



Mark scheme

Sample assessment materials

Issue 2

Pearson Edexcel GCE A Level
in Economics B (9EB0)

Paper 1: Markets and how they work

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

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.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- 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.

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for formula for percentage year-on-year growth: $\frac{2012 \text{ Total Retail sales} - 2011 \text{ Total Retail Sales}}{2011 \text{ Total Retail Sales}} \times 100 \text{ (1)}$</p> <p>Application $\frac{1530.2 - 1294.1}{1294.1} \text{ (1)} \times 100 = 18\% \text{ (1)}$</p> <p>NB if the answer given is 18% award 4 marks.</p>	(4)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for identifying that total sales have risen (1).</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. sales have gone up from 712.6 to 843.4 (1); an increase of only 18% compared to 45% in 2008 (1).</p> <p>Analysis: 1 mark for giving a reason/cause/consequence, e.g. although total sales have risen the rate of increase has declined significantly (1)</p>	(4)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for identifying a benefit, e.g. satisfying an ethical objective (1).</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. Fairtrade products are more expensive (1); some of this extra price will go to the producer (1).</p> <p>Analysis: 1 mark is available for developing a reason/cause/ consequence of buying Fairtrade products, e.g. which can be spent on community projects (1).</p>	(4)

Question Number	Answer	Mark
1(d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2</p> <p>Knowledge/understanding: up to 2 marks for identifying a benefit, e.g. receiving a higher price (1) benefits both producers and communities (1).</p> <p>Application: up to 2 marks is available for contextualised answers, e.g. the Fairtrade premium is roughly \$0.07 per kg (1); calculating a percentage/read the difference from the chart (1).</p> <p>Analysis: up to 2 marks are available for developing a reason/cause/ consequence of supplying Fairtrade bananas, e.g. leading to increased profits (1) reduces uncertainty and the impact of world banana price fluctuations (1).</p>	(6)

Question Number	Indicative content		Mark
1(e)	<p align="center">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> Profitability is a measure of how profitable a business is and is determined by the cost of the inputs and the value of sales revenue. Likely impact on average and marginal costs for Innocent. The impact may depend on whether Innocent changes its prices to reflect changing costs. Costs to innocent will include the various fruit it needs to go into the fruit smoothies but this cost may be a small proportion of the total cost so the impact may not be very great. Extract E shows the various prices of fruit grown in the UK. There are huge fluctuations in the cost of fruit, e.g. blackberries cost 960p in June and then fall to 741p in November. A simple calculation using data from Extract E may be performed to demonstrate the impact on costs and profits for innocent. Extract E indicates the seasonal nature of fruit growing as some fruits cannot be grown in the UK during some months, which may have an impact on costs and profitability for Innocent. Innocent may have to import fruit in the months when fruit is unavailable in the UK adding to its overall costs. Some fruit could be stored over a period of time for use in the smoothies. Innocent may see its costs, and therefore profits, fluctuate as fruit prices are not stable throughout the year but it will depend on what proportion fruit costs are of total costs. 		(8)
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.	
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.	
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.	

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Indicative content	Mark
1(f)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Suppliers are businesses that provide goods and services to another business such as raw materials, components and finished goods. • In the case of Innocent, it has a wide range of fruit suppliers located all over the world. Innocent works closely with its suppliers to ensure the fruit farmer behaves responsibly and improves its social and environmental performance year on year. • The benefit of this to Innocent is that the fruit may be of a higher quality if high standards are enforced. • The Innocent brand prides itself on being environmentally friendly and leaving the planet a little bit better than it found it (Extract C) and this is part of its USP and how it differentiates itself from other smoothie brands. • If this is followed through Innocent's supply chain, then consumers may be willing to pay a higher price for Innocent smoothies if they know that money is going to charity or that the company is being environmentally friendly throughout all of its operations. • Demand for the Innocent portfolio of products may be more inelastic and targets the growing number of consumers who are concerned with where their food comes from. • Insistence that its suppliers are responsible may result in higher costs for fruit farmers who then have to pass these additional costs on to Innocent, which in turn has to increase the price of its fruit smoothies. • Additional monitoring and checking on its thousands of fruit farmers may add to the cost of production. • Many consumers may not care about their environmental claims and may be more concerned with the final selling price of the smoothies. There are cheaper substitutes available for those who are unconcerned about the welfare of the producers. • Much depends on the additional costs involved in the implementation of its values – in the short term it may be costly to ensure these standards are being kept, but in the longer term Innocent may see its sales increase owing to the growing concern for the environment and how suppliers are treated in developing countries. 	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5–7	Accurate knowledge and understanding, supported by the use of relevant evidence to support the argument, clear chains of reasoning, with well-developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8–10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Indicative content		Mark
1(g)	<p align="center">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Business objectives are the goals of an organisation and include profit maximisation, sales maximisation, revenue maximisation, survival and satisficing. • Innocent will have shareholders who will want to receive a return on their investment in the form of dividends. • It could be argued that Innocent should aim to maximise profit to be successful and encourage further investment in the future. • Extracts C and D state that Innocent is very concerned with its impact on the environment and has its own foundation that gives 10% of its profits to charity. • It can, therefore, be argued that Innocent is not just concerned with making as much profit as possible and that it has ethical motives and objectives. • It could be argued that Innocent should aim to maximise profits so that it can give even more money to charity. • In the short term, it does have to make a profit in order to survive but profit maximisation is not its main business objective in the long term. • Many firms believe that demonstrating ethical principles is consistent with profit maximisation, as brand image is protected. 		(12)
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.	
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.	
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well-developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.	
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.	

