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# Mark Scheme (Results)

January 2017

Pearson Edexcel International  
Advanced Subsidiary in Economics  
(WEC01)  
Paper 01 Markets in Action

edexcel 

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January 2017

Publications Code WEC01\_01\_1701\_MS

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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.

## Section A: Supported multiple choice

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

NB: Candidates may achieve up to 3 marks (rejected marks) for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Answer	Mark
1	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of private goods: goods which are rival and excludable <b>(1)</b></li> <li>• Consumption by one person prevent others from consuming – excludable/ people who do not pay can be excluded <b>(1)</b></li> <li>• Consumption by one person diminishes the utility derived for others - rival <b>(1)</b></li> <li>• Example: it is possible to exclude people from using your car by locking it / people can be excluded by erecting a fence around a house <b>(1)</b></li> </ul> <p><b>Rejection marks</b>  <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as private goods are rival as one person’s consumption does affect the benefit derived by others/ public goods are non-rival where the consumption by one does not affect others <b>(1)</b></li> <li>• Option B: incorrect as private goods are excludable as you can prevent others from consuming them/ public goods have non-excludability where it is not possible to prevent others from consuming them <b>(1)</b></li> <li>• Option D: incorrect as a public goods suffers from the free rider problem where private firms cannot profit from them as people will consume without paying/ it is not possible to consume private goods without paying as people can be excluded <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
2	<p><b>Answer D (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of government failure: intervention that results in a net welfare loss/ where government intervention fails to allocate resources efficiently/ misallocation of resources resulting from government intervention <b>(1)</b></li> <li>• Government failure often occurs when the government tries to correct market failure <b>(1)</b></li> <li>• Environmental policies attempt to reduce environmental damage/ pollution/ external costs/ promote environmental protection <b>(1)</b></li> <li>• It costs more to administer the environmental protection than any benefits accrued <b>(1)</b></li> <li>• Excessive costs may reduce output below the social optimum <b>(1)</b></li> <li>• Firms may leave the country in response to the excessive administration costs <b>(1)</b></li> </ul> <p><b>Rejection marks (do not double award when they identify each as an example of market failure)</b></p> <ul style="list-style-type: none"> <li>• Option A: Incorrect asymmetric information is where different economic agents have different knowledge about the provision of a good and is a market failure as resources maybe inefficiently allocated by the price mechanism <b>(1)</b></li> <li>• Option B: incorrect as free rider problem means that private sector will not profit from the provision of these goods and leads to market failure as resources maybe inefficiently allocated by the price mechanism <b>(1)</b></li> <li>• Option C: incorrect as overproduction of goods with external costs is a market failure where third party effects are ignored by market mechanism <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Mark	
3	<p><b>Answer B (1 mark)</b></p> <ul style="list-style-type: none"> <li>• Definition of a production possibility frontier: the maximum combination of goods that can be produced with all available resources <b>(1)</b></li> <li>• Efficient allocation of resources when there is no waste which occurs on the PPF/ where no resources are unemployed/ any point on the curve is efficient <b>(1)</b></li> <li>• Both points X and Y on diagram B show full employment / efficient allocation of resources <b>(1)</b></li> <li>• The 25.3% reduction in the population will mean the productive potential falls/ less labour resources available for production process <b>(1)</b></li> <li>• So the economy moves from point X on PPF PP to point Y on QQ / inward shift of the PPF when population falls <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as this shows productive potential rising which would occur when population rises <b>(1)</b></li> <li>• Option C: Incorrect as point Y is unattainable/economy does not have sufficient resources to each point Y <b>(1)</b></li> <li>• Option D: incorrect as this shows output falling but moving from being efficient to inefficient <b>(1)</b></li> </ul>	<b>(4)</b>

