

Mark Scheme (Results) Summer 2010

GCE

GCE ECONOMICS & BUSINESS(6EB04) Paper 01

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Unit 4b: The Wider Economic Environment and Business

Marking Scheme

Question Number	Question	
1.	What is meant by the term 'restrictive practice' (see Evidence A line #)?	
	Answer	Mark
	<p>Knowledge up to 2 marks: A definition of restrictive practice e.g. "a trade practice which has or may have the effect of preventing, discounting or restricting competition in any manner" or equivalent demonstrating understanding = 2 marks.</p> <p>Notes:</p> <p>Note 1: 1 mark for partial or vague definition (but a valid example lifts to 2 marks).</p> <p>Any valid extension or plausible application to the context will also gain the 2nd mark.</p>	1-2

Question Number	Question	
2.	What is meant by the term 'monopoly' (see Evidence B line #)?	
	Answer	Marks
	<p>Knowledge up to 2 marks: A valid definition of monopoly e.g. "A market situation where there is only one seller". Alternatively, the legal definition of monopoly is "a firm which has a market share greater than 25%".</p> <p>Notes:</p> <p>Note 1: 1 mark for partial or vague definition (but a valid example lifts to 2 marks).</p> <p>Any valid extension or plausible application to the context will also gain the 2nd mark.</p>	1-2

Question Number	Question	
3.	Briefly explain two ways the Competition Commission can protect the interests of consumers.	
	Answer	Marks
	<p>Knowledge 2, Application 2 Analysis 1</p> <p>Knowledge up to 2 marks: Most inquiries are undertaken in response to a reference made to it by the Office of Fair Trading (OFT) but in certain circumstances by the Secretary of State, or by the regulators of regulated industries. The Commission has no power to conduct inquiries on its own initiative (1 mark). Its work is to make sure that competition remains the driver of the long-term competitiveness of UK industry (1 mark). The key point is that this should ensure greater consumer choice (1 mark) and competitive pricing (1 mark).</p> <p>Application up to 2 marks: CC can prevent mergers if market share exceeds 25% (1 mark) and not in the public interest (1 mark). It can force a company to sell off parts of its business (1 mark). Can request undertakings from companies under investigation (1 mark). Can make orders to regulate restrictive trade practices (1 mark). Can recommend new legislation to Government (1 mark), but can act independently of Government without reference (1 mark).</p> <p>Note: Valid if partially flawed assertion for any other power - (Up to 1 mark).</p> <p>Analysis 1 mark: The Beer Orders are an example of the CC's powers being exercised.</p> <p>Note: care to distinguish between actions of CC and OFT</p>	<p>1-2</p> <p>1-2</p> <p>1</p> <p>Total (5marks)</p>

Question Number	Question	
4.	Briefly comment on the price elasticity of demand for alcoholic drinks (see Evidence E)	
	Answer	Mark
	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark A valid definition of price elasticity e.g. "The percentage change in the quantity demanded divided by the corresponding percentage change in its price". (accept formula or implied formula)</p> <p>Application: up to 2 marks Beer 0.35, wine 0.68, spirits 0.98. Any 2 (accept percentage changes)</p> <p>Analysis: 1 mark Evidence E suggests that beer and wine are relatively price inelastic, with spirits close to unitary elasticity. Accept any of these.</p>	<p>1</p> <p>1-2</p> <p>1</p> <p>Total (4 marks)</p>

Question Number		Question	
5.		Assess the likely impact of recession on the UK pub industry.	
Level	Mark	Descriptor	Possible Content
Level 4	8	Expect to see evaluative points. Advantages and disadvantages explained and support some evaluation.	<ul style="list-style-type: none"> Some newly unemployed citizens may visit pubs more regularly, but this is unlikely to compensate for a general decline in trade. Pubco approach to tenants may not be sustainable in a recessionary market. May provide opportunities for more efficient operators.
Level 3	6-7	Candidate analyses the consequences of recession. NIC = 6 marks max	<ul style="list-style-type: none"> Adverse effect on the profitability of both tenants and pubcos. Supermarket competition may increase.
Level 2	3-5	Answers should be related to the UK pub industry	<ul style="list-style-type: none"> It is likely that candidates will be aware of pub closures. Discretionary nature of expenditure on alcohol in pubs.
Level 1	1-2	Candidate shows knowledge of recession	<ul style="list-style-type: none"> The recession is likely to affect retail sales adversely

Question Number	Question		
6.	Assess the likely impact of the 1989 Beer Orders on prices and competition.		
Level	Mark	Descriptor	Possible Content
Level 4	7-9	Expect to see strong analysis and convincing evaluative points based on analysis of the business situation. Answer is coherent, has some balance, is related to the context and makes good use of toolkit.	<ul style="list-style-type: none"> The likely impact was lower prices and greater choice. Reserve Level 4 for those who recognise this has failed to happen.
Level 3	5- 6	Good awareness in context of the likely effects of competition regulation and the mechanisms underpinning it. At this level, both prices and competition should be addressed NIC = 5 marks max	<ul style="list-style-type: none"> Restriction on tied pub numbers should reduce brewery power. Pubcos now have more market power than the breweries did in 1989.
Level 2	2-4	Some relevant awareness in context but lacks development. Perhaps only one strand. Toolkit use may be limited.	<ul style="list-style-type: none"> Choice should have increased (Guest Beers) Prices should have fallen (more competition).
Level 1	1	Candidate shows some knowledge of competition regulation.	<ul style="list-style-type: none"> Regulation means more competition.

