

INTERNATIONAL GCSE

Economics (9-1)

EXEMPLARS WITH EXAMINER
COMMENTARIES PAPER 1

Pearson Edexcel International GCSE in Economics (4EC1)



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Introduction

1.1 About this booklet

This booklet has been produced to support teachers delivering Pearson Edexcel International GCSE in Economics (4EC1) specification. The Paper 1 exemplar materials will enable teachers to guide their students in the application of knowledge and skills required to successfully complete this course. The booklet looks at questions 1(c), 1(f), 1(g), 1(h), 1(i), 2(c), 2(f), 2(g), 3(e) and 4(c) from the June 2019 examination series, showing real candidate responses to questions and how examiners have applied the mark schemes to demonstrate how student responses should be marked.

1.2 How to use this booklet

Each example covered in this booklet contains:

- Question
- Mark scheme
- Exemplar responses for the selected question
- Example of the marker grading decision based on the mark scheme, accompanied by examiner commentary including the rationale for the decision and where relevant, guidance on how the answer can be improved to earn more marks.

The examples highlight the achievement of the assessment objectives at lower to higher levels of candidate responses.

Centres should use this content to support their internal assessment of students and incorporate examination skills into the delivery of the specification.

1.3 Further support

A range of materials are available from the Pearson qualifications website to support you in planning and delivering this specification.

Centres may find it beneficial to review this document in conjunction with: [the specification](#), [sample assessment materials](#), [Getting Started Guide](#) and the Principal Examiner's Report.

Question 1(c)

What is meant by the term demand?

(2)

Mark scheme

Question number	Answer	Mark
1(c)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to amount willing to be purchased and 1 mark for reference to price</p> <p>The quantity of goods/services consumers are willing and able to buy (1) at a given price (1)</p>	(2)

Exemplar response A

Demand refers to the willingness and ability of consumers to purchase certain goods depending on the price

Examiner's comments:

This response was given 2 marks.

Two separate parts are required to define the term. This response was awarded 1 mark for the 'willingness and ability to purchase' and 1 mark for reference to 'depending on price'. There are no marks awarded for examples with these question types.

Exemplar response B

Demand is the amount of goods a customer is willing to buy at a given price over a period of time.

Examiner's comments:

This response was given 1 mark.

This response received 1 mark for reference to 'a given price' but it did not get the first mark as it only mentions 'willing to buy' and misses 'able to buy'.

Question 1(f)

Figure 1 shows the costs of production per month for a firm making 2,000 units.

Quantity	Total fixed costs	Total variable costs
2,000	\$7 340	\$4 760

Figure 1

(f) Calculate the average cost per unit for the firm when it makes 2,000 units. You are advised to show your working.

(2)

Mark scheme

Question number	Answer	Mark
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $\\$12\ 100 \div 2\ 000$ (1)</p> <p>Award 1 mark for correct average cost per unit (AC) $= \\$6.05$ (1)</p> <p>Award 2 marks if average cost per unit is accurately calculated, even if no calculations are shown</p> <p>Award 1 mark if students show calculation and put 6.05 without the dollar sign</p> <p>Do not award marks for the formula</p>	(2)

Exemplar response A

$$\frac{7340 + 4760}{2000} = \frac{12100}{2000} = \$6.05$$

Examiner's comments:

This response was given 2 marks.

The correct answer of \$6.05 was given and so was awarded both marks. Had an error been made with the final answer, 1 mark would still have been awarded for the calculation of $12100 / 2000$. Note that the \$ was not required in the calculation but it **must** be used in the final answer in order to gain 2 marks.

Exemplar response B

$$\frac{4760}{2000} = 2.38$$
$$\frac{7340 + 4760}{2000} = 6.05$$

Examiner's comments:

