GCSE
ECONOMICS
8136/1

Paper 1 How Markets Work

Mark scheme

June 2022

Version: v1.0 Final Mark Scheme

226G8136/1/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 Examiner.

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

Copyright information

AQA retains the copyright on all its publications. However, registered schools/colleges 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 schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2022 AQA and its licensors. All rights reserved.

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, ie 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

01	C – The services sector is the largest sector	**06**	B – An increase in demand for household decoration
02	A – A bank account	**07**	A – Heating
03	B – Increased cost of training workers	**08**	D – Wheat
04	C – Commercial property/Soft drinks	**09**	A – A bucket and spade
05	B – More layers of management in larger firms	**10**	B – £12

Qu	Part	Marking guidance	Total marks
11		State **two** characteristics of a competitive market.	2
		AO1 = 2 1 mark for each characteristic (max 2) **Possible answers:** • many buyers • many sellers • few/no barriers to entry • few/no barriers to exit • perfect information • identical products • firms are price takers.	

<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 economy of scale.</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>Economy of scale explained</td></tr><tr><td>1</td><td>Economy of scale identified</td></tr><tr><td>0</td><td>Nothing written worthy of credit</td></tr></table>
Possible answers:

• Managerial – larger companies can afford the salaries of best CEOs
• Purchasing – bulk buying discounts
• Financial – cheaper loans from bank for biggest firms
• Technical – larger companies can make more effective use of expensive capital equipment
• Risk-bearing – spreading risk over a range of products
• Marketing – can spread costs of large marketing budget over many units of output.

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>13</td><td></td><td>Explain one factor that may lead to an increase in the equilibrium price of carpets.</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>Factor explained</td></tr><tr><td>1</td><td>Factor correctly identified</td></tr><tr><td>0</td><td>Nothing written worthy of credit</td></tr></table>
Possible answers:

• an increase in demand – eg increase in consumer incomes, increase in population, increase in fashionability of carpets
• a reduction in supply – eg increase in costs of production, increased tax on the product, reduced number of firms supplying the market.

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
14	**1**	A 20% increase in the price of lawnmowers leads to a fall in quantity demanded from 100 per week to 75 per week. Calculate the price elasticity of demand for lawnmowers.	2
		AO2 = 2 • Percentage change in quantity demanded = –25/100 = –25% (1 mark) • PED = –25%/+20% = **–1.25** (1 mark) Answer = –1.25 Award 2 marks for a correct answer with no workings. Award 1 mark if correct method with correct figures but wrong answer. Award 1 mark for 1.25 (ie no minus sign).	

Qu	Part	Marking guidance	Total marks
14	**2**	Explain **one** possible factor affecting the price elasticity of demand for lawnmowers.	2
		AO1 = 2 **Marks** / **Description** **2** – Factor explained **1** – Factor correctly identified **0** – Nothing written worthy of credit **Possible answers:** • proportion of income spent on the product • available substitutes • luxury versus necessity • time period • use of data from 14.1. **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>15</td><td></td><td>Using Figure 1, analyse the possible consequences for consumers of the UK petrol station market being dominated by a small number of large firms.</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:

• making use of the data to identify market as monopolistic/oligopolistic/ non-competitive
• possible drawbacks to consumers – higher prices, reduced quality/customer service, collusion
• possible benefits to consumers – lower prices, greater innovation.

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** factors of production.	2
		AO1 = 2 1 mark for each factor of production (max 2 marks) **Possible answers:** • capital • enterprise • land • labour.	

Qu	Part	Marking guidance	Total marks
17		Explain **one** opportunity cost a firm might face when making a decision about whether to buy a new machine.	2
		AO1 = 2 **Marks** / **Description** **2** – Relevant opportunity cost explained **1** – Relevant opportunity cost identified **0** – Nothing written worthy of credit. **Possible answers:** • decisions about what machine to buy • decisions about which product(s) to make • decisions about which market(s) to operate in • decisions about combinations of inputs/factors of production to use • less money to buy other things • potential for missed opportunities in other markets • depreciation/loss of value over time • limited finances/resources/time means trade-offs are necessary. **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 reason why an individual’s wants may change over time.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

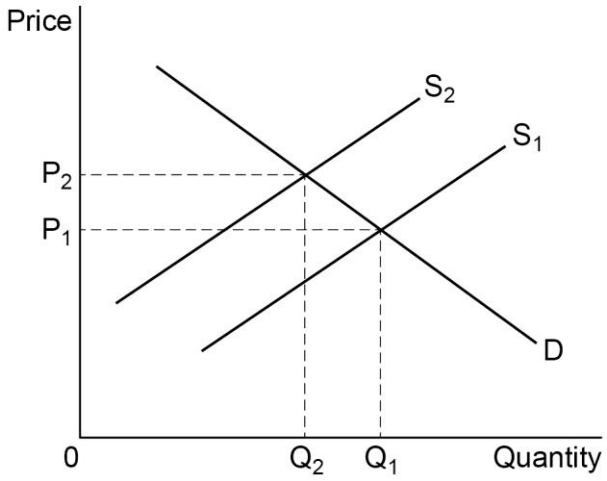
<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Possible reason explained</td></tr><tr><td>1</td><td>Possible reason identified</td></tr><tr><td>0</td><td>Nothing written worthy of credit</td></tr></table>
Possible answers:

• changes in incomes/affluence may turn needs into wants or vice-versa
• changes in fashions/social trends may affect desirability of certain products
• personal life cycle idea – individuals prioritise certain things at particular points in their life, eg house, car, savings etc.

