



General Certificate of Secondary Education

Economics 3144

Paper 2 Higher Tier

Mark Scheme

2007 examination - June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

Copyright © 2007 AQA and its licensors. All rights reserved.

COPYRIGHT

AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

Economics - Paper Two, Higher Tier (3144/2H)

General Marking Guidance

While the task is structured in six parts, answers are to be marked holistically according to the following criteria/levels.

Start at the highest level for each criteria, and look at the candidate's response to see if you can identify evidence of achievement of that level. If you cannot find evidence of that level, move down to the next level. It is not necessary to obtain the lower levels below that which is actually rewarded. For many levels it is only necessary for candidates to show the applicable evidence once to be awarded in that level. There are some levels, however, where candidates need to show evidence more than once. This particularly applies where the term 'consistently uses' is in the level descriptor.

Layout/style/structure not to be rewarded.

Guidance will be provided to examiners at the standardisation meeting on how to differentiate between the range of marks at each level.

Quantity may be misleading.

Please note the mark scheme will be supplemented by extracts from candidates' answers selected during the standardisation process. These should be used to assist in determining the levels reached by the candidate being assessed.

Details of general instructions for markers will be found in the AQA *booklet Instructions for examiners marking scripts*, which follows the Mandatory Code of Practice. Further supplementary detailed instructions will be given by the Principal Examiner at the standardisation meeting.

Tesco, the UK's most successful retailer, is continuing to expand in order to increase its profits. One of its policies is to take over small independent garages and to change them into Tesco Express stores.

A Tesco Express is a small convenience store located near to where people are shopping, working or living.

Tesco wants to set up a Tesco Express in the area near Luncaster and has identified two possible garage sites.

Your task

As an economist working for Tesco, you have collected the information given in the Information Leaflet.

You have to identify and explain the reasons for Tesco's success, and to decide which of the two garages Tesco should take over to form a new Tesco Express.

In your report, you should:

- a. state the evidence for the success of Tesco;
- b. explain the reasons for the success of Tesco;
- c. state and explain the problems which the owners of garages A and B would face if they wanted to increase their local sales revenue;
- d. outline the reasons why Tesco might want to take over one of these garages;
- e. discuss whether the government should be concerned about Tesco taking over a large number of convenience stores and garages;
- f. recommend which of the two local garages Tesco should take over to create a Tesco Express and explain the reasons for your choice.

Your report will be assessed on your ability to:

use economic knowledge, show understanding and use information; *(20 marks)*

apply economic concepts and theories and use appropriate economic terminology and methods; *(20 marks)*

select, organise and interpret information; *(20 marks)*

evaluate evidence, make reasoned judgements and draw appropriate conclusions; *(20 marks)*

present information in a clear, legible and logical way; spell, punctuate and use the rules of grammar accurately; and enable the meaning of the text to be understood. *(4 marks)*

(Total: 84 marks)

Essay Marking Grid

Knowledge and Understanding and Use of Information		
Level 4	Substantial evidence of using economic knowledge and gathering of appropriate information to study the problem presented. Has assembled relevant evidence and shown very good understanding.	15-20 marks
Level 3	Has used economic knowledge in relation to the context of the problem. Has copied some material but has summarised and adopted other information. Demonstrates good understanding of evidence.	9-14 marks
Level 2	Some attempt to use economic knowledge gained in the course, but limited in its relevance. Most of the work is copied from source material and understanding is limited.	1-8 marks
Level 1	No relevant information presented.	0 marks

Application		
Level 4	Clear evidence of applying at least three economic concepts and theories appropriately to the problem. Precise use of economic terminology and methodology in addressing the problem.	15-20 marks
Level 3	Good attempt to apply economic concepts and/or terms to the problem. Demonstrates ability to apply at least two economic theories to the problem. Use of appropriate economic terminology and methodology with some success.	9-14 marks
Level 2	Some attempt made to apply at least one economic concept and/or theory and/or term to the problem, but a tendency to make unsupported generalisations.	1-8 marks
Level 1	No attempt made to apply economic knowledge to the problem.	0 marks

Select/Organise/Analyse and Interpret		
Level 4	Information/data has been selected in an effective way. The information selected has been well organised; at least three sources have been analysed. Evidence of interpretation of information/data, applicable to the problem has been clearly demonstrated.	15-20 marks
Level 3	Information/data has been selected and organised in an effective way. The information selected has been organised; at least two sources have been analysed. Begins to interpret information/data in relation to the problem.	9-14 marks
Level 2	Some evidence that data/information has been selected and organised. There is evidence of selection and organisation from at least one source. There has been some relevant analysis of the information used, but little or no interpretation has been carried out.	1-8 marks
Level 1	No attempt made to select, organise, analyse or interpret data.	0 marks

