Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel Level 3 GCE

Thursday 5 June 2025

Morning (Time: 2 hours)

Paper reference **9EB0/03**

Economics B

Advanced

PAPER 3: The economic environment and business

You must have:
Source booklet (enclosed), Insert (enclosed)

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 100.
- 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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P 8 0 2 1 5 A 0 1 2 0

Answer ALL questions.

SECTION A

Read Extracts A–D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Discuss whether the growth of a firm will always lead to diseconomies of scale.

(8)

(b) Assess the extent to which the objectives of a firm and a consumer might conflict.

(10)

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(c) Assess whether an ethical stance by a business will lead to stakeholder conflict.

(12)

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(d) Evaluate the extent to which globalisation has benefitted national and local economies.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

SECTION B

Read Extracts E–I in the Source Booklet before answering Question 2.

Write your answers in the spaces provided.

2 (a) Discuss the effects of an increase in the national living wage on employment.

(8)

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(b) Assess the extent to which supply-side policies for reducing skills shortages may involve policy conflicts or trade-offs.

(10)

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(c) Assess the potential trade-off between inflation and unemployment.

(12)

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(d) Evaluate the benefits of regulation in a market.

(20)

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

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Economics B

Advanced

PAPER 3: The economic environment and business

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P80215A

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Pearson

Sources for use with SECTION A

Read the following extracts (A–D) before answering Question 1.

Extract A

Diseconomies of Scale

Diseconomies of scale refer to a situation in business and economics where a firm's costs per unit of production increase as the scale of production or operation grows. Causes can include:

- **Complexity:** Business operations can become more complex, leading to coordination challenges and increased bureaucracy
- **Communication:** Larger organisations may struggle with effective internal communication
- **Overhead Costs:** Expanding often requires a larger number of administrative staff and infrastructure, increasing overhead costs
- **Specialisation Loss:** Too much specialisation can hinder flexibility and responsiveness to changes
- **Resource Scarcity:** As production scales up, demand for resources such as skilled labour or raw materials can outstrip supply, raising costs.

(Source: adapted from https://fourweekmba.com/diseconomies-of-scale/)

Extract B

Tesco boss hits back over claims grocer has made 'excessive' profits while households struggle

Tesco has denied claims that the UK's biggest retailer has made high profits while households struggle with high living costs. The supermarket giant came under fire from consumer group Which? and trade union Unite after it made profits of £2.6bn in the 12 months to the end of February 2023.

Unite's General Secretary Sharon Graham said that the results were an example of 'excessive profiteering fired up by astonishing corporate greed'. Sue Davies, head of food policy at consumer group Which?, said *Tesco* and its supermarket rivals 'could be working harder' to keep grocery bills 'manageable'.

Tesco Chief Executive Ken Murphy hit back, saying it had shielded customers from the full force of the 'unprecedented' cost pressures it was facing.

(Source: adapted from https://www.thisismoney.co.uk/money/markets/article-11970161/Tesco-boss-hits-claims-grocer-excessive-profits.html))

Extract C

Revealed: 2023's most ethical companies in the world

Ethisphere, a global company advancing the standards of ethical business practices, has revealed the World's Most Ethical Companies for 2023.

This year, the list once again includes six companies that have been recognised as one of the World's Most Ethical Companies every year since the creation of the awards 17 years ago in 2007. They are *Aflac*, *Ecolab*, *International Paper*, *Kao, Milliken & Company* and *PepsiCo*.

Ramon Laguarta, Chairman of the Board of Directors and Chief Executive Officer of *PepsiCo* said "*PepsiCo* is proud to be a 17-time World's Most Ethical Companies honouree. This recognition highlights our commitment to act with integrity and do business the right way."

(Source: adapted from https://ethisphere.com/ethisphere-announces-the-2023-worlds-most-ethical-companies/)

Extract D

Globalisation's winners and losers

The impact of 75 years of globalisation has been profound. Economically, it has been a catalyst for rapid growth, lifting millions of people out of poverty, particularly in developing countries. For society, it has facilitated the exchange of ideas and values, leading to a more interconnected world.

However, it has not been without its drawbacks. From environmental degradation to the erosion of local cultures and industries, much of global trade contributes negatively to the United Nations' Sustainable Development Goals.

The benefits of the globalised economy have not been equally distributed – a complaint that has been at the heart of political debate in recent years and caused trade wars between major economies.

(Source: adapted from https://www.gtreview.com/news/global/businesses-believe-globalisation-still-succeeding-but-new-model-needed/)

Sources for use with SECTION B

Read the following extracts (E–I) before answering Question 2.

