



*Rewarding Learning*

**General Certificate of Secondary Education**

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# **Economics**

Paper 2

[G9282]

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## **Assessment**

# **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.

## ***How to determine a level and a mark***

### **How to determine a level**

1. Start at the lowest level of the mark scheme and use it to see whether the answer meets the descriptor for that level.

The descriptor for the level indicates the different qualities and content that might be seen in the student's answer for that level.

2. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer.

With practice and familiarity, you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

3. When assigning a level you should look at the overall quality of the answer.

Do not pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest of their answer.

4. If the answer covers different aspects of different levels of the mark scheme examiners should use a 'best fit' approach bearing in mind that weakness in one area may be compensated for by strength in another. Use a 'best fit' approach for defining the level and then use the variability of the response to help decide the mark within the level.

For example, if the response is predominantly within the level 2 descriptor but also includes a small amount of the level 3 descriptor, it would be placed in level 2 but you should award it a mark near the top of the level 2 descriptor because it covers some of the requirements of the level 3 descriptor.

### **How to determine a mark**

1. You may need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme. Also, an answer which contains nothing of relevance to the question must be awarded no marks.

2. Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level.

When deciding upon a mark in a level, examiners need to be mindful of the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in some specific questions more weight should be given to AO2 than to AO1 or AO3, so be mindful of this as you mark each question.

1 (a) Using an example, explain what is meant by a fixed cost.

Fixed costs are costs that do not change with output.

- Alex has a considerable number of fixed costs before she can be ready for business. Examples are: transport; mobile phone; equipment; insurance; clothing; gym membership.

Other relevant answers should be credited.

Allow [1] for partial or flawed definition.

Allow [2] for clear definition with relevant example.

[2]

(AO1, AO2)

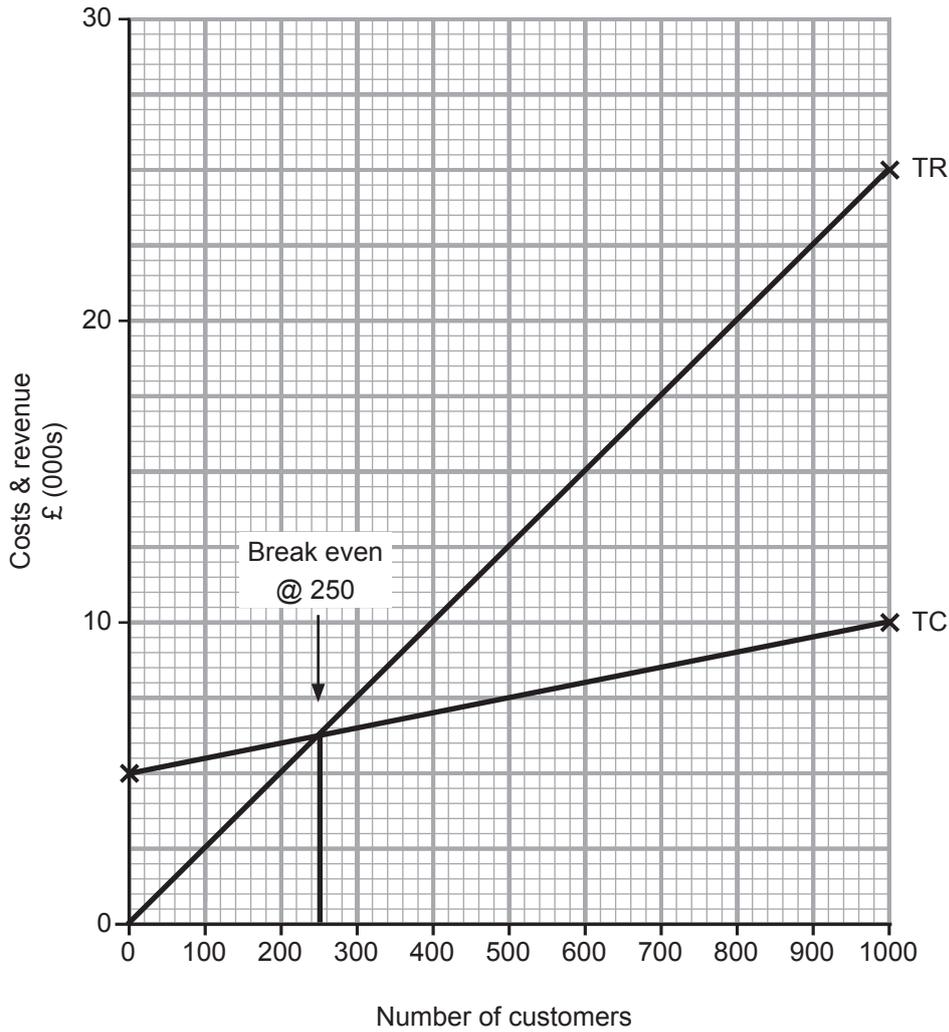
(b) When Alex has 1000 clients throughout the year and charges them each £25, her variable costs, total costs and total revenue are shown below.

