27.2 billion to acquire Kansas City Southern, a Mexico-USA cross-border railway.

Which **one** of the following best describes the acquisition of the Kansas City Southern railway by Canadian National Railway?

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

(Total for Question 1 = 1 mark)



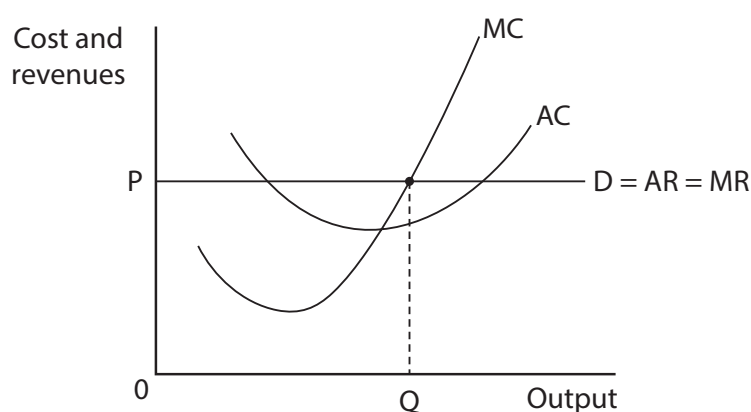
- 3 In 2022 the pharmaceutical company GlaxoSmithKline (GSK) demerged from the consumer health business Haleon. GSK's shareholders believed that the businesses would be able to work more successfully as separate companies.

Which **one** of the following is the most likely reason why GSK decided to demerge from Haleon?

- ☐ A To benefit from external economies of scale
- ☐ B To diversify the business
- ☐ C To achieve diseconomies of scale
- ☐ D To focus on its core business

(Total for Question 3 = 1 mark)

- 4 The diagram shows the short-run costs and revenues for a farmer producing wheat in India.



Which **one** of the following is most likely to occur in the long-run?

- ☐ A Additional wheat farmers will enter the market
- ☐ B Some wheat farmers will leave the market
- ☐ C The wheat farmer will make supernormal profit
- ☐ D The wheat farmer will make a loss

(Total for Question 4 = 1 mark)

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.

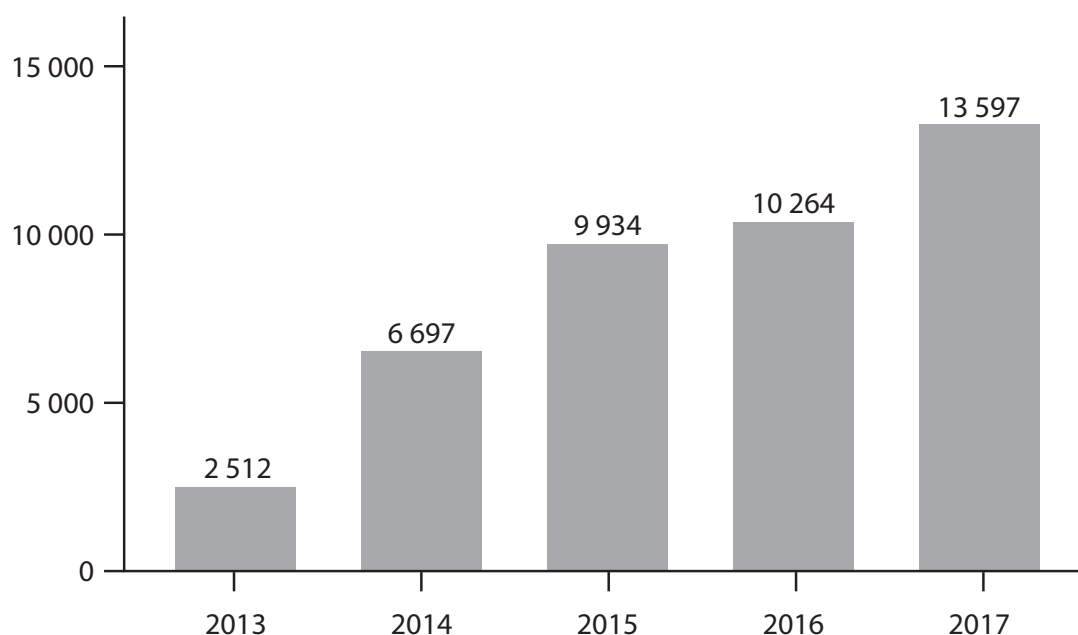
- 7** (a) With reference to Figure 1, calculate the percentage change in electric car sales from 2013 to 2017. You are advised to show your working. (2)
- (b) With reference to Extract A and Extract B, explain what is meant by *specialisation*. (4)
- (c) With reference to Extract A, examine the likely effect of a decrease in variable costs on Tesla's profits.
Illustrate your answer with an appropriate diagram(s). (8)
- (d) With reference to Extract B, analyse the relationship between price elasticity of demand and total revenue.
Illustrate your answer with an appropriate diagram(s). (6)
- (e) With reference to the information provided, discuss the significance of barriers to entry and exit in the electric car market for new entrants, such as Dyson. (14)



Sources for use with Section B.

The electric car market

Figure 1 UK electric car registrations, 2013 – 2017



Extract A Financial performance of Tesla

Tesla is a large American corporation that specialises in the production of electric cars. In January 2017 the company had a 30% market share for electric cars in the USA.

Between 2010 and March 2018, Tesla recorded only two profitable quarters. The company made its biggest quarterly loss of \$709.6 million in quarter one of 2018. It was failing to produce enough of its 'Model 3' mass market electric car. For example, 20 000 'Model 3' cars should have been produced in December 2017. However, during the whole of quarter four of 2017, Tesla manufactured only 2 425 cars.

5

The 'Model 3' is the most important part of Tesla's plan to become a mass market car manufacturer. At one stage, it had more than 500 000 potential consumers on its waiting list. However, in April 2018 the company admitted that some buyers had cancelled their orders for Tesla cars.

10

Senior managers have been looking for ways of decreasing the company's variable costs. This may require the sourcing of cheaper car parts and reducing the number of workers on production lines.

15



Extract B New entrants in the luxury electric car market

Dyson was established in 1991. It has become a very successful technology company with its headquarters in the UK. It specialises in the design and manufacture of domestic appliances such as vacuum cleaners, hand dryers and hair dryers. In 2018 Dyson employed 12 000 workers worldwide. The company has built a reputation for creating and producing a range of high quality and innovative products. 5

Its latest project is to design and produce an electric vehicle. Dyson plans to invest \$2.7 billion, split evenly between battery technology and vehicle development. Initially, the company will be targeting the luxury segment of the electric car market. This is a niche that Tesla almost exclusively occupies. Demand is significantly more price inelastic in this part of the market. 10

However, it is possible that barriers to entry and exit could create problems for Dyson. The experience of Apple may prove to be relevant. Apple abandoned its plans to manufacture electric cars when both the high initial capital costs and the complexities of the production process became apparent. 15

The badge on the front of a luxury car is all-important. Possibly a Dyson brand associated with domestic appliances might lack sufficient appeal for potential consumers. However, Dyson's previous success when marketing new products may be repeated in the electric car market.

There is also likely to be significant competition in the luxury electric car market. For example, Jaguar is about to launch the iPace, a competitor to Tesla's Model S. Porsche, Audi and BMW all have new luxury electric car models due to be on sale by late 2020. Several other companies are set to enter the market for luxury electric cars. 20

Finding buyers is another challenge. For example, Tesla had to spend heavily on setting up its own retail network to compete with the established distribution channels of the large car manufacturers. 25

(2)

(4)

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 and Extract A, calculate the number of workers employed by SMEs in Bangladesh. You are advised to show your workings. (2)
- (b) With reference to Figure 1 and Extract A, explain what is meant by the term 'monopolistic competition'. (4)
- (c) With reference to Extract B, examine the impact of rising energy costs on the profits of a garment manufacturer in Bangladesh. Illustrate your answer with an appropriate diagram. (8)
- (d) With reference to extract B, analyse **two** likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22 000 taka. (6)
- (e) With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs. (14)



Sources for use with Section B

Size of businesses and labour markets in Bangladesh

Figure 1 Size of businesses, 2022

Size	Number of businesses	% of total number of businesses	% of working population employed
Small	33 050	77.2	20.2
Medium	6 103	14.3	20.7
Large	3 639	8.5	59.1

Extract A Government support for small-sized and medium-sized enterprises (SMEs)

Bangladesh is a developing country located in South Asia with a population of over 160 million. In 2022 the number of people employed was 60.8 million. Its economy is heavily dependent on agriculture and on the production of garments and textiles. Bangladesh has made considerable progress in improving its rate of economic growth. The country's real GDP grew at an average rate of 6.5% per year between 2011 and 2020.

5

Many SMEs compete in the agriculture, garment and textile industries. Most businesses in these industries operate in monopolistically competitive markets. However, low-skilled labour, a lack of innovation and limited access to finance restrict the differentiation of products between businesses in these markets.

10

To meet these challenges the Government of Bangladesh adopted several policies to support SMEs. These include:

- creating the SME Foundation that provides training and funds for research and development
- providing finance for the creation of industrial parks (locations where SMEs can all locate together)
- investing in the quality of infrastructure within industrial parks
- establishing loan schemes to support SMEs
- providing subsidies to SMEs in agriculture, energy and those that export
- encouraging SMEs to adopt new technologies, including artificial intelligence.

15

20

However, critics of these policies have suggested that the Government needs to focus on reducing excessive administrative costs, deregulation and improving the quality of education.

25



Extract B Minimum wages in the garment industry

In April 2022 the minimum wage for all workers in Bangladesh not covered by industry-specific agreements was only 1 500 taka per month. However, some sectors have higher minimum wages. For example, the minimum wage for the country's 4.4 million garment workers was 8 000 taka per month. The Government has been under pressure from trade unions to increase this rate to 22 000 taka per month. The trade unions argue that recent high rates of inflation, and the fact the minimum wage for garment workers has not increased since 2018, have decreased the real incomes of its members. 5

Garment manufacturers argue that they do not have the funds to pay a higher minimum wage because they are already having to claim subsidies from the Government to cope with rising energy costs. In 2022 garment manufacturers experienced a 50% increase in energy costs. 10



7 (a) With reference to Figure 1 and Extract A, calculate the number of workers employed by SMEs in Bangladesh. You are advised to show your workings. (2)

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(b) With reference to Figure 1 and Extract A, explain what is meant by the term ‘monopolistic competition’. (4)

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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** In 2018 total new car sales in China were 23.7 million.
- (a) With reference to Figure 2, calculate the 4-firm concentration ratio for the car market in China in 2018. You are advised to show your working. (2)
- (b) With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'. (4)
- (c) With reference to Figure 1 and Extract A, analyse **two** reasons for the fall in car sales in China since 2017. (6)
- (d) With reference to Extract A, examine the likely effects of the Chinese Government's subsidy on the profits of an electric car manufacturer.
Illustrate your answer with an appropriate diagram. (8)
- (e) With reference to Extract A and Extract B and your own knowledge, discuss the types of non-price competition that could be used by car manufacturers to increase the sales of cars. (14)



Sources for use with Section B.

The Chinese car market

Figure 1 New car sales in China, 2009–2019 (millions)

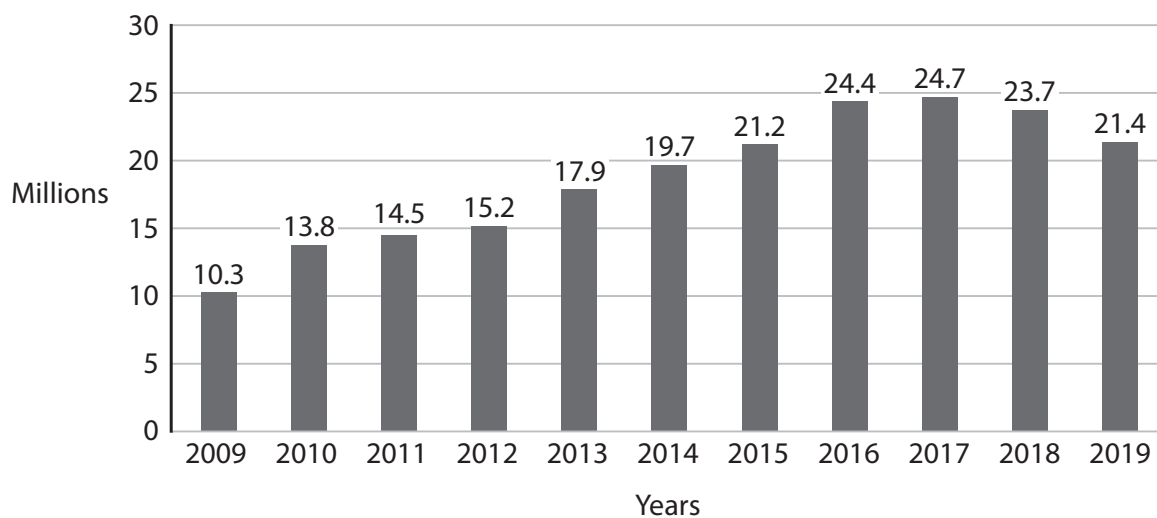
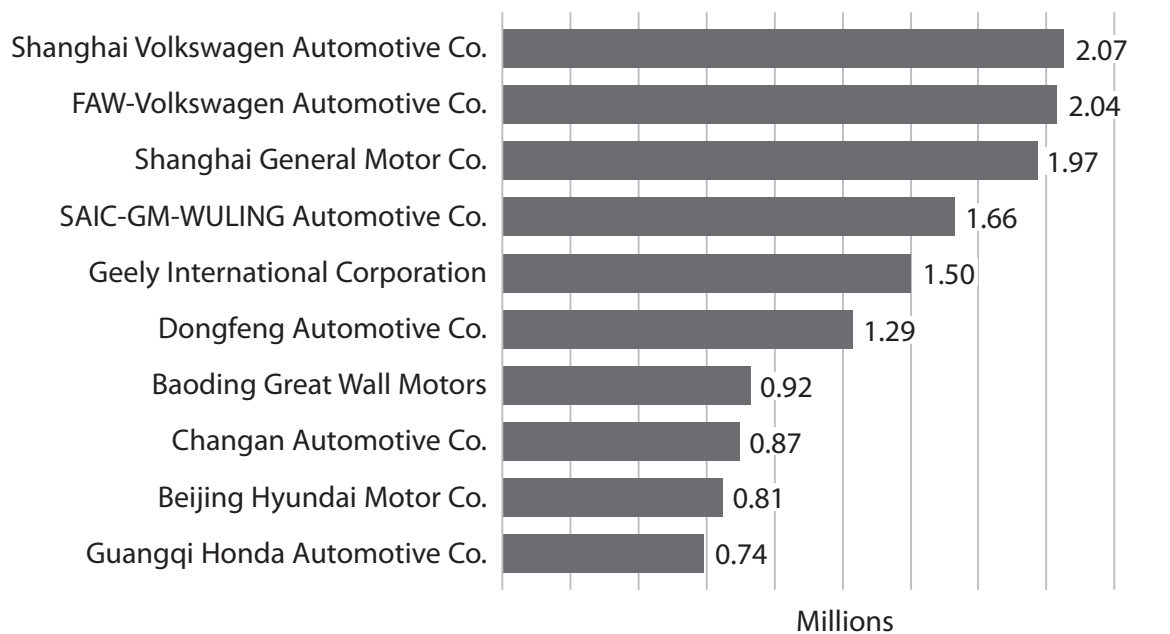


Figure 2 Major car manufacturers' sales in China, 2018 (millions)



Extract A Developments in the Chinese car market

In 2019 more cars were sold in China than in any other country. In that year, the Chinese car market accounted for 30% of total global car sales. Chinese manufacturers produced 42% of the cars sold in China in 2019. In 2018 23.7 million cars were sold in China, compared to only 4.4 million in Japan, 15.6 million in Europe and 17.2 million in the United States. 5

In 2018 car sales in China declined by 4%, the first reduction in 20 years. One reason for this was the slowdown in China's rate of economic growth. In 2009 real GDP rose by 9.4%, but in 2018 the rate of growth had fallen to 6.6%.

The decline in sales is also because of the increased availability of substitutes. Chinese car buyers are increasingly looking for low-cost alternatives to buying new cars. Many consumers are switching from car ownership to using car-hailing taxi apps instead. There are now over 100 different car-hailing platforms in China with over 330 million consumers. The price of these services is very low and the app makes them very easy to order. China is becoming the largest car-hailing taxi market in the world. 10
15

Growth in the electric and hybrid car market is promising, as younger consumers demand more environmentally friendly transportation. The Chinese Government is heavily subsidising electric cars, offering up to 90 000 yuan per car, in an attempt to encourage more production. The aims of the subsidies are to reduce air pollution to meet carbon performance targets and to improve the quality of electric cars. The Government is also increasing the number of public charging points available for electric cars. Local governments incentivise consumers to purchase electric cars by offering free licence plates and free parking. 20

Extract B Competition in the Chinese car market

A connected-car is one that has its own internet connection. This allows the car to share internet access and data with other devices inside and outside the car. The global connected-car market is expected to grow by 270% by 2022. Market research by Kantar TNS suggested 79% of the Chinese consumers planned to buy a connected-car in the future. 5

In 2018 BMW, a leading German luxury car manufacturer, started a joint venture with Alibaba Group, a Chinese multinational firm specialising in technology. Their aim was to develop a range of luxury connected-cars. Drivers are able to shop online, watch movies, listen to music and book appointments in their new BMW. Quality and innovation are very important in the Chinese car market. Consumers are very influenced by reputation and social media when choosing a car to purchase. 10

Chinese car manufacturer Geely is the main producer of connected-cars. Geely has a 6.3% market share of the total Chinese car market. The business produces highly connected-cars with ultra-modern design. The company targets its cars at younger consumers. The company is trying to expand internationally and recently bought the majority share in Lotus, a British sports car brand. The takeover should help Geely increase its sales in Europe. However, its main objective is to grow its market share in China. 15

7 In 2018 total new car sales in China were 23.7 million.

- (a) With reference to Figure 2, calculate the 4-firm concentration ratio for the car market in China in 2018. You are advised to show your working.

(2)

- (b) With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.

