



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE
Economics and Business (6EB04/01)

Unit 4B: The Wider Economics Environment
and Business

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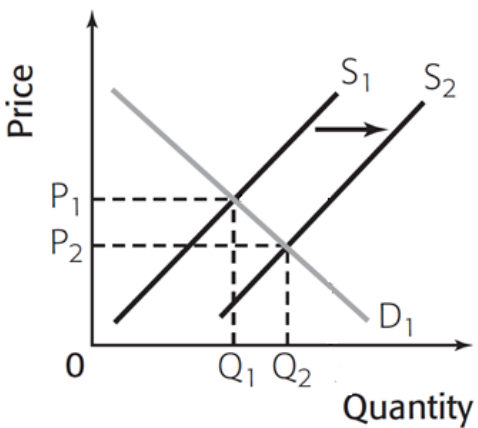
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General Marking Guidance

- 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.
- 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	Question	
1.	What is meant by the term inflation? (Evidence J, Line 6)	
	Answer	Marks
	<p>Knowledge/understanding up to 2 marks: A valid definition of inflation e.g. A sustained increase (1 mark) in the average price level (1 mark)</p> <p>NB 1 mark for partial or vague definition (but a valid example or development such as reference to increase in +CPI /RPI or fall in the purchasing power of money- 2 marks).</p>	1-2

Question Number	Question	
2.	What is meant by the term opportunity cost? (Evidence J, Line 12)	
	Answer	Mark
	<p>Knowledge up to 2 marks: A valid definition of opportunity cost e.g. Opportunity cost measures the cost of any choice (1) in terms of the next best alternative foregone (1)</p> <p>NB 1 mark for partial or vague definition (but a valid example such as food/heating, work/leisure – 2 marks).</p>	1-2

Question Number	Question	
3.	Using a supply and demand diagram, illustrate the likely impact of the bumper sugar harvest in Brazil upon the UK market for drinks and food containing added sugar (Evidence G)	
	Answer	Marks
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge: Correct diagram with correct axis labels, correct D and S curves and original equilibrium price and quantity labels (1 mark)</p> <p>Application Outward shift of the supply curve (1 mark)</p> <p>Analysis: up to 2 marks new equilibrium price (1 mark) and new quantity label (1 mark) Increasing supply of main ingredient sugar/reduced cost of production for firms (1 mark) increases supply at all price levels (1 mark) with demand remaining the same (1 mark) this forces down equilibrium price and increases equilibrium quantity supplied and demanded of drinks and food containing added sugar (1 mark)</p> <p>If no diagram limit to 2 marks Example diagram:</p> 	<p>1</p> <p>1</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question	
4.	Explain one negative externality of sugar consumption in the UK.	
	Answer	Mark
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge and understanding: 1 mark Negative externality is third party effect (cost) of production and/or consumption of sugar (1mark) OR Negative effect (cost) upon individuals not directly involved in the production or consumption of sugar (1 mark)</p> <p>Application: 1 mark Type 2 diabetes; Obesity (1 mark)</p> <p>Analysis: up to 2 marks e.g. Type 2 diabetes/obesity increases likelihood of diseases (1 mark) meaning increased cost to NHS / increased absence from work /lower life expectancy(1 mark)</p>	<p>1</p> <p>1</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question	
5.	Analyse two reasons why “food banks are markers of extreme poverty”? (Evidence x Line xx)	
	Answer	Mark
	<p>Knowledge 2, Application 2, Analysis 4</p> <p>Knowledge and understanding: 2 marks Definition/understanding of ‘poverty’ Examples may include: EU threshold of decency 60% of net average income Where income does not cover the cost of necessities such as food, energy, housing.</p> <p>Application: 2 mark Food banks provide emergency food (1 mark) Food bank is a store where people who are unable to buy food due to lack of money are able to obtain food donations (1 mark) Food banks are funded through charitable donations by individuals and firms (1 mark)</p> <p>Analysis: up to 4 marks Increasing use of foodbanks (1 mark) may indicate that those on low incomes are unable to feed themselves or their families (1 mark). Growth in absolute poverty (1 mark) may mean more people are relying on food banks (1 mark) Low real wages (1 mark) may be insufficient to cover living costs (1 mark) Food prices rising faster than incomes (1 mark) may mean more people rely on foodbank to supplement their diet (1 mark) Rising energy (and other) costs (1 mark) mean that there is no income left for food leading to increasing use of foodbanks (1 mark)</p>	<p>1</p> <p>1</p> <p>2</p> <p>Total (8 marks)</p>

