

Write your name here

Surname	Other names
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**Pearson Edexcel**  
**Level 3 GCE**

Centre Number

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Candidate Number

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# Economics B

## Advanced

### Paper 1: Markets and how they work

Sample assessment materials for first teaching  
September 2015  
**Time: 2 hours**

Paper Reference  
**9EB0/01**

**You do not need any other materials.**

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.
- Answer **all** questions.
- Answer the questions in the spaces provided – *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.*

### 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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**Answer ALL questions.**

**SECTION A**

**Read the following extracts (A to D) before answering Question 1.**

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

**Extract A**

**Fairtrade UK sales**

Fairtrade is about better prices, decent working conditions, local sustainability and fair terms of trade for farmers and workers in the developing world. It requires companies to pay sustainable prices (which must never fall lower than the market price). In 2012, farmers and workers from some of the world's poorest countries received €80m in Fairtrade premium to invest in business, social and environmental projects in their communities. Fairtrade products are now sold in more than 125 countries; 78% of consumers recognise the Fairtrade Mark and globally it is the most widely-recognised ethical label.

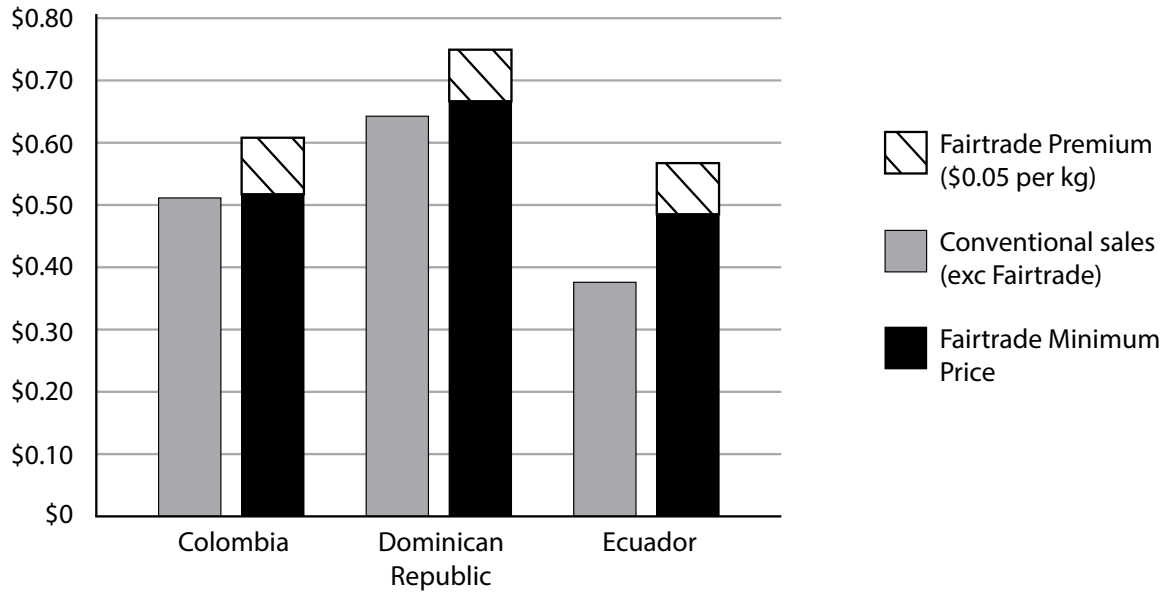
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Fairtrade products cover a wide range of goods, including coffee, tea, cocoa, sugar, honey, bananas, flowers, wine, cotton, fresh fruit and fruit juices.

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Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total UK Fairtrade retail sales (£m)	63	92.3	140.8	195	286.3	493	712.6	843.4	1 173.8	1 294.1	1 530.2
Year-on-year growth (%)	25%	47%	53%	38%	47%	72%	45%	18%	39%	10%	
GDP % growth per annum	2.3	3.9	3.2	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.2

### Average banana price available to producers compared to Fairtrade Minimum Price in 2012 US\$ per kg



(Sources: adapted from [http://www.fairtrade.org.uk/what\\_is\\_fairtrade/faqs.aspx](http://www.fairtrade.org.uk/what_is_fairtrade/faqs.aspx); <http://www.ons.gov.uk/ons/rel/elmr/explaining-economic-statistics/long-term-profile-of-gdp-in-the-uk/sty-long-term-profile-of-gdp.html>; [http://www.fairtrade.org.uk/includes/documents/cm\\_docs/2014/B/Banana%20Policy%20Report%20LoRes.pdf](http://www.fairtrade.org.uk/includes/documents/cm_docs/2014/B/Banana%20Policy%20Report%20LoRes.pdf))

## Extract B

### Hello, we're innocent

Launched 14 years ago, Innocent is the UK and Europe's number one smoothie brand. The company has grown from three to 250 people who work across Europe (with products available in 15 different countries).

### We sure aren't perfect but we're trying to do the right thing

We strive to do business in a more enlightened way, where we take responsibility for the impact of our business on society and the environment, aiming to move these impacts from negative to neutral or (better still) positive. As of 2006, we are proud to say that all our bananas come from Rainforest Alliance accredited farms. We donate 10% of profits to charity, mainly to the innocent foundation, which funds NGOs in the countries where fruit is sourced. 5

Fruit is at the heart of our business. Without great fruit, we're nothing. So we take it pretty seriously. Our fruit comes from all over the world, from thousands of different farms of all types and sizes – large plantations, co-operative groups, tiny family farms and even from the Amazon rainforest. Not only do we want our fruit to taste great, we also want to make sure we buy it from suppliers who look after both their workers and the environment. 10  
Of course, we can't promise our suppliers are perfect. We're certainly not perfect, so we can't expect them to be either. But we do ask that they abide by fair, minimum standards, and work to improve their social and environmental performance year-on-year. 15

(Source: <http://www.innocentdrinks.co.uk/us/being-sustainable>)

## Extract C

### Innocent unveils advert as part of £3.5m 'Chain of Good' campaign

The marketing campaign celebrates the 'Chain of Good' that begins with an Innocent drink and aims to highlight the charitable donations it makes and how that money helps people around the world. A 60-second advertisement tells the story of Joseph, a boy whose family was helped directly by Innocent's partnership with international development charity Send a Cow. The marketing push comes on the back of a year which saw Innocent's business grow 7.4%. 5

(Source: <http://www.thedrum.com/news/2014/01/06/innocent-launches-35m-chain-good-campaign>)

**Extract D****UK average monthly wholesale prices of home-grown seasonal produce  
(pence per kilo)**

2013	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
FRUIT (p/kg)									
Blackberries			960.00	594.83	502.73	391.70	481.00	741.33	
Blackcurrants				444.38	405.97	399.87	360.00		
Cherries				289.53	262.95	274.83			
Apples	104.93	110.86	126.63	126.44	138.27	83.66	67.01	64.37	67.04
Raspberries			842.01	644.38	543.07	668.57	685.80	761.22	640.59
Strawberries	407.53	300.52	235.93	214.36	202.00	252.07	180.06	212.92	

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1 (a) Calculate the percentage year-on-year growth for total UK retail sales of Fairtrade products in 2012 (Extract A). You are advised to show your working.

(4)

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(b) Using Extract A, explain **one** effect of the 2008 recession on total Fairtrade sales in the UK.

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(c) Explain **one** benefit to consumers of buying Fairtrade products.

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(d) Using Extract A, analyse **one** benefit to banana producers in Ecuador of supplying the Fairtrade market.

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(e) Using Extract D, discuss the possible impact of changing UK fruit prices on Innocent's profitability.

(8)

A series of horizontal dotted lines for writing the answer.





(g) Assess the importance of profit maximisation to Innocent.

(12)

A series of horizontal dotted lines for writing the answer.

(h) Assess the likely impact on local communities and consumers of the continued success of Innocent.

(12)

Dotted lines for writing.

**TOTAL FOR SECTION A = 60 MARKS**

## SECTION B

Read the following extract (E) and Figures 1 and 2 before answering Question 2.

Write your answer in the spaces provided.