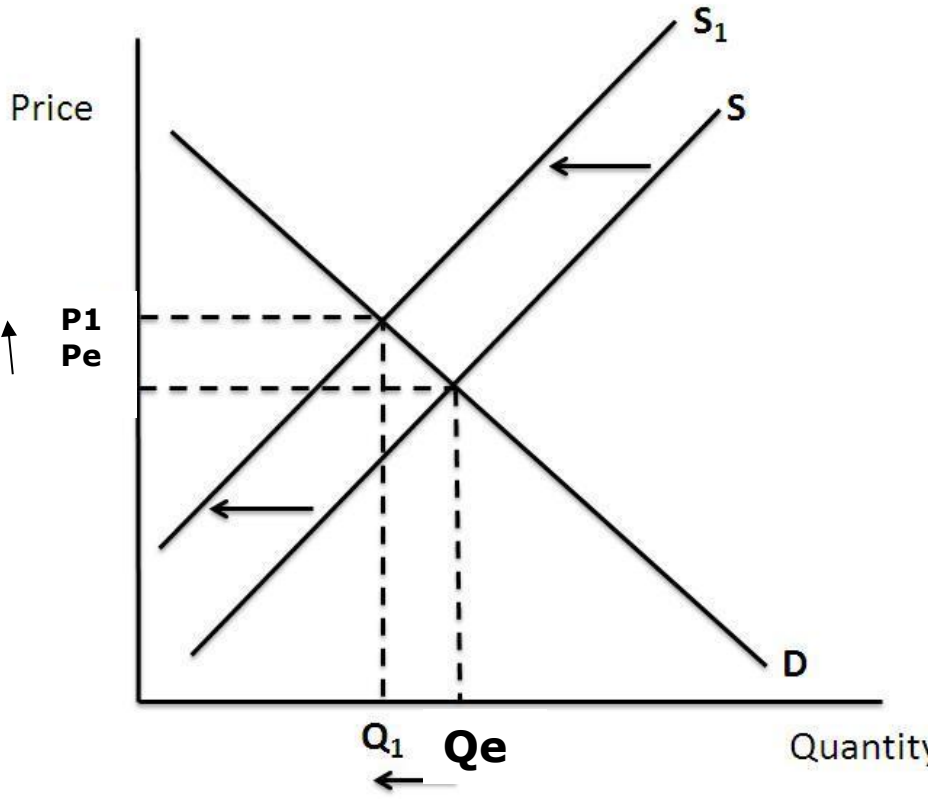
This response was given 1 mark.

The final answer given was 6.05 without the \$ sign. There is a correct calculation as well but only 1 mark can be awarded because the correct answer must include the appropriate units.

Question 1(g)

(g) Using the diagram below, draw the effects on the market for crops after a hurricane destroys farm land. Label the new curve, new equilibrium price and new equilibrium quantity. (3)

Mark scheme

Question number	Answer	Mark
1(g)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for leftward shift of supply, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled</p>  <p style="text-align: right;">(3)</p>	

Exemplar response A

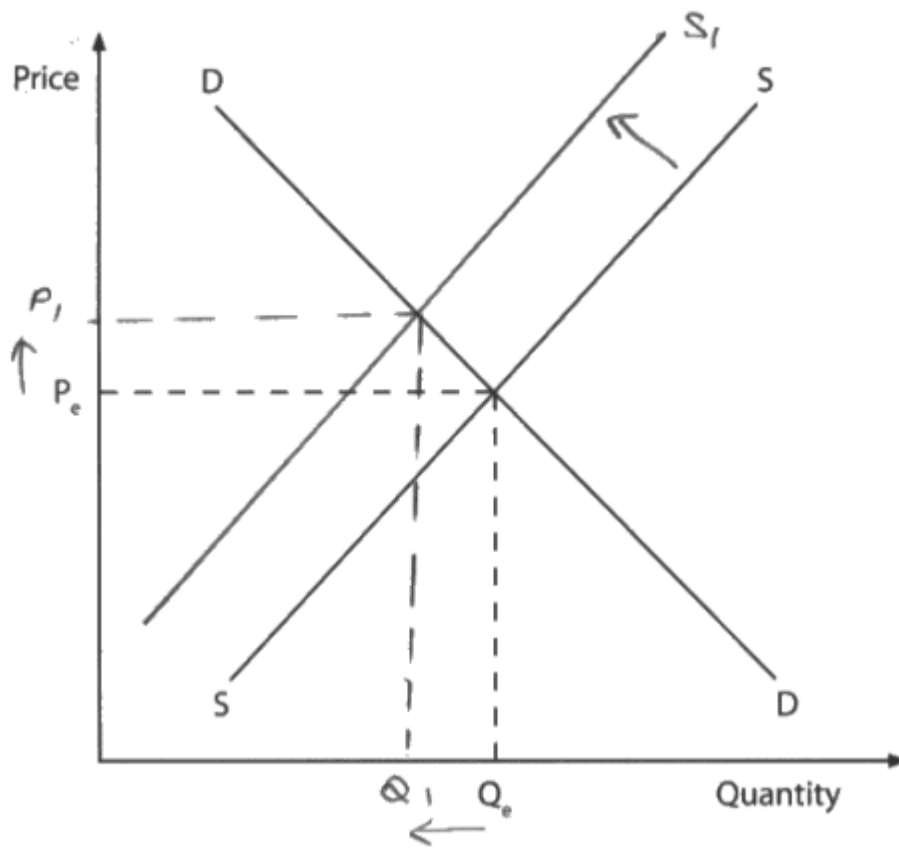


Figure 2

Examiner's comments:

This response was given 3 marks.