Number of clients per year	Fixed costs	Variable costs (£s)	Total costs (£s)	Total revenue (£s)
0	5000	0	8500	0
1000	5000	<b>5000</b>	<b>10000</b>	<b>25000</b>

[3]

(c) Insert correctly drawn break even diagram and allow [1] for each of the following drawn correctly:

AVAILABLE MARKS



- Both axes and labelled
  - The total costs (TC) drawn and labelled
  - The total revenue (TR) drawn and labelled
  - The break-even point (BE) at 250 clients marked
- (AO2)

[4]

(d) Alex decides to cut her price from £25 to £20 per session. Demand now increases from 1000 to 1100 clients per year.

(i) Using the formula outlined below, calculate the Price Elasticity of Demand for Alex's fitness services. Show your calculations clearly.

Calculations

% change in quantity demanded =  $100/1000 = +10\%$

% change in price =  $5/25 = 1/5 = -20\%$

PED =  $10\%/20\% = 0.5$  (Score less than 1 therefore it is inelastic)

Allow [1] for % change in quantity demanded; allow [1] for % change in price; allow [1] for PED score of 0.5.

Credit should be given if minus sign omitted from PED score. [3]

(ii) Explain the impact of this price cut on Alex's business.

Total revenue @ £25 per client =  $25 \times 1000 = £25\,000$

Total revenue @ £20 per client =  $20 \times 1100 = £22\,000$

Hence a fall in total revenue of £3000

**Or**

Candidates might interpret the PED score: lowering price when PED is inelastic will reduce TR.

Reducing price is not good for business because Alex's revenue will fall.

Other relevant answers should be credited.

Allow [1] for partial or flawed analysis.

Allow [2] for correct analysis but it is not completely supported by evidence.

Allow up to [3] for correct analysis supported by evidence, either based on change in TR or interpretation of inelastic PED score. [3]

(AO1. AO2)

(e) Alex needs finance to expand her business. Apart from a mortgage, explain two other ways in which Alex could obtain finance for this expansion.

Options available include:

- Overdraft
- Savings
- Use of personal credit card
- Personal loan
- Business loan

Other relevant points should be credited.

Allow [1] for identifying each additional source of finance, ( $2 \times [1]$ ), and allow up to [2] for further explanation of each source of finance ( $2 \times [2]$ ).

For example, an overdraft is an agreed sum/limit that someone can take from their bank account with the lender's permission. However, it is an expensive way to borrow and is a useful back-up service for short term cash flow problems rather than expansion.

(AO3)

[6]

(f) Which advice should Alex take? You should compare and comment on: the reliability of the source of advice; and the risk and return for Alex of each of the choices.

- The most reliable source of advice is likely to be the financial adviser. They are regulated and have to meet an industry standard before they can operate as a financial adviser.
- Alex's parents have financial experience as they are older and have managed their own finances through Alex's stage of life. However, there is no guarantee that they can provide good quality, impartial advice.
- The friends are an unreliable source of advice because they have limited life cycle financial experience, they have different values (spend to live now and no future planning) and they may know little about the options available.
- The best options for Alex are either the pension plan or the mortgage.

The risks and returns of each of the options include:

Choices	Risk	Return
Family – get a mortgage	<ul style="list-style-type: none"> <li>• Interest rates may rise</li> <li>• If she buys at too high a price and the market falls, she will have negative equity</li> <li>• She must meet monthly repayments and the costs of running a house so she needs a good reliable and steady source of income</li> </ul>	<ul style="list-style-type: none"> <li>• Alex will have an asset that may appreciate in value</li> <li>• She could use the house to remortgage at a later time if she wants to raise money to expand her business activities</li> </ul>
Friends – spend now, take holidays	<ul style="list-style-type: none"> <li>• She may overspend on holiday and run up large credit card debts</li> </ul>	<ul style="list-style-type: none"> <li>• She will have nothing to show for this other than photographs, memories and possibly stronger friendships</li> </ul>
Financial adviser – pension plan	<ul style="list-style-type: none"> <li>• There is a wide variety of financial products in the market. Alex needs to choose a good pension plan that will suit her financial and employment circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>• Alex is investing for the future as she may expect to live until she is 83 and will not receive a state pension until she is close to 70. Having a pension plan that she starts paying in to early in her working life will give her choices later about how long she works.</li> </ul>

Other relevant points should be credited.

AVAILABLE  
MARKS

**Level 0 (0)**

There is no content worthy of credit.

**Level 1 ([1]–[3])**

The candidate demonstrates a very restricted or confused understanding about the reliability of advice and the risk and return associated with the choices. Quality of written explanation is limited.

**Level 2 ([4]–[6])**

The candidate demonstrates an adequate understanding about the reliability of advice and the risk and return associated with the choices. Quality of written communication is satisfactory.

**Level 3 ([7]–[9])**

The candidate demonstrates a clear understanding about the reliability of advice and the risk and return associated with the choices. Quality of written communication is of a high standard.