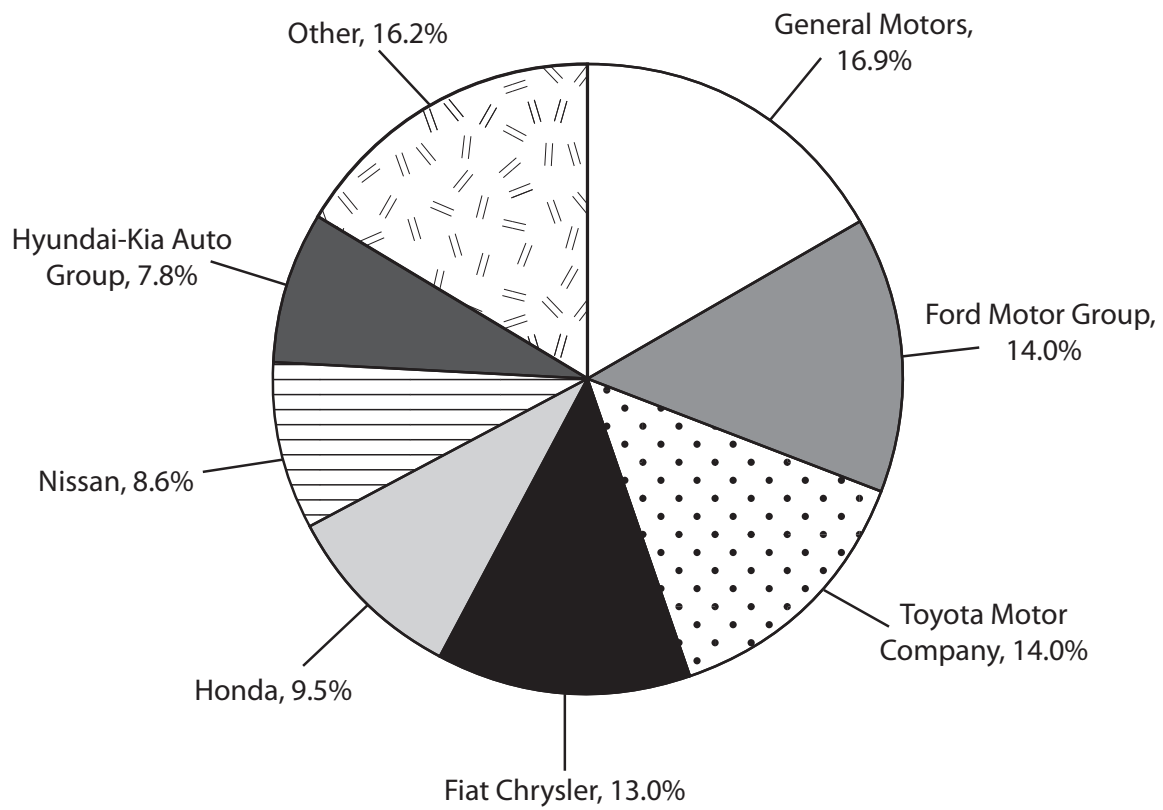
(4)



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 for the US car market in 2019. (2)
- (b) With reference to Extract A, explain what is meant by 'horizontal integration'. (4)
- (c) With reference to Extract A, analyse **two** barriers that Stellantis are likely to experience when trying to increase market share in China. (6)
- (d) With reference to Extract A, examine the impact of an increase in car sales in the USA on the profits of Stellantis.
Illustrate your answer with an appropriate diagram. (8)
- (e) With reference to the information provided and your own knowledge, discuss the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers. (14)

Sources for use with Section B**The car industry****Figure 1****Percentage market share of car manufacturers in the USA, 2019**

Extract A PSA Group and Fiat Chrysler merger

In January 2021 PSA Group and Fiat Chrysler agreed to merge, creating the world's third largest car manufacturer by volume. The new firm, named Stellantis, includes well-known car brands including Peugeot, Citroen and Vauxhall from PSA Group and Alfa Romeo, Jeep and Lancia from Fiat Chrysler. The ownership of the firm is split evenly between the shareholders of PSA Group and Fiat Chrysler. As a result of this merger, Stellantis owns manufacturing plants all over the world including the Netherlands, the USA and the UK. It has an expected annual turnover of over €170 billion. 5

This horizontal integration is expected to benefit both firms. Each firm will benefit from cost savings by sharing production expertise and technical knowledge. It is estimated that there will be an annual cost saving of €3.4 billion from purchasing economies of scale. PSA Group has gained access to the American car market, where Fiat Chrysler already has a significant market share, with 3 000 car showrooms across the USA. Following the merger, in Q1 2021 Stellantis experienced a 25% increase in revenue as a result of an increase in car sales in the US market. 10 15

Fiat Chrysler will benefit from gaining access to PSA Group's research and development into electric cars. This is important for the firm because demand for electric cars is increasing globally. PSA Group has developed a range of low-emission vehicles that Fiat Chrysler does not have the technology to produce. Electric cars are also important when moving into foreign markets such as China. Since 2010, the demand for electric cars in China has been rising steadily. In 2020 38% of global sales of electric cars were in China. 20

The shareholders of Stellantis hope that the firm will be able to compete more effectively in China, the world's biggest car market. In 2020 PSA Group and Fiat Chrysler had a combined market share of only 1% in the Chinese car market, whereas Chinese car firms had a 40% market share. In addition, a number of other well-established firms are operating in the Chinese car market including Volkswagen, Honda and Toyota. Trying to increase market share in China may prove to be difficult for Stellantis. Good communication and clear management will be essential if Stellantis is to be successful. 25

Extract B Concerns over factory closures

Trade unions are concerned that Stellantis will close factories to cut costs. Unite, the UK-based trade union negotiating on behalf of the 3 000 Vauxhall employees, has requested a meeting with the head of Stellantis, to prevent possible factory closures. The skilled car workers are highly specialised. Therefore, if these factories were to close, it would be very difficult for the workers to find new jobs without training. 5

- 7 (a) With reference to Figure 1, calculate the four-firm concentration ratio for the US car market in 2019.

(2)

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- (b) With reference to Extract A, explain what is meant by 'horizontal integration'.

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SECTION B

Study Figures 1 and 2 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 change in Uniqlo's total costs between 2021 and 2022. Show your workings. (2)
- (b) With reference to the first paragraph of Extract A, explain what is meant by the term 'organic growth'. (4)
- (c) With reference to the second paragraph of Extract A, analyse **two** reasons why Uniqlo has been very successful in establishing itself in international markets. (6)
- (d) With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits. (8)
- Illustrate your answer with an appropriate diagram.
- (e) With reference to Extract C, Figure 2 and your own knowledge, discuss the likely barriers to entry for a business wishing to enter the global fashion retail market. (14)

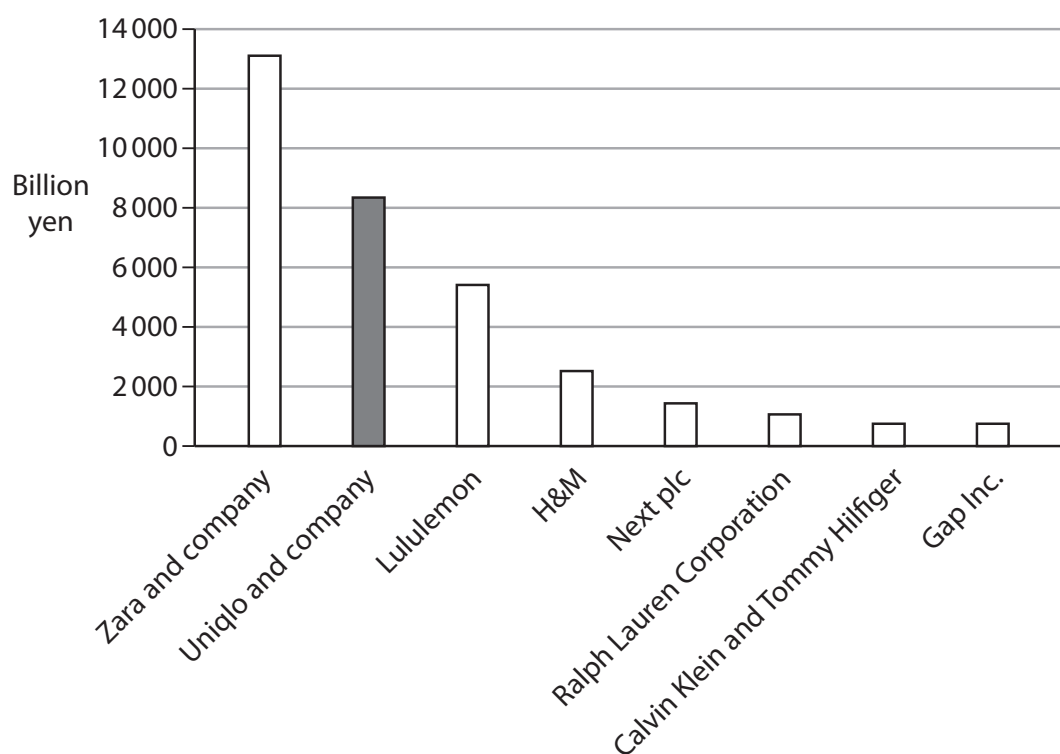
Sources for use with Section B

The global fashion retail market

Figure 1 Uniqlo's total revenue and profit, billion yen, 2020–2022

Year	Revenue (billion yen)	Profit (billion yen)
2020	2 008	975
2021	2 132	1 073
2022	2 301	1 206

Figure 2 Global fashion retailers, ranked by market value, billion yen, February 2023



Extract A Uniqlo's successful growth strategy

Uniqlo is a Japanese fashion retailer. The company was set up in 1984 and it initially focused on the manufacturing and selling of casual, affordable clothing in Japan. In the 2000s Uniqlo started to sell in other countries such as the USA, China, UK, Australia and South Korea. Uniqlo expanded through a process of organic growth. The company opened stores in large cities within each country. 5

Uniqlo has been very successful in establishing itself in international markets. The business competes with other brands such as Zara and H&M by offering lower prices. Uniqlo has also used non-price competition to offer innovative products that meet its consumers' needs, such as ultra-lightweight and heat-generating fabrics (HeatTech). It also works with well-known designers and celebrities, such as Alexander Wang. The business has invested heavily in advertising and it was the first business in this market to use fast-moving digital images in its stores. 10

Extract B Uniqlo's revenues and costs

Between 2021 and 2022 Uniqlo's revenue increased by 7.9%. Demand for its products has steadily increased. One reason is that global financial pressures have caused consumers to demand quality items at lower prices.

In 2023 two factors may contribute to a reduction in Uniqlo's costs of production. It aims to negotiate lower prices from its suppliers, including for materials such as cotton and dyes. It is also replacing workers by investing in technology and automation. 5

However, in March 2023 Uniqlo had to increase wages for some employees by 40% in order to attract highly skilled labour. In addition, there was a global increase in the costs of raw materials. 10

Extract C The global fashion retail market

Uniqlo, H&M and Zara compete in the 'fast fashion' retail market. Fast fashion is where the businesses respond to the latest trends by supplying new affordable fashion items to the market very quickly. The retailers all offer low prices because they have significant bargaining power over their suppliers. They also provide desirable items because of their high-quality market research and their innovative designs. The businesses compete both online and in stores globally. The profits they make enable them to engage in extensive advertising campaigns. 5

In 2021 China was Uniqlo's largest international market with 917 stores. Uniqlo had a 1.4% share of the Chinese clothing market, larger than any other business. The rest of the market is made up of many small firms. 10

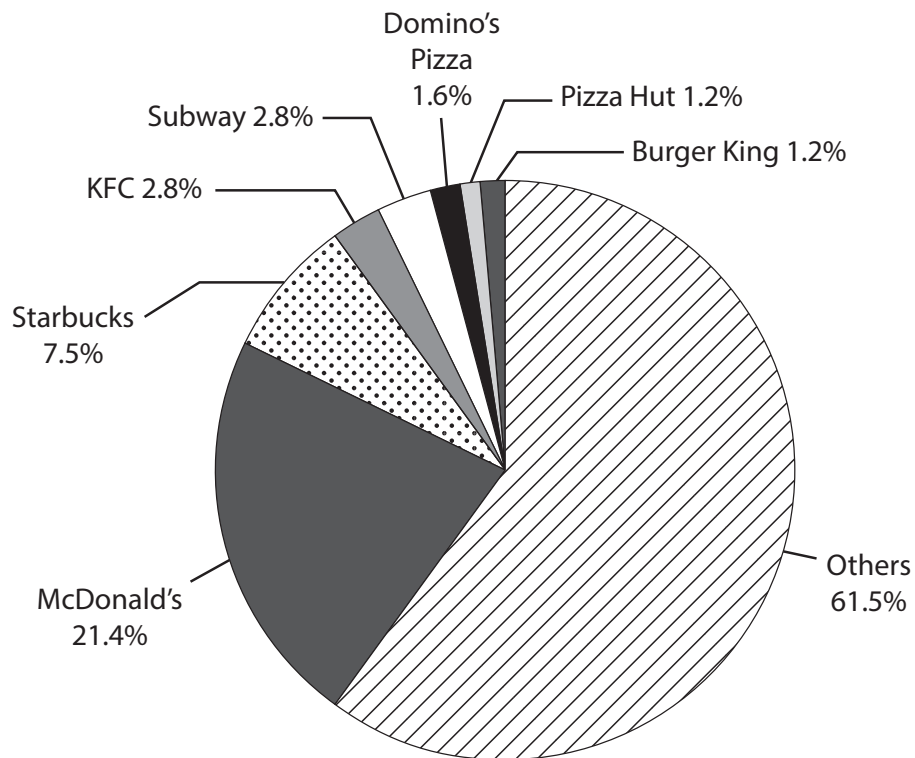


SECTION B

**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)



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.consumerandethicalliving>

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>



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)

SECTION B

Study Figures 1 and 2 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 change in Uniqlo's total costs between 2021 and 2022. Show your workings. (2)
- (b) With reference to the first paragraph of Extract A, explain what is meant by the term 'organic growth'. (4)
- (c) With reference to the second paragraph of Extract A, analyse **two** reasons why Uniqlo has been very successful in establishing itself in international markets. (6)
- (d) With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits. (8)
- Illustrate your answer with an appropriate diagram.
- (e) With reference to Extract C, Figure 2 and your own knowledge, discuss the likely barriers to entry for a business wishing to enter the global fashion retail market. (14)

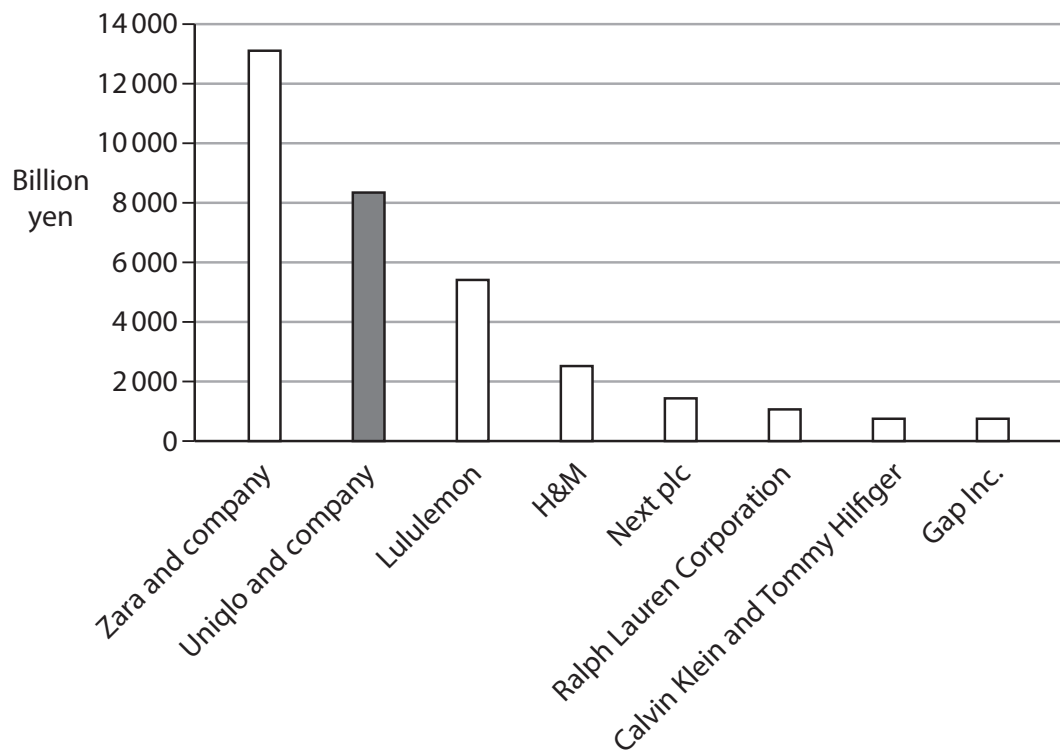
Sources for use with Section B

The global fashion retail market

Figure 1 Uniqlo's total revenue and profit, billion yen, 2020–2022

Year	Revenue (billion yen)	Profit (billion yen)
2020	2 008	975
2021	2 132	1 073
2022	2 301	1 206

Figure 2 Global fashion retailers, ranked by market value, billion yen, February 2023



Extract A Uniqlo's successful growth strategy

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Between 2021 and 2022 Uniqlo's revenue increased by 7.9%. Demand for its products has steadily increased. One reason is that global financial pressures have caused consumers to demand quality items at lower prices.

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(6)



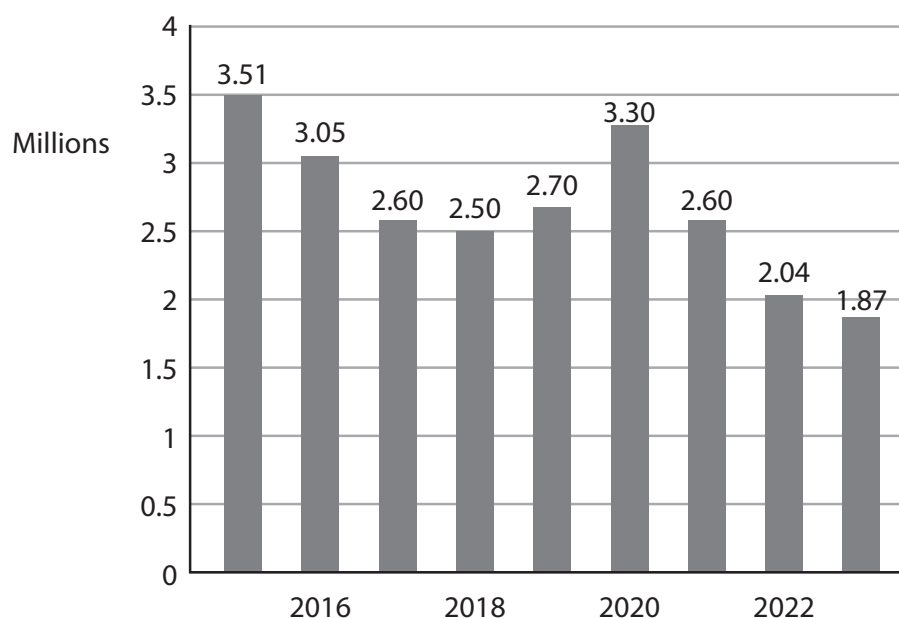
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SECTION B

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering Question 7.

Write your answers in the spaces provided on the following pages.

- 7** (a) With reference to Figure 1, calculate the percentage change in bicycle sales between 2022 and 2023.
- You are advised to show your workings. (2)
- (b) With reference to the first two paragraphs of Extract B, explain what is meant by 'a reduction in contestability'. (4)
- (c) With reference to Extract B and your own knowledge, analyse **two** reasons why some bicycle retailers remain small. (6)
- (d) With reference to Figure 1, Extract A and Extract B, examine **two** reasons why some bicycle retailers were forced to close. (8)
- (e) With reference to Extract C, discuss methods that Halfords could use to increase its profitability.
- Illustrate your answer with a costs and revenues diagram. (14)

Sources for use with Section B**The UK bicycle industry****Figure 1 Number of bicycles sold in the UK, millions, 2015–2023****Extract A The UK bicycle market**

The UK bicycle market is facing a challenging period with declining sales. In 2023, sales were at their lowest in over 10 years. Since 2020, this decline was mainly caused by:

- a decrease in consumer demand after the boom in bicycle sales during the global health crisis
- high inflation rates.

