



**General Certificate of Secondary Education
2019**

Economics

Paper 2

[G9282]

MONDAY 3 JUNE, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are intended to ensure that the GCSE examinations are marked consistently and fairly. The mark schemes provide markers with an indication of the nature and range of candidates' responses likely to be worthy of credit. They also set out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for Economics.

Candidates must:

- AO1** recall, select and communicate their knowledge and understanding of concepts, issues and terminology;
- AO2** apply skills, knowledge and understanding in a variety of contexts; and
- AO3** analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

Tasks and questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

- Level 1: Quality of written communication is limited.
 Level 2: Quality of written communication is satisfactory.
 Level 3: Quality of written communication is of a high standard.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Limited): The candidate makes only a limited selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a reasonable selection and use of an appropriate form and style of writing. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

Level 3 (High Standard): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

- 1 (a) Using Figure 1, describe the trend in average cinema prices between 2010 and 2017.

The key points shown in Figure 1 are:

- There is a general upward trend in the price of cinema tickets
- In 2010, the price was £5.95 and by 2017, this increased to £7.60, a change of £1.65. Over the six years, this was an average increase of approximately £0.20 per year.

Allow [1] for partial or flawed identification of the general upward trend.

Allow [2] for clear identification of the general upward trend in prices supported by appropriate use of the data.

(AO2) [2]

- (b) Explain one fixed and one variable cost that cinema owners have to pay.

You should give one example of each cost.

Allow [1] for clear identification of fixed costs, i.e. costs that do not change with output

Allow [1] for relevant example, e.g. mortgage or rent payments

Allow [1] for clear identification of variable costs, i.e. costs that vary directly with output

Allow [1] for relevant example, e.g. wages of staff [4]

- (c) Using Figure 2, outline why the cinema industry is described as an oligopoly.

Figure 2 shows that the cinema market is dominated by the three large firms, Odeon, Cineworld and Vue, 'the Big 3', with respective market shares of 24%, 26% and 20% giving a total of 70% of the market. Other named cinema firms have considerably smaller market shares at 2% or 6%. 'Others' account for 20% but this is made of multiple smaller cinemas with none having even as much as 1% of the market. The text also explains how these Big 3 maintain their market position through barriers to entry.

Allow [1] for demonstrating knowledge and understanding that an oligopoly is a market type that is dominated by a small number of very large firms such as the Big 3 in the cinema market. The behaviour of one firm affects how the others react and behave. Allow [1] for use of the data, e.g. indicating that the Big 3 together have 70% of the market while the others in the market have much lower shares of the market.

(AO1; AO2) [2]

- (d) Using Figure 2, explain the type of integration that occurs if Cineworld takes over Empire Cinemas.

Allow [1] for the identification of horizontal integration and [1] for identification that both firms are at the same stage of production.

(AO2, AO3) [2]

AVAILABLE
MARKS

- (e) Explain how large cinema chains use economies of scale to compete with smaller cinemas.

AVAILABLE
MARKS

The large cinema chains use economies of scale to compete with smaller operators in the markets as follows:

- Marketing economies – larger firms like the Big 3 can afford to spend large sums of money on advertising and this cost can be spread out over the large number of cinemas in their chain. For smaller firms, the cost of some types of advertising would be impossible as they would not bring in sufficient trade to make the cost worthwhile
- Financial economies – larger firms are in a stronger position to negotiate low interest loans from the financial services industry that they may need to upgrade facilities and invest in new technology. They can make a strong business case based on their market position and trading situation while smaller firms may find it harder to negotiate a low cost loan and to repay it. It would also represent a higher proportion of average costs since they have fewer units to spread the costs across compared to the larger firms
- Technical economies – The larger firms can afford to invest in the latest technology. The cinema experience has undergone considerable technical change and only the very financially strong firms can afford such investment
- Risk bearing economies – The larger firms can afford to pursue risky ventures such as expansion through integration or investment in new technology, e.g. 3D, or enhancement of the cinema experience by developing specialist restaurant facilities alongside their core cinema function
- Production economies – larger cinemas operate multiple screen cinemas that allow them to show a range of films simultaneously and hence appeal to a wider audience.

Economies of scale create barriers to entry to the market for smaller firms hence the larger firms such as the Big 3 can maintain their market position.

Level 0 (0)

There is no content worthy of credit.

Level 1 ([1]–[2])

The candidate demonstrates a very restricted or confused understanding of how large firms use economies of scale to compete. Specific examples are not given or are inappropriate. Quality of written communication is limited.

Level 2 ([3]–[4])

The candidate demonstrates an adequate understanding of how large firms use economies of scale to compete. Some relevant examples of economies of scale are given but only partially explained. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

The candidate demonstrates a clear understanding of how large firms use economies of scale to compete. A number of relevant examples are used appropriately to illustrate the answer. Quality of written communication is of a high standard.