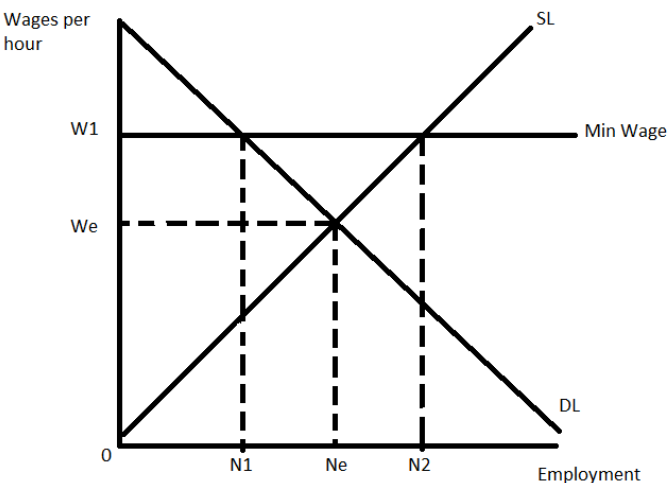
Question Number	Answer	Mark
4	<p><b>Answer A (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of subsidy- cash grant paid to encourage supply/ production/ consumption of a good <b>(1)</b></li> <li>• Reducing the subsidy would remove the cash grant <b>(1)</b></li> <li>• This will increase the cost of production <b>(1)</b></li> <li>• Moving the supply curve from S to S<sub>1</sub> <b>(1)</b></li> <li>• Now without a subsidy the government pays nothing <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option B: Incorrect as P<sub>e</sub>ZF was the original producer surplus / Incorrect as the new producer surplus was P<sub>1</sub>WE <b>(1)</b></li> <li>• Option C: Incorrect as the price will rise from P<sub>e</sub> to P<sub>1</sub> <b>(1)</b></li> <li>• Option D: the quantity will fall from Q<sub>e</sub> to Q<sub>1</sub> <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
5	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of occupational immobility of labour: where people are unable to move between occupations/ accept definition of mobility of labour <b>(1)</b></li> <li>• There is a mismatch between the skills of unemployed and the skills needed to fill vacancies <b>(1)</b></li> <li>• Training programmes will give them the skills required/ training will improve human capital/workers will be more productive or efficient <b>(1)</b></li> <li>• People move from being unemployed to being able to fill vacancies in other occupations/ improve the employability of workers/ people will be more able to move from one job to another <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: Incorrect as more training leads to more skills and this could encourage firms to extend its demand for labour <b>(1)</b></li> <li>• Option C: Incorrect since the mobility of labour will increase as people will be able to move between jobs <b>(1)</b></li> <li>• Option D: incorrect since the elasticity of supply of labour is likely to increase with the training as people are more able to respond as wages rise/ elasticity of supply of labour more elastic <b>(1)</b></li> </ul>	<b>(4)</b>



Question Number	Answer	Mark
6	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of producer surplus: the difference between the price firms are willing to sell at and what they sell at <b>(1)</b></li> <li>• An advert highlighting benefits of cows' milk will increase demand <b>or</b> Diagram showing increased demand <b>(1)</b></li> <li>• Diagram marking on the old producer surplus (PBC) and new producer surplus (P<sub>1</sub>AC) <b>(1+1)</b> <b>or</b> may identify change in producer surplus PP<sub>1</sub>AB <b>(1)</b></li> </ul> <div data-bbox="424 864 1150 1391" data-label="Figure"> </div> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as consumers switching to substitutes will see demand for cows' milk falling and producer surplus falling <b>(1)</b></li> <li>• Option B: incorrect as a health scare would reduce demand and causing producer surplus to fall <b>(1)</b></li> <li>• Option D: incorrect as increasing indirect tax will reduce supply causing producer surplus to fall <b>(1)</b></li> </ul>	<b>(4)</b>

