



Mark Scheme (Results)

October 2020

Pearson Edexcel GCE

In Economics B (8EB0)

Paper 1: Markets, consumers and firms

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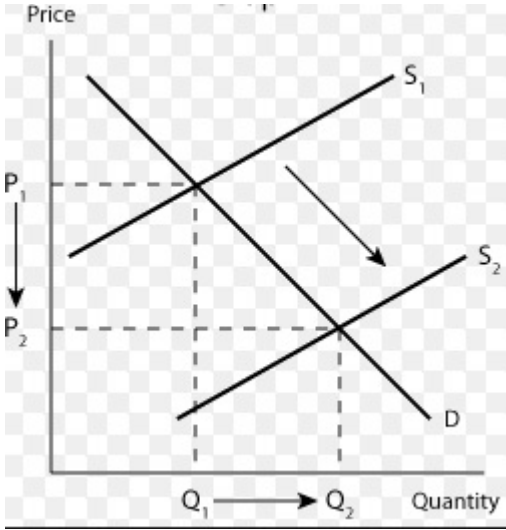
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General Marking Guidance

- 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)	<p style="text-align: center;">Knowledge / understanding 2</p> <p>Knowledge / understanding 2 marks for:</p> <ul style="list-style-type: none"> The level of output where total costs and total revenue (1) are equal (1) <p>NB any other suitable alternative. Do not award marks for examples.</p>	(2)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge / understanding 1, Application 3</p> <p>Knowledge / understanding 1 mark for:</p> $\frac{\text{Operating profit}}{\text{Sales revenue}} \times 100 \quad (1)$ <p>Application:</p> $\frac{180\,000}{950\,000} \times 100 = 18.95\% \quad (1)$ <p>NB: if no working is shown award marks as below</p> <ul style="list-style-type: none"> If the answer given is 18.95% award 4 marks If the answer given is 18.9% or 18.94% award 3 marks If the answer given is 18.95 award 3 marks If the answer given is 18.9 award 2 marks 	(4)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge/understanding 2, Application 1, Analysis 1</p> <p>Knowledge/understanding:</p> <ul style="list-style-type: none"> • 1 mark for correctly showing supply and demand curves (1) • 1 mark for correctly labelling axes price and quantity (1) <p>Application: 1 mark is available for showing a rightward shift of the supply curve (1)</p> <p>Analysis: 1 mark is available for showing original and new equilibrium and consequences on the axes (1)</p> 	(4)

Question Number	Indicative content	Mark
1(d)	<p style="text-align: center;">Knowledge / understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Collateral is an asset that is owned by a firm requesting a bank loan, such as business premises • Collateral reduces the risk taken by banks when providing a loan because if the loan cannot be repaid, the assets can be sold to pay the debt • It was necessary for <i>DAP</i> to own sufficient assets (its premises) to be able to meet the bank's requirements to get the loan • The firm risks losing its property if <i>DAP</i> is unable to stay in business/defaults • It may take longer for the firm to obtain the loan, as valuations of assets may be needed • Even if <i>DAP</i> has repaid the majority of the loan, the firm may still lose the whole asset (the business premises) if it defaults on just a small part of the loan • However, the interest rate charged to the firm by the bank may be lower if collateral is provided because the degree of risk faced by the bank is reduced by the collateral • A small/new firm such as <i>DAP</i> may not have been able to obtain a loan at all without providing collateral, because a bank may have considered it to be too risky without it (<i>DAP</i> had already been refused a loan several times before a bank offered the loan, provided that it used its business premises as collateral) 	(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.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

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

Question Number	Indicative content	Mark
1(e)	<p style="text-align: center;">Knowledge / understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Specialisation is where a firm concentrates its resources on a limited or restricted section of the market • DAP concentrates on supplying a very limited range of parts used in cars, buses and lorries • A firm that specialises is likely to face less competition and have a better quality of standard • Economies of scale may be possible leading to lower average costs and greater profitability • Specialisation is likely to take place in a niche market such as car parts leading to the ability to charge higher prices • Firms that specialise may be able to expand into the international market because of their reputation and product quality - <i>DAP</i> exports 50% of its products • However, the reputation of a business may suffer if there are issues with its products – <i>DAP</i> sales have still not recovered in Colombia following incorrect facts on its website • Specialisation runs the risk of technology developing a new substitute e.g. natural rubber and modern tyres • A successful niche business runs the risk of takeover by larger firms • The move from diesel to electrical cars could lead to a drop in demand for some of the current parts that <i>DAP</i> manufactures • Fall in demand could lead to fewer sales and this could impact on the firm's future • Despite the potential disadvantages of specialisation <i>DAP</i> has prospered and is a successful business 	(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.

