

Mark Scheme (Standardisation) January 2009

GCE

GCE Economics (6351/01)

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.

1	2	3	4	5	6	7	8
A	D	A	C	C	B	D	B

1. If incorrect option is selected, a **maximum of 2 marks** are available for explanation
2. Up to 2 marks are available for candidates explaining two incorrect options.
3. If option is left blank, but correct option is referred to in the text, then the mark for the correct key is available.

Question Number	Answer	Mark
1	A	(1)
	<p>Definition of positive statement as one that is testable/verifiable 1 mark reference to statement A as a positive statement and some justification for this assertion ('will' /can measure growth) 1 mark</p> <p>Definition of normative statement as one that is a value judgement or one which cannot be tested 1 mark reference to statement B as a normative statement and some justification for this assertion ('should') 1 mark</p>	(4)

Question Number	Answer	Mark
2	D	(1)
	<p>Definition of production possibility frontier - A diagrammatic representation of the maximum output an economy can produce given a finite set of resources. 2 marks</p> <p>Or definition of opportunity cost - next best alternative foregone. 2 marks</p> <p>By moving from V to X Greg gains paid hours of work but must forego hours playing football 2 marks</p>	(4)

Question Number	Answer	Mark
3	<p>A</p> <p>Increase in the tax on flights causes the supply curve to shift to the left from S1 to S3 or X to W 2 marks If candidates recognise decrease in supply but no reference to shift in supply curve 1 mark</p> <p>Advertising campaign causes the demand curve to shift to the right from D1 to D2 or W to A 2 marks If candidates recognise increase in demand but no reference to shift in demand curve 1 mark</p> <p>The shifts can be annotated on the diagram.</p>	<p>(1)</p> <p>(4)</p>

• Question Number	• Answer	• Mark
• 4	<ul style="list-style-type: none"> • C • • Definition of consumer surplus - the difference between the amount a consumer is willing to pay and the amount they actually pay for the good 2 marks <i>or</i> the area between the price and the demand curve 1 mark • • Identification of original consumer surplus (FGH) or annotation of the diagram 1 mark • • Identification of new consumer surplus (FIJ) or annotation of the diagram 1 mark 	<ul style="list-style-type: none"> • (1) • • • • • • • • (4)

Question Number	Answer	Mark
5	<p>C</p> <p>Definition of Price Elasticity of Supply - the responsiveness of quantity supplied to a change in price or percentage change in quantity supplied / percentage change in price 2 marks</p> <p>Explanation that the price elasticity of supply for lemons is likely to be positive - the candidate may use a diagram to illustrate the positive gradient of the upward sloping supply curve 1 mark</p> <p>Explanation that the supply of lemons is likely to be inelastic in the short-run as it will take time to source new supplies of lemons 1 mark</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
6	<p>B</p> <p>Definition of Income elasticity of demand - the responsiveness of quantity demanded to a change in income or percentage change in quantity demanded / percentage change in income 2 marks</p> <p>Both cars and pasta have a positive IED because as income rises demand will rise 1 mark and therefore they are normal goods 1 mark</p> <p>Application of formula to the question - through the use of numbers to illustrate the size of the IED for each good 1 mark</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
7	<p>D</p> <p>Definition of Cross Price Elasticity of Demand. Change in demand for bus journeys in response to a change in price of car journeys. Could refer to Good A and Good B 2 marks</p> <p>Identification that cars and buses are substitutes 1 mark therefore as the price of car journeys increases demand for bus journeys increases, giving a positive relationship. 1 mark The explanation must specifically refer to car and bus journeys.</p> <p>This can be illustrated with a numerical example 1 mark</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
8	<p>B</p> <p>Definition of an indirect tax: an amount levied by government which raises costs of production and so raises the price of the good, thereby reducing the quantity demanded 2 marks</p> <p>Or A tax on expenditure which will shift the supply curve upwards resulting in higher price 1 mark</p> <p>Calculation of the original revenue $500\text{kg} \times \text{£}9 = \text{£}4500$ 1 mark</p> <p>Calculation of the new revenue $300\text{kg} \times \text{£}7 = \text{£}2100$ 1 mark</p> <p>Hence the answer is a fall by $\text{£}2400$ - this is repeating the correct option and therefore should not be rewarded.</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
9(a)	<p>Correct diagram showing shift in demand curve to the right and an increase in price of tyres 2 marks</p> <p>Written explanation of why demand for tyres has increased - reference to increased demand by mining firms 1 mark which has raised prices 1 mark</p> <p>Also award for explicit mention of the term derived demand 1 mark</p>	(4)