All 3 marks were awarded for this response as it has a correctly labelled leftward shift in supply, a correctly labelled higher equilibrium price and a correctly labelled lower equilibrium quantity.

Exemplar response B

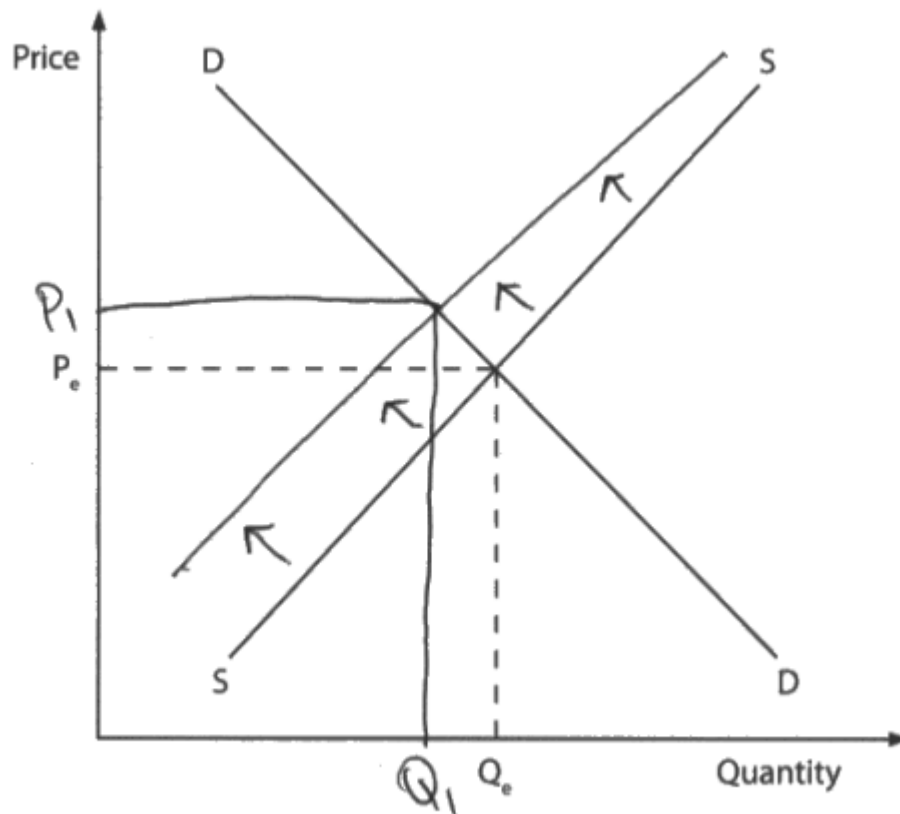


Figure 2

Examiner's comments:

This response was given 2 marks.

Although the correct leftward shift of the supply curve has been drawn, it has not been labelled. Diagrams will always require accurate labelling in order to be awarded full marks, as you can rather see from the mark scheme. Two marks have been awarded for the correctly drawn and labelled new equilibrium price and quantities.

Question 1(h)

Concert tickets to see the most popular music artists can sell for very high prices.

(h) Explain **one** reason why the demand for these tickets might be price inelastic. (3)

Mark scheme

Question number	Answer	Mark
1(h)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in the context of music concerts</p> <ul style="list-style-type: none">• One reason is that there are no substitutes (1) if they want to see the artist performing live (1) the consumer will have no choice but to pay a high amount (1) <p>Accept any other appropriate response</p>	(3)

Exemplar response A

This is because there are very few substitutes that a ticket to see the most popular artists ^{has}. This means that, even if prices were increased, demand would ~~not~~ fall ~~as~~ less than proportionally, because these consumers may have no other alternative to watch so many popular music artists, especially if they are big fans of the concept of the concert. This makes the tickets have price inelastic demand.

Examiner's comments:

This response was given 3 marks.

This question required one reason, which is developed and with context to achieve full marks. The reason given was that there are very few substitutes. This is then developed with the explanation that the consumers have no other alternative to watch and context is shown with reference to fans of the concerts.

