Write your name here

Surname	Other names

Centre Number | Candidate Number

Edexcel GCE

Economics and Business

Advanced Subsidiary
Unit 2B: Business Economics

Thursday 19 January 2012 – 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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PEARSON

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) Richer Sounds, a UK electrical retailer, empowers all its employees so that they can make as many decisions as possible on their own.

Greater empowerment is **likely** to result in

(1)

A closer supervision of the workforce.

B a longer chain of command.

C an increase in productivity.

D less customer satisfaction.

Answer ☐

(b) Explain your answer.

(3)

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(Total for Question 1 = 4 marks)

2 (a) In June 2010, Nintendo reduced the price of its DSi hand-held video games console from £160 to £130.

This may have led to

(1)

A a shift of the demand curve to the left.

B a fall in quantity demanded.

C a shift of the demand curve to the right.

D a rise in quantity demanded.

Answer ☐

(b) Explain your answer.

(3)

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(Total for Question 2 = 4 marks)

3 (a) Aldi, a supermarket chain, uses Just in Time (JIT) management of stock.

This is likely to involve all of the following **except**

(1)

A a fall in average costs.

B a closer relationship with suppliers.

C a decrease in the number of deliveries.

D a fall in stock levels.

Answer

(b) Explain your answer.

(3)

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(Total for Question 3 = 4 marks)

4 (a) In October 2010, the UK annual rate of inflation as measured by the Consumer Prices Index was 3.2%. The target set by the UK Government was 2%.

Inflation can be a problem for an economy because it

(1)

A causes a loss of competitiveness.

B decreases wage demands.

C makes people with loans worse off.

D encourages saving and reduces spending.

Answer ☐

(b) Explain your answer.

(3)

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(Total for Question 4 = 4 marks)

5 (a) The concept of the 'long tail' can be applied to the music industry.

This is because the music industry

(1)

A wants to reduce consumer choice.

B has sales across a wider range of musical styles.

C wants to decrease the number of niche products being downloaded.

D has a greater number of high street stores opening up.

Answer

(b) Explain your answer.

(3)

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(Total for Question 5 = 4 marks)

6 (a) Which of the following is **most likely** to lead to a decrease in the demand for cinema tickets?

An increase in

(1)

A the population size.

B income.

C the price of a complementary good.

D the price of a substitute good.

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 questions in this section.

You are advised to spend 45 minutes on this section.

Evidence A

The greatest sideshow on Earth

The UK Government has set aside £9.3 billion to host the Olympic Games. Why pay so much for a few weeks' sport? Some hoped-for returns are in the form of prestige. London wants even more tourists and hopes that the games will promote trade. But the most enduring legacy is supposed to be the transformation of a post-industrial wasteland in Stratford, East London, the poorest part of the capital for more than a century; "the regeneration of an entire community for the direct benefit of everyone who lives there", according to the bid team.

The final costs and the benefits of the 2012 games will not be known with much precision for several years. Some say the Games look like an expensive way of refreshing the rundown end of town. Regeneration without the Games might well have been cheaper, if slower – or might never have taken place at all. Arguments that UK taxpayers' money could be spent in other vital areas has been well voiced by critics.

Of the £9.3 billion, about £6.2 billion is coming from central-government grants. The Greater London Authority (GLA) is putting in £625m and the London Development Agency (LDA) £250m. The National Lottery is giving just under £2.2 billion. Of the 650 companies that have already won over £2 billion worth of work supplying the Olympic Delivery Authority (ODA) to date, over 70 per cent are small and medium-sized businesses and 98 per cent are UK based.

Olympic Ring

Uses of public-sector funding for 2012 Olympics, £m

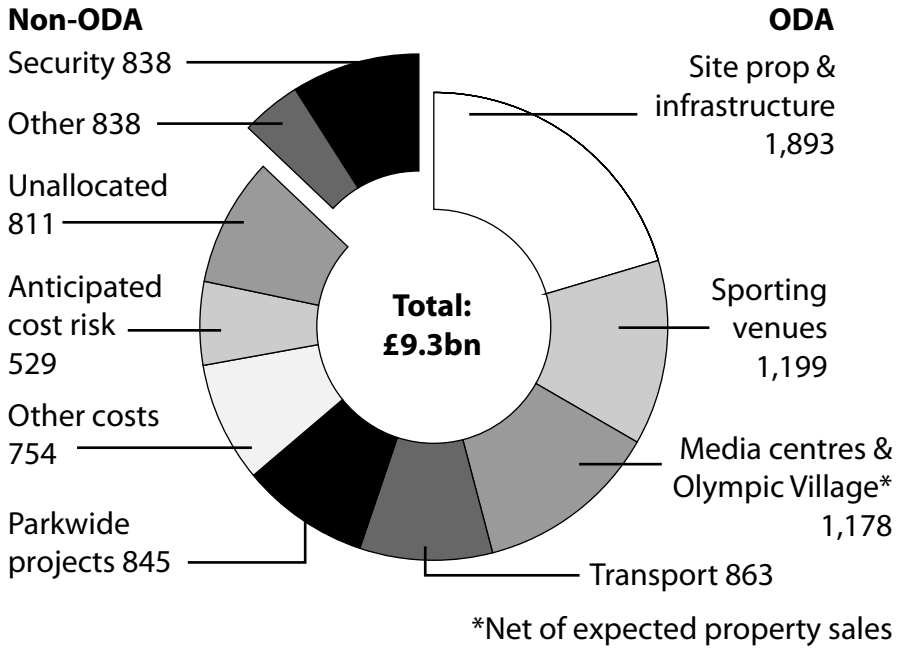

Figure 1

(Source: adapted from The Economist, 22 July 2010)

Evidence B

Panini sticker company launches Olympic and Paralympic collection

Children will be able to swap two Tom Daleys for one Usain Bolt as the Panini sticker company launches an Olympic and Paralympic athletes collection for the first time. Sports fans will also get the chance to get their hands on Panini trading cards featuring past, present and future Olympic and Paralympic athletes. Panini, famed for its sticker collections covering footballers to pop stars, has become a London 2012 licensee. Only official London 2012 licensees are allowed to supply goods and services for the Olympic Games.

(Source: adapted from www.metro.co.uk, 14 July 2010)

Evidence C

Demand for London properties set to rocket

'For the 2010 World Cup in South Africa, many visitors sought out holiday rental properties as an alternative to a hotel, which meant the average weekly income generated per property soared by almost 150%' explained Tim Boughton, the UK General Manager of HomeAway Holiday Rentals. It is expected that demand for properties to rent in East London is likely to rise as a result of the Olympic effect.

(Source: adapted from Property Community Ray Clancy, 27 July 2010)

7 Explain why small businesses supplying the Olympics might still flourish despite the lack of economies of scale.

(Total for Question 7 = 4 marks)

8 Explain **one** possible disadvantage to consumers of a business being the only licensed supplier of Olympic merchandise.

(Total for Question 8 = 4 marks)

9 Record numbers of visitors to the Games will want accommodation in the city.

Using a supply and demand diagram, illustrate and explain the effects of this increased demand on the market for rental properties.

(Total for Question 9 = 8 marks)

10 Evaluate the role of market research in reducing uncertainty to a merchandising business such as Panini.

(Total for Question 10 = 8 marks)

11 Assess whether an economic downturn would affect the success of the 2012 Olympic Games.

(Total for Question 11 = 8 marks)

***12** The regeneration of East London will change employment and output patterns in the region.

Evaluate the likely impact of the Olympic Games on

(a) the residents of East London.

(7)

(b) local businesses in East London.

(7)

(Total for Question 12 = 14 marks)

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

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