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
19	**1**	Using **Table 2**, calculate the average cost of marking 300 sandwiches per week.	2
		AO2 = 2 • AFC = £450/300 = £1.50 (1) • ATC = AFC + AVC = £1.50 + £0.80 = £2.30 (1) Answer = £2.30 2 marks for correct answer without working shown. 1 mark for correct TC 450 + (0.80x300) = £690 1 mark for correct working but wrong answer.	

Qu	Part	Marking guidance	Total marks
19	**2**	Explain **one** possible business objective that the owners of the sandwich shop may have.	2
		AO1 = 2 **Marks** / **Description** **2** – Possible objective explained **1** – Possible objective identified **0** – Nothing written worthy of credit. **Possible answers:** • profit maximisation – to reward the owners for taking a business risk • sales growth – to increase revenue and secure an acceptable level of profit • increasing market share – give more control over the local market and potentially gain economies of scale • survival – as many new businesses fail in their early stages of life • use of information from 19.1. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
20		Draw and label the effects on equilibrium price and quantity of an increase in wage costs within a market.	3
		AO2 = 3 marks  • Correct labelling of original D and S curves and original equilibrium (1 mark). • Correct drawing and labelling of new S curve to the left of the original (1 mark). • Correct labelling of new equilibrium price, higher than the original and new equilibrium quantity, lower than the original (1 mark). No marks for a 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 2, assess whether the costs of palm oil production outweigh the benefits.</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>
Indicative content:

Costs

• Environmental damage eg deforestation, increased risk of local flooding, landslides etc.
• Health concerns linked to over-consumption of palm oil products.
• Use of data.

Benefits

• Employment for people in less developed countries.
• Local multiplier effects.
• Tax revenues for governments.
• Use of data.</td><td></td></tr>
</table>

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

Qu	Part	Marking guidance	Total marks
22		Define the term 'wage differentials'.	2
		AO1 = 2 **Marks** / **Description** **2** – Clear definition of wage differentials **1** – Partial or unclear definition of wage differentials **0** – Nothing written worthy of credit. **Possible answers:** • the differences in wages between different groups • the differences in wages between different occupations • the differences in wages within occupations • the difference in wages between regions • how income is shared out in an economy. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
23		Using **Table 3**, calculate the income after tax received by somebody in the UK earning £32 300 in 2020/21.	3
		AO2 = 3 • Taxable income = £32 300 – £12 500 = £19 800 (1 mark) • Tax payable = £19 800 x 0.2 = £3960 (1 mark) • Income after tax = £32 300 – £3960 = £28 340 (1 mark) Award 3 marks for correct answer with no workings. Award 1 mark for a calculation which ignores the tax-free allowance and simply works out income after 20% tax on the total.	

Qu	Part	Marking guidance	Total marks
24		Using **Item A**, analyse the possible causes of wage differentials.	6
		AO2 = 6	

Level	Marks	Description
3	**5–6**	A full analysis of the economic evidence, a well-developed and logical chain of reasoning.
2	**3–4**	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.
1	**1–2**	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.
	0	Nothing written worthy of credit.

Possible answers:

- supply and demand conditions in the industry
- differences in education/attainment
- differences in skill
- differences in productivity
- differences in occupation
- differences in work experience
- differences in local costs of living
- level of job unpleasantness or hazard

		• membership of trade unions • discrimination eg gender, race, disability. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
25		Explain **two** methods the UK Government could use to reduce the inequality caused by wage differentials.	6

AO2 = 2, AO3 = 4

Apply the following mark scheme for each method.

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

Possible answers:

- increasing rates of income tax on higher earners
- reducing rates of income tax on lower earners
- increasing the tax-free threshold
- increasing welfare benefits for low-income households
- caps on wages/salaries for higher earners
- setting or increasing a legal minimum wage
- education and training (long term).

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>26</td><td></td><td>Do you think the UK Government should do more to reduce the inequality caused by wage differentials?

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.
Simple application of knowledge and understanding of a narrow range of concepts/issues relevant to the context; sporadic use of specialist language.</td></tr>
<tr><td>1</td><td>1–3</td><td>Evaluative judgements are simple with no conclusion present.</td></tr>
</table></td><td></td></tr>
</table>

		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:

Yes

- income and wealth inequality growing over time
- increases relative poverty
- may lead to social unrest
- may lead to development of an underclass
- social injustice
- some rich individuals/companies may be exploiting tax loopholes
- increases in income tax can be redistributed to improve living standards for the poorest in society
- use of data.

No

- free market ideas – trickle-down, incentives etc.
- Government already doing enough
- inequality not as significant as in other countries
- scope for government failure – critique of methods that might be used
- use of data.

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