Exemplar response B

One reason for this is that tickets to see the most popular music artists can be considered as a luxury good. ~~Spending on such as~~ This is because consumers are very much excited and delighted to see these popular music artists in live whom they've always been watching on television. This will mean that even if the price of the tickets increases consumers won't reduce the purchasing in a very significant way because these opportunities maybe once in a lifetime experience for them.

Examiner's comments:

This response was given 2 marks.

Although an accurate reason has been given in this response and it is in context, there is no development. The reason actually comes at the end of the response, which is perfectly acceptable and it is the reference to 'maybe once in a lifetime experience for them' (linked to the understanding that it is rare). The context is reference to the music artist being 'live' as well as 'watched on television' (either would have received the context mark but there is only 1 mark for this, as you can see from the mark scheme).

Question 1(i)

Introduced in 1935, Inca Kola is a yellow-gold coloured, fizzy, soft drink that is popular all over Peru. By 1995, Inca Kola had grown to become a strong competitor of Coca-Cola. Inca Kola had a 32.9% market share compared to Coca-Cola's 32.0% in Peru.

By 2014, Coca-Cola owned 48.5% of Inca Kola shares.

(Source: adapted from Peru's 'improbable' Inca Kola wins out over Coke by Andres Schipani © Financial Times September 2014)

(i) With reference to the data above and your knowledge of economics, analyse the possible reasons for Coca-Cola purchasing shares in Inca Kola.

(6)

Mark scheme

Question number	Indicative content
1(i)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none">• Inca Kola was a major competitor of Coca-Cola and the market leader• Coca-Cola had a slightly lower share of the market than Inca Kola, with 32.0% compared to 32.9%• Inca Kola was well established in Peru (since 1935)• Buying a share of the company was a way to benefit from the success rather than struggle to compete• The purchase meant Coca-Cola no longer needed to compete with Inca Kola for market share• Coca-Cola's purchase means they have much more control over the Peruvian fizzy soft drinks market• Coca-Cola also gets a share of Inca Kola's profits

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Exemplar response A

Inca Kola had become a strong competitor to Coca Cola, having a 32.9% market share in 1995 Peru which was 0.9% higher than Coca Cola's market share of 32%.

Coca Cola purchased shares in Inca Kola so they could receive profit from Inca Kola's sales. Since they are shareholders, they will receive dividends from Inca Kola and therefore increase their profits.

Furthermore, buying over shares means that Coca Cola could eliminate their rival, Inca Kola. Owning shares gives Coca Cola voting rights and due to them buying a large amount of shares, 48.5%, they could influence the business decisions of Inca Kola. 48.5% is almost half of their shares so Coca Cola could end up taking over the Inca Kola company, therefore inheriting their market share, thereby gaining an almost 60% market share in soft drinks. This would allow Coca Cola to overtake the company, thereby eliminating their competition and gaining high dividends.

Examiner's comments:

This response was given 5 marks.

When it comes to levels of response questions (**analyse**, **assess** and **evaluate**), which use a descriptor table in the mark scheme, it is important to focus on the requirements for each level. This response most closely matched the level 3 descriptor but it did not fully meet the requirements to score all 6 marks. It has clear knowledge and understanding and appropriate application. The response is reasonably organised but not excellent and it has a thorough analysis of the issues. The latter is shown by the connections between the issues addressed.

Exemplar response B

Purchasing shares in their competitors in a type of take over. Coca-cola is a massive company, larger than Inca-cola, so they have the funds to buy out Inca-cola. They do this because Coca-cola is losing market share to its competitor. ~~It~~ It has, in 1995 overtaken Coca-cola in market-share.

As Coca-cola feels threatened by Inca-cola and is losing business they try to take control of their competitor and influence their business or combine it to themselves. This merger would result in the new combined companies market share to be over 64%. Thereby Coca-cola reduces its competition and gains market share. They will keep buying shares until they have over 50%. Inca-cola's resources can be used by Coca-cola.

Examiner's comments:

This response was given 4 marks.

There is some decent application in this response and some good points made at the start of the second paragraph, but also some misunderstanding towards the end. Overall, the response is an excellent match to the level 2 descriptor, meeting the requirements fully. The examiner would therefore look at the level 3 descriptor to see if it could be awarded anything higher. However, nothing further could be credited and so the response stayed at the top of level 2.