Question Number	Answer	Mark
9(b)	<p>Rising price of tyres will cause <i>costs of production</i> to increase 1 mark and <i>a rise in price</i> of those goods being mined 1 mark this could result in <i>lower revenues and profits</i> 1 mark and cause <i>possible job losses</i> 1 mark</p> <p>Allow credit for comments on the structure of the mining industry 1 mark</p> <p>Evaluation: If demand for mined products is price inelastic then if price rises demand will be unlikely to fall (industrialising China), <u>or</u> if there are other factors other than price that determine the demand for raw materials, such as growing economy in China, explosives (linked to elasticity of demand) <u>or</u> tyres may be an insignificant cost relative to the revenues received from mining (reference the last paragraph). Any one point up to 2 marks</p>	(6)

Question Number	Answer	Mark
9(c)	<p>Definition/formula for Price Elasticity of demand 1 mark</p> <p>Suggestion that demand for Super tyres is relatively inelastic with a sufficient explanation 1 mark</p> <p>Evaluation: The extent of the inelastic nature of tyres will depend on the availability of substitutes <u>or</u> the proportion of total mining/dump truck costs <u>or</u> the speed with which alternatives can be sourced <u>or</u> the extent to which the higher cost can be passed on to the customer. Any one point for 2 marks</p>	(4)

Question Number	Answer	Mark
9(d)	<p>Define PES 1 mark</p> <p>SR impact = firms cannot increase supply because of restrictions in terms of raw materials <u>or</u> factory capacity <u>or</u> inadequate investment.</p> <p>LR impact = By 2012 firms will react to rising prices and increase supply by expanding output <u>or</u> by the entry of new firms <u>or</u> by sourcing alternative supplies.</p> <p>Up to 3 marks for the explanation of the process</p> <p>Evaluation: The shortage might disappear if the demand for mined products declines in the period up to 2012. Technological development could result in the shortage disappearing more quickly. It would depend on the ability of new firms to enter the industry. Any one point up to 2 marks</p>	(6)

Question Number	Answer	Mark
10(a)	<p>Correct diagram showing shift to the right of the demand curve 1 mark as demand for rice increases with reference to the extract 1 mark</p> <p>Shift to the left of the supply curve shown on the diagram 1 mark as supply of rice falls due to weak harvest or other reference to the extract 1 mark</p> <p>Price increase shown on the diagram 1 mark</p>	(5)

Question Number	Answer	Mark
10(b)	<p>Identification (1 mark each) and explanation (1 mark each) of two advantages. These may include:</p> <ul style="list-style-type: none"> • Higher earnings/revenue for farmers • Higher wages for farm workers • More employment • Specialisation and comparative advantage • Higher profits/funds to invest into farms • Higher export earnings and improved balance of payments • Higher GDP • Possibility of more equal income distribution • Better infrastructure • More FDI • Greater tax revenue <p><i>Reward any sensible suggestions</i></p>	(4)

Question Number	Answer	Mark
10(c)	<p>Importers of rice will face higher costs 1 mark and this may impact on prices at Indian and Chinese restaurants and may cause demand to fall for these goods 1 mark and may result in lower revenues/profits and/or some employees being made redundant 1 mark</p> <p>Evaluation: May source alternative cheaper sources of rice (American Long grain) but this will take time or be of inferior quality <u>or</u> may use stocks of rice already held so impact might not be immediate. If demand for their product is relatively inelastic then prices could increase Any two points for 3 marks</p>	(6)

Question Number	Answer	Mark
10(d)	<p>Definition/formula of Price Elasticity of Supply 1 mark</p> <p>In the short run the supply will be inelastic because it takes time to grow more rice <u>or</u> the text suggests that there is rationing of supplies. Any one point 1 mark</p> <p>Evaluation: Long run increased supply of rice may occur as more rice is planted <u>or</u> new firms enter the market. Alternatively the supply of rice may not respond in the long run because there may be limited expectation of a sustained price increase <u>or</u> as the extract suggests farmers may turn to more profitable crops. Up to 3 marks for two points well developed</p>	(5)