

Mark Scheme (Results)

Summer 2010

GCSE

GCE O Level ECONOMICS(7120) Paper 01

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Question Number	Answer	Mark
1(a)	<p>Definition: goods which are used to produce other goods (1 mark). Example: accept general terms - machinery and specific items e.g. baker's oven (1 mark).</p> <p>Man made resources e.g. machines, factories, offices for 2 marks.</p> <p>Shares, savings schemes and money capital are not acceptable</p> <p>No mark for "reward to capital is interest".</p>	(2)

Question Number	Answer	Mark
1(b)	Accept one of labour, land, entrepreneur/enterprise	(1)

Question Number	Answer	Mark
2	Characteristic identified, 1 mark. Explanation up to 2 marks. E.g. durability. If money is not durable then it cannot be used for saving or store of value.	(3)

Question Number	Answer	Mark
3(a)(i)	<p>Demand will fall (1 mark) by less than 10% (1 mark) or "by a less than proportionate amount". (1 mark)</p> <p>Reference to "small amount" is not good enough.</p>	(2)

Question Number	Answer	Mark
3(a)(ii)	Inelastic	(1)

Question Number	Answer	Mark
3(a)(iii)	<p>Factor identified, 1 mark e.g. Factor identified, 1 mark e.g. Addiction (1 mark) - because people crave/need depend on (1 mark) cigarettes demand will only fall by a small amount as price rises (1 mark).</p>	(3)

Question Number	Answer	Mark
3(b)(i)	<p>Demand rises (1 mark) by less than 10% (1 mark) or "by a less than proportionate amount". (1 mark)</p> <p>Reference to "small amount" is not good enough.</p>	(2)

Question Number	Answer	Mark
3(b)(ii)	A normal good	

Question Number	Answer	Mark
4(a)	(i) Costs on vertical axis (1 mark), (ii) Quantity on horizontal axis (1 mark), (iii) LRAC (1 mark)	

Question Number	Answer	Mark
4(b)(i)	Internal economy of scale identified, 1 mark. Explanation, 1 mark. Accept general internal economies e.g. marketing/financial/technical/managerial/diversifying and specific e.g. bulk buying. e.g. bulk buying, 1 mark. As firms buy in large amounts (bulk) the unit cost falls.	

Question Number	Answer	Mark
4(b)(ii)	Internal diseconomy of scale identified, e.g. management /communication problems, division of labour problems. 1 mark. Explanation, 1 mark. Accept general internal diseconomies e.g. the increased size of the firm can lead to bureaucracy (1 mark) which will mean decision may take time and money can be lost (1 mark).	(2)

Question Number	Answer	Mark
5(a)	Negative economic growth, 1 mark. Data e.g. -0.2% 1 mark. Do not accept "rising unemployment". Do not accept "falling economic growth".	(2)

Question Number	Answer	Mark
5(b)	Unemployment has risen, 1 mark. Data e.g. 5.3 % to 6% 1 mark. Accept approximations - 5.1% to 5.4%. Accept amount of change e.g.0.7% (approximations 0.6% to 0.9%)	(2)

Question Number	Answer	Mark
5(c)	(i) Structural: decline in demand (1 mark) which affects whole industry (1 mark) e.g. workers in cars industry. (1 mark) Accept mismatch of skills/technological unemployment. No marks for decline of a sector e.g. primary, secondary, tertiary. (ii) Seasonal: affects workers who are in demand for only part of the year (2 marks), accept	

	general "agricultural workers" as well as specific e.g. grape pickers (1 mark)	(3)
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Question Number	Answer	Mark
6(a)	\$25,000 - 2,500 (1 mark) = \$22,500 (1 mark) Other acceptable answer = \$25000/110*100(1 mark) or 25000/1.1 (1 mark) = \$22727 (1 mark)	(2)

Question Number	Answer	Mark
6(b)	\$20,000 - \$2000(1 mark) = \$18,000 (1 mark)	(2)

Question Number	Answer	Mark
6(c)(i)	Progressive 1 mark	(1)