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Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge / understanding 2</p> <p>Knowledge / understanding 2 marks for:</p> <ul style="list-style-type: none"> The flow of money received by an individual over time (1) usually in exchange for economic activity (1) <p>NB any other suitable alternative. Do not award marks for examples.</p>	(2)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for e.g. cash outflow was higher than cash inflow/the closing balance was negative (1)</p> <p>Application: Up to 2 marks are available for contextualised answers, e.g. the net cash flow was (£2 350) (1), the advertising costs were higher that month (1)</p> <p>Analysis: 1 mark is available for linked development, e.g. extra finance would be needed in February to cover all the cash outflows (1)</p>	(4)

Question Number	Indicative content	Mark
(d)	<p data-bbox="486 232 1262 309" style="text-align: center;">Knowledge / understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul data-bbox="523 353 1278 824" style="list-style-type: none"> • A demand curve shows how much of a good/service will be bought at different prices • There is normally an inverse relationship between price and quantity demanded in that as price increase, quantity demanded falls • This is because fewer people are willing and able to buy at a higher price • An increase in price from £25 to £27.50/hour is likely to lead to a decrease/contraction in demand, which is shown by a movement along, upwards and to the left, on the demand curve • Possible use of diagram <div data-bbox="571 907 1034 1160" style="text-align: center;"> </div> <ul data-bbox="523 1193 1252 1630" style="list-style-type: none"> • However, March, April and May are the busiest months for <i>Mint Tutors</i> in the lead up to when students take exams. Therefore, students may be willing to pay a higher price at this time of year/demand may have increased anyway during these months • Therefore, there may not be a contraction of demand but an increase in demand (shift to the right) during March, April and May may have resulted in the price increase to £27.50 instead • Possible use of diagram <div data-bbox="512 1697 874 1989" style="text-align: center;"> </div>	

	<ul style="list-style-type: none"> It may depend on other factors such as the supply of tutors. If there are fewer tutors students would be more likely to pay a higher price due to the lower supply 	(8)
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	0	A completely inaccurate response.
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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.

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Question Number	Indicative content	Mark
2(e)	<p style="text-align: center;">Knowledge / understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • A motive is the reason for doing something • Non-financial motives include ethical stance, social entrepreneurship, independence and home-working • Christine set up <i>Mint Tutors</i> because she wanted to get away from her stressful job in a school office, meaning her own well-being was one motive • By working from home, Christine may be choosing non-financial motives over financial ones • Although <i>Mint Tutors</i> charge £25/hour the business makes little profit giving Christine a moderate income but she believes she is helping to make tuition more affordable to more students • This means she may be more concerned with ethics as a motive for running <i>Mint Tutors</i> rather than profit as an incentive • The cash flow forecast shows <i>Mint Tutors</i> does not expect to have much cash to carry forward each month and a negative net cash flow in January and February • However, Christine found she was too busy to manage by herself and employed part-time staff. If her motives were solely non-financial she could have turned down clients once she reached a point when she needed an employee • Christine plans to promote <i>Mint Tutors</i> at an education fair in an attempt to boost demand. This also shows she may have more than just non-financial motives because the cash-flow forecast shows the business still has a positive balance without the extra advertising • Christine may originally have set up <i>Mint Tutors</i> with only non-financial motives in mind but may have changed to have financial motives as well once the business became more popular • Financial motives may be necessary to keep <i>Mint Tutors</i> in business • We do not know how much Christine takes from the business as a wage for herself. It may be that she could reduce this amount to live comfortably as was her initial intention • Although Christine may have many non-financial motives, it is likely she does have some financial motives as well 	(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	Indicative content	Mark
3	<p style="text-align: center;">Knowledge / Understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Government failure occurs when intervention from the state, instead of correcting market failure, causes further problems • Government failure could include high administrative costs, distorted price signals or unexpected consequences • It takes time and money for the Food Standards Agency to check food producers label the food correctly which the government could use on other things and there are unintended consequences such as throwing away food unnecessarily • If food is unnecessarily thrown away, the time and money spent on this regulation means there is an inefficient allocation of resources, both due to the regulation and the wastage of food • This inefficiency as a result of the best before dates means the average Canadian wastes 400 kg of food a year • The production costs of food producers and supermarkets are likely to be higher due to the wastage (30% a year in Canada) and the need to comply with food labelling • Food labelling regulations may lack important information and clarity given there are so many different types of food covered by the same regulation (such as soup, pasta, chocolate, yogurt and crisps) • However, it is important consumers are informed and protected from food that could cause problems for their health if they have allergies or it goes against their dietary requirements • Therefore, use of some food labelling can be important in some instances • The extent of government failure could be reduced if it was not a requirement for all food products to be labelled with best before dates • Food labelling may not lead to as much government failure if more detailed information was added to food labels to advise consumers about the actual meaning of things such as best before dates • Informative advertising by the Food Standards Agency may help reduce the government failure caused by food labelling • This would depend on whether consumers read or take notice of any additional information available 	(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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- may directly reference, interpret or analyse the information provided in any relevant stimulus.

