



## **Mark Scheme (Results)**

Summer 2018

Pearson Edexcel GCE AS Level  
In Economics B (8EB0)  
Paper 01 Markets, consumers and firms

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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
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge/understanding 2</b></p> <p><b>Knowledge/understanding 2</b> marks for:</p> <ul style="list-style-type: none"> <li>A person who organises factors of production/sets up a business <b>(1)</b> with the aim of adding value in providing a product or service/taking all risks <b>(1)</b>.</li> </ul> <p><b>NB:</b> any other suitable alternative. Do not award marks for examples.</p>	<b>(2)</b>

Question Number		Mark
<b>1(b)</b>	<p style="text-align: center;"><b>Knowledge/understanding 1, Application 3</b></p> <p><b>Knowledge / understanding 1</b> mark for:</p> $\frac{\text{Sales Revenue} - \text{Cost of Sales}}{\text{Sales Revenue}} \times 100 \quad \mathbf{(1)}$ <p><b>Application:</b></p> $\frac{15\,900\,000 - 10\,280\,000}{15\,900\,000} \times 100 = 35.35\% \quad \mathbf{(1)}$ <p>OR</p> $\frac{5\,620\,000}{15\,900\,000} \times 100 = 35.35\% \quad \mathbf{(1)}$ <p><b>NB: if no working is shown award marks as below</b></p> <ul style="list-style-type: none"> <li>If the answer given is 35.35% award 4 marks.</li> <li>If the answer given is 35.3% or 35.34% award 3 marks.</li> <li>If the answer given is 35.35 award 3 marks.</li> <li>If the answer given is 35.3 award 2 marks.</li> </ul>	<b>(4)</b>

Question Number		Mark
<b>1(c)</b>	<p style="text-align: center;"><b>Knowledge/understanding 1, Application 2, Analysis 1</b></p> <p><b>Knowledge/understanding:</b> 1 mark for e.g.</p> <ul style="list-style-type: none"> <li>• the sacrifice of the next best alternative forgone</li> <li>• loss of income from paid employment</li> </ul> <p><b>Application:</b> Up to 2 marks are available for contextualised answers, e.g. Adam using his recently gained degree to seek employment <b>(1)</b>, Elliot had trained to be a solicitor <b>(1)</b>.</p> <p><b>Analysis:</b> 1 mark is available for linked development, e.g. not having secure employment and regular income <b>(1)</b>.</p>	<b>(4)</b>

Question Number		Mark
<b>1(d)</b>	<p data-bbox="357 219 1331 291" style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul data-bbox="357 331 1331 963" style="list-style-type: none"> <li>• Limited liability means they are not risking personal assets.</li> <li>• Elliot and Adam may be more willing to take chances in developing <i>SSL</i>.</li> <li>• <i>SSL</i> is a private limited company with three shareholders.</li> <li>• Elliot and Adam were initially only risking the £6 000 they borrowed from their parents.</li> <li>• Elliot and Adam still own 98.8% of <i>SSL</i>, Chairman, Robert Easton was sold 1.2% of the company.</li> <li>• Limited liability reduces risk for potential shareholders and therefore they will be more willing to invest.</li> <li>• Setting up and running with limited liability means <i>SSL</i> will have a wider access to other types of finance.</li> <li>• However, limited liability may make it more difficult to obtain finance or trade credit because suppliers may not be able to get all their money back if the business fails.</li> <li>• Elliot and Adam have to register <i>SSL</i>'s accounts with Companies House so competitors can have access to its accounts.</li> </ul>	<b>(8)</b>

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:

- 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		Mark
<b>1(e)</b>	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Banks can provide credit for people wanting to set up in business by way of secured or unsecured loans.</li> <li>• A secured loan would be guaranteed by some form of asset.</li> <li>• Other forms of credit available from the bank may include overdrafts or mortgages.</li> <li>• The bank would assess the risk of a loan and charge interest for its duration.</li> <li>• There is no indication Elliot and Adam had assets the loan could have been secured on.</li> <li>• Elliot and Adam were graduates without any experience in running a business.</li> <li>• The bank may have wanted to see more information about the proposal than was available at the time.</li> <li>• Without information to back up the proposal the bank may have considered the loan too risky.</li> <li>• If the business venture failed the bank would lose the money it had invested and not be able to offer that finance to alternative successful ventures.</li> <li>• Other business ventures may have been proposed at the time which the bank may have considered less risky or that would pose a threat to Elliot and Adam's idea.</li> <li>• Although the sports supplement market is set to grow between 2013 and 2018, the bank's decision was made earlier as the business was set up in 2005.</li> <li>• However, it was a wrong decision because the market for protein supplements has grown at an annual growth rate of 9% and is worth £471m.</li> <li>• SSL has grown to be a very successful company with sales revenue of £15.9m in 2015 and a profit for the year of £470 000.</li> <li>• The bank did not have this information in 2005 and so probably made the right decision at the time but in hindsight it was the wrong decision.</li> <li>• The information doesn't give details regarding external factors or the strength of the business plan which may have had a bearing on the decision.</li> <li>• The bank may have reconsidered if Elliot and Adam were able to provide a percentage of the finance themselves but we do not have enough detail with regards to this.</li> </ul>	<b>(12)</b>



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:

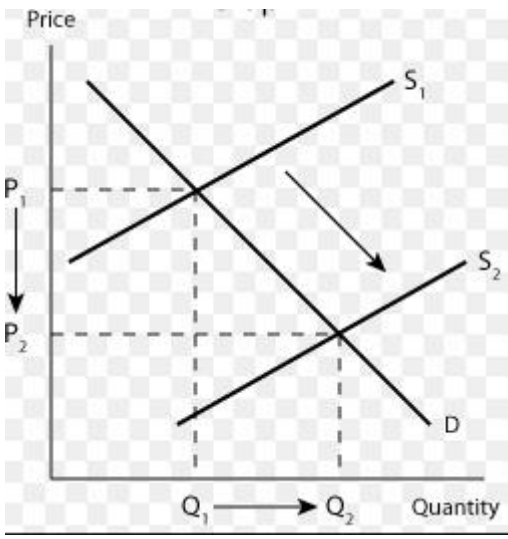
- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

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 B

Question Number		Mark
<b>2(a)</b>	<p style="text-align: center;"><b>Knowledge/understanding 2</b></p> <p><b>Knowledge/understanding 2</b> marks for:</p> <ul style="list-style-type: none"> <li>Rules made by governments or other authorities <b>(1)</b> to affect market activities <b>(1)</b>.</li> </ul> <p><b>NB:</b> any other suitable alternative. Do not award marks for examples.</p>	<b>(2)</b>

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

Question Number		Mark
2(c)	<p style="text-align: center;"><b>Knowledge/understanding 1, Application 3</b></p> <p><b>Knowledge/understanding</b> 1 mark for:</p> <p>Latest number of listings – Original number of listings  ----- x 100  Original number of listings</p> <p><b>Application:</b></p> $= \frac{42\,647 - 31\,000}{31\,000} \times 100 = 37.57\% \quad (1)$ <p style="margin-left: 150px;">(1)</p> <p>OR</p> $\frac{11\,647}{31\,000} \times 100 = 37.57\% \quad (1)$ <p style="margin-left: 150px;">(1)</p> <p><b>NB: if no working is shown award marks as below</b></p> <ul style="list-style-type: none"> <li>• If the answer given is 37.57% award 4 marks.</li> <li>• If the answer given is 37.5% or 37.6% award 3 marks.</li> <li>• If the answer given is 37.57 award 3 marks.</li> <li>• If the answer given is 37.5 or 37.6 award 2 marks.</li> </ul>	<b>(4)</b>

