



A Level Economics B

MOCKS MARKING TRAINING

Delegate booklet 2

A level Economics B: Delegate booklet 2

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Calculate (4 marks)

Mark scheme

- 1 (a) Calculate, to 2 decimal places, the percentage change in the number of Britons taking domestic holidays from 2007 to 2013 (Figure 1). You are advised to show your working.

(4)

| Question Number | | Mark |
|-----------------|--|------|
| 1(a) | <p>Knowledge 1, Application 3</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none"> formula for percentage change: $\frac{2013 \text{ Domestic Holidays} - 2007 \text{ Domestic Holidays}}{2007 \text{ Domestic Holidays}} \times 100 \text{ (1)}$ <p>Application: 3 marks for</p> $\frac{57 - 52}{52} (1) \times 100 = 9.62\% (1)$ <p>NB if 9.62% is given award 4 marks.</p> | (4) |

Explain (4 marks)

Mark scheme

(b) Using Figure 1, explain the variation in the types of holiday taken by UK citizens between 2007 and 2013.

(4)

| Question Number | | Mark |
|-----------------|---|------|
| 1(b) | <p>Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for identifying variation e.g. domestic holidays have increased while overseas holidays have decreased.</p> <p>Application: up to 2 marks are available for a contextualised answer, e.g. Figure 1 shows that the total number of overseas holidays in 2007 was 45 million visits compared to 2013 where the total number of visits was 38 million visits (1) Figure 1 shows that the total number of domestic holidays in 2007 was 52 million visits compared to 2013 where the total number of visits was 57 million visits (1)</p> <p>Analysis: 1 mark for developing a reason for the variation e.g. the recent recession has meant less disposable income/lower consumer confidence and consumers have substituted cheaper domestic holidays for overseas ones.</p> | (4) |

Analyse (6 marks)

Mark scheme

(d) Analyse **one** benefit to *Thomas Cook* of specialising in family package holidays.

(6)

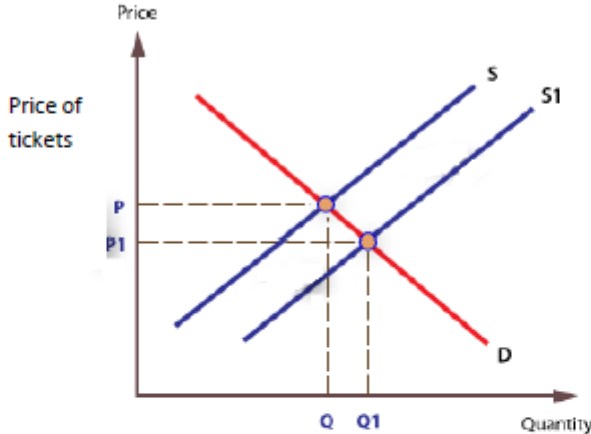
| Question Number | | |
|-----------------|---|-----|
| 1(d) | <p>Knowledge/understanding 2, Application 2, Analysis 2</p> <p>Knowledge/understanding: up to 2 marks for identifying a benefit of specialisation e.g. increased economies of scale (1) implies lower average costs (1)</p> <p>Application: up to 2 marks are available for a contextualised answer, e.g. <i>Key Note</i> reports an increase in the number of package holidays being taken (1) and <i>TUI</i> have already adapted to this change (1)</p> <p>Analysis: up to 2 marks are available for explaining the implications of specialisation, e.g. a growing market allows <i>Thomas Cook</i> to increase volumes and achieve economies of scale (1) and lower average costs can be translated into a competitive advantage over <i>TUI</i> through lower prices (1)</p> | (6) |

Discuss (8 marks)

Mark scheme

- (e) Using a suitable diagram, discuss the likely impact of an increase in the number of budget airlines on the market for air travel.

(8)

| Question Number | | Mark |
|-----------------|---|------|
| 1(e) | <p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p>  <ul style="list-style-type: none"> • The increase in the number of low cost airlines such as <i>easyJet</i> and <i>Ryanair</i> increases the supply of airline tickets available. • This results in an outward shift in the supply curve to S1. (see diagram) • This results in an increase in quantity (Q1) and a decrease in the price of tickets (P1). • However, the extent of the change in quantity and price will depend on the PED for air travel. • Some airlines such as <i>BA</i> may offer different types of tickets such as First class or Business which may be offered at a higher price and are therefore not affected by the low cost airlines. | (8) |

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| 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 (A02) 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.

Assess (10 marks)

Mark scheme

(f) Assess the likely benefits to *TUI* of having over 220 brands (Extract C).

(10)

