

Paper Reference 9EC0/01
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A
Advanced
Paper 1: Markets and Business
Behaviour

Monday 18 May 2020 – Morning

Time: 2 hours plus your additional time allowance.

In the boxes below, write your name, centre number and candidate number.

Surname					
Other names					
Centre Number					
Candidate Number					

Y62360A

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

There are three sections in this Question Paper. Answer ALL questions from Section A and Section B. Answer ONE question from Section C

Answer the questions in the spaces provided in this Question Paper or in the Data Book – there may be more space than you need.

Turn over

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.

Check your answers if you have time at the end.

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions are multiple choice. Write the letter(s) of your chosen answer(s) in the box(es) provided.

You are advised to spend 30 minutes plus some of your additional time allowance on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

Turn over

- 1. Fuel duty is an excise tax imposed on the sale of petrol, included in the price paid by consumers, set at **58 pence per litre.****

(Source: <https://www.gov.uk/tax-on-shopping/fuel-duty>)

- (a) Refer to the diagram for Question 1(a) in the Data Book. Draw a supply and demand diagram to show the incidence of a specific petrol tax on consumers and producers.
(4 marks)**

(continued on the next page)

Turn over

1. continued.

(b) The indirect tax on fuel is increased in a market in which the price elasticity of demand is -0.1 . Which ONE of the options on the next page is the most likely effect on consumer and producer surplus?

1. (b) continued.

A Consumer surplus and producer surplus both decrease

B Consumer surplus and producer surplus both increase

C Consumer surplus decreases and producer surplus increases

D Consumer surplus increases and producer surplus decreases

Answer

(1 mark)

(Total for Question 1 = 5 marks)

Turn over

- 2. The external benefits of higher education include increased tax revenue, faster economic growth, greater innovation and labour market flexibility.**

**(Source adapted from:
<https://www.timeshighereducation.com/news/higher-education-its-good-for-you-and-society/2008681.article#survey-answer>)**

(continued on the next page)

2. continued.

- (a) Refer to the diagram for Question 2(a) in the Data Book. Draw an externalities diagram to show the likely impact of the consumption of higher education.**
- (4 marks)**

(continued on the next page)

2. continued.

(b) On average, in the UK, a working-age graduate earns approximately £10 000 more per year than a non-graduate.

(Source adapted from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701720/GLMS_2017.pdf)

(continued on the next page)

2. (b) continued.

This suggests a university degree provides a substantial

A external benefit

B external cost

C private benefit

D social cost

Answer (1 mark)

(Total for Question 2 = 5 marks)

Turn over

3. The EU tradable pollution permits scheme is expected to become more effective by 2020, due to recent reductions in the number of tradable pollution permits.

(Source adapted from: https://ec.europa.eu/clima/policies/ets_en)

- (a) Explain ONE likely effect of reducing the number of tradable pollution permits.

(4 marks)

Answer lines continue on the next two pages.

3. (a) continued.

(continued on the next page)

Turn over

3. continued.

(b) Regulation of firms that pollute is likely to be a problem because it

A allows firms to use price signals

B creates unintended consequences

C fills information gaps for businesses

D means lower administrative costs

Answer

(1 mark)

(Total for Question 3 = 5 marks)

Turn over

4. Refer to the diagram for Question 4 in the Data Book.

It illustrates the daily average cost curve for a doughnut producer.

(a) Explain what happens to total cost at output levels greater than Z

(2 marks)

Answer lines continue on the next page.

4. (a) continued.

(continued on the next page)

Turn over

4. continued.

(b) At output levels greater than **Z**, which **ONE** of the following correctly identifies what will happen to the cost?

	Average fixed cost	Average variable cost	Marginal cost
A	Falls	Falls	Rises
B	Falls	Rises	Rises
C	Rises	Rises	Falls
D	Rises	Rises	Rises

Answer

(1 mark)

(continued on the next page)

Turn over

4. continued.

(c) For a luxury doughnut producer the average selling price is **£2**. The average variable cost is **40%** of the selling price and its fixed cost per day is **£300**. Calculate total costs per day assuming it produces **400** doughnuts per day.

(2 marks)

Answer lines continue on the next two pages.

4. (c) continued.

