

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel
Level 3 GCE**

Centre Number

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Candidate Number

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Monday 11 May 2020

Morning (Time: 1 hour 30 minutes)

Paper Reference **8EB0/01**

Economics B

Advanced Subsidiary

Paper 1: Markets, consumers and firms

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.
- Answer the questions in the spaces provided – *there may be more space than you need.*

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.*
- Calculators may be used.

Advice

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

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A and B) before answering Question 1.

Write your answers in the spaces provided.

Extract A

D.A.P. Ltd. (DAP)

DAP manufactures auto-electrical components and sells them in over 76 countries. The components are used to replace old or damaged parts in the alternators and starter motors of cars, buses and lorries.

Managing Director David Chadwick started the firm more than 25 years ago. At first, he worked alongside two full-time employees, providing local garages with a small selection of parts for the most popular cars of the time. Producing and selling from small business premises, and using limited technology, *DAP* only just managed to break-even. David realised he would need to expand and develop a wider range of components if he was going to be successful.

5

At the fifth attempt, David was able to obtain a bank loan but he needed to use the business premises as collateral. This allowed *DAP* to develop new products to fit a wider variety of vehicles. However, there was still not enough money to promote *DAP*. Expansion was very slow and David frequently had to spend time recruiting new workers to replace demotivated employees, instead of achieving his objective of selling to an international market.

10

15

In spite of the problems faced in the early years, *DAP* was eventually able to expand internationally. By 1996, it had grown to employ more than 30 full-time members of staff and sold 50% of its products in the export market.

To try to remain competitive *DAP* set up a website giving information about its product availability. In an effort to make the website fully operational before a trade show in Colombia, incorrect facts were given about a number of components. Sales to Colombia have never recovered because of *DAP*'s poor reputation after many dissatisfied customers returned the unsuitable goods. However, *DAP* continues to be successful elsewhere.

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Extract B

Statement of comprehensive income for *DAP* year ending 31 December 2018

	£
Sales revenue	950 000
Cost of sales	650 000
Gross profit	300 000
Expenses	120 000
Operating profit	180 000
Interest and tax	50 000
Profit for the year	130 000
Dividends	60 000
Retained profit	70 000

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New and more efficient technology has been introduced to the production process of auto-electrical components.

- (c) Using a supply and demand diagram, illustrate the likely impact of this new technology on the market for auto-electrical components.

(4)



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(d) Discuss the disadvantages for a firm such as *DAP* of a bank requiring collateral before giving a loan.

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DAP specialises in the manufacture of auto-electrical components that are used in alternators and starter motors.

(e) Assess the advantages of specialisation for a firm such as DAP.

(12)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS



SECTION B

Read the following extracts (C and D) before answering Question 2.

Write your answers in the spaces provided.

Extract C

Top of the class

Christine Marshall knew the stress exams caused students, as she had worked in the office at a large secondary school for more than 30 years. Having experienced enough job-related stress herself, Christine decided it was time for a change of scene. She was too young to retire but worked out she could live comfortably with a moderate income. 5

Due to her experience in the education sector, Christine was able to use her contacts to start up a small tutoring agency. *Mint Tutors* offers online tuition to GCSE and A Level students in a range of subjects, charging £25 per hour for a one-to-one session. *Mint Tutors* does all the advertising and puts students and their parents in contact with subject tutors. 10

Christine works from a small office at her home in Devon but found she was too busy to manage all the calls by herself. Soon after setting up *Mint Tutors*, Christine recruited a former colleague to work for her part-time.

"By the time the tutors have taken their fee, I have paid IT costs and all the expenses, there is not a lot of money left in the business," said Christine. "But it is good to feel I am helping to make tuition more affordable for students from a wider range of social backgrounds." 15

The months of March, April and May, leading up to when students take exams, are busiest for *Mint Tutors*. In an attempt to boost demand, Christine plans to increase her advertising spend by promoting *Mint Tutors* at an education fair in February 2019. 20

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Extract D

Cash flow forecast for *Mint Tutors* January – April 2019

	Jan	Feb	Mar	Apr
	£	£	£	£
Cash inflow				
Sales revenue	12 500	15 000	22 500	22 500
Total cash inflow	12 500	15 000	22 500	22 500
Cash outflow				
Wages	11 250	12 750	17 250	17 250
Advertising	1 000	2 600	1 000	1 000
Other expenses	2 000	2 000	2 000	2 000
Total cash outflow	14 250	17 350	20 250	20 250
Net cash flow	(1 750)	(2 350)	2 250	2 250
Opening balance	3 100	1 350	(1 000)	1 250
Closing balance	1 350	(1 000)	1 250	3 500

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(e) Assess the extent to which non-financial motives are important for Christine when running *Mint Tutors*.

(12)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS



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SECTION C

Read the following extracts (E and F) before answering Question 3.

Write your answer in the space provided.

Extract E

Food Standards Agency labelling on foods

Labelling on food is regulated to protect consumers who should have the correct information to make confident and informed food choices based on diet, allergies, personal taste or cost. Everyone has the right to know that the food they have bought matches the description given on the label. Part of the Food Standard Agency's role is to help prevent mislabelling or misleading descriptions of foods by setting and enforcing the use of food labels. 5

(Source: adapted from <https://www.food.gov.uk/business-guidance/packaging-and-labelling>)

Extract F

Best before dates linked to massive amounts of Canadian food waste

A report from the National Zero Waste Council says confusing and unnecessary use of labels is a major cause of food waste in Canada.

"People don't know what they mean," said Denise Philippe, who helped write the report. "When they see 'best before' they think it means if they eat it afterwards, there's going to be a health problem. That's not true, as 'use-by' dates refer to safety but 'best before' dates refer to food quality. However, people don't know the difference. Many products that carry best before dates don't even need them. That crisp might be slightly crispier if you eat it before that date and slightly less crispy if you eat it after. You would be amazed at how long yogurt lasts." 5 10

Research suggests Canadians are among the biggest food-wasters in the world. A recent study found the average Canadian wasted almost 400 kg of food a year, 47% of which is at home and 30% is wasted by processors and retailers. Food that is thrown away because it is past its best before date is part of this problem.

Best before dates reduce profitability for supermarkets that have to throw away food or reduce retail prices. Food producers need to spend time in product development testing every variety of soup, packet of pasta or box of chocolates to label appropriate best before dates. In addition there are numerous environmental impacts. Aside from the food itself going to waste, there is a high amount of packaging that ends up in landfill, or even worse, the ocean, without the products ever having been opened. 15 20

More emphasis should be put on educating consumers about the difference between 'use-by' and 'best before' dates than just applying regulation to the labelling on food.

(Source: adapted from <https://www.ctvnews.ca/lifestyle/best-before-dates-linked-to-massive-amounts-of-canadian-food-waste-study-1.3952068>)



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3 Evaluate the extent to which food labelling regulations could be considered a government failure.

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS



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