GCSE
ECONOMICS
8136/1

Paper 1 How markets work

Mark scheme

June 2019

Version: 1.0 Final

196a81361/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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 from aqa.org.uk

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, i.e. if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

KEY LIST

All AO1
1 mark for each correct answer

1	C	**6**	A
2	D	**7**	B
3	B	**8**	A
4	D	**9**	C
5	B	**10**	B

Qu	Part	Marking guidance	Total marks
11		State **two** types of economy of scale.	2
		AO1 = 2 1 mark for each correct type (max 2) **Possible answers include:** • Financial • Technical • Marketing • Managerial • Purchasing • Risk-bearing • Internal • External. 1 mark can be awarded for correctly describing an economy of scale, eg discounts for bulk-buying.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>12</td><td></td><td>Explain one positive externality that could result from building a new motorway.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Positive externality identified plus understanding of why it could occur.</td></tr><tr><td>1</td><td>Positive externality identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers:

• Reduced congestion on local roads, therefore benefitting users of local roads
• Reduced overcrowding on trains
• Increased business investment in the area
• Wider economic benefits (e.g. increased growth, reduced unemployment)

NB: answers must focus on benefits to third parties, not private benefits.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

Qu	Part	Marking guidance	Total marks
13		Explain **one** possible effect on the equilibrium market price of cars of a fall in consumer incomes.	2
		AO1 = 2 **Marks** / **Description** **2** – Identifies that equilibrium market price will fall as a result of a decrease in demand. **1** – Identifies that equilibrium market price will fall. **0** – Nothing written worthy of credit. NB: must be reference to a fall in price to score a mark **Possible answers:** • Fall in consumers' ability to purchase goods and services, leading to a decrease in demand and hence a fall in equilibrium price • Fall in demand, leading to a leftwards shift in the market demand curve and hence a fall in equilibrium price • Cars are a luxury / normal good, so a fall in incomes will lead to a fall in demand and hence a fall in equilibrium price • If student draws a correct leftwards shift of a demand curve and indicates new lower equilibrium price. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
14	1	Using **Table 1,** calculate the monthly profit of the café. Show your working.	2
		AO2 = 2 TR: 5000 - TVC: (1000 x 2.5 = 2500) - TFC: 1200 (1 mark) = Profit: 1300 (1 mark) Answer: £1300 Award 2 marks for correct answer with no workings. Award 1 mark for correct method with correct figures but wrong answer.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>14</td><td>2</td><td>Explain one possible reason why the owners of the café may aim to make a profit.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Possible reason correctly identified with understanding of why café owners may aim to make a profit.</td></tr><tr><td>1</td><td>Possible reason correctly identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers:

• A reward for the café owners taking a business risk with their own, or others' financial capital
• In order to remain in business in the long run so that they can continue to provide a service to the local community
• In order to make a surplus of revenue over costs so that the owners can reinvest the profits in the business to improve or expand.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>15</td><td>1</td><td>Using Table 2 analyse why a surgeon may earn more than a cleaner.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 2, AO3 = 4

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>5-6</td><td>A full analysis of the economic evidence, a well-developed and logical chain of reasoning.</td></tr>
<tr><td>2</td><td>3-4</td><td>An incomplete analysis of the economic evidence, starts to develop a chain of reasoning.

Good application of knowledge and understanding of concepts/issues mostly relevant to the context.</td></tr>
<tr><td>1</td><td>1-2</td><td>Analysis of discrete points of the economic evidence with no chain of reasoning attempted.

Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.</td></tr>
<tr><td></td><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Indicative content:

• Surgeon earns more than 3 times UK average
• Surgeon earns around 11 times more than a cleaner
• Higher level of skill required to be a surgeon
• Longer training period required to be a surgeon
• More demanding job as a surgeon
• Higher level academic qualifications required to be a surgeon
• Demand likely to be higher for surgeon than cleaner
• Supply likely to be higher for cleaner than surgeon
• Use of relevant supply and/or demand diagrams.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

Qu	Part	Marking guidance	Total marks
16		State **two** costs to individual workers from specialisation.	2
		AO1 = 2 **Possible answers:** • Boredom (for the worker) • Worker's skills may suffer (over-specialisation) • Worker may be replaced by machinery. 1 mark for each cost.	