5

However, in 2023, sales of some types of bicycles increased. For example, electric bikes (e-bikes) are becoming a more popular choice. Mintel, a market research business, forecast a 12% increase in bicycle sales in 2024. This increase in demand is expected to be caused by a combination of factors, including a recovery in consumer spending and significant price reductions by retailers.

10

Extract B Competition in the UK bicycle market

There were 2 234 bicycle retailers in the UK in 2023. This was a decrease of 2.1% compared with 2022. The majority of these retailers are independently owned. However, a few large businesses dominate the market, including Evans Cycles, Chain Reaction Cycles, Wiggle and Halfords.

5

A rise in online shopping has been a challenge for many small-scale bicycle retailers. Online sales initially provided an opportunity for small-scale businesses to increase their market shares. However, the larger businesses quickly dominated the online market by investing heavily in advertising and branding, and by offering online discounts. These strategies have resulted in a reduction in contestability.

10

In 2023, an increasing number of bicycle retailers shut down. As the global health crisis eased, people started returning to their old routines and the demand for bicycles decreased. This left retailers with many unsold bicycles. To sell the excess supply, the large businesses reduced their prices. As a result, many small-scale retailers could not compete with these lower prices.

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However, there are still opportunities for small-scale bicycle retailers to succeed. These businesses offer unique expertise and specialist services such as bike fitting and selling a niche range of bicycles. Some of these businesses have also been successful in adapting quickly to the growing demand for e-bikes.

Extract C Halfords

Halfords is the largest bicycle retailer in the UK, with a market share of approximately 20%. It has been successfully selling new and innovative products, such as electric scooters (e-scooters). Halfords is also a market leader for e-bikes.

In the first quarter of 2024, Halfords' profit before tax fell by 18% compared with the previous year. Revenue fell because poor weather caused a decrease in sales of bicycle products. Total costs had also increased by 12.7%. This was mainly caused by:

5

- a 10% increase in the national minimum wage
- significant increases in transport costs.

Halfords aims to overcome these challenges and continue to grow its business by:

10

- focusing on its services business e.g. bike servicing, which is less affected by economic downturns
- investing in its online presence to reach more consumers
- increasing its price competitiveness
- expanding its sales of e-bikes and e-scooters.

15

(6)



[illegible]

SECTION B

Study Figures 1 and 2 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 and Figure 2, calculate Tata Steel's total costs for steel production in 2019. (2)
- (b) Explain what is meant by the term 'monopsony employer' (Extract C, line 11). (4)
- (c) With reference to Extract B, examine the likely effects of the proposed merger between Tata Steel and Thyssenkrupp on the profits of European car manufacturers. (8)
- Illustrate your answer with an appropriate diagram.
- (d) With reference to Extract C, analyse **two** reasons why the proposed merger between Tata Steel and Thyssenkrupp was blocked by the European Competition Commission. (6)
- (e) With reference to Extract A, Extract B and your own knowledge, discuss the benefits to Tata Steel and Thyssenkrupp of the proposed horizontal integration. (14)
- Illustrate your answer with an appropriate diagram.

Sources for use with Section B.

Tata Steel

Figure 1 Tata Steel's total revenue, 2015–2019, in billion Rupees (Rs)

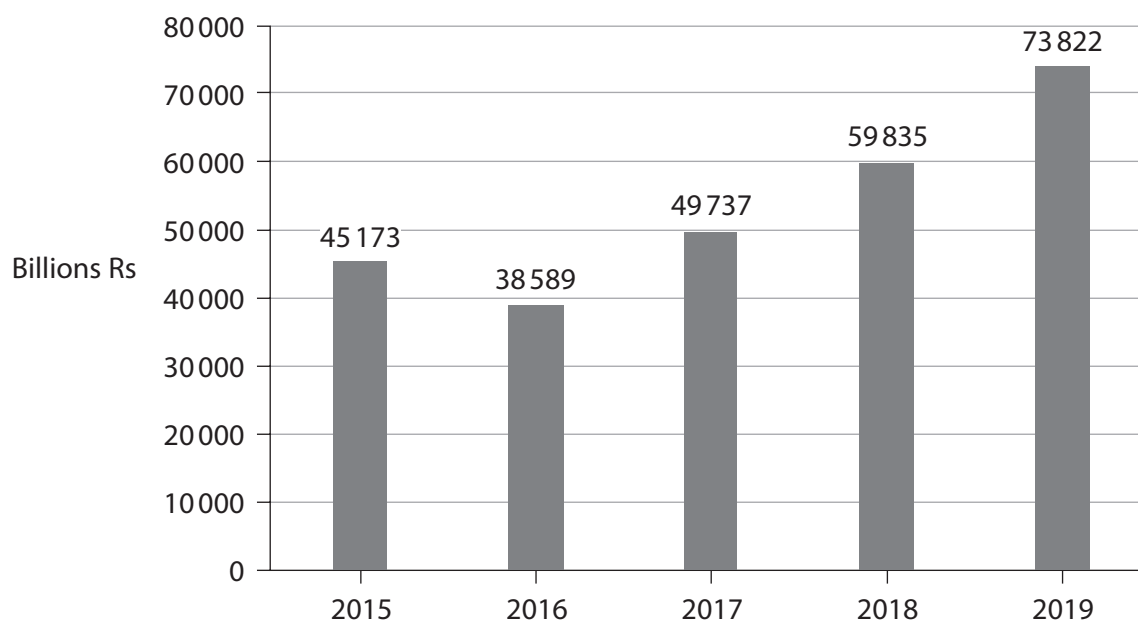
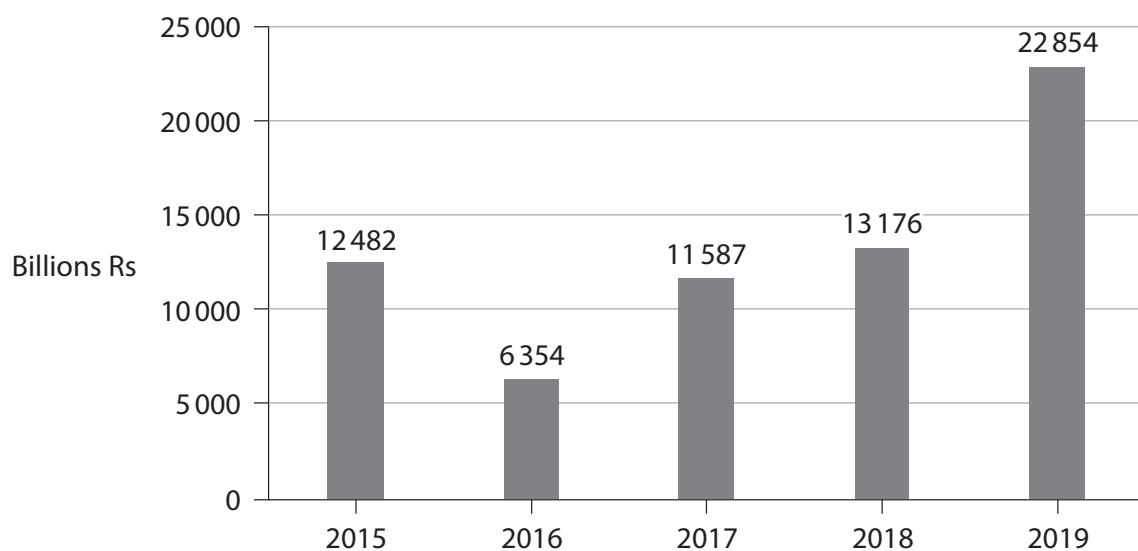


Figure 2 Tata Steel's profit, 2015–2019, in billion Rupees (Rs)



Extract A The Indian steel industry

India is the world's second largest steel producer. The growth in the Indian steel industry has been stimulated by the availability of iron ore and low-cost labour. Firms in this industry are dynamically efficient, using the latest technology in their production process.

5

Tata Steel is the largest steel producer in India with the capacity to produce 13 million tonnes per year. It is also one of the largest steel-producing companies globally and operates in 26 countries with major sites in India, the Netherlands and the UK. It employs 85 500 workers globally.

Extract B Merger proposal

The German steel producer, Thyssenkrupp, is Europe's second largest producer of high-value steel, followed by Tata Steel. In 2017 these companies planned to merge their European manufacturing operations. This integrated business would have 48 000 workers and generate €15 billion in sales.

5

The merged company would be based in the Netherlands and become the second largest European steel manufacturer. Even after this merger, ArcelorMittal SA would still be the largest European steel manufacturer.

The merger was proposed after the European steel industry had a 25% tariff (tax on imports) placed on its sales to the USA, its largest market. Since the tariffs were imposed, steel manufacturers experienced a fall in annual profits of between 8% and 17%.

10

The merged firm expected that improvements in efficiency would result in savings of over €400 million. It is planned to reduce staff by a total of 4 000 in administration and manufacturing. It also hoped that it could benefit from lower long-run average costs.

15

Extract C Merger blocked

In June 2019 the European Competition Commission blocked the proposed merger between Tata Steel and Thyssenkrupp. It concluded that the merger would cause a reduction in competition which would result in a significant increase in the price of steel. During the investigation the Commission received feedback from car manufacturers and firms in the packaging industry. These industries believed the merger would give Tata Steel and Thyssenkrupp more dominance in the market. This would be likely to result in higher costs of production that would make it difficult for firms in these industries to remain profitable.

5

Employees of Tata Steel and Thyssenkrupp were concerned that the merger would create a monopsony employer of steel workers in the UK and the Netherlands. Employees expected job losses and lower real wages. This would have a negative effect on their standard of living as they would have no alternative employer for their skill set.

10

- (8)





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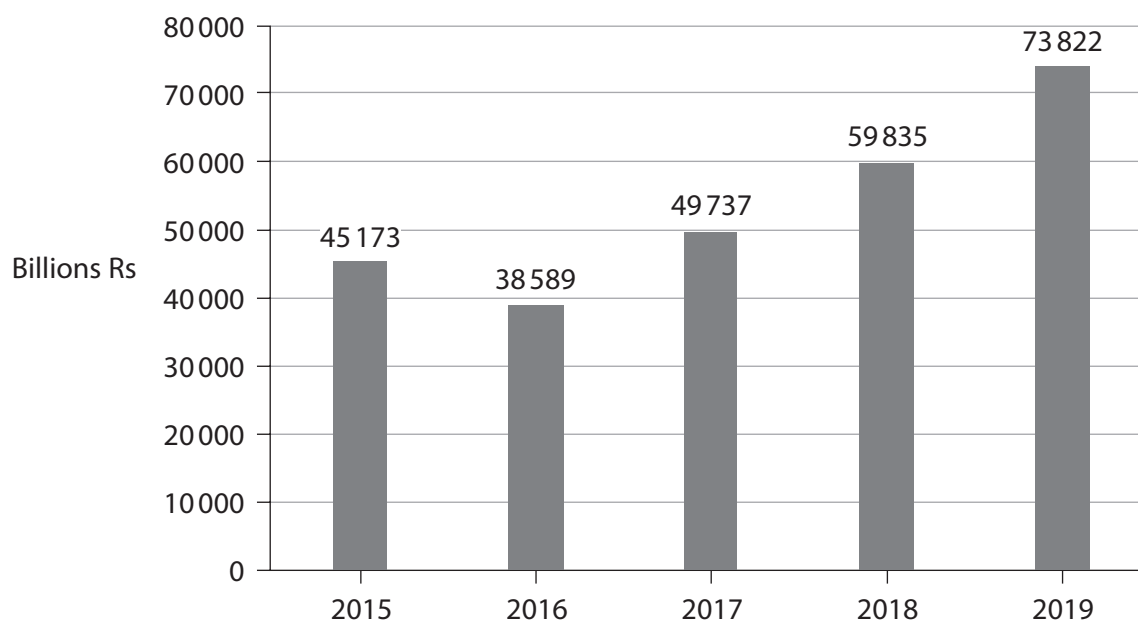
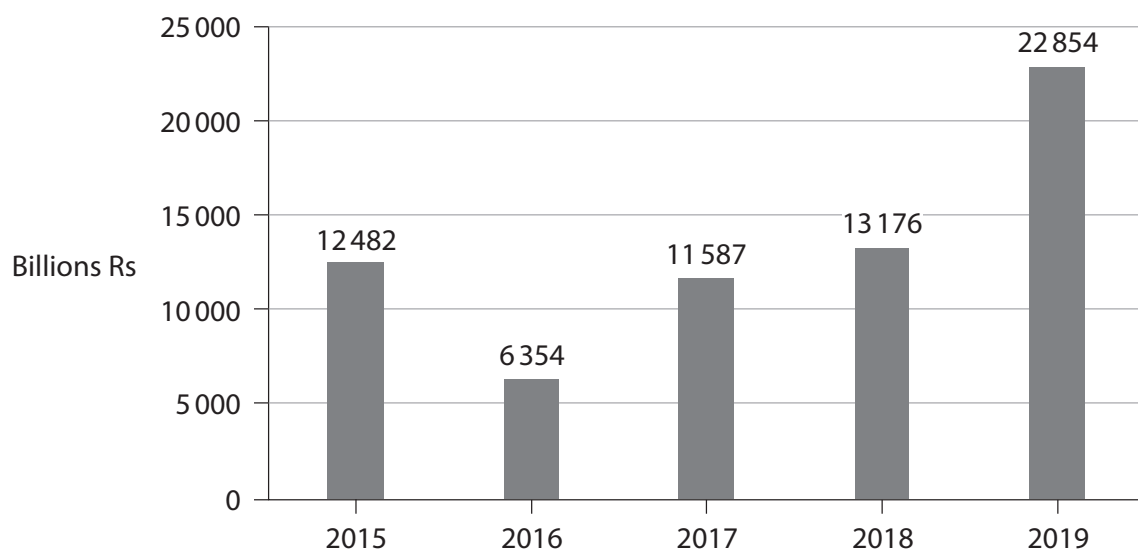


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5

Employees of Tata Steel and Thyssenkrupp were concerned that the merger would create a monopsony employer of steel workers in the UK and the Netherlands. Employees expected job losses and lower real wages. This would have a negative effect on their standard of living as they would have no alternative employer for their skill set.

10

Illustrate your answer with an appropriate diagram.





(TOTAL FOR SECTION B = 34 MARKS)

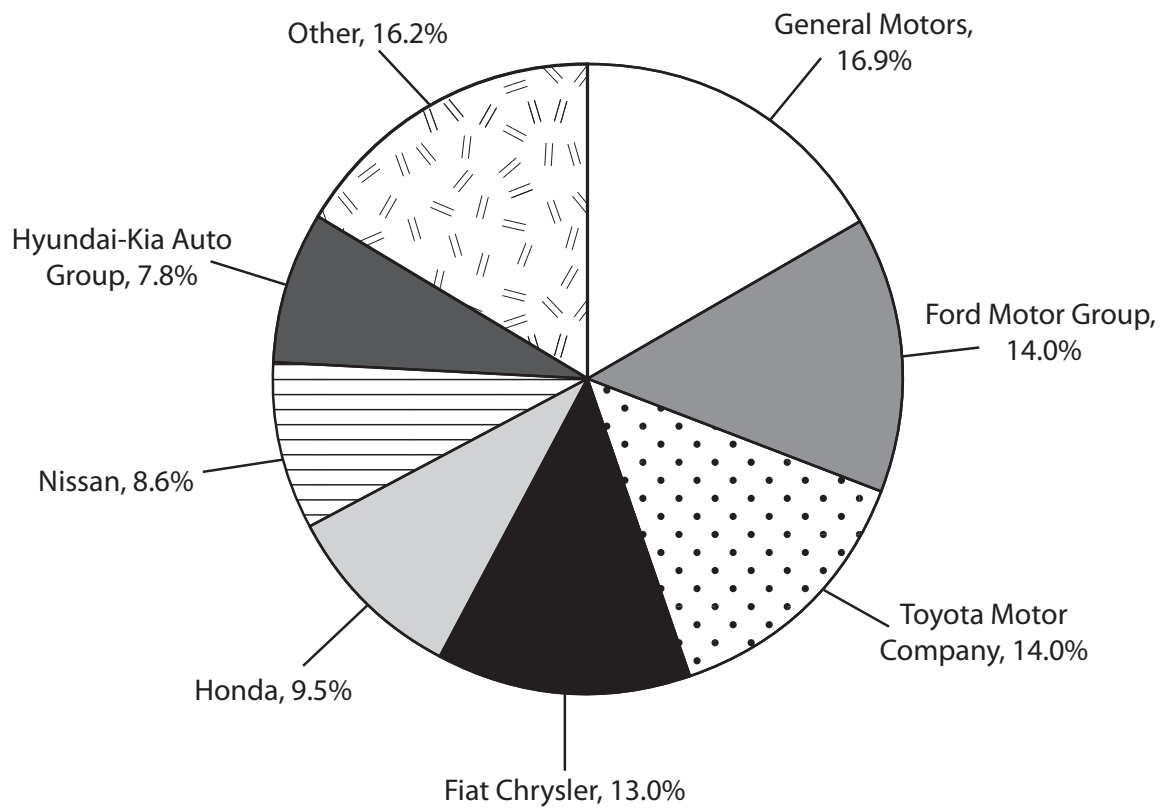


SECTION B

**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 for the US car market in 2019. (2)
- (b) With reference to Extract A, explain what is meant by 'horizontal integration'. (4)
- (c) With reference to Extract A, analyse **two** barriers that Stellantis are likely to experience when trying to increase market share in China. (6)
- (d) With reference to Extract A, examine the impact of an increase in car sales in the USA on the profits of Stellantis.
Illustrate your answer with an appropriate diagram. (8)
- (e) With reference to the information provided and your own knowledge, discuss the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers. (14)



Sources for use with Section B**The car industry****Figure 1****Percentage market share of car manufacturers in the USA, 2019**

Extract A PSA Group and Fiat Chrysler merger

In January 2021 PSA Group and Fiat Chrysler agreed to merge, creating the world's third largest car manufacturer by volume. The new firm, named Stellantis, includes well-known car brands including Peugeot, Citroen and Vauxhall from PSA Group and Alfa Romeo, Jeep and Lancia from Fiat Chrysler. The ownership of the firm is split evenly between the shareholders of PSA Group and Fiat Chrysler. As a result of this merger, Stellantis owns manufacturing plants all over the world including the Netherlands, the USA and the UK. It has an expected annual turnover of over €170 billion. 5

This horizontal integration is expected to benefit both firms. Each firm will benefit from cost savings by sharing production expertise and technical knowledge. It is estimated that there will be an annual cost saving of €3.4 billion from purchasing economies of scale. PSA Group has gained access to the American car market, where Fiat Chrysler already has a significant market share, with 3 000 car showrooms across the USA. Following the merger, in Q1 2021 Stellantis experienced a 25% increase in revenue as a result of an increase in car sales in the US market. 10 15

Fiat Chrysler will benefit from gaining access to PSA Group's research and development into electric cars. This is important for the firm because demand for electric cars is increasing globally. PSA Group has developed a range of low-emission vehicles that Fiat Chrysler does not have the technology to produce. Electric cars are also important when moving into foreign markets such as China. Since 2010, the demand for electric cars in China has been rising steadily. In 2020 38% of global sales of electric cars were in China. 20

The shareholders of Stellantis hope that the firm will be able to compete more effectively in China, the world's biggest car market. In 2020 PSA Group and Fiat Chrysler had a combined market share of only 1% in the Chinese car market, whereas Chinese car firms had a 40% market share. In addition, a number of other well-established firms are operating in the Chinese car market including Volkswagen, Honda and Toyota. Trying to increase market share in China may prove to be difficult for Stellantis. Good communication and clear management will be essential if Stellantis is to be successful. 25

Extract B Concerns over factory closures

Trade unions are concerned that Stellantis will close factories to cut costs. Unite, the UK-based trade union negotiating on behalf of the 3 000 Vauxhall employees, has requested a meeting with the head of Stellantis, to prevent possible factory closures. The skilled car workers are highly specialised. Therefore, if these factories were to close, it would be very difficult for the workers to find new jobs without training. 5



(14)





TOTAL FOR SECTION B = 34 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 Amazon's revenue between 2010 and 2020. (2)
- (b) With reference to Figure 2, explain the market structure of cloud infrastructure providers. (4)
- (c) With reference to Extract A, analyse the likely impact on consumers of **two** methods by which Amazon competes with other retailers. (6)
- (d) With reference to Extract A, examine **two** likely effects of the global health crisis on Amazon's profits. (8)
- (e) With reference to Extract B and your own knowledge, discuss reasons why many SMEs in South Africa shut down in 2020. (14)
- Illustrate your answer with an appropriate diagram.

