

**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.**

|                         |  |  |  |  |  |
|-------------------------|--|--|--|--|--|
| <b>Surname</b>          |  |  |  |  |  |
| <b>Other names</b>      |  |  |  |  |  |
| <b>Centre Number</b>    |  |  |  |  |  |
| <b>Candidate Number</b> |  |  |  |  |  |

**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.**

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**Turn over**

## **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?**

**Turn over**

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)**

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**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)**

**Turn over**

**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](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701720/GLMS_2017.pdf))**

**(continued on the next page)**

**Turn over**

**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)**

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**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](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.

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Turn over

**3. (a) continued.**

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**(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)**

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**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.

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Turn over



**4. (a) continued.**

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**(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?

|          | <b>Average<br/>fixed cost</b> | <b>Average<br/>variable cost</b> | <b>Marginal<br/>cost</b> |
|----------|-------------------------------|----------------------------------|--------------------------|
| <b>A</b> | <b>Falls</b>                  | <b>Falls</b>                     | <b>Rises</b>             |
| <b>B</b> | <b>Falls</b>                  | <b>Rises</b>                     | <b>Rises</b>             |
| <b>C</b> | <b>Rises</b>                  | <b>Rises</b>                     | <b>Falls</b>             |
| <b>D</b> | <b>Rises</b>                  | <b>Rises</b>                     | <b>Rises</b>             |

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.**

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**Turn over**

4. (c) continued.

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Turn over

4. (c) continued.

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**(Total for Question 4 = 5 marks)**

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**Turn over**

**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.**

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**Turn over**

5. (a) continued.

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(continued on the next page)

Turn over

**5. continued.**

**(b) Explain why the previous  
expansion of this business could  
be described as 'organic growth'.  
(2 marks)**

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**(continued on the next page)**

**Turn over**



**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)**

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**Turn over**

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**TOTAL FOR SECTION A = 25 MARKS**

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**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. (a) continued.

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6. (a) continued.

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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)**

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

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**Turn over**

6. (b) continued.

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6. (b) continued.

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**6. (b) continued.**

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**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.**

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**6. (c) continued.**

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**6. (c) continued.**

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**Turn over**

**6. (c) continued.**

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**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.**

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**Turn over**

6. (d) continued.

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**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.**

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**6. (e) continued.**

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**Turn over**

**6. (e) continued.**

[illegible]

**Turn over**



**6. (e) continued.**

[illegible]

**(Total for Question 6 = 50 marks)**

**Turn over**

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**TOTAL FOR SECTION B = 50 MARKS**

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**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.**

**Turn over**

**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)**

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**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)**

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**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.**

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**TOTAL FOR SECTION C = 25 MARKS**

**TOTAL FOR PAPER = 100 MARKS**

**END OF PAPER**

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