GCE A LEVEL MARKING SCHEME

SUMMER 2022

A LEVEL
ECONOMICS - COMPONENT 1
A520U10-1

INTRODUCTION

This marking scheme was used by WJEC for the 2022 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS GCE A LEVEL ECONOMICS

COMPONENT 1

SUMMER 2022 MARK SCHEME

SECTION A

Question	Answer
1.	E
2.	A
3.	D
4.	B
5.	E
6.	A
7.	B
8.	D
9.	C
10.	D
11.	C
12.	E
13.	A
14.	D
15.	B
16.	C
17.	E
18.	B
19.	D
20.	C

SECTION B

21. (a)	Calculate the four firm concentration ratio for this sector.	Total
	AO2: 1 mark Award **1** mark for correct answer: 75%	1

21. (b)	Outline the market structure of the industry.	Total
	AO1: 2 marks Award **1** mark for Identification of oligopoly structure Award **1** mark for understanding of why this market is an oligopoly using characteristics of oligopoly Award 1 mark for a working monopoly. **Indicative content:** Market dominated by a few large firms: 2 firms have over half the market, 4 firms have ¾. Spotify has over 25% market share.	2

22. (a)	State the type of integration involved if Sainsbury's had merged with Asda.	Total
	AO1: 1 mark Award **1** mark for correct answer: Horizontal integration (2 related firms at same stage of production)	1

<table>
<tr><td>22. (b)</td><td colspan="2">Using a cost and revenue diagram, explain how a switch from profit maximisation to sales revenue maximisation might affect Sainsbury's market share. [4]</td></tr>
<tr><td rowspan="2">Band</td><td>AO1</td><td>AO3</td></tr>
<tr><td>2 marks</td><td>2 marks</td></tr>
<tr><td>2</td><td>2 marks
Good understanding

Accurate costs and revenue diagram showing the effect of shifting from profit maximisation to revenue maximisation</td><td>2 marks
Good analysis

Clear well-developed chain of reasoning as to why the cut in price to revenue maximise will increase market share</td></tr>
<tr><td>1</td><td>1 mark
Limited understanding

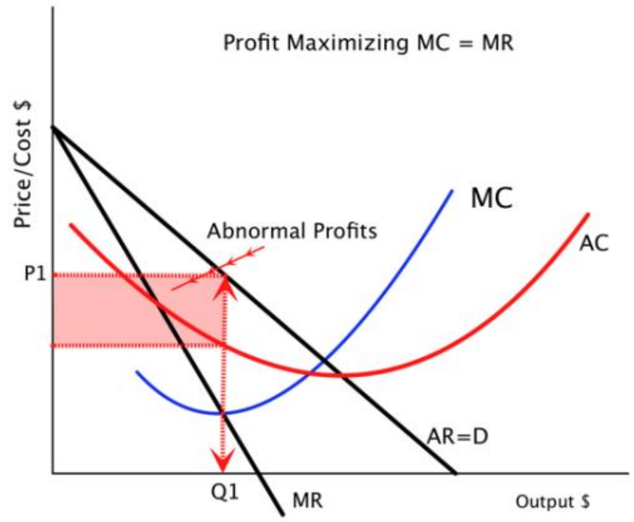
Costs and revenue diagram contains minor errors but is broadly correct</td><td>1 mark
Limited analysis

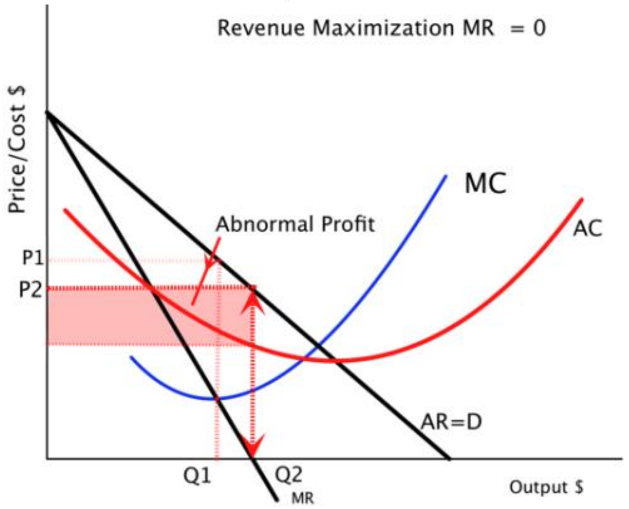
The point made linking revenue maximisation to increased market share is either undeveloped or not convincing.</td></tr>
<tr><td>0</td><td>0 marks
No valid understanding

Diagram has a large number of errors or no diagram is drawn</td><td>0 marks
No valid analysis</td></tr>
</table>

Indicative content

AO1





Profit max where MC=MR (P1Q1) and revenue maximisation where MR=0 (P2Q2).
Lower prices and sales are higher thus increasing the possibility of a higher market share.
Band 1 AO1 if either profit max OR revenue max is drawn identified correctly.

