



**GCSE (9–1)**

**Economics**

**J205/01: Introduction to economics**

General Certificate of Secondary Education

**Mark Scheme for June 2019**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

Annotation	Meaning
✓	Tick
✗	Cross
?	Unclear
BOD	Benefit of the doubt
IR	Irrelevant
L1	Level one
L2	Level two
L3	Level three
NAQ	Not answered question
OFR	Own figure rule
SEEN	Noted but no credit given.
TV	Too vague
▲	Omission mark
BP	Blank page

**Highlighting** is also available to highlight any particular points on the script.

**BP** to be inserted on every blank page

'**SEEN**' to be inserted in every question space where NR is the mark.

## Subject Specific Marking Instructions

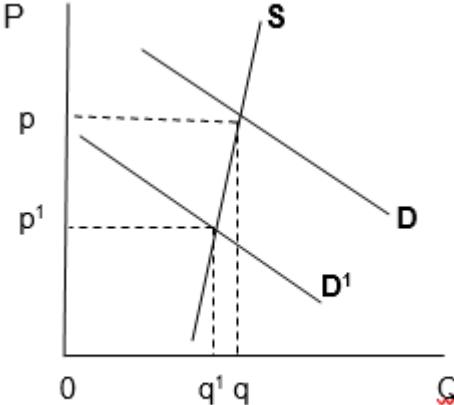
Levels of response / Level descriptors	Knowledge and understanding	Application	Analysis	Evaluation
<b>Good</b>	<b>Good</b> knowledge and understanding of the theory stated or referred to in the question. All of the terms/theoretical concepts are explicitly or implicitly understood.	<b>Good</b> application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.	<b>Good</b> analysis of the effect of <b>xxxx</b> . There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.	<b>Good</b> evaluation with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.
<b>Reasonable</b>	<b>Reasonable</b> knowledge and understanding of the theory stated or referred to in the question. Most of the terms/theoretical concepts are explicitly or implicitly understood.	<b>Reasonable</b> application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.	<b>Reasonable</b> analysis of the effect on <b>xxxx</b> . There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.	<b>Reasonable</b> evaluation of <b>xxx</b> considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.
<b>Limited</b>	<b>Limited</b> knowledge and understanding of the theory stated or referred to in the question. Some of the terms/theoretical concepts are explicitly or implicitly understood.	<b>Limited</b> application of knowledge to a given scenario. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.	<b>Limited</b> analysis of the effect on <b>xxxx</b> . There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.	<b>Limited</b> evaluation of <b>xxx</b> that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.

**Section A**

<b>Question</b>	<b>Key</b>	<b>AO</b>	<b>Quantitative skills</b>
1	<b>D</b>	AO1a	
2	<b>D</b>	AO1b	
3	<b>B</b>	AO1a	
4	<b>A</b>	AO1b	
5	<b>C</b>	AO2	
6	<b>C</b>	AO2	Yes
7	<b>B</b>	AO1b	
8	<b>A</b>	AO1b	
9	<b>C</b>	AO2	Yes
10	<b>A</b>	AO1b	
11	<b>D</b>	AO1b	
12	<b>D</b>	AO2	Yes
13	<b>D</b>	AO1b	
14	<b>C</b>	AO2	
15	<b>C</b>	AO1b	
16	<b>D</b>	AO2	
17	<b>D</b>	AO1b	
18	<b>A</b>	AO1a	
19	<b>B</b>	AO2	Yes
20	<b>C</b>	AO1b	