Question Number	Answer	Mark
6(c)(ii)	Written explanation max 2 marks. % rate increases as income increases (2 marks) Reference to figures maximum 2 marks. Reference to table or figures (not in table) showing progressive income tax e.g. tax at \$20,000 = 10%, tax at \$25,000 = 20% (2 marks) Do not accept as incomes increase tax increases.	(3)

SECTION B

Question Number	Answer	Mark
7(a)(i)	Equation, 2 marks $\frac{\text{Number in the dependent population}}{\text{Working population}} \times 100$ Accept equation with or without "x 100" for 2 marks Also accept the number of non working population that the working population has to support.	(2)

Question Number	Answer	Mark
7(a)(ii)	Average age of the population is increasing 2 marks. More old people, 1 mark.	(2)

Question Number	Answer	Mark
7(b)	Each cause identified, 1 mark. Explanation 1 mark. Causes: Death rate falling/birth rate falling/emigration of workers rising, Explanation: better medical facilities/better birth control/higher wages abroad. 2 + 2 marks	(4)

Question Number	Answer	Mark
7(c)(i)	Each consequence, 1 mark, maximum 3. Development up to 2 marks. e.g. government expenditure will increase (1 mark) due to increase in health needs (1 mark) and pension needs of the old people (1 mark). Government revenue will decrease as old people don't work and pay income tax. As their disposable is low they won't buy as much so won't pay as much in indirect taxes. Accept opportunity cost argument as a consequence Maximum for list 3 marks	(6)

Question Number	Answer	Mark
7(c)(ii)	Each consequence, 1 mark, maximum 3. Development up to 2 marks. e.g. Firms will face changing demand (1 mark) e.g. old people may demand fewer laptops as they need larger monitors! Firms may face falling demand (1 mark) for products like toys (1 mark) The workforce may be smaller so wages might increase so a firm's costs will increase. Maximum for list 3 marks	(6)

Question Number	Answer	Mark
8(a)(i)	Worker employed in one of the extractive industries (1 mark), example, 1 mark. E.g. farmer, miner, fishermen, lumberjacks.	(2)

Question Number	Answer	Mark
8(a)(ii)	Worker employed in manufacturing (1 mark) Example 1 mark. E.g. in a car factory, carpenter.	(2)

Question Number	Answer	Mark
8(b)	Each factor identified, 1 mark e.g. price of land for factory, proximity to market, proximity to raw materials, transport links, government. If candidate gives transport costs twice i.e. for transport of finished goods and raw materials = 3 marks. Development up to 2 marks. 2x 2 marks	(4)

Question Number	Answer	Mark
8(c)(i)	Localisation: firms/industry producing the same good/service in same area, 1 mark. Example 1 mark e.g. Garment industry in Dhaka.	(2)

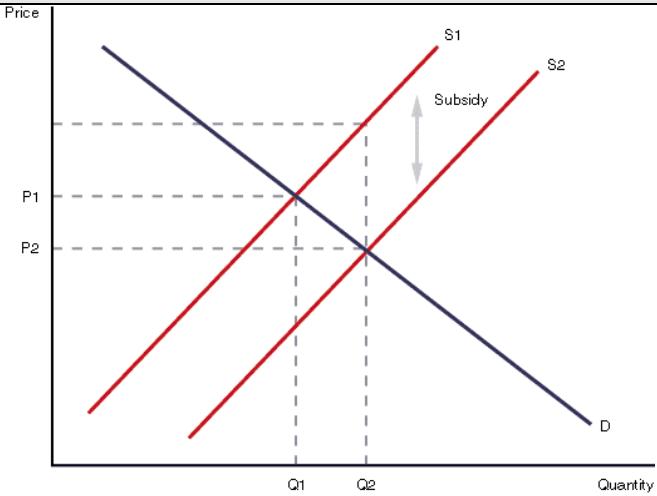
Question Number	Answer	Mark
8(c)(ii)	Each problem identified, 1 mark e.g. pollution, congestion, threat of mass/structural unemployment in area. Development 1 mark. E.g. waste materials from chemical industry can pollute rivers. 2 + 2 marks	(4)