## Extract E

Indicators	March 2014	Percentage rate
Numbers employed (aged 16+)	30 191 000	72.3%
Numbers unemployed (aged 16+)	2 326 000	7.2%
Youth unemployment (aged 16 to 24)	912 000	19.8%
Claimant count level	1 175 000	3.5%
Job vacancies	588 000	

## Unemployment by duration for March 2014

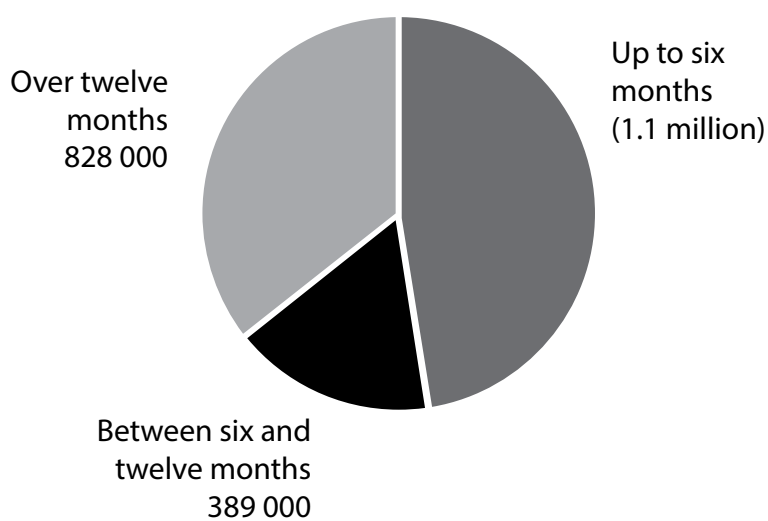
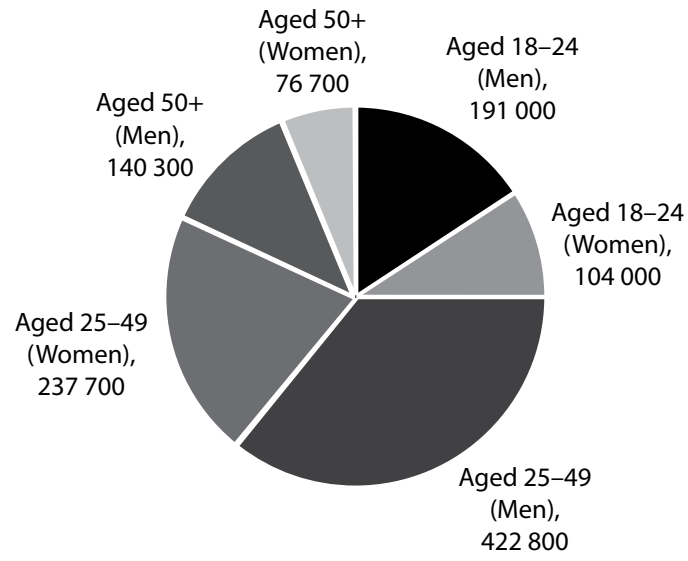


Figure 1

### Job Seekers Allowance by age and sex for February 2014



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**Figure 2**



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**TOTAL FOR SECTION B = 20 MARKS**

### SECTION C

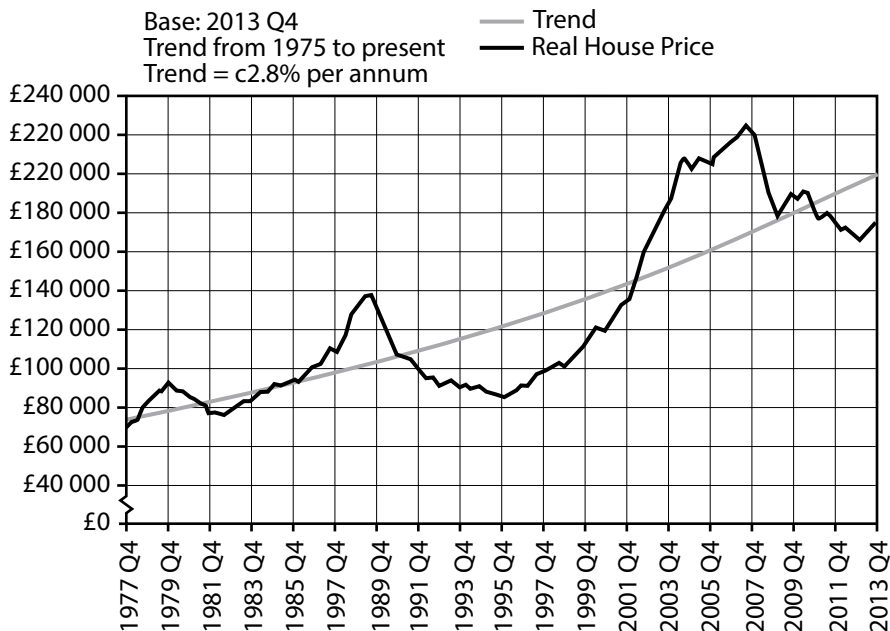
Read the following extracts (F and G) before answering Question 3.