AO3

Market share is percentage of overall revenue within the market - stronger answers will relate back to this idea rather than simply an increase in output.
A lower price may drive other firms from the market thereby increasing market share.

23.	**Discuss the extent to which the UK's terms of trade will have deteriorated after the EU referendum in 2016. [8]**			
Band	AO1	AO2	AO3	AO4
	1 mark	1 mark	3 marks	3 marks
3			**3 marks** Excellent analysis The concept of the terms of trade has been well used effectively showing a clear line of reasoning to explain how the depreciation of the exchange rate caused a deterioration in the terms of trade. The impact on both export and import prices is covered	**3 marks** Excellent evaluation Strong well-developed evaluation showing why the terms of trade may not have deteriorated despite the depreciation of the exchange rate.
2			**2 marks** Good analysis The concept of the terms of trade has been used effectively showing a clear line of reasoning to explain how the depreciation of the exchange rate caused a deterioration in the terms of trade. Only one of the price of exports or price of imports has been explained fully	**2 marks** Good evaluation Good evaluation showing why the terms of trade may not have deteriorated despite the depreciation of the exchange rate.
1	**1 mark** Understanding Understanding of the terms of trade is shown	**1 mark** Application The graph is used effectively in the answer	**1 mark** Limited analysis The link between the depreciation of the exchange rate and the terms of trade shows a line of reasoning which is not always clear	**1 mark** Limited evaluation Evaluation is present but the point is underdeveloped, lacking the depth for a higher band answer
0	**0 marks** No valid understanding	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

AO1:

Terms of trade = Index of export prices/index of import prices X100.

AO2

Direct reference to the raw data forms an integral part of the answer (£ drops by about 15% etc.).

AO3

Fall in the pound/depreciation) makes import prices more expensive in local currency terms but leaves export prices the same in local currency terms. Thus the terms of trade deteriorates, because a given amount of exports will now buy fewer imports than previously.

AO4

Other factors affect the terms of trade, such as UK and international inflation rates, global commodity prices and so on.

The data only relates to the pound v the US dollar, not other key currencies such as the euro. Thus the overall terms of trade cannot be calculated.

£ clearly recovers over the next couple of months reducing the impact

<table>
<tr><td>24.</td><td colspan="4">Using a costs and revenue diagram, discuss the likely impact on UK firms' profitability of the wage increases shown in the table above. [8]</td></tr>
<tr><td rowspan="2">Band</td><td>AO1</td><td>AO2</td><td>AO3</td><td>AO4</td></tr>
<tr><td>2 marks</td><td>1 mark</td><td>2 marks</td><td>3 marks</td></tr>
<tr><td>3</td><td></td><td></td><td></td><td>3 marks
Excellent evaluation as to the most likely impact on profitability, built on the underlying analysis</td></tr>
<tr><td>2</td><td>2 marks
Good understanding

An accurate costs and revenue diagram is used and fully understood in terms of a rise in wages</td><td></td><td>2 marks
Good analysis

Developed analysis of the link between increases in the NMW and the profitability of the firm showing a clear line of reasoning</td><td>2 marks
Good evaluation

Good evaluation of the scenario, with a developed line of counter-argument</td></tr>
<tr><td>1</td><td>1 mark
Limited understanding

A costs and revenue diagram is drawn but contains some minor errors limiting its accuracy</td><td>1 mark
Limited application

Effective use is made of the data on the NMW</td><td>1 mark
Limited analysis

A link is made between increases in the NMW and the profitability of the firm, but the depth of analysis and chain of reasoning is insufficient for band 2</td><td>1 mark
Limited evaluation