Sources for use with Section B

The impact of the global health crisis

Figure 1 Amazon's annual revenue, 2010–2020 (billion US dollars)

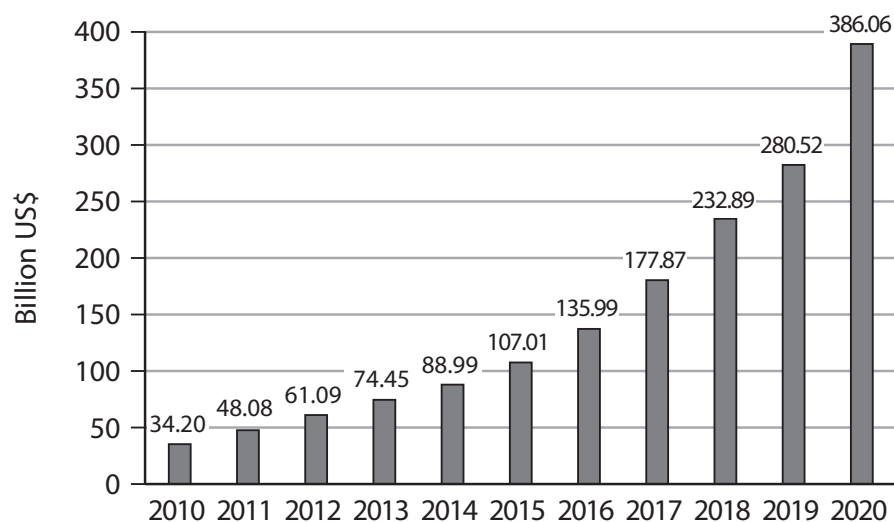
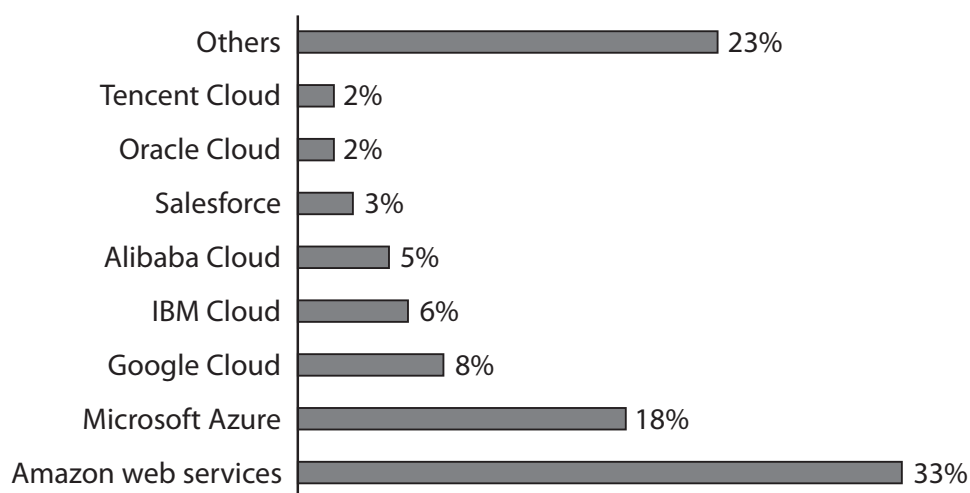


Figure 2 Worldwide market share of cloud infrastructure providers by revenue, Q4 2019



Extract A Amazon

Amazon, the American global distribution business, increased its revenue from \$280.5 billion in 2019 to \$386.1 billion in 2020. For the year ending 31 March 2021 its profit was \$167.6 billion. The business operates mainly online but it also has several physical stores. Amazon's success has been driven by its methods of competition including its focus on convenience, fast delivery, low prices and choice for its consumers. Over 28% of consumers complete an Amazon order in three minutes or less and 50% of consumers in under 15 minutes. Amazon produces its own products such as Amazon Prime, Alexa, Kindle, Fire and Echo, as well as selling millions of additional products. Amazon also offers the opportunity for third party suppliers to sell on its website.

5

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During 2020, the global health crisis prevented consumers from visiting physical stores. As a result many people used Amazon to purchase products online. This led to an increase in the demand for goods supplied by Amazon. Its costs of production increased by \$4 billion, mainly as a result of employing an additional 400 000 workers in 2020. By the end of the year, it employed 1.3 million full-time and part-time workers globally. A fall in labour productivity also caused an increase in costs.

15

Extract B Small and medium-size enterprises (SMEs) in South Africa

As a result of the global health crisis the revenues of many South African enterprises fell significantly. In July 2020 a management consultancy company conducted a survey of 4 500 businesses in South Africa to examine the impact of the global health crisis. It reported that 21% of enterprises were closed but, of these, 64% indicated that they expected to reopen.

5

The survey also established that SMEs were 26 times more likely to close than much larger enterprises. In addition, SMEs would require R1.1 trillion of government financial support in order to remain open in 2021. In South Africa SMEs make up 98.5% of the total number of enterprises and contribute 39% to the country's GDP.

10

In the survey 70% of SMEs reported that they cut back on spending to survive. Over half of medium-sized enterprises were only able to survive by closing parts of their business or reducing capacity until the economic situation improved. However, the revenue of many SMEs did not cover their variable costs and they were forced to shut down.

The survey findings were not all negative. Those SMEs offering essential services, such as food, reported an increase in revenues. Although costs had also risen, profits had either remained constant or had increased.

15

(14)



68

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

SECTION C**Answer TWO questions from this section.**

- 8** In July 2017 the German retailer Metro Group demerged into two independent companies. Its wholesale and food division became New Metro and a separate consumer electronics business, CECONOMY, was formed.

Evaluate the possible benefits of a demerger for the business **and** its workforce.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** By 2017 Ethiopia was one of very few African countries that had not privatised its telecommunications market and introduced competition. The state-owned company, Ethio Telecom, was the only firm in the market.

Evaluate the likely benefits of a monopoly to its consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2018 the Malaysian Government increased the monthly minimum wage for garment and textile workers from MYR 1 000 to MYR 1 500.

Evaluate the benefits of an increase in the minimum wage on businesses **and** workers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2017 19% of firms in the UK construction industry were small or medium-sized businesses.

Evaluate why some firms remain small.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** There are many hotel businesses in the Philippines that operate in a monopolistically competitive market.

To what extent would a perfectly competitive market be more efficient than a monopolistically competitive market?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** Garuda Indonesia is the country's national airline. In November 2017 the company's Vice-President stated that the airline's main objective was to maximise revenue.

Evaluate the extent to which different business objectives may affect a firm's profits.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** Visinema, an Indonesian company that produces TV shows and feature films, is expanding into neighbouring countries. The company is also planning to acquire several Indonesian animation studios.

For an industry of your choice, evaluate why many businesses have growth as their main objective.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In July 2020 the mobile phone company, MTN Ghana, had a 70% market share in Ghana. The competition authorities in Ghana stated that this was preventing new firms from entering the market and was having a negative effect on the quality of service.

For an industry of your choice, to what extent is a monopoly market structure *inefficient*?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In February 2020 the Indian Government announced plans for university degrees to be fully accessed online. This was to make higher education more accessible and to increase the skills of India's young people. Previously only 20% of a degree could be studied online.

Evaluate measures to reduce the occupational and geographical immobility of labour.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2021, the UK-based firm PhotonLens, which produces virtual reality smart glasses, merged with the Chinese firm Shadow Creator, which specialises in virtual reality software.

Evaluate the benefits of growth by merger.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** The tax authority in Singapore offers a tax incentive of up to S\$100 000 to new businesses in their first three years of trading. The objective of this scheme is to promote competition.

Evaluate methods that a government could use to promote competition in a market.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** The Indian premium smartphone industry is dominated by three firms: Apple, Samsung and OnePlus. These firms compete mainly using non-price competition.

Evaluate the use of non-price and price competition in oligopolistic markets.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)

SECTION C**Answer TWO questions from this section.**

- 8** In January 2022 the Australian firm Peak Minerals demerged from Vertex Minerals. The main reason for the demerger was to enable Peak Minerals to focus on copper and gold mining production in Western Australia.

Evaluate the possible benefits of a demerger.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In February 2020 the European Commission fined the Spanish hotel group Meliá €6.678 million for charging consumers from different EU countries different prices for the same rooms.

Evaluate the possible benefits of price discrimination to both the business and consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In January 2022 the Government of Greece announced plans to raise the national minimum wage by 2% to €773 per month. However, many restaurant owners are worried about the impact of this increase in the minimum wage on their businesses.

Evaluate the likely microeconomic effects of an increase in the national minimum wage on an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** The Government of Norway fully subsidises university education. Universities in Norway have social objectives rather than a profit maximising objective. By contrast, in the USA, students pay fees to study at profit maximising universities.

Evaluate the view that the objectives of state-owned enterprises and private sector organisations always differ.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** The global supermarket chain, Walmart, operates 10 500 stores in 24 countries. It has monopsony power when buying agricultural products and employing labour in these countries. A 2021 study suggested that Walmart buys these agricultural products at a lower price than when they are sold to other businesses.

Evaluate the likely impacts of monopsony power on employees and suppliers.

Refer to a firm with monopsony power in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2022, the Canadian airline WestJet completed a takeover of Sunwing Travel Group, an airline and luxury holiday provider. WestJet's objective was to sell luxury flights and holidays to more destinations.

Evaluate the benefits of growth by takeover for a business in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In October 2023, Lidl was the fastest-growing supermarket by revenue in the UK. The business opened 25 new stores in 2023 and plans to open a further 50 by 2025.

Evaluate the benefits of organic growth to a business such as Lidl.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2023 the Government of Mexico intervened in the country's labour market by:

- increasing the daily minimum wage by 20% to 207.44 pesos
- setting a maximum of 48 hours per week for a full-time employee.

Evaluate the economic benefits of government intervention in labour markets.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2022 the South Korean competition authority fined 15 shipping companies \$63 million. These companies were found guilty of fixing prices by colluding.

Evaluate the benefits of collusion in a market of your choice.

Illustrate your answer with a simple game theory model.

(Total for Question 10 = 20 marks)



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)



SECTION C**Answer TWO questions from this section.**

- 8** 60% of the world's cocoa is produced by 2.5 million farming families in Ghana and Cote d'Ivoire. Much of this cocoa is sold to multinational companies for processing into chocolate. However, cocoa workers receive only 6% of the price of a bar of chocolate.

Evaluate measures that a government can use to protect employees **and** suppliers in a product market of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** Sabesp is a natural monopoly supplying water in São Paulo, Brazil.

Evaluate the benefits of a natural monopoly supplying a product or service in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2024 Premby Group, a digital security business based in Nigeria, merged with Peleza, a business specialising in making background security checks, based in Kenya.

Evaluate the benefits of the growth of a business by merger in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SUB-TOPIC 3.3.1.3

BUSINESS OBJECTIVES

Sub-topic 3.3.1.3 · 13 questions · 108 marks · lowest tariff first



5 A monopoly is operating at its revenue maximising output.

Which **one** of the following is true?

- ☐ A Marginal revenue is equal to marginal cost
- ☐ B Average revenue is equal to average cost
- ☐ C Average fixed costs are rising
- ☐ D Marginal revenue is zero

(Total for Question 5 = 1 mark)

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

- ☐ A Labour costs form a high proportion of total costs
- ☐ B Labour cannot be easily replaced by capital
- ☐ C Consumer demand for the final product is inelastic
- ☐ D A long training period is needed once workers have been recruited

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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** Mara Phone is a new smartphone developed by the African conglomerate, Mara Group. The business is aiming to grow its market share by maximising its sales.

Which **one** of the following conditions is necessary for Mara Group to maximise sales volume of this new phone without making a loss?

- ☐ **A** Marginal revenue equals marginal cost
- ☐ **B** Average revenue equals average cost
- ☐ **C** Marginal revenue equals zero
- ☐ **D** Average revenue equals marginal revenue

(Total for Question 1 = 1 mark)

- 2** A Swedish company, Lantmännen, is an agricultural business owned by 25 000 farming partners.

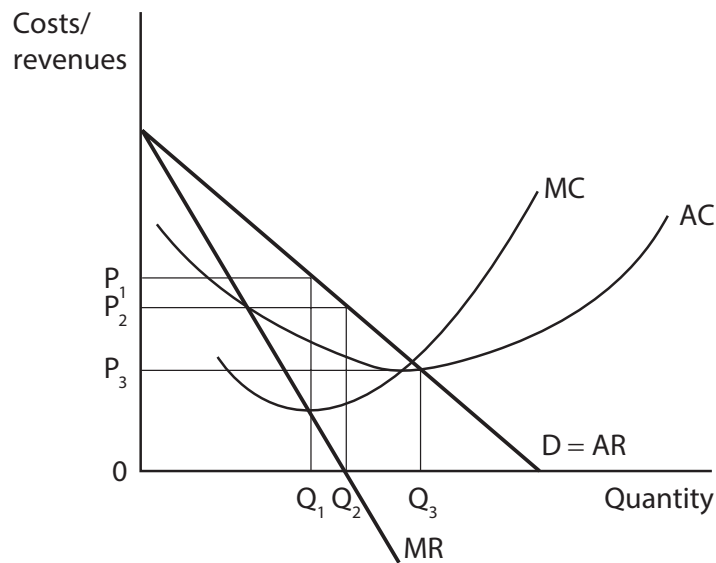
Which **one** of the following is the best description of this type of business?

- ☐ **A** State-owned enterprise
- ☐ **B** Joint venture
- ☐ **C** Conglomerate
- ☐ **D** Co-operative

(Total for Question 2 = 1 mark)



6 A monopolist decides to set its price at P_3 , as shown in the diagram.



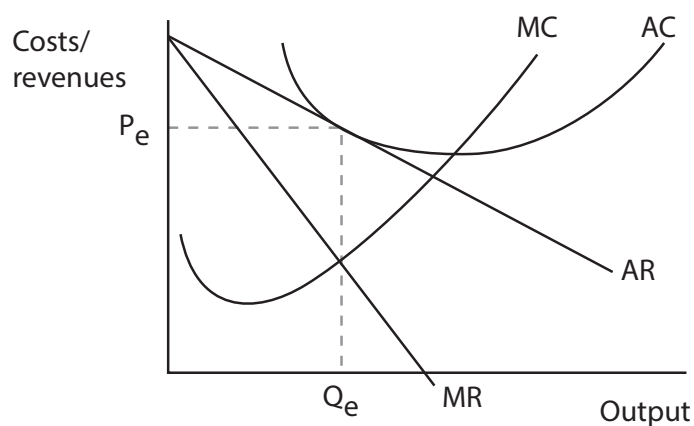
Which **one** of the following business objectives is shown by this pricing decision?

- ☐ A Revenue maximisation
- ☐ B Sales volume maximisation
- ☐ C Profit maximisation
- ☐ D Satisficing

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

- 4 The diagram shows the short-run cost and revenue curves for a profit maximising street food business in Sri Lanka.



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

- ☐ A The firm is dynamically efficient
- ☐ B The firm is making normal profit
- ☐ C The firm operates in a perfectly competitive market
- ☐ D The firm will shut-down in the short-run

(Total for Question 4 = 1 mark)

- 5 A monopolist changes its objective from profit maximisation to sales volume maximisation.

Which **one** of the following is the most likely impact of this decision?

- ☐ A A fall in the number of workers employed by the firm
- ☐ B An increase in the price of the good
- ☐ C A fall in the firm's total fixed costs
- ☐ D An increase in the firm's output

(Total for Question 5 = 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



5 A profit maximising firm decides to change its objective to revenue maximisation.

Which **one** of the following combinations is the most likely impact of this decision?

	Supernormal profit	Price
☐ A	No change	No change
☐ B	Increase	Increase
☐ C	Decrease	Decrease
☐ D	Increase	No change

(Total for Question 5 = 1 mark)

6 A 2022 study found that the geographical mobility of labour in the USA has been decreasing for the last 30 years.

Which **one** of the following is most likely to cause a **decrease** in the geographical mobility of labour?

- ☐ A An increase in the skills of the workforce
- ☐ B An increase in relocation grants provided by the government
- ☐ C An increase in average house prices and rents
- ☐ D An increase in the availability of affordable housing

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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)

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** Integris, a UK-based management services business, was founded in 2021 as a result of the merger of several businesses providing similar services. This enabled it to benefit from internal economies of scale.

Which **one** of the following is an example of internal economies of scale?

- ☐ **A** Availability of a skilled labour force
- ☐ **B** Access to transport links
- ☐ **C** Lower corporation tax
- ☐ **D** Purchasing supplies in bulk

(Total for Question 1 = 1 mark)

- 2** A monopoly sets its price at the output where average revenue is equal to average cost.

Which **one** of the following best describes this firm's objective?

- ☐ **A** Revenue maximisation
- ☐ **B** Profit maximisation
- ☐ **C** Sales maximisation
- ☐ **D** Profit satisficing

(Total for Question 2 = 1 mark)

- 3** In 2024, the Government of Japan decided to subsidise construction companies to modernise old homes in the city of Kyoto.

Ceteris paribus, which **one** of the following is the most likely impact of this policy?

- ☐ **A** The price elasticity of supply of construction workers would increase
- ☐ **B** The demand for construction workers would increase
- ☐ **C** The skills of construction workers would decrease
- ☐ **D** Wage rates for construction workers would decrease

(Total for Question 3 = 1 mark)



SECTION C**Answer TWO questions from this section.**

- 8** In 2017 19% of firms in the UK construction industry were small or medium-sized businesses.

Evaluate why some firms remain small.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** There are many hotel businesses in the Philippines that operate in a monopolistically competitive market.

To what extent would a perfectly competitive market be more efficient than a monopolistically competitive market?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** Garuda Indonesia is the country's national airline. In November 2017 the company's Vice-President stated that the airline's main objective was to maximise revenue.