Question	Answer	Mark
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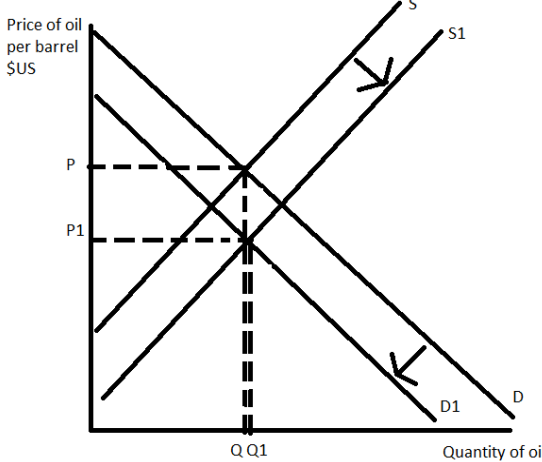
Number		
7	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of minimum wage: the lowest amount firms are able to pay employees/ wage floor <b>(1)</b></li> <li>• Introduction of a minimum wage causes costs to rise <b>(1)</b></li> <li>• Leading to lower demand for labour/ firms may have an incentive to substitute to now relatively cheap capital <b>(1)</b></li> <li>• The supply of labour will increase as people seek higher rewards from labour <b>(1)</b></li> <li>• There is now an excess supply of labour meaning unemployment <b>(1)</b>- <b>may be labelled on diagram</b></li> <li>• Diagram may be drawn showing minimum wage above equilibrium <b>(1)</b> marking on employment at equilibrium <math>N_e</math> <b>(1)</b> and leads to lower employment <math>N_1</math> <b>(1)</b></li> </ul>  <p><b>NB it is acceptable for X axis to be labelled quantity of labour or workers</b></p> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A incorrect as the minimum wage causes wages to rise above equilibrium and the supply of labour will rise <b>(1)</b></li> <li>• Option B incorrect as the demand for labour would decrease as some firms cannot afford to pay such high wages <b>(1)</b></li> <li>• Option D incorrect as wages will rise, leading to an increase in the cost of production causing supply to fall and price to rise <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
8	<p><b>Answer D (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition/understanding of buffer stock- where the government intervenes to keep a price between the floor and ceiling price <b>(1)</b></li> <li>• Aim is to stabilise price/ improve farmer incomes/ prevent price fluctuations <b>(1)</b></li> <li>• The new equilibrium price is above the ceiling price <b>(1)</b></li> <li>• With low supply the government needs the price to fall to <math>P_2</math> <b>(1)</b></li> <li>• They will sell <math>Q_2-Q_3</math> from its stocks <b>(1)</b></li> <li>• The government will receive <math>Q_2Q_3LK</math> for selling from its stocks<b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as at point M the economy is at equilibrium and there is no excess supply <b>(1)</b></li> <li>• Option B: incorrect as the government buying soya beans would cause the price to rise further above the price ceiling/ the government would only buy soya beans when price falls below the floor when there was a good harvest <b>(1)</b></li> <li>• Option C: incorrect as the quantity demanded between 2015 and 2016 has fallen from <math>Q_e</math> to <math>Q_3</math>/ There is a contraction in demand to point M <b>(1)</b></li> </ul>	<b>(4)</b>

## Section B: Data response

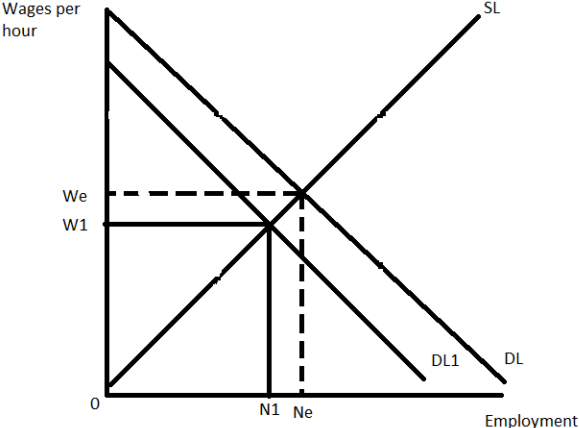
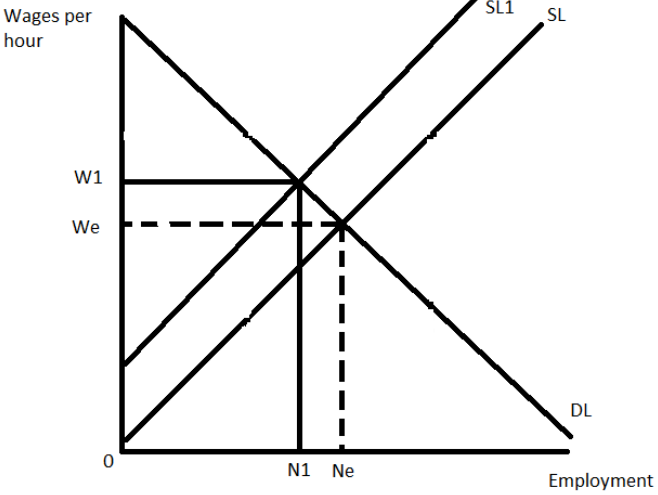
NB: KAA marks relates to those awarded for AO1, AO2 and AO3

