

Mark Scheme (Results) January 2008

GCE Level

GCE Level Economics (6351) Paper 1

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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.

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Question Number	Answer	Mark
1	C	(1)
	Define PPF	(2)
	Explanation that PPF has shifted left due to a reduction in the number of available resources - link to natural disaster as per the question.	(2)
		(Total 5)

Question Number	Answer	Mark
2	C	(1)
	Definition of Normative statement as one which is a value judgement / subjective and cannot be tested (1 mark) - reference to the statement and explanation why statement 1 is normative (1 mark).	(2)
	Definition of a Positive statement as a statement of fact which can be tested (1 mark) - reference to the statement and explanation why statement 2 is positive (1 mark).	(2)
		(Total 5)

Question Number	Answer	Mark
3	B	(1)
	Define Opportunity Cost (2 marks).	(2)
	Application to the question and explanation (2 marks).	(2)
		(Total 5)

Question Number	Answer	Mark
4	C	(1)
	Define consumer surplus (2 marks) or description of the area between demand curve and price (1 mark). Maximum of 2 marks can be awarded here.	(2)
	Diagram or written explanation that consumer surplus falls when the supply curve shifts to the left - caused by a rise in the costs of production (2 marks).	(2)
		(Total 5)

Question Number	Answer	Mark
5	D	(1)
	Definition or formula for Price elasticity of Supply (2 marks).	(2)
	Application to the growth of bananas - some explanation of why the producer may need time to respond to a rise in prices (2 marks).	(2)
		(Total 5)

Question Number	Answer	Mark
6	D	(1)
	Definition / formula for Cross price elasticity of demand (2 marks).	(2)
	Explanation / diagram that a positive XpED suggests substitutes and application to the question (2 marks).	(2)
		(Total 5)

Question Number	Answer	Mark
7	C	(1)
	Definition of subsidy: payment by government designed to lower costs /price and /or increase output (2 marks).	(2)
	Annotation of diagram - either showing total cost of subsidy or size of subsidy. Explanation of why the subsidy is equal to $P_2Z \times ZY$ (2 marks).	(2)
		(Total 5)

Question Number	Answer	Mark
8	B	(1)
	Explanation that increase in demand for rugby balls causes shift in demand from D1 to D2 (2 marks).	(2)
	Explanation that fall in costs will result in shift of the supply curve from S1 to S2 (2 marks).	(2)
		(Total 5)

Question Number	Answer	Mark
9(a)	Identification of any two factors affecting demand (1 mark each). These may include: Increased flying, cold winter, increased economic growth, environmental factors, speculative demand.	(2)

Question Number	Answer	Mark
9(b)	Correct diagram showing shift of the demand curve to the <i>right</i> and a shift of the supply curve to the <i>right</i> (2 marks) but with an overall impact of a rise in prices (1 mark). Explanation of the diagram and reference to the extract; why the supply of oil has tended not to increase significantly (Low PES)(1 mark) and why demand is increasing (1 mark).	(5)

Question Number	Answer	Mark
9(c)	Formula and definition of PED (1 mark) Identification that oil is price inelastic (1 mark) and application to oil and reasons for inelastic demand or any valid evaluative comment (2 marks).	(4)

Question Number	Answer	Mark
9(d)	Identification that revenue is increasing (1 mark). Explanation of why revenue is increasing with reference to a diagram or price elasticity of demand / supply (2 marks).	(3)

Question Number	Answer	Mark
9(e)	Definition of elasticity of supply (1 mark) reference to short run and explanation that elasticity of supply will depend on speed with which oil extraction can occur, spare capacity and levels of stock (2 marks). Evaluation: SR v LR factors determining speed of reaction (3 marks).	(6)

Question Number	Answer	Mark
10(a)	<p>Correct diagram showing shift of the demand curve to the right and a shift of the supply curve to the left (2 marks) with an overall impact of a rise in prices (1 mark).</p> <p>Explanation of the shift in demand (1 mark) and the shift in supply with reference to the extract (1 marks).</p>	(5)

Question Number	Answer	Mark
10(b)	<p>Reduces profit, may result in loss of sales, may result in higher prices in restaurants and may force some restaurants to fold (3 marks).</p> <p>Evaluation: Depends on proportion of total costs, price of alternatives, ease with which alternatives can be sourced (2 marks).</p>	(5)

Question Number	Answer	Mark
10(c)	<p>Definition of comparative advantage with reference to differing opportunity cost ratios (1 mark).</p> <p>Explanation of reasons why Japan may import chopsticks e.g. cheaper, specialisation, better quality (1 mark).</p> <p>Evaluation (2 marks) discussion of significance of reasons given, or cost savings given low price of chopsticks.</p>	(4)

Question Number	Answer	Mark
10(d)(ii)	<p>Extract suggests that as incomes grew slowly in Japan during the 90s demand continued to rise for chopsticks - identification of this case from the extract. This suggests that the good has a positive YED i.e. it is a normal good (2 marks).</p> <p>Evaluation: any valid evaluative discussion of why chopsticks are a normal good, e.g. necessity (2 marks).</p>	(4)

Question Number	Answer	Mark
10(d)(i)	Definition of normal good or reference to positive income elasticity of demand (1 mark). Definition of inferior good or reference to negative income elasticity of demand (1 mark).	(2)

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