



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

# Mark scheme

# June 2003

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## GCSE

### Economics

3144

Paper 1F

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## Economics - Paper One, Foundation Tier (3144/1F)

### General Marking Guidance

Whilst every effort is made to give clear guidance, the mark scheme will always require the exercise of judgement in interpreting marginal points, not just occasionally, but continuously throughout the scripts. It should be seen as a set of guidelines, not rigid performance criteria.

One key area of judgement relates to the access to levels. In principle, candidates can ‘come in’ at any level, according to the quality of their response, with Level 1 commonly by-passed. However, problems can arise when, on a higher mark question, the candidate makes, or hints at, one high level point in an otherwise Level 1 (or zero mark) response. Examiners should use their judgement in such cases.

Responses suggested in this scheme are not exhaustive. The mark scheme cannot anticipate all possible responses. **Any valid response should be given full credit**, with reference being made to your team leader where serious doubt arises.

## SECTION A

1

Total for this question: 19 marks

(a) (i) Give an example of public transport.	(1 mark)
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eg bus, train.

(ii) State <b>one</b> reason why the Government might encourage cycling.	(1 mark)
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eg health, reduce pollution, reduce traffic congestion etc.

(b) Social Costs = Private Costs + External Costs.

(i) Give <b>two</b> examples of the private costs of road transport.	(2 marks)
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eg petrol, depreciation, insurance etc. 2 x 1

(ii) Give <b>two</b> examples of the external costs of road transport.	(2 marks)
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eg air pollution, noise pollution, congestion, costs of accidents etc. 2 x 1

(iii) Why are governments keen to reduce the external costs of road transport to society?	(3 marks)
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eg leads to inefficiency; resource misallocation; *but* candidates may relate this to road transport eg acid rain; health issues; waste of public money re accidents; increase taxes etc.

1 mark for a basic statement, 2 marks for development.

(c) Draw and label the diagram below to show how an increase in taxes on fuel could increase the cost of fuel. Explain your diagram in the space provided.	(4 marks)
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**There are two parts to this question.**

Award up to 2 marks for: a shift of the supply curve to the left upwards and correct labelling of the line (1 mark) and the increase in price (1 mark).

For the other 2 marks candidates must explain the diagram. If they have shifted the demand curve in the diagram they can still get 2 marks for a correct explanation of the diagram here.

Give 2 marks for a full explanation.

Give 1 mark for a partial explanation.

(d) Discuss whether or not higher fuel taxes would reduce the number of cars on the road.	(6 marks)
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To get the top level, candidates will either refer to the idea of PED or will talk in terms of the size of the tax increase or the time period or lack of alternative modes etc.

<b>Level 3</b>	Candidates are able to offer a valid justification considering both sides.	<b>5-6 marks</b>
<b>Level 2</b>	Candidates may refer to increased cost and thus people can no longer afford cars, but do not go beyond this – answers at this level lack depth.	<b>3-4 marks</b>
<b>Level 1</b>	Answers are of the ‘yes/no’ variety with some assertions.	<b>1-2 marks</b>

**2****Total for this question: 16 marks**

(a) How many car producers did Europe originally have?	(1 mark)
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(over) 200.

(b) (i) What is meant by <b>economies of scale</b> ?	(2 marks)
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When increases in output lead to decreases in (long-run) average costs.

Give 2 marks for a clear idea.

Give 1 mark for some idea.

(ii) Use an example to explain how large firms are able to reduce costs.	(2 marks)
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eg better production methods; more skilled labour; better R & D; larger scale production etc.

Give 1 mark for a sensible idea, plus 1 mark for some development. 1 x 2.

(c) Using the information on the opposite page, explain why smaller car firms find it difficult to exist in a world market?	(2 marks)
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Candidates are required to use the text, eg lack of resources; unable to keep up with new technology; fewer economies of scale; less efficient, lack of government protection.

Give 1 mark for the basic idea, plus 1 for some development. 1 x 2.

There is a max of 1 mark for an answer which ignores the data.

(d) (i) What is meant by <b>mergers</b> ?	(1 mark)
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Two or more firms joining to form a firm, or similar.

(ii) Apart from a <b>horizontal</b> merger, explain how a business could grow in size.	(2 marks)
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eg vertical integration; taking over firms in other industries (lateral); internal through more investment etc.

Give 1 mark for the idea, plus 1 mark for some development. 1 x 2.

(e) Discuss the likely effects of the introduction of the euro on car buyers and producers.  
(6 marks)

**Buyers:** transparency – can compare prices; removal of transaction costs; easier to buy in one currency; prices may be lower or higher etc.