Question 2(c)

(c) Calculate the price elasticity of demand for a product when price increases by 15% and quantity demanded falls by 12%. You are advised to show your working. (2)

Mark scheme

Question number	Answer	Mark
2(c)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation. $-12 \div 15$ (1)</p> <p>Award 1 mark for correct price elasticity of demand (PED). $= -0.8$ (1)</p> <p>Award 1 mark if students show calculation and put 0.8 without the minus sign</p> <p>Award 2 marks if PED is correctly calculated, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Exemplar response A

$$\begin{aligned}
 \text{PED} &= \frac{\% \Delta Q_d}{\% \Delta P} \\
 &= \frac{-12}{15} \\
 &= -0.8 //
 \end{aligned}$$

Examiner's comments:

This response was given 2 marks.

Both marks were awarded because the correct answer of -0.8 was given. Had an error been made, 1 mark could still have been awarded for the correct calculation of -12/15. There are no marks for the formula.

Exemplar response B

~~Price elasticity of demand = percentage change in quantity~~

$$\text{Price elasticity of demand} = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$
$$\text{Price elasticity of demand} = \frac{12\%}{15\%}$$
$$\text{Price elasticity of demand} = 0.8\%$$

Examiner's comments:

This response was given 0 marks.

It is essential to show the minus sign whenever there is a negative number and therefore this response failed to gain any marks. It does not show a correct answer as there is no minus sign with the 0.8. The percentage sign is also incorrect for the final answer. In addition, it fails to show a correct calculation as it should be -12, to highlight the fall in quantity demanded. As stated in the mark scheme, there are no marks for a formula.

Question 2(f)

Beating the congestion in Dhaka

Nearly 17 million people live in Dhaka, the capital of Bangladesh. The majority of people live in the city centre and traffic congestion is a problem. However, there are many auto rickshaws (a small, three-wheeled vehicle, driven by a motorcycle engine) competing in the city centre to take passengers to their destinations. Fares tend to be cheaper in the city centre than they are outside the city centre and are usually agreed between passengers and drivers.

Dhaka has a large number of auto rickshaws competing for fares.

(f) Apart from price, describe **one** advantage for passengers of this competition.

(2)

Mark scheme

Question number	Answer	Mark
2(f)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to the advantage and 1 mark for development of the advantage</p> <p>The large number of vehicles competing means there is a lot of choice (1) therefore it is easier for passengers to hire an auto rickshaw (1)</p> <p>Accept any other appropriate response.</p>	(2)

Exemplar response A

Since there is a large number of auto rickshaws, it is easier for passengers to find auto rickshaws quickly to commute from one destination to the other as there is a large availability of substitutes.

Examiner's comments:

This response was given 2 marks.

One advantage is accurately stated with reference to it being easier for passengers to find auto rickshaws. The second mark was given for development of this advantage where it refers to 'there is a large availability of substitutes'. Please note that repeating the question does not earn marks.

Exemplar response B

Better customer services will be provided, ⁱⁿ by Dhaka, by rickshaws.

Examiner's comments:

This response was given 1 mark.

This response gives one advantage – better customer service. However, there is 1 mark available for an advantage but the other mark is for development. As this response has no development, it can only be awarded 1 mark.

Question 2(g)

(g) With reference to the information given in '**Beating the congestion in Dhaka**', explain **one** reason why prices for journeys using an auto rickshaw might be higher outside the city centre.

(3)

Mark scheme

Question number	Answer	Mark
2(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant reason for the difference in price Award 1 mark for developing the reason Award 1 mark for the response being in the context of transport in Dhaka</p> <ul style="list-style-type: none">• One reason is that there are likely to be fewer vehicles competing outside the city centre (1) because most of the 17 million people live in the city centre (1) and so there is less potential business for the drivers (1) <p>Accept any other appropriate response.</p>	(3)

Exemplar response A

Outside the city centre, there are not many people living. Therefore rickshaws tend to charge higher prices as business is slower. Furthermore, the number of rickshaws is less so there is less competition between rickshaw drivers. Therefore they do not have an incentive to keep prices low and may charge higher, exploitative prices from ~~on the~~ passengers.

Examiner's comments:

This response was given 3 marks.

One mark was awarded for the reason that there is less competition. This was developed for a second mark through the explanation that the rickshaw drivers do not have an incentive to keep prices low. Linked context is given at the start of the response with the explanation that there are not many people living outside the city centre.

Exemplar response B

Outside the city centre, there may be less competition between rickshaws and so drivers may not feel the need to charge ~~into~~ lower prices as they have little to no fear of being out on consumers.

Examiner's comments:

This response was given 2 marks.

The reason of less competition is also given in this response, scoring 1 mark. It is developed for a second mark, with the explanation that drivers may not feel the need to charge low prices as they have little fear of losing out on consumers. However, this response has not been placed in context and so it only scored 2 of the 3 marks available.

