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Edexcel GCE

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Economics and Business

Advanced Subsidiary

Unit 2B: Business Economics

Tuesday 4 June 2013 – 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 response to Question 12 in Section B. This question is indicated with an **asterisk (*)**
 - *you should take particular care on this question 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. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** (a) In 2011 the combined market share of Tesco, ASDA, Sainsbury's and Morrisons supermarkets was 75%.

This is best described as

(1)

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

Answer

- (b) Explain your answer.

(3)

(Total for Question 1 = 4 marks)



2 (a) Lloyds TSB Bank plc advises its business customers to prepare a contingency plan.

Which **one** of the following is **most likely** to reduce uncertainty for a business?

(1)

- A** Market research
- B** Government intervention
- C** Macroeconomic change
- D** Exchange rate movements

Answer

(b) Explain your answer.

(3)

(Total for Question 2 = 4 marks)



- 3** (a) Amazon, iTunes and Argos are all online retailers that stock a wide range of products.

An increase in online retailing has led to a decrease in

(1)

- A** the number of consumers
- B** choice of products
- C** prices of products
- D** consumer knowledge

Answer

- (b) Explain your answer.

(3)

(Total for Question 3= 4 marks)



- 4** (a) British Airways (BA) advertises using media such as TV and national newspapers. This policy helps to spread some of BA's fixed costs.

This is **best** described as

(1)

- A** purchasing economies of scale
- B** diseconomies of scale
- C** managerial economies of scale
- D** marketing economies of scale

Answer

- (b) Explain your answer.

(3)

(Total for Question 4 = 4 marks)



- 5 (a) In March 2011, the retailer Poundland reported a record annual turnover of £642m which was a 26% rise on 2010 – at a time when consumers' real incomes were falling.

This suggests that Poundland sells

(1)

- A luxury goods
- B normal goods
- C complementary goods
- D inferior goods

Answer

- (b) Explain your answer.

(3)

(Total for Question 5 = 4 marks)



- 6 (a) Siemens AG had a turnover of nearly £60 billion in 2011. Siemens' operations are based on an empowerment culture called People Excellence.

Greater empowerment is **most** likely to result in

(1)

- A closer supervision of the workforce
- B less worker participation in decision making
- C increases in productivity
- D less delegation of tasks

Answer

- (b) Explain your answer.

(3)

(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

Coconut milk crisis as supermarkets run dry

A global shortage of coconut milk has led to empty supermarket shelves, leading to a crisis for those wanting a Thai curry this weekend. Coconut milk is an essential ingredient in many Thai dishes.

Thailand, the world's biggest producer of coconut milk, has been hit by a drought and a beetle infestation. This has lead to a sharp fall in the amount of coconuts being harvested, with coconut yields down by 60% and a significant increase in the price of coconut milk. Making the shortage worse has been the surge in palm oil prices, which has forced some industrial users of palm oil – in the production of toiletries for instance – to switch to coconuts. 5

The restaurant trade has been hit. Henry Dimbleby, the co-founder of Leon an independent takeaway chain, said: "It's been a nightmare. At one stage we were ringing up our suppliers on a daily basis to find out if the boat with coconut milk – which appeared to be the only one in the world – was going to land in the UK." 10

Robert Simon, a food importer, said: "This problem is typical of the food industry in the last couple of years; food inflation being caused by a change in weather patterns. It is having dramatic effects all down the supply chain from traders to restaurants and supermarket shoppers. Prices have at least doubled with the wholesale price for a 400ml can of coconut milk increasing from 25p to 54p." 15

(Source: adapted from <http://www.telegraph.co.uk/foodanddrink/8541371/Coconut-milk-crisis-as-supermarkets-run-dry.html>)

Evidence B

Exporters pace of growth 'slows' in 2011

The British Chambers of Commerce (BCC) survey of over 1,000 exporters found that one in five expected to cut jobs in the coming months. Continued uncertainty because of the eurozone debt crisis, and the fragile nature of the UK's economic recovery, meant British exporters were reluctant to take on more staff, with recruitment plans said to be weak.

John Longworth, director general of the BCC, said: "British businesses must be encouraged to take risks and seek out new markets, particularly outside Europe. The UK Government must deliver confidence to exporters and encourage those looking to trade abroad for the first time to take the leap. The fact remains that exporters are more resilient than companies that do not export and are benefiting from the weaker pound." 5

(Source: adapted from <http://www.fmwf.com/media-type/data-bank/2011/11/exporters-pace-of-growth-slows/>)



- 7** Explain **one** reason why the takeaway food market may be described as dynamic.

(Total for Question 7 = 4 marks)



- 8** It has been estimated that a 40% increase in the price of coconut milk would decrease demand by 10%.

(a) Calculate the price elasticity of demand for coconut milk.

(3)

(b) Comment on your result.

(1)

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(Total for Question 8 = 4 marks)



- 9** Using a fully labelled supply and demand diagram, analyse why the price of coconut milk has increased.

(Total for Question 9 = 8 marks)



10 Explain the likely impact of rising food costs on an independent takeaway business such as Leon.

(Total for Question 10 = 6 marks)



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The UK's economic recovery has been described as 'fragile' (see Evidence B, line 3).

- 11** Assess **two** possible marketing strategies a UK business could adopt under these circumstances.

Strategy 1

(5)

Strategy 2

(5)



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(Total for Question 11 = 10 marks)



***12** Evaluate the likely impact of a depreciation of the pound sterling on the:

(a) UK manufacturing sector

(7)



(b) UK tourist industry.

(7)

(Total for Question 12 = 14 marks)

TOTAL FOR SECTION B = 46 MARKS
TOTAL FOR PAPER = 70 MARKS



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