Question Number	Question		
6.	Assess the case for increased UK Government regulation of food labelling to decrease the consumption of sweet foods and drinks.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows some knowledge and understanding.	e.g. Candidate shows an awareness that regulation can be government or voluntary regulation
Level 2	3-4	Some relevant awareness in context.	e.g. The Food Standards Agency (FSA) and the Department for Environment, Food and Rural Affairs (Defra) are responsible for regulation of the food industry e.g. Local authorities throughout the UK are the enforcement authorities for food businesses like cafes, restaurants and food shops. e.g. labels including sugar content or how long it will take to burn off calories
Level 3	5-6	Valid development in context Reasons/causes/costs and/or consequences are outlined. Either pros or cons could be addressed. Answer will be one-sided	e.g. increased regulation on labelling could help consumers make healthier choices which would reduce NHS spending on Type 2 diabetes e.g. Without increased regulation, some retailers may opt out of voluntary deals thus less impact on Type 2 diabetes e.g. regulation may be voluntary and this is likely to be cheaper to administrate for government e.g. increased information for consumers may lead to more informed choice and therefore less consumption of sweet foods and drinks
Level 4	7-10	Evaluation: Expect to see evaluative points based on analysis of the economics/ business situation. Both pros and cons required. 7-8 marks - only one side in context 9-10 marks - both sides in context Answer is coherent, has some balance, is related to the context and makes good use of concepts, theories and/or methods.	OR/AND e.g. self-regulation may be ineffective as a voluntary code which some manufacturers may ignore due to impact of costs and/or revenues e.g. labelling may increase costs for producers/retailers and these may be passed on in the form of increased prices for consumers e.g. higher prices as a result

			<p>of increased labelling may affect low income groups more than higher income groups reducing affordability</p> <p>e.g. assumes a direct causal link between sugar content and disease – Type 2 diabetes may be due to lack of exercise more than sweet food and drinks</p> <p>e.g. new types of regulation may be against EU law and therefore not enforceable in the UK</p> <p>e.g. regulation may not affect labelling imported foods/drinks so the impact on Type 2 diabetes may be minimal</p> <p>e.g. consumers may choose such drinks/foods because they are cheaper than foods low in sugar and continue to buy even if the labelling is increased/improved</p>
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Question Number	Question		
7.(a) QWC i-iii	Assess the case for an increase in the taxation of sweetened foods and drinks as a means of reducing the negative externalities consumption (20)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of taxation in the UK</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. taxation is component of fiscal policy (taxation and government spending)</p> <p>e.g. negative externalities are where the social costs exceed the private costs of production OR where the social benefits are exceeded by private benefits</p> <p>e.g. social costs include health costs to individuals but also to taxpayers who do not consume sweetened food and drinks</p> <p>e.g. all consumers pay the tax regardless of income (regressive tax)</p> <p>e.g. all consumers pay the same rate of tax</p>
Level 2	4-8	<p>Candidate applies information in evidence to raise points in context.</p> <p>There is some application of taxation to sweetened foods and drinks</p> <p><i>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.</i></p>	<p>e.g. negative externalities of sugar consumption include: Type 2 diabetes; obesity; high NHS costs etc.</p> <p>e.g. obesity related diseases</p> <p>e.g. dental care costs e.g. tax will shift supply curve inwards, increase equilibrium price and decrease equilibrium quantity supplied and demanded</p> <p>e.g. the reduction in equilibrium quantity will depend upon PED/slope of demand curve</p> <p>e.g. higher price of sweetened foods and drinks may be more effective with children</p>
Level 3	9-14	<p>Analysis must be present. Valid development in context of the likely economic effects of increasing taxation. Reasons/causes/costs and/or consequences. Either pros or cons could be addressed.</p> <p>Answer will be one-sided.</p> <p><u>Low level 3: 9 – 10 marks</u></p> <p>Analysis weak: only one reason/cause/cost or consequence is outlined.</p>	<p>e.g. price of sweetened foods and drinks will increase by an amount equal to the tax</p> <p>e.g. sugar tax (purchase tax) collected by retailers thus low administration/collections costs for Government</p> <p>e.g. if tax is set high enough, will make more expensive substitutes, less sweet foods and drinks more price competitive</p>