Question 3(e)

Productivity is a measure of how efficiently goods and services are produced and is the single most important determinant of a country's per capita income. Canada's labour productivity growth has been lower than that of other leading economies for many decades, reducing its international competitiveness. Since 2011 however, Canada's labour productivity has greatly improved and it is now the 3rd most productive of the 16 leading economies.

(Source: adapted from <http://www.conferenceboard.ca/hcp/>)

(e) With reference to the data above and your knowledge of economics, assess the extent to which an increase in education and training is the best way to increase productivity.

(9)

Mark scheme

Question number	Indicative content
3(e)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Skills could be gained through education in schools and colleges leading to qualifications in technical areas relevant to business • Skills can also be gained through work place training by employers • Through education and training, workers will be more skilled and may therefore be more productive. This could lead to an increase in international competitiveness • Workers may be more motivated as a result of the training, leading to greater job satisfaction, lower labour turnover and improved productivity • Through improved human capital the quality of labour is greater and productivity can be increased. This could mean income per capita increases <p>AO4</p> <ul style="list-style-type: none"> • However, the cost to the firm of staff training/the Canadian Government of providing education may be too great compared to investing in technological advances • The firm may be reluctant to invest in human capital if it pays to train workers but they then leave for alternative employment. • Increasing technological developments may be more financially viable. • To be effective the quality of the training needs to be of a high enough standard to meet the requirements of the work place • It takes a long time for the benefits of education to lead to increased productivity. This could explain why Canada’s labour productivity growth took time to become the 3rd most productive of the leading economies • It depends on the nature of the industry, some industries are better suited to having highly skilled workers e.g. service industries • Whereas some industries suit increased automation and use of technological advances rather than investing in human capital.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Exemplar response A

Increasing ^{investment in training} Education will lead to ⁽⁹⁾ better quality of Labour. This is because as the workers are ~~more educated~~ ^{better trained} they are better at doing their jobs, this causes specialization. When workers are better at their jobs they produce more output in relation to resources spent. This causes an increase in productivity in Canada.

However some jobs may not benefit from ~~education~~ ^{Training} and require a specific talent. For instance Artistic talents can't be taught they must be artistic by nature. Therefore, clothing designers for instance cannot be trained very well, although there are courses to improve the skill, the skill must be present first to develop. Therefore the investment may not make a huge difference.

Next, Training Education plays a key role in the productivity levels of an

economy. Schools teach the basics of working life and will educate ~~them~~ ^{people} on ~~how~~ what an acceptable salary would be. This causes people to demand for higher wages. If workers are paid more they ^{be motivated to} will perform better and are therefore more productive.

However, Government investing in ~~the~~ education is a large cost and this incurs a opportunity cost, where the government could have spent on healthcare instead to make sure people are more healthy. This can also cause increase in productivity as healthier people produce more in relation to resources used.

In conclusion, Education and Training are important factors in improving productivity, however there are other things like better working environments and job enrichment, that can also improve productivity.

(Total for Question 3 = 20 marks)

role in the productivity levels of an

Examiner's comments:

This response was given 6 marks.

This response provides some applied knowledge and more than one viewpoint, which is reasonably balanced and coherent. However, neither the analysis nor the evaluation is thorough and the evaluation does not demonstrate a full awareness, although both are present. As the response fully meets the level 2 requirements, 6 marks were awarded at the top of the level.

Exemplar response B

First, an increase in education and training may motivate workers and hence increase productivity. Workers may have a ^{higher} higher level of self-esteem and hence be motivated to produce more with their newfound skills, thereby increasing productivity. However, there is a time-lag involved in training and education, so productivity will not increase immediately or soon.

An increase in training and education may allow firms to become internationally competitive. When workers develop their skills, their increase in productivity may rival that of other internationally competitive firms, allowing Canadian firms to become internationally competitive. However, if these firms have a high cost of production in comparison to other firms, they may be driven out of the market.

An increase in training and education may increase the occupational mobility of workers. This means that they may be able to work more than one job, allowing productivity to increase. However, if the area in which they are trained is that of unskilled labour, then productivity may not rise as workers may remain not very occupationally mobile.

Examiner's comments:

This response was given 5 marks.

Examiners read the whole of the response before placing it in the level which is most closely matched by the descriptor. This response was a clear match to level 2 and the starting point is always the middle of the level. The mark would only go up to the top of the level (6 marks) if the response completely met the requirements of the level. In this case, the response does not have a good interpretation of the economic information and the evaluation does not demonstrate full awareness. As a result, the mark remained at 5.