**Producers:** forced to sell at one price; loss of profits; greater competition; may be able to raise prices etc.

Allow any valid points.

<b>Level 3</b>	Candidates discuss points relevant to both aspects and at the top show awareness that it not entirely clear who wins/loses.	<b>5-6 marks</b>
<b>Level 2</b>	Candidates explain both aspects, or discuss only one, or at the bottom explain only one – comment will lack depth.	<b>3-4 marks</b>
<b>Level 1</b>	Answers consist of a list of points, or starts to explain one aspect.	<b>1-2 marks</b>

3

**Total for this question: 20 marks**

(a) (i) What is meant by **effective demand**? *(1 mark)*

Demand backed by money or purchasing power etc.

(ii) From the information, give **one** example of **effective demand**. *(1 mark)*

The shopper with £200. Any sensible reference to the information is worth the mark.

(iii) “Sales of winter coats were up by 10 per cent due to the cold weather.” Explain **two other** factors that could lead to an increase in sales of winter coats. *(4 marks)*

Candidates are likely to refer to the 5 factors leading to a shift of demand: advertising; change in taste or fashion; change in population; change in income; change in the price of other goods; cut price may also be mentioned.

Give 1 mark for each basic point, plus 1 mark for development. 2 x 2

(b) Suggest **two** reasons why items such as TVs, DVD players, furniture and champagne would be popular buys in the sales. *(4 marks)*

What is being looked for are valid ideas eg offer the largest reductions; luxury items that many can only afford in sales etc.

Give 1 mark for each basic idea, with 1 mark for some development. 2 x 2.

(c) TVs and DVD players are **complementary** goods.  
(i) What is meant by **complementary** goods? *(1 mark)*

Two goods which go together (enough) so that a change in price in one causes the opposite effect in the quantity of the other (1 mark). Award along these lines.

(ii) Explain why a fall in the price of TVs might lead to a rise in the price of DVD players. *(3 marks)*

A fall in the price of TVs will lead to an increase in the quantity demanded leading to buyers increasing demand for DVD players and thus a rise in their price.

<b>Level 2</b>	Candidates offer a clear explanation along these lines.	<b>2-3 marks</b>
<b>Level 1</b>	For an answer which fails to make all the connections.	<b>1 mark</b>

(iii) Apart from cutting the price of TVs, discuss how a shop selling both goods could increase its sales. *(6 marks)*

Candidates may suggest: cut the price of both; promotion techniques; increase the quality of service etc.

<b>Level 3</b>	Candidates are able to discuss two or more methods – allow comparison with cutting price of TVs only.	<b>5-6 marks</b>
<b>Level 2</b>	Candidates explain one or more methods.	<b>3-4 marks</b>
<b>Level 1</b>	Answers consist of a list of points of a confused response with some merit.	<b>1-2 marks</b>

4

**Total for this question: 20 marks**

(a) (i) What is meant by the term <b>Visible Trade</b> ?	<i>(1 mark)</i>
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Trade in goods.

(ii) By how much did the <b>Visible Trade Balance</b> change between 1998 and 2000? Show your workings.	<i>(2 marks)</i>
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£-28.2bn - £-20.5bn (1 mark) = £-7.7bn (1 mark)

Give 2 marks for the correct answer, but only 1 mark if no minus sign. Own figure rule applies.

(b) (i) What is meant by the term <b>Invisible Trade</b> ?	<i>(1 mark)</i>
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Trade in services.

(ii) Give <b>two</b> examples of items included in the Invisible Trade Balance.	<i>(2 marks)</i>
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eg travel and tourism; banking services; government services; transport etc.

Award 1 mark for each appropriate example.

(c) (i) Suggest <b>two</b> reasons why the deficit on the UK's Current Account increased between 1998 and 2000.	<i>(4 marks)</i>
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Candidates may suggest: fall in export value/rise in import value; rising value of the £; UK economy growing faster than other countries; more people taking holidays abroad etc.

Allow any valid point. Give 1 mark for each point + 1 mark for some development. 2 x 2.

(ii) Explain <b>one</b> effect that the increase in the deficit on the Current Account may have on the UK economy.	<i>(2 marks)</i>
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eg fall in employment or economic growth; fall in exchange rate; increase in living standards etc.

Give 1 mark for a basic idea, plus 1 mark for development. 1 + 1.

(d) (i) The North East has always specialised in exporting goods to other regions and countries. Explain <b>one</b> benefit of a region specialising in the exporting of goods.	<i>(2 marks)</i>
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eg economies of scale; skill of workers; reputation etc.

Give 1 mark for a basic idea, plus 1 mark for development.