Evaluate the extent to which different business objectives may affect a firm's profits.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2020 three pharmaceutical firms Lexon, King Pharmaceuticals Ltd and Alissa Healthcare Research Ltd, were found to have illegally shared information in order to keep prices artificially high. Each firm was fined £1.2 million for this collusion by the UK competition authorities.

Evaluate the possible benefits of collusive behaviour between firms.

Use a simple game theory model in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2019 the New Zealand Government created a new organisation to regulate the local monopolies that supply water. This organisation imposed a price cap that resulted in these water companies making insufficient profit for investment in improving water quality.

Evaluate methods that a government could use to control monopoly behaviour.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** JBS is the largest meat processing firm in the world, as measured by value of sales. Its revenue was \$814.5 million in 2020. After a significant increase in sales to China in quarter 4 2020, its total revenue from sales to China rose by 60%.

Evaluate the view that revenue maximisation is always the main objective of a firm.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** The Government of Norway fully subsidises university education. Universities in Norway have social objectives rather than a profit maximising objective. By contrast, in the USA, students pay fees to study at profit maximising universities.

Evaluate the view that the objectives of state-owned enterprises and private sector organisations always differ.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** The global supermarket chain, Walmart, operates 10 500 stores in 24 countries. It has monopsony power when buying agricultural products and employing labour in these countries. A 2021 study suggested that Walmart buys these agricultural products at a lower price than when they are sold to other businesses.

Evaluate the likely impacts of monopsony power on employees and suppliers.

Refer to a firm with monopsony power in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2022, the Canadian airline WestJet completed a takeover of Sunwing Travel Group, an airline and luxury holiday provider. WestJet's objective was to sell luxury flights and holidays to more destinations.

Evaluate the benefits of growth by takeover for a business in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



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)



SECTION C**Answer TWO questions from this section.**

- 8** In 2018 the US-owned business Toys “R” Us shut down after not being able to cover its costs.

Evaluate the view that a business will always shut down if it is not able to make a normal profit.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** The tyre market in India is dominated by three large businesses, MRF, Apollo Tyres and JK Tyres, with a combined market share of 70.4%. The price of tyres has remained relatively stable over time.

With reference to an industry of your choice, evaluate the likely disadvantages for a business operating in an oligopolistic market structure.

Illustrate your answer with a payoff matrix diagram.

(Total for Question 9 = 20 marks)

- 10** Jeff Bezos owns 12.7% of Amazon shares and works as the Executive Chair of the board of directors. By contrast, Daniel Kretinsky owns 22% of the shares in the UK’s Royal Mail Service but he does not work for the company.

Evaluate the likely impact of the divorce of ownership from control on business objectives.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is not correct because this is profit maximisation C is not correct because this is revenue maximisation D is not correct as this will not maximise sales	(1)
2		The only correct answer is D A is not correct because the government does not own the business B is not correct as these firms are not starting a new business C is not correct because these firms produce the same items	(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 B A is not correct because this is an average variable cost curve C is not correct as there is no change in cost per output D is not correct because the curve is upward sloping	(1)
4		The only correct answer is C A is not correct because this will affect the supply of labour B is not correct as this will affect the supply of labour D is not correct because will affect the supply of labour	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	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 this is the lowest point on the AC curve C is incorrect because this is where change in TC is constant D is incorrect because this is the equilibrium for revenue maximisation	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because Sony and Honda are two different companies B is incorrect because they are privately owned companies D is incorrect because the two companies are at different stages of production in different markets	(1)
3	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 D A is incorrect because the demand for labour would be elastic B is incorrect because this impacts the elasticity of supply of labour C is incorrect because this impacts the elasticity of supply of labour	(1)
4	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 B A is incorrect because the firm would shut down in the short-run C is incorrect because the firm is covering ATC and therefore would not shut down in the long-run D is incorrect because the firm is covering ATC and therefore would not shut down in the long-run	(1)



Question Number	Quantitative skills assessed	Answer	Mark
1	–	The only correct answer is B <i>A is not correct because they are in the same industry</i> <i>C is not correct because they are at the same stage of the production process</i> <i>D is not correct because they are at the same stage of the production process</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the firm is able to cover its average variable costs</i> <i>B is not correct because the firm has not covered its's average total costs</i> <i>C is not correct because the firm can cover average total costs and make normal profit</i>	(1)
3	QS8: Make calculations of elasticity and interpret the result.	The only correct answer is A <i>B is not correct because this would imply that the supply of aerospace engineers is elastic</i> <i>C is not correct because an increase in government support into training programmes would make the supply of labour more elastic</i> <i>D is not correct because a fall in the demand for aerospace products would impact the demand for labour not the elasticity of supply of labour</i>	(1)

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 D <i>A is not correct because the takeover would decrease contestability</i> <i>B is not correct as the takeover will combine the two businesses and is likely to increase total costs</i> <i>C is not correct because the takeover would reduce competition in the market</i>	(1)
2	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.	The only correct answer is C <i>A is not correct as it does not use the correct firms in calculation</i> <i>A is not correct as it does not use the correct firms in the calculation</i> <i>D is not correct because it includes 'others' in the calculation</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct as the increase in minimum wage would cause unemployment</i> <i>B is not correct because there is a contraction of demand</i> <i>C is not correct because there is an extension of supply</i>	(1)

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 the firms are at the same stage of production B is incorrect because the firms are at the same stage of production D is incorrect because the firms are in the same industry	(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 D A is incorrect because marginal costs are rising B is incorrect because there are diseconomies of scale C is incorrect because marginal costs are rising	(1)
3	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 B A is incorrect because this is the increase in the wage for the original 50 workers C is incorrect because this is the total cost of employing 50 workers D is incorrect because this is the total cost of employing 51 workers	(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 D A is incorrect because the number of firms would fall B is incorrect because the firm is making a loss C is incorrect because the firm is making a loss and the number of firms would fall	(1)
5	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 D A is incorrect because at this level of output profits would be maximised B is incorrect because at this level of output total revenue will not be maximised C is incorrect because at this level of output average revenue will be greater than zero	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because this indicates that barriers to entry are low C is incorrect because this would encourage entry into the industry	(1)

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 the firms are in the same industry B is incorrect because the firms are at the same stage of production D is incorrect because the firms are at the same stage of production	(1)
2	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 B A is incorrect because this is the MR at \$12 C is incorrect because this is the average revenue at \$12 D is incorrect because this is the average revenue at \$14	(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 as the business will make normal profit C is incorrect because the business will reduce output D is incorrect because the price will fall	(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 D A is incorrect because average revenue would be greater than marginal cost B is incorrect because marginal revenue would be lower than average revenue C is incorrect because marginal revenue would be less than total cost	(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 A B is incorrect because this would result in an elastic demand for construction workers C is incorrect because this would result in an elastic demand for construction workers D is incorrect because this would influence the supply of construction workers	(1)
6	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 price would be below average cost C is incorrect because price leadership occurs when businesses follow the price of	(1)



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 D A is incorrect because this would not be affected by technical economies of scale B is incorrect because this would not be affected by technical economies of scale C is incorrect because economies of scale affect long-run average costs	(1)
2	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 B A is incorrect because this is the marginal cost of increasing the number of haircuts from 3 to 4 C is incorrect because this is the average variable cost of 3 haircuts D is incorrect because this is the average fixed cost of 4 haircuts	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because the demerger would have no effect on external economies of scale B is incorrect because the demerger would result in GSK becoming more specialised C is incorrect because GSK would be unlikely to want its long-run average costs to increase	(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 A B is incorrect because supernormal profit will encourage market entry C is incorrect because normal profit will be made in the long-run D is incorrect because normal profit will be made in the long-run	(1)
5	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 C A is incorrect because supernormal profit and price will change	(1)



Section B

Question	With reference to Figure 1, calculate the percentage change in electric car sales from 2013 to 2017. You are advised to show your working.	Mark
	Answer	
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 correct workings and calculation: • $13\,597 - 2\,512 = 11\,085$ (1) • $11\,085/2\,512 \times 100 = 441.28\%$ (2) Accept 441% to 441.3% NB: If correct answer is given award full marks regardless of working.	(2)

Section B

Question	With reference to Figure 1 and Extract A calculate the number of workers employed by SMEs in Bangladesh. 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. Up to 2 marks for calculation: • $20.2\% + 20.7\% = 40.9\%$ of employed people by SMEs (1) • $60.8 \text{ million} \times 0.409 = 24\,867\,200$ people employed by SMEs (1) NB: Award full marks for correct answer (24.9 million, 24.86 million / 24.867 million/ 24.8 million/25 million) NB: only award 1 mark if million omitted	(2)

Question Number	With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.	Mark
	Answer	
7(b)	Knowledge 2 Application 2 QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge 1 mark for definition • Definition of takeover- the acquisition of one business by another (1) Plus one mark for development • A business may decide to undertake a takeover as part of its strategy e.g. to increase market share/reduce competition/entry into new markets (1) • A takeover is an example of inorganic growth (1) • Can be friendly or hostile (1) Any other valid knowledge point - 1 mark Application - up to 2 marks for application to context of China's car industry • Geely has taken over Lotus/Geely bought a majority share in Lotus (1) • Geely hopes the takeover will increase its European sales (1) • Geely is trying to expand internationally through takeovers (1) • Horizontal integration as both are car manufacturers (1) Any other valid application point - 1 mark for each	(4)

Section B

Question	With reference to Figure 1, calculate the four-firm concentration ratio for the US car market in 2019. 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. Up to 2 marks for calculation: • $16.9 + 14 + 14 + 13$ (1) = 57.9% (1) NB: Award full marks for correct answer (57.9%) regardless of working. Award 1 mark without the percentage sign award e.g. 57.9 (1)	(2)

Question	With reference to Extract A, explain what is meant by 'horizontal integration'. 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: Up to 2 marks for the definition of horizontal integration: When two firms merge at the same stage of the production process (1) in the same industry (1) Application: Up to 2 marks for application to context of PSA Group and Fiat Chrysler merger • PSA Group and Fiat Chrysler merge to create Stellantis (1) • PSA Group and Fiat Chrysler merge to create the world's third biggest car manufacturer by volume (1) • PSA Group and Fiat Chrysler both produce cars (1)	(4)

Question	With reference to Extract A, analyse two barriers that Stellantis are likely to experience when trying to increase market share in China. Answer	Mark
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 1 mark for a definition of barriers to entry- factors that prevent or make it difficult for new firms to enter a market (1) Up to 2 marks for identifying two barriers and 1 mark for linked expansion of each e.g. • Lack of knowledge/experience/ language/cultural awareness of the market (1) makes it more difficult for Stellantis to adapt cars to meet consumer's needs (1) • High levels of competition in the Chinese market (1) increases marketing costs and risks (1) • Brand loyalty (1) consumers will have habitual consumption of cars making it difficult to sell in the market (1) • High sunk costs (1) makes it more expensive to enter the new market/gain market share (1) Application Up to 2 marks for application to Extract A • In 2020 the two firms had a total 1% market share in China (1) • Chinese car firms had a 40% market share (1) • The Chinese car market is dominated by many well-established firms including Volkswagen/Honda/Toyota (1)	(6)

Section B

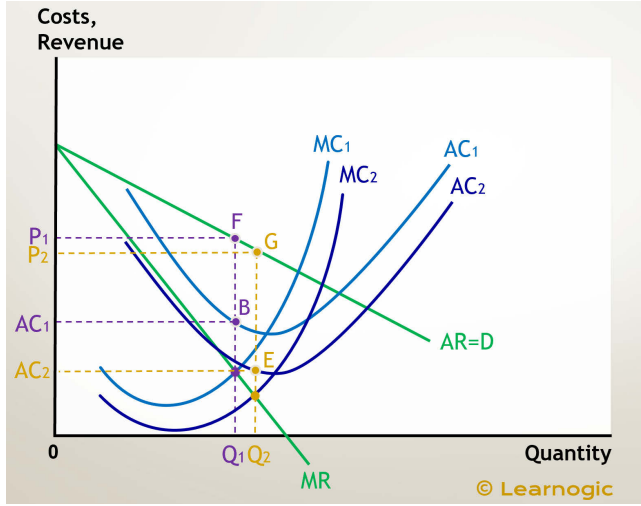
Question	With reference to Figure 1, calculate the change in Uniqlo's total costs between 2021 and 2022. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculation: 2021 total costs: $(2132 - 1073) = ¥1\,059\text{ bn}$ 2022 total costs: $(2301 - 1206) = ¥1\,095\text{ bn}$ $1\,095 - 1\,059$ (1) Change in total costs = $¥36\text{ bn}$ (1) Percentage change $(36/1059) \times 100$ (1) = 3.4% (1) NB: Award full marks for correct answer (36 bn/ 3.4%) regardless of working Award only 1 mark if billion/% is not included in final answer	(2)

Question	With reference to the first paragraph of Extract A, explain what is meant by the term 'organic growth'. 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: Up to marks for correct definition and development of the term 'organic growth' (1+1) e.g.: Organic growth refers to the expansion of a company's operations (1) Internally/ e.g. Marketing/opening more stores/ hiring more workers / without relying on mergers/acquisitions/integration (1) Application: Up to 2 marks for application to context of Uniqlo's organic growth (1+1) e.g.:	(4)

	- Uniqlo started to sell in other countries such the USA /China/UK/ Australia/South Korea (1) - Uniqlo expanded through a process of organic growth (1) - The company opened stores in large cities within each country (1)	
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Question	With reference to the second paragraph of Extract A, analyse two reasons why Uniqlo has been very successful in establishing itself in international markets. Answer	Mark
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 why Uniqlo has been very successful in establishing itself in international markets and 1 analysis mark for each linked expansion of each reason: - Price competition/Low prices (1K) consumers are more able to afford to purchase Uniqlo's clothes (1AN) - Non price competition (1K) differentiates the product improving competitiveness - More innovative products/improving quality (1K) better meeting consumer needs and increasing consumer welfare (1AN) - Increased brand awareness/Advertising/Celebrity endorsements (1K) better marketing increases brand awareness and increases demand for Uniqlo's products.(1AN) Application Up to 2 application marks for reference to the second paragraph of Extract A: - Uniqlo competes with other brands such as Zara and H&M (1) - Uniqlo uses ultra-lightweight and heat-generating fabrics (HeatTech) (1) - Uniqlo works with well-known designers and celebrities/Alexander Wang (1) - Uniqlo has also invested heavily in advertising (1) - Uniqlo was the first business in this market to use fast-moving digital images in its stores (1)	(6)

Question	With reference to Extract C, explain what is meant by organic growth. 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: Up to 2 marks for correct definition: • Growing internally/ natural growth (1) • Expansion of a firm's operations/entering new markets/increasing sales/opening new stores (1) • Growth without merger/takeover/acquisition/integration (1) Application: Up to 2 marks for application to Extract C (1+1) e.g.: • McDonald's opened a new café - CosMc's (1) • It plans to open CosMc's in 10 different locations/in Texas, USA, by December 2024 (1) • It plans to expand CosMc's globally/open 10 000 new restaurants worldwide by 2027 (1) • McDonalds enter on the go market/beverage market (1)	(4)

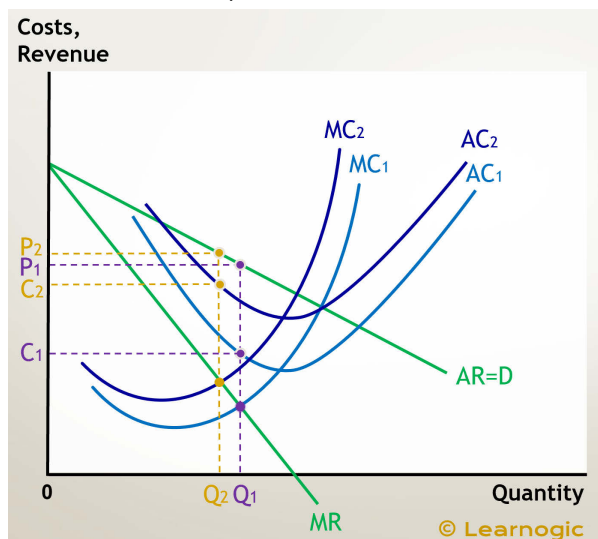
Question	With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits. Illustrate your answer with an appropriate diagram. Answer	Mark
7(d)	Knowledge 2 Application 2 Analysis 2 Evaluation 2 Quantitative skills assessed: QS4: Construct and 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: - Original AR, MR, AC₁, MC₁ and profit maximisation equilibrium (1) - Original supernormal profit area FBAC₁P₁ (1) Analysis A diagram that shows knowledge of: - Decrease in variable cost would cause downward shift in MC and AC curves to MC₂ and AC₂ (1) - New higher quantity, lower price and increased supernormal profit identified GEAC₂P₂ (1) Application Up to 2 marks for application to Extract B: - Uniqlo hopes to negotiate favourable deals with suppliers of cotton and dyes (1) - Uniqlo will invest in technology and automation to replace workers (1)	(8)

Question	With reference to Extract B and your own knowledge, analyse two reasons why some bicycle retailers remain small. 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 e.g.: - Declining sales/demand (1K) as consumers go back to their old routines/so less opportunity for small firms to grow their sales (1AN) - To provide niche products (1K) to meet specific consumer needs (1AN) - To provide flexibility (1K) so that the small firm can quickly adapt to changing market conditions (1AN) - A lack of access to finance (1K) limiting the ability of the retailers to become large/grow (1AN) - Objectives of the business (1K) mean that many small bicycle retailers do not wish to expand/exhibit satisficing behaviour (1AN) - Dominance of larger firms (1K) so smaller firms find it difficult to compete and therefore remain small (1AN) - Not enough customers/limited sales in the local market (1K) so there may not be enough demand to expand (1AN) Application: Up to 2 marks for use of Extract B and/or your own knowledge e.g.: - Small retailers offer unique expertise and specialist services such as bike fitting and servicing (1) - Reference to an example of a niche product e.g. e-bike/triathlon bike (1) - There are 2234 bicycle retailers in the UK (1) - High costs of advertising/branding (1)	(6)

Question Number	Answer	
7 (c)	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. Either Approach 1 Knowledge Up to 2 marks for drawing a diagram that shows knowledge of: - Original AR, MR, AC₁, MC₁ and profit-maximising equilibrium (1) - Decrease in variable cost would cause downward shift from MC and AC curves to MC₂ and AC₂ (1) Analysis Up to 2 marks for linked explanation of impact on car manufacturers' profits e.g.: - Car manufacturers face lower manufacturing costs (1) and if demand is unchanged then supernormal profits will increase (1) - Diagram showing increase in output at new MC=MR (1) with new profit area shown (1) Application Up to 2 marks for reference to Extract B - The merger would result in savings of €400 million' (1) 4000 reduction in staff from the merger (1) - The firms hoped to benefit from lower long-run average costs (1) OR Approach 2	

Knowledge

Merger causes increase in market power between the two firms.
This enables them to increase prices.



