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Pearson Edexcel
Level 3 GCE

Centre Number

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Candidate Number

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Economics B

Advanced Subsidiary

Paper 1: Markets, consumers and firms

Monday 16 May 2016 – Morning
Time: 1 hour 30 minutes

Paper Reference
8EB0/01

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 in Sections A, B and C.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- 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.

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A, B, and C) before answering Question 1.

Write your answers in the spaces provided.

Extract A



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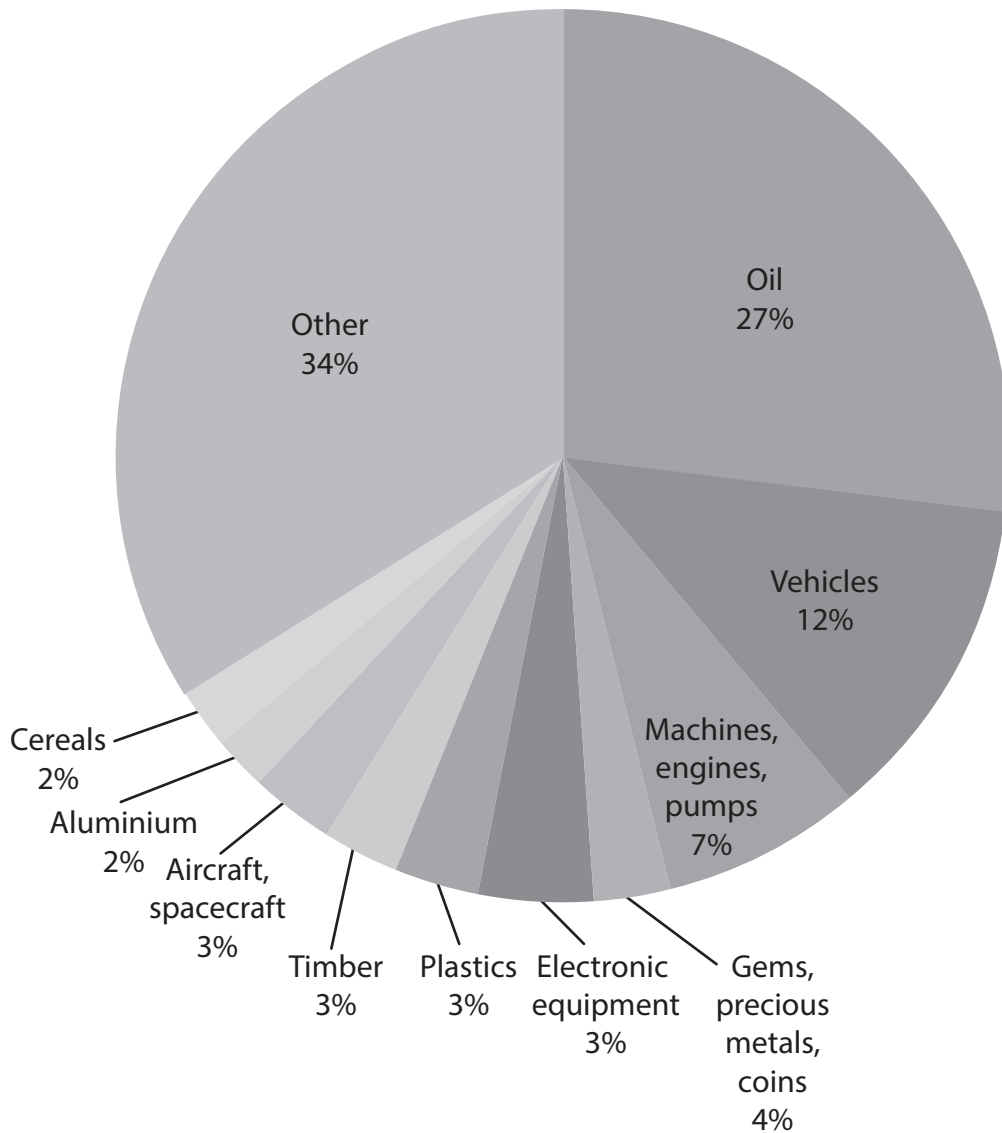
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Extract B

Canada's Top Exports in 2014



In 2014, global Canadian exports amounted to Canadian \$594.3bn, up 22.8% since 2010.

Most of Canada's exports have increased between 2010 and 2014. Cereals had the highest increase in export sales of 57.3%, followed by timber at 49.4% and oil at 39.9%. Only the export sales of electronic equipment, with a fall of 6.8%, and aluminium at 0.6% declined over the period.