Question 4(c)

Figure 7 shows the market share of supermarkets in the Netherlands in 2017.

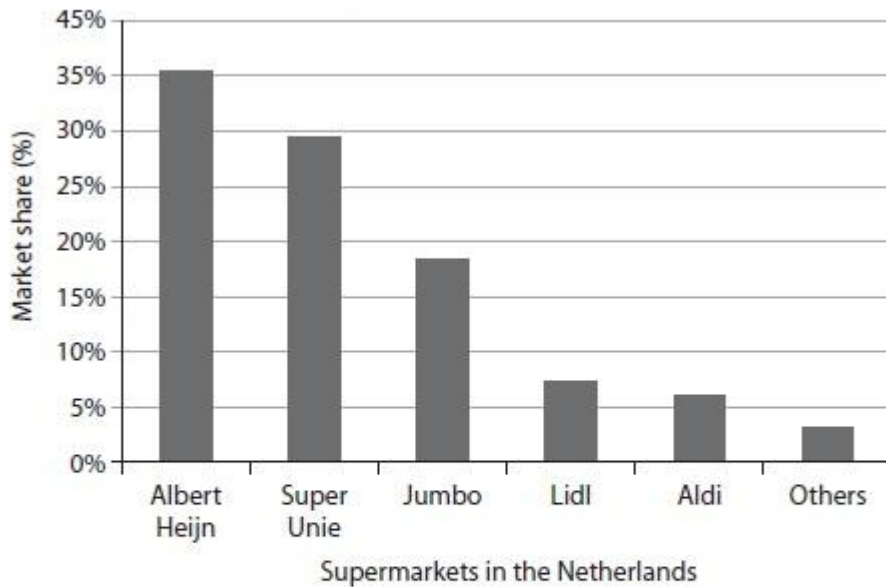


Figure 7

- (c) With reference to the data above and your knowledge of economics, evaluate how firms might be influenced by competing in an oligopoly, such as supermarkets in the Netherlands.

(12)

Mark scheme

Question number	Indicative content
4(c)	<p style="text-align: center;">A02 (4 marks)/A03 (4 marks)/A04 (4 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • An oligopolistic market is one where there are a few dominant firms, such as Albert Heijn, Super Unie and Jumbo (which have 83.5% of the market between them) • Due to brand names and advertising, set up costs are likely to be high, therefore creating barriers to entry for any new firms trying to compete • High profits may be enjoyed by the dominant firms such as Albert Heijn, Super Unie and Jumbo because of these barriers to entry • The dominant firms can benefit from economies of scale because they are large scale producers. As output rises, average costs decrease, further increasing profits (and dominance) • Small firms can still compete and survive by specialising and/or catering for niche markets, which are not served by the dominant firms <p>A04</p> <ul style="list-style-type: none"> • However the supermarkets may have to compete via non price competition such as advertising, loyalty schemes, customer service and longer opening hours as they are likely to want to avoid price wars, which can be expensive • As the providers are interdependent, if one heavily invests in a major advertising campaign, it is likely to have an impact on the others' market share • The market is constantly changing and so dominance may only continue if the firms continue to develop new ways of attracting custom • Successful small firms run the risk of being taken over or crowded out by dominant supermarkets • It may depend upon how market trends change with regards to use of technology and online grocery shopping. • If the supermarkets in the oligopoly cannot keep up, they may lose dominance or be pushed from the market altogether

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	<ul style="list-style-type: none"> • Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	<ul style="list-style-type: none"> • Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Exemplar response A

An oligopoly is a market system with a few dominating ~~the~~ firms. In the data given above, we can see that Albert Heijn ^{which} ~~also~~ owns more than 35% of the market shares and Super ~~store~~ ^{which} owns more than 25% of the market share are the two most dominating firms in the market. By dominating the firms, they will attempt to make the other smaller supermarkets to leave the market through ^{using} competing ~~to~~ price methods. They will try to reduce their prices as much as possible to the extent where firms like Aldi cannot compete which would drive them out of the market. However, by using price competitiveness, ~~the~~ firms usually lead to price wars. Price wars are usually avoided by firms as they bring about great losses in the income ^{and they lose out on the profit they can usually make} of the firm, hence, they may not engage in these in the oligopoly market.

The dominant firms in the market may use non-price competitive methods to drive out smaller firms in the market. As they supermarkets with more than 25% of the market share have the finances to advertise their products at a big scale and they can offer their customers better offers and deals, the smaller firms may ~~be~~ attempt initially to compete by advertising, however, they may eventually be influenced to leave the market system.

