

Pearson Edexcel GCE

Economics and Business

Advanced

**Unit 4B: The Wider Economic Environment and
Business**

June 2014

Paper Reference

6EB04/01

Pre-release material

To be opened on receipt

Advice to Centre Staff and Candidates

- Candidates are expected to be familiar with the evidence provided here for the Unit 4B question paper before entering the examination room.
- A copy of this pre-release material will be included in the question paper, together with some new evidence, which you should study carefully before answering the questions.
- Candidates will not be allowed to take copies of this pre-release material into the examination.

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Evidence A

Obesity Britain: shocking new figures reveal growing crisis

The NHS Information Centre reported that in 2010/11 there were 8,087 weight-loss stomach operations in England's hospitals, up from 7,214 in 2009/10. The report also highlighted a 30-fold increase in the number of obese people undergoing surgery in the last decade.



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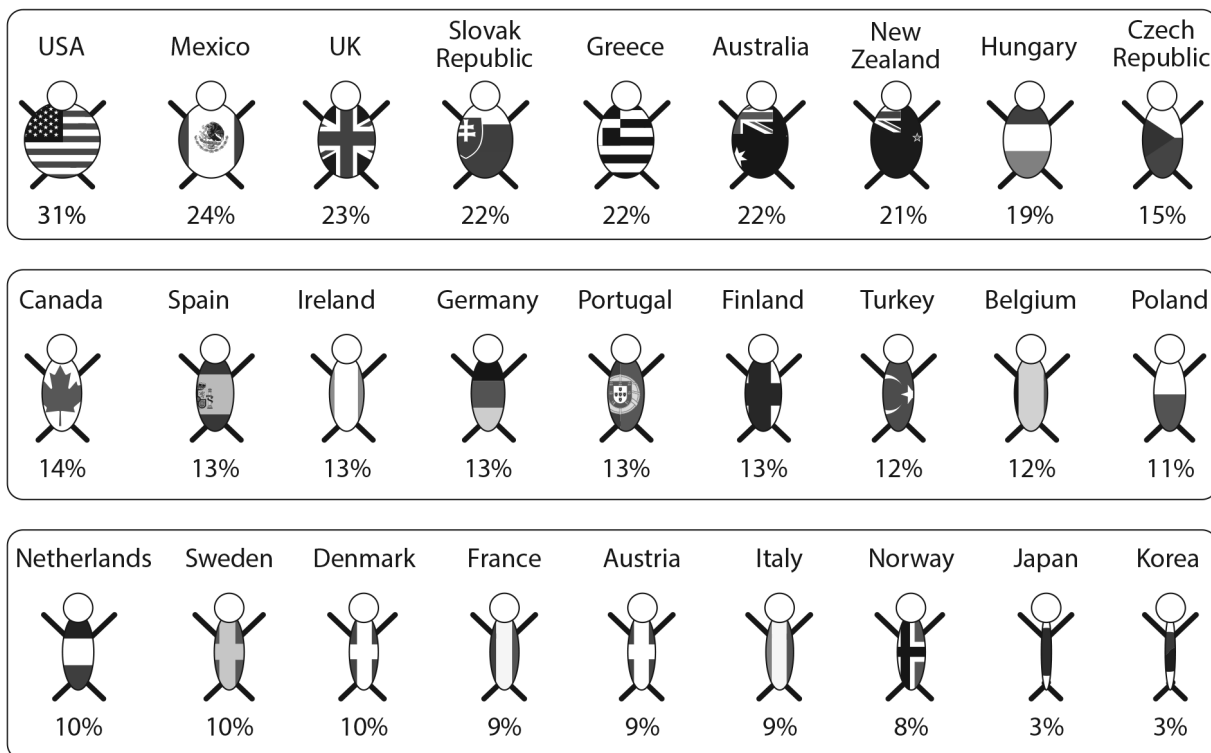
The report also found a dramatic rise in the number of hospital admissions for patients whose main diagnosis was obesity. Admissions rose from 1,054 in 2001 to 11,573 in 2011. Admissions among women are almost three times higher than for men: 8,654 women in 2011 compared to 2,919 men.

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(Source Image: <http://cavegirlleats.com/2011/06/02/things-that-might-happen/>)
 (Source: adapted from: *The Daily Mirror*, 23 February 2012)

Evidence B

Obesity: The percentage of the population older than 15 with a body mass index greater than 30.



(Source: <http://www.diet-blog.com> (accessed September 2012))

Evidence C

Health risk warning to 1 in 5 Britons guzzling high-calorie sports drinks at their desks

Millions are putting their health at risk by slurping on sports drinks in the office.

Energy-boosting drinks are formulated for people doing high-impact exercise. A 500ml bottle contains around 150 calories, which takes an average adult 20 minutes to burn off. Some contain high levels of caffeine, linked to both heart problems and behavioural disorders.

