

Write your name here

Surname

Other names

Pearson Edexcel
Level 3 GCE

Centre Number

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Candidate Number

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Economics A

Advanced

Paper 1: Markets and business behaviour

Sample assessment material for first teaching
September 2015
Time: 2 hours

Paper Reference

9EC0/01

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.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 At the start of the 2012–13 football season the average ticket price in the top four English football leagues increased by 11%. During the 2012–13 season attendance fell 5%.

(Source: <http://www.espn.co.uk/football/sport/story/237339.html>)

- (a) With reference to the data provided, calculate the price elasticity of demand for football tickets in the English football leagues. You are advised to show your working.

(2)

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- (b) Derby County Football Club has found that the price elasticity of demand for their tickets is -0.3 . Demand for their tickets is:

(1)

- A perfectly price elastic
- B perfectly price inelastic
- C relatively price elastic
- D relatively price inelastic

Answer

(c) Given the price elasticity of demand for Derby County Football Club's tickets, explain the likely impact on their revenue of an increase in ticket prices.

(2)

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(Total for Question 1 = 5 marks)

2 The table shows the quantity of PlayStation 4 games demanded and supplied.

Price	Quantity demanded per month (000s)	Quantity supplied per month (000s)	New quantity supplied per month (000s)
£25	400	320	
£30	360	360	
£35	320	400	
£40	280	440	
£45	240	480	

As a result of an increase in packaging costs for the games, supply decreased by 80 000 at all prices.

(a) Calculate the change in equilibrium price given the increase in packaging costs. Use the last column for your workings.

(4)

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(b) PlayStation 4 games and PlayStation 4 consoles have a negative cross-elasticity of demand. This implies that these goods are:

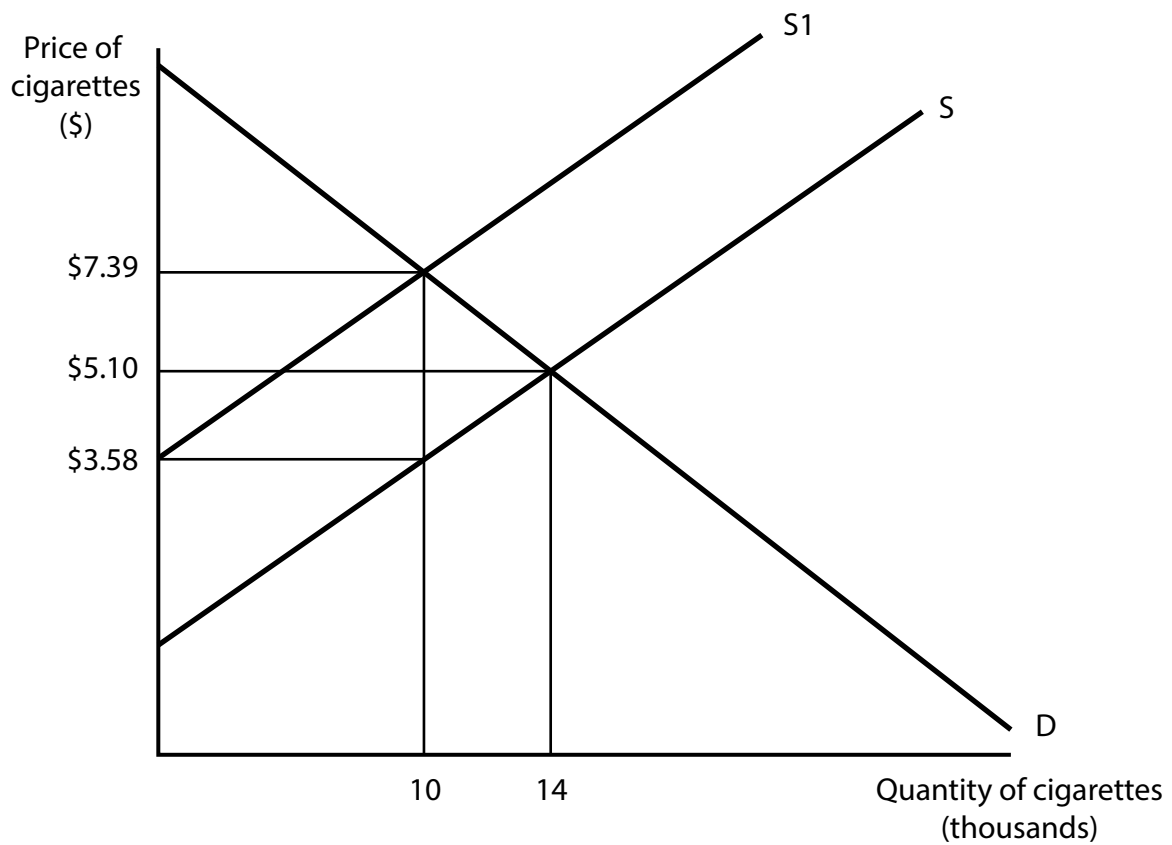
(1)

- A complements
- B inferior
- C normal
- D substitutes

Answer

(Total for Question 2 = 5 marks)

3 Hawaii has a tax on packets of cigarettes. The diagram below shows the effect of this tax.



(a) The tax imposed on a packet of cigarettes in the diagram above is an example of: (1)

- A an income tax
- B a subsidy
- C a specific tax
- D an ad valorem tax

Answer

(b) Calculate the total incidence of the tax on consumers. You are advised to show your working.

(2)

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(c) Calculate the total tax revenue. You are advised to show your working.

