

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel
Level 3 GCE**

Centre Number

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Candidate Number

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Time 2 hours

Paper
reference

9EB0/01

Economics B
Advanced
PAPER 1: Markets and how they work

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.*
- 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.
- Good luck with your examination.

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Answer ALL questions.

SECTION A

Read the following extracts (A–E) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Boo who?

It has no high street shops and few people over the age of 40 will have even heard of it. However, online fashion retailer *Boohoo* is instantly recognisable to teenagers and twentysomethings. Thanks to its remarkable ability to copy celebrity fashion trends in a matter of days, it is one of the most extraordinary British success stories of recent times.

5

The rags to riches story of *Boohoo* started with Mahmud Kamani. The Kamani family began selling handbags on a market stall and later sourced garments from India for a wholesale textile business. By the early 2000s, the company was selling £50m worth of garments a year to high street shops such as *Topshop* and *Primark*.

Entrepreneur Mahmud spotted the astonishing opportunities that were created by the growth of the internet. In 2006, he and designer Carol Kane – now joint Chief Executive – set up *Boohoo* as an online retailer that would deliver their own branded fashion at rock-bottom prices. They started small, with just three staff in a Manchester warehouse. Their big advantage was that they could use local contacts – more than half of their garments are still made in Britain – to rush the latest fashion trends on to their website in weeks rather than the months it takes for garments from overseas.

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In 2014, *Boohoo* was floated on the stock exchange. The *Boohoo* company is now worth £3.7bn, employs nearly 2,000 people and has sponsored ITV2 reality show *Love Island*. It uses hundreds of bloggers and celebrity influencers to advertise the brand on *Instagram*, *Twitter* and *Snapchat*. *Boohoo* uploads as many as 120 new garments on to its website every day. It sells 50 dresses every minute.

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(Source adapted from: <https://www.dailymail.co.uk/femail/article-4678284/Boohoo-billionaires-built-2bn-fashion-empire.html>)

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Extract B

Selected financial information from *Boohoo UK Limited's* statement of comprehensive income for year ending 28 February 2019

	2019 £000	2018 £000
Revenue	434 565	374 114
Cost of sales	204 474	182 441
Gross profit	230 091	191 673
Operating profit	32 490	34 555
Profit for the year	24 719	28 591

(Source adapted from: <http://www.boohooplc.com/~media/Files/B/Boohoo/reports-and-presentations/4412-boohoo-ar-2019.pdf>)

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Extract C

The story of a £4 *Boohoo* dress: cheap clothes at a high cost

The *Boohoo* minidress comes in red, mustard and black, in sizes 6 to 16. It is not so much the styling and colour, but the price of £4 that attracts thousands of *Boohoo*'s 5 million UK customers. Products and prices like these have boosted *Boohoo*'s profits, going against the trend of struggling high street fashion stores.

5

Made in the UK at factories in Leicester and Manchester, the £4 dress symbolises a fast fashion industry that pumps hundreds of new collections on to the market in a short time at low prices. On average, such dresses and other products are discarded by consumers after five weeks. *Missguided*, an online rival to *Boohoo*, took the low pricing even further by promoting a £1 bikini, which proved so popular with customers that the website crashed.

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Behind the price tag there is an environmental and social cost not contained on the label of such products. "The hidden price tag is the cost people in the supply chain and the environment itself pay," said Sass Brown, a lecturer at the Manchester Fashion Institute. "The price is just too good to be true."

15

Carol Kane, the co-founder of *Boohoo*, told MPs the £4 dress was a 'loss leader' drawing people to the website. She said as part of its Corporate Social Responsibility (CSR) policy the company employs three people in Manchester, three in Leicester, and 10 in China. They carry out audits each month at their producer factories to ensure proper working practices. *Boohoo* said it was also looking to form a partnership with the sustainable fashion initiative, Sustainable Clothing Action Plan (SCAP), to help reduce the carbon, water and waste footprint of its supply chain.

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(Source adapted from: https://www.theguardian.com/business/2019/jun/22/cost-cheap-fast-fashion-workers-planet?CMP=share_btn_link)

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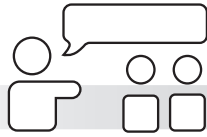
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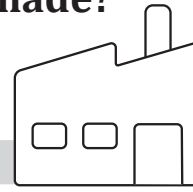
Extract D

