

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

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

Wednesday 3 June 2009 – Afternoon
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) Which of the following is **most likely** to increase the demand for DVD players? (1)

- A** A fall in incomes
- B** A fall in the price of a substitute good
- C** A fall in the price of a complementary good
- D** A fall in the population size

Answer

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

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(Total for Question 1 = 4 marks)



2 (a) If there are high barriers to entry in an industry such as banking it is **likely** that there will be

(1)

- A low prices.
- B low costs.
- C low profitability.
- D low competition.

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 2 = 4 marks)



3 (a) During a recession which of the following businesses is **least likely** to suffer a fall in sales?

(1)

- A A travel agent
- B A car dealership
- C A bus company
- D A fashionable clothes shop

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)



4 (a) In a perfectly competitive market you would expect to find all of the following **except**

(1)

- A perfect knowledge.
- B many buyers and many sellers.
- C no barriers to entry.
- D product differentiation.

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 4 = 4 marks)



5 (a) The boom phase of the economic cycle is **most likely** to be associated with

(1)

- A a fall in interest rates.
- B a rise in unemployment.
- C a rise in inflation.
- D a fall in imports.

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)



6 (a) An increase in consumer knowledge is likely to see an increase in all of the following **except**

(1)

- A price.
- B quality of product.
- C standards of service.
- D choice of products.

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

Global tyre shortage threatens to stop mining industry in its tracks

Times have never been better for the mining industry. Driven by ever-increasing demand from an industrialising China, the industry is making record revenue and profits. Yet the infrastructure, after years of low investment, is struggling to cope.

This strain is obvious in one of the most crucial components that keeps the global mining industry rolling: tyres. It may seem a minor detail, but these are no normal tyres. Reaching up to 13ft (4m) high and weighing more than five tonnes each, they are quite literally what keep the global mining industry rolling. Without tyres, the house-size dump trucks that cart out loads from the depths of the world's biggest mines in Chile or Western Australia remain idle, costing millions of dollars in lost revenue. 5

Japan's Bridgestone, the biggest provider of "super-giant" tyres, warned this year that the shortage would last until 2012, a view echoed by Michelin, the No 2 supplier. So severe is the shortage that tyres that two years ago cost \$30 000 have increased by as much as three times to \$90 000. This shortage is just one part of a much larger squeeze which has sent operating costs soaring throughout the mining sector. The cost of explosives, for example, has rocketed. 10 15

(Source: adapted from *The Independent*, article by Danny Fortson, December 2007)

Evidence B

BHP Billiton and Rio Tinto: Global steel makers oppose proposed merger

Steel makers across the globe are speaking out against mining company BHP Billiton's attempt to acquire rivals Rio Tinto. If the merger takes place, the merged company will have significant monopoly power, with huge control over the steel market. The proposed merger has rung alarm bells for steel makers across the globe, who rely on supplies of iron ore. 5

While the world's largest steel company accounts for less than 15 per cent of the total world production, the three largest iron ore companies – CVRD, Rio Tinto and BHP Billiton – account for over 70 per cent of world iron ore trade. This would significantly reduce the bargaining power of steel makers.

The International Iron and Steel Institute (IISI) Secretary General, Ian Christmas, has gone on record as saying, "It is vital that competition authorities in the EU, USA, China, Australia and Japan recognise the threat that this merger poses to the interests of steel consumers and the general public. This merger is not in the public interest and should not be allowed to proceed." 10

(Source: adapted from http://mjunction.in/market_news/metals/bhpbilliton_rio_tinto_global_s.php by Arnab Mallick and Kohinoor Mandal, 5 December, 2007)



7 What is meant by the term 'demand'? (Evidence A, line 1).

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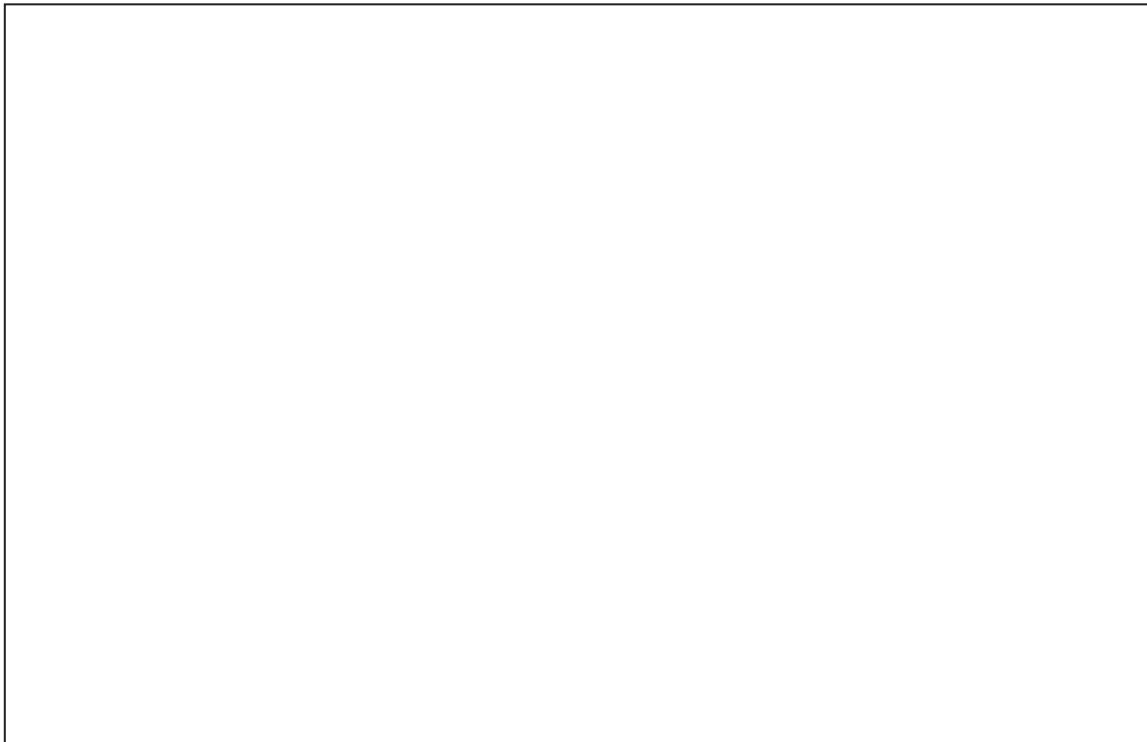
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(Total for Question 7 = 2 marks)

8 Using a diagram, illustrate **and** explain why the global price of truck tyres has increased so much.



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(Total for Question 8 = 6 marks)



13 Evaluate the likely effects of such a merger on:

(a) shareholders in BHP Billiton and Rio Tinto.

(7)

A series of horizontal dotted lines for writing the answer.



(b) employees of BHP Billiton and Rio Tinto.

(7)

Area with horizontal dotted lines for writing.

(Total for Question 13 = 14 marks)

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

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