A-Level Edexcel Economics: Demand and Supply Mark Scheme

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Question 1

Answer	Mark
Application 2, Knowledge 2 **Application:** Accurate insertion of data in both columns in table (either fully or as far as the new equilibrium). (1+1 marks) **Knowledge/understanding:** Calculation of new equilibrium price of £24 (1) and quantity of 9 000 (1) **NB do not award for quantity of 9** **Award full marks for £24 and 9 000**	**(4)**

Price £	Quantity demanded per month (000)	Quantity supplied per month (000)	New Quantity demanded per month (000)	New Quantity supplied per month (000)
25	5	9	8	10
24	6	8	9	9
23	7	7	10	8
22	8	6	11	7
21	9	5	12	6

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Question 2

Answer
Knowledge 1, Application 1, Analysis 1 **Knowledge/Understanding** 1 mark for identifying/defining surplus, excess supply **Application** 1 mark for reference to context, e.g. • Reference to $530 or falling below (1) • Price mechanism in free market (signal, incentive/disincentive or ration) (1) **Analysis** 1 mark for linked development, e.g. • Steel supply contracts, movement back along supply curve if drawn (1) • Extension in demand for steel, movement forwards along demand curve if drawn (1) • Surplus of steel gradually removed (1) • New market equilibrium identified (1)

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Question 3

Answer	Mark
Knowledge 1, Application 1, Analysis 1 **Knowledge/Understanding** 1 mark for identifying/defining excess demand, shortage **Application** 1 mark for application to university education, e.g. • Diagram indicates cut in tuition fees from £9 000 to £6 000 (1) • Universities lack cash so close down departments (1) • University now more affordable for applicants (1) **Analysis** 1 mark for linked development, e.g. • Lower maximum price illustrated or explained, price below market equilibrium (1) • Extension in demand, movement forwards along demand curve if drawn (1) • Contraction in supply of university places, movement backwards along supply curve (1)	**(3)**

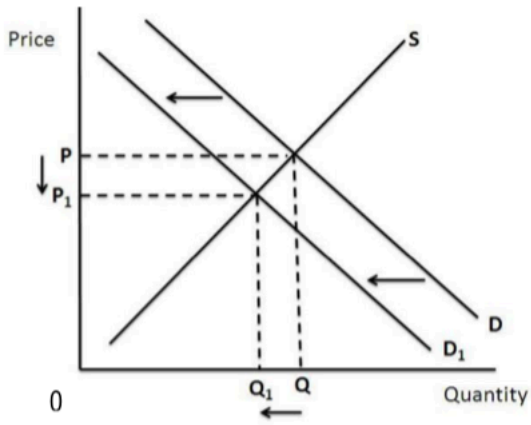
Question 4

Answer	Mark
Knowledge 1, Application 2 **Knowledge/understanding** 1 mark for definition of diminishing marginal utility e.g. as decline in the additional satisfaction a person derives from consuming an additional unit of that product. **Application** 2 marks for linked application (1+1), e.g. • this is the premise on which 'All you can eat buffet' operates as they know each additional plate of food (1) provides less utility than the one before (1) • most people will eat only until their marginal utility matches the price they paid (1) OR people eat until they are satiated (1) otherwise if you kept eating you would reach the point of being sick or dissatisfied (dis-utility). (1)	**(3)**

(b)

Answer	Mark
A	**(1)**

Question 5

Answer	Mark
Knowledge 1, Application 2, Analysis 2 **Knowledge** 1 mark for definition of revenue or may identify clearly in diagram (1) **Application** 1 mark for using source data or linking ban to reduced consumption (1) and 1 mark for diagrammatic link to change in revenue (1), e.g. • "can reduce tobacco consumption" (1) leading to decreased revenue as shown in diagram (1) **Analysis** Diagram showing demand shifts left or becomes less price inelastic (1) and new equilibrium (1)  	**(5)**

Question 6

Knowledge 2, Application 2, Analysis 2	
Knowledge/understanding 1 mark each for any two of the following: • definition or formula of cross elasticity of demand (1) • tobacco cigarettes and e-cigarettes have a positive cross elasticity of demand (1) • understanding of substitute relationship e.g. similar products (1) **Application** 1 mark each for any two of the following: • e-cigarettes seen as less harmful so become more attractive compared to tobacco cigarettes (1) • tougher regulations and growing health awareness on tobacco (1) • they are substitutes because they offer nicotine (1) • applying cigarettes to diagram showing impact on e-cigarettes (1+1) • relative price differences e.g. Figure 1 or tax rises on tobacco (1) • use of numerical example e.g. a 10% rise in the price of tobacco cigarettes results in a less than 10% rise in demand for e-cigarettes **Analysis** Up to 2 marks for any one of the following in linked development OR two limited examples of analysis (1+1): • the increase in the price of traditional cigarettes is resulting in the change in quantity demanded of e-cigarettes increasing • consideration of whether distant or close substitutes • diagram showing relationship between price of one of the product and demand for the other	**(6)**