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Mark scheme (Results)

Summer 2016

Pearson Edexcel GCE AS Level
in Economics B (8EB0)
Paper 01 Markets, Consumers and Firms

PEARSON

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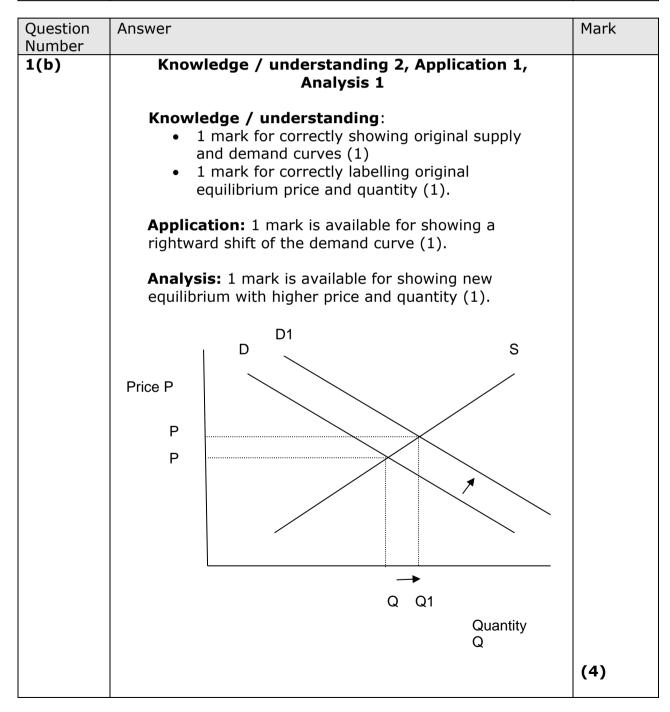**Pearson: helping people progress, everywhere**

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	**Knowledge / understanding 2** **Knowledge / understanding** 2 marks for: • the exchange rate is the price/value/worth of one currency (1) expressed in terms of another (1). NB any other suitable alternative. Do not award marks for examples.	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge / understanding 2, Application 1, Analysis 1** **Knowledge / understanding**: • 1 mark for correctly showing original supply and demand curves (1) • 1 mark for correctly labelling original equilibrium price and quantity (1). **Application:** 1 mark is available for showing a rightward shift of the demand curve (1). **Analysis:** 1 mark is available for showing new equilibrium with higher price and quantity (1). 	**(4)**

Question Number	Answer	Mark
1(c)	**Knowledge / understanding 1, Application 2, Analysis 1** **Knowledge / understanding**: 1 mark for understanding of factors that may cause a shift in supply curve, e.g. quality of the weather (1). **Application:** Up to 2 marks are available for contextualised answers, e.g. cereal yields are dependent upon the weather (1), a good summer / drought (1). **Analysis:** 1 mark is available for developing the effect, e.g. increasing the supply available, causing the supply curve to shift to the right (1).	**(4)**

Question Number	Answer	Mark
1(d)	**Knowledge / understanding 2, Application 2, Analysis 2, Evaluation 2** • Understanding of stakeholders and stakeholder conflict • Reference to shareholders as company is Ltd • Increase in export sales of wood leads to increased revenue and profits • Could lead to increased demand from shareholders for increased dividends • Could lead to increased demand from employees for increased wages/bonuses • Could lead to increased demand for investment to keep up with expansion • Therefore stakeholder conflicts may arise • Increased demand for timber means more felling of native trees • This may mean local communities suffer environmental loss and increased disturbance • Environmental pressure groups may protest • Again leading to stakeholder conflict • Stakeholder conflict may be minimised as a 49.4% increase in exports and therefore potentially Probyn sales may be enough to satisfy all stakeholder demands • Shareholders may be happy to forego short term dividend for the sake of long term return on investment • Local community may also benefit from increased employment and income • Timber may come from sustainable sources therefore minimising environmental impact	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:
- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

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- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Answer	Mark
1(e)	**Knowledge / understanding 2, Application 2, Analysis 4, Evaluation 4** • The wider economic environment could include inflation, unemployment, taxation, exchange rates and interest rates • Factors could result from changes domestically and internationally • Extract A shows the appreciation of the pound against the Canadian dollar • Change from 0.67p to 0.53p is 20.9% depreciation of the Canadian $ • This may well explain the large increase in Canadian exports as they are now significantly cheaper to foreign buyers in the UK • Extract B shows unemployment falling by 0.5% between 2013-2014 • This may make recruitment harder for Canadian firms • It may also cause upward pressure on wages increasing costs • Some firms, particularly those selling commodities are seeing large increases in exports and therefore can gain increased revenues and profits • Not all Canadian firms may benefit equally e.g. Electronics and aluminium have seen falling export sales • There is no data for domestic sales, only exports • Extract A only shows the Canadian dollar against the pound, it may be a different story for other currencies e.g. The US dollar • These may only be short term trends • Further data from other years and for other firms may be useful to allow a more in depth comparison • One change in the wider economic environment could offset another change e.g. falling unemployment may lead to inflationary pressure	**(12)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well-developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Answer	Mark
2(a)	**Knowledge / understanding 2** **Knowledge / understanding** 2 marks for: • The total of all the costs associated with an activity (1) • social costs = private costs + external costs (1) NB any other suitable alternative. Do not award marks for examples.	**(2)**

