

Paper Reference 9EB0/01  
Pearson Edexcel  
Level 3 GCE

Total Marks
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Economics B  
Advanced  
Paper 1: Markets and how they work

Monday 20 May 2019 – 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**

**Answer ALL questions.**

**Answer the questions in the spaces provided in this Question Paper or in the Data Book – 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.**

**Answer ALL questions.**

**SECTION A**

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

**Write your answers in the spaces provided.**

1. (a) Using Extract A, calculate, to 2 decimal places, Nike's profit for the year margin for 2016

**You are advised to show your working.**

**(4 marks)**

**Answer lines continue on the next page.**

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1. (a) continued.

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Turn over

**1. continued.**

## New Balance operates in a competitive market.

**(b) Explain ONE reason why a business such as New Balance differentiates its products.**

**(4 marks)**

**Answer lines continue on the next page.**

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**1. (b) continued.**

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**(continued on the next page)**

**1. continued.**

**(c) Using Extract A, calculate, to 2 decimal places, Anta's total costs in 2016. You are advised to show your working.**

**(4 marks)**

**Answer lines continue on the next page.**

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**1. (c) continued.**

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**Turn over**

**1. continued.**

**Pictures of the singer Rihanna wearing New Balance's white leather training shoes appeared in newspapers. This style of shoe temporarily sold out. However people were still trying to buy them in stores and online, leading to excess demand.**

**(d) Using a supply and demand diagram to show excess demand, analyse how this may affect the future price of these shoes.**

**(6 marks)**

**Answer space and lines continue on the next two pages.**

1. (d) continued.

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1. (d) continued.

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**1. continued.**

**(e) Discuss the extent to which sales maximisation is the main objective for a business such as New Balance.**

**(8 marks)**

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

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**1. (e) continued.**

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**1. (e) continued.**

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**Turn over**

**1. continued.**

# Interest rates in the UK were stable between 2007 and 2017

**(f) Assess the possible impact of an increase in interest rates on New Balance's UK operations.**

**(10 marks)**

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

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**1. (f) continued.**

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1. (f) continued.

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**1. continued.**

**(g) Assess the importance of economies of scale to the success of firms such as Nike.**

**(12 marks)**

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

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**1. (g) continued.**

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**1. (g) continued.**

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**1. (g) continued.**

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**Turn over**



1. (g) continued.

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(continued on the next page)

1. continued.

**New Balance** has chosen to manufacture its premium shoes in the US and UK rather than in cheaper locations.

(h) Assess the extent to which this may cause stakeholder conflict.

(12 marks)

Answer lines continue on the next four pages.

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**1. (h) continued.**

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1. (h) continued.

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(Total for Question 1 = 60 marks)

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**TOTAL FOR SECTION A = 60 MARKS**

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## **SECTION B**

**Read Extract D, Extract E and Extract F in the Data Book before answering Question 2.**

**Write your answer in the space provided.**

2. Evaluate the extent to which regulation of the energy market may benefit consumers.

(20 marks)

Answer lines continue on the next six pages.

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**2. continued.**

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**2. continued.**

[illegible]

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**2. continued.**

[illegible]

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**2. continued.**

[illegible]

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**2. continued.**

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**(Total for Question 2 = 20 marks)**

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**TOTAL FOR SECTION B = 20 MARKS**

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**Turn over**

## **SECTION C**

**Read Extract G, Extract H and Extract I in the Data Book before answering Question 3.**

**Write your answer in the space provided.**

3. The UK government intervenes in the education sector. Education is considered a merit good.

Evaluate the likely impact on the UK economy of government intervention in the education sector.

(20 marks)

Answer lines continue on the next six pages.

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**3. continued.**

[illegible]

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**3. continued.**

[illegible]

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**3. continued.**

[illegible]

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**3. continued.**

[illegible]

**Turn over**

**3. continued.**

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3. continued.

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(Total for Question 3 = 20 marks)

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**TOTAL FOR SECTION C = 20 MARKS**

**TOTAL FOR PAPER = 100 MARKS**

**END OF PAPER**

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