Qu	Part	Marking guidance	Total marks
17		Explain **one** opportunity cost a government might face when making decisions.	2
		AO1 = 2 **Marks** / **Description** **2** – Relevant opportunity cost explained. **1** – Relevant opportunity cost identified. **0** – Nothing written worthy of credit. **Possible answers:** • Spending less on education if more is spent on healthcare because funds are limited • Spending more on roads means less money available to spend on nurses' wages • Spending money on public goods means less to spend on merit goods. 1 mark for identifying relevant opportunity cost + 1 mark for explanation. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>18</td><td></td><td>Explain one possible cause of monopolistic power in a market.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Possible cause of monopolistic power explained.</td></tr><tr><td>1</td><td>Possible cause of monopolistic power identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers:

• Branding/product differentiation
• Economies of scale
• Sunk costs
• Legal barriers, e.g. patents.

1 mark for identifying possible cause + 1 mark for explanation.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>19</td><td>1</td><td>Using Table 3 calculate the hourly productivity of Sam’s workforce. Give your answer to one decimal place.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO2 = 2

510/8 (1) = 63.8 (1)
Answer = 63.8 cupcakes per day

2 marks for correct answer without working shown.
1 mark for answer between 63.7 and 63.8 inclusive.</td><td></td></tr>
</table>

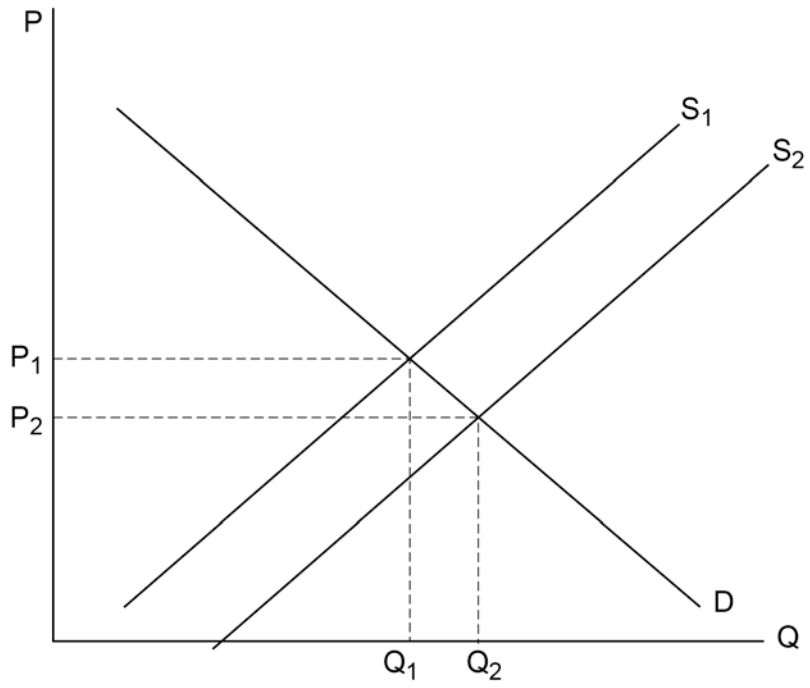
<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>19</td><td>2</td><td>Explain one way the productivity of Sam’s workforce could be increased.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Relevant way explained.</td></tr><tr><td>1</td><td>Relevant way identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers:

• Increased spending on training can increase the efficiency of the workforce
• Increased use of capital equipment can increase productivity of labour
• Increased use of incentives may motivate workers to increase efficiency.
• Increased specialisation increases rate of production

1 mark for identifying relevant way + 1 mark for explanation.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

Qu	Part	Marking guidance	Total marks
20		Draw a supply and demand diagram and show the effects of an increase in supply on price and quantity.	3
		AO2 = 3 marks  Correct drawing and labelling of original S and D curves (1 mark) Correct drawing and labelling of the new S curve to the right of the original (1 mark) Correct labelling of new equilibrium price, lower than the original and new equilibrium quantity, higher than the original (1 mark) Maximum of 1 mark from shift in demand, even if labelled supply.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>21</td><td></td><td>Using Figure 1, assess whether changes in the UK economy are likely to be beneficial for UK builders.</td><td>9</td></tr>
<tr><td></td><td></td><td>AO2 = 3, AO3 = 6

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>7-9</td><td>A fully justified conclusion with sustained evaluation, which is coherent and relevant, with judgements supported by evidence.