Question Number	Answer	Mark
8(c)(iii)	Each government policy identified, 1 mark up to 3 policies. Development up to 2 marks per policy. Expect 3 x 2 marks or 2 x 3 marks. Policies can be general e.g. prevent more firms locating in area or specific e.g. fines for polluting/tax polluters/congestion charges. e.g. Governments can ask firms to apply for licences before they can locate new factories (1 mark). If the area is suffering from congestion then the firm could be refused permission (1 mark). Firms in the area may have their pollution monitored (1 mark) and may be fined if they pollute rivers (1 mark). If the industry suffers a fall in demand and unemployment then the government may set up advice centres for the unemployed (1 mark) and retraining centres (1 mark) so that they can find work in another industry (1 mark). If the policies explained in (c)(iii) don't relate to problems identified in cii but do relate to other problems associated with localisation then maximum marks that can be awarded = 4 marks	(6)

Question	Answer	Mark
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Number		
9(a)(i)	<p>The interaction (1 mark) of demand and supply (1 mark). Must have both D and S for 1 mark and some comment about "interaction".</p> <p>Market forces (1 mark) of demand and supply (1 mark)</p> <p>Price mechanism (1 mark) of demand and supply (1 mark)</p> <p>"Prices are determined when demand and supply (1 mark) are equal/in equilibrium (1 mark)"</p> <p>Determined by demand and supply = 1 mark only</p> <p>Credit relevant D and S diagram = 1 mark</p>	(2)

Question Number	Answer	Mark
9(a)(ii)	<p>Mixed economy: comprises of both a public sector and private sector (2 marks)</p> <p>Also accept mix of planned and free market economies.(2 marks)</p>	(2)

Question Number	Answer	Mark
9(b)(i)	 <p>Up to 5 marks for diagram</p> <p>1 mark for price, quantity, axes, original demand and supply</p> <p>1 mark for original equilibrium price and quantity</p> <p>1 mark for shift to right of supply curve</p> <p>1 mark for new equilibrium price and quantity.</p> <p>1 mark for showing amount of subsidy or "incidence"</p> <p>1 mark for stating that a subsidy is given to producer by the government to reduce costs.</p> <p>Can also give explanation with no diagram but maximum of 4 marks.</p> <p>There may be several ways in which candidate can</p>	(6)

	achieve maximum marks. 4+2, 3+3	
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Question Number	Answer	Mark
9(b)(ii)	Each reason 1 mark. E.g. to increase food production, to protect employment, strategic reason.	(2)

Question Number	Answer	Mark
9(b)(iii)	<p>Must have advantages and disadvantages for maximum marks. One sided answers maximum 6 marks. Maximum for list = 4 marks Each advantage identified, 1 mark up to 3 marks. Development per advantage up to 3 marks. e.g. Food production can be increased. This can lead to fewer imports (1mark) so that the balance of payments becomes more favourable (1 mark). This is also an advantage because it means the country is less dependent on other countries (1 mark)</p> <p>Each disadvantage identified, 1 mark up to 3 marks. Development per disadvantage up to 3 marks. e.g. Subsidies cost money (1 mark) which could have been spent on other government goods and services (1 mark) e.g. education (1 mark). They might be seen as a barrier to international trade (1 mark) as it makes their food exports cheaper (1 mark)so other countries might retaliate (1 mark)</p>	(8)

Question Number	Answer	Mark
10(a)	<p>Visible imports are greater than Visible Exports 1 mark for "visible" or "goods" 1 mark for exports/ imports. 1 mark for imports <i>greater than</i> exports</p>	(3)

Question Number	Answer	Mark
10(b)(i)	<p>Increasing exports: Each method, 1 mark. Development, 1 mark. e.g. government agencies to help exporters (1 mark), give advice on transport, insurance, currencies (1 mark) Also accept subsidies and taxes explained for 4 marks. Also accept depreciation of currency.</p>	(4)

Question Number	Answer	Mark
10(b)(ii)	Reducing imports: Each method, 1 mark. Development, 1 mark. e.g. tariffs (1 mark) put up price of imports (1 mark) quotas (1 mark) limit the amount allowed into country (1 mark)	(4)