| Question Number | | Mark |
|-----------------|--|------|
| 1(f) | <p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> A brand is a recognised trademark or distinctive name identifying a product or a manufacturer which helps increase product differentiation. <i>TUI</i> has over 220 brands which range from family holidays such as <i>Thomson</i> to <i>Crystal Ski</i>. Benefits of having a wide range of different branded holidays is that <i>TUI</i> can target different markets and meet customers' differing needs. This increases price inelasticity of demand leading to the possibility of higher prices and revenues as well as increasing barriers to entry. A range of holidays can be sold to different market segments such as family holidays and activity holidays are aimed at different target audiences, thereby increasing sales. Having just one single type of holiday brand may not be enough to generate sufficient return such as the market segment for safaris may be too small to earn high profits so having a wide range of brands will help to spread risk and increase profits. Having a wide range of brands ensures that <i>TUI</i> has a range of holidays at different stages of the product life cycle to ensure that they can always maximise sales and profits without waiting for a new product type of holiday to be developed. It can help to spread the risk – a decline in one type of brand of holiday, such as <i>Thomson</i> package tours, may be offset by sales of other more specialist holidays such as <i>Crystal Ski</i> holidays or upmarket holidays. Strong brand images can help to maximise sales and profits by creating brand loyalty and repeat holiday purchases. However a greater range of holidays and destinations can mean that resources are spread more thinly as <i>TUI</i> will have to market over 220 brands and source different types of hotels and resorts around the world. <i>TUI</i> may not be able to fully achieve economies of scale if they are offering a smaller number of holidays as the average unit cost may be higher due to supporting 220 brands. There are many other considerations as to the factors which affect the success of <i>TUI</i> such as the quality of the holiday, ease of booking and competitive pricing of the different holidays which are also important to gain market share, not just the branding. | |

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| | <ul style="list-style-type: none">It will be a combination of choice, quality and value for money which encourages brand loyalty and repeat holiday purchases. | (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 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:

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Assess (12 marks)

Mark scheme

- (h) Assess whether the new Dreamliner aircraft could provide *TUI* with a competitive advantage.

(12)

| Question Number | | Mark |
|-----------------|---|------|
| 1(h) | <p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> Competitive advantage is what differentiates one business from another. A business can achieve a competitive advantage through innovation, reputation, relationships or low prices. <i>TUI</i> has invested over £4bn per aircraft which has a range of additional benefits compared to older aircraft. Extract D states a wide range of benefits from the new Dreamliner aircraft which include bigger seats, larger cabin size and improved air circulation which can reduce jet lag. These features are very innovative and may attract holidaymakers to fly with <i>Thomson Airways</i> rather than other airlines that have fewer facilities on their aircraft. Many holidaymakers who are travelling long-haul may be attracted by the features which reduce jet lag or make a long journey more comfortable and may be prepared to pay a premium price for the new aircraft. The fuel economy may save <i>Thomson Airways</i> fuel costs which could be passed onto the holidaymaker in the form of lower prices or a reduction in fuel surcharges. Economies of scale may be gained from the bulk purchasing of the aircraft which leads to lower average unit costs. However, the new Dreamliner aircraft may not be as successful as anticipated. Many holidaymakers may not want to pay a premium price for the new aircraft and are more concerned with how price competitive the holiday is rather than the features of the new aircraft. The benefits may be limited to long haul flights and not of a concern for the short haul holidays which <i>TUI</i> operates. Other factors such as the quality of the hotels, the customer service and reputation may be more important to different types of travellers – family holidays will require different added value features compared to a business traveller. Any competitive advantage gained may be lost if other airlines adopt the Dreamliner as well. | (12) |

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|---------|-------|---|
| | 0 | A completely inaccurate response. |
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| 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

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Evaluate (20 marks)

Mark scheme

- 3 Using Extracts F and G, evaluate whether the Chinese government should intervene in the coal mining industry.

(20)

| Question Number | | Mark |
|-----------------|---|------|
| 3 | <p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> Government intervention is when the state chooses to intervene in the market on the grounds of wanting to change the allocation of resources in order to improve economic and social welfare. There are many methods of government intervention such as regulation, legislation, indirect taxation, grants and subsidies and voluntary agreements. One of the main reasons for government intervention is market failure. Extract G suggests that coal mining is dangerous and has caused many deaths in China from the lack of regulation, corruption and poor operating procedures which would indicate that government intervention is required to stop the exploitation of miners. Government regulation and legislation may help to correct market failure and ensure that the correct health and safety requirements are enforced, reducing potential accidents and deaths. Extract G indicates that the Chinese government is trying to intervene in the mining industry as they are closing down smaller mines where the majority of accidents happen. Many argue that the free market does not provide the most socially efficient outcome if there are externalities in consumption and production. For example, a profit maximising coal mine may ignore the external costs of mining such as environmental damage. This leads to a decline in social welfare which needs to be corrected by government intervention. By intervening in mining to encourage safe working practices, there is a net gain in social welfare. It can be argued that energy and coal in particular are so important to China's economy, it cannot be left to market forces and that state intervention is needed. Extract F suggests that coal mining is essential in the production of energy for China and any restrictions on the mining operations may incur additional costs thereby increasing the price of coal and reducing competitiveness. Any laws aiming to protect workers and improve safety would impose extra costs on Chinese mines and subsequently increase energy costs for other firms in China. | |

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| | <ul style="list-style-type: none">• This would reduce the competitiveness of the Chinese economy and slow economic growth which is already at a low of 7.7% compared to the previous decade of 10% growth.• China is by far the world's largest producer and consumer of coal, accounting for• 46% of global coal production and 49% of global coal consumption, almost as much as• the rest of the world combined. The sheer size of this requires government intervention to secure a reliable supply of coal for the Chinese economy.• Regulating the vast Chinese coal mining industry would require an enormous bureaucracy which may be very inefficient.• Some argue that government intervention takes away personal freedom and that there may be many mining operations which are safe and do not endanger their miners so do not need further regulation/intervention.• The debate comes from the extent of government intervention and the likely outcomes from the intervention in order to gain the socially optimum allocation of resources. | (20) |
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| 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

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