

Mark Scheme (Results)

January 2012

GCE Economics & Business (6EB04)  
Paper 01

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Marks may be awarded for any correct responses, not just the indicative answers which appear on the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- The requirement to define economics and business terms is implicit within the questions and marks are awarded for this.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Quality of written communication will be assessed in Section B, Question 7a & 7b. The mark scheme for this question will indicate which strands of Quality of Written Communication are being assessed. The strands are as follows:
  - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear;
  - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter;
  - iii) organise information clearly and coherently, using specialist vocabulary where appropriate.

## Unit 4b: The Wider Economic Environment and Business

### Marking Scheme

Question Number	Question	Mark
1.		
	Answer	Mark
	<p><b>Knowledge up to 2 marks:</b> A valid definition of optimum allocation of resources e.g. “MSB=MSC”. Some students may refer to Pareto efficiency or equivalent = 2 marks.</p> <p><b>Note:</b> 1 mark for partial or vague definition (but a valid example lifts to 2 marks). Any valid extension or plausible application to the context demonstrating understanding will also gain the 2<sup>nd</sup> mark.</p>	1-2

  

Question Number	Question	Marks
2.		
	Answer	Marks
	<p><b>Knowledge up to 2 marks:</b> A valid definition of social benefit e.g. private benefits plus positive externalities.</p> <p><b>Note:</b> 1 mark for partial or vague definition (but a valid example lifts to 2 marks). Any valid extension or plausible application to the context demonstrating understanding will also gain the 2<sup>nd</sup> mark.</p>	1-2

  

Question Number	Question	Marks
3.		
	Answer	Marks
	<p><b>Knowledge 1 mark:</b> A valid definition of competitiveness e.g. “Rivalry between two or more firms striving for the same customer or market, probably based around price and quality.” Or implied understanding.</p> <p><b>Application up to 2 marks:</b> Business costs in Nottingham will rise (1 mark). Firms outside the city won’t be obliged to pay (1 mark). Boots may relocate (1 mark)</p> <p><b>Analysis 1 mark:</b> Less congestion should reduce delivery costs (1mark), improved public transport improves competitiveness because easier to attract a wider range of employees from a wider area (1 mark). Employers may pass the cost on to employees (1mark) long run social benefit should exceed social cost (1 mark).</p> <p>There are other valid approaches and there is no prescriptive response, credit any logical arguments.</p>	<p>1</p> <p>1-2</p> <p>1</p>

Question Number	Question	
4.		
	Answer	Mark
	<p>Knowledge 1, Application 2, Analysis 1</p> <p><b>Knowledge: 1 mark</b> Some understanding of blip or trend (short term vs. long term).</p> <p><b>Application: up to 2 marks</b> Some reference to the data e.g. very small decline in car numbers (0.7%) Projected population increase (10m in 20 years).</p> <p><b>Analysis: 1 mark</b> Evidence G suggests that population increase will result in increased demand (1 mark). Increased costs could result in a re-appraisal of car use by individuals (1 mark). The %age fall is less than the number of cars scrapped under the Gov't scheme (1 mark). Recessions don't last forever(1 mark). Scrappage scheme now finished (1 mark).</p> <p>There are other valid approaches and there is no prescriptive response, credit any logical arguments.</p>	<p>1</p> <p>1-2</p> <p>1</p> <p><b>Total (4 marks)</b></p>

Question Number	Question	
5.		
	Answer	Mark
	<p>Knowledge 2, Application 4, Analysis 2</p> <p><b>Knowledge: 1 mark per reason (max 2)</b></p> <p><b>Application: up to 2 marks per reason (max 4).</b> Some reference to the data e.g. Different fuels, different prices; different price levels in different countries; different government policy objectives; different taxes.</p> <p><b>Analysis: 1 mark per reason (max 2)</b> Petrol and diesel generally more expensive than LPG to discourage usage, Much cheaper in USA because government choose not to tax highly, Economies of scale, geography, cost of living e.g. Bulgaria.</p> <p>There are other valid approaches and there is no prescriptive response, credit any logical arguments.</p>	<p>1</p> <p>1-2</p> <p>1</p> <p><b>Total (4 marks)</b></p> <p>x2</p>

Question Number	Question		
6.			
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows some knowledge.	<ul style="list-style-type: none"> <li>• Some awareness of the scheme.</li> <li>• Some awareness of economy.</li> </ul>
Level 2	3-4	Some relevant awareness in context.	<ul style="list-style-type: none"> <li>• Short term boost to car industry.</li> <li>• Car workers' jobs protected.</li> <li>• £2,000 cost to taxpayer of subsidy.</li> </ul>
Level 3	5-6	<p>Good development in context of the likely economic effects of the scheme and the mechanisms involved.</p> <p>Either pros or cons could be addressed.</p>	<ul style="list-style-type: none"> <li>• More jobs in new car showrooms because of increased sales.</li> <li>• More jobs in recycling because of more scrap.</li> <li>• Most cars now imported so little impact on UK manufacturing.</li> <li>• Cost to UK taxpayer in terms of Opportunity cost.</li> </ul>
Level 4	7-10	Expect to see 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 concepts, theories and/or methods.	<ul style="list-style-type: none"> <li>• More international trade.</li> <li>• Taxation on new cars means low cost exercise for government.</li> <li>• Newer cars more likely to be serviced regularly.</li> <li>• Health benefits of 'cleaner' cars could mean some on benefits can return to work.</li> </ul> <p>BUT</p> <ul style="list-style-type: none"> <li>• Less jobs at the lower end of second hand car market.</li> <li>• Possibly only benefits those who would have purchased a new car anyway.</li> <li>• Increases price of second hand cars due to relative scarcity, so some may hang on to "bangers" longer.</li> </ul>

Cap at 5 marks if only one consequence.

