

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**Advanced Subsidiary GCE**

**ECONOMICS**  
**THE MARKET SYSTEM**

**2881**

**Revised Specimen Mark Scheme**

## General Instructions

- 1 The paper is to be marked to AS standard
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers, the 'own figure rule' (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Mark Scheme refers to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.
- 5 The quality of written communication will be assessed in the answer to the final part question.

A Levels of Response mark scheme is used for the marking of this part question so the following Quality of Written Communication Levels are related to the appropriate mark ranges and levels of response for the final part as follows:

Quality of Written Communication Level	Embedded Mark	Levels of Response	Mark Range
4	3	L3	5-10
2/3	2	L2	3-4
1	1	L1	1-2

These levels of the quality of written communication are defined as follows:

### Level 4

Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using specialist technical terminology where appropriate. There may be few, if any, errors of spelling, punctuation and grammar.

(3 marks representing the appropriate level of written communication are embedded in this level of response.)

### Levels 2 and 3

Relatively straightforward ideas have been expressed clearly and quite fluently, using an appropriate style of writing. Arguments are generally relevant, though may occasionally stray from the point and are broadly logical and coherent. There will be some errors of spelling, punctuation and grammar, but these will not be intrusive or totally obscure the meaning.

(2 marks representing the appropriate level of written communication are embedded in these levels of response).

## Level 1

Simple ideas have been expressed, generally in a style lacking clarity and fluency. Arguments will have limited coherence and structure, often being of doubtful relevance to the main focus of the question. There are errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may lack legibility.

(1 mark representing the above level of written communication is embedded in this level of response.)

Exceptionally, answers which are assessed as L1, L2 or L3 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of their written communication in any particular and appropriate question, if the standard attained falls outside the embedded criteria for the Quality of Written Communication stated above. This flexibility is available where the Quality of Written Communication is linked to a Levels of Response mark scheme only.

No additional QWC marks can be awarded if the initial mark is zero.

### Theme Parks – an industry riding for a fall

- (a) (i) **Define the term ‘opportunity cost’.** [2]

For a clear definition which refers to idea of both cost and sacrifice/missing out (e.g. the cost of forgoing the next best alternative).

1 mark for a description of the concept (e.g. in terms of alternatives or a simple example written in general terms).

- (ii) **Explain how opportunity cost could be applied to a family deciding on whether to visit a particular theme park such as Chessington’s World of Adventures.** [2]

1 mark for identification of alternatives.

1 mark for development in terms of costs/alternatives forgone.

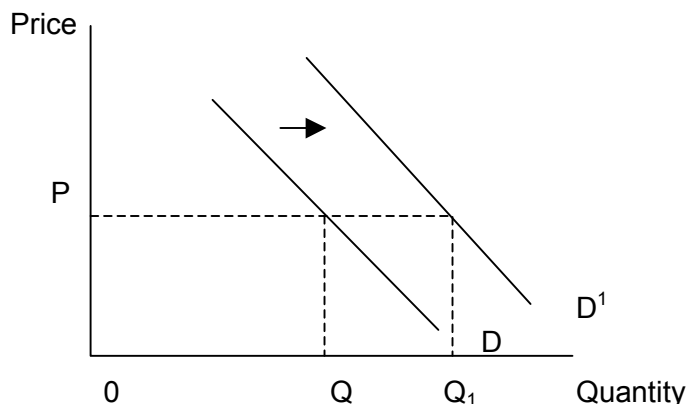
The context can be either:

- the opportunity cost of visiting one particular theme park as against another;
- the cost of visiting a theme park as against another leisure attraction or spending the money on something else.

(b) Use a diagram in each case to explain how the demand for visits to Chessington's World of Adventures might be affected by

(i) a general increase in household income.

[4]

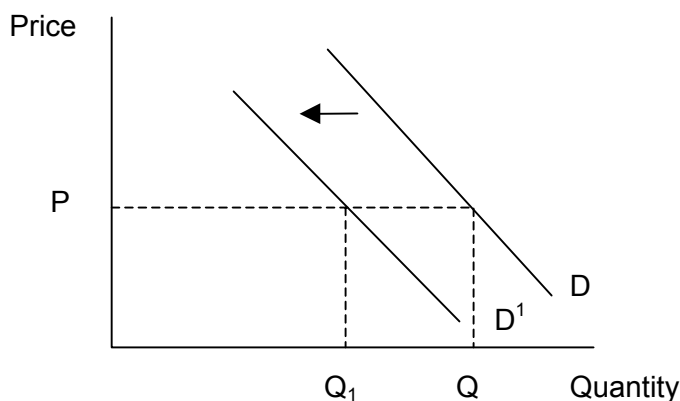


2 marks for correct diagram (labelling and shift of D).

2 marks for explanation indicating that more will be demanded at a given price (1) as shown by shift to right of D (1) demand for visits to Chessington is normally good (1).

(ii) the opening of a new leisure attraction such as London eye.

[4]



2 marks for correct diagram (labelling and shift of D).

2 marks for explanation indicating that less will be demanded at a given price (1) as the London Eye is a substitute (1) as shown by shift to left of D (1).