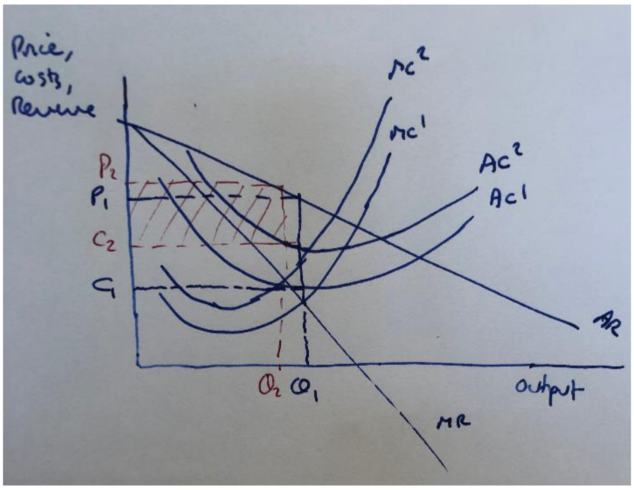
Counter-arguments are present but are not well developed</td></tr>
<tr><td>0</td><td>0 marks
No valid understanding

Diagram is totally incorrect or not present</td><td>0 marks
No valid application</td><td>0 marks
No valid analysis</td><td>0 marks
No valid evaluation</td></tr>
</table>

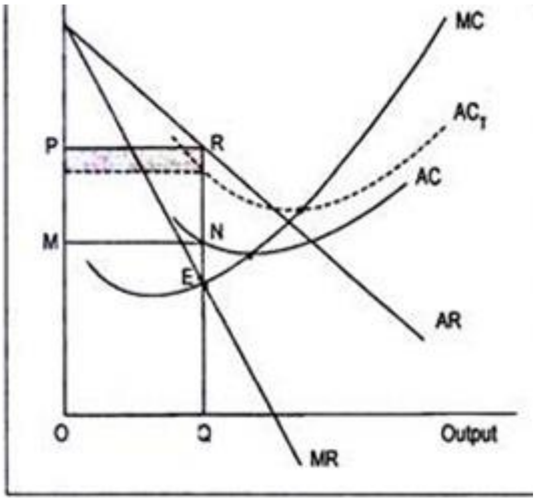
Indicative content:

AO1

Accurate costs and revenue diagram showing how a minimum wage increase would shift the MC and AC to the left/upward (assuming labour is a variable cost). Candidates may also shift MR and AR right (reflecting an increase in demand from higher wages) but some sort of cost shift must be shown for full AO1 marks.



Variable costs



Fixed costs

AO2

Data on minimum wage is processed in some way rather than literally repeated.

AO3

Explanation: The rises in the NMW and Living Wage will increase variable costs and reduce profitability.
Some might argue that wages are in fact a fixed cost (salaries etc) which is a valid approach.

AO4

Some firms will be unaffected because they only have employees who are paid above the NMW.
Effects on profitability will depend on how much total costs increase as a result of rises in the NMW.
Likewise the impact will depend on price elasticity of demand for the product which will determine how much of the cost increase can be shifted on to consumers.
Rise in wage costs may be passed on to customers and profits are not affected.
Increases in NMW may occur at the same time demand is rising.
Rises in NMW may result in higher productivity therefore meaning that costs overall do not rise.
Effects depend on how many of the firm’s low paid NMW workers are over 25.
Increased spending in the economy as a result of a higher NMW will increase AD and boost firms’ profits.

25.	**Using economic theory and the information above, discuss the relationship between base interest rates and economic growth in Azerbaijan. [8]**		
Band	AO2	AO3	AO4
	2 marks	3 marks	3 marks
3		**3 marks** Excellent analysis Strong line of argument showing that there is a clear link between interest rates and economic growth. Reasons are well developed and look at a range of influences	**3 marks** Excellent evaluation Strong counter-argument(s) demonstrating clearly that the relationship is not a simple one and fully explaining the reasons why
2	**2 marks** Good application Text and chart are well used on both sides of the discussion, or chart is very well used	**2 marks** Good analysis Good line of argument showing that there is a clear link between interest rates and economic growth. Reasons are well developed but range is narrow	**2 marks** Good evaluation Good counter-argument demonstrating clearly that the relationship is not a simple one and explaining the reasons why
1	**1 mark** Limited application Text **or** chart are used.	**1 mark** Limited analysis There is a chain of reasoning but it is less convincing in its attempt to show a link between interest rates and economic growth	**1 mark** Limited evaluation Counter-arguments are present but are not well developed
0	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

AO2

Falling interest rates in 2014/15 appear to be associated with rising growth rates in mid-2015.
Growth starts to fall, turning negative by early 2016, but this is followed by rising interest rates rather than reductions.
Because of the collapse in the manat, inflation will have soared, hence interest rates rose both to support the currency and to control inflation.
Interest rates remain high, but GDP starts to fall more slowly through 2017.
Rate cuts at the beginning of 2018 are correlated with a positive economic growth.

AO3

Generally, if growth is forecast to fall, interest rates will tend to be cut to support it, whereas rising growth, which may trigger inflationary pressure will tend to trigger rate rises.

Rate cuts will be likely to support growth via:

Consumption – impact on incentives to borrow, those with variable rate existing loans, asset prices and savings incentives.
Investment- impact on incentives to borrow, confidence (via expectations of rising consumption etc.).
Net trade – lower interest rates might be expected to weaken the currency, possibly stimulating exports and deterring imports.

AO4

In this case the links are not straightforward. Before the collapse in oil prices, the charts work as standard theory would predict.

The main counters to this are:
After the collapse in oil prices, the apparent response to falling growth is to increase interest rates, presumably to control inflationary pressure caused by the plunging manat. Hence when other factors are at play, the relationship may not be as straightforward as expected.

Rates are cut in early 2018 even though the economy has already started to recover. Hence, given time lags in the system, these cuts didn't cause the recovery, but were presumably intended to reduce the negative output gap caused by the recession more quickly.

Therefore, the relationship between interest rates and growth is more complex in the real world, due to the impact of other external factors such as oil prices and exchange rate shocks.

Alternative causality: Interest rates fell (2014-2016 and 2018 onwards) and caused a rise/positive economic growth.
Interest rates rose 2016-2017 and caused economic growth to fall/become negative.

26.	**With reference to the data, and using appropriate economic analysis, discuss whether governments should significantly increase indirect taxes on meat. [8]**		
Band	AO2	AO3	AO4
	2 marks	3 marks	3 marks
3		**3 marks** Excellent analysis Strong line of argument showing a clear link between increasing indirect taxes on meat and economic benefits. There is clear use of economic analysis with at least 1 well developed piece of theory	**3 marks** Excellent evaluation Strong counter-argument(s) demonstrating clearly why an increase in indirect taxes on meat might be ineffective or counter-productive.
2	**2 marks** Good application Data is well used on both sides of the discussion	**2 marks** Good analysis Clear line of argument showing a link between increasing indirect taxes on meat and economic benefits. Economic analysis not fully developed	**2 marks** Good evaluation Clear counter-argument demonstrating why an increase in indirect taxes on meat might be ineffective or counterproductive.
1	**1 mark** Limited application Data is used, but is either superficial or covers only one side of the debate	**1 mark** Limited analysis There is a chain of reasoning but it is less convincing in its attempt to link indirect taxes and economic benefits	**1 mark** Limited evaluation Counter-arguments are present but are not well developed.
0	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

AO2

Meat use involves intensive use of farmland but is inefficient in terms of protein output (80% of the land but only 37% of the protein).

Rising GDP/capita appears to be correlated with increased meat consumption per capita. Rising taxes may not make much of an impact on this because consumption appears higher at higher income levels irrespective of the economic system.

Not all meat related products have the same negative effects and even within a category, the way in which the food is produced has a major impact on the environmental footprint.

Agriculture is only part of the problem of greenhouse gas emissions and meat is only a part of agriculture, therefore the impact that an indirect tax has might be limited.

AO3

Lines of economic analysis are likely to centre on:
Allocation of resources
Market failure
Elasticity
Inequality (regressive nature of indirect taxes etc.)
Risks of cost-push inflation.
Candidates may draw an externalities diagram or a demand and supply diagram showing the impact of a tax on meat.

Top band answers will have at least one well-developed piece of theory.

AO4

Animals aren't just there for meat – part of ecosystem, way of life etc.
Meat isn't the biggest issue – focusing efforts in the wrong place, waste of government resources etc.
Regressive nature of indirect taxes
Dependent on PED for meat – how well can people cook alternatives.
Impact on the restaurant sector
Getting the tax at the right level likely to be difficult – risk of government failure?
Risk of damaging small farmers and crofters who are already economically marginal.