**Section B**

Question		Answer	Mark	Guidance
21	(a)	<p><b>State what is meant by money as 'a medium of exchange'.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Anything that sets the standard of value (1) of goods and services acceptable to all parties (1) involved in a transaction.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	<b>2</b> AO1a	<p>Give 2 marks for a precise answer, as shown.</p> <p>Give 1 mark for a less precise answer such as 'standard of value used in an exchange' or reference to it helping to avoid the 'double coincidence of wants'.</p>
21	(b)	<p><b>Explain the role of consumers.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Buy goods and services for their personal use</li> <li>Create demand for goods and services</li> <li>The end user of a good or service</li> <li>Make choices and thus influence what, and how much, is produced.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	<b>2</b> AO1b	<p>Give 2 marks for a clear idea of the role of consumers which should include two elements.</p> <p>Give 1 mark if only one element e.g. 'buy goods and services' is given.</p>
21	(c)	<p><b>Using a diagram, analyse the consequences of a fall in demand for the goods sold in The Music Shop.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Change in demand is a movement along the supply curve</li> <li>A fall in demand is likely to lead to a large change in price, but a small change in quantity sold.</li> <li>Change in quantity supplied will move in the same direction as price.</li> <li>If price falls profits are likely to fall</li> <li>This may lead to firms exiting the market</li> <li>Diagram</li> </ul>	<b>6</b> 1xAO1a 2xAO2 3xAO3a	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b>Level 3 (5-6 marks)</b>            (AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.</p> <p><b>Reasonable</b> application of the likely impact of a fall in demand on price, quantity, profits and survival. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some of the relevant elements of the scenario.</p> <p><b>Good</b> analysis of the likely impact of a fall in demand on price, quantity, profits and survival. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. The diagram is predominantly correct and linked to the analysis.</p>

Question		Answer	Mark	Guidance
		 <p>A maximum of 4 marks if no correct diagram</p>		<p><b>Level 2 (3-4 marks)</b> (AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks) <b>Reasonable</b> knowledge demonstrated. <b>Limited</b> application of knowledge to the likely impact of a fall in demand on price, quantity, profits and survival. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. <b>Reasonable</b> analysis of the likely impact of a fall in demand on price, quantity, profits and survival. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.</p> <p><b>Level 1 (1-2 marks)</b> (AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks) <b>Reasonable</b> knowledge demonstrated. <b>No</b> application of knowledge to the likely impact of a fall in demand on price, quantity, profits and survival. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. <b>Limited</b> analysis of the likely impact of a fall in demand on price, quantity, profits and survival. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>0 marks</b> No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>
21	(d)	(i)	<p><b>Explain one way in which a rise in interest rates could affect The Music Shop.</b></p>	<p><b>2</b> Give 2 marks for a precise answer, as shown.</p> <p><b>AO2</b> Give 1 mark for a less precise answer which may be a statement</p>

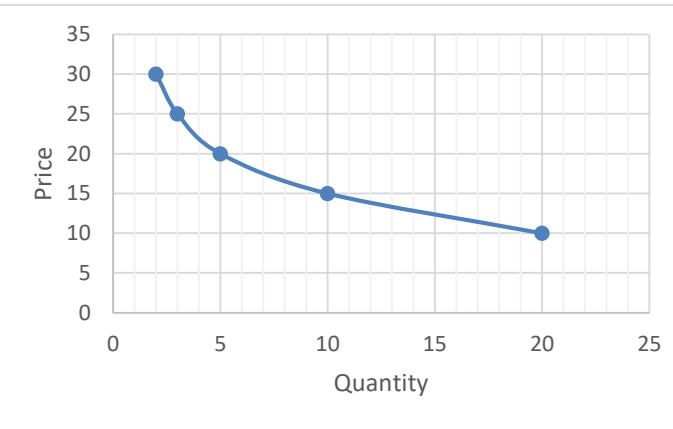
Question		Answer	Mark	Guidance
		<p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Fall in demand as consumers prefer to save or cannot afford the non-essential goods sold by The Music Shop</li> <li>• Higher interest payments on the loan leave Eileen and Jean with less money to buy stock</li> <li>• It may encourage Eileen and Jean to try and reduce their £500 000 loan</li> <li>• It may prevent Eileen and Jean carrying out any further investment as they are unlikely to want to increase their £500 000 loan</li> <li>• Higher costs for The Music Shop may lead to lower profits or cost savings elsewhere (or price increases on musical instruments, CDs)</li> </ul> <p style="text-align: right;">ARA</p>		<p>without development.</p> <p>Any answer <b>MUST</b> be in the context of The Music Shop.</p>
21	(d)	(ii)	<p><b>Calculate the amount of interest which Eileen and Jane must pay each month to the bank when the rate of interest rises to 6%. Show your working.</b></p> <p><u>£500 000 x 6% = £2 500</u>  <math display="block">\frac{12}{}</math></p> <p><b>Or</b></p> <p><math>£500\ 000 \times 0.06 = £30\ 000</math> (1 mark)</p> <p><math>£30\ 000 / 12 = £2\ 500</math> (1 mark)</p>	<p><b>2</b></p> <p>AO2</p> <p>2 marks for correct working + correct answer (including the £ sign).  2 marks for correct answer on its own, which must include the £ sign.  1 mark for correct working, but incorrect answer.  Correct answer on its own without £ sign is worth 1 mark only.  Award 1 mark for an answer of £30,000 (including the £ sign).  OFR applies.</p>
21	(d)	(iii)*	<p><b>Evaluate the importance of the financial sector for The Music Shop's consumers.</b></p> <p><b>Advantages may include:</b></p> <ul style="list-style-type: none"> <li>• Provision of credit in terms of credit and debit cards for customers – do not have to rely on having cash</li> <li>• Mortgages allow customers not to have their money</li> </ul>	<p><b>6</b></p> <p>1xAO2  2xAO3a  3xAO3b</p> <p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO2 – 1 mark, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p>