(2)

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(Total for Question 3 = 5 marks)

- 4 The following table shows the sales (millions) of tablet computers in quarter 3, 2012 and quarter 3, 2013:

Sales of tablets (millions)		
Manufacturer	Quarter 3, 2012	Quarter 3, 2013
Apple	14.0	14.1
Samsung	4.3	9.7
Asus	2.3	3.5
Lenovo	0.4	2.3
Acer	0.3	1.2
others	13.5	16.8
Total	34.8	47.6

(Source: <http://appleinsider.com/articles/13/10/30/ipads-marketshare-drops-11-in-q3-on-lack-of-new-models-android-posts-significant-gains>)

- (a) The 3-firm concentration ratio in quarter 3, 2012 was 59.2%.
Calculate the 3-firm concentration ratio in quarter 3, 2013 in this market.
You are advised to show your working.

(2)

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- (b) It can be deduced from this data that the tablet computer market is:

(1)

- A monopolistically competitive
- B perfectly competitive
- C oligopolistic
- D a natural monopoly

Answer

(c) Explain **one** barrier to entry that is likely to exist in the tablet computer market.

(2)

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(Total for Question 4 = 5 marks)

5 Blackberry made a loss of \$4.4 billion in quarter 3, 2013 but continued to operate.

(a) Explain **one** condition under which loss-making firms might continue to operate in the short-run.

(4)

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(b) If Blackberry is currently a profit-maximising firm but changes its objective to sales maximisation, it can be deduced that Blackberry will move from setting prices at which:

(1)

- A marginal revenue equals zero to where marginal revenue equals marginal costs
- B marginal revenue equals marginal costs to where marginal revenue equals zero
- C marginal revenue equals marginal costs to where average revenue equals average costs
- D average revenue equals average costs to where marginal revenue equals marginal costs

Answer

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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QUESTION 6 BEGINS ON THE NEXT PAGE.

SECTION B

Read Figure 1 and the following extracts (A to C) before answering question 6.

Write your answers in the spaces provided.

Theatre and cinema markets

Extract A

West End ticket prices reach all time high

The price of West End theatre tickets in London has reached an all-time high. In the past year alone, up to January 2013, the average top-price ticket has risen by almost £10 and now stands at £81.05. In January 2013, London theatres announced record numbers of people wanting to buy tickets for shows. Costs of running the theatres have also risen because there are restoration costs to pay and energy costs have increased. This rise in costs is despite some of the theatres in the West End receiving subsidies. 5

(Source: adapted from 'West End theatre tickets more expensive than ever, says The Stage,' by Matt Trueman, *The Guardian*, 5 April 2013
<http://www.theguardian.com/stage/2013/apr/05/west-end-ticket-price-discrepancy>)

Extract B

Cineworld merger with Cinema City International (CCI)

The UK's biggest cinema chain by market share is to enter seven overseas markets through a £900m merger. Cineworld announced that it has agreed to merge with CCI which owns 100 multiplex cinemas in seven countries Bulgaria, Czech Republic, Hungary, Israel, Poland, Romania and Slovakia. The deal is expected to be promoted as a merger of equals although Cineworld is larger than its new partner. The planned merger with CCI follows a fall of 1% in the revenue earned by cinemas in the UK and Ireland in 2013 to £1.17bn. 5

In 2013, Cineworld was ordered by competition regulators to sell three cinemas following its takeover of the Picturehouse chain. This underlined the difficulty of finding new growth opportunities in the company's home market, which was one factor prompting a search for international expansion opportunities. 10

Cineworld's UK-based rivals have also grown overseas, with Odeon UCI having a presence in seven countries, while Canadian-owned Vue Entertainment has cinemas in Portugal, Taiwan, Germany and Denmark.

The combined group is to be run by CCI's chief executive, although other senior management will be drawn from the ranks of both companies and the board will have more Cineworld board members. 15

(Source: adapted from 'Cineworld Targets Europe With £900m Merger,' By Mark Kleinman, Sky News, 9th January 2014
<http://news.sky.com/story/1192823/cineworld-targets-europe-with-900m-merger>)

Extract C

Cineworld investigation by Competition Commission (competition regulator)

Cineworld had to sell cinemas in three towns after the Competition Commission (CC) concluded that its acquisition of the Picturehouse chain would lead to higher prices for customers in Aberdeen, Bury St Edmunds and Cambridge. While Cineworld operates mainly in large out-of-town-centre cinemas, Picturehouse's cinemas tend to be smaller and located in city centres.

5

The CC has concluded that the acquisition could lead to a substantial lessening of competition in the cinema market in Aberdeen, Bury St Edmunds and Cambridge – where Cineworld and Picturehouse face limited competition.

(Source: <http://www.competition-commission.org.uk/media-centre/latest-news/2013/aug/cineworld-could-have-to-sell-cinemas>)

Adult (19–59 yrs)	£9.60
Child (2–14 yrs)	£6.80
Student (15–18 yrs)	£7.30
Senior (60+ yrs)	£7.30
Family of 4	£29.80

Figure 1

Cineworld (London) cinema ticket prices after 5pm

6 (a) Explain why the price of 'the average top-price ticket has risen by almost £10'
(Extract A, line 2). Use a supply and demand diagram in your answer.

(5)

A series of horizontal dotted lines for writing the answer.

(b) Examine **two** reasons Cineworld plans to merge with CCI.

(8)

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

(e) Discuss the likely impact of 'a substantial lessening of competition in the cinema market in Aberdeen, Bury St Edmunds and Cambridge' (Extract C, line 6–7).

(15)

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

SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

7 'Tradable permits are less effective than taxation in reducing carbon emissions.'

To what extent do you agree with this statement?

(Total for Question 7 = 25 marks)

OR

8 Evaluate the likely microeconomic impact of an increase in the UK national minimum wage.

(Total for Question 8 = 25 marks)

A large rectangular area with rounded corners, containing numerous horizontal dotted lines for writing.

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

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