Question Number	Answer	Mark

2(b)	**Knowledge / understanding 1, Application 3**
	
	Knowledge: 1 mark for:
	
	    Percentage change
	    ---------------------- x 100
	    Original percentage
	
	Application:
	
	    20.5% - 46% = - 25.5% (1)
	
	    -25.5%
	    --------- x 100 (1) = -55.43% (1)
	      46%
	
	NB
	• If the answer given is -55.43% award 4 marks.
	• If the answer given is -55.4% award 3 marks.
	• If the answer given is -55.43 award 3 marks.
	• If the answer given is -55.4 award 2 marks.
		(4)

Question Number	Answer	Mark
2(c)	**Knowledge / understanding 1, Application 2, Analysis 1** **Knowledge / understanding**: 1 mark for understanding of government intervention, e.g. to correct market failure caused by excessive smoking (1). **Application:** Up to 2 marks are available for contextualised answers, e.g. cigarettes cause an external cost (1), the packaging promotes branding (1). **Analysis:** 1 mark is available for developing the reason, e.g. the legislation could lessen the impact of cigarette branding, thus reducing costs to NHS (1).	**(4)**

Question Number	Answer	Mark
2(d)	**Knowledge / understanding 2, Application 2, Analysis 2, Evaluation 2** • Packaging is a part of a firm's advertising • Brand loyalty could be lost • Removing individual packaging could prevent individual firms from standing out from the competition • Removing advertising and promotion should reduce the demand for cigarettes • The use of graphic images on the packaging may deter people from smoking, reducing demand even further • The use of a diagram may clarify the argument • Cigarettes are habit forming so consumers may not stop smoking or switch brands • This may be more effective in deterring new smokers rather than existing ones • Consumers may switch to other tobacco products, which are not subject to the legislation • By itself this legislation may not be effective and needs to be supported by other anti-smoking measures	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

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Question Number	Answer	Mark
2(e)	**Knowledge / understanding 2, Application 2, Analysis 4, Evaluation 4** • Market failure occurs when the free market results in external costs not accounted for by the producer or consumer; in this case smoking • Smoking causes a negative externality; health problems for third parties, in this case children • Smoking in playgrounds could promote the wrong idea to children about smoking • Diagram to show negative externality • Explanation that a ban in playgrounds is an example of local government intervention which could help to reduce the externality and the quantity of consumption • If quantity is reduced, the social costs will also be lessened • Government intervention may not work if smokers ignore the ban and it is not regulated • The ban may be expensive for the government to implement and enforce • More effective alternatives to intervention could be higher taxes or information campaigns • Do many people currently smoke in playgrounds? Maybe the ban will make so little difference it'll be ineffective • To be effective the ban would need to be extended to more areas where children are present • The ban may be more effective when used in conjunction with other intervention such as the change in cigarette packaging.	**(12)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well-developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:
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Question Number	Answer	Mark
3	**Knowledge / understanding 4, Application 4, Analysis 6, Evaluation 6** • Market segmentation is a way of categorising consumers by common characteristics e.g. age, gender, leisure interests • *Tesco* can use market segmentation to target the customers they wish to attract to their new clothing range • Focused marketing can attract customers more than a more generalised approach • By focusing their promotion on cycling enthusiasts via sponsorship of One Pro, *Tesco* can attract the attention of consumers specifically interested in sport; those more likely to buy the new range of clothing • By identifying specific market segments clothing can be designed to meet the needs more precisely thus increasing sales and profitability • By understanding the customer and their buying habits, a firm can focus their marketing on areas most relevant, thus reducing costs • Without segmenting the market a single range of clothing would not suit everyone and would be less likely to succeed • Segmenting the market means more market research, adding to total costs • The expense of the segmentation may not yield a higher, or even equal amount in revenue • Competitors are likely to pursue similar techniques and so the impact for F&F may be minimised • The new range may only be associated with cycling and not other sports • Alternative methods of promotion such as TV advertising may be more effective • Segmenting the market by itself may not be enough if the product, quality and price are not appropriate • *Tesco* may be seen as a mass market retailer and therefore may not reach smaller segments.	**(20)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Demonstrating application (AO2) in responses

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- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

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- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.