		<p>Cap at 9 if no context.</p> <p><u>Medium level 3: 11 – 12 marks</u> Analysis is more developed: two of reasons/causes/costs and/or consequences are outlined.</p> <p><u>High Level 3: 13 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are at least partially developed.</p> <p>Answer will be one-sided. <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. tax receipts can be ring-fenced for health education so the money can be spent on reducing demand through increasing consumer knowledge</p> <p>e.g. tax receipts might be used to promote/resource/subsidise exercise activities (gyms and sport facilities) reducing social costs e.g. impact will depend upon PED for sweetened food and drinks e.g. if PED elastic, impact upon consumption may be proportionately greater than the % increase in price e.g. if PED elastic then firms may respond by reducing sugar content, to reduce sugar consumption e.g. if PED inelastic then tax revenues may be high, this could be spent on health education or subsidised exercise facilities e.g. if tax high enough, negative externality of consumption (welfare loss) may be reduced/eliminate</p>
Level 4	15-20	<p>Evaluation must be present. Expect to see evaluative points based on analysis of the economics/ business situation. Both pros and cons required.</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. Maybe only one side of the argument in context.</p> <p><u>Medium Level 4: 17-18 marks</u> A judgement is attempted with some balance showing the economic consequences. Expect an attempted conclusion.</p> <p><u>High Level 4: 19 – 20 marks</u> Works to convincing evaluative conclusion. At this level, some economic theory is expected e.g. social costs/ benefits, macro-</p>	<p>OR/AND e.g. if PED inelastic, impact upon consumption may be proportionately less than the % increase in price e.g. if PED inelastic, little incentive for firms to reduce sugar content e.g. equity – regressive tax and not related to income. Can be seen as unfair. e.g. fresh/unsweetened foods tend to be more expensive thus tax may increase food poverty for those on low incomes e.g. problem with applying tax to foods and drinks high in natural sugars – complex and expensive to administer e.g. sugar is only part of the problem – fat and salt content of cheap, processed foods is also important. In which case more exercise</p>

		economic consequences etc. <i>Candidate uses Economics and Business terminology fluently with good spelling, punctuation and grammar.</i>	may also be needed e.g. loss of employment in manufacturing and retail due to less sales of sweetened food and drink.
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Question Number	Question		
7.(b) QWC i-iii	Policies aimed at reducing income inequality might reduce the costs to the NHS of treating preventable diseases, such as Type 2 diabetes. Evaluate this argument (30)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	Candidate shows knowledge and understanding of income inequality. Candidate shows knowledge of NHS funding. <i>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.</i>	e.g. NHS is funded from general taxation paid by all tax payers e.g. preventable disease is a disease which can be prevented by lifestyle (including diet and exercise) e.g. income inequality is the difference in income (including benefits) between different groups in an economy e.g. income inequality measured using GINI coefficient/index
Level 2	4-8	Candidate applies information in evidence to raise points in context. <i>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.</i>	e.g. prevention of disease is often cheaper than treatment e.g. spending on Type 2 diabetes projected to increase (Evidence D) e.g. Reduction in cost to taxpayer via less NHS spending from reducing incidence of preventable diseases e.g. money spent treating preventable diseases could be spent on other diseases e.g. diseases associated with poor diet are preventable (Evidence E) e.g. policies to reduce income inequality mainly fiscal (taxation and Government spending) e.g. incidence of preventable diseases unequally distributed along lines of income (Evidence C) e.g. increasing income inequality may be indicated by increasing use of foodbanks (Evidence E)

<p>Level 3</p>	<p>9-16</p>	<p>Analysis must be present. Valid development in context.</p> <p>Reasons/causes/costs and/or consequences.</p> <p>Either pros or cons could be addressed.</p> <p>Answer will be one-sided.</p> <p><u>Low level 3: 9 – 10 marks</u> Candidate will attempt very basic analysis of regulation of the food industry and its impacts. One or two reasons/causes/costs and /or consequences are outlined.</p> <p>Cap at 9 for no context.</p> <p><u>Medium level 3: 11 – 13 marks</u> Candidate looks at a range of reasons/causes/costs and/or consequences of regulation. Answer will be in context.</p> <p><u>High Level 3: 14 – 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><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. Improved health may result in less work absenteeism and therefore higher labour productivity e.g. Low incomes associated with consumption of cheap, processed foods (Evidence E) therefore increasing incomes may reduce consumption e.g. lower NHS costs in short and long term (Evidence A) leading to lower, Government spending, less tax and higher disposable incomes</p>
<p>Level 4</p>	<p>17-30</p>	<p>Evaluation must be present. Expect to see evaluative points based on analysis of the economics/ business situation. Both pros and cons required</p> <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>OR/AND e.g. Lifestyle and diet is a choice and not all people on low incomes have unhealthy lifestyles and diet e.g. Income tax is already progressive and re-distributes income – increasing re-distribution through income tax may reduce incentive to work e.g. higher minimum wage may increase habitual consumption of unhealthy foods e.g. increased progressive taxation may reduce incentive to work, reduce enterprise</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 the extent to which the UK Government should regulate the food industry.</p> <p><i>Candidate uses Economics and Business terminology precisely and effectively with good to excellent spelling, punctuation and grammar.</i></p>	<p>and economic growth e.g. increased redistribution of income through progressive taxation may increase tax avoidance and reduce tax receipts e.g. lower food price inflation (Evidence F) may reduce income inequality and make it more likely that people on low incomes will purchase healthy food</p>
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