NB: Evaluation marks relates to those awarded for AO4

Question Number	Answer	Mark
<p><b>9(a)</b></p>	<p><b>Knowledge, application and analysis (up to 6 marks)</b></p> <ul style="list-style-type: none"> <li>• Data reference to oil price fall- either explicit reference to two prices in Figure 1 that show price fall / award mark for showing change in price / Extract 1 by August 15 prices fell 15% <b>(1)</b></li> <li>• Increased supply due to US oil production doubled/ spare oil to export/ Saudi Arabia, Nigeria and Algeria forced to lower prices/ OPEC unwilling to reduce supply/ Saudi Arabia and United Arab Emirates refused to cut production/ Iraq increased production/ oil producing countries are discovering and extracting greater quantities <b>(1)</b></li> <li>• Reduced demand due to economies of Europe weak/ developing countries weak/ incomes not growing/ vehicles becoming more efficient so demand for fuel falling <b>(1)</b></li> </ul> <p>Diagrammatic analysis which shows:</p> <ul style="list-style-type: none"> <li>• Original supply, demand, equilibrium price and quantity <b>(1)</b></li> <li>• a shift to the right of the supply curve <b>(1)</b></li> <li>• a shift to the left of demand <b>(1)</b></li> <li>• new equilibrium price and quantity <b>(1)</b> (Price must fall)</li> </ul> 	<p><b>(6)</b></p>

	<b>Price must fall but quantity may rise, fall or stay the same</b>	
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Question Number	Answer	Mark
<b>9(b)</b>	<b>Knowledge, application and analysis (Up to 4 marks):</b> <ul style="list-style-type: none"><li>• non-renewable- Once extracted cannot be used again and again/ finite supply/ depletion <b>(1)</b></li><li>• Example of non-renewable- oil <b>(1)</b></li><li>• renewable- which once used can be used again and again/ infinite supply/ available for future generations <b>(1)</b></li><li>• Example of renewable- solar/ wind <b>(1)</b></li></ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>9(c)</b>		<b>(10)</b>
<b>Knowledge, application and analysis – indicative content</b>		
	<p>Define derived demand- the demand for labour in the oil industry will come from the demand for the final product, oil.</p> <p>Economic effects  100 000 workers lose their jobs- employment falls  BP and Chevron 10 000 workers become unemployed  Demand for labour falls as demand for oil falls DL to DL1  Wages fall from <math>W_e</math> to <math>W_1</math>  Employment falls <math>N_e</math> to <math>N_1</math></p>  <p>May pursue careers elsewhere  Lack staff with right skills- less supply of labour – higher costs- wages rise  Reduced supply of labour SL to SL1  Wages may need to rise and employment falls <math>N_e</math> to <math>N_1</math>  (CANDIDATES DO NOT NEED TO LOOK AT THE EFFECT ON LABOUR SUPPLY BUT SHOULD BE REWARDED FOR DOING SO)</p> 	
<b>Level</b>	<b>Marks</b>	<b>Descriptor</b>

0	0	A completely inaccurate response.
1	1-2	Shows some awareness of derived demand and the labour market. The diagrams may be missing or showing the impact on the oil market and not labour market. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	3-4	Understanding of derived demand and the labour market in the context of the oil market. This will be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	5-6	Clear understanding of derived demand and the labour market in the context of the oil market. This will be supported by an accurately labelled diagram which is explained and applied effectively. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.
Evaluation – indicative content		
		<ul style="list-style-type: none"> <li>• Specialised engineers, technicians and rig crews who boast years of involvement- firms may avoid laying off staff- as invested a lot in the resource</li> <li>• Elasticity of demand for labour might be inelastic as they do not want to lose their investment in workers</li> <li>• Formal training or university degrees- may not be so occupationally mobile away from oil market.</li> <li>• Elasticity if supply might be inelastic as wage rises attract few others as need high skills, training etc</li> <li>• Magnitude – 100 000 unemployed significant</li> <li>• May not be significant depending on number employed</li> <li>• Measurement issue measuring the numbers unemployed directly and indirectly</li> <li>• Time period: short term significant impact. But long term- demand may recover/ supply fall as finite resource</li> <li>• Rising price of oil over recent months, so employment may increase again</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