Question Number	Answer	Mark
10(c)(i)	Trading bloc: group of countries (1 mark) which trade with no barriers to trade between members (1 mark). Example, 1 mark.	(3)

Question Number	Answer	Mark
10(c)(ii)	Each benefit identified, 1 mark, development up to 2 marks. E.g. no trade barriers increases exports (1 mark) as the trading bloc provides a large market (1 mark). Also accept..... <ul style="list-style-type: none"> • Firms can grow larger (1 mark) and experience economies of scale (1 mark). • More specialisation can also lead to economies of scale. • Increased competition leads to increased efficiency • Increased trade • Effects on growth and employment 	(6)

Question Number	Answer	Mark
11(a)(i)	Definition: Control of the money supply in an economy (1 mark) Example, 1 mark e.g. rate of interest	(2)

Question Number	Answer	Mark
11(a)(ii)	Definition: Control of the economy through government expenditure (taxation) and/or government income (1 mark). Example 1 mark e.g change taxation levels	(2)

Question Number	Answer	Mark
11(a)(iii)	Definition: policies to encourage the free working of	

	<p>the markets (1 mark) such as the labour market e.g. training of workers (1 mark). Other definitions include</p> <ul style="list-style-type: none"> • increasing productive capacity of the economy • making markets more flexible <p>Accept examples which refer to privatisation, deregulation, reducing power of trade unions. Accept example of reduction in income tax if linked with increasing production/productivity.</p>	(2)
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Question Number	Answer	Mark
11(b)(i)	<p>Must have two policies for full marks. If only one policy then max 4 marks.</p> <p>Accept two of the following</p> <p>(i) Money supply: e.g. decrease in rate of interest (1 mark). A decrease will increase demand (1 mark), increased production so employment will rise (1 mark). Borrowing becomes cheaper(1 mark) so firms and consumers will borrow more.</p> <p>(ii) Fiscal policy: e.g. Government expenditure should rise (1 mark) e.g. build more roads (1 mark) leads to more income production and employment. Lower income tax leads to higher expenditure, production and employment (1 mark)</p> <p>(iii) Supply side policy: e.g. improve education and training for workers (1 mark) so that they can become more mobile (1 mark) and learn new skills for new jobs (1 mark)</p>	(7)

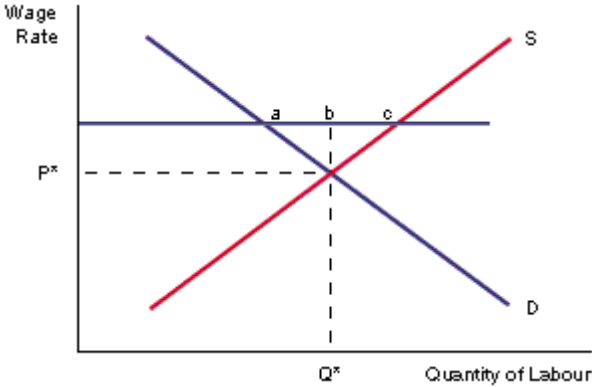
Question Number	Answer	Mark
11(b)(ii)	<p>Must have two policies for full marks. If only one policy then max 4 marks.</p> <p>Accept two of the following</p> <p>(i) Money supply: e.g. decrease in rate of interest (1 mark). Firms will invest more as borrowing cheaper (1 mark). This will improve production (1 mark). New techniques/machinery will be introduced. (1 mark)</p> <p>(ii) Fiscal policy: e.g. Government expenditure should rise (1 mark). Spending on infrastructure (1 mark), giving help to firms (1 mark) will increase economic growth.</p>	

	Tax relief/holidays can be given to firms to encourage them to invest. (1 mark) (iii) Supply side policy: Improve education and health (1 mark) to increase productivity of workers (1 mark). Privatisation can make these former state run firms more efficient (1 mark)	(7)
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Question Number	Answer	Mark
12(a)	"Population no longer in full time education and below retirement age". Don't accept "willing and able to work". A candidate who gives correct response but who then refers to the unemployed as NOT being part of working population = 1 mark!	(2)