Write your answer in the spaces provided.

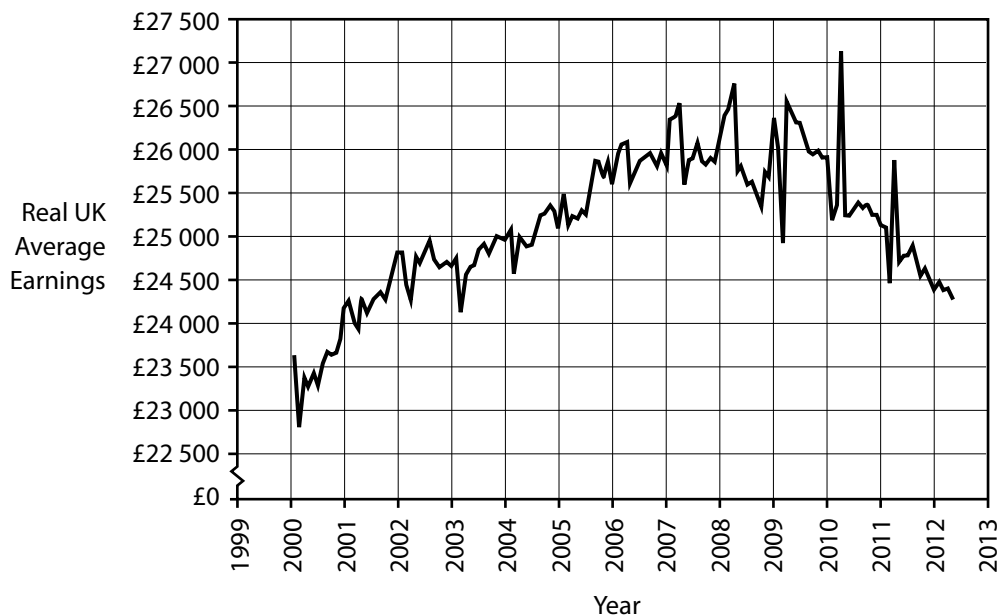
#### Extract F

#### Nationwide House Price Index 1977–2013

**Real House Prices**



**Real UK Average Annual Earnings (based on KAB9)**



UK house prices increased by 1.4% in December 2013 and were 8.4% higher than December 2012. House prices were still around 5% below the 2007 peak. The average price of a house in the UK was £175 826 in early 2014. Earnings adjusted for inflation have fallen since 2008.

(Sources: [http://www.nationwide.co.uk/hpi/datadownload/data\\_download.htm](http://www.nationwide.co.uk/hpi/datadownload/data_download.htm); [http://3.bp.blogspot.com/-zZySwFAB\\_qU/T-yuKXBFMYI/AAAAAAAAAzw/vxRtBATDqMc/s1600/120628-2.jpg](http://3.bp.blogspot.com/-zZySwFAB_qU/T-yuKXBFMYI/AAAAAAAAAzw/vxRtBATDqMc/s1600/120628-2.jpg))



**Extract G****House prices 'risk becoming unsustainable'**

Surveyors have warned that house prices risk becoming unsustainable in some areas because low home supply is failing to meet high demand in the market. In December 2013, The Royal Institution of Chartered Surveyors measured the strongest level of sales in six years. Its report predicts prices will rise by 5% on average in each of the next five years. The general view is that this will be largely driven by demand exceeding supply.

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The Government's 'Help to Buy' scheme offering state-backed mortgages to people with 5% deposits was launched in October. Figures showed that the number of mortgages handed out to first-time buyers was at a six-year high in November and is expected to continue to grow in 2014. Some housing market experts have urged stronger action by the government.

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(Source: <http://news.sky.com/story/1195932/house-prices-risk-becoming-unsustainable>)



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**TOTAL FOR SECTION C = 20 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**

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