In 2010 Britons spent £260 million on sports drinks. Dr Paul Gately of Leeds Metropolitan University said: 'The levels and situations in which people are consuming these are worrying. They are designed for highly-active sports people undertaking regular high-intensity training'. Consumption of these isotonic drinks without accompanying exercise is linked to weight gain.



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(Source image: <http://www.gatorade.co.uk/>)
(Source: adapted from *The Daily Mail*, 4 April 2012)

Evidence D

Healthy school meals beyond reach of poor

Parents on low incomes are struggling to pay for healthy school meals for their children.

Critics of the Government's decision to scrap a planned extension of free school meals called on Education Secretary, Michael Gove, to change his mind. Schools regulator Ofsted found that in some families money was so tight that siblings had to take it if it turns to have nutritious lunches for a week. The Child Poverty Action Group (CPAG) described the examples uncovered by the regulator as shocking.



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The Labour Party opposition planned to give free school meals to all primary pupils living below the poverty line, not just those whose parents are unemployed. Ofsted also found that a third of schools were still failing to provide healthy meals – despite a sustained campaign.

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The Royal College of Nursing, the Royal College of Paediatrics and Child Health and the Royal College of Physicians were among the latest voices to join the backlash against Gove's decision. He said he had to ditch the expansion to protect frontline spending, claiming his predecessor had underestimated costs.

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Mandatory standards mean that an average school lunch must contain at least one portion of vegetables or salad, and one portion of fruit. Fat, sugar and salt are restricted and each meal should contain minimum levels of nutrients and vitamins.

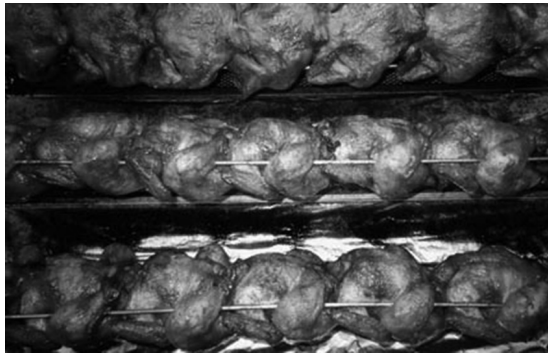
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(Source: adapted from *The Guardian*, 25 June 2010)

Evidence E

Budget 2012: 'hot chicken tax' to close VAT loopholes on hot food

If you eat supermarket rotisserie chicken, life could soon become more expensive after the Chancellor announced a crackdown on a string of VAT loopholes.



From October, all retailers selling any type of hot takeaway food will pay 20% VAT. The cost is likely to be passed on to consumers. HMRC estimates the change will bring in an extra £105 million in annual revenues by 2013–14.

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A spokesman from high street baker Greggs said: "We do not believe that our freshly baked savoury products should be subject to VAT." Phil Ugalde, owner of Bodmin based Proper Cornish Food Company, told British Baker Magazine:

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"VAT will have a disproportionate effect on the Cornish economy. The government has put millions of pounds into the region and now they are knocking us straight back down. We employ twice as many people within the food service sector in Cornwall than the national average."

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He explained: "The Cornish pasty is a high-value product, containing fresh ingredients, not highly processed, and is handmade, requiring skill and labour. The proposed VAT on the pasty could mean a 15–20% reduction in sales. It seems inevitable that this will lead to job losses and lower profitability."

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Other products that will lose their "zero-rating" are sports and body building drinks.

(Source: adapted from <http://www.bakeryinfo.co.uk> 10 April 2012 and *The Guardian*, 21 March 2012)

NB: Cornish pasties and similar items cooling down after baking were excluded from the proposals on 28 May 2012 following representations from the Cornish Pasty Association and others.

Evidence F

Poverty trap: More than a million children living in poverty are missing out on free school meals, charity warns

The Children's Society reported today that 700,000 children from poor families do not qualify for free school meals. Their parents earn too much, while half of the 1.2 million who are entitled to them do not take them up.



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Lunch is the main meal for a third of children and research shows healthy food improves behaviour and grades. 100,000 families face losing free dinners as planned benefit changes mean they would be worse off taking jobs. Three out of five low income parents say this is a factor when deciding to take a job or work more hours.

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Currently, low income families can claim free school dinners worth up to £367 p.a., per child. However from October 2012, the new Universal Credit will place an earnings limit (probably £7,500 p.a.) after which claimants start losing benefits. This would deny 350,000 children free food and negatively affect economic welfare.

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(Source: adapted from *The Daily Mirror*, 19 April 2012)

Evidence G

Labour fails to block tax cut

Labour leader Ed Miliband today branded George Osborne's Budget a "shambles" but failed in a bid to block the Chancellor's keynote cut in the top rate of income tax from 50p to 45p.

Four weeks after the March 21 statement, Mr Miliband said it was clear that Mr Osborne had "conned" pensioners while handing £40,000 each to Britain's millionaires. The budget phased out tax allowances for the elderly which had previously been index linked. 5

The clash came on the day the Commons Treasury Committee questioned the figures used by Mr Osborne to justify axeing the 50p rate.