Up to 2 marks for drawing a diagram that shows knowledge of:

- Original AR, MR, AC₁, MC₁ and profit-maximising equilibrium **(1)**
- Increase in variable cost would cause upward shift in MC and AC curves to MC₂ and AC₂ **(1)**

Analysis

Up to 2 marks for linked explanation of impact on car manufacturers' profits e.g.:

- Profit-maximising (loss-minimising) output would fall from 0Q₁ to 0Q₂ / price will rise from 0P₁ to 0P₂ **(1)**
- Final profit-maximising (loss-minimising) equilibrium showing higher price, lower output **(1)** and fall in supernormal profit (C₁, P₁, Q₁ to C₂, P₂, Q₂) **(1)**

Application

Up to 2 marks for reference to Extract B

- The merged company would become the 2nd largest European steel manufacturer **(1)**
- 48000 workers & generate €15 billion in sales **(1)**
- Increased market power **(1)**

Evaluation 2

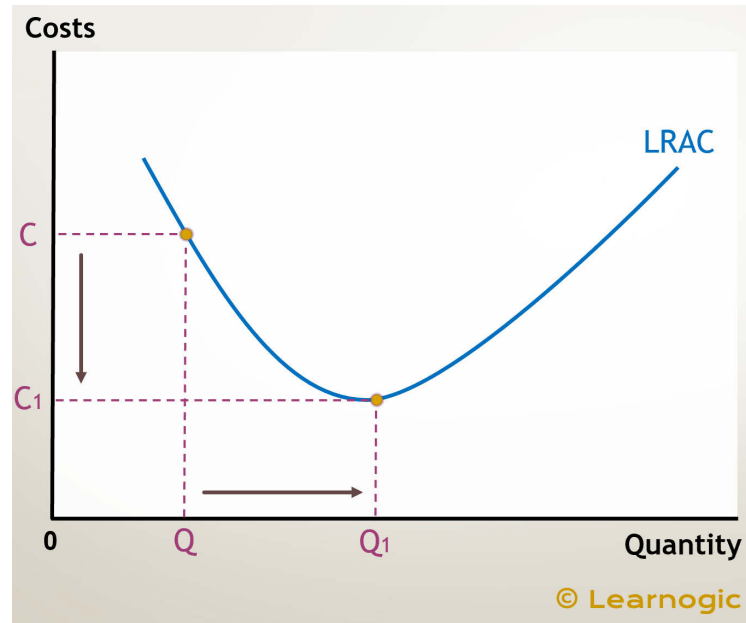
Up to 2 marks for evaluative comments, e.g.:

- Increased market power of the merged firms creates price setting ability **(1)** firms could raise prices to car manufacturers reducing profits **(1)**
- If demand is inelastic car manufacturers can raise prices **(1)** and increase revenues and profits **(1)**

	• If demand for cars is inelastic, car manufacturers will increase their prices (1) the increase in revenue will offset any increase in costs and profits remain the same (1) • It depends on the significance of steel as part of the production process. (1) If it is a small part of the total production costs the impact would be limited (1) • Merger may lead to lower average costs of production/economies of scale which may be passed on to car manufacturers (1) • Firms might be able to reduce costs elsewhere maintaining profits (1) • There is still competition in the steel market (oligopoly) (1) therefore prices may not increase significantly (1) • Car manufacturers may decide to switch to lower priced imported steel (1) steel costs may fall, increasing profits (1)	(8)
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Question Number	Indicative 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 QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, application, analysis (8 marks) – indicative content Definition of horizontal integration- when two firms merge at the same stage of the production process in the same industry • Firms in the Indian steel industry are dynamically efficient • Tata steel is the largest producer in India • It would become Europe's second largest steel producer generating €15bn in sales • Firms would be able to recover the fall of profits of between 8% and 17% after the tariff was imposed by the US their biggest export market • The efficiency savings would be worth over €400m • Reducing the number of employees by 4000 in administration (reduction in X-inefficiency) and manufacturing would reduce costs, increasing profits • The firm would benefit from lower LRAC - economies of scale • The firm may reach their minimum efficient scale • The firm may become more productively efficient • Dynamic efficiency may increase • Stronger monopoly power gives the firm greater price setting ability and higher prices may increase profits

Example of diagram showing LRAC falling as output increases



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 • Culture clashes may make it difficult for the firms to merge • Uncertainty may reduce employees' motivation and productivity • Diseconomies of scale may occur, e.g. if communication is difficult within the merged firm • Legal costs are high when merging, reducing profits • The firm will not become the largest steel producer in the market, limiting their price setting ability • Short-run impacts are not as significant as long-run impacts on the firm, it will take time for the new firm to establish how it will operate to see the maximum benefit • Cost saving might not be big enough to recover costs from fall in profits after tariffs imposed by the US • Risk of government intervention • Magnitude of the benefits in terms of size of the new merged firm • Tata Steel is already dynamically efficient	
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.

	Evaluation Up to 2 marks for evaluative comments, e.g.: • Growing into new markets may be difficult to manage causing diseconomies of scale (1) increasing costs and reducing profits (1) • Car sales growth may help achieve economies of scale (1) helping increase profits further (1) • The USA is only one of a number of markets for Stellantis (1) so profit levels could be impacted from other markets (1) • Changes in costs may impact the profit levels (1) • The increases in car sales may be temporary (1)	
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Question	With reference to the information provided and your own knowledge, discuss the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers. Indicative 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. Knowledge, Application, Analysis (8 marks) – indicative content Workers • If factories close to reduce costs, 3000 Vauxhall workers will lose their jobs making them unemployed and decreasing their standards of living • Workers are highly skilled, the factory closure could cause occupational immobility of labour in the sector. This may cause long-term unemployment • The government may need to increase training for these workers to provide more transferable skills • There may not be many job opportunities for car manufacturing employees. Workers may not want to move to areas with jobs available as a result of geographical immobility of labour

	Consumers - Stellantis may not lower prices in response to cost savings - If diseconomies of scale arise e.g. from managing a large number of brands, prices may rise - Development in technology only happens in the production process, quality may not improve - Increased market power may lead to increased prices - Choice may reduce as Stellantis reduce the models available If only one economic agent is considered then limit KAA to Level 2 Accept reverse argument	
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 Workers - The trade union is in talks with Stellantis and there might not be any factory closures - Employees might have some transferable skills and find job opportunities in other industries	

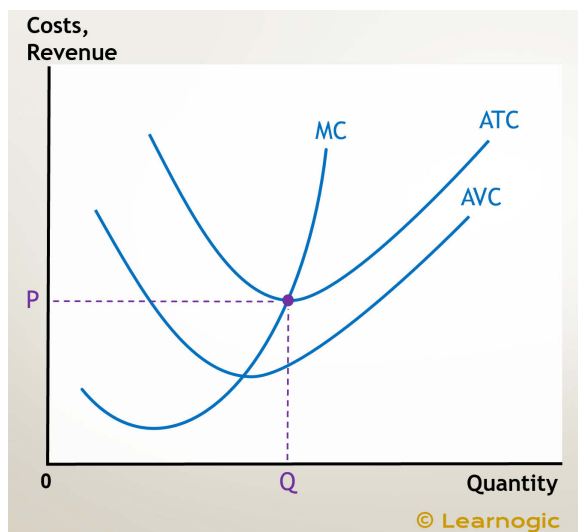
		• If training programmes are available, employees may become employed in the long-run • If factory closures are limited then the significance may not be as great • High skilled workers have high productivity and therefore are likely to find employment in other occupations Consumers • Increase in consumer surplus if prices fall after the merger and the firm benefits from economies of scale • Increase choice as firms share research and development into areas such as electric cars; creating new cars for consumers to purchase • Increase in quality products from the sharing production expertise and technological knowledge • New cars take a long time to develop and may have little impact in the short-run
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 possible benefits of collusive behaviour between firms. Use a simple game theory model in your answer.
	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. Knowledge, Application, Analysis (12 marks) – indicative content Indicative content • Definition of collusion – where firms agree to cooperate in their pricing and output policies. • Applies where the market is an oligopoly and the firms are interdependent. • Collusion provides the pharmaceutical companies with the ability to fix prices and limit output that wouldn't be possible if the firms were competing • Ability for each firm to increase its supernormal profit as consumers have to pay higher prices for goods • Collusive behaviour might increase entry barriers so enabling existing firms to increase their supernormal profits • Barriers enable firms to restrict competition increasing revenue and profits • Reduces unpredictability and uncertainty in the pharmaceutical market which may lead to higher levels of investment from firms/firms can save money by not competing helping to reduce costs and increase profits • Candidates provide an appropriate diagram e.g. below

Question	With reference to Extract B and your own knowledge, discuss reasons why many SMEs in South Africa shut down in 2020. Illustrate your answer with an appropriate diagram. Indicative 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: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (8 marks) – indicative content - Definition of shut-down point. - In the short-run a firm may shut down if the price it receives does not cover its average variable costs of production. - In the long-run firms will shut down as they cannot afford to produce more output therefore cannot make enough revenue to cover average total costs. - Reasons for shut down: - Fall in demand decreasing TR and AR - Increasing costs- ATC and AVC - Difficulties specific to SME- e.g. lack of retained profit © Learnogic

- Many SMEs are not receiving enough revenue to cover their variable costs. If this happens the firms will need to shut down in the short-run
- Diagram showing short-run price below AVC curve $0-P_1$ and shut down output $0-Q_1$
- The survey showed that small enterprises were 26 times more likely to close than larger enterprises
- SMEs required R1.1 trillion of government financial support if they were to have any chance of not shutting down in 2021



- When price is below ATC, the business would shut down in the long-run
- Reward diagrams that shift AR/MR appropriately

NB A diagram is required to achieve Level 3

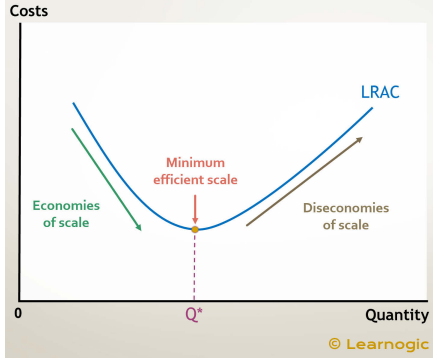
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has 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 • Not all firms were negatively impacted, essential services either increased profits or profits stayed the same • 64% of the enterprises that were closed indicated that they expected to reopen • If the R1.1 trillion of government financial support by the government is provided, enterprises would survive • 70% of enterprises reported that they cut back on business spending and possibly were able to survive by lowering costs • Half of medium-size enterprises were able to either close parts of their business or reduce capacity to decrease costs and prevent having to shut down	

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

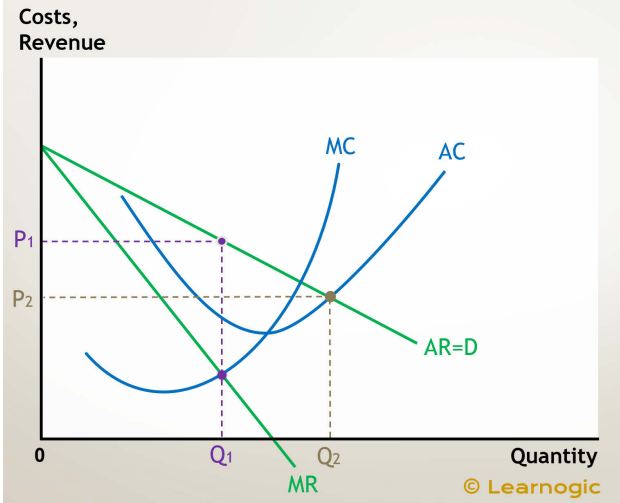
Question	Evaluate the benefits of growth by merger. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies 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. Knowledge, Application, Analysis (12 marks) – indicative content • Definition of merger: joining of two or more firms to form one organisation • Businesses such as PhotonLens and Shadow Creator would benefit from sharing resources, human capital, and expertise, to enable them to develop new products more quickly • Growth by merger enables businesses such as PhotonLens and Shadow Creator to enter new markets that they do not operate in such as moving from VR glasses into the software needed for these to work. This allows these firms to diversify and benefit from risk bearing economies of scale • Mergers increase market share more quickly than organic growth. This would increase sales, revenue, and profits • Businesses may benefit from increased profits through economies of scale if the merger allows production to rise and costs to fall. PhotonLens and Shadow Creator may be able to share development and innovation costs, reducing overall costs and increases profits • Firms may merge to guarantee supplies/lower costs of supplies (backward vertical integration) • Firms may merge to increase market share • Firms may merge to become more competitive • Firms may merge to eliminate competitors (horizontal integration) • Businesses can benefit from economies of scale and a fall in long-run average total costs. Long-run average total costs fall as output rises. Reducing costs and reaching the MES, improving productive efficiency

Section C

Question	In July 2017 the German retailer Metro Group demerged into two independent companies. Its wholesale and food division became New Metro and a separate consumer electronics business, CECONOMY, was formed. Evaluate the possible benefits of a demerger for the 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. Knowledge, Application, Analysis (12 marks) – indicative content - 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 the business: - Lower LRAC as the business was previously experiencing diseconomies of scale - Greater efficiency/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 or to pay off debts - Avoid intervention from competition authorities - the business may have been dominant in certain markets - Focusing on the core business may lead to higher profits - Specialised workforce enable 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 • More job opportunities - e.g. specialist staff will be needed for a food business and a consumer electronics business • Pay rises - if one or both companies find it difficult to recruit new staff • Working for smaller business units can be more motivating as communication improves (e.g. fewer layers of management) • A more focused business is able to provide more specialist training to improve skills making workers more employable Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no appropriate diagram provided or only one economic agent is considered.	
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 to businesses • Raising of funds through the sale - the impact depends on how the funds are used – e.g. pay outstanding costs or debts (more short-term) compared with using for further investment (more long-term) • The business may regret decision (in long-run) – if the demerged firm performs well under new ownership and/or was undervalued at the time of sale • The business may experience a rise in LRAC and a reduction in economies of scale - size of business now below point of minimum efficient scale • The cost of the demerger may outweigh the potential benefits e.g. legal fees, dispute in breaking up, possible redundancy costs, new IT systems required etc • Less access to sources of finance • More specialisation may lead to issues retaining staff • Possible fall in market power leading to lower supernormal profit Drawbacks to workers • A demerger may result in rationalisation and some job losses/unemployment • Workers may feel less secure in their jobs and de-motivated • Possible loss of benefits as no longer working for very large business • Tasks become monotonous as more specialised • Fewer opportunities for promotions as the business is smaller General points e.g.: • Short-run vs long-run impacts • Depends on the size of the demerger		
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	By 2017 Ethiopia was one of very few African countries that had not privatised its telecommunications market and introduced competition. The state-owned company, Ethio Telecom, was the only firm in the market. Evaluate the likely benefits of a monopoly to its consumers. 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. Knowledge, Application, Analysis (12 marks) – indicative content - Understanding of monopoly – the firm is the sole supplier in the market Benefits to consumers - A monopoly could offer new services with the knowledge that it will have no competition - Dynamic efficiency: Ethio Telecom might use supernormal profits for investment in new technology - If the monopoly is required by a government to produce the allocatively efficient level of output, then the price will reflect marginal cost and ensure that the goods produced reflect consumer demand - Some consumers may benefit if the monopolist price discriminates. This may reduce deadweight loss associated with a single price monopolist - A monopoly may need to keep prices low and continue to introduce new products in order to deter new entrants (contestable market) - price lowered from P_1 to P_2 and only normal profit made Award relevant diagram e.g.  © Learnogic

Question Number	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. Knowledge, Application, Analysis (12 marks) – indicative content • Lack of managerial skills - so the business remains small • Lack of availability of suitable labour • Lack of scope for growth within the market - because of limited market demand • Limits on the extent to which the firm is able to diversify ALL OF THE POINTS ABOVE MEAN THAT THE FIRM'S ABILITY TO GAIN FROM ECONOMIES OF SCALE IS LIMITED. Minimum efficient scale (MES) is reached at a low level of output • MES is reached at a relatively low level of output of Q_1. Any growth in size and output beyond Q_1 means that the small firm is less efficient and experiences diseconomies of scale

- The **objectives** of the owners/managers. Owner(s) may be **satisfied** with keeping the business small:
 - growth is risky
 - expensive
 - time-consuming
 - profit satisficing objective
 - owner's complacency
- **Limited access to finance:**
 - relatively small amount of retained profits
 - banking sector may be unwilling to lend
 - fewer options when raising external finance
- **High financial costs of growth:**
 - legal and administration costs
 - capital costs
 - hiring new staff
- **Many other firms competing in the market** - may be perfectly competitive or monopolistically competitive
- **Small firms may be able to group together to share resources** - no real need to grow
- **A small firm can offer specialised products/service** - appeals to consumers
- **The macroeconomic climate:**
 - Slow growth or recession in the economy
 - Low effective demand, low consumer purchasing power
 - Future uncertainty in the economy – economic, political etc.
 - High interest rates
 - High inflation rates
 - High unemployment rates

Points above should be illustrated with relevant examples

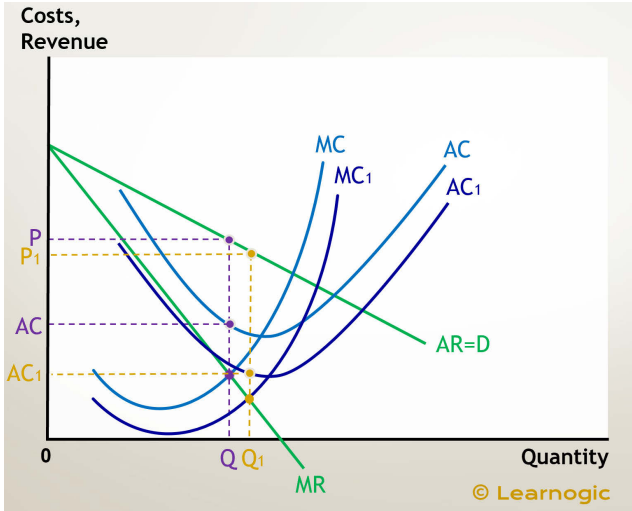
Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no diagram provided.



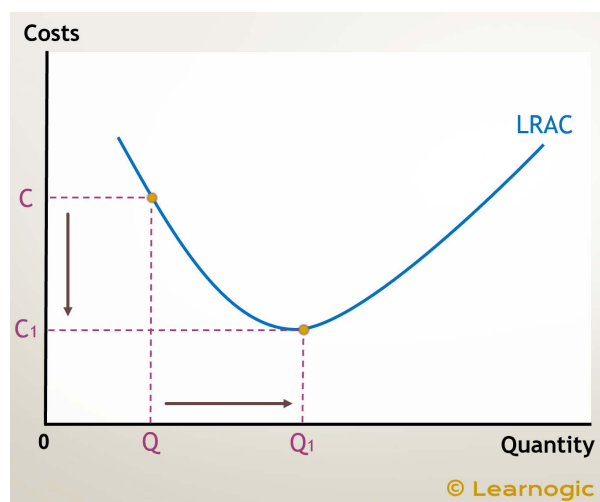
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	Evaluation (8 marks) – indicative content • Short-run/long-run: most businesses start out small. Over time many will grow • Factors such as macroeconomic climate and limited market demand can change over time • Government financial support and a more favourable attitude from the banking & the finance sectors may result in small firms having the necessary funds to expand • A change of ownership may lead to a change of objectives, with the new owners keen to grow the business • Small firms may be prone to takeover bids by larger businesses	

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.

