

# Mark Scheme (Results)

## Summer 2008

GCE

### GCE Economics (6351)

6351 01 Mark Scheme Summer 2008

1	2	3	4	5	6	7	8
C	A	C	C	D	A	A	C

1. If incorrect option is selected, a **maximum of 2 marks** are available for explanation
2. Up to 2 marks are available for candidates explaining two incorrect options.
3. If option is left blank, but correct option is referred to in the text, then the mark for the correct key is available.

Question Number	Answer	Mark
1	C  Definition of specialisation i.e. reference to division of labour <b>2 marks</b>  Explanation of how productivity might rise through specialisation <b>1 mark</b>  Application to the pin factory or other industrial process <b>1 mark</b>	(1)       (4)

Question Number	Answer	Mark
2	A  Restrictions on the amount of fish caught cause the supply curve to shift to the left <b>2 marks</b>  Diagram or written explanation of how prices increase as a result <b>2 marks</b>	(1)      (4)

Question Number	Answer	Mark
3	C  Explanation that speculation will increase demand for shares in Boots <b>2 marks</b>  Diagram or written explanation to show increase in demand and therefore increase in share price <b>2 marks</b>	(1)      (4)

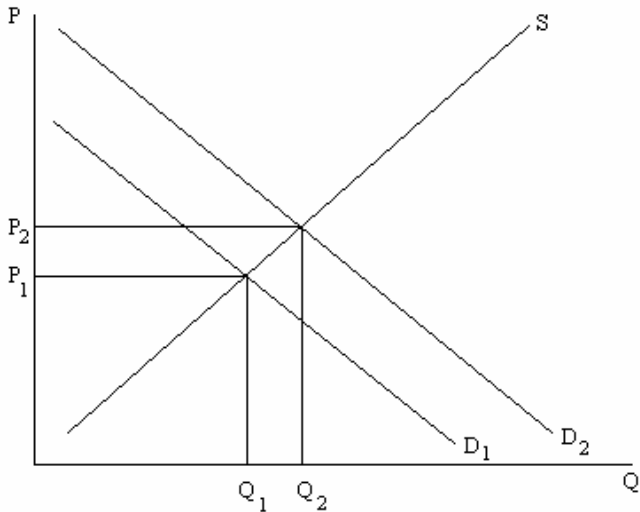
Question Number	Answer	Mark
4	<p>C</p> <p>Advertising campaign causes a shift in demand to the right from D1 to D2 (X to Y or W to C) 2 marks</p> <p>Rainfall damages the asparagus crop therefore causing supply to shift to the left from S1 to S3 (Y to C or X to W) 2 marks</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
5	<p>D</p> <p>Definition of Income elasticity of demand - the responsiveness of quantity demanded to a change in income or percentage change in quantity demanded / percentage change in income 2 marks</p> <p>Definition of an inferior good as having a negative IED 1 mark</p> <p>Calculation of the percentage increase in income (50%) 1 mark</p> <p>Application to the question i.e. demand for takeaway food falls (by 25%) therefore negative IED and therefore inferior good 1 mark</p> <p>Calculation of IED for takeaway food as -0.5 1 mark</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
6	<p>A</p> <p>Definition of Price Elasticity of Demand - the responsiveness of quantity demanded to a change in price or percentage change in quantity demanded / percentage change in price 2 marks</p> <p>Calculation of percentage change in price i.e. 20% 1 mark</p> <p>Calculation of percentage change in quantity demanded number of shirts sold i.e. 20% and application to question i.e. calculation of % change in QD and % change in price 1 mark</p> <p>Calculation of PED as -1 (or unit elasticity) 1 mark</p>	<p>(1)</p> <p>(4)</p>

