

Mark Scheme (Results)

Summer 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	
1.	What is meant by the term <b>supply side policy</b> ?	
	Answer	Mark
	<p><b>Knowledge up to 2 marks:</b> Government policy aimed at improving the efficiency of markets/ to increase aggregate supply (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 mark. e.g. subsidy</p>	1-2

Question Number	Question	
2.	What is meant by the term <b>fiscal policy</b> ?	
	Answer	Marks
	<p><b>Knowledge up to 2 marks:</b> Fiscal policy is the use of taxation and/ or expenditure by government to influence the economy (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. e.g. income tax</p>	1-2

Question Number	Question	
3.	Explain why emissions from commercial vehicles are considered to be a negative externality ( <b>additional evidence J</b> ).	
	Answer	Marks
	<p><b>Knowledge and understanding 1 mark:</b> Some valid understanding of negative externality e.g. "social costs minus private costs" (1 mark)</p> <p><b>Application 1 mark:</b> Carbon monoxide/smoke/ other emissions (1 mark)</p> <p><b>Analysis up to 2 marks:</b> Polluted air contributes to health problems (1 mark) the treatment of which has to be paid for by the tax payer (1 mark)</p> <p><i>There are other valid approaches and there is no prescriptive response, credit any logical arguments.</i></p>	<p><b>1</b></p> <p><b>1</b></p> <p><b>1-2</b></p>

Question Number	Question	
4.	Explain one social benefit that might result from road transport.	
	Answer	Mark
	<p>Knowledge 1, Application 1, Analysis 2</p> <p><b>Knowledge and understanding 1 mark:</b> Social benefits are the positive effects on society of an economic decision/e.g. employment/government revenue (1 mark)</p> <p><b>NB</b> knowledge may be implied therefore demonstrating understanding</p> <p><b>Application 1 mark:</b> Quicker deliveries/lower transport costs/ wide range of goods available/easier travel to friends and relatives (1 mark)</p> <p><b>Analysis: Up to 2 marks</b> Quicker deliveries to supermarkets help to reduce costs (1 mark) which can be passed on to the consumer as lower prices (1 mark)</p> <p><i>There are other valid approaches and there is no prescriptive response, credit any logical arguments.</i></p>	<p><b>1</b></p> <p><b>1</b></p> <p><b>1-2</b></p> <p><b>Total (4 marks)</b></p>

Question Number		Question	
5.		Using <b>Evidence C, E &amp; F</b> , analyse why the UK Government subsidises bus travel for passengers over the age of 60.	
Level	Mark	Descriptor	Possible Content
<b>Level 1</b>	1-2	Candidate shows knowledge of financial support/public subsidy.	e.g. incentive paid by central or local government e.g. a subsidy is the opposite of a tax
<b>Level 2</b>	3-6	Answers should be applied to bus travel.  3-4 marks one reason 5-6 marks more than one reason	e.g. rising costs of motoring e.g. many people over the age of 60 might not have a car e.g. people over the age of 60 may be on relatively low incomes
<b>Level 3</b>	7-8	Candidate analyses by offering reasons/ causes/ consequences in the context of bus travel	e.g. if people over the age of 60 are encouraged not to use their cars this helps to lower congestion e.g. better access to essential services e.g. access to paid work

*N.B. Award for appropriate diagrams, e.g. positive shift in supply curve – L2 to and explains effects of subsidy giving reasons/ causes/ costs/consequences - L3.*

Question Number	Question		
6.	Assess the likely effect on UK inflation of increases in fuel taxation.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows some knowledge of inflation/taxation.	e.g. an increase in the aggregate price level
Level 2	3-4	Answers must be applied to UK inflation.	e.g. fuel taxation increases diesel prices e.g. fuel prices are included in measures of inflation
Level 3	5-6	Candidate analyses by offering reasons/ causes/ consequences  Arguments will be one-sided.  Not in context = maximum 5 marks	e.g. knock on effect on prices of goods which are transported e.g. commercial vehicles more likely to fill up overseas (revenue loss) e.g. higher fuel prices adds to transport costs of many products e.g. higher petrol prices causes consumers to ask for higher wage demands which can push up costs and feed through to inflation e.g. likely to cause general increase in prices of consumer goods because food & transport account for 24% of family expenditure
Level 4	7-10	<u>Low Level 4: 7-8 marks</u> Arguments based on the extent of the effects on inflation  7 marks = one side written context 8 marks = both sided written context  <u>High Level 4: 9-10 marks</u> Expect to see convincing evaluative points <b>with a</b>	e.g. depends on the size of the increase in fuel duty e.g. depends on importance of fuel prices in the measure of inflation e.g. vehicles in Northern Ireland likely to buy fuel in the Republic e.g. effect on inflation may be subdued if suppliers initially choose to absorb cost increases e.g. possibility of switching to lower taxed