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Indicative content		Mark
1(h)	<p align="center">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Extract D describes a campaign by Innocent – Chain of Good – which explains how buying an Innocent drink can benefit others in developing countries. • This suggests that the more consumers buy Innocent drinks, the more it can give to good causes around the world in order to reduce poverty. • The success of Innocent will help reduce poverty and support local fruit farmers around the world. • The impact on local communities will depend on how much is given in donations from the sale of drinks. • Consumers of Innocent are the people who purchase its products in the 15 countries in which they are currently sold. • The continued success of innocent may increase consumer choice as it may be able to offer a greater variety of products. • More retail outlets may stock Innocent products and consumers are able to purchase products that benefit communities in other countries. • Consumers will be happy only if the price and quality of the smoothies are maintained. As the company grows, it may lose sight of its USP and just become another food brand. 		(12)
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.	
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.	
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.	
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.	

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Indicative content	Mark
2	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Extract F suggests that male youth unemployment is a very significant problem. • The number of vacancies in Extract F suggests that structural unemployment and a skills mismatch are key issues. • Over 50% of people have been unemployed for six months or more (Extract G). Long-term unemployment is a particular problem because people lose their skills and work habit. • Extract H shows that men aged 50+ make up a significant proportion (11.9%) of Jobseeker's Allowance claimants. • Structural unemployment and associated occupational and geographical immobilities require supply-side policies. • Building more houses near to where jobs are created would reduce geographical immobilities, as would policies which attract industries to areas of high unemployment. • Encouraging FDI from foreign MNCs, so that demand for labour increases. • Structural unemployment is the result of workers being occupationally immobile – improvements in education and training will increase the human capital of these workers and therefore give them a better chance of taking the new jobs that become available in the economy. This will reduce structural unemployment. • There should be a focus on education, skills training and retraining. • This would make for greater flexibility and alleviate crucial skills shortages. • Government subsidies for those firms that take on the long-term unemployed will create an incentive for firms to increase the size of their workforce. Employment subsidies may also be available for overseas firms locating in the UK. • Reducing the real value of unemployment benefits might increase the incentive to take a job – particularly if the real worth of unemployment benefits is well below the national minimum wage rate. Targeted measures are designed to help the long-term unemployed find re-employment. • These policies are all very important but take time to have an effect and can also be quite costly. • Fiscal policies/stimulus could be used in the short term to create jobs by increasing aggregate demand, assuming there is some spare capacity in the economy. These policies might involve lower interest rates or lower direct taxes. • Unemployment figures are kept low by the number of part-time jobs and zero-hours contract working, i.e. underemployment. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <p>The changes in the housing market:</p> <ul style="list-style-type: none"> • Long-term upward trend in house prices. • Short-term fluctuations creating instability (large differences between peaks and troughs in graphs in Extract I). • Fall in real earnings since 2008. • The increase in prices in 2013 of 8.4% indicates excess demand in the housing market. • Prices being 5% below their 2007 peak indicates there is still a risk for some people of experiencing negative equity. • Falling real earnings will reduce ability to set up and make mortgage payments, reducing owner occupation. <p>The consequent impacts:</p> <ul style="list-style-type: none"> • House prices are settling above the level that is affordable for all those who want to buy or rent in specific locations, given their earnings levels. • This implies market failure: a freely functioning market is failing to deliver an efficient allocation of resources, with a resulting loss of economic and social welfare. There are not enough homes to satisfy demand at lower prices and excess demand has driven up prices. • These trends exacerbate inequalities and create social problems, including homelessness. • Pent-up demand will continue to push up housing prices. • Business may find it hard to recruit employees in areas with high housing costs. • People who cannot afford the high prices may suffer geographical immobility and remain unnecessarily unemployed. This is particularly likely to affect young people. Help to Buy may further increase the demand for housing, driving prices up even further. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.