GCE A LEVEL MARKING SCHEME

AUTUMN 2020

A LEVEL
ECONOMICS - COMPONENT 1
A520U10-1

INTRODUCTION

This marking scheme was used by WJEC for the 2020 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.

GCE A LEVEL ECONOMICS - COMPONENT 1

AUTUMN 2020 MARK SCHEME

SECTION A

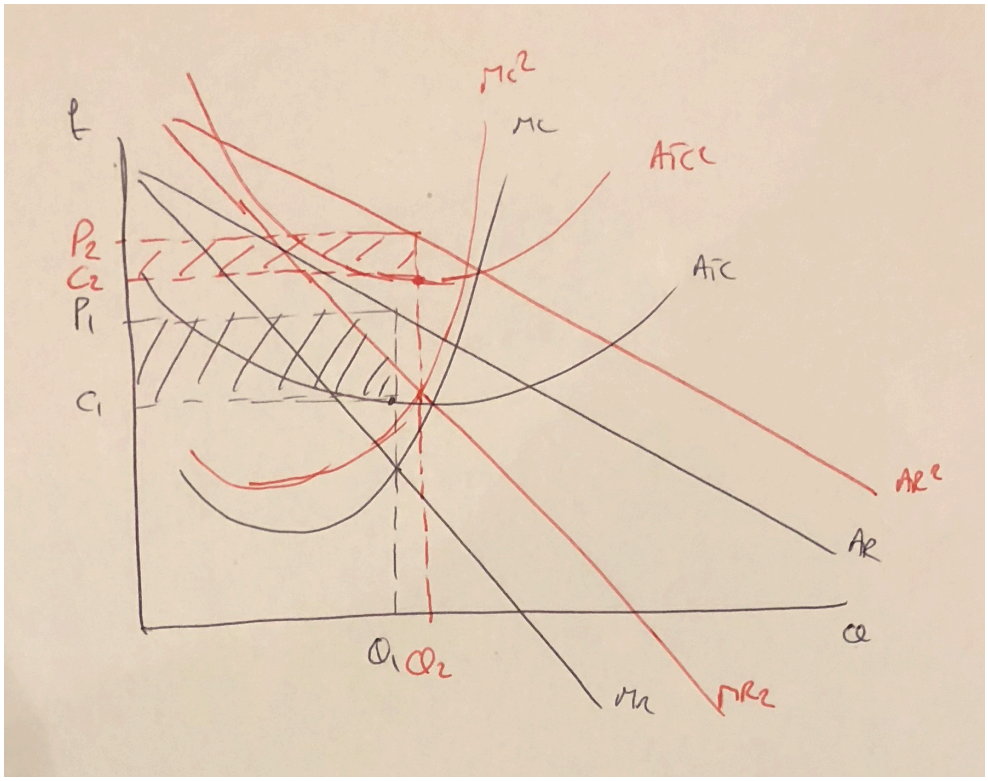
Question	Answer
1.	A
2.	B
3.	D
4.	C
5.	E
6.	A
7.	D
8.	C
9.	B
10.	B
11.	C
12.	E
13.	C
14.	A
15.	E
16.	E
17.	B
18.	A
19.	D
20.	A

SECTION B

21.	**Adapting the diagram opposite, analyse the impact of the factors above on the profits of the UK food and drink sector.** **[8]**		
Band	AO1	AO2	AO3
	3 marks	2 marks	3 marks
3	**3 marks** Excellent understanding Diagram is fully adapted correctly showing both the increase in costs and increase in revenue.		**3 marks** Excellent analysis Strong line of argument showing that there is a clear link between the exchange rate and other factors and profitability. The impacts on both cost and revenue are fully explained and there is a clear link back to the **fall** in profit.
2	**2 marks** Good understanding Diagram is partly adapted – both increases in costs and revenues are shown, but errors are present. **Or** Costs **or** revenues are shown accurately and a reduction in profits is shown correctly.	**2 marks** Good application Answer links back both to the factors that have increased costs and increased revenue	**2 marks** Good analysis Strong line of argument showing that there is a clear link between the factors and costs and revenue. **Or** Strong line of argument showing that there is a clear link between the exchange rate to costs **or** revenue but there is also a clear link back to profit.
1	**1 mark** Limited understanding A partially correct attempt at adapting the diagram is made, but significant inaccuracies are present.	**1 mark** Limited application Answer links back to the factors that have increased costs **or** increased revenue	**1 mark** Limited analysis There is a chain of reasoning linking the factors in the article to costs **or** revenue.
0	**0 marks** No valid understanding shown Diagram insufficiently accurate for credit.	**0 marks** No valid use of data Data not used appropriately	**0 marks** No valid analysis Relevant chains of reasoning are not present.