(c) Chessington's World of Adventures attracts an average of 15 000 visitors per day. Each visitor pays an average ticket price of £15. Research by the company indicates that the estimated price elasticity of demand for visits is (-) 0.4.

(i) What is the price elasticity of demand and what does an estimate of (-) 0.4 mean?

[4]

For correct definition or formula for the calculation of price elasticity of demand – 2 marks.

Award 1 mark for general indication.

The 0.4 estimate means that it is inelastic (1) a 10% increase in price will result in a 4% fall in demand (1) demand is relatively unresponsive to a change in price (1).

- (ii) Explain two factors that might affect the price elasticity of demand for visits to Chessington's World of Adventures. [4]

1 mark for identification, 1 mark for applied explanation of any two appropriate factors such as:

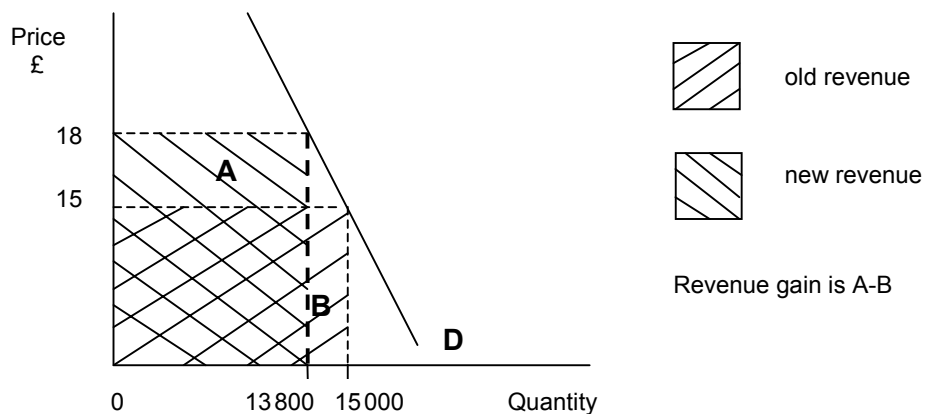
- availability of substitute theme parks
- proportion of income spent on visit to Chessington
- strength to taste/demand to go to Chessington
- novelty/time factor of Chessington

- (iii) The company is considering increasing the average ticket price from £15 to £18 but is concerned about the effect that this increase might have on its revenue. What advice can you provide? [5]

**Numerical Explanation**

- % proposed increase in price = 20% (1)
- Expected decrease in number of visitors = 8% (1)
- Number of visitors after increase = 13 800 (1)
- Difference in revenue = £23 400 (1)
- Therefore go ahead with price increase (1)

**Diagrammatic explanation**



Change in revenue is Area A minus Area B. This is positive, meaning that Chessington should go ahead with price increase.

Up to 2 marks for correctly labelled diagram.  
Up to 3 marks for appropriate deduction.

(d) All theme parks have high fixed costs which might deter new firms from entering the industry. Chessington's Samurai ride, for example, cost £3 m to build.

(i) Explain the difference between the fixed and variable costs of the theme park industry. [4]

Explanation of difference between fixed and variable costs is theoretical terms i.e. linked to output, number of visitors, time period – 2 marks.  
1 mark where link output etc. not given.

Appropriate examples that could apply to theme park industry – 2 marks.

(ii) Excluding the high costs of entry, state and explain two other likely barriers to entry into the theme park industry. [4]

Any other examples of barriers to entry such as:

- patents, licences
- regulations e.g. health and safety
- monopoly power of existing providers
- economies of scale
- brand loyalty, advertising

1 mark for identification plus 1 mark for appropriate application in each case.

(e)\* Chessington's World of Adventures aims to maximise its profits each year; economists have stated that this is not the case with most smaller, family-owned theme parks.

Discuss whether profit maximisation is the only objective for all firms in the theme park industry. [12]

Two approaches are possible. These are:

- a discussion of nature of profit maximisation, how it can be achieved and the obstacles to its achievement in the theme park industry
- a discussion of objectives other than profit maximisation such as satisficing, sales revenue maximisation, market share maximisation, output maximisation, keeping out rivals.

- |    |   |        |
|----|---|--------|
| L3 | For an appropriate discussion applied to the theme park industry. | (6-12) |
| L2 | For an explanation of principles.                                 | (3-5)  |
| L1 | For a brief statement of either approach                          | (1-2)  |

\*Quality of written communication is embedded in the assessment of this answer.

Target	(a)(i)	(a)(ii)	(b)(i)	(b)(ii)	(c)(i)	(c)(ii)	(c)(iii)	(d)(i)	(d)(ii)	(e)*	Total
AO1 13-14	2		1	1	2	4		2	2		14
AO2 13-14		2	3	3				2	2	2	14
AO3 9					2		5			2	9
AO4 9										8	8
<b>Subject Content</b>	5.1.1	5.1.1	5.1.2	5.1.2	5.1.2	5.1.2	5.1.2	5.1.3	5.1.3	5.1.3	

Quality of Written Communication is assessed in Part (e).