A full analysis of the economic evidence, a well-developed and logical chain of reasoning.

Comprehensive application of knowledge and understanding of pertinent concepts/issues relevant to the context; specialist language used throughout.</td></tr>
<tr><td>2</td><td>4-6</td><td>A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence.

An incomplete analysis of the economic evidence; starts to develop a chain of reasoning.

Good application of knowledge and understanding of concepts/issues mostly relevant to the context; specialist language used mostly appropriately.</td></tr>
<tr><td>1</td><td>1-3</td><td>A basic conclusion or assertion may be present based on evaluative judgements supported by little or no evidence.

Analysis of discrete points of the economic evidence with no chain of reasoning attempted.

Basic application of knowledge and understanding of concepts/issues with limited relevance to the context; may use non-specialist language.</td></tr>
<tr><td></td><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Possible answers:

Positive effects:
• Increase in demand for houses will increase the derived demand for builders with relevant skills, e.g. bricklayers
• As some European workers leave the UK following Brexit, UK builders are likely to be in increasing demand

Negative/neutral effects:
• Increase in demand for houses may not lead to an increase in demand for</td><td></td></tr>
</table>

		builders if capital equipment/plant/machinery can be used instead • UK workers may still be overlooked for foreign workers who may be more skilled and/or willing to work for lower wages or in poorer conditions. Possible issues for evaluation include: • Prioritisation of the effects discussed • Magnitude of potential increase in demand for houses • Extent to which builders may be replaced by machinery • Short run versus long run considerations. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
22		Define oligopoly.	2
		AO1 = 2 **Marks** / **Description** **2** – Clear definition of oligopoly. **1** – Partial or unclear definition of oligopoly. **0** – Nothing written worthy of credit. **Possible answers:** • A market dominated by a small number of large firms (2) • A small number of firms (1) • Interdependence (1) • Non-price competition (1) • Substantial barriers to entry and exit (1)	

Qu	Part	Marking guidance	Total marks
23		Using **Table 4** calculate the combined market share of the 4 largest firms in the UK coffee shop market to **one** decimal place.	3
		AO2 = 3 1.5 + 1.0 + 0.8 + 0.2 (1 mark) / 7.3 (1 mark) x100 Market share = **47.9%** (1 mark) Award 3 marks for correct answer with no workings.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>24</td><td></td><td>Explain two possible consequences of the oligopolistic nature of the UK coffee shop market.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 6

Apply the following mark scheme to each consequence.

<table>
<tr><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>A full and precise explanation applying economic concepts and issues.</td></tr>
<tr><td>2</td><td>A partial explanation applying economic concepts and issues but lacking detail.</td></tr>
<tr><td>1</td><td>Fragmented points made.</td></tr>
<tr><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Possible answers:

• Prices of comparable products of rival brands will be similar because coffee shops may not wish to compete on the basis of price
• Coffee shop chains will tend to compete on the basis of non-price factors rather than price. These non-price factors may include branding, advertising, special offers, loyalty cards
• Strong emphasis on branding and the customer ‘experience’. In recent years, all the main brands have tried to create the illusion of a less corporate/homogenous product by focusing on furnishings
• Strong emphasis on product differentiation, e.g. seasonal drinks especially at Christmas (various hot chocolate drinks) and in the summer (fruit coolers etc.). This gives the consumer a feeling of choice
• Occasional ‘price wars’ or discounts in order to increase market share, while reducing the market share of rivals. This would be beneficial for consumers in the short run, although may reduce choice in the long run.
• Firms may collude to drive up prices.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>25</td><td></td><td>Using Item A, analyse the possible externalities of the increase in take-away coffee consumption in the UK.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 2, AO3 = 4

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>5-6</td><td>A full analysis of the economic evidence, a well-developed and logical chain of reasoning.</td></tr>
<tr><td>2</td><td>3-4</td><td>An incomplete analysis of the economic evidence, starts to develop a chain of reasoning.