Indicative content:

AO1



1 mark for MR and AR both shifted right
1 mark for MC and AC shifted up
1 mark for new profit lower than old profit at a higher output.

AO2

The weak pound causes international exports for food and drink producers to increase by 14%. Inflation in raw materials and rising wage costs caused by sterling devaluation squeezed producers' profits.

AO3

The weaker exchange rate will make UK goods and services cheaper in foreign currency terms, therefore exports should rise, increasing revenue.

However, the weak exchange rate has reduced the external purchasing power of sterling, meaning that UK importers now have to pay more sterling for the same volume of imports, therefore increasing costs.

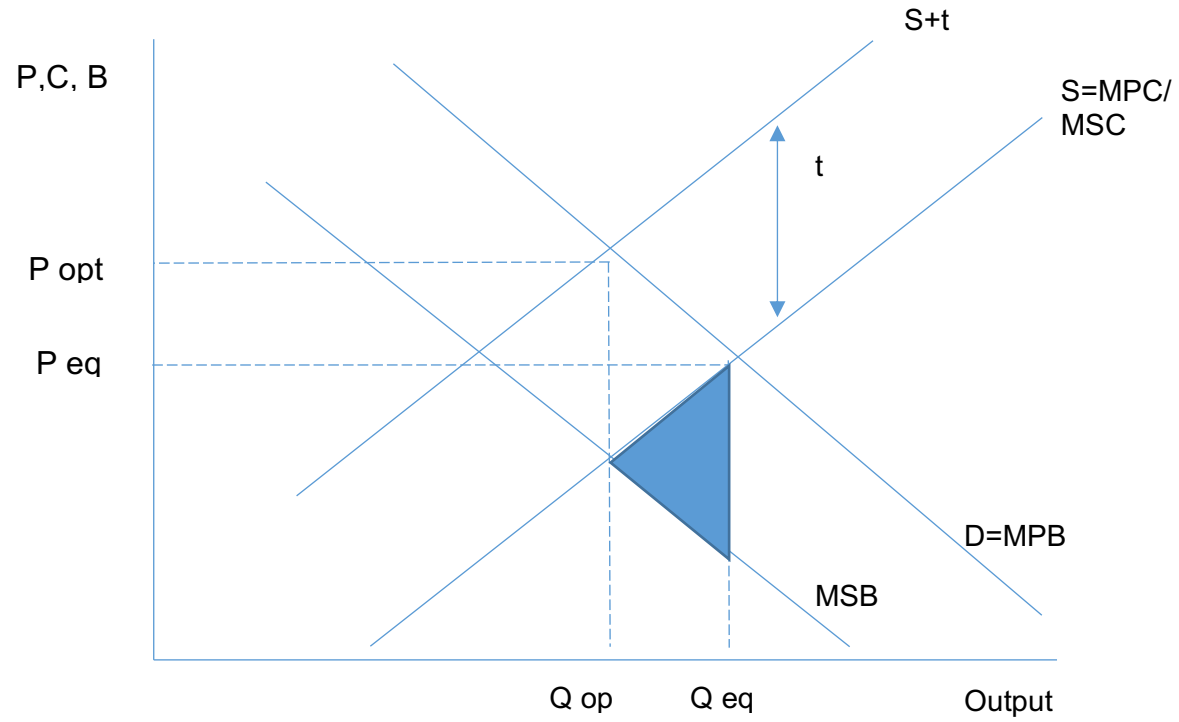
Since costs have risen by more than revenue gained from increased overseas sales, profitability overall is lower but output is higher.

22.	**Using a diagram and with reference to the context, discuss the extent to which taxes on sugary fizzy drinks are likely to be effective in correcting market failure. [8]**			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	**2 marks** Good understanding Accurate well annotated diagram showing the effect of a sales tax on consumption.	**2 marks** Good application The data is used effectively to support the argument in the analysis or evaluation. The data is well-used to support the points.	**2 marks** Good analysis Strong chains of reasoning showing how these types of taxes can correct market failure in terms of eliminating welfare loss.	**2 marks** Good evaluation Clear counterargument demonstrating clearly that sales taxes may not correct market failure. A clear chain of argument is present and the answer has a reasoned judgement.
1	**1 mark** Limited understanding The appropriate diagram has minor errors or the external costs from production diagram is used.	**1 mark** Limited application The data is used but its use is underdeveloped perhaps taking the form of occasional references rather than forming strong supporting evidence.	**1 mark** Limited analysis There is a chain of reasoning but it is less convincing in its attempt to show that market failure can be corrected by sales taxes.	**1 mark** Limited evaluation Counter arguments are present but none of them are well-developed or the answer simply has arguments for and against.
0	**0 marks** No valid understanding Diagram is insufficiently accurate for credit or there is no diagram.	**0 marks** No valid application Data not used appropriately or at all.	**0 marks** No valid analysis Relevant chains of reasoning are not present	**0 marks** No valid evaluation Relevant counterarguments are not present

Indicative content:

AO1

Diagram showing the effect of a sales tax on the consumption of a product which results in negative externalities. (2 marks)



Welfare loss in free market

Diagram showing the effect of a sales tax using either a demand/supply diagram or one showing external costs from production: 1 mark

AO2

An in house 'tax' of just 10p (about 3.5%) resulted in an 11% drop in sales of these 'unhealthy' drinks
Sugary drinks are believed to account for up to half of the excess calories consumed per day by children, contributing to the UK's obesity problem.
A modest increase in the price of high sugar fizzy drinks in Jamie Oliver's restaurants has had a significant effect on sales
But
Marked increase in the consumption of fruit juices (22%) which may therefore defeat the object of the tax.

AO3

Obesity and diabetes are diet related health issues imposing external costs on third parties in the form of increased demand for health services preventing others from accessing them. Associated health impacts have negative impacts on employers as sickness absence may be higher. Sales taxes will reduce demand and improve health.
Equilibrium output will fall to the socially optimal level because the externality has been internalised/price will rise to cut demand.
Market failure will be corrected because the welfare loss will have been eliminated/the misallocation of resources/over-consumption will have been removed.

AO4

Demand for sugary drinks etc may be price inelastic, making the policy ineffective (although in these restaurants, demand was price elastic in the short term)
Sugary drinks are only part of the problem and taxes may be ineffective without other types of intervention.
Taxing sugary drinks may simply divert consumption to other, untaxed, drinks such as fruit juices.
The issue may actually be more to do with information asymmetry and taxes therefore might not make that much difference.

23.	**Using the data, discuss the extent to which increases in national income are likely to cause increases in economic development. [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 a rise in national income and an increase in economic development, relating well to both non-income parts of the HDI.	**3 marks** Excellent evaluation Strong counterargument demonstrating clearly why a rise in national income might not always cause an increase in economic development. An overall judgment is reached.
2	**2 marks** Good application Data is well used on both sides of the discussion	**2 marks** Good analysis Strong line of argument showing that there is a clear link between a rise in national income and an increase in economic development	**2 marks** Good evaluation Strong counterargument demonstrating clearly why a rise in national income might not always cause an increase in economic development
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 between a rise in national income and an increase in economic development	**1 mark** Limited evaluation Counterarguments are present but are not well developed.
0	**0 marks** No valid understanding Data not used	**0 marks** No valid analysis Relevant chains of reasoning are not present	**0 marks** No valid evaluation Relevant counterarguments are not present

Indicative content:

AO2

Generally strong correlation: France and New Zealand at the top of both, Ethiopia and Nigeria down at the bottom.

But there are anomalies both ways: Tonga has a lower GNI per capita than Nigeria but much higher HDI. Equatorial Guinea has a high GNI/capita but a very weak HDI

AO3

Rising GNI should lead to an increase in the tax base, allowing for greater provision of merit and public goods which will feed through into better health and education, therefore improving the HDI and by extension economic development.

Rising GNI should mean that households have more disposable income. This will allow greater expenditure on basic needs such as food and housing or may allow households to afford better healthcare and education. Each will tend to be associated with higher human development.

Rising GNI should improve the industrial climate with more profitable firms able to invest in better working conditions, higher pay and shorter hours. Rising incomes also tend to link to a change in the pattern of demand, with a shift towards service sector work

AO4

GNI isn't GNI per capita – these benefits will be diluted or reversed by rapid population growth

Resource rich countries (such as Equatorial Guinea) have high GNI/capita, but the income is often not fed through to citizens, resulting in high levels of income inequality and low levels of economic development.

Countries with higher income and wealth equality (such as Cuba) tend to out-perform their income rank in terms of economic development.

Issues with measurement may muddy the issue in both directions – many poor counties have big informal sectors which won't show up, but the presence of economic bads may overstate the value of GNI in terms of its impact on human development

24.	**With reference to the data and the concept of the Phillips curve, discuss how changes in the unemployment rate may affect the inflation rate. [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 rising or falling unemployment and falling or rising inflation. The detail as to why inflation rises is well-developed and the Phillips curve is well-used.	**3 marks** Excellent evaluation Developed line of counterargument demonstrating clearly why a Phillips curve relationship might not exist. An overall judgment is reached.
2	**2 marks** Good application Charts are used on both sides of the argument with direct use of figures	**2 marks** Good analysis Strong line of argument showing that there is a clear link between rising or falling unemployment and falling or rising inflation. There is some use of the Phillips curve.	**2 marks** Good evaluation Counterarguments are present with some development as to why the link might not be strong or present at all.
1	**1 mark** Limited application Charts are used on both sides superficially, or well used on one side of the case.	**1 mark** Limited analysis There is a chain of reasoning but it is less convincing. Answers which centre around a poorly developed diagram will be in this band.	**1 mark** Limited evaluation Counterarguments are present but centre around observations on the pattern of data without further development.
0	**0 marks** No valid application Data not used	**0 marks** No valid analysis Relevant chains of reasoning are not present.	**0 marks** No valid evaluation Relevant counterarguments are not present

Indicative content:

AO2

There is a clear trade-off between 2016 and 2018 when unemployment rises from 8 to 12% and inflation falls from 10 to 2%

Also some relationship in 2013 when unemployment falls and inflation rises.

However, the relationship does not appear to be present through 2014 and in 2015 unemployment and inflation appear to be rising simultaneously. There is some evidence of this in 2018.

AO3

Rising unemployment will imply falling AD meaning that firstly firms will be more resistant to increasing prices because of increased competition in product markets, whilst at the same time many workers are likely to be in a weaker bargaining position because of falling profitability by firms and the risk of long term unemployment. Therefore, prices are less likely to rise as quickly.

Falling unemployment will do the reverse.

AO4

There are periods where the relationship clearly isn't true.

Possible reasons may include:

Time lags (but need to be linked to the data)
Cost-push pressures from wage claims, weak currency, commodity shocks and so on.
Changes in unemployment too small to make much difference
Supply side improvements allowing unemployment to fall without inflation rising (due to falling NAIRU).
May depend on which sectors' jobs are being lost/created in – not all sectors are as tight as others.

25.	**Using calculations, discuss whether a cut in price to £9 would be beneficial for the firm.** **[8]**		
Band	AO2	AO3	AO4
	3 marks	2 marks	3 marks
3	**3 marks** Excellent application Calculations correctly show the forecast effect on profit		**3 marks** Excellent evaluation Developed line of counterargument discussing whether the price cut will be beneficial. An overall judgment is reached.
2	**2 marks** Good application Calculations are mostly correct	**2 marks** Good analysis Clear line of analysis explaining why the cut in price might not be desirable, centring on the fact that profits have fallen.	**2 marks** Good evaluation Counterarguments about the merits of the price cut are present with some development.
1	**1 mark** Limited application Some valid calculations have been attempted	**1 mark** Limited analysis There is a chain of reasoning but it is less convincing as to why the cut in price might be undesirable.	**1 mark** Limited evaluation Counterarguments are present but are not developed, probably focusing on the idea that sales have risen and that market share is greater.
0	**0 marks** No valid application No valid calculations are present.	**0 marks** No valid analysis Relevant chains of reasoning are not present.	**0 marks** No valid evaluation Relevant counterarguments are not present

Indicative content:

AO2

Current profit is 350*(£10-£7)=£1050 (£3500-£2450)
New profit is forecast to be:

Revenue: 10% cut in price. PED = -2. Therefore demand should rise by 20%. New demand is therefore 420 (350+20%) at a price of £9 (£3780)

Costs are now £7.50 per unit (£3150)

Profits are therefore forecast to be: 420*£1.50=£630 (£3780-£3150).

Revenue and profit calculations correct: 3 marks.
Correct calculations of revenues and some attempt at profit calculation: 2 marks.
Revenue calculation correct: 1 mark.

AO3

The cut in price is damaging the firm because although revenue rises because of price elastic demand, the firm is suffering from diminishing returns/diseconomies of scale (SR/LR) and that the increase in unit costs wipes out the effect of higher revenue.

AO4

The fall in profit might not matter:

Firm might be in a price war and has longer term objectives
Firm might be trying to drive another firm out of business to secure long run higher profits
In some markets market share and revenue may be the key.
It may be possible to bring costs under control in the longer run.
This may be only one product from a broader portfolio, therefore may depend on what happens elsewhere, XED and so on.
Numbers are clearly only forecasts (needs to be developed as to why this matters) – e.g. depends on reaction of rivals