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Mark Scheme (Standardisation)

Summer 2009

GCE

GCE Economics (6351/01)

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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.

1	2	3	4	5	6	7	8
A	**C**	**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** 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** Definition of normative statement as one that is a value judgement (opinion is not enough)**1 mark** reference to statement B as a normative statement and some justification for this assertion ('should') **1 mark**	**(1)** **(4)**

Question Number	Answer	Mark
2	**C** Definition of production possibility frontier the maximum output an economy can produce using available resources fully. **2 marks** Explanation that point Q is unobtainable as it is outside the boundary of the PPF **1 mark**. To achieve this would necessitate shifting the PPF i.e. economic growth **1 mark.**	**(1)** **(4)**

Question Number	Answer	Mark
3	**B** Candidates can refer to absolute and/or comparative advantage in the definition. **(Total of 2 marks available)** Recognition that France has an absolute advantage **(1 mark)** Definition of absolute advantage **(1 mark)** Comparative advantage is when a country can produce a good more efficiently than others **(1 mark**) based on differing opportunity cost ratios**(1 mark**) leading them to specialise **(1 mark)** Maximum of two marks for definition. Calculation of the opportunity cost ratios as 3:1 for both Belgium and France **1 mark** and therefore no trade should take place **1 mark**	**(1)** **(4)**

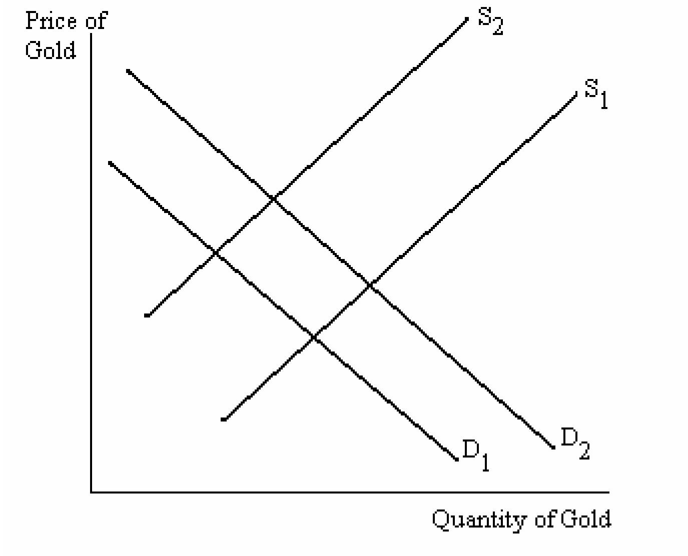
Question Number	Answer	Mark
4	**A** European tour campaign causes a shift in demand to the right **1 mark** from D1 to D2 **1 mark** Increase in the cost of CDs causes the supply curve to shift to the left **1 mark** from S1 to S3 **1 mark**	**(1)** **(4)**

Question Number	Answer	Mark
5	**B** Definition/formula for Price elasticity of demand **2 marks** Explanation that demand is price inelastic because response of demand is less than the price change or the value lies between 0 and -1 **1 mark** and continues to show how this will cause how total revenue will rise. **1 mark** This can be done diagrammatically **2 marks** if there is an explanation in the text.	**(1)** **(4)**

Question Number	Answer	Mark
6	**A** Definition/formula for Income Elasticity of Demand **2 marks** Explanation of a normal good – as incomes rise demand rises. **1 mark** this implies a positive income elasticity of demand **1 mark**	**(1)** **(4)**

Question Number	Answer	Mark
7	**D** Definition/formula for Cross price elasticity of demand **2 marks** Reference to the negative cross price elasticity of demand **1 mark** Explanation of complementary goods **1 mark**	**(1)** **(4)**

Question Number	Answer	Mark
8	**B** Definition of subsidy – A payment made by government with the aim of increasing output **1 mark** by reducing cost of production **1 mark** Diagram to show the impact of the subsidy being abolished clearly showing price rising and output declining **2 marks** **Or** written explanation to the same effect with clear reference to the shift in the supply curve. **2 marks**	**(1)** **(4)**

