Mark Scheme (Results)

October 2020

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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.

Section A

Question Number		Mark
1(a)	**Knowledge/understanding 2** **Knowledge/understanding:** 2 marks for • The total demand **(1)** from all sources in the economy **(1)** **NB** accept any other suitable alternative. Do not award marks for examples	**(2)**

Question Number		Mark

1(b)	**Knowledge/understanding 1, Application 3**
	
	Knowledge/understanding: 1 mark for
	
	Formula for unemployment:
	
	   Number of Unemployed x 100 **(1)**
	      Labour force
	
	Application:
	
	   33,856,000 – 32,476,000 **(1)** x 100 = 4.08% **(1)**
	      33,856,000 **(1)**
	
	NB if no working is shown award marks as below:
	• If the answer given is 4.08% award 4 marks
	• If the answer given is 4.08 award 3 marks
	• If the answer given is 4.1% award 3 marks
	• If the answer given is 4.07 award 2 marks
	• If the answer given is 4.1 award 2 marks
		(4)

Question Number		Mark

1(c)	**Knowledge/understanding 1, Application 3**
	
	Knowledge/understanding: 1 mark for formula for calculating average real earnings e.g.
	
	  nominal earnings – rate of inflation **(1)**
	
	Application:
	
	    3.29% **(1)** - 2.2% **(1)** = 1.09% **(1)**
	
	NB: **if no working is shown award marks as below**
	   • If the answer given is 1.09% award 4 marks
	   • If the answer given is 1.09 award 3 marks
	   • If the answer given is 1.1% award 3 marks
	   • If the answer given is 1.1 award 2 marks
		(4)

Question Number	Indicative content	Mark
1(d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** • E-commerce is the use of the internet to exchange goods and services – a virtual marketplace for both buyers and sellers • This alternative marketplace has enabled consumers to compare prices through the use of price comparison websites • This has resulted in greater consumer knowledge about the different prices and goods available, lowering prices for consumers • E-commerce has also given consumers more choice as firms are able to offer products from and to wider geographical areas • Consumers are able to access more niche products through marketplaces such as *Amazon* or *eBay* due to the long tail • However, many consumers still prefer to shop in physical stores where they can see the products and services on offer • Many products and services such as hairdressers or barbers cannot be offered via e-commerce • Some consumers are still concerned with online fraud and prefer to make purchases in person.	**(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)	**Knowledge 2, Application 2, Analysis 4, Evaluation 4** • Unemployment can be measured by the International Labour Organisation (ILO) or by the claimant count • A fall in unemployment is good for retailers as this indicates that more people have jobs and therefore have more disposable income to purchase goods and services • Retailers, especially retailers who offer income elastic goods may see an increase in turnover from falling unemployment • Overall, economic growth may increase from lower rates of unemployment thereby improving confidence within the UK economy and encouraging many retailers to invest into new outlets • However, falling unemployment could result in many retailers struggling to recruit suitable employees as the pool of labour for certain skilled jobs reduces • Coupled with a shortage of EU workers, retailers may face many problems in terms of recruitment and retention of key employees • Retailers may have to offer higher wages to attract employees which further increases labour costs and can reduce overall profitability • The overall impact may depend upon the size and type of retailer • Some retailers already have a strong e-commerce presence and so may not be affected as much as traditional retail outlets.	**(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.

Section B

Question Number		Mark
2(a)	**Knowledge/understanding 2** **Knowledge/understanding:** 2 marks for • the stages a product goes through **(1)** from introduction to decline **(1)** **NB** accept any other suitable alternative. Do not award marks for examples	**(2)**

Question Number		Mark

2(b)	**Knowledge/understanding 1, Application 3**
	
	Knowledge/understanding: 1 mark for formula for PED e.g.
	