Question Number	Answer	Mark
7	<p><b>A</b></p> <p>Definition of consumer surplus: "The difference between the amount a consumer is willing to pay and the amount they actually pay" <b>2 marks</b></p> <p>Or "the area between the demand curve and the price" <b>1 mark</b></p> <p>Identification that demand will shift to the right <b>1 mark</b> and therefore price will increase <b>1 mark</b></p> <p>Annotation of change in consumer surplus <b>1 mark</b></p> <p>Identification that consumer surplus has increased <b>1 mark</b></p>	<p><b>(1)</b></p> <p><b>(4)</b></p>

Question Number	Answer	Mark																								
8	<p>C</p> <table><tr><th>Price per unit (£)</th><th>Quantity demanded (units)</th><th>Quantity supplied (units)</th><th>Quantity supplied after tax (units)</th></tr><tr><td>70</td><td>400</td><td>480</td><td>440</td></tr><tr><td>65</td><td>420</td><td>460</td><td>420</td></tr><tr><td>60</td><td>440</td><td>440</td><td>400</td></tr><tr><td>55</td><td>460</td><td>420</td><td>380</td></tr><tr><td>50</td><td>480</td><td>400</td><td>360</td></tr></table> <p>For correct use of the table, up to 2 marks</p> <p>Definition of tax - a charge levied by government on each unit sold by the firm, which increases the cost of production 1 mark</p> <p>Explanation that supply shifts to the left 1 mark</p> <p>Identification of original equilibrium price - £60 - 1 mark</p> <p>Identification of new equilibrium price - £65 - where demand equals the new supply 1 mark</p> <p>Correct use of a diagram showing shift in the supply curve to the left 1 mark and new equilibrium point 1 mark with correct labelling of old and new price and quantity 2 marks, i.e. Original price = £60 original output = 440 New price = £65 new output = 420</p>	Price per unit (£)	Quantity demanded (units)	Quantity supplied (units)	Quantity supplied after tax (units)	70	400	480	440	65	420	460	420	60	440	440	400	55	460	420	380	50	480	400	360	<p>(1)</p> <p>(4)</p>
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50	480	400	360																							

Question Number	Answer	Mark
9(a)	<p>Correct diagram showing shift in demand curve and increase in price of uranium <b>2 marks</b></p>  <p>Written explanation of why demand for Uranium has increased - reference to increased demand for nuclear power (i.e. derived demand). <b>2 marks</b></p>	(4)

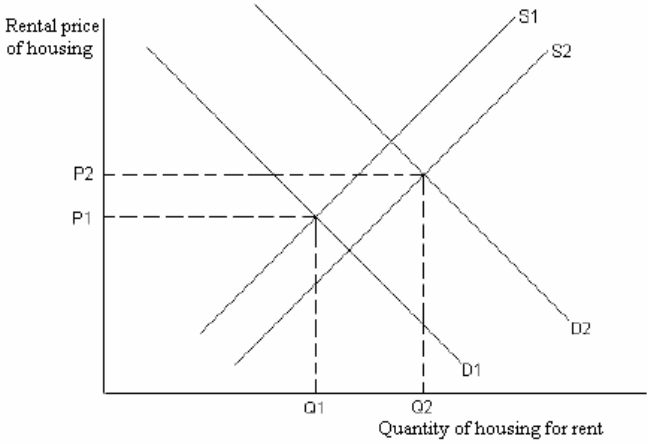
Question Number	Answer	Mark
9(b)	<p>Reference to the profit motive associated with the upward sloping supply curve <b>1 mark</b> explanation of how increasing demand and higher prices are an incentive for firms to enter the market <b>1 mark</b></p> <p><b>Evaluation</b>  Discussion of other factors which may play a part in the entry of firms into the uranium extraction industry - these may include cheaper extraction methods, greater difficulty in other mining operations, long term v short term profit motives. <b>2 marks for any one point</b></p>	(4)