		<b>conclusion.</b>	alternatives, such as LPG e.g. impact falls out of CPI after 12 months e.g. might result in more fuel-efficiency e.g. John Lewis vehicles governed down to 50 MPH therefore in longer term effect on inflation might be far less than in the short term due to changing price elasticity demand
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*N.B. Award for appropriate diagrams e.g. shows negative shift in aggregate supply curve - L2 and explains giving reasons/ causes/ costs/consequences - L3.  
and explains.*

Question Number	Question		
<b>7.(a) QWC i-iii</b>	Assess the case for the UK taxing aviation fuel.		
Level	Mark	Descriptor	Possible Content
<b>Level 1</b>	1-3	Candidate shows knowledge of taxation.  <i>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.</i>	e.g. raising revenue for government. e.g. taxation increases price.
<b>Level 2</b>	4-7	Candidate applies knowledge of taxation to air travel.  <u>Low Level 2: 4-5 marks</u> Application is weak.  <u>High Level 3: 6-7 marks</u> Application to air travel is clear  <i>The candidate may use some business terminology but the style of writing could be better/there may be some</i>	e.g. airlines pay increased taxes e.g. increases costs to airlines e.g. fuel major fixed cost to airlines e.g. airlines major polluter



		<i>errors in spelling, punctuation and grammar</i>	
<b>Level 3</b>	8 -14	<p><u>Low level 3: 8 – 9 marks</u> Analysis weak: e.g. only one reason/ cause/ cost/ consequence etc. of taxing aviation fuel.</p> <p><b>Cap at 8 for no context.</b></p> <p><u>Medium level 3: 10 – 11 marks</u> Analysis is more developed: e.g. two reasons/ causes/ costs/ consequences are given.</p> <p><u>High Level 3: 12 – 14 marks</u> Analysis is wide-ranging; e.g. three or more well explained reasons/ causes/ costs/ consequences given.</p> <p>Answer will be one-sided.</p> <p><i>The candidate uses economics and business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<p>e.g. de-merit goods, such as aviation fuel, require taxation or else over-consumed e.g. increased tax on aviation fuel raises fixed costs and may mean airlines have to increase fares to maintain profit margins e.g. air travel is a luxury and no frills airlines responsible for increased pollution. Huge increase in aviation fuel consumption since 1997 e.g. airlines seen as major polluter therefore taxing aviation fuel is a polluter pays remedy to reduce external costs e.g. generate 9.2 billion in government revenue.</p>
<b>Level 4</b>	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 business situation and / or case study information.</p> <p>NB: possibly only one side in context.</p> <p><u>Medium Level 4: 17-18 marks</u> A judgement is made with some effort to show the relative effect of taxing aviation fuel</p> <p><u>High Level 4: 19 – 20 marks</u></p>	<p>e.g. there could be other benefits in addition to reducing pollution from air craft emissions. It could reduce noise pollution too especially if there is an incentive for airlines to develop more fuel efficient and quieter engines e.g. frequent flyers tend to be wealthier and so can afford to pay possible increases to fares so passenger numbers may not be affected as much as hoped e.g. it will depend on how high the tax on aviation fuel is and how airlines respond. If</p>

		<p>Works to a convincing evaluation with a conclusion on the reasons for taxing aviation fuel</p> <p>Candidates will draw a clear conclusion with reference to the market (M), objectives (O), product (P) and/or situation (S) of the industry - MOPS</p> <p><i>Candidate uses economics and business terminology fluently with good spelling, punctuation and grammar.</i></p>	<p>they absorb the costs passenger numbers may not decline and neither will the amount of planes flying e.g. government could certainly do with the revenue, particularly given the budget deficit. The strength of demand for airline travel might mean that government revenue would rise considerably e.g. it will depend on how airlines respond. As a global industry some airlines would simply avoid purchasing fuel in the UK, which would limit the effectiveness of the tax both as a revenue raiser and as a means of cutting the number of planes in the sky</p>
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*N.B. Award for appropriate diagrams e.g. shows negative shift in supply curve - L2 and explains giving reasons/ causes/ costs/ consequences - L3.*