Question Number	Question		
7.(a) QWC i-iii			
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of recycling or fuel duty.</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"> <li>• Positive externality of using an otherwise waste product.</li> <li>• Sustainability.</li> <li>• Excise tax.</li> </ul>
Level 2	4-6	<p>Some application and knowledge of reasons behind recycling and/or taxation.</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"> <li>• Examples of recycling</li> <li>• Low CO2 emissions from biodiesel.</li> <li>• Revenue increase for government (20p per litre).</li> <li>• Reference to Uptown Oil.</li> <li>• Reference to other countries (evidence I)</li> </ul>
Level 3	7-14	<p>Analysis must be present</p> <p><u>Low level 3: 7 - 8 marks</u> Analysis weak: only one reason/cause/cost or consequence is outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 9 - 11 marks</u> Analysis is more developed: two of reasons/causes/costs and/or consequences are outlined.</p> <p><u>High Level 3: 12 - 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be one-sided.</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"> <li>• Merit goods such as recycled biodiesel require subsidy because otherwise under-consumed.</li> <li>• Undermines climate change objectives as price hike makes less attractive.</li> <li>• Simply a way to avoid fair share of fuel taxation as bio-diesel still causes some pollution.</li> <li>• Evidence I indicates recycled cooking oil very environmentally friendly when used as diesel substitute.</li> </ul>

Level 4	15-20	<p>Evaluation must be present.</p> <p><u>Low Level 4: 15 - 16 marks</u> Some evaluative points are made, based on analysis of the economy and / or case study information without arriving at a conclusion/ judgement.</p> <p><u>Medium Level 4: 17-18 marks</u> A judgement is attempted with some balance showing the economic consequences.</p> <p><u>High Level 4: 19 - 20 marks</u> Works to convincing evaluation of the consequences of an increase in fuel duty.</p> <p>Candidate uses Economics and Business terminology fluently with good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> <li>• May threaten commercial viability.</li> <li>• Merit good (environmentally friendly).</li> <li>• Fairer competition (level playing field).</li> <li>• Might otherwise be poured down drain (illegal pollution of water courses).</li> </ul> <p>On the other hand,</p> <ul style="list-style-type: none"> <li>• Market is relatively small. Only one company in London.</li> <li>• Supply limited relative to potential demand.</li> <li>• Taxi drivers get all the benefit.</li> <li>• Raw material 'free'.</li> <li>• Lost tax revenue on mineral Diesel needs replacing.</li> </ul>
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Question Number	Question		
7.(b) QWC i-iii			
Level	Mark	Descriptor	Possible Content
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"> <li>• Knowledge of MPC. e.g. meeting monthly to decide on Official Bank Rate.</li> <li>• Knowledge of interest rates.</li> </ul>
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"> <li>• Higher rates reduce inflation.</li> <li>• Application of transmission mechanism.</li> <li>• Deflationary impact of recession.</li> </ul>

Level 3	7-16	<p><u>Low level 3: 7 - 9 marks</u> Candidate will attempt very basic analysis of the link between monetary policy and the economy. One or two reasons/causes/costs and /or consequences are outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 10 - 12 marks</u> Candidate looks at a range of reasons/causes/costs and/or consequences of the nature of monetary policy/ inflation. Answer will be in context.</p> <p><u>High Level 3: 13 - 16 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be clearly in context.</p> <p>Answer will be one-sided.</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"> <li>• Second quarter target exceeded.</li> <li>• Deflationary forces, so no need to act now.</li> <li>• Minimal price pressures going forward.</li> <li>• More investment.</li> <li>• More consumption.</li> <li>• Cheaper borrowing has positive effect on housing market.</li> </ul>
Level 4	17-30	<p><u>Threshold Level 4: 17-18 marks</u> One limited attempt to evaluate arguments made.</p> <p><u>Low Level 4: 19-21</u> More than one limited attempt to evaluate arguments made.</p> <p><u>Mid Level 4: 22-24</u> Detailed evaluation of arguments made, which will be based on a range of sources and/or specification areas</p> <p><u>High Level 4: 25-30</u> Balanced conclusions and/or recommendations based on sound analysis of the economic situation and case study information.</p> <p>Candidate will make a clear conclusion as to whether the MPC should have increased interest rates or not.</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"> <li>• No need for action now as recessionary factors enough to keep inflation low.</li> <li>• Increase could impact negatively on house prices and consumption sparking double dip recession.</li> <li>• Increase would mean government paying more to fund deficit.</li> <li>• Investment would fall further.</li> <li>• Sterling would strengthen. Trade balance?</li> </ul> <p>BUT</p> <ul style="list-style-type: none"> <li>• Inflation keeps rising.</li> <li>• A token rise might slow this without damage.</li> <li>• MPC forecast might lose credibility.</li> <li>• Change in inflationary expectations</li> </ul>

### Assessment Objectives

Question No.	Knowledge	Application	Analysis	Evaluation	Spec
1	2				4.3.1ba
2	2				4.3.1bb
3	1	2	1		4.3.1bd
4	1	2	1		Synoptic
5	2	4	2		4.3.4bc
6	2	2	2	4	4.3.3bb
7 (a)	3	3	8	6	4.3.3ba
7 (b)	3	3	10	14	4.3.3bb
<b>Total</b>	<b>16</b>	<b>16</b>	<b>24</b>	<b>24</b>	

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