The life cycle of a fast fashion dress

1. How is the dress made?

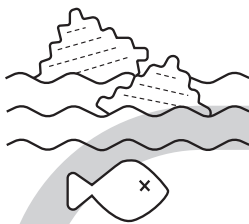


Fast-fashion brands engage producers and encourage them to undercut each other

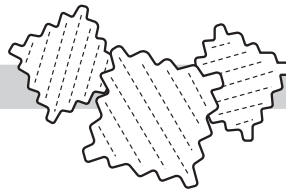


Manufacturers in the UK are typically paid as little as £2.50 to £3 a dress

2. What is it made of?

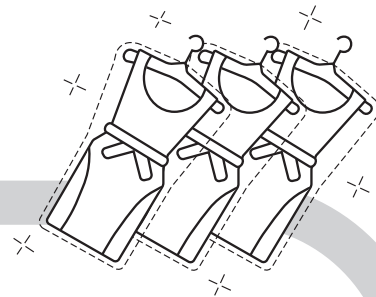


Synthetic fibres from clothing make up 35% of microplastics in the ocean



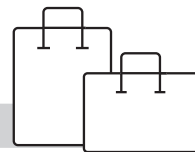
A dress is often made of 100% polyester

3. Fast fashion



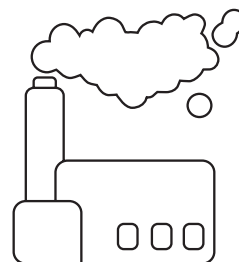
Garments are sold in stores having already created huge amounts of waste

A dress like this will often be wrapped in plastic on three separate occasions, each time with new packaging and hangers

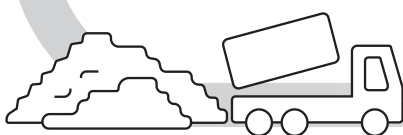


4. Unsold garments

Thousands of dresses remain unsold, or are thrown away after an average of five weeks' use



They are incinerated, polluting the air



(Source adapted from: <https://www.theguardian.com/business/2019/jun/22/cost-cheap-fast-fashion-workers-planet>)



Extract E

A 1p Tax on Fast Fashion

Fast fashion retailers should be made to pay a 1p tax on every garment sold in order to help fund clothing collection and recycling schemes, MPs on the Environmental Audit Committee suggested. The report said that taxation should be reformed to reward companies that offer clothing repairs and reduce the environmental footprint of their products.

5

“Fashion shouldn’t cost the earth. Our insatiable appetite for clothes comes with a huge social and environmental price tag: carbon emissions, water use, chemical and plastic pollution are all destroying our environment,” commented Committee Chair Mary Creagh.

“In the UK we buy more clothes per person than any other country in Europe. Fast fashion means we overconsume and underuse clothes. As a result, we get rid of more than a million tonnes of clothes every year, with £140m worth going to landfill,” she added.

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(Source adapted from: <https://www.vogue.co.uk/article/penny-tax-fast-fashion>)

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1 (a) Explain **one** way creative destruction might have affected the clothing market.

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(b) Using Extract B, calculate, to 2 decimal places, *Boohoo's* gross profit margin for 2019. You are advised to show your working.

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In 2019, *Boohoo* sold 10,501,813 items. This included low cost clothing and more expensive clothing, coats, shoes and jewellery.

(c) Using Extract B, calculate, to two decimal places, the average revenue per item sold in 2019. You are advised to show your working.

(4)

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(d) Analyse **two** advantages of division of labour to manufacturers in the clothing industry.

(6)

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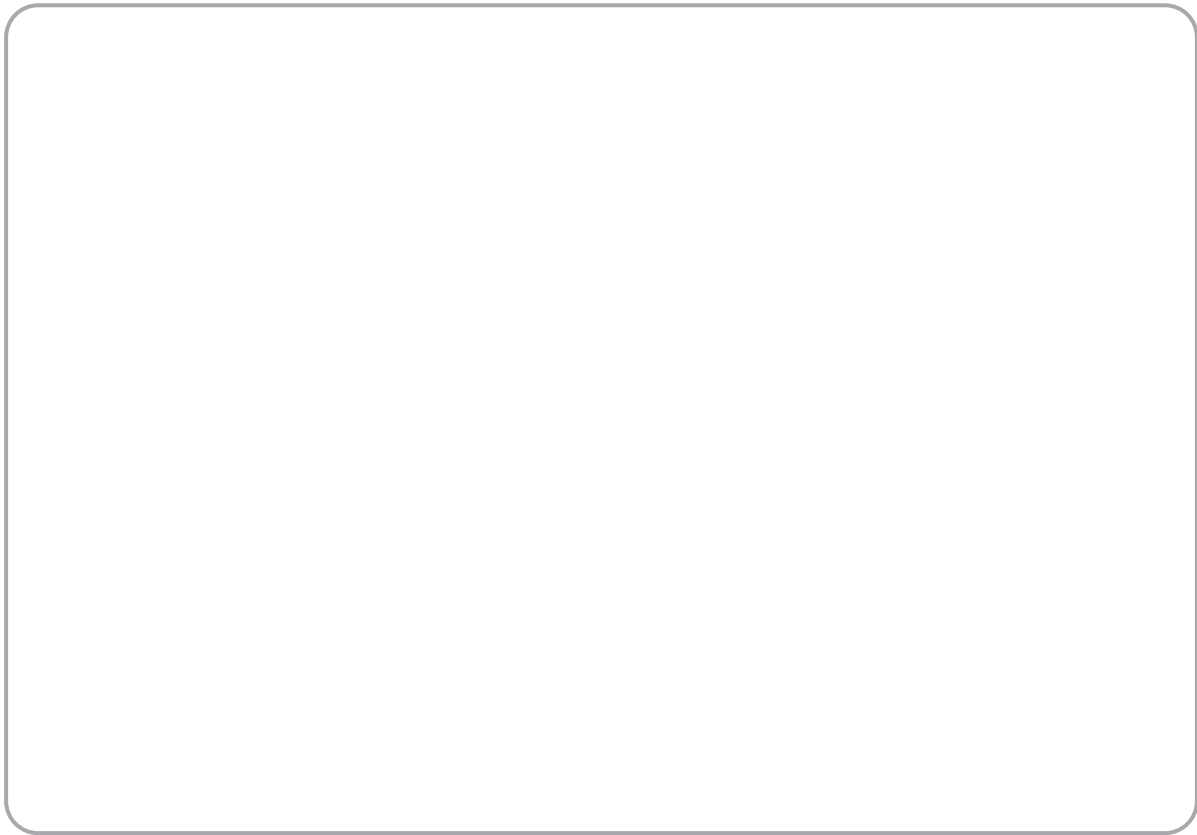
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(e) Using a supply and demand diagram, discuss the likely effect on the UK clothing market of a 1p tax on clothing.