(ii) Discuss ways in which an increase in the number of exporting companies might be important for the economy of the North East.	<i>(6 marks)</i>
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eg increased employment; multiplier like effects; increased wages; higher living standards; higher growth; increased skills etc.

<b>Level 3</b>	Candidates are able to discuss the importance for the NE.	<b>5-6 marks</b>
<b>Level 2</b>	Candidates explain ways with no depth in the comment.	<b>3-4 marks</b>
<b>Level 1</b>	Candidates describe/list some points.	<b>1-2 marks</b>

**SECTION B****5****Total for this question: 25 marks**

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|--|
| (a) Using <b>Items A, B and C</b> and your own knowledge of economics, discuss how successful the UK's hotel industry has been between 1995 and 2002. <span style="float: right;"><i>(10 marks)</i></span> |
|--|

Prior to 2001 - demand had increased (long term trend?); large building programme; tourism a major UK industry.

2001 - a disaster – foot & mouth; September 11<sup>th</sup>; large losses/cancellations; high value of the £ vis-à-vis the euro. Oligopoly – big 5 – 65.6%, big 12 – 92.8%, but with a very large number of small players.

Candidates should also use own knowledge eg more leisure time, economic growth etc.

<b>Level 3</b>	The candidate makes good use of all 3 items and demonstrates economic knowledge to offer an evaluative discussion.	<b>7-10 marks</b>
<b>Level 2</b>	The candidate is able to use one or more of the items to offer an explanation. At the top it is expected that all items will be referred to and that economic knowledge is demonstrated. Answers which offer unsupported comment will also be at this level.	<b>4-6 marks</b>
<b>Level 1</b>	Answers which consist of either points from the items with no explanation or own knowledge with no use of the items.	<b>1-3 marks</b>

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|---|
| (b) Explain how UK hotels could try to increase demand for hotel rooms. Discuss which way would be the best. <span style="float: right;"><i>(15 marks)</i></span> |
|---|

Candidates may mention: cut in price – and, hopefully, will argue that this depends on the price elasticity of demand for rooms eg tourism elastic, business inelastic. They may argue, also, that people are more interested in quality service etc and/or that better promotion both overseas and at home is important etc.

<b>Level 3</b>	Candidates explain two or more ways of increasing demand and come to a supportive conclusion – answers which concentrate on only one aspect will be at the bottom of the level.	<b>11-15 marks</b>
<b>Level 2</b>	Candidates are able to explain one or more points, but fail to offer supported assessment.	<b>6-10 marks</b>
<b>Level 1</b>	Answers at this level consist of some relevant points, but these are either a list or descriptive.	<b>1-5 marks</b>



6

**Total for this question: 25 marks**

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|--|
| (a) Using <b>Items A, B and C</b> and your own knowledge of economics, discuss how government policies and schemes could affect employment. <span style="float: right;"><i>(10 marks)</i></span> |
|--|

The Items refer to: government commitment to healthcare and low interest rates – increased employment in health, building and retailing (Item A); failure of making claimants learn about job vacancies (Item B); and the importance of training (Item C).

Candidates should also use own knowledge eg increased National Insurance, privatisation of services etc.

<b>Level 3</b>	The candidate makes good use of all 3 items and government policies and demonstrates economic knowledge to offer an evaluative discussion – they may come to any valid supportive conclusion.	<b>7-10 marks</b>
<b>Level 2</b>	The candidate is able to use one or more of the items to offer an explanation. At the top it is expected that all items will be referred to and that economic knowledge is demonstrated. Answers which offer unsupported comment will also be at this level.	<b>4-6 marks</b>
<b>Level 1</b>	Answers which consist of either points from the items with no explanation or own knowledge with no use of the items.	<b>1-3 marks</b>

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| (b) Explain how training schemes could reduce the level of unemployment. Discuss whether or not training schemes are the best way to reduce unemployment. <span style="float: right;"><i>(15 marks)</i></span> |
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**NB** – this question is about unemployment. Candidates are likely to refer to Item C.

**Points** – increase skills and thus employability; retraining of unemployed; increase profits and thus investment and employment etc.

In the discussion they should refer to other policies, eg more money on education; labour market reforms; government subsidies to industry etc.

<b>Level 3</b>	Candidates are able to explain the effect of training on unemployment and to reach a supportive conclusion. Answers which offer only training will be at the bottom of the level.	<b>11-15 marks</b>
<b>Level 2</b>	Candidates are able to explain the effects of training, but either fail to discuss the issues or offer unsupported conclusions.	<b>6 - 10 marks</b>
<b>Level 1</b>	Answers at this level consist of some relevant points, but fail to explain the issues.	<b>1-5 marks</b>