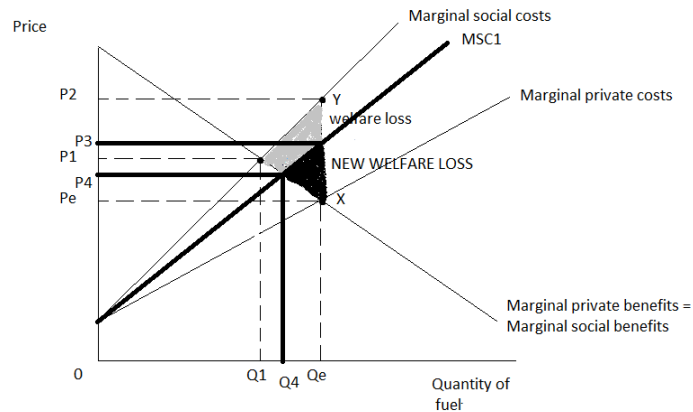




Question Number	Answer	Mark
<b>9(d)</b>		<b>(14)</b>
<b>Knowledge, application and analysis – indicative content</b>		
	<ul style="list-style-type: none"> <li>• Definition of external costs- negative impacts on third parties</li> <li>• Carbon emissions are a third party effect as people not driving will be affected by higher levels of carbon emissions</li> </ul> <p>Reward reference to data that show falling emissions or improved fuel economy. Any two points from the figures can be selected</p> <ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions are falling for trucks from 750 g/mi in 1975 to 460g/mi in 2013</li> <li>• CO<sub>2</sub> emissions are falling for cars from 650 g/mi in 1975 to 320g/mi in 2013 (accept 100g/mi)</li> <li>• Fuel economy 16.5mpg for trucks in 2004 to 19mpg in 2013</li> <li>• Fuel economy 23mpg for cars in 2004 to 27.5mpg in 2013</li> <li>• less oil will need to be burnt and less pollution caused</li> <li>• less need for treatments for respiratory disease</li> <li>• saves on health care costs to governments and individuals</li> <li>• external costs will be lower and the size of the welfare loss will fall</li> <li>• Reward diagram showing MSC above MPC</li> <li>• Reward for identifying the size of external costs or welfare loss</li> </ul> <div data-bbox="414 1534 1141 1937" data-label="Figure"> <p>The graph illustrates the relationship between Marginal Social Costs (MSC) and Marginal Private Costs (MPC) in the context of fuel consumption. The vertical axis represents Price (P) and the horizontal axis represents Quantity of fuel (Q). A downward-sloping line represents Marginal private benefits = Marginal social benefits. The intersection of Marginal Private Costs (MPC) and Marginal Social Benefits (MSB) is point X, corresponding to the free market equilibrium quantity <math>Q_e</math> and price <math>P_e</math>. The intersection of Marginal Social Costs (MSC) and Marginal Social Benefits (MSB) is point Y, corresponding to the socially optimal quantity <math>Q_1</math> and price <math>P_1</math>. A shaded triangular area between the MSC and MPC curves from <math>Q_1</math> to <math>Q_e</math> is labeled 'welfare loss', representing the deadweight loss due to the externality.</p> </div> <p><math>Q_1/P_1</math> is the social optimum level of output/price.  <math>Q_e/P_e</math> is the free market level of output/price.</p>	

Candidates should show the reducing in external costs and should be strongly rewarded for doing so

- Reward diagram showing MSC shifting inwards
- Reward show in lower external costs or smaller welfare loss



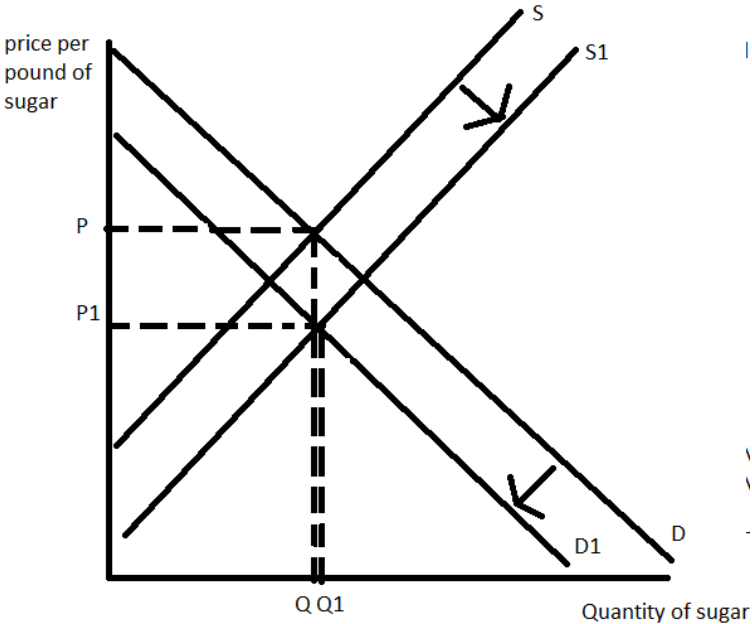
- Reward other economic effects
- As demand falls for fossil fuel the industry may shrink causing employment to fall/ unemployment to rise

