

Paper Reference 9EC0/01
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A
Advanced
PAPER 1: Markets and business behaviour

Wednesday 15 May 2024 – Morning

Time: 2 hours

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

Surname					
Other names					
Centre Number					
Candidate Number					

YOU MUST HAVE

Calculator

YOU WILL BE GIVEN

Data Booklet

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 on the separate data sheets – there
may be more space than you need.**

Calculators may be used.

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.**

**There may be spare copies of some data sheets in case
you need them.**

Turn over

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.

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 on this section.

Use the data to support your answers where relevant.

You may annotate and include diagrams in your answers.

1. Refer to the table for Question 1 in the Data Booklet.
It shows price elasticity of demand for bus tickets in
London **2021**

- (a) Explain ONE likely reason for the difference
in the price elasticity of demand for the
18+ student bus ticket and the adult bus ticket.
(4 marks)

Answer lines continue on the next page.

1. (a) continued.

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1. continued.

(b) In 2021, the adult 7-day bus ticket was £21·90. Bus ticket prices in London in 2022 increased by 4·8%. Ceteris paribus, which ONE of the following is the percentage decrease in the 7-day bus ticket demand by adults?

A 0·08

B 1·92

C 3·36

D 12·00

Answer

(1 mark)

(Total for Question 1 = 5 marks)

Turn over

- 2. Refer to the table for Question 2 in the Data Booklet. It shows price elasticity of supply for housing in the US in 2020.**

(a) With reference to the data in the table, explain ONE likely reason for the difference in the price elasticity of supply.

(4 marks)

Answer lines continue on the next page.

2. (a) continued.

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2. continued.

(b) In Texas the price elasticity of supply is $+1.8$.

Which ONE of the following is the percentage increase in price if the quantity of housing supplied in Texas is increased by 12%?

A 0.15

B 1.50

C 6.67

D 21.60

Answer

(1 mark)

(Total for Question 2 = 5 marks)

Turn over

- 3. Peloton is a firm which makes exercise bikes. Peloton's objective is to prioritise selling fitness services rather than to achieve short-term profit maximisation.**

(a) Refer to the diagram for Question 3(a) in the Data Booklet.

**Draw a cost and revenue diagram on the blank axes provided in the Data Booklet to illustrate the different business objectives: profit maximisation and revenue maximisation.
(4 marks)**

(continued on the next page)

3. continued.

(b) If Peloton changes its objective to sales maximisation, then without making a loss, it operates at an output where:

- A** average cost equals average revenue
- B** average cost is minimised
- C** price elasticity of demand is equal to -1
- D** price equals marginal cost

Answer

(1 mark)

(Total for Question 3 = 5 marks)

Turn over

4. In **2022** the government announced that the maximum undergraduate tuition fee for universities in England will remain at **£9 250** per year for the next two years.

(a) Explain **ONE** likely reason for the maximum price for an undergraduate university programme.

(4 marks)

Answer lines continue on the next page.

4. (a) continued.

[illegible]

(continued on the next page)

Turn over

4. continued.

(b) Which ONE of the following is an example of government failure associated with the maximum price?

- A** Contraction in demand
- B** Distortion of price signals
- C** Excess supply
- D** Extension in supply

Answer

(1 mark)

(Total for Question 4 = 5 marks)

Turn over

5. Refer to the diagram for Question 5 in the Data Booklet.

It is a graph showing the largest mortgage lenders in the United Kingdom (UK) in **2020**, by market share.

- (a) With reference to the information above and in the Data Booklet, explain the market structure of mortgage lending in the UK.

(4 marks)

Answer lines continue on the next page.

5. (a) continued.

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5. continued.

(b) The value of all mortgage loans was
£1 601 billion at the end of **2020**.

Which **ONE** of the following is the value of
Lloyds' market share?