Section C

Question	For an industry of your choice, evaluate why many businesses have growth as their main objective. 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. Knowledge, Application, Analysis (12 marks) – indicative content • Businesses can grow either organically or inorganically through mergers and takeovers • Business objectives goals/targets for business including profit maximisation, revenue maximisation, sales maximisation and satisficing • Increase in demand leading to higher revenue and profits/higher profits generates more funds for investment, improves innovation, further increasing profits • Businesses such as Visinema would benefit from having more control over every aspect of their business allowing them to expand into new areas such as animated films • Businesses may benefit from increased profits by internalising new areas of the business that they previously outsourced. This reduces costs and increases profits. Fall in AC to AC₁ and MC to MC₁ showing a new equilibrium with a higher profit level $P_1 \times Q_1$ (TR) - AC₁ $\times$ Q₁ (TC) 

- Businesses can benefit from economies of scale and a fall in long-run average total costs
- The cost savings could be passed onto the consumer in the form of lower prices increasing competitiveness



- Businesses may be able to achieve monopsony power over suppliers and labour enabling them to negotiate better terms when purchasing supplies and workers reducing costs
- Increased market share gives higher price-setting ability, potentially increasing prices and profits
- Businesses such as Visinema can benefit from risk diversification. If the animated film industry declined other areas of their film production may offset the losses

Accept reverse argument as KAA

Restrict to a maximum of Level 3 if no appropriate diagram provided

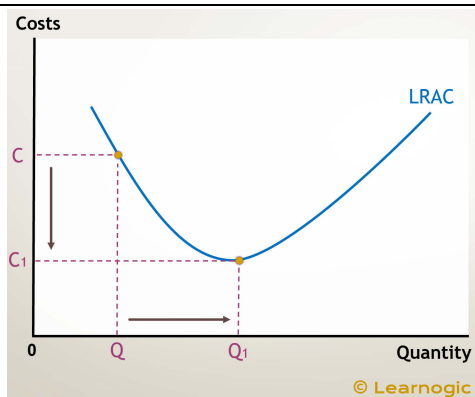
Level	Mark	Descriptor
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which 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 - Firms may wish to stay small to avoid diseconomies of scale if they move beyond their MES - Some businesses benefit from operating in a niche market and are able to be profitable from selling at a higher price with a lower output - Small businesses can maintain high levels of flexibility/innovation as the market changes - Some businesses do not have the finances to grow and therefore getting bigger is not an option - Large businesses can attract the attention of the competition authorities. Therefore a business may wish to stop growing to stop any form of intervention - Business owners may have an objective of staying small and keeping total control of all aspects of the businesses - Alternative business objectives e.g. satisficing		
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	For an industry of your choice, to what extent is a monopoly market structure <i>inefficient</i> ? 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. Knowledge, Application, Analysis (12 marks) – indicative content



Benefits to economic agents- e.g. consumers benefit from higher quality goods

Accept reverse argument

NB if no diagram candidate can achieve a maximum of Level 3.

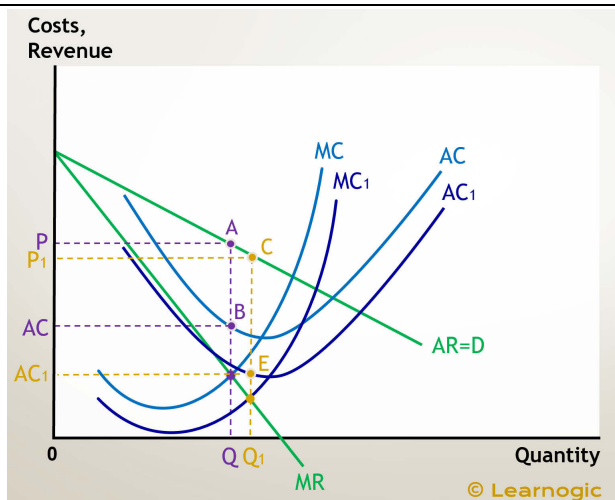
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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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 • Growth by merger is more costly than organic growth, which may reduce profits for the firm • If there is a culture clash, the merger may not be successful and harmful to the business's profits and reputation • Some businesses may not have the option to grow by merger as it may be blocked by the competition authorities • If communication problems occur between the firms, diseconomies of scale may set in • Entering new markets where the business does not have expertise may cause the business's costs to rise • If the merger causes job losses, employees may become demotivated, reducing productivity	



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.

Section C

Question	Evaluate the possible benefits of a demerger. 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. - Definition of demerger – separation of a firm into two or more businesses Possible benefits include: - Lower LRAC as the business was previously experiencing diseconomies of scale - By demerging, Peak Minerals is able to lower output reducing diseconomies of scale and moving closer to its MES - The business becomes more efficient – less x-inefficiency in the company as Peak Minerals are able to focus on the core strengths of the business, such as copper, reducing costs - Expected synergies between Peak Minerals and Vertex Minerals did not occur - hence the firm may reduce its LRAC



- Increase in profits (or a reduction in losses) as a result of lower MC and AC as communication/management improves. Changing the equilibrium position from Q to Q1 increasing supernormal profits from A,B,AC,P to C,E,AC1,P1
- The business has sold off parts which were higher risk – for example Vertex may not have been profitable, or in a high-risk market
- The firm may avoid intervention from competition authorities as it was becoming too dominant in the minerals market
- Shareholders may benefit if the company becomes more profitable in the future
- Workers may benefit from higher wages if the business has reduced its costs
- Consumers may benefit from lower prices

NB if no diagram candidate can achieve a maximum of level 3

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.

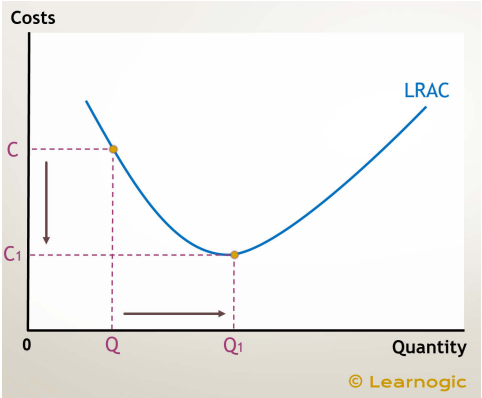


	Evaluation (8 marks) – indicative content • The business may regret decision e.g. if the demerged firm performs badly under new ownership and/or was undervalued at time of sale • The business may experience a rise in LRAC and a reduction in economies of scale if the size of business is now below MES • The breaking up of the vertical integration may result in higher costs because of greater competition for resources • The cost of the demerger may outweigh the potential benefits e.g. legal fees, disputes between parties when breaking up, possible redundancy costs, new IT systems required etc. • If the demerged business is unprofitable then workers may lose their jobs • If the demerged business is unprofitable then consumers may face higher prices • If the demerged business is unprofitable then shareholders may face a fall in value of their shares and lower dividends • Consumers have to deal with more separate firms rather than one offering everything, causing more time and complexity in decision making
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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 possible benefits of price discrimination to both the business and consumers. 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. • Definition of price discrimination – where a firm is charging different prices to different users for the same product/service • Conditions necessary for Price Discrimination: - monopoly power - PEDs must be different in each sub-market - it must be possible for the business to be able to keep the sub-markets separate, so that there is no switching between sub-markets © Learnogic Output 0Q and high price 0P where demand is price inelastic Output 0Q1 and lower price of 0P1 where demand is price elastic Higher total profit when compared with combined market Possible benefits to the business • Charging higher prices to those consumers whose demand is relatively inelastic and lower prices to those consumers whose demand is relatively elastic . Increases revenue for the business

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.
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Question	Evaluate the benefits of growth by takeover for a business in an industry of your choice. 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. Growth by takeover occurs when one firm acquires another - A takeover may allow a firm to enter new markets e.g. Westjet selling more luxury holidays and flights. This will increase revenue and market share for the firm - A takeover may enable a firm to achieve economies of scale e.g. purchasing, technical, financial, managerial  Economies of scale occur as output increases from Q to Q_1 and long-run average costs fall from C to C_1

- The firm may be able to reduce duplication e.g. where they both have a marketing department and so will be able to reduce costs
- The firm may benefit from sharing expertise/research and development skills
- A takeover may result in cost savings if the integration occurs with a supplier (backward vertical integration, fast food chain purchasing a farm) –
- Takeover may create greater control over suppliers if backward integration which could increase barriers to entry in the industry
- A takeover may enable a firm to spread its risk if moving into new markets/diversifying products (conglomerate integration)
- If taking over a firm at a later stage of production (forward vertical integration, car manufacturer integrating with car show rooms), the firm may be able to increase revenue by selling directly to the consumer
- Horizontal takeover would allow the firm to increase market share
- A takeover enables a firm to expand quickly into new markets
- A takeover may increase market power enabling the new firm to increase price/restrict output/ or allow an established firm to expand quickly

NB if no diagram candidate can achieve a maximum of level 3

If no reference to an industry maximum level 3

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.



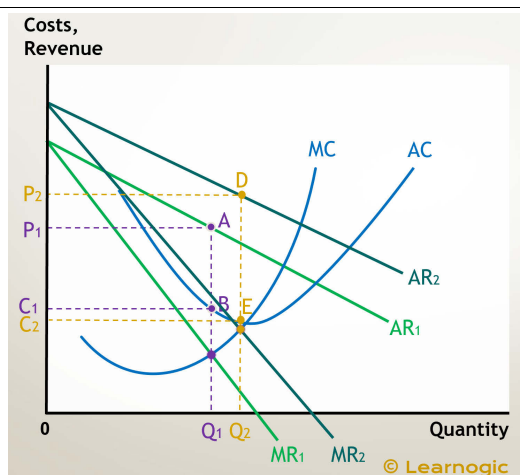
		Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10-12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. 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 • Takeovers can be expensive, increasing costs and decreasing profits • Culture clashes may occur between the firms if they were run differently, causing diseconomies of scale • The larger firm may cause communication problems • The takeover may cause concern for competition authorities and lead to government intervention • The firm may enter into new markets where they have little or no expertise • The firm may grow too fast raising costs and lowering profits • Many takeovers may end up being unsuccessful, resulting in demergers	
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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.

Section C

Question	Evaluate the benefits of organic growth to a business such as Lidl. 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. - Organic growth is the expansion of a business achieved through internal means. It involves increasing sales, market share, and overall business activities using its own resources - Organic growth is where a business increases its size without merger or takeover Benefits: - Retain control and culture: Lidl may operate differently from other supermarkets. This can be crucial for maintaining the identity and brand loyalty of the business. - Increasing scale through organic growth enables achievement of economies of scale: By increasing output, long-run average total costs fall, increasing efficiency (LRATC fall as output rises) - Retain all profits: Growing organically allows a business, such as Lidl, to retain all the additional profits gained from increased sales and revenue (increase in AR1-AR2 and MR1 to MR2 causing an increase in profits). No need to share profits with businesses involved in mergers takeovers



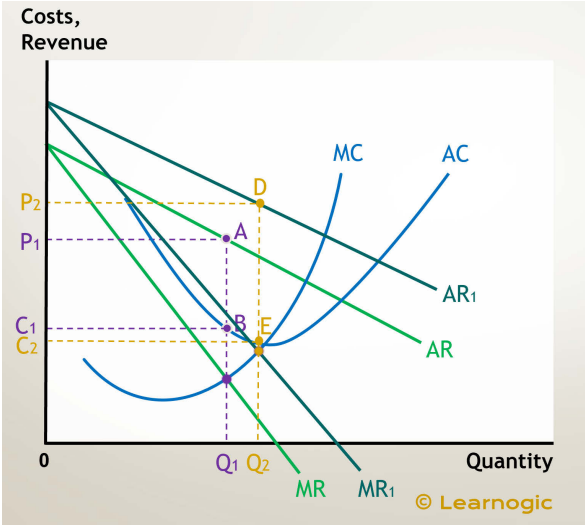
- Stable: For Lidl, this growth could be more stable than growth through acquisitions as the business is building on existing strengths in the supermarket industry
- Cost Efficiency: Organic growth for Lidl allows them to grow their operations without the immediate large financial costs associated with mergers or acquisitions
- Risk Management: Organic growth typically involves a lower level of risk compared to external growth strategies as there are likely to be fewer disagreements between managers
- Innovation and adaptability: to expand organically, a business frequently need to develop new products, services, or processes. This can improve the quality or range of products increasing sales and possibly profits
- Enhanced market competitiveness: Organic growth enables a business to gradually strengthen their position in the market. By focusing on improving efficiency, quality, and customer satisfaction, a business can become more competitive and better positioned to capture a larger market share.
- Increased market share- increased market power- price setting ability- increasing price and profit- allowing further investment
- Less likely to attract attention of competition authorities which would investigate mergers where market share is above certain level
- Employee development- the business growing creates more opportunities for staff to move to management positions

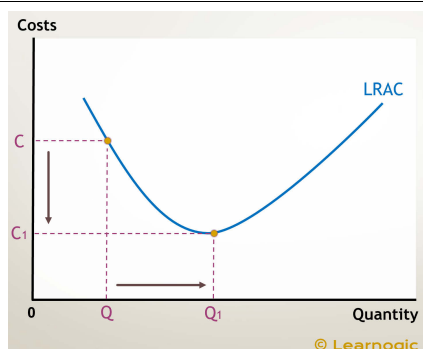
NB: A candidate can achieve a maximum of level 3 if no diagram

NB: A candidate can achieve a maximum of level 3 if no context is provided

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 • Diseconomies of scale through growing too large- too many new stores creating communication problems/operational complexity - reference to diagram • Limited access to finance if relying on internal funds. A business growing organically may face constraints on growth and capital investment if it relies solely on internal funds. This could limit the speed and scale of expansion or hinder the ability to invest in large-scale projects or initiatives • Slow growth rate: Organic growth tends to be a gradual process. Lidl will take two years to build another 50 stores. A business may experience a slower growth rate compared to one that pursues expansion through mergers or acquisitions • Limited expertise/networks: may stop a business from expanding more quickly as it takes time to build supply chains and conduct market research. The business may not have the expertise to move into a new location/or new market • If the business is struggling it may not be able to access finance or expertise to move into a new market • Organic growth through building new stores may be much more expensive than acquiring stores by merging with an established business

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 a takeover for businesses and consumers. 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. Benefits for businesses: Revenue Growth: a takeover can help a business to achieve a higher market share, granting it more pricing power and access to new markets. For example, Mars being able to sell more products in the luxury chocolate market. This increases revenue and profit (MR/AR to MR₁/AR₁) and increase in supernormal profit as shown.  Increased synergies, a takeover may enable a sharing of expertise. This can improve efficiency and output Cost reduction: a takeover can lead to economies of scale and the acquisition of new skills, leading to cost savings as AC will fall and output will rise. Some takeovers can also take advantage of lower corporate tax rates in certain countries. Can be shown on a diagram:



- Risk bearing economies: enables the business to spread the risk by operating in different countries/markets
- Creates a barrier to entry as the business grows, protecting the business against competition
- Takeover may eliminate a competitor and therefore lead to an increase in market share/market power
- A backward vertical integration may help to guarantee the quantity and quality of supplies/ help to minimise costs
- A forward vertical integration will enable the business to have a guaranteed outlet for its products

Benefits for Consumers:

- Enhanced product quality and variety: takeovers often lead to improved dynamic efficiency through synergies and shared research and development, resulting in a better product quality and a wider product range
- Lower prices: if productive efficiency improves, or rationalisation occurs, the business may pass this onto the consumers by setting lower prices

NB: A candidate can achieve a maximum of level 3 if only one economic agent is discussed

NB: A candidate can achieve a maximum of level 3 if no diagram is included

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.
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	Evaluation (8 marks) – indicative content Businesses - Lower than expected profit: The acquired business may turn out to be less profitable than initially anticipated/costs involved in the takeover/transaction may be higher than expected - Diseconomies of scale: the business may experience inefficient operations and reduced profitability due to a larger scale of operations/fall in productivity caused by culture clashes - X-inefficiency: results from reduced competition in the market - The takeover might attract the attention of competition authorities Consumers - Higher prices: the company with increased market power may impose higher prices, reducing consumer surplus - Reduced product variety: the takeover may result in a reduction in the range of available products, limiting consumer choice - Disincentive to innovate: less competition may result in complacency and less urgency to develop new products	

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.



Question	Evaluate the benefits of the growth of a business by merger in an industry of your choice. 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. Benefits may occur to the firm, consumers or workers - Increased market share and therefore greater pricing power which may lead to higher profits - Faster expansion compared to organic growth. This allows businesses such as Prembly Group and Peleza to increase revenues/respond to changes in the market and instantly gain access to new markets, consumers and resources - Increased pool of talented and skilled employees. This can help to fill skill gaps, increasing productivity and efficiency such as Prembly group and gain knowledge of background checking from Peleza - Synergies: business profits may be greater than the sum of previous profits if resources/knowledge are combined effectively - Increased productive efficiency through economies of scale: this can reduce LRAC and increase profits © Learnogic - Access to supplies: Integrating with a supplier enables a business to have sole access to supplies at a lower price compared with its competitors. This can enable the business to reduce prices and increase profits - Access to new markets: If the newly merged business has expertise in new markets/different products this can increase risk bearing economies of scale NB: A candidate can achieve a maximum of level 3 if no appropriate diagram is included NB: A candidate can achieve a maximum of level 3 if no context is provided

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	
	- Lower-than-expected profit: The merged business may turn out to be less profitable than initially anticipated/costs involved in the merger may be higher than expected - Diseconomies of scale: The merged business may experience inefficient operations and reduced profitability due to a larger scale of operations/fall in productivity caused by communication problems - Culture clashes: can lead to conflicts, inefficiencies and delays, potentially hindering the expected benefits of the merger. Prembly Group is based in Nigeria and Peleza is based in East Africa, so they may have different cultures making it more difficult for the businesses to integrate - Financial risks: Mergers can be expensive, requiring significant debt or equity financing that can put a strain on the merged business's finances and increase the risk of financial distress - Regulatory approval processes can be expensive: competition authorities may have concerns that the merged business becomes too dominant in a particular market - Loss of focus on the merged business's core activities	
	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.