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the external costs linked to fuel efficiency
2	4-6	Understanding of external costs will link to fuel efficiency of cars and trucks with some application to context. They may offer a diagram to illustrate external costs.
3	7-8	Clear understanding of external costs will link to fuel efficiency of cars and trucks with application to context. They may offer a diagram showing external costs falling.
Evaluation – indicative content		
		<ul style="list-style-type: none"> <li>• Magnitude- significant falls (reference to data)</li> <li>• Measurement problem- difficult to measure external costs</li> <li>• Other emissions other than carbon</li> <li>• Time lag- may take time for improvements in environment to emerge</li> <li>• External costs may not fall as more people drive/ whilst there are lower emissions per car or mile there are more miles and cars being driven- increasing external costs</li> <li>• Some countries using old fuel inefficient cars, offsetting benefits of more fuel efficient cars</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.

1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.
3	5-6	For well developed evaluative comments supported by relevant reasoning and clear application to context.

Question Number	Answer	Mark
<b>9(e)</b>		<b>(14)</b>
<b>Knowledge, application and analysis – indicative content</b>		
	<ul style="list-style-type: none"> <li>• Definition of indirect tax- tax paid to government via third party/ expenditure tax</li> <li>• Accept definition of specific tax/ad valorem tax</li> </ul> <p>Fuel market</p> <ul style="list-style-type: none"> <li>• Increases costs to producer</li> <li>• Reduces supply</li> <li>• Increases price</li> <li>• Decreases quantity consumed</li> <li>• Decreased consumers and producer surplus</li> <li>• Increased tax revenue</li> <li>• Incidence of tax consumer and producer</li> <li>• Reduced external costs</li> <li>• Staff may be laid off</li> <li>• Above may be shown diagrammatically</li> </ul> <p>Roads</p> <ul style="list-style-type: none"> <li>• Fund \$AUS 1.1bn for road building</li> <li>• Increases supply</li> <li>• May reduce congestion/ damage associated with this</li> <li>• Boost construction</li> <li>• Boost employment- labour intensive</li> <li>• Better infrastructure lowers costs to business</li> </ul>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the advantages or disadvantages of indirect tax
2	4-6	Understanding of advantages or disadvantages of indirect tax with some application to context.
3	7-8	Clear understanding of advantages or disadvantages of indirect tax with detailed explanations of them and with appropriate application to context.
<b>Evaluation – indicative content</b>		
	<ul style="list-style-type: none"> <li>• Magnitude- depends on size of tax increase/ large investment</li> <li>• Gives government funds</li> <li>• Better roads may help with fuel economy also</li> <li>• Incidence of tax-depends on PED/PES</li> <li>• Elasticity of demand likely to be inelastic in short run/ elastic in long run</li> <li>• Reliance on roads increased- pollution/ external costs</li> </ul>	
Level	Marks	Descriptor

0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.
3	5-6	For well developed evaluative comments supported by relevant reasoning and clear application to context.

Question Number	Answer	Mark
10(a)	<p><b>Knowledge, application and analysis (up to 6 marks)</b></p> <ul style="list-style-type: none"> <li>• Data reference to sugar price fall e.g. from July 2014 - 17 US cents (accept 16-20) to July 2015 - 12 US cents (accept 11-13) / May identify 5 US cents change <b>(1)</b> <b>The second price can be any price below the original price. Do not accept 25% as it is in the question</b></li> <li>• Increased supply due to bumper harvest in Brazil/dry weather boosts the harvest/India biggest harvest in 3 years/ Thailand output increased by 6.1%/stockpile of 80million tonnes implies excess supply <b>(1)</b></li> <li>• Reduced demand due to people switching from sugar to sucralose <b>(1)</b></li> </ul> <p>Diagrammatic analysis which shows:</p> <ul style="list-style-type: none"> <li>• Original supply, demand and equilibrium <b>(1)</b></li> <li>• a shift to the right of the supply curve <b>(1)</b></li> <li>• a shift to the left of demand <b>(1)</b></li> <li>• new equilibrium price and quantity <b>(1)</b> (Price must fall)</li> </ul> 	<b>(6)</b>