Question Number	Question		
7.(a) QWC i-iii	Assess the case for an increase in beer taxation in the UK. (20)		
Level	Mark	Descriptor	Possible Content
Level 4	15-20	<p>Evaluation must be present.</p> <p>Low Level 4: 15 - 17 marks Some evaluative points are made, based on analysis of the situation and / or evidence.</p> <p>High Level 4: 18 - 20 marks Works to convincing evaluation on the initiatives and provides a supported conclusion.</p> <p>Candidate uses Economics and Business terminology precisely and effectively with good to excellent spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • Beer is highly price inelastic, so consumption falls proportionately much less than increases in price. • Might encourage illegal cross border trade • If the aim is simply to raise revenue for government, this is good news, but if the aim is to reduce consumption, a tax increase will be less effective.
Level 3	7-14	<p>Analysis must be present. NIC = 7 marks max</p> <p>Analysis with reasonable application to the evidence and use of toolkit.</p> <p>Low level 3: 7 - 10 marks Candidate attempts to analyse consequences of increasing beer taxation. Some elementary conclusions or recommendations attempted, but may lack depth and/or development.</p> <p>High level 3: 11 - 14 marks Clear Analysis with reasonable application to the evidence and use of toolkit. Candidate analyses consequences of increased beer taxation.</p> <p>The candidate uses Economics and Business terminology quite well/style of writing is appropriate for the question/reasonable to good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • The UK already has high beer taxation relative to most of its EU neighbours. • Beer in supermarkets could remain relatively cheap. • Younger drinkers and particularly under age ones prefer alco-pops (these carry less tax per unit than beer). • Those dependent on alcohol could substitute wine or spirits.
Level 2	4-6	<p>Candidate applies information in evidence to raise points in context.</p> <p>Candidate uses some Economics and Business terms but the style of writing could be better. There will be some errors in SPG. Legibility of the text could have been better in places.</p>	<ul style="list-style-type: none"> • Rise in alcohol related problems (ambulance call-outs), so some response necessary. • Any increase in price would have some effect in reducing alcohol consumption • The additional tax raised could be used to

			fund information campaigns, increased policing, the NHS etc.
Level 1	1-3	<p>Candidate shows knowledge and understanding.</p> <p>To achieve a mark of 1 - 3 the candidate will have struggled to use Economics and Business terminology legibly with frequent errors in SPG and / or weak style and structure of writing.</p>	<ul style="list-style-type: none"> • Knowledge of tax and/or taxpayers

Question Number	Question		
7.(b) QWC i-iii	To what extent should the national Health Service (NHS) charge patients for the treatment of alcohol related conditions?		
Level	Mark	Descriptor	Possible Content
Level 4	17-30	<p>Evaluation must be present.</p> <p>Threshold Level 4: 17 - 19 marks Attempts evaluation. An answer displaying limited judgement.</p> <p>Low Level 4: 20-23 marks Evaluates effectively.</p> <p>Medium Level 4: 24 - 27 marks An answer displaying effective evaluation of arguments and an attempted conclusion.</p> <p>High Level 4: 28 - 30 marks An answer displaying the ability to convincingly weigh up the costs and benefits of alternative approaches. Balanced conclusions and recommendations based on sound analysis of the evidence.</p> <p>Candidate uses Economics and Business terminology fluently with good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> Unlikely to reduce alcoholism. Nanny state. Consumption is already falling (Evidence B) and below that of many comparable EU states, some of which enjoy better health benefits. According to Evidence D and H, taxation on alcohol covers NHS spending on alcohol related conditions three times over. In addition, most patients have paid income tax and/or VAT and excise duty on legally obtained products. Evidence A indicates some potential health benefits. <p>On the other hand,</p> <ul style="list-style-type: none"> Many lives could be saved
Level 3	7-16	<p>Analysis must be present NIC = 7 marks max</p> <p>Low level 3: 7 - 9 marks Weak/ poor context</p> <p>Medium level 3: 10-12 marks Candidate analyses consequences of charging OR failing to charge.</p> <p>High level 3: 13 - 16 marks Clear Analysis with effective application to the evidence and use of toolkit.</p>	<ul style="list-style-type: none"> Improved health. Less street disturbances. Might make some think twice Unfair to retrospectively make drinkers liable for damage already done. Most alcohol related use of A&E comes from younger binge drinkers.

		<p>Answer may be less clear than Level 4 and may lack balance.</p> <p>The candidate uses Economics and Business terminology quite well/style of writing is appropriate for the question/reasonable to good spelling, punctuation and grammar.</p>	
Level 2	4-6	<p>4 - 6 marks Some application and knowledge of potential reasons for charging.</p> <p>The candidate may use some Economics and Business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • Charging could reduce problems. • Reduction in cost to taxpayer.
Level 1	1-3	<p>1 - 3 marks Candidate shows knowledge of NHS funding.</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text.</p>	<ul style="list-style-type: none"> • NHS already paid for from general taxation.

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