(Total for Question 4 = 5 marks)

5. Refer to the information for Question 5 in the Diagram Book.

(a) Explain ONE likely reason why this business has remained small.

(2 marks)

Answer lines continue on the next page.

Turn over

5. (a) continued.

(continued on the next page)

5. continued.

(c) Assume 'Bettys' merges with a major tea leaf supplier. Which ONE of the following is most likely to be an advantage as a result of this merger?

- A External economies of scale will increase efficiency
- B Greater control to lower prices of tea
- C Industrial diversification increases risks
- D Lower monopoly power in the café market

Answer

(1 mark)

(Total for Question 5 = 5 marks)

Turn over

TOTAL FOR SECTION A = 25 MARKS

Turn over

SECTION B

Read Figures 1, 2 and 3 and extracts A and B in the Data Book before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour plus some of your additional time allowance on this section.

Turn over

6. The UK Rail Industry

- (a) Refer to Figure 1. Explain the likely effect of the change in subsidy levels between **2017** and **2018** on rail fares.

Include a supply and demand diagram in your answer.

There are blank axes on pages 16 and 17 in the Data Book if you wish to use them.

(5 marks)

(continued on the next page)

Turn over

6. continued.

**(b) With reference to Figure 2,
examine TWO possible factors
which may have influenced
demand for rail travel since 2008
(8 marks)**

**(c) Assess whether complete
nationalisation of the rail industry
might protect employees.
(10 marks)**

(continued on the next page)

Turn over

6. continued.

(d) With reference to Extract A, paragraph 3, discuss whether the rail network can be considered to be a natural monopoly.

(12 marks)

(e) Discuss the likely benefits of price discrimination to rail passengers. Use a diagram to support your answer.

(15 marks)

(continued on the next page)

Turn over

6. continued.

(a) Refer to Figure 1. Explain the likely effect of the change in subsidy levels between 2017 and 2018 on rail fares.

Include a supply and demand diagram in your answer.

There are blank axes on pages 16 and 17 in the Data Book if you wish to use them.

(5 marks)

Answer lines continue on the next three pages.

6. continued.

**(b) With reference to Figure 2,
examine TWO possible factors
which may have influenced
demand for rail travel since 2008
(8 marks)**

**Answer lines continue on the
next six pages.**

Turn over

6. (b) continued.

(continued on the next page)

Turn over

6. continued.

(c) Assess whether complete nationalisation of the rail industry might protect employees.

(10 marks)

Answer lines continue on the next eight pages.

Turn over

6. (c) continued.

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

(continued on the next page)

Turn over

6. continued.

(d) With reference to Extract A, paragraph 3, discuss whether the rail network can be considered to be a natural monopoly.

(12 marks)

Answer lines continue on the next nine pages.

Turn over

6. continued.

(e) Discuss the likely benefits of price discrimination to rail passengers. Use a diagram to support your answer.

(15 marks)

Answer lines continue on the next twelve pages.

6. (e) continued.

Turn over

TOTAL FOR SECTION B = 50 MARKS

Turn over

SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes plus some of your additional time allowance on this section.

EITHER

- 7. The International Energy Agency has predicted that oil use by cars will peak in 2025 because of the increasing number of drivers switching to electric vehicles.**

(Source adapted from: <https://www.thetimes.co.uk>)

Evaluate the likely microeconomic consequences of consumers shifting from vehicles powered by fuel obtained from oil to electric-powered vehicles.

(Total for Question 7 = 25 marks)

Turn over

OR

- 8. 'Amazon.com, the giant online retailer, has too much power.' It uses its market power to put a squeeze on publishers, in effect driving down the prices it pays for books. If a publisher refuses, Amazon may take action by 'delaying their delivery, raising their prices, and steering customers to other publishers'.**

(Source adapted from: <https://www.nytimes.com>)

(continued on the next page)

Turn over

8. continued.

Evaluate the likely costs of a monopsony operating in a market such as book retailing.

(Total for Question 8 = 25 marks)

Indicate which question you are answering by marking a cross in the box. If you change your mind, put a line through the box and then indicate your new question with a cross.

Chosen question number:

Question 7

Question 8

**Answer lines are on the next
twenty-one pages.**

Turn over

Section C continued.

TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER
