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**GCSE  
ECONOMICS  
8136/1**

**PAPER 1 – HOW MARKETS WORK**

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**Mark scheme**

**SAM**

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V1.0

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](http://aqa.org.uk)

## 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 in 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.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 26 more weight should be given to AO3 than to AO2. This will be exemplified and reinforced as part of examiner training.

**Section A**

**KEY LIST**

All AO1

1 mark for each correct answer

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

Qu	Part	Marking guidance	Total marks
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11		State <b>two</b> sectors of the economy.	2
		<p>AO1</p> <p>1 mark for each correct sector (max 2)</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Primary</li> <li>• Secondary</li> <li>• Tertiary.</li> </ul>	

12		Explain <b>one</b> negative externality that could occur due to the building of a new airport.	2
		<p>AO1</p> <p>1 mark for correctly identifying a negative externality, plus 1 mark for showing understanding of why it would occur.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Increased congestion as a result of an increase in the number of vehicles around the site</li> <li>• Increased noise pollution from additional road and air traffic</li> <li>• Increased air pollution from additional road and air traffic.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

13		<p>Explain <b>one</b> possible effect on the equilibrium market price of an increase in production costs for firms.</p>	2
		<p>AO1</p> <p>1 mark for correctly identifying that equilibrium market price will rise, plus 1 mark for showing understanding that this comes from a fall in supply.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Fall in firms' willingness to supply, which leads to a decrease in supply and hence a rise in equilibrium price</li> <li>• Fall in supply, leading to a leftwards shift in market supply curve and hence a rise in equilibrium price</li> <li>• If student draws a correct leftward shift of supply curve and indicates new equilibrium price and quantity.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

14	1	<p>Using <b>Figure 1</b> calculate the average cost of a box of organic vegetables based on the current output level. Show your working.</p>	2
		<p>AO2</p> <p><math>4 \times 500 = 2000</math>; <math>1500 + 2000 = 3500</math> (1 mark)  <math>3500 / 500 = 7</math> (1 mark)                  Or  <math>1500 / 500 = 3</math> (1 mark)  <math>3 + 4 = 7</math> (1 mark)</p> <p>Answer: £7</p> <p>Award 2 marks for correct answer with no workings.</p> <p>Award 1 mark if:</p> <ul style="list-style-type: none"> <li>• Total costs are shown correctly but not averaged (£3,500)</li> <li>• Correct method with correct figures but wrong answer.</li> </ul>	

14	2	Explain <b>one</b> possible reason why average cost per unit may increase as the output level of a business increases.	2
		<p>AO1</p> <p>1 mark for identification of a correct reason, plus 1 mark for showing understanding of why it would cause an increase in average cost.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"><li>• Labour costs could increase as higher wages rates may be needed to recruit sufficient labour.</li><li>• Communication difficulties may slow down effectiveness of business operations as the business expands leading to higher costs.</li><li>• Administration costs may increase disproportionately as output increases.</li></ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

15	1	Using <b>Figure 2</b> , analyse why the price of a sofa sold by Handcraft Furniture Ltd is likely to be more expensive than a sofa sold by SofaSogood plc.	6															
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<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Handcraft Furniture Ltd. (HF) sells sofas to customers with much higher incomes than customers of SofaSogood (SS) which allows HF to raise its selling price.</li> <li>• HF has 12 workers whereas SS has 75, which means that the scope for specialisation is lower and therefore unit costs may be higher meaning the selling price will need to be higher to cover costs.</li> <li>• HF do not get as high a discount on their supplies as SS. SS benefit from purchasing economies of scale which means their unit costs are lower leading to lower prices for their sofas.</li> <li>• Machine intensive production by SS could mean that their variable costs of production are lower than the variable costs of HF whose product is hand-made. This means that HF has higher costs per unit leading to a higher selling price.</li> <li>• Because HF sofas are hand-made the output of sofas is lower than SS, 66 sofas per person at SS and 25 per person at HF. As a consequence of this productivity is much lower and labour costs are higher leading to having to charge higher prices.</li> <li>• SS sofas are located in a warehouse outside the town which enables them to gain the benefits of lower storage and distribution costs whilst HF are situated in town and are constrained by higher overheads.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>																		

16		State <b>two</b> of the main economic groups.	2
		<p>AO1</p> <p>1 mark for each correct group (max 2)</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Consumers</li> <li>• Government</li> <li>• Producers.</li> </ul>	

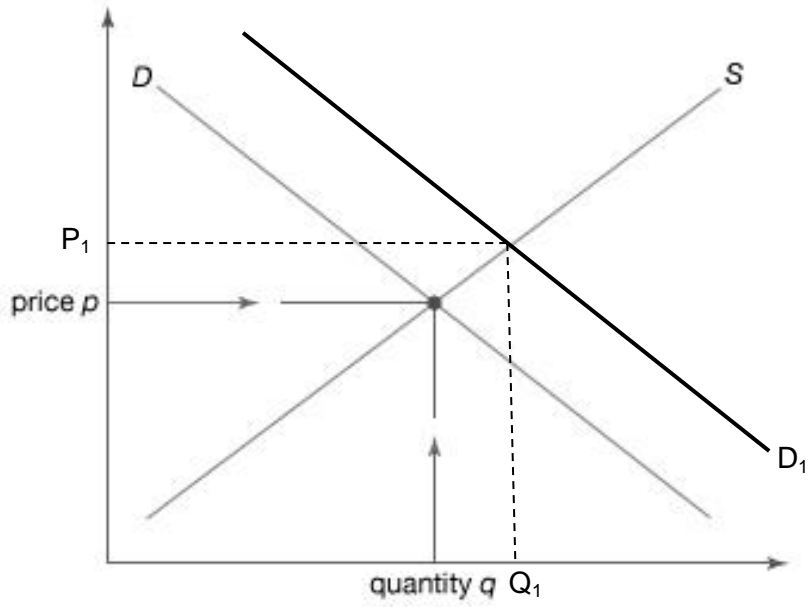
17		Explain why the demand for food is relatively price inelastic.	2
		<p>AO1</p> <p>1 mark for recognising that food is a necessity/no alternatives, plus 1 mark for showing understanding of effects of a price change on demand</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Food has no alternatives for sustaining life and so must be purchased in some form, so if price rises the quantity of food purchased will still remain the same.</li> <li>• A price reduction may not lead to a significant increase in quantity demanded for most people as food may be considered a necessity or income inelastic.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

18		Explain why online retailing is an example of a market.	2
		<p>AO1</p> <p>1 mark for recognising that online retailing enables buying or selling goods/services, plus 1 mark for showing understanding of the interaction between them in order to establish a price</p> <p><b>Possible answers</b></p> <ul style="list-style-type: none"> <li>• A market occurs when buyers and sellers are able to interact with one another to establish a price.</li> <li>• It brings buyers and sellers together in order to buy and sell goods and services at a price.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	



19	1	Using <b>Figure 3</b> , calculate the percentage change in weekly expenditure on eating out between 2011 and 2014. Give your answer to <b>one</b> decimal place and show your working.	2
		<p>AO2</p> <p><math>12.40 - 11.93 = 0.47</math> (1 mark)  <math>0.47/11.93 \times 100 = 3.9\%</math> (1 mark)</p> <p>Award 2 marks for correct answer with no workings.</p> <p>Award 1 mark only if:</p> <ul style="list-style-type: none"> <li>• Correct method with correct figures but wrong answer</li> <li>• Answer appears without % sign</li> <li>• Answer is not rounded to 1 decimal place.</li> </ul>	

19	2	Explain <b>one</b> possible reason for a rise in UK expenditure on eating out.	2
		<p>AO1</p> <p>1 mark for identification of a correct reason, plus  1 mark for showing understanding of why it would cause a rise.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Increased incomes mean people have more money to spend on luxuries.</li> <li>• Increased trend of eating out means that it becomes more popular.</li> <li>• The costs of home cooking have increased due to rising food prices and energy costs which makes eating out relatively cheaper at some fast food chains.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

20	1	<p>Draw and label on the diagram in <b>Figure 4</b>, to show the effects of warmer summer weather on the market for ice-creams.</p>	3
		<p>AO2</p>  <p>Correct drawing and labelling of the new D curve to the right of the original (1 mark)          Correct labelling of new equilibrium price, higher than original (1 mark)          Correct labelling of new equilibrium quantity, higher than original (1 mark)</p> <p><b>No marks for shift in supply – even if labelled Demand</b></p>	

21	1	Using <b>Figure 5</b> , assess whether the decision to install the machine will be beneficial for the business and the workers.	9															
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		<p>Note: If both business and workers are not covered in the response, can only reach level 2.</p> <p><b>Indicative content:</b></p> <p>For- business</p> <ul style="list-style-type: none"> <li>• The machine would enable further specialisation to take place which would lead to increased productivity. This would enable the business to become more competitive.</li> <li>• The machine will allow for further job role designations which will address the issue of waiting times and poor customer service. This will result in fewer customer complaints which could lead to a higher demand for burgers which will increase</li> </ul>																

		<p>profits.</p> <ul style="list-style-type: none"> <li>• The machine will allow the business to take advantage of technological economies of scale which will reduce their average costs and therefore result in lower prices for their products. This will mean they may be able to increase revenues through selling more whilst at the same time reducing their costs and increasing profits.</li> <li>• The machine will allow the business to grow or expand which could lead to opening more stores and hence greater profit potential.</li> </ul> <p><b>For-workers</b></p> <ul style="list-style-type: none"> <li>• The machine will result in fewer complaints which will create a nicer working environment and possibly increase the motivation and quality of service that workers can provide.</li> <li>• The machine could result in the business surviving in the long-term due to increased competitiveness and productivity, saving workers' jobs.</li> <li>• The machine could lead to the growth of the business in the long-term which could result in jobs being created and opportunities for further training and promotion.</li> </ul> <p><b>Against-business</b></p> <ul style="list-style-type: none"> <li>• The machine would be an expensive investment and may not lead to a high enough change in demand to cover the costs, which could lead to the failure of the business.</li> <li>• The machine may not improve productivity and competitiveness sufficiently to stave off competition from the large chains.</li> <li>• The machine could lead to the workers' demotivation which may lead to decreased productivity of workers which could affect waiting times and quality of customer service, impacting on profitability.</li> </ul> <p><b>Against-workers</b></p> <ul style="list-style-type: none"> <li>• The machine could lead to job losses in the short-term due to the machine taking over some existing work.</li> <li>• The machine could result in deskilling due to workers only being required to take on one stage of the process.</li> <li>• The machine could lead to quality of work deteriorating as a consequence of workers become bored and demotivated.</li> <li>• The machine could lead to a decrease in wages as the jobs required would be less skilled.</li> </ul> <p>There will be winners and losers in the short-term but the business and workers could all lose out in the long-term without the investment.</p> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	
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**Section B**

22	Give a definition of productivity.	2								
	<p>AO1</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Marks</th> <th style="text-align: center;">Description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2</td> <td>Complete definition addressing both output and input.</td> </tr> <tr> <td style="text-align: center;">1</td> <td>Partial definition addressing only output.</td> </tr> <tr> <td style="text-align: center;">0</td> <td>Nothing written worthy of credit.</td> </tr> </tbody> </table> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• The rate of output in relation to the input</li> <li>• A measure to calculate the efficiency of individuals, machines, businesses.</li> </ul>	Marks	Description	2	Complete definition addressing both output and input.	1	Partial definition addressing only output.	0	Nothing written worthy of credit.	
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23	Using <b>Figure 7</b> , calculate the difference in net pay of a Tesco store assistant and Aldi store assistant working a 40 hour week, with deductions of 20%. Show your working.	3
	<p>AO2</p> <p>Answer = £32.32 or -£32.32</p> <p>For Tesco store assistant: <math>£7.39 \times 40 = £295.60</math></p> <p>For Aldi store assistant: <math>£8.40 \times 40 = £336.00</math> (1 mark for both figures)</p> <p><math>£295.60 \times 0.8 = £236.48</math></p> <p><math>£336.00 \times 0.8 = £268.80</math> (1 mark for both figures) OFR</p> <p><math>£268.80 - £236.48 = £32.32</math> (1 mark) OFR</p> <p>or</p> <p><math>£236.48 - £268.80 = -£32.32</math> (1 mark) OFR</p> <p>Allow for correct workings set out in a different order.</p> <p>Alternative method</p> <p><math>£8.40 - £7.39 = £1.01</math> (1 mark)</p> <p><math>£1.01 \times 40 = £40.40</math> (1 mark) OFR    or    <math>£1.01 \times 0.8 = £0.808</math></p> <p><math>£40.40 \times 0.8 = £32.32</math> (1 mark) OFR    <math>£0.808 \times 40 = £32.32</math></p> <p>Award 3 marks for correct answer with no workings.</p>	

		<p>Award 2 marks only if:</p> <ul style="list-style-type: none"><li>• Correct method with correct figures but wrong answer.</li></ul> <p>Award 1 mark only if:</p> <ul style="list-style-type: none"><li>• The difference in gross pay is calculated</li></ul>	
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24	<p>The National Living Wage (NLW) government policy target is to increase the NLW to £9 per hour by 2020.</p> <p>Using <b>Figure 7</b>, explain <b>two</b> possible impacts of this policy on the UK supermarket industry.</p>	6										
	<p>AO2</p> <p>Apply the levels of response mark scheme to each impact – 3 marks maximum for each impact.</p> <table border="1" data-bbox="349 624 1252 891"> <thead> <tr> <th>Marks</th> <th>Levels of response mark scheme</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>Students cannot gain marks for a generic answer that does not explain an impact of the policy on the supermarket industry.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• The policy could impact on competition in the supermarket industry as the Big 4 supermarkets’ labour costs would increase more than the discounters’ and they may have to increase prices which might mean customers would choose to swap stores.</li> <li>• The policy may have no impact on the supermarket industry if wage rates in the industry increase prior to 2020 to a level near to the new NLW.</li> <li>• The policy could lead to the supermarket industry investing in more technology to enable the reduction of labour to reduce their labour costs, leading to fewer jobs in the industry.</li> <li>• The policy could mean that revenue will increase in the industry as consumers will have more money to spend on supermarket shopping.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	Marks	Levels of response mark scheme	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.	
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25		Using <b>Figure 6</b> , analyse the impact of the discount supermarkets entering the UK supermarket industry.	6															
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<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Increased competition in the UK supermarket industry because of an increased number of firms, which may lead to lower prices for consumers.</li> <li>• Increased range of products for consumers leading to increased choice and consumer welfare.</li> <li>• Reduced market share held by Big 4 may lead to reduced economies of scale, while discount supermarkets may benefit more from economies of scale.</li> <li>• Competitive response of Big 4 – heavy discounting to reduce market share losses to Aldi and Lidl.</li> <li>• May be ethical concerns as supermarkets (especially Big 4) may respond by putting more pressure on suppliers to cut prices.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>																		



26		Do you think the government should intervene further in the UK supermarket industry? Use <b>Figure 6 and 7</b> and your own economic knowledge to justify your view.	15
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AO2 = 5 , AO3 = 10

Level	Marks	Description
5	13-15	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.
4	10-12	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.
3	7-9	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.
2	4-6	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.
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.

		<p><b>Issues for exploration may include:</b></p> <ul style="list-style-type: none"> <li>• Oligopoly – market leadership. Should the government give subsidies or tax incentives to new entrants, or would this distort the workings of the market and lead to higher prices? Also Aldi and Lidl have already successfully entered the market without intervention, increasing competition and lowering prices in the industry.</li> <li>• Non-price competition. Should the government provide opportunities for other businesses to utilise advertising media, or could this lead to a misrepresentation of their significance given that they may not have the resources to compete or survive? Would this result in lowering prices for the consumer?</li> <li>• Pressure on suppliers – Should the government regulate the actions of the Big 4 in relation to their suppliers in order to make sure they pay the market price? They already have the power to fine supermarkets pressurising suppliers but this involves lengthy investigations that could mean the supplier has already gone out of business by the time the problem is addressed.</li> <li>• Food waste – Should the government legislate about the use of surplus food? Could this restrict consumer choice and significantly reduce profits within the industry?</li> <li>• Work practices- Should the government intervene, this could increase prices for consumers but at the same time could improve working conditions for staff at discount supermarkets.</li> <li>• Special Offers – Should the government intervene to insist that the Big 4 provide clearer information regarding special offers so that consumers can make better and more informed choices? This could result in higher prices for consumers in the long run.</li> <li>• Price fixing – Should the government get involved by regulating price setting within the industry? How could this actually be enforced when prices are constantly changing?</li> <li>• Would the cost of intervention outweigh the benefits for the economy and the consumer?</li> <li>• Is it desirable in a free market economy to have the government intervening to such a degree?</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	
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