(AO1, AO2, AO3)

[9]

**AVAILABLE  
MARKS**

30

2 (a) *With reference to the data, outline how unemployment is measured.*

Unemployment is measured by the Labour Force Survey (LFS) and results are published monthly by the ONS. It is a sample survey of households which is intended to be representative of the UK's population. The number of people of working age (16-65) who are seeking work but do not have a job is calculated as a percentage of the working population. In September 2018, the unemployment rate was 4%.

Credit may also be given for accurate reference to the Claimant Count method of measuring unemployment.

Allow [1] for partial or flawed response.

Allow [2] if response contains some correct points but it is incomplete or has errors.

Allow [3] for a correct response. [3]  
(AO1. AO2)

(b) *Describe what has happened to the UK's rate of unemployment between 2014 and 2018.*

Unemployment has fallen steadily over the 5 year period from 7% in 2013 to 4% in 2018.

Allow [1] for identifying the steady fall

Allow [1] for interpretation of the starting rate and [1] for the closing rate. [3]  
(AO2)

(c) *Explain two possible policies that the government could use to promote greater employment in the economy.*

The government could use a range of fiscal or supply-side policies. These include:

- Policies to promote aggregate demand such as increased government spending or reducing taxation
- Direct promotion of employment through government grants to business
- Reductions in Corporation Tax or employer National Insurance Contributions to provide financial incentives to business to employ more workers.
- Improvements in education and training to increase skill levels in the workforce which would make them more employable.

Other relevant policies should be credited.

Allow [1] for identification of each policy measure and up to [3] for analysis of how the policy affects employment. (2 × [4]). [8]

- (d) (i) *Explain the effect on household spending when inflation rises at a faster rate than increases in average wages.*

Inflation reduces the spending power of households especially those on fixed incomes. If the general level of prices is rising and wages are not increasing, or increasing at a slower rate than the rate of inflation, households will feel this squeeze and be forced to reduce spending. Some may maintain the same level of spending by running up debt or by using savings.

For approximately a year from December 2016 until December 2017, Fig. 2 shows that inflation was rising at a faster rate (close to 3%) while wage increases were just over 2%. Therefore workers had lower real wages and were unable to buy the same quantity of goods and services. Other relevant points should be credited.

Allow [1] for flawed or incomplete explanation.

Allow [2] for correct explanation and accurate example. [2]

(AO1, AO2)

- (ii) *Explain why workers in the financial and construction sectors are better off since the financial crash than public sector workers.*

Workers in the financial and construction sectors have a number of advantages over public sector workers including:

- Public sector workers' pay increased very little due to the large budget deficit and the cut backs imposed by the government. The economic conditions gave these workers very little bargaining power as the economy was in recession.
- The financial and construction industries are in the private sector and in generally profit making industries so workers are in financially strong industries that have better survived the recession.
- There is a high demand for financial and construction workers but the supply of skilled workers is limited. This results in higher wages for workers.

Other relevant points should be credited.

#### **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 influence the relative wages of public sector workers compared to construction and financial sector workers. Explanation is limited or not given. Quality of written explanation is limited.

#### **Level 2 ([3]–[4])**

The candidate demonstrates an adequate understanding of factors that influence the relative wages of public sector workers compared to construction and financial sector workers but these are only partially explained. Quality of written communication is satisfactory.

#### **Level 3 ([5]–[6])**

The candidate demonstrates a clear understanding of factors that influence the relative wages of public sector workers compared to construction and financial sector workers and develops the explanation appropriately to illustrate the answer. Quality of written communication is of a high standard.

(AO1, AO3)

[6]

(e) *Discuss the expected impact on the UK economy if the Bank of England decides to further increase the base rate of interest.*

Increases in the base rate of interest will increase the cost of borrowing, particularly mortgages. Faced with higher repayments, households will reduce aggregate demand. This will reduce inflation and economic growth.

The increased base rate may help to slow down aggregate demand in the economy, the primary reason for the increase so this may have a positive impact in stabilising the economy and helping to maintain investment and confidence.

However, if workers are awarded better pay increases to cope with higher prices, they may have more disposable income and the impact of any interest rate rise may not be as severe.

The Bank of England will weigh up all the economic data to make the decision about whether further increases in the base rate are needed. It has the role of setting a rate that will keep inflation close to a target level of inflation but it also has to judge the knock-on effects of a rise in terms of economic growth and the health of the economy in general.

Other relevant points should be credited.

**Level 0 (0)**

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

**Level 1 ([1]–[2])**

The candidate gives a limited discussion of the economic context and the possible effect of an interest rate rise. The discussion is unbalanced and inadequately developed. Quality of written communication is limited.

**Level 2 ([3]–[5])**

The candidate briefly discusses the economic context and the possible effect of an interest rate rise. The discussion contains some relevant development. Quality of written communication is satisfactory.

**Level 3 ([6]–[8])**

The candidate develops and thoughtfully discusses the economic context and the possible effect of an interest rate rise. A reasoned and balanced conclusion about these effects is reached. Quality of written communication is of a high standard. [8]  
(AO1, AO2, AO3)

**Total**

**AVAILABLE  
MARKS**

30

**60**

