

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

Economics and Business

Advanced Subsidiary

Unit 2B: Business Economics

Tuesday 24 May 2011 – Morning

Time: 1 hour 15 minutes

Paper Reference

6EB02/01

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) In 2009, the UK home DIY (Do-It-Yourself) market was dominated by businesses such as Homebase, B&Q and Focus who between them had over 50% of the total market.

This market is best described as

(1)

- A** an oligopoly
- B** a monopoly
- C** monopolistically competitive
- D** perfectly competitive

Answer

- (b) Explain your answer.

(3)

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(Total for Question 1 = 4 marks)



2 (a) Nissan Motor Manufacturing UK Limited uses Just in Time (JIT) stock management in its plant near Sunderland.

Just in Time (JIT) stock management is **most likely** to result in

(1)

- A a decreased need for employee training
- B increased product defects
- C increased average costs
- D a reduction in capital tied up in stock

Answer

(b) Explain your answer.

(3)

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(Total for Question 2 = 4 marks)



3 (a) In 2009, a number of policies were introduced in order to stimulate aggregate demand within the UK economy.

Which **one** of the following policies is **least likely** to increase aggregate demand? (1)

- A An increase in government spending on public services
- B An increase in interest rates
- C A reduction in income tax
- D A reduction in corporation tax

Answer

(b) Explain your answer. (3)

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(Total for Question 3 = 4 marks)



4 (a) In August 2009, the exchange rate of pound sterling (£) against the US dollar (\$) was £1= \$1.70. By January 2010, it had depreciated to £1= \$1.60.

This will result in

(1)

- A US dollars becoming cheaper in terms of pound sterling
- B UK imports from the USA becoming cheaper
- C US dollars becoming dearer in terms of pound sterling
- D UK exports to the USA becoming dearer

Answer

(b) Explain your answer.

(3)

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(Total for Question 4 = 4 marks)



5 (a) In 2007, the food retailers in the Co-operative Group (Co-op) became one single business with its headquarters in Manchester.

Having a centralised organisational structure is **least likely** to lead to

(1)

- A senior managers having greater control over the organisation
- B the use of standardised procedures
- C less duplication of functional areas such as purchasing
- D greater empowerment of employees

Answer

(b) Explain your answer.

(3)

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(Total for Question 5 = 4 marks)



- 6 (a) Charles Tyrwhitt is known for its high quality men's shirt brand in Britain. In 2009, the company had a turnover of £65 million in a profitable niche selling exclusive office wear.

Operating in a niche market is **most likely** to lead to

(1)

- A economies of scale
- B less competition
- C lower prices
- D lower profit margins

Answer

- (b) Explain your answer.

(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

	Provider	Packages	Contract length	Upfront phone price	Monthly tariff	Total charges over contract
8 GB iPhone 3G	Tesco	300 mins OR 600 texts	12 months	£222	£20	£462
	Orange	150 mins AND 250 texts	18 months	£99	£30	£639
16 GB iPhone 3GS	Tesco	300 mins OR 600 texts	12 months	£320	£20	£560
	Orange	150 mins AND 250 texts	18 months	£189	£30	£729

(Source: <http://www.moneysavingexpert.com/deals/cheap-iphone>)

Evidence B

Price fears as mobile superpower is born after Orange and T-Mobile merger

Fears of higher mobile charges for millions of users have been raised after the news that Orange and T-Mobile are to join forces. The firms' merger in Britain will create a mobile phone superpower with almost 40% of the market. There are concerns the deal could reduce competition, leading to increased prices for handsets and calls for the new business's 28.4 million customers. There are also fears that job losses at Orange and T-Mobile will follow.

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Government watchdogs will be under pressure to investigate whether the joint business, which will have annual sales of £8.2 billion, will harm the market. The merged company will have 37% of the mobile market, putting it significantly ahead of O2, which is owned by Telefonica of Spain and has a market share of 27%. British network Vodafone would slip to third in the pecking order with a 25% share.

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Ceri Stanaway, of consumer group Which? said: 'This merger will have a huge impact on the mobile market since it will form the biggest mobile operator in the UK. It does raise concerns about consumer choice in the long run, and there may also be an impact from a competition perspective on smaller networks such as 3, and virtual network operators such as Virgin Mobile.'

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(Source: <http://www.dailymail.co.uk/news/article-1211818/Orange-T-Mobile-merge-Britains-largest-mobile-phone-operator.html>)



Evidence C

Google challenges iPhone

Internet search giant Google launched its hotly anticipated new mobile phone in a direct challenge to Apple's hugely popular iPhone. The Nexus One, which boasts a highly developed touch screen, will be priced at £328.

(Source: Google challenges iPhone with launch of Nexus One mobile, *The Guardian*, 5 January 2010, Bobbie Johnson)

- 7 Explain why research and development (R & D) is so important in the mobile phone market.

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(Total for Question 7 = 4 marks)



8 One estimate is that a 10% reduction in the price of Tesco iPhone contracts would increase demand by 4%. Calculate and comment on the price elasticity of demand in this case.

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(Total for Question 8 = 4 marks)



10 Using a fully labelled diagram, illustrate and explain the likely impact of increased competition on the price of Apple iPhone contracts.



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(Total for Question 10 = 8 marks)



11 Critically assess **two** possible marketing strategies a business might adopt in order to enter the market for mobile phone contracts.

Strategy 1

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Strategy 2

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(Total for Question 11 = 10 marks)



Stakeholder 2

(7)

Area with horizontal dotted lines for writing.

(Total for Question 12 = 14 marks)

TOTAL FOR SECTION B: 46 MARKS

TOTAL FOR PAPER: 70 MARKS



P 3 8 8 2 1 A 0 1 5 1 6

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