A £82 billion

B £126 billion

C £312 billion

D £8 210 billion

Answer

(1 mark)

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

Turn over

SECTION B

Read extracts A to D in the Data Booklet before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6

The electronics industry

6. (a) With reference to Extract A in the Data Booklet, explain the likely reasons for the change in price of electronic devices. Include a supply and demand diagram in your answer.

There is space on pages 11 and 13 in the Data Booklet if you wish to use it.

(5 marks)

- (b) Examine TWO factors which might influence the supply of labour in the electronics industry.

(8 marks)

- (c) Assess whether firms in the electronics industry benefit from economies of scale.

(10 marks)

(continued on the next page)

Turn over

6. continued.

(d) Discuss the likely concerns of the competition authorities regarding the proposed merger of the two companies referred to in Extract C in the Data Booklet.

(12 marks)

(e) With reference to Extract D in the Data Booklet, discuss possible methods of government intervention to reduce electronic waste.

(15 marks)

(continued on the next page)

- 6. (a) With reference to Extract A in the Data Booklet, explain the likely reasons for the change in price of electronic devices. Include a supply and demand diagram in your answer.**

There is space on pages 11 and 13 in the Data Booklet if you wish to use it.

(5 marks)

Answer lines continue on the next two pages.

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6. (a) continued.

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6. (a) continued.

(continued on the next page)

6. continued.

(b) Examine TWO factors which might influence the supply of labour in the electronics industry. (8 marks)

Answer lines continue on the next three pages.

[illegible]

6. (b) continued.

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6. (b) continued.

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6. continued.

(c) Assess whether firms in the electronics industry benefit from economies of scale.

(10 marks)

Answer lines continue on the next five pages.

6. (c) continued.

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6. (c) continued.

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6. continued.

(d) Discuss the likely concerns of the competition authorities regarding the proposed merger of the two companies referred to in Extract C in the Data Booklet.

(12 marks)

Answer lines continue on the next six pages.

6. (d) continued.

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6. (d) continued.

[illegible]

Turn over

6. (d) continued.

(continued on the next page)

6. continued.

(e) With reference to Extract D in the Data Booklet,
discuss possible methods of government
intervention to reduce electronic waste.

(15 marks)

Answer lines continue on the next eight pages.

6. (e) continued.

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6. (e) continued.

[illegible]

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6. (e) continued.

[illegible]

Turn over

6. (e) continued.

[illegible]

(Total for Question 6 = 50 marks)

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 on this section.

EITHER

- 7. A small hotel in Scarborough has seen its energy bills increase from £2 000 to £8 000 per month. Small businesses do not have the energy management teams of larger companies to negotiate better deals.**

Evaluate the microeconomic effects of rising energy bills on the hotel industry or an industry of your choice.

(Total for Question 7 = 25 marks)

OR

8. **Bytedance, which owns TikTok, has launched its own fragrance 'Emotif'.**

The Beijing-based social media giant has already entered the food and drink markets.

Evaluate the level of contestability in the fragrance industry or another industry of your choice.

(Total for Question 8 = 25 marks)

Turn over

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

☐

Write your answer here:

Answer lines continue on the next thirteen pages.

Turn over

Section C continued.

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Turn over

Section C continued.

[illegible]

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Section C continued.

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Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

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Section C continued.

[illegible]

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Section C continued.

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Section C continued.

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Section C continued.

[illegible]

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Section C continued.

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Section C continued.

[illegible]

Turn over

Section C continued.

TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER

Sources:

Question 3:

(Source adapted from: <https://www.forbes.com/sites/shelleykohan/2022/01/26/peloton-prioritizes-access-and-acquisition-over-profits/?sh=13d8ee474f40>)

Question 4:

(Source adapted from: <https://questions-statements.parliament.uk/written-statements/detail/2021-10-21/HCWS339>)

Question 7:

(Source adapted from: <https://www.ft.com/content/d07797e7-2eb7-4240-b15d-692b39510def>)

Question 8:

(Source adapted from: <https://www.businessoffashion.com/news/china/tiktoks-parent-company-enters-chinas-perfume-market/>)