Mr Miliband said it was clear that the Budget had "comprehensively failed the test of fairness". 10

Defending the 45p rate, Treasury minister David Gauke told MPs:

"Labour claims to want to raise taxes from the wealthy, but the reality is the 50p rate was not succeeding in getting that money in. Under our plans, 27% of revenue from income tax will come from the top 1% ... whereas the top 1% paid between 20% and 25% under Labour. The 50p rate did not raise the revenues intended and what money it did raise came with a cost of damage to growth and competitiveness. This change is good for our long-term tax revenues." 15

(Source: adapted from *The Independent*, Wednesday 18 April 2012)

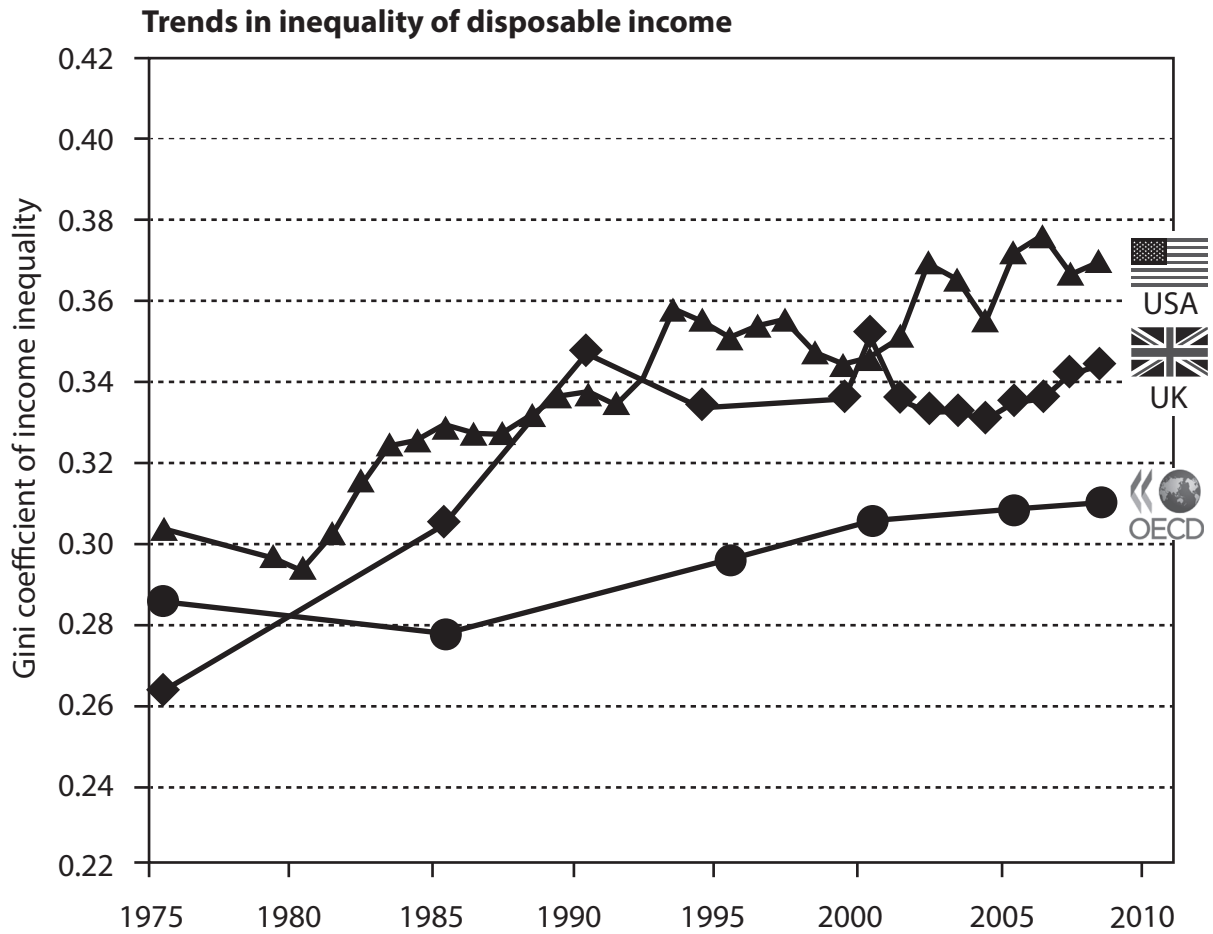
Evidence H

Features characterising the distribution of household income in OECD countries

- Both income inequality and poverty have risen over the past two decades.
- Inequality has risen because rich households have done particularly well in comparison to middle income families and those at the bottom of the income distribution.
- Income poverty among the elderly has continued to fall. 5

(Source: adapted from www.tuac.org April 2008)

Evidence I



(Source: Organisation of Economic Co-operation and Development)

Note: Gini coefficient: A measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income, all others have none).