Question		Answer	Mark	Guidance
		<p>ties up in property allowing them to spend more</p> <ul style="list-style-type: none"> <li>Overdraft facilities provide means to continue to spend – overcomes imbalance between income &amp; expenditure</li> <li>Allows customers to save for more expensive goods such as musical instruments</li> </ul> <p><b>Disadvantages may include:</b></p> <ul style="list-style-type: none"> <li>Businesses are charged for consumers using credit cards, so may be reluctant to accept them</li> <li>Consumers who wish to pay off credit cards each month may not risk greater expenditure</li> <li>Younger consumers will rely on cash and not financial 'products'</li> <li>Overdrafts may be called in</li> <li>Interest rates can vary</li> <li>Risks to consumers of online identity theft and fraudulent transactions</li> </ul> <p><b>Evaluation may include:</b></p> <ul style="list-style-type: none"> <li>The importance of the financial sector may depend on: <ul style="list-style-type: none"> <li>The age of the consumers as this may affect the level of indebtedness or saving</li> <li>The attitude to risk</li> <li>The attitude to borrowing and/or saving</li> <li>The level of individual motivation, e.g. the desire to buy your first house</li> <li>The level of consumer income</li> <li>The state of the economy and confidence</li> </ul> </li> </ul>	ARA	<p><b>Good</b> application of knowledge of the effects of the financial sector on consumers. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. <b>Reasonable</b> analysis of the effects of the financial sector on consumers. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.</p> <p><b>Good</b> evaluation of the effects of the financial sector on consumers, with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><b>Level 2 (3-4 marks)</b></p> <p>(AO2 – 1 mark, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p><b>Good</b> application of knowledge of the effects the financial sector on consumers. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. <b>Limited</b> analysis of the effects of the financial sector on consumers. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis. <b>Reasonable</b> evaluation of the effects of the financial sector on consumers considering arguments/both sides/comparing alternatives. There may be a judgement, but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The</i></p>

Question	Answer	Mark	Guidance
			<p><i>information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1-2 marks)</b></p> <p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p><b>No</b> application knowledge of the likely impact of the financial sector on consumers. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the effects of the financial sector on consumers. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>Limited</b> evaluation of the effects of the financial sector on consumers that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><b>0 marks</b></p> <p>No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

Question		Answer	Mark	Guidance
22	(a)	<p><b>State what the difference is between price and worth.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Price is the amount of money which has to be paid to purchase a product (determined by S&amp;D)</li> <li>• Worth is how much a person values a product</li> <li>• Price may be the same for everyone even though each person places a different worth on the product.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	2 AO1a	<p>Give 2 marks for an answer which clearly distinguishes between price and worth (maybe by using an example)</p> <p>Give 1 mark for an answer which only correctly states either price or worth or where the difference is not clear.</p>
22	(b)	<p><b>Explain how markets determine the price of a product.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Through the interaction of buyers/demand and sellers/supply</li> <li>• By eliminating excess in either demand or supply through raising or lowering prices</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	2 AO1b	<p>Give 2 marks for a clear explanation which includes the elements of both bullet points</p> <p>Give 1 mark for answer which has some idea such as bringing buyers and sellers together.</p>
22	(c)	<p><b>Analyse how competition between charity shops could affect the prices of the products they sell.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Prices fall as there is more supply</li> <li>• Prices could rise if greater competition leads to more advertising etc.</li> <li>• Change in price will depend on the degree of direct competition – are they selling the same/similar products</li> <li>• Effect on prices will depend on the price elasticity of demand of the products being sold</li> <li>• Diagram/s (optional)</li> </ul>	6 1xAO1a 2xAO2 3xAO3a	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.  <b>Reasonable</b> application of the likely impact of competition on prices in charity shops. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some of the relevant elements of the scenario.  <b>Good</b> analysis of the likely impact of competition on prices. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the</p>