Evaluation/Judgement		
Level 4	Examines the problem and draws conclusions which are supported with evidence. Judgements and recommendations have been made, using economic knowledge from the course. There is good evaluation of evidence with some reasoned judgements.	15-20 marks
Level 3	Begins to examine critically and draw conclusions supported by some evidence with judgements and recommendations based on economic knowledge from the course. There is some relevant evaluation of evidence.	9-14 marks
Level 2	A limited attempt to draw conclusions and make reasoned judgements in an elementary way. There is some attempt to evaluate the evidence.	1-8 marks
Level 1	No attempt made to draw conclusions.	0 marks

Quality of Written Communication		
Level 4	Information is clearly and logically presented using an appropriate form. The text is legible. Candidates spell, punctuate and use the rules of grammar accurately, enabling the meaning to be clearly understood.	4 marks
Level 3	Information is presented in an appropriate form. The text is legible. Candidates generally spell, punctuate and use the rules of grammar accurately, although there may be some errors. The meaning is clear.	2-3 marks
Level 2	Some of the information presented is in an appropriate form. Generally the text is legible. Although there are errors in spelling, punctuation and grammar, candidates' meaning can be understood.	1 mark
Level 1	Candidates have failed to reach the standard required for the award of a mark.	0 marks

Examples of expected responses:**1. State the evidence for the success of Tesco:**

- Tesco makes £2billion profit;
- leading retailer breaks profit record;
- some use of the information about Tesco's profit from the bar graph.

All the above from **Data A**.

- Tesco's market share rises above 30%;
- Tesco has largest market share (+ use of figures);
- Tesco accounts for more than £1 out of every £8 spent in British shops.

All the above from **Data B**.

2. Explain the reasons for the success of Tesco:

- use of Tesco Club card;
- knowledge of its customers and of people who shop at rival stores – market research;
- sells a wide variety of goods, not just food, even financial services – diversification;
- economies of scale.

The above uses **Data C**.

- beating the competition – competitors not doing well – **Data D**;
- **Data B** and **H** – suggest monopoly power;
- buoyant consumer confidence – **Data C**;
- problems at rival retailers – **Data C**.

3. State and explain the problems which the owners of garages A and B would face if they wanted to increase their total sales revenue:Garage A

- in a rural area – lack of demand;
- sells narrow range of goods;
- not often used by customers – lack of demand;
- customers don't spend much on each visit – low profit;
- not many people live there – population;
- price elasticity.

Garage B

- many shops close by – competition, but which type of shops and what do they sell?
- largest local factory to close – unemployment in the area and how that might affect the garages sales;
- will miss out when bypass opens - location.

Expect candidates to use **Data E, F** and **G**.

4 Outline the reasons why Tesco might want to take over one of the garages:

- to further increase their profits and market share (**Data B** and **A**);
- no Tesco superstore or Tesco Express in this part of the country – expansion – **Data E**;
- map shows this as well – **Data F**.

5 Discuss whether the government should be concerned about Tesco taking over large numbers of convenience stores and garages:

Arguments for Government concern -

- Tesco has over 25% of market share and therefore at least potential monopoly power which it could use to exploit its customers by putting the price up/restrict output/restrict choice etc;
- Tesco by its tactics is squeezing farmers profits;
- the government says that Tesco does not squeeze farmers profits;
- Tesco using unfair tactics with its competitors;
- Tesco buying up too many sites.

Arguments for Government not being concerned -

- Tesco is not too powerful;
- so far consumers have benefited from Tesco's growth which has led to price wars and lower prices;
- customers have wide variety of goods and services.

Expect candidates to use **Data H**.

6 Recommend which of these two local garages Tesco should take over to create a Tesco Express and explain the reasons for your choice:

Reasons for Tesco taking over Garage B

- good location – on a busy road and in the centre of a large town;
- sells a wider range of goods than Garage A;
- has more customers and a higher turnover than Garage A;
- customers spend more on each visit than when going to Garage A and spend more on food than petrol in Garage B which is Tesco's main target;
- more people would use it if Tesco took over this garage than with Garage A.

Reasons for Tesco not taking over Garage B

- many shops close by – competition;
- fear of rising unemployment;
- impact on the garage of the new road.

Reasons for Tesco taking over Garage A

- opening of new proposed Luncaster Bypass linking M37 to Blueditch which has a large population (50 000);
- there would be no competition for it in the village of tipping;
- candidates might consider short and long run.

Reasons for Tesco not taking over Garage A

- Tipping is only a small village (3 000) therefore lack of customers;
- garage only has at present a low total sales revenue;
- garage sells mainly petrol.

Candidates should weigh up these options and produce a recommendation with an appropriate justified conclusion.

Other options

- would taking over Garage A be better with appropriate reasons;
- maybe Tesco shouldn't takeover either, if it's not worth it. Turnover too low – customers not enough, but this might change in the future;
- can take over both Garage A and B.