Question Number	Answer	Mark
12(b)(i)	Reason identified, 1 mark. Development, 1 mark. E.g. to overcome excess demand for workers, reduce pressure on wages. Increase output/economic growth.	(2)

Question Number	Answer	Mark
12(b)(ii)	Accept ways of decreasing the number in fulltime education, decreasing the number above retirement age, increasing immigration of workers, decreasing emigration of workers . Also accept increase birth rate, decreasing the death rate. Development, 1 mark. E.g. increase immigration of workers (1 mark) by offering a high minimum wage (1 mark)	(4)

Question Number	Answer	Mark
12(c)(i)	Diagram only up to 4 marks  <p>1 mark for Axes and original D and S curves. 1 mark for original wage rate and number employed</p>	

	<p>1 mark for minimum wage rate 1 mark for indicating unemployment</p> <p>Explanation: government imposes a minimum wage rate (1 mark) and this leads to a fall in demand for workers. (1 mark)</p> <p>Explanation only 4 marks - no diagram E.g. Government imposes a minimum wage rate above the equilibrium (1 mark). More workers will be willing to work at the higher wage rate (1 mark) but demand by firms will fall leading to unemployment (1 mark)</p>	(6)
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Question Number	Answer	Mark
12(c)(ii)	<p>Each effect identified, 1 mark, maximum 3 marks. e.g. increase in unemployment, increase in standard of living, may reduce voluntary unemployment, increase inflation, may be an incentive for greater use of capital. Award marks for effect depends on the size of MWR.</p> <p>Development up to 2 marks. No credit for drawing MWR diagram. e.g. MWR may increase inflation as firms experience an increase in costs (1 mark). They may pass this on to consumers in the form of higher prices (1 mark). At the same time as workers have more spending power this will increase demand which may also fuel inflation (1 mark).</p>	(6)

Question Number	Answer	Mark
13(a)	<p>Each advantage, up to 2, identified, 1 mark. E.g. increased government revenue, balance of payments effect, reducing pollution. Development up to 2 marks. E.g. if taxes on petrol are increased there will be less pollution (1 mark) as people will use their cars less (1 mark). The decrease may not be very much as transport by car is a necessity for many (1 mark)</p> <p>Each disadvantage identified, 1 mark e.g. , increase cost of transport for consumers and firms, regressive tax. Development up to 2 marks. E.g. if taxes on petrol are increased then transport costs increase (1 mark) and this may lead to an increase in the price of everything which has to transported to the consumers</p>	

	(1 mark) leading to inflation (1 mark). Must have both advantages and disadvantages for maximum marks. If one sided maximum mark = 4 Maximum for list = 3 marks	(7)
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Question Number	Answer	Mark
13(b)	<p>Each advantage identified, up to 2, 1 mark. E.g. provides employment, transfer of skills and technology, increases choice. Development up to 2 marks. E.g. multinational can provide jobs and decrease unemployment in the country. If they train the workers this will increase their skill and productivity.</p> <p>Each disadvantage identified, 1 mark e.g profits transferred to home country, increased competition for domestic firms.</p> <p>Development up to 2 marks. E.g. if the firm transfers profits back to their home country then this will be an invisible import and adversely affect the balance of payments. If one sided maximum mark = 4 Max for list = 3</p>	(7)

Question Number	Answer	Mark
13(c)	<p>Each advantage identified, 1 mark. E.g. improves balance of payments, increases employment. Development up to 2 marks. E.g. if the tourist industry grows then exports will increase (1 mark) as foreigners enter the country and buy goods and services (1 mark). This helps the country's balance of payments (1 mark)</p> <p>Each disadvantage identified, 1 mark e.g. pollution, congestion, spoil environment. Development up to 2 marks. E.g. more tourists will mean more hotels and transport facilities and this may ruin the environment (1 mark). In Maldives the coral reefs are being destroyed by tourists (1 mark)</p> <p>Must have both advantages and disadvantages for maximum marks. If one sided maximum mark = 4 Maximum for list 3 marks</p>	(6)

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