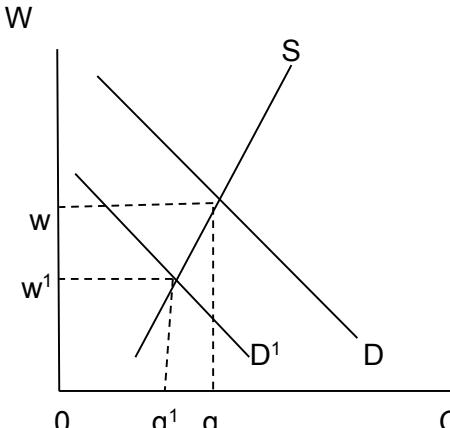
Question	Answer	Mark	Guidance
	<p></p> <p><b>NB:</b> A diagram is not necessary to gain full marks</p> <p>ARA</p>	ARA	<p>question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><b>Level 2 (3-4 marks)</b> (AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.</p> <p><b>Limited</b> application of knowledge to the likely impact of competition on prices in charity shops. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Reasonable</b> analysis of the effect on the likely impact of competition on prices. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. Any relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.</p> <p><b>Level 1 (1-2 marks)</b> (AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.</p> <p><b>No</b> application of knowledge to the likely impact of competition on prices in charity shops. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the likely impact of competition on prices. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>0 marks</b> No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

Question			Answer	Mark	Guidance
22	(d)	(i)	<p><b>Explain what Sophia means by 'the demand by her friends'.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Demand is the willingness and ability to purchase a good or service at the given price in a given time period</li> <li>• Demand for dresses in charity shops at present, relative to the price being charged.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	2 AO2	<p>Give 2 marks for an answer which includes the ideas of able and willing to buy at the price stated and that this concerns dresses in charity shops.</p> <p>Answers <b>MUST</b> be in context.</p>
22	(d)	(ii)	<p><b>Using the information in Extract 2, draw a demand curve showing the demand by Sophia's friends for dresses.</b></p> 	2 AO2	<p>2 marks for correctly drawing the demand curve.</p> <p>Maximum 1 mark if the points are not joined up</p> <p>Maximum 1 mark if any one point is incorrect</p> <p>The information in Extract 2 must be used for marks to be gained.</p>

Question		Answer	Mark	Guidance
22	(d) (iii)*	<p><b>Evaluate the importance of price elasticity of demand for Sophia's friends.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Any change in price will lead to a larger relative change in demand</li> <li>The table tends to indicate that as price falls Sophia's friends buy far more dresses, but is this all friends or just a few who buy more?</li> <li>Does the type/style of dress matter?</li> <li>Price elasticity of demand may vary over time or the seasons of the year</li> </ul> <p><b>Evaluation may include:</b></p> <ul style="list-style-type: none"> <li>Depends on whether price is more important than what the dress is like – evidence in extract is that quality is more important than price</li> <li>Depends on the motives of consumers – do they purchase from charity shops because of lower prices or because of the benefits to the wider community?</li> <li>How reliable is the table, where did it come from – in theory (when Sophia asks them) they might say they buy more, but do they in practice?</li> </ul> <p style="text-align: right;">ARA</p>	<p><b>6</b></p> <p>1xAO2 2xAO3a 3xAO3b</p>	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO2 – 1 mark, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p> <p><b>Good</b> application of knowledge of the likely importance of price elasticity of demand. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. <b>Reasonable</b> analysis of the importance of price elasticity of demand for Sophia's friends. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis. <b>Good</b> evaluation of the importance of price elasticity of demand for Sophia's friends with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><b>Level 2 (3-4 marks)</b></p> <p>(AO2 – 1 mark, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p><b>Good</b> application of knowledge of the likely importance of price elasticity of demand. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. <b>Limited</b> analysis of the importance of price elasticity of demand to Sophia's friends. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if</p>

Question	Answer	Mark	Guidance
			<p>present) are unlikely to be correct and not linked to the analysis. <b>Reasonable</b> evaluation of importance of price elasticity of demand to Sophia's friends considering arguments/both sides/comparing alternatives. There may be a judgement, but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1-2 marks)</b></p> <p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p><b>No</b> application of knowledge of the likely importance of price elasticity of demand. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the importance of price elasticity of demand to Sophia's friends. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>Limited</b> evaluation of the importance of price elasticity of demand to Sophia's friends that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><b>0 marks</b> No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