(AO1, AO2, AO3)

[6]

- (f) *Discuss the possible effects of increased competition in the UK cinema market on consumers, workers and businesses.*

AVAILABLE
MARKS

Increased competition in the cinema market could benefit the stakeholders in the following ways:

Consumers

- Wider choice of films – if the Big 3 had less power in the market, the smaller independent cinemas could be in a better position to buy rights to new films. There may also be less influence by the big film producers and distributors when promoting their new films, hence smaller film producers may have better opportunities to get their films screened in cinemas
- Improved efficiency leading to reduced prices – economic theory suggests that non-competitive markets can become inefficient leading to higher costs and higher prices for consumers
- Better quality experience – a wider range of cinema providers than the Big 3 could help to improve the overall quality of the cinema experience for consumers as more firms compete for a share of the market.

Workers

- The data suggest that workers in the cinema are not generally well paid and do not have good conditions of service. Increased competition could strengthen their bargaining power but improvements in technology have resulted in fewer workers being needed and the jobs that remain tend to be low skilled
- The impact on workers may be limited but there may be management opportunities for some workers, or opportunities to upgrade skills by being employed in a larger organisation.

Businesses

- The smaller independent cinemas may find that they are in a stronger position to compete with the large chains. This may enable them to negotiate better deals with film distributors
- The larger cinema chains may have to improve the experience they offer consumers and they may do this by offering cheaper prices or a better quality experience
- Decreased profit margins for businesses like the Big 3.

Level 0 (0)

There is no content worthy of credit.

Level 1 ([1]–[3])

The candidate demonstrates a very restricted or confused understanding of the possible effects of increased competition. Specific examples are not given or are inappropriate. Quality of written communication is limited.

Level 2 ([4]–[6])

The candidate demonstrates an adequate understanding of the possible effects of increased competition. Some relevant examples are given but only partially explained. Quality of written communication is satisfactory.

Level 3 ([7]–[8])

The candidate demonstrates a clear understanding of the possible

effects of increased competition. A number of relevant examples are used appropriately to illustrate the answer. Quality of written communication is of a high standard.

(AO1, AO2, AO3)

[8]

- (g) *Analyse the possible effects on the UK economy of the new tax rules for the film industry.*

The government has treated the film industry as a special case for tax purposes. The effect of this is that the film industry receives a tax cut thus making it cheaper for firms in this industry to base their activities in the UK. In 2016, this tax break was estimated at £600 million.

The effects of government financial support include:

- Support for the vast range of direct and indirect employment associated with film making and distribution in the UK – employment growth in this sector is estimated at over 5% per year compared to 1.2% in the wider job market
- Promotion of film making in the UK that has improved the quality of films. Films are products that can be sold abroad and contribute to the balance of trade. Better quality films have helped to promote cinema ticket sales. The ONS reports that cinema sales have contributed 0.5% to GDP
- Loss of potential tax revenue for the government and sources of income that could be used to improve services in the public sector.

Level 0 (0)

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[2])

The candidate identifies one or two possible effects on the economy of the government's financial support for the film industry. Any analysis is poorly developed or inadequately supported. Quality of written communication is limited.

Level 2 ([3]–[4])

The candidate briefly analyses one or two possible effects on the economy of the government's financial support for the film industry with some supporting evidence. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

The candidate provides a detailed analysis of a number of possible effects on the economy of the government's financial support for the film industry. Quality of written communication is of a high standard.

(AO1, AO2, AO3)

[6]

AVAILABLE
MARKS

30

- 2 (a) Using Figure 3, describe how the deficit in the Current Account of the UK's Balance of Payments changed between 2010 and 2017.

- Throughout the period the UK has continually been in deficit with the situation worsening for most of the period
- At the start of 2010, the deficit in the Current Account Balance was approximately –£60 000 million (or –£60 billion)
- The situation improved very slightly in 2011 for that year only when the deficit was reduced by £20 000 million to –£40 000 million
- From 2011–2013, the deficit worsened – increasing from –£40 000 million to close to –£100 000 (–£100 billion)
- From 2014–2015, the deficit remained at approximately this level.
- There was a further dip in 2016 to –£115 000 million (–£115 billion) before showing some improvement in 2017 to –£80 000 (–£80 billion).

Allow [1] for identifying that the situation has worsened and allow up to [2] for use of the data to illustrate the extent of the change.

(AO1; AO2)

[3]

- (b) The table below shows information about the exports and imports of goods and services to the UK in 2017.

UK Trade in Goods and Services 2017 (£s billions)		
	January 2017	March 2017
Balance of trade in goods	–£12	–£13.5
Balance of trade in services	+£9.0	+£8.5
Balance of Trade	–£3	–£5.0

- (i) The Balance of Trade in January 2017 was –£3 billion.

- (ii) The Balance of Trade in Services in March 2017 was +£8.5 billion.

Allow [1] for each correct calculation (2 × [1]).

(AO2)

[2]

- (c) Explain two factors that cause the UK to have a deficit on the Current Account of the Balance of Payments.

The deficit on the UK's Current Account results mainly from the large negative balance of trade in goods. This is the result of:

- Loss of competitive advantages especially in manufacturing
- Deindustrialisation with the economy now service driven
- Consumer choice – fuelled by higher incomes consumers want to consume foreign goods such as exotic fruits, cars and electronic goods
- When the exchange rate was stronger, consumers enjoyed relatively cheaper imported goods (and services)
- Supply-side facts – loss of competitiveness on world markets.