Good application of knowledge and understanding of concepts/issues mostly relevant to the context.</td></tr>
<tr><td>1</td><td>1-2</td><td>Analysis of discrete points of the economic evidence with no chain of reasoning attempted.

Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.</td></tr>
<tr><td></td><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Possible answers:

• Increased negative externalities/external costs as a result of coffee cup litter. This creates an eyesore as well as an additional cost for local councils to clean up
• Increased problem of waste as many coffee cups are still difficult or expensive to recycle
• Increased local environmental externalities due to increased traffic
• Increased global environmental externalities due to transportation of coffee beans, paper, plastics etc. to coffee shops around the world, predominantly from developing to developed countries.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>26</td><td></td><td>Do you think the UK government should intervene to reduce market failure in the coffee shop market?

Use Items A and B and your own economic knowledge to justify your view.</td><td>15</td></tr>
<tr><td></td><td></td><td>AO2 = 5, AO3 = 10

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>5</td><td>13-15</td><td>A justified conclusion with sustained evaluation, which is coherent and relevant, with judgements fully supported by evidence.

Analysis of a relevant selection of the economic evidence, with a well-developed logical chain of reasoning.

Comprehensive application of knowledge and understanding of pertinent concepts/issues relevant to the context; effective use of specialist language maintained throughout.</td></tr>
<tr><td>4</td><td>10-12</td><td>A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence.

Analysis of a relevant selection of the economic evidence; a logical chain of reasoning is established but not fully developed.

Strong application of knowledge and understanding of a broad range of concepts/issues relevant to the context; mostly effective use of specialist language throughout.</td></tr>
<tr><td>3</td><td>7-9</td><td>A partially justified conclusion with an evaluation, but not integrated in a coherent way; judgements are not fully supported by evidence.

Analysis of a relevant selection of the economic evidence and starts to develop a chain of reasoning.

Good application of knowledge and understanding of a broad range of concepts/issues relevant to the context; consistent use of specialist language but not always effective.</td></tr>
<tr><td>2</td><td>4-6</td><td>A basic conclusion is present based on simple evaluative judgements supported by little or no evidence.

Analysis of a relevant selection of the economic evidence with no chain of reasoning attempted.</td></tr>
</table></td><td></td></tr>
</table>

		Simple application of knowledge and understanding of a narrow range of concepts/issues relevant to the context; sporadic use of specialist language.
1	**1-3**	Evaluative judgements are simple with no conclusion present. Analysis of a limited selection of the economic evidence with no chain of reasoning attempted; selection of evidence may lack relevance. Basic application of knowledge and understanding of concepts/issues with limited relevance to the context; uses non-specialist language.
	0	Nothing written worthy of credit.

Indicative content:

- Explanation(s) of market failure(s) in the coffee shop market, e.g. external costs, oligopoly power
- Coffee cup waste is a significant problem, e.g. number of cups, cost of clean-up
- Difficulties in recycling coffee cups
- Current attempts by firms to encourage re-use of cups not entirely successful
- Other issues still to be dealt with, e.g. water use, carbon emissions and waste coffee products
- Oligopoly power may be used to exploit the consumer, e.g. collusion, high prices
- Oligopoly power may benefit the consumer, e.g. choice, quality of product, promotions
- Government could therefore intervene to encourage recycling and reduce market power.

Possible issues for evaluation include:

- Coffee shops are clearly not doing enough to tackle the problem of waste
- Coffee shops may already be doing enough to tackle the problem of waste
- Government should intervene to prevent misallocation of resources associated with external costs
- Government should intervene to prevent misallocation of resources associated with oligopoly
- Government intervention may cost money – costs of intervention may outweigh the benefits
- Governments may make the problem worse, or create different problems.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.