(8)



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(f) Assess the likely implications of using share capital to fund expansion for a firm such as *Boohoo*.

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(g) Assess the extent to which enterprise is the most important factor of production for the success of *Boohoo*.

(12)

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(h) Assess the extent to which there is a trade-off between Corporate Social Responsibility (CSR) and profitability for a firm such as *Boohoo*.

(12)

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS



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PLEASE TURN OVER FOR QUESTION 2



SECTION B

Read the following extracts (F and G) before answering Question 2.

Write your answer in the space provided.

Extract F

UK will be left underwater in 80 years' time

A chilling new map has revealed how parts of the UK will be left underwater in a matter of decades as climate change causes sea levels to rise. Major areas such as Liverpool, London and Humberside could be left completely submerged as early as 2100, according to research from Climate Central. 5

Most scientists agree that climate change is melting polar ice sheets, adding significant amounts of water to the world's oceans. A detailed new study has revealed how low-lying coastal areas across the world are now at risk of being completely flooded.

Vast areas of Britain could be wiped out by the encroaching waters. Cardiff, Swansea and North Wales, East Yorkshire and Hull, Peterborough and Norfolk, and the coast from Lancaster to Liverpool could be submerged in just 80 years' time – unless urgent action is taken immediately. 10

Some 5.4 million people in Britain would face annual flooding by 2100 if carbon emissions continue unchecked. Coastal defences would need developing at great cost to protect householders from floods. Dr Scott Kulp, a senior scientist at Climate Central and lead author of the study, says it is not too late to take action to prevent this 'doomsday' scenario. 15

(Source adapted from: <https://www.mirror.co.uk/news/uk-news/chilling-doomsday-map-shows-how-20803818>)

Extract G

Climate talks break up with no agreement on carbon trading

The UN climate talks in Madrid ended in stalemate on Sunday 15th December 2019, with the negotiations running two days over time as countries squabbled over rules for a new global carbon trading market. The talks, known as COP25, ran for 14 days and set a record for the longest-ever climate negotiations, but failed to produce any agreement on trading in carbon credits. 5

This year global carbon dioxide emissions rose to record levels, millions of students marched in protest against climate change and leading economies adopted new net zero emissions targets. But none of that translated into measurable results at the negotiations.

Jennifer Morgan, executive director of Greenpeace International, said the outcome was totally unacceptable. "It is not adequate to just come back next year and say you are going to do more," she said. "Governments need to completely rethink how they do this." 10

(Source adapted from: <https://www.ft.com/content/33f5d282-1f3f-11ea-92da-f0c92e957a96>)

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2 Using a suitable diagram, evaluate the extent to which tradable pollution permits are the most effective way to reduce environmental damage in the UK.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS



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SECTION C

Read the following extracts (H and I) before answering Question 3.

Write your answer in the space provided.

