Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Wednesday 15 May 2024

Morning (Time: 2 hours)

Paper reference **9EC0/01**

Economics A

Advanced
PAPER 1: Markets and business behaviour

You must have a calculator.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- 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
  – *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.*

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.

Turn over ▶

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SECTION A

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

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

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 The table below shows price elasticity of demand for bus tickets in London 2021

Age	Price elasticity of demand
18+ Student	–0.7
Adult	–0.4

(Source adapted from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/669090/youth-travel-concessions-price-elasticity.pdf and https://tfl.gov.uk/fares/find-fares/bus-and-tram-fares#on-this-page-4)

(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)

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(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?

(1)

- ☒ **A** 0.08
- ☒ **B** 1.92
- ☒ **C** 3.36
- ☒ **D** 12.00

(Total for Question 1 = 5 marks)

2 The table below shows price elasticity of supply for housing in the US in 2020.

US State	Price elasticity of supply
New York	+0.5
Texas	+1.8

(Source adapted from: https://bankunderground.co.uk/2020/02/25/the-declining-elasticity-of-us-housing-supply/)

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

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(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%?

(1)

- ☒ **A** 0.15
- ☒ **B** 1.50
- ☒ **C** 6.67
- ☒ **D** 21.60

(Total for Question 2 = 5 marks)

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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.

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

(a) Draw a cost and revenue diagram to illustrate the different business objectives: profit maximisation and revenue maximisation.

(4)



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

(1)

- ☒ **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

(Total for Question 3 = 5 marks)

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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.

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

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

(4)

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

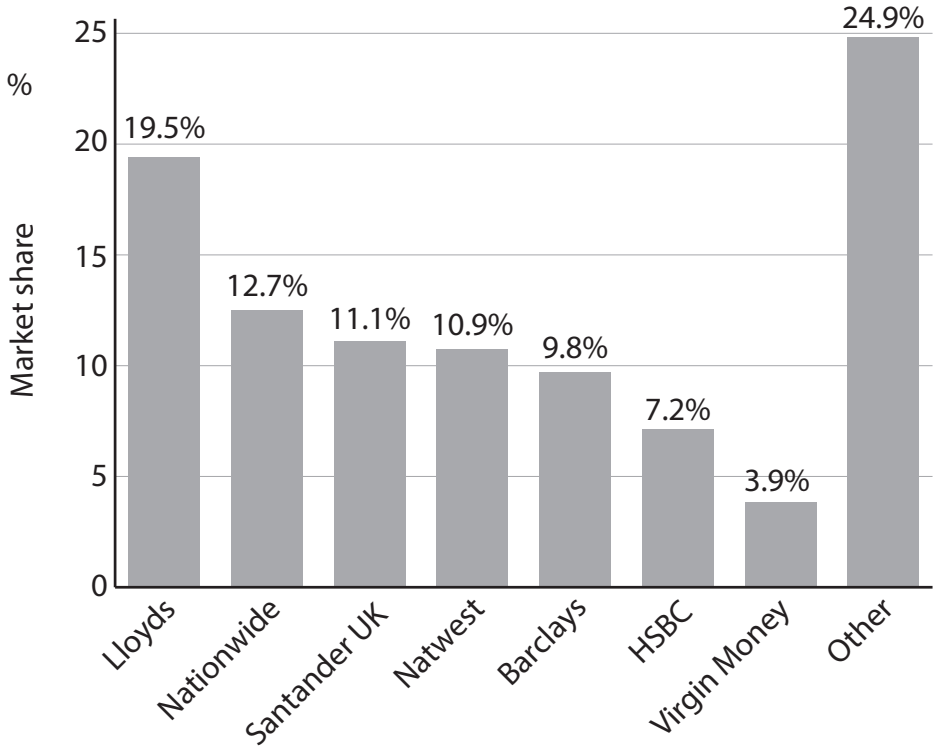
(1)

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

(Total for Question 4 = 5 marks)

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5 The graph below shows the largest mortgage lenders in the United Kingdom (UK) in 2020, by market share.



(Source adapted from: https://www.statista.com/statistics/727348/uk-banks-gross-lending-market-share/)

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(a) With reference to the information on the preceding page, explain the market structure of mortgage lending in the UK.

(4)

(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?

(1)

☒	**A** £82 billion
☒	**B** £126 billion
☒	**C** £312 billion
☒	**D** £8 210 billion

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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SECTION B

Read the following extracts (A to D) 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

Extract A

Rising prices of electronics devices

Computer chips act as the "brain" in all electronic devices. Makers of electronic devices face significant increases in the price of computer chips as they try to source enough components, including games consoles, computers and smartphones. The price of some computer chips has jumped from $0.20 each to more than $1. The prices of electronic devices have risen for a range of reasons, including higher material costs and the growing popularity of home entertainment.

(Source: adapted from https://www.ft.com/content/8c718a74-cd95-4b2d-ac0e-de0682e4e3cd)

Extract B

Labour shortages in the electronics industry

Every year, highly skilled and experienced employees in the electronics industry retire. The current tight labour market has made an already difficult problem of hiring suitable engineering and computing graduates worse, especially since the nature of the industry is becoming increasingly technical. As production becomes more automated, electronics jobs are more likely to require problem solving and analysis than just assembling skills. However, artificial intelligence and other new technologies can help fill some of the skills gap. In addition, by giving hazardous, repetitive, grimy work to robots, human beings can focus on more creative, analytic tasks.

(Source: adapted from https://www.ericsson.com/en/blog/2021/12/manufacturing-problems-that-keep-ceos-awake-at-night)

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Extract C

Serious concerns over merger

The Competition and Markets Authority (CMA) has said the takeover of the Cambridge-based computer chip designer Arm by its US rival Nvidia raises serious competition concerns. It has launched an in-depth investigation into the £29.5 billion deal. The CMA said the merger could reduce choice for firms reliant on computer chips, pushing up prices of products including cars, games consoles and mobile phones. In addition, severe global shortages of computer chips has disrupted the manufacture of a range of electronic goods pushing up costs for firms.

Despite this, large electronics firms benefit from economies of scale and are able to finance high-risk innovation and global advertising.

(Source adapted from: https://www.theguardian.com/business/2021/aug/20/watchdog-expresses-concerns-over-nvidias-takeover-of-uk-chip-designer-arm)

Extract D

The growing problem of electronic waste

Electronic waste is the fastest growing element of the world's household waste problem. The problem in the UK is particularly bad. The country produces 24.9 kg a person a year – nearly 10 kg more than the EU average. In 2018, 1.2 million tonnes of electrical devices were sold in the UK, and 500 000 tonnes made it to recycling centres. Some appliances are more likely to be recycled than others. The recycling rate for big appliances, such as fridges and cookers, is about 80%. Of small appliances, barely one in five makes it to the recycling centre. As items such as toasters, hairdryers and headphones fit into household bins, they are not often taken to a recycling centre. This causes many problems, such as hazardous substances contaminating soil, water pollution and other external costs.

Policy makers have a long list of options to combat this problem including stricter regulation, environmental education, taxation and financial incentives. In some countries, for example, household rubbish is weighed and recycling initiatives are subsidised.

(Source adapted from: https://www.ft.com/content/26e1aa74-2261-11ea-92da-f0c92e957a96)

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

(5)

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

(8)

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

(10)

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

(12)

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

(15)

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

(5)

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

(8)

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

(10)

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

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

(15)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

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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.

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

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.

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

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

(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** ☐

Write your answer here:

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TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

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