Question Number	Answer	Mark
9(c)	<p>Formula and definition of PES - the responsiveness of quantity supplied to a change in price or percentage change in quantity supplied / percentage change in price 1 mark</p> <p>Explanation of the relationship between PES and ability to increase supply - reference to short run inelastic supply (1 mark) and reference to long run elastic supply (1 mark)</p> <p>Comment on the implications for a country in figure 1 e.g. in USA it is now possible to extract significantly more uranium because the price has increased. 1 mark</p> <p><b>Evaluation</b> Discussion of other factors that will influence decisions to mine uranium such as whether this is expected to be a long run phenomenon, or whether excess supply from around the world will cause prices to fall, the speed with which firms can react and the factors that play a part in determining this ability to react 2 marks</p>	(6)

Question Number	Answer	Mark
9(d)	<p>Definition of subsidy: Payment by government to reduce the cost of production/encourage supply. 1 mark</p> <p>Nuclear power requires large scale, long term investment and therefore requires state intervention or it is not profitable at current uranium prices, therefore government must intervene to lower uranium prices. Specific reference to how this makes nuclear power stations more profitable/encourages more to be built must be made. 1 mark</p> <p>Diagram showing supply curve shifting to the right. 2 marks</p> <p><b>Evaluation</b> What role does the private sector play, good use of taxpayers' money, potential long term costs? Possible reference to elasticity of demand for nuclear power stations and consequent increase in quantity as a result of a subsidy. Also depends on the size of the subsidy 2 marks for any one evaluative statement</p>	(6)

Question Number	Answer	Mark
10(a)	<p>Correct definition of positive statement - must include reference to 'testable' or 'verifiable' 1 mark</p> <p>Correct identification from opening paragraph of a positive statement and direct reference to it e.g. <i>"Rising tenant demand has ensured that it has been a strong start to the year for the residential rental market"</i> 1 mark and explanation of how this is testable 1 mark</p> <p>Correct definition of normative statement - must include 'value judgement' or 'not testable/verifiable' 1 mark</p> <p>Do not accept 'opinion' on its own.</p> <p>Correct identification from opening paragraph of a normative statement and direct reference to it e.g. <i>"Some critics are calling for government intervention as rents are becoming unfairly high"</i> 1 mark</p> <p>Marks to be allocated 2 + 2 marks</p>	(4)



Question Number	Answer	Mark
10(b)	<p>Diagram showing shift in D curve to the right 1 mark. Shift in S curve to the right 1 mark showing an increase in price 1 mark.</p>  <p>Either written or diagrammatic explanation/illustration of smaller increase in supply than demand 1 mark.</p> <p>Reference to extract to explain shift in D 1 mark i.e.: rising demand from abroad or corporate clients and shift in S 1 mark i.e.: evidence from extract that supply is increasing by 17%.</p> <p>Maximum of 3 marks if there is no correct shift in the supply curve.</p>	(6)

Question Number	Answer	Mark
10(c)	<p>Definition or formula for cross price elasticity of demand - the responsiveness of quantity demanded of owner-occupied housing to a change in rental prices or percentage change in quantity demanded of owner-occupied houses / percentage change in rental prices  <b>1 mark</b></p> <p>Do accept reference to 'good A' and 'good B'</p> <p>Explanation that owner-occupied housing and rental accommodation are likely to have a positive relationship <b>1 mark</b> and therefore they are substitutes <b>1 mark</b></p> <p><b>Maximum of 2 marks available for the above explanation.</b></p> <p><b>Evaluation</b>  Identification and explanation of other factors that might determine the relationship and the closeness of this relationship, should one exist. E.g. confidence in the economy and future price increases. <b>3 marks for one or more evaluation points.</b></p>	(5)

Question Number	Answer	Mark
10(d)	<p>Difficulty to build new housing stock, time associated and the planning regulations and obstacles. Also supply slowing down as people seek to cash-in on their assets. Or reference to factors which have caused demand to increase at a greater rate than supply, such as income increasing. <b>2 marks</b></p> <p>Reward use of data from figures 1 &amp; 2. <b>1 mark</b></p> <p><b>Maximum of 2 marks can be awarded for the above</b></p> <p><b>Evaluation:</b> Significance of an argument, perhaps demand rising faster, housing stock is still rising as one would expect as rents increase. <b>3 marks</b></p>	(5)