Question		Answer	Mark	Guidance
23	(a)	<p><b>State what is meant by the 'labour market'.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Where workers/households supply/sell their labour</li> <li>It is where firms/employers buy/demand labour</li> <li>Where wages are set by the interaction of supply and demand of labour.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	<b>2</b> AO1a	Give 2 marks for a clear statement along the lines of those given. Give 1 mark if the general idea is present, but it lacks clarity such as where supply and demand for labour meet.
23	(b)	<p><b>Explain one reason why workers may find it difficult to move between jobs.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Lack the necessary skills</li> <li>Unwilling to move to another area</li> <li>Family ties</li> <li>Labour immobility</li> <li>Lack of information.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>	<b>2</b> AO1b	Give 2 marks for <b>ONE</b> suitable reason explained (maybe by using an example). Give 1 mark if there is a reason, but it lacks valid development.
23	(c)	<p><b>Using a diagram, analyse the effects of low business profits on wages.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Diagram based on the text</li> </ul>	<b>6</b> 1xAO1a 2xAO2 3xAO3a	<i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.  <b>Reasonable</b> application of the likely impact of low business profits. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some of the relevant elements of the scenario.  <b>Good</b> analysis of the likely impact of low business profits on wages. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which</p>

Question	Answer	Mark	Guidance
	<p>W</p>  <ul style="list-style-type: none"> <li>Low profits are likely to lead to a fall in demand for labour from D to <math>D^1</math></li> <li>Demand falls from <math>q</math> to <math>q^1</math> while the wage falls from <math>w</math> to <math>w^1</math></li> <li>Low profits deter firms from investing and expanding</li> <li>Demand for labour will at best remain static, but may decline</li> <li>May lose sales to rivals and thus need less labour</li> <li>Firms could try to bring in better skilled/more productive labour and to get rid of less skilled/productive labour.</li> </ul> <p><b>A maximum of 4 marks if no correct diagram</b></p>		<p>addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><b>Level 2 (3-4 marks)</b> (AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.</p> <p><b>Limited</b> application of knowledge to the likely impact of low business profits. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Reasonable</b> analysis of the effect on the likely impact of low business profits on wages. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.</p> <p><b>Level 1 (1-2 marks)</b> (AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p><b>Reasonable</b> knowledge demonstrated.</p> <p><b>No</b> application of knowledge to the likely impact of low business profits. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the likely impact of low business profits on wages. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis or have ignored the Extract.</p> <p><b>0 marks</b> No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

Question			Answer	Mark	Guidance
23	(d)	(i)	<p><b>Explain what happened to wages at Crotay Ltd between 2013 and 2018.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Increased at 0.5%, then fell and then rose</li> <li>Wages fell at first (from 0.5% to -1%) and then slowly rose (by up to 2%)</li> <li>In general, wages rose over the whole period.</li> </ul> <p style="text-align: right;">ARA</p>	<b>2</b> AO2	<p>Give 2 marks for a clear explanation, which may refer to falling and rising wages over the period <b>or</b> to the fact that wages have increased at an increasing rate.</p> <p>Give 1 mark for the idea that wages increased over the time period</p> <p>Do <b>not</b> reward simple repetition of the data.</p>
23	(d)	(ii)	<p><b>Explain how low wage increases in the UK economy could damage Crotay Ltd's performance in the product market.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>They are in the product market as they sell specialist car tyres to consumers</li> <li>Labour is part of the factor market (and wages are the payment to this factor)</li> <li>Low wage increases may mean that consumers are less 'well off', which may reduce consumption</li> <li>Could lead to more people opting out of the labour market, so they have lower incomes and so demand less.</li> </ul> <p style="text-align: right;">ARA</p>	<b>2</b> AO2	<p>Give 2 marks for a clear explanation of how low wage increases affect demand in a product market.</p> <p>Give 1 mark for a basic statement, e.g. 'low wages will lead to lower demand'.</p> <p>Answers <b>MUST</b> be in context.</p>
23	(d)	(iii)*	<p><b>Evaluate the importance of productivity for the UK economy.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Lower average costs thus increasing UK's competitiveness</li> <li>Increase in exports and improvement in the balance of trade</li> <li>Firms can gain greater profits leading to more investment in workers, capital and research</li> <li>If this leads to UK firms growing in size it may</li> </ul>	<b>6</b> 1xAO2 2xAO3a 3xAO3b	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO2 – 1 mark, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p> <p><b>Good</b> application of knowledge of the likely impact of productivity. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all</p>