However, if these small ^{supermarkets} ~~supermarkets~~ have loyal customers or ~~if~~ if they provide their customers with high quality goods, ~~the~~ their income may be sufficient to stay in the market system for longer.

Firms might be influenced to collude with each other to become the most dominant firm and obtain maximum profit in the market. The two supermarkets with more than 25% shares may decide to collude together to exploit their customers and get the maximum amount of profits possible.

However, as collusion is illegal, firms may not be able to go forward with this as the repercussions are very severe and firms may not want to take the chance, thus they will not collude with one another.

Firms may influence each other by exploiting the benefits of being the most dominant firms by influencing the government to charge the smaller firms with higher tax rates. The dominant firms can do this due to their oligopolistic manner & since they are the larger firms in the market, they provide the government with bigger shares of income. Thus, they may use this to their benefit to drive smaller ^{firms} ~~markets~~ out of the market with the help of the government.

However, if the government does not only depend on the two largest supermarkets income, the firms will not be able to drive the smaller firms out of the market as they will not have the aid of the government. Thus, this method would not be effective.

In conclusion, we can say that the two dominant firms in the market that have shares of more than 25% ~~attempt~~ ^{attempt} to dominate the market by influencing the other firms with price wars, non-price competitive methods, through exploitation of the government & through collusion however there may not be effective as the government may not agree, price wars are avoided, the smaller firms are able to stay in the market and due to the fact that collusion is illegal. Thus, it depends on the stability of the smaller firms and the strength of the dominant firms to influence each other in a competitive oligopolistic market.

TOTAL FOR PAPER = 80 MARKS

(Total for Question 4 = 20 marks) Total

Examiner's comments:

This response was given 9 marks.

This response has met all the criteria for level 2 and so the examiner has looked at the requirements for level 3 to see if the response is a closer match. It does demonstrate accurate knowledge with appropriate application of terms but, although present, the chains of reasoning are limited and there is only some analysis of issues rather than a thorough analysis. In addition, the evaluation only demonstrates a partial, rather than full, understanding. Therefore, the response is good enough to reach level 3 but it does not meet the requirements enough to go beyond the bottom of the level. Please note that for all levels of response questions, the indicative content is only that and many other possible chains of reasoning could be offered as mark-worthy answers.

Exemplar response B

One reason that firms in the supermarket would ~~want~~^{want} to compete in an oligopolistic market is because there are few firms and large firms such as Albert Heijn usually dominate. They will have a large proportion of the market to ~~protect~~ themselves and are highly influential in the market. So they can benefit from such public recognition. For example they can charge high price thus get high profits.

Another reason why firms would want to compete in an oligopolistic market is, since oligopolies ~~are~~ are usually dominated by large firms they have large operations and large levels of output. Thus they can exploit economies of scale and reduce their average costs of production.

Also in an oligopolistic market prices remain fairly stable for a long period of time. This is because firms are afraid of price wars. If one firm cuts on the price others will also have to do so otherwise they lose in the market thus revenue and profits for all the firms is going to be low. So oligopolists can charge high prices.

However some firms wouldn't want to compete in an oligopoly because in an oligopoly firms spend large amounts of money in ~~strengthening~~ strengthening their brand names through advertising and promotion. This makes it difficult for other firms to enter as they cannot make such financial commitment.

Also a minority of oligopolistic markets have a cartel taking place where firms join together in order to agree on price fixing and output levels. When cartels become successful ~~it~~ it will act as a monopoly ~~as~~. This will reduce competition and make it difficult for other firms to enter.

In oligopolistic market firms try to differentiate their products as much as possible from their rivals so they can attract a large number of consumers. So one way they can differentiate is by making their product better. So quality of ~~some~~ some product ~~however~~ will be superior compared to others. However this superior quality might just be a matter of perceptions. Consumers just think the quality is better because of the powerful forces exerted by advertising and promotion which have shaped their views.

Examiner's comments:

This response was given 7 marks.

Knowledge and understanding of oligopolies is shown in this response with reference to advertising, avoiding price wars, barriers to entry and differentiation of products. Chains of reasoning are perhaps somewhat limited in the information presented which matches the descriptor for level 2 and there is some analysis of issues. However, there is little, if any, valid evaluation and no judgement. Therefore overall, this response is a good match to the level 2 descriptor. It does not fully meet all the requirements though and so stays at 7 marks rather than reaching the top of the level.

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