

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

Economics and Business

Advanced

Unit 4B: The Wider Economic Environment and Business

Tuesday 2 February 2010 – Afternoon

Time: 1 hour 30 minutes

Paper Reference

6EB04/01

You must have:

Insert containing all source material (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer 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 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Quality of written communication will be taken into account in the marking of your response to Questions 7(a) and 7(b) in Section B. These questions are indicated with an asterisk – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- Candidates are expected to be familiar with Evidence A to I for this paper before the examination.

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

Decision making report.

Evidence A to I was pre-issued before the date of the examination.

Using the evidence and your own knowledge, answer all six questions (total 30 marks).

Time allowed (35 minutes).

Additional Evidence J

Hundreds of pubs failing, politicians told

Britain's two biggest pubcos, Enterprise Inns and Punch Taverns, saw 929 of their tenants failing in the last 12 months. Politicians are examining the relationship between pubcos and increasingly struggling tenants.

Enterprise Inns and Punch Taverns own more than a quarter of Britain's 56,000 pubs and have some buyer power with regard to brewers. Most tenants operate under so-called tied agreements, a restrictive practice which requires them to buy beer exclusively from their pubco (at up to three times the open market wholesale price). Many struggling tenants, often living above the pub, have complained for years that they are forced to pay high wholesale charges for beer that leave them unable to offer competitive prices.

5

Morgan Stanley's leisure analyst, Jamie Rollo, estimated that 17% of Enterprise pubs and 28% of Punch pubs were generating profits for tenants in 2007 of less than £20,000, or £3.30 an hour each for a couple (just over half the UK minimum wage), excluding accommodation benefits. Since then, Rollo noted, trading had deteriorated sharply.

10

Nick Bish, on behalf of the tenants, attacked the pubco business model. "In a declining market the income they get from beer sales decreases," he said, "pubcos have reacted by seeking to increase their share of profits. The result is the tenant suffers."

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(Source: adapted from *The Guardian*, Wednesday 10 December 2008)



1 What is meant by the term 'buyer power' (see Additional Evidence J, line 5)?

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(Total for Question 1 = 2 marks)

2 What is meant by the term 'competitive prices' (see Additional Evidence J, line 9)?

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(Total for Question 2 = 2 marks)



3 Explain the impact of buyer power on pubcos.

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(Total for Question 3 = 4 marks)

4 Briefly explain **two** externalities of alcoholic drinks consumption.

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(Total for Question 4 = 5 marks)



Punch and Enterprise, the two leading pub companies, together own more than a quarter of Britain's 56,000 pubs.

5 Examine the likely consequences of this combined market share for the UK pub industry.

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(Total for Question 5 = 9 marks)



Taxation and pricing of alcoholic beverages are the most effective methods for reducing alcohol misuse and its consequences. (Evidence E)

6 Using this and other evidence, to what extent do you agree with this statement?

Dotted lines for writing answer.

(Total for Question 6 = 8 marks)

TOTAL FOR SECTION A: 30 MARKS



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Handwriting practice area with 25 horizontal dotted lines.



(b) Evaluate the case for government regulation of promotions as a means of reducing the social costs of alcohol consumption.

(30)

A series of horizontal dotted lines for writing the answer.



Handwriting practice area with 25 horizontal dotted lines.



Ruled area for writing answers to Question 7.

(Total for Question 7 = 50 marks)

TOTAL FOR SECTION B: 50 MARKS
TOTAL FOR PAPER: 80 MARKS

