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**Pearson Edexcel**  
**Level 3 GCE**

Centre Number

Candidate Number

# Economics B

## Advanced Subsidiary

### Paper 1: Markets, consumers and firms

Sample assessment materials for first teaching September 2015 <b>Time: 1 hour 30 minutes</b>	Paper Reference <b>8EB0/01</b>
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**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 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.*

### 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 extract (A) before answering Question 1.**

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

**Extract A**

**Wedded to the idea of a castle business**

In 2006, entrepreneur Chris Naylor bought a run-down, loss-making castle for £5m. Peckforton Castle is an impressive Victorian building, complete with many unique features and surrounded by 11 acres of woodland. Despite Peckforton Castle's romantic appearance, the building was falling apart; however, Mr Naylor, the director of an architect's business, had a vision to transform the castle.

5

He bought the castle when it was losing £700 000 a year and struggling to achieve sales revenue of £900 000. Apart from the 60 weddings held at the venue every year, the castle was closed.

Mr Naylor began full-scale renovation but in 2010 his dreams nearly went up in smoke. A fire caused £3m worth of damage to the building. No one was hurt but the castle's function rooms were out of action for more than six months, including 20 of the 48 bedrooms. "It was a pretty tough time" said Mr Naylor.

10

Since the blaze, business has bounced back. Financing from Santander bank enabled Peckforton Castle to be back in business by February 2011. Mr Naylor added value by turning the castle's bell tower and west wing into a brasserie, treatment rooms and bridal suite. Today, the business boasts a prestigious AA three rosettes restaurant and a bird of prey centre.

15

It took more than £7m of investment to transform Peckforton Castle into a luxury hotel, wedding and conference venue that is open all-year round. In 2013, sales revenue was £6m, and the castle hosted 197 weddings. It is now one of the most popular wedding venues in the North West and the castle is now worth around £18m.

20

Planning permission should soon be granted for a full spa and activity centre in the castle's "engine shed" outbuildings. A yurt village in the woodland is also planned, which should attract a new, nature-loving clientele. Once the latest building work is complete, the hotel will gain 12 more much-needed bedrooms. "It's been so frustrating for the sales team to turn business away," said Mr Naylor.

25

The wedding business is consistent both in good economic times and in bad. "A lot of parents have been saving for years for their children's marriage and that money's going on the wedding and nowhere else, despite all the negativity and uncertainty," said Mr Naylor.

(Sources: <http://www.imag1ne.com/peckforton-castle.htm>; <http://www.telegraph.co.uk/finance/businessclub/10554101/Wedded-to-the-idea-of-a-castle-business.html>)

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

(2)

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(b) Calculate the percentage change in sales revenue from 2006 to 2013. You are advised to show your working.

(4)

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(c) Mr Naylor is considering spending £100 000 on advertising Peckforton Castle on local television.

Using a demand and supply diagram, illustrate the potential impact on Peckforton Castle's sales.

(4)

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(e) Santander is going to increase all of its interest rates on commercial loans and savings by 2%.

Assess the potential effects on Peckforton Castle of this increase in interest rates.

(12)

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**(Total for Question 1 = 30 marks)**

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**TOTAL FOR SECTION A = 30 MARKS**



## SECTION B

**Read the following extracts (B and C) before answering Question 2.**

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

### Extract B

#### Online takeaways are good to go

With the introduction of the smartphone, companies have sprung up offering phone applications (apps) for ordering takeaway food online. The most popular of these apps is Just Eat, a company that links customers to local takeaways. Their free app has now been downloaded over two million times across 13 European countries.

In 2012, its UK division made operating profits of £9m on sales of £41.4m, up from £2.1m on sales of £21.6m in 2011. The business model is simple. Restaurants pay an initial membership fee on joining, and then a commission on every order. That commission is 11% in the UK. "We find that works brilliantly. It incentivises us to give them orders – so if we work hard, we get paid," says Mr David Buttress, Chief Executive of Just Eat. Rivals, including Hungry House and Chow Now, operate a number of different pricing models, including monthly fees and annual subscriptions. 5

"In the UK alone, there are tens of thousands of takeaways which can't build their own e-commerce platform," he says. "And there's a huge untapped potential of customers, who want to transact online, just as they do with everything else they buy." With those market conditions, Just Eat looks set for strong future growth. 10

(Source: 'Online takeaways are good to go' By James Quinn, 30 Nov 2013 c The Daily Telegraph) 15

### Extract C

#### Ban takeaways near schools to combat obesity in children

Fast-food takeaway outlets could be banned from opening shops near schools. Councillors in Rochdale, a town in North West England, will consider the proposal in a bid to tackle rising child obesity in the town where one-in-five 10 and 11 year-olds are classed as obese. According to NHS figures, Rochdale has the highest level of obesity among children in the North West, and the third highest rate for England. Most councillors are now coming to the conclusion that there should be more restrictions about takeaway outlets near schools. 5

(Source: <http://www.manchestereveningnews.co.uk/news/local-news/ban-takeaways-near-schools-combat-6243769>)



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

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(b) Calculate the Operating Profit Margin for Just Eat in 2012 (Extract B). You are advised to show your working.

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(c) Explain **one** way product differentiation may have contributed to Just Eat's success.

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(d) Discuss the importance to Just Eat of using market research to understand consumer demand.

(8)

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(e) Assess the benefits of government intervention to restrict the location of takeaway outlets.

(12)

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**(Total for Question 2 = 30 marks)**

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**TOTAL FOR SECTION B = 30 MARKS**

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**QUESTION 3 BEGINS ON THE NEXT PAGE**

## SECTION C

**Read the following extract (D) before answering Question 3.**

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

### Extract D

#### **From our kitchen table to London's Covent Garden**

Four years ago, Julie Deane's business hopes rested on £600 and a list of 10 start-up ideas. Starting from her kitchen table, Julie Deane has turned the pick of those ideas into the Cambridge Satchel Company – a global digital success with £12m sales revenue, and now set to make its high street debut. The company will open its first physical store this month (February 2013), in London's Covent Garden. 5

"We're going in the opposite direction to most businesses – we started online and now we've got a bricks and mortar store," she said. Julie Deane is hoping the humble beginnings of the company will draw in shoppers. The bags will be displayed on "kitchen table" style units, while the shelves are made of leather panels from the satchels.

Google summarised Julie Deane's story in an advertisement for its Chrome browser as "London. New York. Our Kitchen" giving the company free TV advertising. "People like to get behind us, get in touch and tell us the ideas for their businesses. Our story has really opened a lot of doors," she said. 10

Asked if the Covent Garden shop represents the beginnings of a UK retail empire, Julie Deane said: "One store is enough – for the next eight weeks, at least." 15

Indeed, the Cambridge Satchel Company has recently been given a £12.7m cash injection by venture capital firm Index Ventures to support the company's expansion and develop its digital offering. The funds will be used to hire a new senior management team and improve the website.

(Sources: <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/9844285/Cambridge-Satchels-to-open-first-store.html>; <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/10593743/Cambridge-Satchel-Company-bags-12.7m-cash-injection.html>)

**3** Evaluate the importance of credit for an entrepreneur such as Julie Deane of the Cambridge Satchel Company.

(20)

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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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