Other relevant responses may be credited

Allow [1] for identifying each factor (2 × [1]) and up to [2] for relevant explanation [2].

(AO1, AO3)

[4]

AVAILABLE
MARKS

- (d) Discuss two policies that the government could use to reduce the deficit on the Current Account of the Balance of Payments.

AVAILABLE
MARKS

There are a number of policies that the UK could use to reduce this deficit. These include some, like protectionism that, in theory, could be used but in practice the government would be better to avoid. Relevant policies include:

- More direct (supply-side) policies to improve innovation, competitiveness and the quality of the workforce that will help firms to produce goods and services of a sufficiently high quality and a competitive price to allow them to compete internationally and increase exports
- Promoting exports of goods and services. The government leads trade delegations all over the world to countries that have prospective customers. This helps to generate orders for goods and services and creates a flow of trade income to the UK
- The government could try to reduce imports by pursuing, in theory, a protectionist policy such as imposing tariffs or non-tariff restrictions on goods and services that are imported to the UK. The UK may use tariffs but they are likely to be met with retaliation.
- Non-tariff barriers such as health and safety restrictions may operate for a time and help to restrict goods from a certain country in the world. Some foods are subject to such barriers such as imports of beef from countries where there have been outbreaks of diseases such as foot and mouth. Decisions of the WTO impact on the UK's ability to use tariff and non-tariff instructions.

Other valid answers may be credited such as using fiscal and/or monetary policy to reduce the demand for imported goods and services.

Level 0 (0)

There is no content worthy of credit.

Level 1 ([1]–[2])

The candidate demonstrates a very restricted or confused understanding of policies that could be used to reduce the deficit. Discussion of policies is not given or is inappropriate. Quality of written communication is limited.

Level 2 ([3]–[4])

The candidate demonstrates an adequate understanding of one or two policies that could be used to reduce the deficit but these are only partially discussed. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

The candidate demonstrates a clear understanding of two policies that could be used to reduce the deficit and these are discussed appropriately. Quality of written communication is of a high standard.

(AO1, AO2, AO3)

[6]

- (e) *Explain the main factors that can cause the value of the pound (£) against other currencies to change.*

The value of the pound against other currencies is determined by the forces of demand and supply in relation to buying and selling the currency.

There are a number of potential economic events that can cause the value of the pound to increase or fall.

- The data show that: the pound was low in the summer of 2016, and it remained low due to economic uncertainty
- Other events such as interest rate changes, or anticipated changes, may increase demand for the pound if the UK is perceived as a better place to invest.

Credit can be given to other valid responses and appropriate use of sketch diagrams.

Level 0 (0)

There is no content worthy of credit.

Level 1 ([1]–[2])

The candidate demonstrates a very restricted or confused understanding of factors that can cause the value of the pound against other currencies to change. Explanation is limited or not given. Quality of written communication is limited.

Level 2 ([3]–[4])

The candidate demonstrates an adequate understanding of factors that cause the value of the pound against other currencies to change but these are only partially explained. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

The candidate demonstrates a clear understanding of the factors that cause the value of the pound against other currencies to change and develops the explanation appropriately to illustrate the answer. Quality of written communication is of a high standard.

(AO1, AO2, AO3)

[6]

- (f) *Evaluate the effect of a depreciation in the exchange rate on the UK's international trade and the economy as a whole.*

A depreciation of the pound against other currencies makes the UK a more attractive market for exporters.

- UK exported goods are relatively cheaper in foreign markets so this is likely to increase demand and improve the trading situation thus helping the UK's Balance of Payments
- Holidays abroad, the equivalent of an imported service will become more expensive to UK residents and as the data show, holidays in the UK will become more attractive
- The effect on the UK economy is likely to be an increase in exports of goods and services, creating jobs and increasing aggregate demand and economic growth
- The flow of spending out of the UK to buy imported goods and services is likely to fall so this further increases domestic demand

AVAILABLE
MARKS

- These effects are relative to the extent of the change in the exchange rate and how these affect consumer and business behaviour both at home and abroad.
- Impact on inflation – the CPI measure of inflation increased to 3% late in 2017 and this was partially attributed to the increased cost of foodstuffs, many of which are imported.

Other relevant points will be credited.

Level 0 (0)

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[3])

The candidate identifies one or two possible effects of the change in the exchange rate on international trade and the economy as a whole. The discussion is unbalanced and inadequately supported. Quality of written communication is limited.

Level 2 ([4]–[6])

The candidate briefly discusses one or two possible effects of the change in exchange rate on international trade and the economy as a whole. The discussion contains some relevant development. Quality of written communication is satisfactory.

Level 3 ([7]–[9])

The candidate develops and thoroughly discusses the effect of changes in the exchange rate on international trade and the economy as a whole. A reasoned and balanced conclusion about these effects is reached. Quality of written communication is of a high standard. [9]

Total

**AVAILABLE
MARKS**

30

60