Extract E

UK national living wage increase: implications for employers

In April 2024, almost three million low-paid workers received a pay rise of almost 10%, as the minimum wage, now officially known as the national living wage, was increased to £11.44 an hour. For thousands of lower-paid workers struggling to pay for basic necessities this increase was welcome news.

However, many employers raised concerns that the implications for their wage bills could have knock-on effects. Mike Iddon, Chief Executive of the *Pets at Home* retail chain, said that the increase would cost an extra £16m, when it had originally planned for just an £8m rise. Alex Baldock, Chief Executive of *Currys*, claimed the increase would lead to fewer jobs.

(Source: adapted from https://www.personneltoday.com/hr/national-living-wage-increase-implications/)

Extract F

Tackling the skills shortage in the UK housebuilding sector

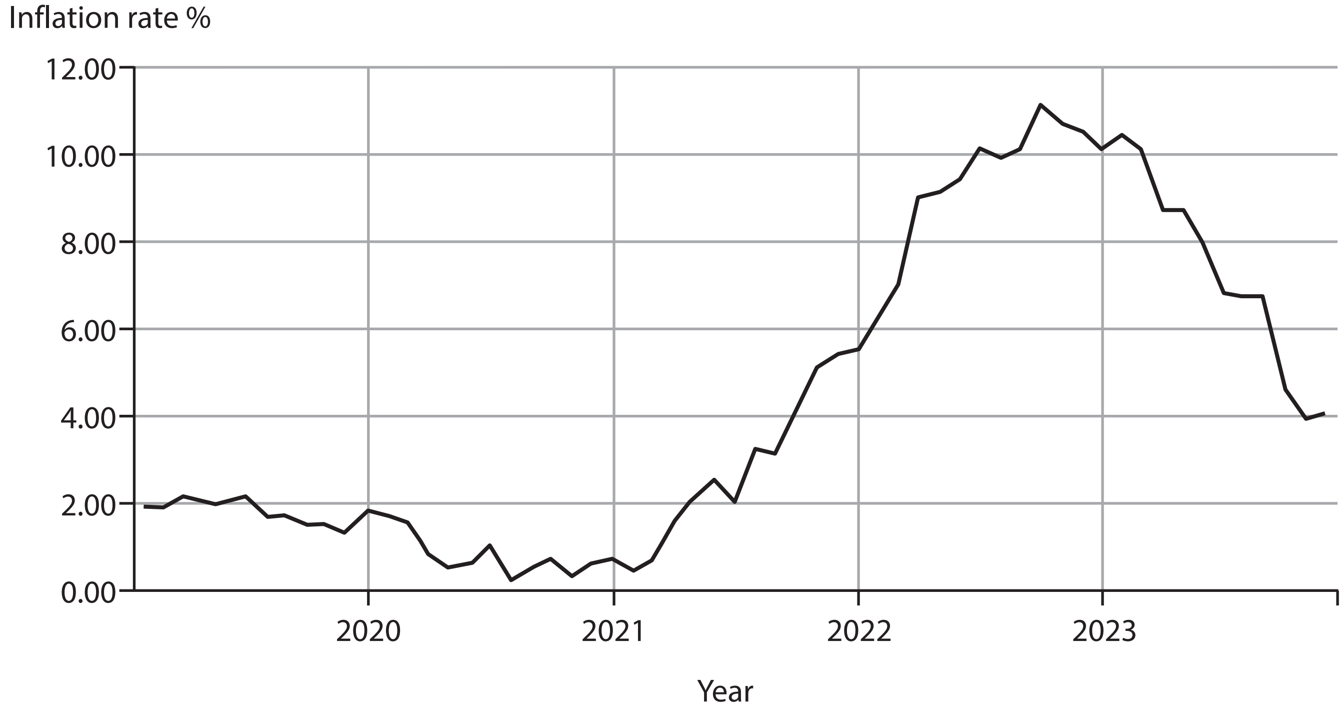
According to the charity Crisis, 1.8 million UK households are currently living in unsuitable conditions, facing issues such as damp, mould and overcrowding. One of the main reasons is that not enough affordable homes are being built.

A significant barrier to the supply of these additional homes is a severe skills shortage within the housebuilding industry. Government figures show that the construction industry has struggled to close the skills gap. Data from 2021 indicates that firms are struggling to recruit electricians, roof specialists, bricklayers, plasterers and carpenters. In November 2022, the construction industry accounted for 21% of businesses experiencing a shortage of workers – behind accommodation and food services.