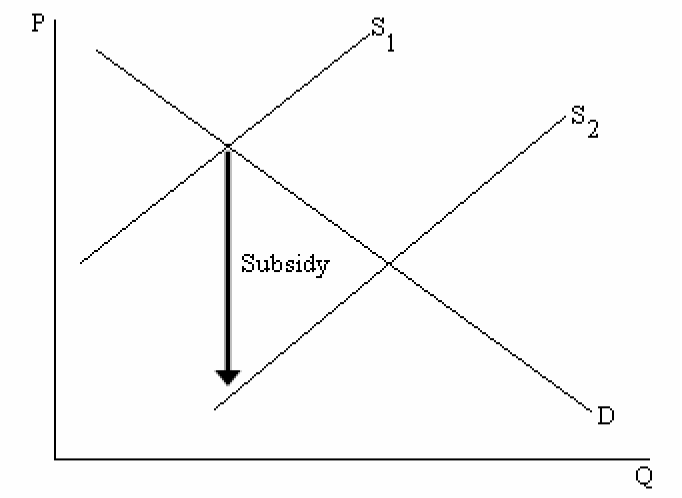
Question Number	Answer	Mark
9(a)	Correct diagram showing shift in demand curve to the right and supply curve to the left and therefore an increase in price of gold. The price and quantity equilibrium points must be shown (**4 marks**)  Written explanation of why demand for Gold has increased – reference to increased demand by central banks **1 mark.** Written explanation why supply has declined – fewer mines producing. **1 mark**	**(6)**

Question Number	Answer	Mark
9(b)	Rising price of gold will cause costs of production of jewellery to increase and/or a rise in price of jewellery **1 mark.** This will cause demand for jewellery to fall **1 mark** **Evaluation**: The effect on demand will depend on price elasticity or the proportion of gold costs in total costs or on the reaction of Signet to the higher costs. Any one point explained **2 marks**	**(4)**

Question Number	Answer	Mark
9(c)	As firms leave the industry supply will fall **1 mark** and therefore the price of jewellery will increase **1 mark** **Evaluation**: The extent of the price increase will depend on the price elasticity of demand or the number of firms	

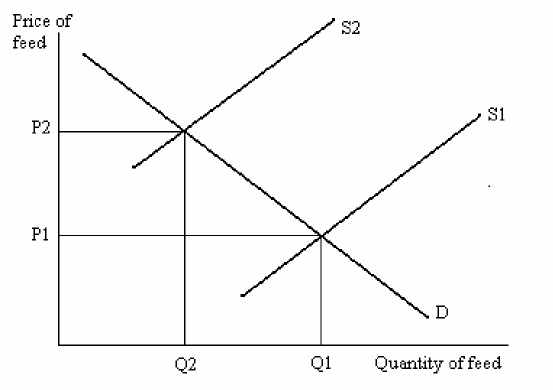
	that leave the industry. Any one point explained **2 marks**	**(4)**

Question Number	Answer	Mark
9(d)	Define cross price elasticity of demand or use of formula **1 mark**. Impact of rising gold prices on substitutes – demand for silver or other substitutes might increase. Impact on complements – demand for diamonds or other complements may fall **Up to 3 marks for explanation of the process** – must consider both types of product **Evaluation**: The extent of the impact on substitutes and complements will depend on the closeness of these to gold i.e. is gold irreplaceable in some processes and therefore has no close substitutes. The impact will also depend on the extent to which prices rise. The impact will also depend on the level of the prices of other goods in the first place **Any one point explained 2 marks**	**(6)**

Question Number	Answer	Mark
10(a)	Correct diagram showing supply curve shifting to the right and identifying the new lower equilibrium price **2 marks** Written explanation referring to lower costs of production **1 mark** and resulting in increased output **1 mark** 	**(4)**

Question Number	Answer	Mark
10(b)	**This response can be answered in one of two ways, or a combination of both:** Candidate could draw a diagram showing • Original producer surplus **(1 mark)** • Correct shift of supply curve **(1 mark)** • New producer surplus **(1 mark)** OR Candidate could give a written explanation which shows clear understanding of the concept of producer surplus and explains how producer surplus changes as a result of a shift in the supply curve. **Evaluation** A general idea that the size of the decline in producer surplus will depend on the elasticity of demand and/or supply curves **1 mark** if this is clearly explained **2 marks**	**(5)**

Question Number	Answer	Mark
10(c)	Definition/Formula for Price elasticity of supply: A measure of the responsiveness of quantity supplied to a change in price. **1 mark C**omment on implications for resources (increase use of resources/resources are constrained) **1 mark** and comment on implication on output **1 mark** This could be shown diagrammatically **Evaluation:** Recognition of differing short run and long run effect **1 mark** and any development of the difference between inelastic and elastic **1 mark**	**(5)**

Question Number	Answer	Mark
10(d)	Two marks for diagram showing • Inward shift of supply curve • Original and new equilibrium points (price and quantity)  Written explanation which refers to rising costs of production **(1 mark)** leading to increase in final price of the product **(1 mark)** **Evaluation**: Are there substitutes to corn in the feed process? How significant is the cost of corn in the overall cost of the product? Is the pressure for the price increase coming from the demand side? Any one point explained 2 marks	**(6)**