Question Number	Answer	Mark
<b>10(b)</b>	<p><b>Knowledge, application and analysis (Up to 4 marks):</b></p> <ul style="list-style-type: none"> <li>• Definition/formula for XED <b>(1)</b></li> <li>• Identification of substitutes <b>(1)</b></li> <li>• Positive XED <b>(1)</b></li> <li>• Understanding of substitutes - Goods that people switch between as they meet the same need/two goods are substitutes that are in competitive demand <b>(1)</b></li> <li>• Encouraging consumers to switch from sugar to sucralose/price sucralose fallen/demand for sugar fallen <b>(1)</b></li> <li>• diagram showing positive relationship between price of sugar and demand for sucralose <b>(1)</b></li> </ul>	<b>(4)</b>

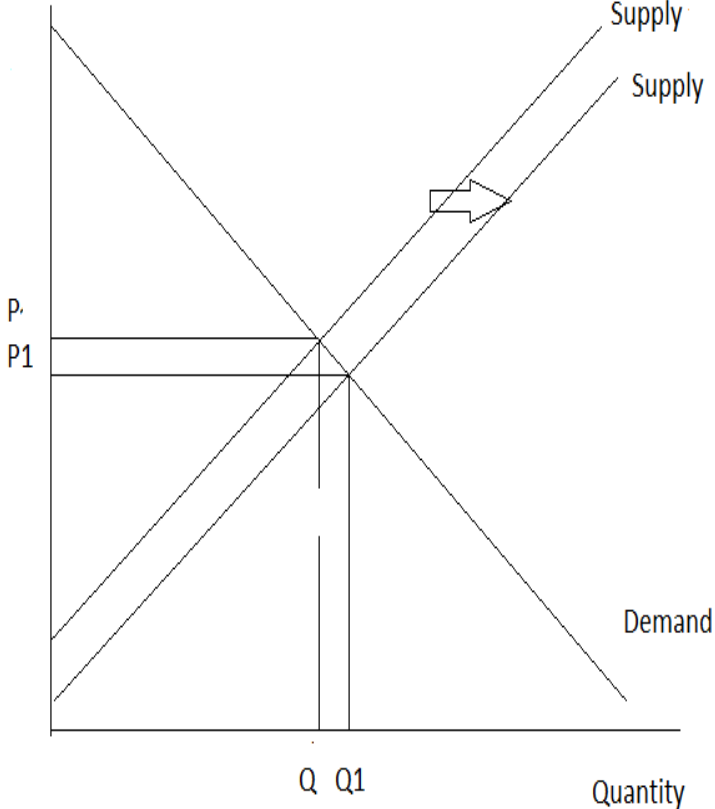


Question Number	Answer	Mark
<b>10(c)</b>		<b>(10)</b>
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> <li>• Definition of PES- responsiveness of QS to a change in price OR <math>\% \Delta QS / \% \Delta P</math></li> </ul> <p>Price Elastic</p> <ul style="list-style-type: none"> <li>• Define price elastic: where the quantity supplied is more responsive to changes in price</li> <li>• Where <math>PES &gt; 1</math></li> <li>• Stockpile (80m tons)- so when price rises can quickly increase supply</li> </ul> <p>Price Inelastic</p> <ul style="list-style-type: none"> <li>• Define price inelastic: where the quantity supplied is less responsive to changes in price</li> <li>• Where <math>PES &lt; 1</math></li> <li>• Sugar companies have not responded to the falling price by cutting production or switching to other crops- inelastic as not much response</li> <li>• Takes 6 months to 2 years to grow sugar cane crop- delay before you can increase supply</li> <li>• Not possible to adjust supply as there is a finite crop</li> </ul> <ul style="list-style-type: none"> <li>• Diagram showing elastic or inelastic supply curve</li> </ul>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of PES.
2	3-4	Understanding of PES in Sugar cane market. Links to the context. Accurate diagram may be drawn
3	5-6	Clear understanding of PES in sugar cane market with clear links to context. Accurate diagram may be drawn and explained
Evaluation – indicative content		
	<ul style="list-style-type: none"> <li>• Short run likely to be more inelastic and long run more elastic as move from fixed factors to variables factors of production</li> <li>• Magnitude- depends on how far price changes</li> <li>• Other factors- determine supply- weather etc</li> <li>• Fluctuations in sugar prices which might make farmers reluctant to changes in price</li> </ul>	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.