Canada's unemployment rate fell from 7.1% in 2013 to 6.6% in 2014. It is likely that this improvement was helped by increased exports.

(Source: adapted from <http://www.worldstopexports.com/canadas-top-exports/2502>, 19 February, 2015 Daniel Workman)



Extract C

A Success Story

Established in 1972, *Probyn Export Ltd* is a leading Canadian exporter of timber and wood related products. It sells in most major markets around the world, including Europe, the USA and South America.

Located in Vancouver, the company's focus is on the export of native softwood timber. It sells a vast range of products as well as a full range of pressure treated construction timber.

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The company's roots within the timber community go back three generations. With an established network of log suppliers and sellers, sawmills and brokers; all located in Canada, *Probyn Export* has the ability to deliver high quality Canadian wood to anywhere in the world.

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(Source: adapted from <http://www.probynexport.com/history.asp>)

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1 (a) What is meant by the term 'exchange rate'?

(2)

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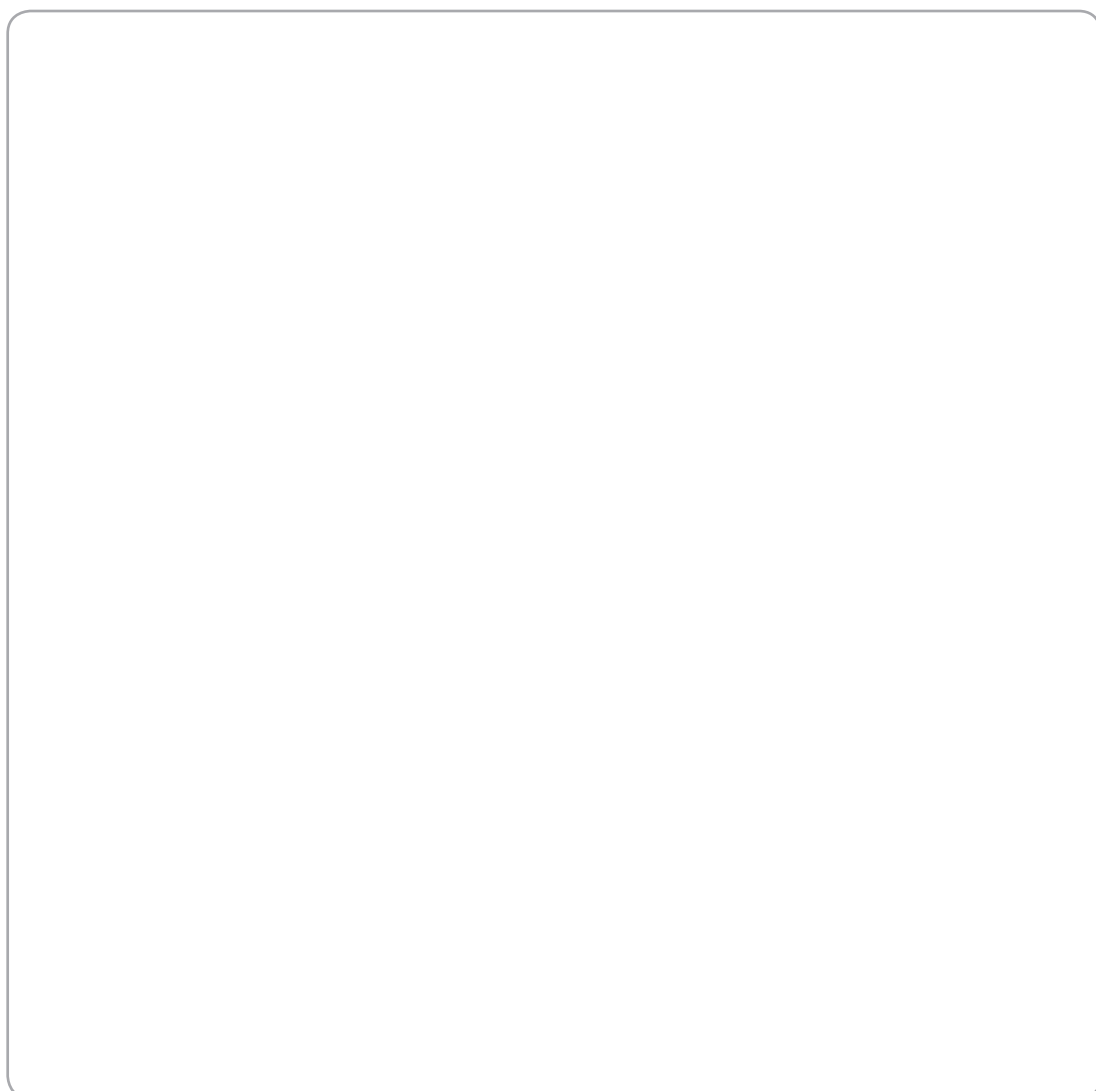
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(b) Increasing numbers of American homes are being built using native Canadian timber.

