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Edexcel GCE

Economics and Business Studies
Advanced Subsidiary
Unit 2B: Business Economics

Thursday 21 January 2010 – Morning Time: 1 hour 15 minutes	Paper Reference 6EB02/01
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You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- You may use a calculator.

Information

- The total mark for this paper is 70.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Quality of written communication will be taken into account in the marking of your answers
– *you should take particular care with your spelling, punctuation and grammar, as well as the clarity of expression.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section.

1 (a) The supply curve for biofuels will shift to the left if (1)

- A** there is an improvement in technology.
- B** there is a fall in the price of a substitute product.
- C** there is a rise in the cost of raw materials.
- D** there is an increase in productivity.

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 1 = 4 marks)



2 (a) An appreciation of the pound sterling against the US dollar is **most likely** to cause (1)

- A an increase in the number of British tourists visiting the USA.
- B an increase in the number of US tourists visiting Britain.
- C an increase in the number of French tourists visiting Britain.
- D an increase in the sales of British chocolate to the USA.

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 2 = 4 marks)



3 (a) Structural change in an emerging economy such as China is likely to involve all of the following **except** (1)

- A** changing patterns of demand.
- B** a decline in certain industries.
- C** a reduction in uncertainty.
- D** new industries expanding.

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 3 = 4 marks)



4 (a) Which of the following is **least likely** to occur in an oligopolistic market such as petrol?

(1)

- A Several large firms dominating the market
- B Extensive branding
- C Barriers to entry
- D Price competition

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 4 = 4 marks)



5 (a) In 2008 the UK economy shrunk for the first time in 16 years.

The recessionary phase of the economic cycle is **most likely** to be associated with a rise in

(1)

- A imports.
- B unemployment.
- C inflation.
- D incomes.

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)



6 (a) Amazon.com, the world's biggest online book store, makes effective use of micro marketing.

Micro marketing is

(1)

- A marketing by small firms.
- B marketing on a limited budget.
- C marketing for computers.
- D marketing to individuals or very small groups.

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A: 24 MARKS



SECTION B

Answer ALL the questions in this section.

You are advised to spend 45 minutes on this section.

Evidence A

Japanese quality management in India

Order and efficiency are key features of the TVS motorbike factory near Bangalore in Southern India where nearly 2 000 vehicles are built each day on neat assembly lines.

The Japanese management strategy of Total Quality Management (TQM) was launched at TVS in 1989 and is credited with reviving the once struggling company.

TVS rolled out 923 000 motorbikes last year in India with sales growing 19 per cent to reach about \$900m. It recently opened a factory in Indonesia and aims to expand its business overseas over the next few years. 5

The scenario before and after TQM reflects how far TVS has come in nearly two decades. Productivity, quality and sales have improved dramatically. Previously, the rate of "re-work" – replacing faulty parts – was 15 per cent. That figure has fallen to 100 parts per million or 0.01 per cent! The factory used to make four deliveries a month to dealers, compared with twice daily now. There used to be six layers of management with little co-operation or communication between divisions. Under the new regime, divisions and layers were broken down. 10

TVS's adaptation of TQM rests on five principles. These are: involving every person at the company; kaizen, or continuous improvement; standardisation of processes; JIT (just-in-time stock control) and new product development. Changing an established culture was a difficult task. "It required a high degree of understanding between employees and management," says Mr Srinivasan, the Managing Director. 15

(Source: adapted from <http://www.rediff.com///money/2008/feb/05tvs.htm> by Amy Yee)

Evidence B

India's economic outlook not so bright any more

Economists say growth in India could fall to 7 per cent next year due to the global slowdown, rising rupee (the Indian currency) and monetary tightening. Booming India is reeling from a sequence of bad financial headlines, suggesting that the outlook for the world's second fastest growing major economy is not as bright as it was.

- Last Friday, inflation in India hit a nearly 10-month high of 5.02 per cent. 5
- Economic growth is forecast by the government to slow to 8.8 per cent in this fiscal year to 31 March 2008 from 9.6 per cent last year – the first slowing in growth in three years.
- The Indian rupee has appreciated about 12 per cent against the dollar in 2007 and will continue to rise against the dollar in 2008. 10
- A slowing in economic growth may not provide enough job opportunities for India's rapidly growing population and so unemployment may rise.

(Source: adapted from <http://www.livemint.com/Articles/2008/03/11000024/India8217s-economic-outlook.htm7>)



7 What is meant by the term **economic growth**? (Evidence B, line 6).

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(Total for Question 7 = 2 marks)

8 Explain **two** ways in which TQM can increase productivity for TVS.

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(Total for Question 8 = 6 marks)



9 Explain the role of management in successfully achieving change for a business such as TVS.

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(Total for Question 9 = 4 marks)



10 Analyse **two** possible reasons why inflation might be a problem for businesses such as TVS.

Reason 1

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Reason 2

(4)

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(Total for Question 10 = 8 marks)



11 Analyse how the introduction of JIT might have benefited TVS.

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(Total for Question 11 = 4 marks)



13 Evaluate the likely impact on Indian businesses of:

(a) an appreciation of the rupee.

(7)

Dotted lines for writing the answer.



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