Extract H

Leading social networks' market share of website visits in the UK in December 2019

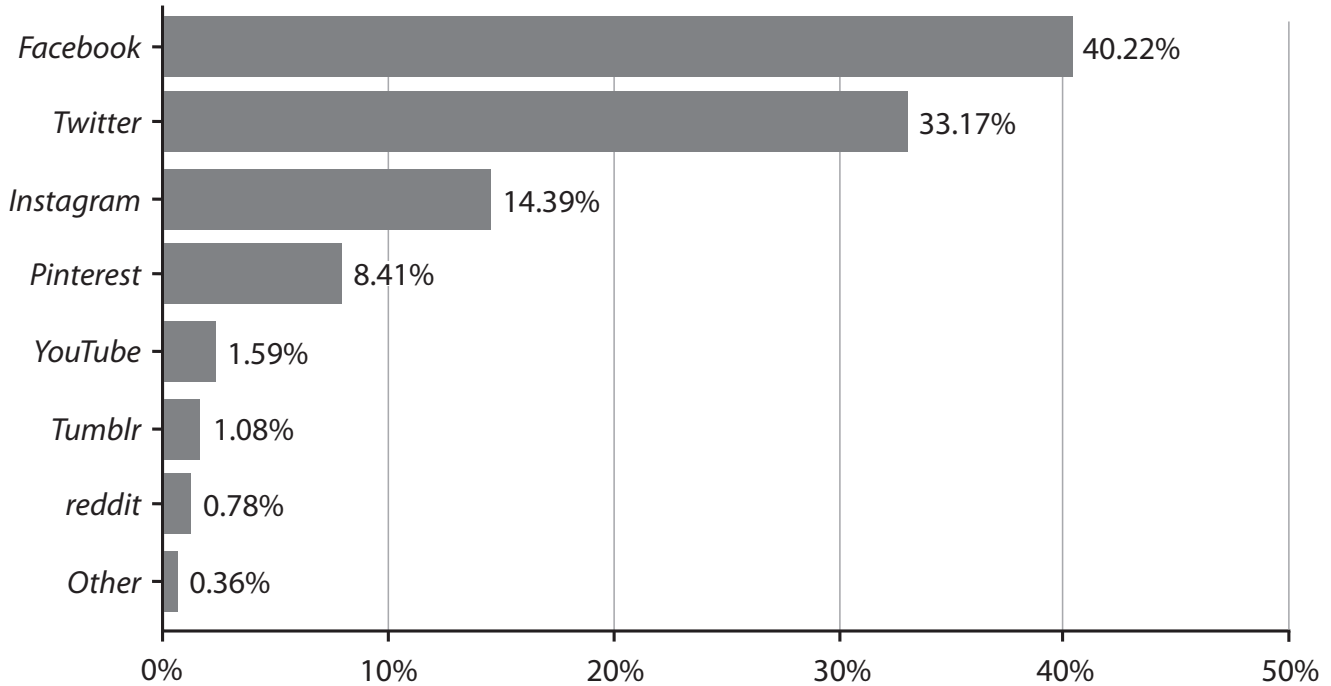


Figure 1

Figure 1 shows the leading social media platforms in the UK ranked by market share as of December 2019. Throughout recent years, *Facebook* has held a steady dominance over the social network market. The age group with the highest number of *Facebook* users in the UK is 20–29-year olds with approximately 5.3 million female and 5.4 million male *Facebook* users. The total number of *Facebook* users in the UK is forecast to rise to around 41.37 million users by 2021.

5

(Source adapted from: <https://www.statista.com/statistics/280295/market-share-held-by-the-leading-social-networks-in-the-united-kingdom-uk/>)

<https://gs.statcounter.com/social-media-stats/all/united-kingdom/#monthly-201912-201912-bar>



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Extract I

The Anti-Facebook: Wikipedia co-founder launches advert-free social media platform

Fed up with *Facebook* and *Twitter*? If so, *Wikipedia* co-founder Jimmy Wales hopes you will join *WT.Social*, a new social media platform that promises not to run advertisements or sell user data.

WT.Social simply shows a *Facebook*-like feed on which users can share news or other content. But unlike *Facebook*, whose algorithms prioritise content that is sponsored or receiving a lot of engagement, *WT.Social* simply shows new content first. This content comes from various sections of the platform (called subwikis) that users choose to join. The platform will allow users to directly edit misleading headlines, or flag problem posts.

5

About 160,000 people have signed up for *WT.Social* since it launched in October 2019. The platform is free to join, but new users are put on a waiting list, which can be instantly bypassed if you donate money. *WT.Social* hopes to survive only on donations.

10

Wikipedia co-founder Jimmy Wales said he was inspired to create *WT.Social* because advertising had allowed low-quality content to dominate *Facebook* and *Twitter*.

(Source adapted from: [https://bigthink.com/technology-innovation/ wt-social?rebelltitem=1#rebelltitem1](https://bigthink.com/technology-innovation/wt-social?rebelltitem=1#rebelltitem1))



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(Total for Question 3 = 20 marks)

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



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