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Edexcel GCE

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

Monday 7 June 2010 – Afternoon Time: 1 hour 15 minutes	Paper Reference 6EB02/01
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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 13 in Section B. This question is indicated with an asterisk*
– *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 **one** of the following businesses is **most likely** to be associated with Structural Unemployment in the UK?

(1)

- A** Food Retailing
- B** Hairdressing
- C** Shipbuilding
- D** Catering

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 1 = 4 marks)



2 (a) Which **one** of the following is **most likely** to cause firms like Cadbury to decrease the amount of investment they undertake?

(1)

- A A fall in business confidence
- B A rise in consumer demand
- C A fall in interest rates
- D A fall in corporation tax

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 2 = 4 marks)



3 (a) The ability of a business such as housebuilder Barratt Homes to use its larger size to negotiate better terms with its suppliers of raw materials is an example of (1)

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

Answer

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

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(Total for Question 3 = 4 marks)



4 (a) If an increase in a consumer's income causes the consumer to decrease the quantity demanded of baked beans, then baked beans might best be described as (1)

- A a complementary good.
- B an inferior good.
- C a normal good.
- D a substitute good.

Answer

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

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(Total for Question 4 = 4 marks)



5 (a) Tesco PLC has a flat organisational structure across its stores in the UK. Tesco managers typically delegate responsibility.

(1)

The degree of delegation within Tesco is **most likely** to rise following an increase in

- A span of control.
- B centralisation.
- C chain of command.
- D capacity utilisation.

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)



6 (a) Lean management at the car manufacturer Jaguar is **most likely** to lead to (1)

- A a rise in stock levels.
- B labour intensity.
- C excess capacity.
- D less wastage.

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

Ski chalet firms at risk as recession bites in 2009

At least six chalet tour operators may go into liquidation owing to rising costs and a lack of custom caused by the economic downturn. Indigo Lodges ceased trading last month and others are expected to follow. The number of winter-sports holidays on offer next year is likely to fall by as much as 15 per cent, although prices are rising by 10 per cent due to rising costs. Nick Morgan of Le Ski said, "those operators who focus on one strength will survive – those that don't probably won't be here next year".

5

The high value of the euro is keeping British skiers at home, or causing them to rely on last-minute cut-price deals. Most operators are now offering half-price or two-for-one deals in an attempt to fill their charter planes. Travel companies have already cut back drastically on charter flights.

10

"Times are hard," said Nick, "and we are being hit by the crisis in Britain. The British account for around 36 per cent of our visitors." On the bright side, snow conditions across the Alps and the Pyrenees are at their best and you can grab a last-minute ski holiday at a fraction of the brochure price.

(Source: adapted from www.telegraph.co.uk, Peter Handy, 27 February 2009)

Evidence B

It's an ill wind ... British tourism finds recession is so bracing!

The falling value of the pound and fears about the recession mean record numbers of Britons will choose to holiday at home this summer. The Association of British Travel Agents said that bookings in January 2009 are up year on year. The humble self-catering holiday is coming back, with Hoseasons, Butlins and the Youth Hostels Association (YHA) all reporting increased business. "Bookings for 2009 are up 20 per cent on last year, with the price of overseas holidays set to soar next year, but breaks in Britain are likely to go up in price by only 3 per cent," said Peter Joyner of Hoseasons.

5

Research by VisitBritain, the tourism authority, has revealed that 74 per cent of people are trying to reduce their holiday spending. Tourist boards across the country are trying to capture the extra trade. For example, the Northwest Regional Development Agency announced a £20m package that will be used to market its area.

10

The higher end of the British market is also flourishing. Blue Chip Vacations, which owns 500 luxury properties in Britain, said its bookings were up by 72 per cent this year.

(Source: adapted from www.theindependent.co.uk, Rachel Shields, 1 February 2009)



7 What is meant by the term '**economic downturn**'? (Evidence A, line 2).

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(Total for Question 7 = 2 marks)

8 Using a suitable diagram, illustrate and explain the likely effects of rising costs on the sale of winter holidays. (Evidence A, line 1).



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(Total for Question 8 = 6 marks)



9 Explain why high profits can act as a signal to producers to enter the UK travel market.

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(Total for Question 9 = 4 marks)



10 Recommend **two** ways a European ski firm could try to increase its sales.

(8)

Method 1

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Method 2

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(Total for Question 10 = 8 marks)



11 Analyse why a depreciation of £ sterling against the Euro might have reduced the demand for overseas holidays.

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(Total for Question 11 = 4 marks)



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