Using a supply and demand diagram, illustrate the likely impact of this on *Probyn Export Ltd.*

(4)



(c) Explain **one** possible factor that may cause a shift in the supply curve for cereals.

(4)

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(d) The sales of timber exports have increased by 49.4%.

Discuss the extent to which *Probyn Export Ltd* may experience stakeholder conflict.

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(e) With reference to Extracts A and B, assess the potential effects on Canadian firms of changes in the wider economic environment.

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS



SECTION B

Read the following extracts (D and E) before answering Question 2.

Write your answers in the spaces provided.

Extract D

MPs pass legislation to introduce standardised cigarette packaging

MPs have voted in favour of introducing standardised cigarette packaging from May 2016. The packaging of all cigarettes sold in England will have to be uniform in size, shape and design, with only the brand name and graphic health-warning images permitted on the front.

The result of the vote makes England the third country to introduce such a law. Ireland introduced similar legislation in 2015 and Australia did the same in 2012. Although the vote only applies to England, other parts of the UK have said they will introduce similar legislation.

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Harpal Kumar, the chief executive of *Cancer Research UK*, called the vote historic, saying it marked "a strong and clear commitment to the health of future generations".

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Imperial Tobacco has said it would sue the UK government to protect its intellectual property rights. The Australian government is defending its introduction of plain packaging in a case before the World Trade Organisation. The original proposal to introduce such legislation was dropped from the Queen's speech in 2013 when the government was thought to have been lobbied intensively by the tobacco industry.

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A health minister said plain packaging was a "proportionate and justified response" because of the health risks associated with smoking. Smoking-related diseases remain the main cause of preventable deaths in the UK, killing more than 100,000 people a year. 20.5% of adults smoked in 2013 compared to 46% in 1974.

(Source: adapted from: <http://www.theguardian.com/politics/2015/mar/11/mps-pass-legislation-introduce-standardised-cigarette-packaging>)

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Extract E

Every playground in the borough is set to be smoke free

Islington Council is planning to make playgrounds smoke free, banning smoking in all 147 park playground areas. It follows a successful trial in three sites last year in which 94% of 200 park users interviewed were in favour of the scheme.

Councillor Claudia Webbe of Islington Council said: "Our trial of trying to reduce the social costs of smoking has had incredible support from our residents. The majority of people agree that playgrounds should be smoke free. Making smoking less visible is an important part of stopping children taking up smoking, and protecting them from the effects of secondary smoke. We are planning to extend the smoke free scheme to all play areas in Islington and ask adults to avoid smoking in our parks."

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(Source: adapted from http://www.islingtongazette.co.uk/news/health/every_playground_in_islington_to_be_smoke_free_1_3986530)

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2 (a) What is meant by the term 'social costs'?

(2)

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(b) Calculate, to 2 decimal places, the percentage change in the number of adults smoking between 1974 and 2013 (Extract D). You are advised to show your working.

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(c) Explain **one** possible reason why governments have intervened in the packaging of cigarettes.

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(d) Discuss the potential impact on the demand for cigarettes of introducing standardised packaging.

(8)

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(e) The external costs of smoking can cause market failure.

Assess whether a smoking ban in playgrounds is the most effective method to correct this form of market failure.

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS



SECTION C

Read the following extract (F) before answering Question 3.

Write your answer in the space provided.

Extract F

One Pro cycling team attracts supermarket sponsor

The British domestic cycle racing scene has received a much needed boost. *Tesco's* own clothing brand, F&F, have started a three-year sponsorship deal with the new One Pro cycling team.

Tesco is sponsoring the team as it is seeking to develop its own range of sports clothing, which will include cycling wear.

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The One Pro cycling team will prominently feature F&F branding on their jerseys and shorts throughout the season. *Tesco* will also provide gym, casual and formal wear for the One Pro team from its range of F&F clothing.

"We've been looking for about nine months now for an opportunity in sports," said Richard Collins, CEO at *Tesco's* F&F. "Cycling was right at the top of the list given the growth in public participation and the increasing interest in the sport."

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(Source: adapted from *Cycling Weekly*, 19 February 2015)

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3 Evaluate the importance of market segmentation for *Tesco* when developing a new range of clothing.

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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