	   <u>% change in Quantity Demanded</u> **(1)**
	      % change in Price
	
	Application:
	
	  <u>+8%</u> **(1)** = -0.8 **(1)**
	  -10% **(1)**
	
	NB If no working is shown award marks as below:
	
	• If the answer given is -0.8 award 4 marks
		(4)

Question Number		Mark
2(c)	**Knowledge/understanding 1, Application 2, Analysis 1**	
	Knowledge/understanding: 1 mark for identifying a benefit e.g. charge a premium price **(1)**	
	Application: up to 2 marks are available for contextualised answers, e.g. *Oatly* only make alternative milk from oats **(1)** *Oatly* is 3 times more expensive than cow's milk **(1)**	
	Analysis: 1 mark available for developing the benefit, e.g. by charging a premium price, *Oatly* may see higher sales revenue and will be able to survive in the alternative milk market **(1)**	**(4)**

Question Number	Indicative content	Mark
2(d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** • Over-utilisation of capacity is when a firm is trying to produce more products than its capacity will allow • This can cause bottlenecks as there are not enough resources to cope with current demand • This could result in the production of *Oatly* oat drinks being rushed as there is less time for quality control • Employees may feel pressurised to work longer shifts to cope with the excess demand which can lead to poor employee relations • There could be a loss of sales if *Oatly* cannot meet demand as coffee shops switch to other alternative milks such as Almond milk made by other firms • Production equipment may require repair if this is used to make additional products for a sustained period of time • However, Extract D states that this problem is only for the oat drinks sold in coffee shops and other *Oatly* products are unaffected • The over-utilisation may only be a short-term issue and *Oatly* may be able to look for ways to improve capacity utilisation by outsourcing some of its production in the short term • In the long-term they could build extra production facilities to increase its capacity, thereby removing the problem	**(8)**

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	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:
- 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.

Question Number	Indicative content	Mark
2(e)	**Knowledge 2, Application 2, Analysis 4, Evaluation 4** • Penetration pricing is when a firm uses a lower introductory price to entice consumers to try a new product • The aim is usually to increase market share of a product, providing the opportunity to increase price once this objective has been achieved • Offering a discounted price for its new products in UK supermarkets may also encourage consumers to try the alternative milk drinks because they have a lower price • By lowering the price, *Oatly* hope that sales will increase and that consumers will like the new variety of oat drinks such as skinny, semi and whole oat options • They will continue to purchase the oat drinks even when the price is increased in the future • Consumers may become brand loyal due to its unique selling point of being more environmentally friendly compared to cow's milk • However, having a low price can create an image of poor quality and may simply attract customers who are looking for a cheaper alternative rather than loyal customers • Lower initial prices may result in an increase in market share but will generate less profit per unit sold • The low initial price can create an expectation of permanently low prices amongst customers who switch. It is always harder to increase prices than to lower them • Other alternative milk firms may also lower prices to try and maintain their market share • For penetration pricing to work, there should be sufficient production and distribution in place to meet demand which is clearly an issue for *Oatly* who are already struggling to meet current demand for one of its products on sale in the UK	**(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

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:
- 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.

Section C

Question Number	Indicative content	Mark
3	**Knowledge 4, Application 4, Analysis 6, Evaluation 6** • Economic growth is an increase in the capacity of an economy to produce goods and services, compared with one period of time to another • Negative externalities occur when production and/or consumption impose external costs on third parties outside of the market for which no appropriate compensation is paid. This causes social costs to exceed private costs • It can be argued that there is a trade-off as China needs to use more scarce resources in order to make more goods and services • Rapid growth of production and consumption may create environmental pollution such as waste, sound and air pollution and road congestion • There are production externalities from the use of fossil fuels and China uses a great deal of coal in its manufacturing which creates air pollution • Extract F states how the use of coal and the manufacture of steel has contributed to air pollution in many cities in China • When this is restricted, the air quality improves but many small and large firms complain of reduced output • Many people in China use coal to heat their homes and the restrictions resulted in many being without heat • Poor environmental quality in turn affects economic growth and wellbeing by lowering the quantity and quality of resources or due to health impacts • However, economic growth can be beneficial and used to reduce the trade-off as rising growth can help to stimulate new investment, especially into low-carbon technologies which could help to reduce negative externalities caused by production and consumption • There are potential environmental benefits from economic growth – as countries grow richer, they have more resources available to invest in cleaner technologies • As countries such as China develop, energy intensity levels fall • Not all industries and firms pollute the environment and many countries are using policies such as recycling and reusing to help reduce negative externalities • In this context, environmental policies can help to curb the negative externalities from the economy on the environment • The trade-off will depend upon the priorities of China and whether economic growth can be used to tackle negative externalities	**(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

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