Question Number	Answer	Mark
<b>10(d)</b>		<b>(14)</b>
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> <li>• Price of sugar data reference to 2 points on Figure 1 or Extract 1 showing 23% fall</li> <li>• Mondelez/ Cadbury/ Oreo/ Krispy Kreme use sugar in production</li> <li>• Costs of production falls</li> <li>• Supply increases</li> <li>• Price can fall</li> <li>• Quantity rises</li> <li>• Producer surplus rises</li> <li>• Consumer surplus rises</li> <li>• Incentive to add more sugar in ingredients</li> <li>• Can stockpile at low prices</li> <li>• Diagram to illustrate impact on market</li> <li>• Employment may rise – derived demand</li> <li>• Revenue increases</li> <li>• profits increasing</li> <li>• dividends and share prices increasing for some food manufacturers</li> <li>• more investment as a result.</li> </ul> <p data-bbox="352 1093 411 1122">Price</p>  <p data-bbox="724 1883 794 1912">Q Q1</p> <p data-bbox="1018 1895 1114 1924">Quantity</p> <p data-bbox="352 1944 1043 1973">Reference needs to be made to manufacturers</p>	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of impact on manufacturers of sugar price fall. Material presented is often irrelevant and lacks organisation or may be confused. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of impact of manufacturers of sugar price fall, with some application to context. This will normally be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the impact on manufacturers of sugar price fall. There will be an accurately labelled diagram which is explained and applied effectively to the context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation – indicative content

	<ul style="list-style-type: none"> <li>• Magnitude- depends on the size of the price fall – reference to 25% fall in price</li> <li>• May just absorb lower costs in profit – so no change in price</li> <li>• Time period- short run- costs falls- long term costs may rise</li> <li>• benefit was offset by cocoa, dairy and packaging costs which rose</li> <li>• proportion of total costs accounted for by sugar</li> <li>• Revenue/profit dependant on PED</li> <li>• Depends on whether sugar tax is imposed</li> <li>• Depends on the price of the substitute</li> </ul>	
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Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation or for developing one evaluative comment.
2	3-4	For developing evaluative comments supported by some reasoning and application to context.
3	5-6	For well developed evaluative comments supported by relevant reasoning and clear application to context.

Question Number	Answer	Mark
<b>10(e)</b>		<b>(14)</b>
Knowledge, application and analysis – indicative content		

	<ul style="list-style-type: none"> <li>• External costs – costs to third parties</li> <li>• Reward negative externalities</li> <li>• Europe 2011 35.1kg 2013 37.1kg</li> <li>• US 2011 31kg 2013 32.5kg</li> <li>• WHO recommends less than 10% of energy intake sugars</li> <li>• UK/ Spain consume 16-17% of intake, children in Portugal 25%</li> <li>• Third party effects developed</li> <li>• Risk of obesity/ tooth decay</li> <li>• Causes additional health problems- heart disease/ breathing difficulties</li> <li>• Costs to healthcare- to government</li> <li>• Helps clear stockpile/ supply</li> <li>• Maintains jobs</li> </ul> <p>NB reward students for relevant and accurate diagram</p> <p>The negative externalities diagram for sugar where MSC curve exceeds MPC curve may be used and should be rewarded.</p>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of impact of people eating more sugar. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of impact of people eating more sugar with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of impact of people eating more sugar with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.
Evaluation – indicative content		
	<ul style="list-style-type: none"> <li>• Magnitude- impact depends on how much more e.g. US only increased 1.5kg between 2011 and 2013</li> <li>• Short run- little impact as takes time to build up to being obese/ tooth decay</li> </ul>	

		<ul style="list-style-type: none"> <li>• Measurement- of the impact of sugar is difficult as fat intake etc important</li> <li>• Hungary/ Norway still only 7-8% of intake</li> </ul>	
Level	Marks	Descriptor	
0	0	No evaluative comments.	
1	1-2	For identifying evaluative comments without explanation or for developing one evaluative comment.	
2	3-4	For developing evaluative comments supported by some reasoning and application to context.	
3	5-6	For well developed evaluative comments supported by relevant reasoning and clear application to context.	

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