Section A

Question	Quantitative skills assessed	Answer	Mark
1		C	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes.	D	(1)
3		A	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	B	(1)
5	QS9: Interpret, apply and analyse information in written, graphical tabular and numerical forms.	D	(1)
6	QS8: Make calculations of elasticity and interpret the result.	A	(1)

	graphical, tabular and numerical forms.	A is incorrect because this is the difference in the wage rates B is incorrect because this is the additional \$20 paid for 41 workers D is incorrect because this is the total cost of wages	
5	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 D A is incorrect because the firm would be making supernormal profits B is incorrect because this is the long-run shut-down position C is incorrect because the firm will continue to operate in the short-run	(1)
6	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 this occurs where $MR=0$ C is incorrect because this occurs where $MC=MR$ D is incorrect because this occurs between profit maximisation and sales volume maximisation	(1)

Section B

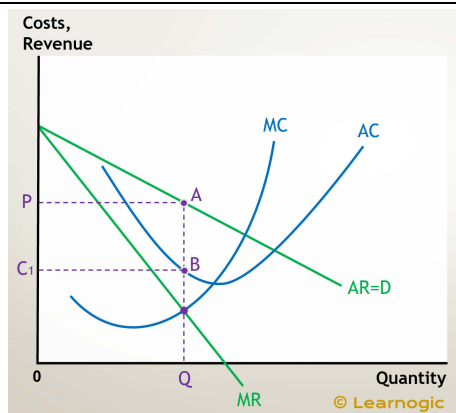
Question	With reference to Figure 1, calculate the percentage point change in the four-firm concentration ratio between 2020 and 2021. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. 1 mark for calculation in 2020: $26+11+20+15 = 72\%$ OR 1 mark for calculation in 2021: $21+17+16+13 = 67\%$ 1 mark for the change in CR: $67\% - 72\% = -5$ NB: Award full marks for correct answer (-5) regardless of working. NB: Accept 5 without minus sign	(2)

		C is incorrect because the revenue curves would be perfectly elastic D is incorrect because the firm is making normal profit	
5	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 D A is incorrect because the firm is likely to increase employment B is incorrect because the price would be lower than at the profit maximising output C is incorrect because total fixed costs would not fall when output increases	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because high wage rates would affect the price elasticity of supply of labour C is incorrect because if the demand for labour is elastic then the demand for the product will be elastic D is incorrect because this would discourage firms from employing workers	(1)

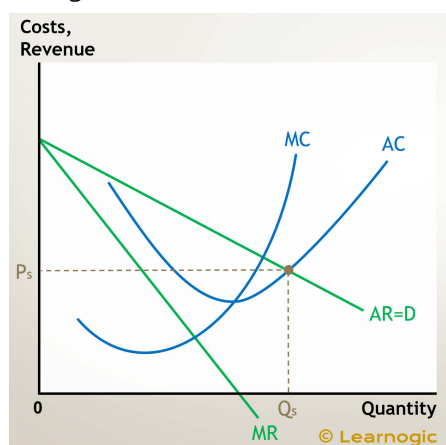
Section A

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 D A is incorrect because this is an external economy of scale B is incorrect because this is an external economy of scale C is incorrect because this is not an economy of scale	(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 C A is incorrect because this is when $MR=0$ B is incorrect because this is when $MC=MR$ D is incorrect because the firm will make some supernormal profit to pay as dividends	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is incorrect because PES of labour would not change C is incorrect because this would not decrease the skills of construction workers D is incorrect because the wage rates of construction workers are likely to increase	(1)
4	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 B A is incorrect because this is the average fixed costs for 12 000 items C is incorrect because this is the average variable costs for 6 000 items D is incorrect because this is the average total cost for 12 000 items	(1)
5	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 demand is more price elastic in the afternoon C is incorrect because supply is perfectly inelastic D is incorrect because supply is perfectly inelastic	(1)
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 because marginal revenue is negative after an output of 0X C is incorrect because marginal revenue is equal to zero at an output of 0X D is incorrect because total revenue is maximised at an output of 0X	(1)

Question Number	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. QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content Range of business objectives include: • profit maximisation • revenue maximisation • sales maximisation • profit satisficing will impact on profits • social objectives • growth • If maximising revenue is the main objective, output is where $MR=0$ and TR is maximised. The firm in the diagram is making a supernormal profit (AR exceeds AC), but profit is less than at profit maximising output. • Profit maximisation objective where $MC = MR$ (Accept perfect competition or monopoly diagram). Firm makes highest possible supernormal profit.



- If the firm's objective is sales maximisation this will be where $AC=AR$ or $TR=TC$. In this case profit is lower but the firm is selling a higher quantity of goods. It is prioritising sales volume/market share over profit



- Some private sector organisations are non-profit making (eg charities), others may prioritise social responsibility eg co-operatives. Therefore profits are likely to be lower or non-existent

Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no diagram provided.

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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 - For public sector organisations which can be financed through tax revenues, a profit objective may be non-existent or less important eg health, education, transport, postal services - There may be conflicting objectives in a large private sector organisation where there is a divorce of ownership and control. Eg shareholders want higher profits, managers want sales maximisation - Business objectives can change depending on circumstances - macroeconomic conditions (eg in a recession survival will be a prime objective) - changes within a market (eg more competitive conditions may involve sacrificing some profit in the short-run) - new government legislation (eg tightening up on environmental laws may emphasise social responsibility) - short-run & long-run distinction. Eg a business may seek to maximise revenue in the short-run aiming to remove competitors. This may then enable the business to raise prices and hence profits in the long-run		

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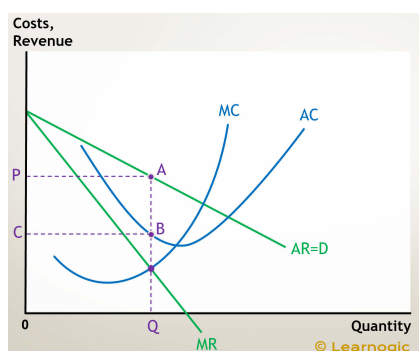
Question	Evaluate the view that revenue maximisation is always the main objective of a firm. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. 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. Knowledge, Application and Analysis (12 marks) – indicative content • Business objectives defined or listed • Revenue maximisation $MR=0$ • This point allows the business to achieve the highest level of revenue • At point A the firm is maximising revenue • Firms in competitive markets may not maximise profits in order to increase their market share, therefore they operate where $MR=0$ • Revenue maximisation will increase the output and sales, helping to increase market share, compared with the profit maximisation level of output • Increasing quantity may also help the firm to achieve economies of scale as it grows in size, lowering average costs • In the short-run firms might have a revenue maximising goal to establish themselves in the market e.g. in China

		- If there are low barriers to entry into the market a firm may have a revenue maximising objective to deter new entrants into the market - If demand is elastic firms may have a revenue maximising objective to maintain low prices - Firms may revenue maximise in the short-run to increase market share and build monopoly power in the long-run NB if no diagram candidate can achieve a maximum of level 3
Level	Mark	Descriptor
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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.
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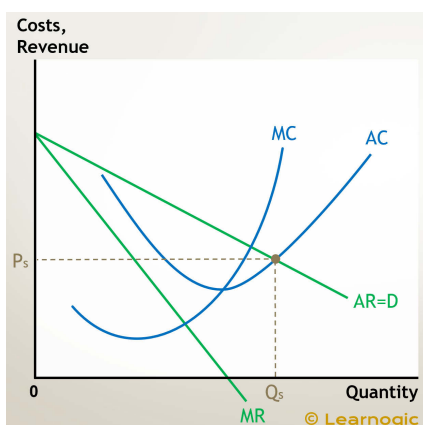
Evaluation (8 marks) – indicative content

- Divorce between ownership control may occur and satisficing behaviour may cause the managers and owners to have different objectives
- Revenue maximisation may only be a short-run objective
- The firm may wish to change its objective in the long-run when the firm is more established and can increase prices more easily/market conditions may change
- Level of contestability will impact the objectives of the firm, the higher the barriers to entry the more likely the firm will be profit maximising
- Other objectives might be more significant:
- Firm survival for small or new firm in the industry

Profit maximisation occurs when $MR=MC$



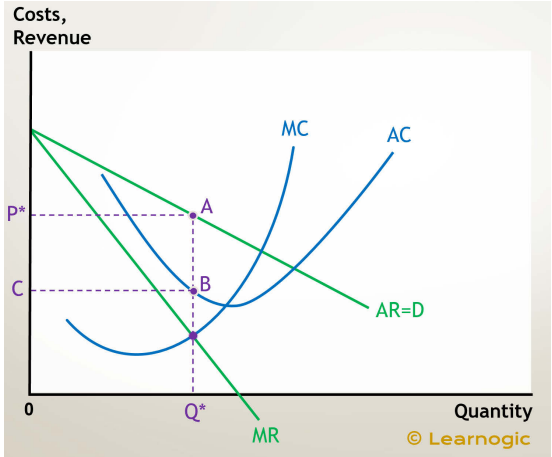
- This enables the firm to achieve supernormal profits PABC
- Sales volume maximisation occurs when $AC=AR$



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.

Section C

Question	Evaluate the view that the objectives of state-owned enterprises and private sector organisations always differ. 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. • A private sector organisation is one that is owned by individuals and not the state • State-owned enterprises are run by the government Private sector  © Learnogic • Private sector organisations may have an objective to profit maximise (where $MC=MR$) for example the private sector in America • At this point the firm is making the highest level of profit possible • Private sector organisations may be owned by shareholders who want dividends as reward for their investment • Private sector organisations need to make a profit to survive in the free market therefore will have profit as a key objective, universities need to set high prices to cover costs • Private sector organisations need to make at least normal profit if they are to remain in the industry. If they choose not to maximise profits,

	they may have either a revenue maximisation objective ($MR=0$) or a sales maximisation objective ($AR=AC$) • If there is a divorce between ownership and control private sector organisations may have a satisficing objective State-owned enterprises • State-owned enterprises may be run in order to provide public goods and services and not always to generate a profit. Therefore, these organisations may have other objectives rather than profit • State-owned enterprises may have social objectives to improve standards of living and quality of life. For example health care and education • State-owned enterprises will have an objective to provide a service to the citizens of its country • The social objectives of state-owned enterprises may include greater equality, environmental considerations and social mobility • State-owned firms may have an objective to achieve allocatively efficient pricing, or pricing to avoid a loss NB if no diagram candidate can achieve a maximum of level 3 If only one economic agent discussed candidate can achieve a maximum of level 3 Accept reverse argument
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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.
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	Evaluation (8 marks) – indicative content Many privately owned firms may have social objectives as consumers are more socially driven and this can increase demand
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	• Pressure groups and regulators have increased consumers' awareness of the negative impacts of private firms encouraging them to have more social objectives • Nationalised firms often are regulated to cross-subsidise non-profitable parts of their business • Charitable organisations are privately run but do not make a profit and run to provide a service for society • State-owned enterprises may shut down if they are run at a loss • Some state-owned enterprises do aim to make a profit e.g. to create additional revenue for the government. For example governments investing in private partnerships or profit making businesses
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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.

		- There might be an increase in diseconomies of scale caused by poor management as the French Government are not expert in energy provision allowing costs to rise - X-inefficiency may cause costs to increase caused by complacency and lack of competition, actual AC above potential AC - The energy firms might be under-funded as a result of the government preferring to invest in other aspects of the economy - EDF may run at a loss/deficit, which may force the government to divert funds from key areas of the French economy to provide support - Nationalised firms are not able to access commercial loans, restricting their access to finance, hindering investment
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 why the objectives of small and medium-sized 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.

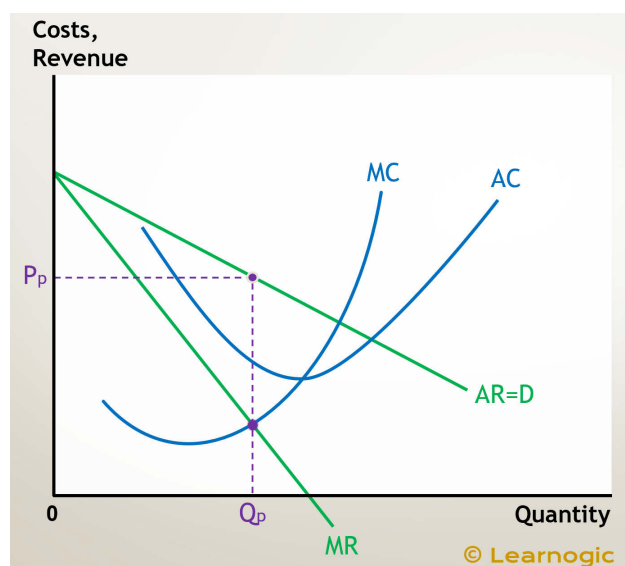
QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Small/medium-sized enterprises

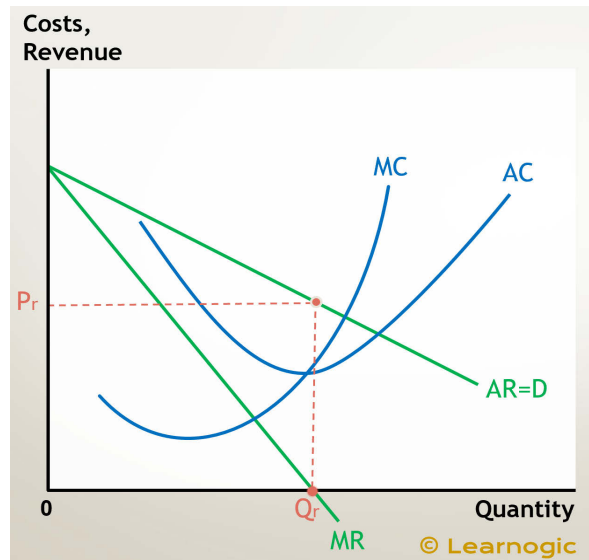
- Small businesses have less than 50 employees and a annual turnover under £10 million/ Medium sized business have less than 250 employees and an annual turnover under £50 million
- Smaller businesses in Malaysia are more likely to remain small and not have growth as an objective because they may lack the finances available to invest in new technologies to expand. This prevents them from increasing output and growth
- The high level of competition in the market for small and medium-sized enterprises making the business have survival as its objective survival
- Smaller/medium-sized enterprises may have survival as an objective as they lack the market power to influence the price or their profit levels
- They may remain small as the owners has the objective of retaining control of the business

Large enterprises

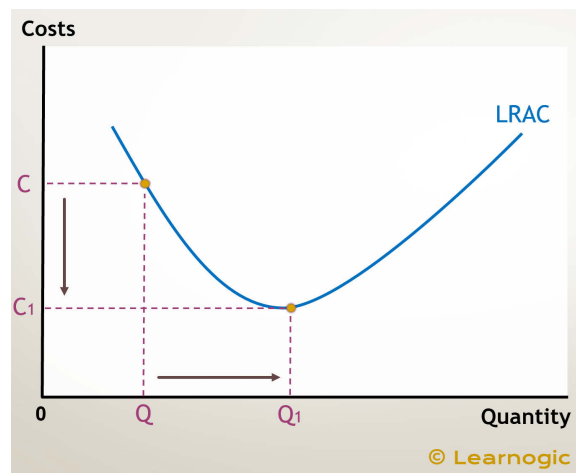
- Large enterprises are more likely to profit maximise because they have the market power to influence the price and quantity where $MC=MR$



- Large enterprises could also maximise revenues where $MR=0$ because they want to increase market share and/or to deter the entry of new firms and/or to force other competitors out of the market



- Large enterprises might have an objective to achieve economies of scale to reduce costs and increase supernormal profit. They will expand to reach their MES at Q_1

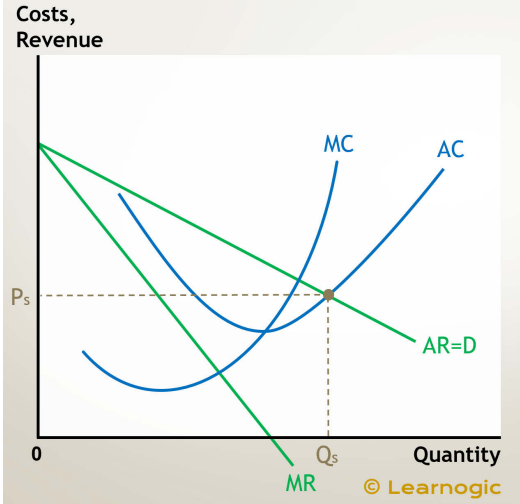


- Large enterprises are more likely to profit satisfy as they are more likely to experience divorce of ownership from control

NB if no diagram candidate can achieve a maximum of level 3

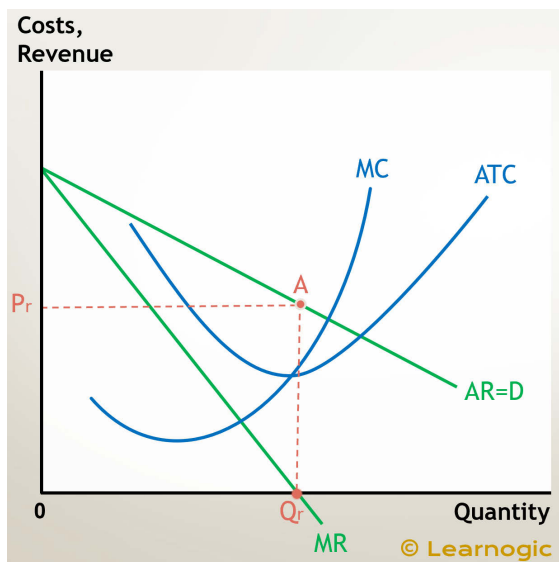
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples.

		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 - It depends on the nature of the good. Some enterprises firms in niche markets may have the objective of profit maximisation especially if demand for the product is inelastic - The objective depends on the level of competition, the more competitive the market the more likely sales volume maximisation is the objective even if the enterprise is large - Government support for small and medium-sized enterprises would help them to expand and overcome obstacles such as lack of finance - If the large enterprise is a charity or a government-owned enterprise, profits might not be the objective of the business/ large firms may have environmental and social objectives - Small/medium-sized enterprises may have sales volume maximisation as an objective as the level of competition would make the demand for their products more elastic. Therefore they are likely to set a price and quantity where $AC=AR$ resulting in normal profits	

		
	Mark	Descriptor
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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	Evaluate the likely impact of the divorce of ownership from control on business objectives. 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. Knowledge, Application and Analysis (12 marks) – indicative content • The divorce of ownership from control occurs when there is a separation of ownership and control in a company such as the UK's Royal Mail. • Shareholders such as Daniel Kretinsky, own the company, like Royal Mail, and elect a board of directors to oversee management and make important decisions on their behalf. • The day-to-day running of the Royal Mail is carried out by professional managers who may or may not have significant ownership in the company • This separation of ownership from control may create potential conflicts of interest between shareholders and management. For example, management may be more focused on maximising their own bonuses or job security, rather than acting in the best interests of the shareholders. Similarly, shareholders may prioritise short-term profits over the long-term success of the company • Managers often want to meet sales maximising objectives and shareholders often aim to profit maximise profits. This causes satisficing behaviour • Sales maximisation at $AR=ATC$ © Learnogic

- Revenue maximisation (output at which $MR=0$) may be pursued because of the principle- agent problem



- At point A the business is achieving supernormal profits, not as high as if the business was profit maximising. It is also reaching a higher level of output. However the sales are not as high as they would be under sales maximisation. Both managers and shareholders are satisfied
- Businesses in the private sector are likely to have shareholders who need dividends to be incentivised to invest because they are not employed by the business
- Allow profit maximisation if they connect to Jeff Baoes as a share holder

NB if no diagram candidate can achieve a maximum of level 3

Level	Mark	Descriptor
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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.
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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.
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Evaluation (8 marks) – indicative content - Divorce of ownership from control may not occur if managers are also shareholders such as Amazon. Many private sector firms offer shares to their managers - The type of business might be more important in determining the objective e.g. niche firms/specialist businesses are unlikely to have sales maximisation as an objective - Other objectives might be more important such as business survival if it is a small or new firm in the industry - Some shareholders may be investing for the long-run and would be willing to accept growth as a priority - Business objectives are influenced by other factors e.g. private vs public sector, not for profit - In most countries, directors have a legal responsibility to act in the best interests of shareholders so should be trying to fulfil their objectives rather than their own personal ones		
Level	Mark	Descriptor
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