Question		Answer	Mark	Guidance
		<p>create economies of scale</p> <ul style="list-style-type: none"> <li>Allows firms to pay higher wages and thus attract the best workers</li> <li>Higher wages can encourage workers to improve skills leading to further productivity gains</li> <li>Increased productivity will lead to greater output and growth in GDP/economic growth</li> <li>Increased government revenue allowing more to be spent on transport, education, health, etc.</li> </ul> <p><b>Potential issues may include:</b></p> <ul style="list-style-type: none"> <li>UK productivity is shown to be 15% lower than its main competitors and 25% lower than Germany, so unit costs will be relatively higher</li> <li>Increased productivity may encourage workers to want higher wages, so any cost savings are lost (Toni is worrying about giving wage increases in the first place)</li> <li>Productivity improvements may come from capital rather than labour, so there may be no need to increase wages</li> <li>But this may lead to labour being replaced by capital leading to unemployment</li> <li>Can lead to negative environmental effects</li> <li>Stress on workers/families, etc</li> </ul> <p><b>Evaluation may include:</b></p> <ul style="list-style-type: none"> <li>The importance of productivity to the UK economy may depend on: <ul style="list-style-type: none"> <li>The degree of openness of the UK economy</li> <li>The need to narrow the UK's trade deficit</li> <li>The non-price competitiveness of UK firms</li> </ul> </li> </ul>	17	<p>the relevant elements of the scenario.</p> <p><b>Reasonable</b> analysis of the importance of productivity for the UK economy. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.</p> <p><b>Good</b> evaluation of the importance of productivity for the UK economy with a fully supported judgement that is developed from a weighing up of some of the arguments for, as well as, at least, one issue.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><b>Level 2 (3-4 marks)</b></p> <p>(AO2 – 1 mark, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p><b>Good</b> application of knowledge of the likely impact of productivity. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p><b>Limited</b> analysis of the importance of productivity for the UK economy. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>Reasonable</b> evaluation of the importance of productivity for the UK economy weighing up some of the arguments. There may be a judgement, but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1-2 marks)</b></p>

Question		Answer	Mark	Guidance
				<p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p><b>No</b> application of knowledge of the likely impact of productivity. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the importance of productivity for the UK economy. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>Limited</b> evaluation of the importance of productivity for the UK economy that may include an incomplete consideration of arguments with unsupported statements</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><b>0 marks</b></p> <p>No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

J205/01 Assessment Objective (AO) grid

Question	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative skills
<b>Questions 1–20</b>	3	10	7			20	4
<b>Q21 Marks:</b>	<b>AO1a</b>	<b>AO1b</b>	<b>AO2</b>	<b>AO3a</b>	<b>AO3b</b>	<b>Total</b>	<b>Quantitative Skills</b>
(a)			2			2	
(b)		2				2	
(c)	1		2	3		6	
(d) (i)	2					2	
(ii)			2			2	2
(iii)			1	2	3	6	
<b>Total:</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>20</b>	
<b>Q22 Marks:</b>	<b>AO1a</b>	<b>AO1b</b>	<b>AO2</b>	<b>AO3a</b>	<b>AO3b</b>	<b>Total</b>	<b>Quantitative Skills</b>
(a)	2					2	
(b)			2			2	
(c)	1		2	3		6	
(d)(i)		2				2	
(ii)			2			2	
(iii)			1	2	3	6	
<b>Total:</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>20</b>	

Q23 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative Skills
(a)	2					2	
(b)			2			2	2
(c)	1		2	3		6	
(d)(i)		2				2	
(ii)			2			2	
(iii)			1	2	3	6	
<b>Total:</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>20</b>	
<b>Section B total:</b>	<b>9</b>	<b>6</b>	<b>21</b>	<b>15</b>	<b>9</b>	<b>60</b>	<b>4</b>
<b>Paper Total</b>	<b>12</b>	<b>16</b>	<b>28</b>	<b>15</b>	<b>9</b>	<b>80</b>	<b>8</b>

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