

Paper Reference 9EC0/03
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A
Advanced
Paper 3: Microeconomics and
Macroeconomics

Friday 15 June 2018 – 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					

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

There are two sections in this Question Paper.

In Section A, answer ALL questions 1(a) to 1(c) and ONE question from 1(d) or 1(e).

In Section B, answer ALL questions 2(a) to 2(c) and ONE question from 2(d) or 2(e).

Answer the questions in the spaces provided in this Question Paper – 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

Read Figure 1, Figure 2, Figure 3, Extract A, Extract B and Extract C in the Data Book before answering Question 1.

Answer ALL Questions 1(a) to 1(c), and EITHER Question 1(d) OR 1(e).

Write your answers in the spaces provided.

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

1. Branded coffee shops

(a) With reference to Figure 1, briefly explain the market structure that best describes the UK branded coffee shop market.

(5 marks)

(b) With reference to Figure 3 and other information provided, discuss the price and non–price strategies that Starbucks may use to increase profitability.

(12 marks)

(continued on the next page)

1. continued.

(c) Examine the advantages of using an indirect tax as a means of reducing the use of disposable coffee cups.

(8 marks)

EITHER

(d) Evaluate the microeconomic and macroeconomic factors that may influence Starbucks' decision whether to expand in a particular country.

(25 marks)

(continued on the next page)

Turn over

1. continued.

OR

(e) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects of increased UK demand for coffee at branded coffee shops.

(25 marks)

(continued on the next page)

Turn over

1. continued.

(a) With reference to Figure 1, briefly explain the market structure that best describes the UK branded coffee shop market.

(5 marks)

Answer lines continue on the next three pages.

Turn over

1. (a) continued.

Turn over

1. (a) continued.

1. (a) continued.

(continued on the next page)

1. continued.

(b) With reference to Figure 3 and other information provided, discuss the price and non–price strategies that Starbucks may use to increase profitability.

(12 marks)

Answer lines continue on the next eight pages.

1. (b) continued.

1. (b) continued.

1. (b) continued.

1. (b) continued.

1. (b) continued.

1. (b) continued.

1. (b) continued.

1. (b) continued.

(continued on the next page)

1. continued.

(c) Examine the advantages of using an indirect tax as a means of reducing the use of disposable coffee cups.

(8 marks)

Answer lines continue on the next four pages.

Turn over

1. (c) continued.

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1. (c) continued.

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1. (c) continued.

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1. (c) continued.

(continued on the next page)

1. continued.

EITHER

(d) Evaluate the microeconomic and macroeconomic factors that may influence Starbucks' decision whether to expand in a particular country.

(25 marks)

(continued on the next page)

Turn over

1. continued.

OR

(e) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects of increased UK demand for coffee at branded coffee shops.

(25 marks)

(continued on the next page)

1. continued.

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 1(d)

☐

Question 1(e)

☐

Answer lines are on the next seventeen pages.

Turn over

1. continued.

1. continued.

1. continued.

Turn over

1. continued.

1. continued.

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1. continued.

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1. continued.

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1. continued.

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1. continued.

Turn over

1. continued.

(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

Turn over

SECTION B

Read Figure 4, Figure 5, Extract D and Extract E in the Data Book before answering Question 2.

Answer ALL Questions 2(a) to 2(c), and EITHER Question 2(d) OR 2(e).

Write your answers in the spaces provided.

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

2. Indonesia

(a) Using the data in Figure 4 and other information provided, explain the likely change to Indonesia's terms of trade since 2011

(5 marks)

(b) Examine the likely effects on the profitability of Indonesian rice farmers of the government's increased investment in dams (Extract E, lines 104–116). Use a cost and revenue diagram to support your answer.

(8 marks)

(continued on the next page)

Turn over

2. continued.

(c) Discuss the benefits of aid to Indonesia.

(12 marks)

EITHER

(d) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects on Indonesia of the volatility of prices of commodities such as coal.

(25 marks)

(continued on the next page)

Turn over

2. continued.

OR

**(e) Evaluate the likely
microeconomic and
macroeconomic effects of the
supply–side policies recently
introduced in Indonesia.**

(25 marks)

(continued on the next page)

2. continued.

(a) Using the data in Figure 4 and other information provided, explain the likely change to Indonesia's terms of trade since 2011

(5 marks)

Answer lines continue on the next three pages.

Turn over

2. (a) continued.

2. (a) continued.

2. (a) continued.

(continued on the next page)

2. continued.

(b) Examine the likely effects on the profitability of Indonesian rice farmers of the government's increased investment in dams (Extract E, lines 104–116). Use a cost and revenue diagram to support your answer.

(8 marks)

Answer lines continue on the next six pages.

Turn over

2. (b) continued.

Turn over

2. (b) continued.

2. (b) continued.

2. (b) continued.

Turn over

2. (b) continued.

2. (b) continued.

(continued on the next page)

Turn over

2. continued.

**(c) Discuss the benefits of aid to
Indonesia.**

(12 marks)

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

2. (c) continued.

2. (c) continued.

2. (c) continued.

2. (c) continued.

2. (c) continued.

2. (c) continued.

2. (c) continued.

2. (c) continued.

(continued on the next page)

2. continued.

EITHER

- (d) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects on Indonesia of the volatility of prices of commodities such as coal.**
- (25 marks)**

(continued on the next page)

Turn over

2. continued.

OR

(e) Evaluate the likely microeconomic and macroeconomic effects of the supply–side policies recently introduced in Indonesia.

(25 marks)

(continued on the next page)

2. continued.

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 2(d)

☐

Question 2(e)

☐

Answer lines are on the next eighteen pages.

Turn over

2. continued.

2. continued.

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2. continued.

2. continued.

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2. continued.

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2. continued.

Turn over

2. continued.

(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER
