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Pearson Edexcel Centre Number Candidate Number

Level 3 GCE

Economics B

Advanced Subsidiary

Paper 2: The wider economic environment

Sample assessment materials for first teaching September 2015 Time: 1 hour 30 minutes	Paper Reference 8EB0/02
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You do not need any other materials.

	Total Marks
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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

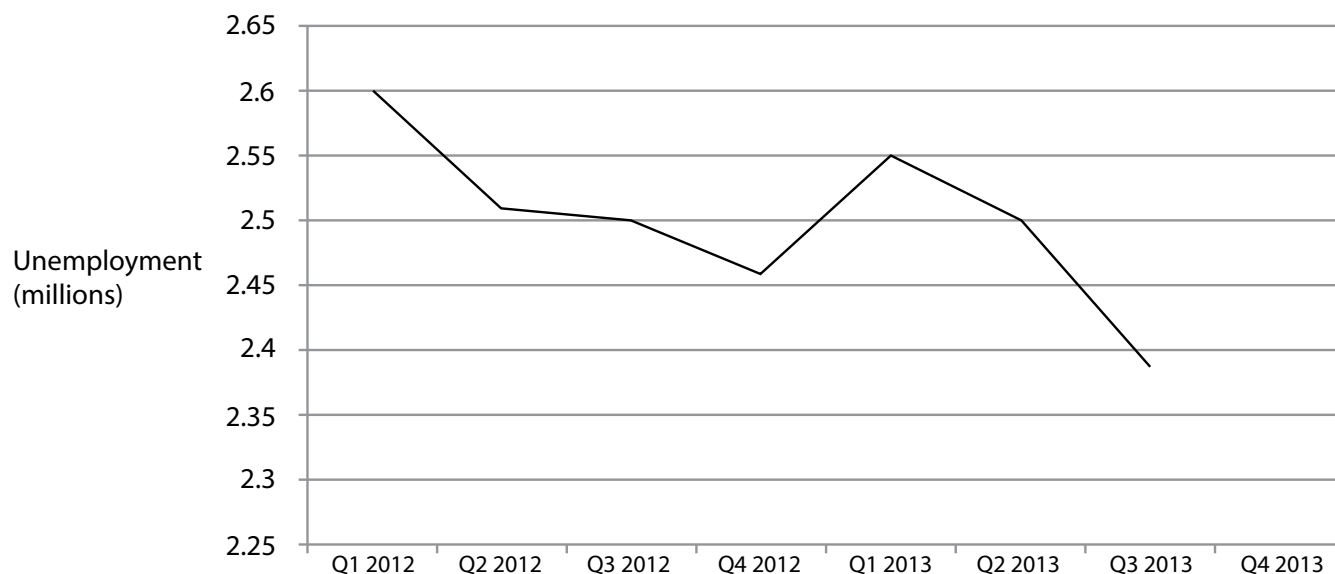
Read the following extract (A) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Sharp fall in jobless rate raises prospect of rate rises

Unemployment rate



A rise in the interest rate has been made more likely by a higher-than-expected drop in the UK's unemployment rate.

The number of people out of work is now 7.4%, the lowest level since 2009, according to figures released by the Office for National Statistics (ONS). It says the number of people out of work fell by 99 000 to 2.39 million in the three months to October. 5

While the unemployment figure suggests the recovery is gaining momentum, it may have an effect on monetary policy. The Bank of England has cited a 7% unemployment rate as the point at which it will consider interest rate rises.

The announcement of the unemployment rate also caused the pound to appreciate. The currency rose by almost a cent against the dollar to \$1.635. Total pay rose at an annual rate of 0.9% in October, the ONS said. Given that the inflation rate for the same month was 2.2% it seems that living standards in the UK are continuing to fall. 10

(Source: <http://www.theweek.co.uk/uk-news/56572/sharp-fall-jobless-rate-raises-spectre-rate-rises>)

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

(2)

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(b) Calculate the percentage change in real wages for October (Extract A). You are advised to show your working.

(4)

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(c) Using Extract A, explain how the change in real wages may affect an individual.

(4)

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(d) With reference to Extract A, discuss the significance of changes in unemployment for UK firms.

(8)

A series of horizontal dotted lines provided for writing the answer to the question.

(e) Assess the impact on UK firms of the appreciation of the pound (£).

(12)

A series of horizontal dotted lines for writing the answer.

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read the following extract (B) before answering Question 2.

Write your answers in the spaces provided.

Extract B

Since 1984, there has been a notable turnaround in the popularity of the cinema, with annual attendances increasing to 180 million despite the recent recession. It is still a long way from the 1940s, but it is evidence that new technology doesn't have to mean the end of 'traditional old media'.

Several reasons help to explain this, including the growth of multiplex cinemas which offer a wider choice of films and are easily accessible by car, new technology such as digital cinema screens and 3D screens. Cinemas have also benefited from the growth in the wider movie market in DVD sales and online sales. 5

The combined UK and Irish cinema market continues to be dominated by three major UK exhibitors, *Cineworld Cinemas*, *Odeon UCI* and *Vue*, who enjoy a market share of over 70%. The remaining 30% is represented by smaller independent cinemas which tend to operate non-multiplex cinemas (fewer than five screens). 10

2012 saw considerable inorganic growth and consolidation in the UK cinema market with *Odeon* acquiring the *BFI Southbank* and a site from *AMC*, *Vue* acquiring the *Apollo cinema chain* and *Cineworld* acquiring *Picturehouse*. 15

	2000–2001	2010–2011
Average household income	£29 968	£33 444
Annual attendance at a cinema	150 million	180 million

NB all figures are rounded, income expressed at current prices (source ONS).

(Source: <http://www.economicshelp.org/blog/6693/business/cinema-attendance-in-uk/>)

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

(2)

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(b) Calculate the Income Elasticity of Demand (YED) for cinema tickets between 2000–2001 and 2010–2011 (Extract B). You are advised to show your working.

(4)

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(c) Explain how a recession might impact on a cinema chain such as *Cineworld*.

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(e) Assess the advantages of inorganic growth for a firm such as *Cineworld*.

(12)

A series of horizontal dotted lines for writing the answer.

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

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

Write your answer in the spaces provided.

Extract C**Digital economy needs 750 000 workers**

Britain needs 750 000 additional, digitally-skilled workers by 2017, if it is to take advantage of a £12bn economic opportunity, a new report claimed today. The report also said existing government initiatives designed to accelerate the growth of the digital economy were expected to generate economic output worth £7bn per year by 2017, and claimed a further £4bn per year could be found if government and business worked more closely to improve digital education in schools. 5

More than 2 million people already work in the digital economy, but failure to find more could cost the UK economy £2bn per year. Nearly 200 000 of the new jobs are particularly suited to young workers, many of whom are currently unemployed.

Ronan Dunne, chief executive of O2, who funded the report, said that "Businesses must proactively seek out opportunities to collaborate to maximise the digital growth opportunity and harness the potential of the next generation." 10

(Source: <http://www.telegraph.co.uk/technology/news/10281733/Digital-economy-needs-750000-workers.html>)