Question Number	Question		
<b>7.(b)* QWC i-iii</b>	Assess the likely effectiveness of UK government transport policies in correcting market failure.		
Level	Mark	Descriptor	Possible Content
<b>Level 1</b>	1-3	<p>Candidate shows knowledge of market failure/ transport policies.</p> <p><i>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</i></p>	<p>e.g. market failure is where resources are misallocated, often leading to negative externalities and/or over or under consumption e.g. Vehicle Excise Duty, BSOG</p>

<p><b>Level 2</b></p>	<p>4-7</p>	<p>Candidate applies knowledge of market failure to transport.</p> <p><u>Low Level 2: 4-5 marks</u> Application is weak.</p> <p><u>High Level 3: 6-7 marks</u> Application to market failure is clear</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<p>e.g. car drivers do not consider third party effects e.g. high congestion example of market failure e.g. roads used inefficiently e.g. public transport may be under used e.g. CO2 externalities.</p>
<p><b>Level 3</b></p>	<p>8-16</p>	<p><u>Low level 3: 8 – 9 marks</u> Analysis e.g . with only one reason/ cause/ cost/ consequence etc. of government transport policy in correcting market failure</p> <p>Cap at 8 for no context.</p> <p><u>Medium level 3: 10 – 12 marks</u> Analysis is more developed: two reasons/ causes/ costs/ consequences are given.</p> <p><u>High Level 3: 13 – 16 marks</u> Analysis is wide-ranging; three or more well explained reasons/ causes/ costs/ consequences given.</p> <p>Answer will be one-sided.</p> <p><i>The candidate uses economics and business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<p>e.g. levying taxes on parking such as in Nottingham leads to road users substituting public transport for a car which leads to a reduction in congestion e.g. financial support (subsidies) can encourage people to use transport which reduces externalities e.g. the scrappage scheme helped get rid of fuel inefficient cars and replace them with fuel efficient new ones e.g. encourages newer greener vehicles of all kinds because of taxation/subsidy (carrot &amp; stick). Supports car industry initiatives to make greener vehicles e.g. encourages low carbon fuels such as LPG and bio-diesel because of lower excise duties (but tax increase due on the latter)</p>

<p><b>Level 4</b></p>	<p>17-30</p>	<p><u>Threshold Level 4: 17-18 marks</u> Candidate attempts to give very limited arguments about the effectiveness of transport policy on correcting market failure</p> <p>NB: possibly only one side in context</p> <p><u>Low Level 4: 19-21</u> Candidate gives clear arguments, identifying some of the problems with transport policy</p> <p><u>Mid Level 4: 22-24</u> Candidate gives a range of arguments in relation to how policies can correct market failure</p> <p><u>High Level 4: 25-30</u> A balanced conclusion is drawn recognising the costs and benefits associated with different transport policies in relation to market failure</p> <p>Candidates will draw a clear conclusion with reference to the market (M), objectives (O), product (P) and/or situation (S) of the industry - MOPS</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar</i></p>	<p>e.g. some policies depend on price elasticity of demand on the use of transport</p> <p>e.g. government needs to know the extent of the market failure and imperfect information may mean correcting it does not work because they don't have sufficient understanding of the external costs involved</p> <p>e.g. despite increasing taxes on fuel duty car use has hardly fallen at all even in the long run consumers may look for more fuel efficient cars but this doesn't affect congestion. So some market failures are corrected but not others</p> <p>e.g. any intervention in the market is likely to have unintended consequences and could potentially cause further problems e.g. there could be relocation of businesses away from Nottingham because of the parking levy which damages economic growth in the region</p>
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*N.B. Award for appropriate diagrams e.g. shows positive shift in supply curve for BSOG - L2 and explains giving reasons/ causes/ costs/ consequences - L3.*

### Assessment Objectives

Question No.	Knowledge	Application	Analysis	Evaluation	Spec
1	2				4.3.3ba
2	2				4.3.3ba
3	1	1	2		4.3.1bb
4	1	1	2		4.3.1bb
5	2	4	2		4.3.4ba
6	2	2	2	4	Synoptic
7 (a)	3	4	7	6	4.3.4bc
7 (b)	3	4	9	14	4.3.1bd
<b>Total</b>	<b>16</b>	<b>16</b>	<b>24</b>	<b>24</b>	

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