Question Number		Mark
<b>2(d)</b>	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• Price may be lower for standard accommodation but an unusual property may attract a higher price.</li> <li>• Numerous types of unique accommodation are on offer to meet a wide variety of different consumer tastes.</li> <li>• Listings include boats, windmills, castles, lighthouses and even tree houses.</li> <li>• Specialised tastes are met by hosts who share a common interest with their guests, offering use of bicycles, astronomy equipment or a specific range of cooking ingredients.</li> <li>• If a host is offering accommodation in an area with few competitors or with a specialised requirement, they can charge a higher price.</li> <li>• However, other factors may also have an impact on price charged for accommodation.</li> <li>• Such as location, size, seasonality, special events.</li> <li>• All these can command higher prices for otherwise standard accommodation.</li> </ul>	<b>(8)</b>

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 (A02) 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		Mark
<b>2(e)</b>	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• The extracts refer to an increase in demand for <i>Airbnb</i>.</li> <li>• Markets and economies don't stand still; some grow and some shrink so firms do the same.</li> <li>• Growing demand is likely to lead to more jobs and growth in firms.</li> <li>• As <i>Airbnb</i> grows, Amanda Sagar is likely to be able to grow and expand <i>Airhead</i> along with it.</li> <li>• <i>Airhead</i> has already tripled their turnover and increased staffing to eight employees.</li> <li>• Brighton is a seaside town which is likely to continue to attract visitors.</li> <li>• There is currently no known competition to take away market share in Brighton.</li> <li>• Brighton is the second most popular destination, after London, for short term lets.</li> <li>• Relaxed tax laws may increase the popularity of <i>Airbnb</i> further and so provide more opportunity for <i>Airhead</i> to expand.</li> <li>• However, trends may change leaving Brighton a less popular destination to visit than it currently is.</li> <li>• The popularity of <i>Airbnb</i> may attract new business to compete with <i>Airhead</i> in Brighton.</li> <li>• The amount of legislation may increase making it more difficult for <i>Airbnb</i> hosts and have a negative knock-on effect for <i>Airhead</i>.</li> <li>• <i>Airhead</i> may decide to expand in other towns and cities but this may mean competition is higher.</li> <li>• Dependent on the rate at which <i>Airhead</i> grows, the business may be able to afford to challenge competition elsewhere.</li> <li>• It depends on the ambitions of the owner, Amanda Sagar.</li> </ul>	<b>(12)</b>

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 (A02) 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		Mark
3	<p style="text-align: center;"><b>Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</b></p> <ul style="list-style-type: none"><li>• Market research is the process of gathering information in order to understand the customer.</li><li>• Market research can be primary (collected by the business themselves) or secondary (using information already collected for other purposes).</li><li>• Research could have been quantitative or qualitative.</li><li>• <i>Will's Wheelie Wash</i> set a price of £4 per month.</li><li>• <i>Will's Wheelie Wash</i> recycles as much water as possible and uses bio-degradable chemicals.</li><li>• It is an environmentally aware company.</li><li>• The price and use of environmentally aware products may have been decided following market research.</li><li>• Cleaning the bins by following the waste collection vehicle suggests adapting to meet specific requirements of the customer.</li><li>• Offering an environmentally aware service unlike 'some other wheelie bin washers' suggests the research has found an insight into customer preference.</li><li>• However, at only £4.00 per month, <i>Will's Wheelie Wash</i> would need a lot of custom to recoup the costs of the market research.</li><li>• The research may only have focused on a small group which may not be indicative of the general population in the Macclesfield area.</li><li>• Rivals may set up in the Cheshire area and reduce the effectiveness of the research.</li><li>• The business could still have started and been successful without conducting market research.</li><li>• If <i>Will's Wheelie Wash</i> has created a good reputation, customers may continue to use their service even if a competitor sets up locally.</li><li>• Due to the specialised concept, <i>Will's Wheelie Wash</i> may expand quickly enough to compensate for the costs of the market research.</li><li>• It depends on external factors whether the market research will remain effective.</li><li>• Other factors may be equally important to the success, such as advertising, level of service, efficiency.</li></ul>	<b>(20)</b>



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 (A02) 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.