(Source: adapted from https://www.lloydsbankinggroup.com/insights/tackling-the-skills-shortage-in-the-uk-property-sector.html)

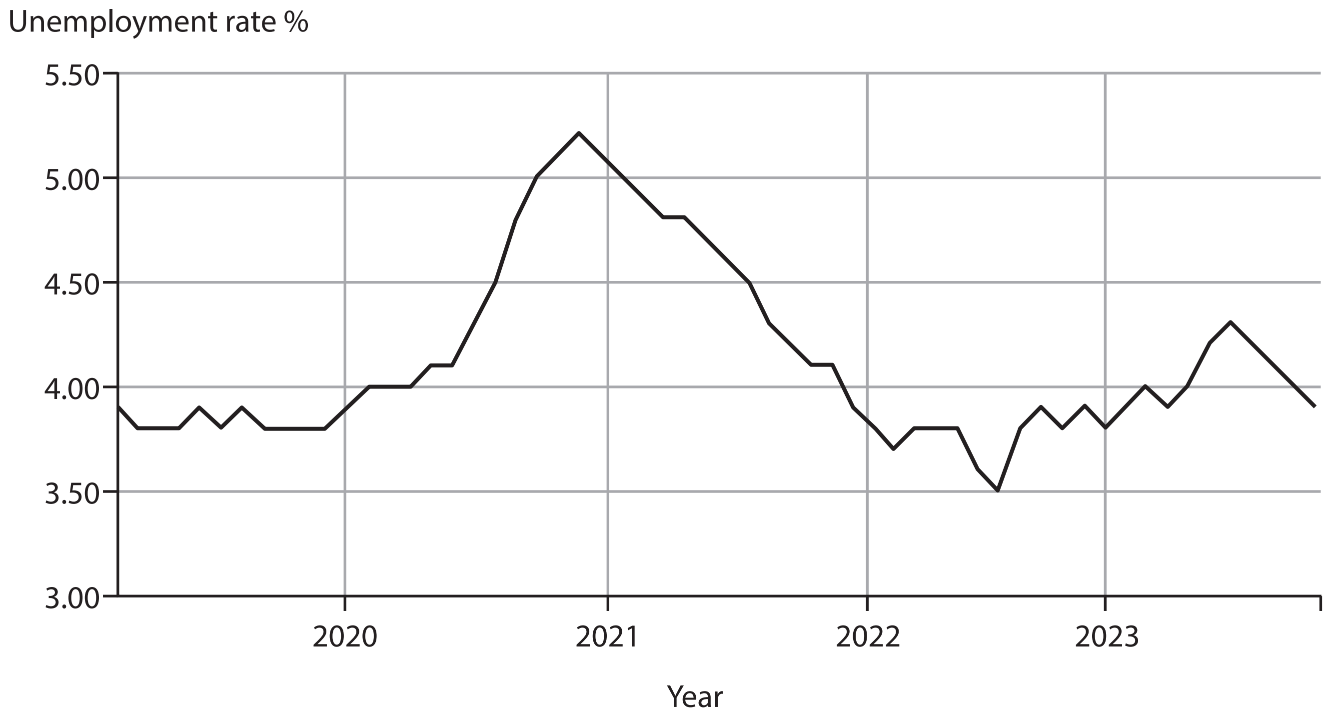
Extract G

UK inflation rate 2019–2024



(Source: adapted from https://tradingeconomics.com/united-kingdom/inflation-cpi)

UK unemployment rate 2019–2024



(Source: adapted from https://tradingeconomics.com/united-kingdom/unemployment-rate)

Extract H

The Competition and Markets Authority (CMA) launches formal investigation into *Vodafone*/*Three* merger

In January 2024, the CMA announced it was starting an investigation into *Vodafone UK's* joint venture agreement with *Three UK*. The proposed deal would merge the two companies' telecommunications operations under one single network provider.

The Chief Executive of the CMA, Sarah Cardell said, "This deal would bring together two of the major players in the UK telecommunications market, which is critical to millions of everyday customers, businesses and the wider economy. The CMA will assess how this merger between rival networks could affect competition before deciding next steps."

(Source: adapted from https://www.gov.uk/government/news/cma-launches-formal-investigation-into-vodafone-three-merger)

Extract I

The European Union's (EU) new Deforestation Regulation (EUDR)

The European Union's new Deforestation Regulation (EUDR) came into force in July 2023. EU firms trading in certain commodity products must be able to show that the products have not resulted from recent deforestation, forest degradation or any breaches of local environmental and social laws.

The EUDR covers seven commodities: cattle, cocoa, coffee, oil palm, rubber, soya and wood. It also covers many products derived from these commodities such as: meat products, leather, chocolate, coffee, palm nuts, palm oil derivatives, glycerol, natural rubber products, soybeans, soy-bean flour and oil, fuel wood, wood products, pulp, paper and printed books.

Penalties for non-compliance include fines of at least 4% of the firm's EU turnover and confiscation of the offending products.

(Source: adapted from https://www.whitecase.com/insight-alert/10-key-things-know-about-new-eu-deforestation-regulation)

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