



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE AS Level
in Economics B (8EB0)
Paper 01 Markets, consumers and firms

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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

Question Number		Mark
1(a)	<p style="text-align: center;">Knowledge/understanding 2</p> <p>Knowledge/understanding 2 marks for:</p> <ul style="list-style-type: none"> sales revenue/turnover (1) less variable costs/cost of sales (1) <p>NB any other suitable alternative. Do not award marks for examples.</p>	(2)

Question Number		Mark
1(b)	<p style="text-align: center;">Knowledge/understanding 1, Application 3</p> <p>Knowledge: 1 mark for:</p> $\frac{\text{Profit for the year/net profit}}{\text{Revenue}} \times 100 \quad (1)$ <p>Application:</p> $\frac{\text{£12m (1)}}{\text{£110m (1)}} \times 100 = 10.91\% (1)$ <p>NB: If no working shown and the answer given is</p> <ul style="list-style-type: none"> 10.91% award 4 marks. 10.91 award 3 marks. 	(4)

Question Number		Mark
1(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding of reasons e.g. reduction in costs.</p> <p>Application: Up to 2 marks are available for contextualised answers, e.g. sales have increased by 20%/profit has increased by 25% (1) increase in online sales (1).</p> <p>Analysis: 1 mark is available for developing the reason, e.g. if costs decrease the profit margins increase leading to a greater rise in profits compared to sales (1).</p>	(4)

Question Number		Mark
1(d)	<p data-bbox="357 226 1273 293" style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul data-bbox="395 331 1257 1144" style="list-style-type: none"> • Understanding of ways in which a firm competes • Reference to product differentiation • Mountain Warehouse has been a lot more successful than its rivals, Millets • There are now online sales in 130 countries • The number of stores in Germany and Poland is increasing • Discount retailers are growing in popularity • Mountain Warehouse sells discounted ranges of hiking and sports wear • Mountain Warehouse has adapted to the challenging UK retail environment • The high street location gives Mountain Warehouse a high profile • Other economic factors may reduce Mountain Warehouse's competitiveness in the future • Mountain Warehouse would have to continue to adapt to the changing markets if they are to continue to succeed • It depends on the amount of other competitors in the industry • Competitive advantage may only be short term if competitors adopt a similar strategy 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number		Mark
1(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Business objectives may include profit maximisation, sales maximisation and satisficing • Other objectives may include increasing market share and customer satisfaction • Both net and gross profits rose in 2014 • Profits for the year increased by 25% in 2014 • Profits have increased by to £12m, meaning there is substantial finance available for expansion • Profits increased by 25% whereas sales only increased by 20% • This would indicate that profit maximisation is an important objective • Mountain Warehouse has a growing on line business, selling in 130 countries • Online sales grew 50% in 2014 • A dedicated German language website is to be set up • This would indicate that expanding market share is also an important objective • Mountain Warehouse could have a range of objectives such as cost efficiency shown in Extract A • Objectives such as market share may lead to increased profitability suggesting that it is difficult to separate objectives and identify one as the most important 	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well-developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Section B

Question Number		Mark
2(a)	<p style="text-align: center;">Knowledge/understanding 2</p> <p>Knowledge/understanding 2 marks for:</p> <ul style="list-style-type: none"> an amount of money borrowed (1) and due to be paid back (1) <p>NB any other suitable alternative. Do not award marks for examples.</p>	(2)

Question Number		Mark
2(b)	<p style="text-align: center;">Knowledge/understanding 2, Application 1, Analysis 1</p> <p>Knowledge/understanding:</p> <ul style="list-style-type: none"> 1 mark for correctly showing original supply and demand curves (1) 1 mark for correctly labelling original equilibrium price and quantity on the axes (1). <p>Application: 1 mark is available for showing a leftward shift of the demand curve (1).</p> <p>Analysis: 1 mark is available for showing new equilibrium with lower price and quantity on the axes (1).</p> <div style="text-align: center;"> </div>	(4)

Question Number		Mark
2(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge / understanding: 1 mark for understanding a way, e.g. advertising new products (1).</p> <p>Application: Up to 2 marks are available for contextualised answers, e.g. <i>Magmatic</i> have been developing a new product (1), a big product launch at the end of the month (1).</p> <p>Analysis: 1 mark is available for linked development, e.g. by advertising its new product, <i>Magmatic</i> may be able to increase sales (1).</p>	(4)

Question Number		Mark
2(d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Understanding of sources of credit such as loans, overdrafts, retained profit, venture capital and individual investors • Understanding of possible difficulties such as making a loss and interest payments increases • Costs must have risen as profit for the year = sales revenue - costs • Sales have increased at the same time as profit before tax has fallen • A fall from £839 000 profit in 2011 to £1 500 000 loss in 2013 may discourage investment • Bank loans may be harder to obtain when the company is making a loss in 2013 • Sources of finance may be more expensive to obtain because <i>Magmatic</i> may now be seen as more of a risk • Alternative sources of finance may be available • Investors may still be encouraged by the increasing sales • Profits may rise again if costs can be reduced 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (A02) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number		Mark
2(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Break-even point is the volume of sales where total revenue equals total costs • Contribution is selling price - variable cost per unit • Diagram to show the break-even point • If the fixed costs increase, more Trunkis will need to be sold in order to break-even • Fixed costs may include legal battles such as those with the Chinese rivals; advertising; or product development • Break-even analysis can help Magmatic to estimate whether they will make a profit or loss after new product launch • Magmatic maybe able to plan ahead more easily if they use break-even analysis, useful with their new product launch • It may be easier for a Magmatic to decide on its pricing strategy if they use break-even • Break even may help clarify where costs need to be cut to allow Magmatic to reduce loss/start to make a profit again • Finance providers such as BGF are unlikely to lend to a business unless they have a business plan; break-even analysis is part of this plan • Fixed costs and variable costs may change, making the break-even projections unreliable • The figures are based on estimates • External factors may prove the analysis inaccurate • Chinese competition may lead to unexpected costs, not accounted for in the break even analysis • The accuracy of break-even depends on timescale; the further into the future the less accurate it becomes • Magmatic produce more than one product, making break-even analysis more complicated and they are launching a new product • Overall break even may help Magmatic to get finance from the likes of BGF but unless costs are reduced the analysis may prove to be of limited use. 	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well-developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Section C

Question Number		Mark
3	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none">• Costs and benefits are both private and external• Scarce resources of land, fresh air and quiet areas local to Heathrow will need to be sacrificed• Limited capacity for growing economic needs• There will be problems regarding air quality, noise pollution and carbon emissions• There is an estimated financial cost of £18.6bn if the additional runway is built• Alternative expansion plans still hold estimated financial costs of £13.5bn or £9.3bn, meaning there is a potential opportunity cost of funding going elsewhere• Local residents may face problems with noise pollution, air quality and house prices falling causing resentment to the government• Producers and the economy may suffer competitively if no expansion takes place• Without the increased capacity, trade may take place elsewhere, reducing the UK's competitiveness• Increasing capacity by 2030 may not mean longer term capacity is met so further issues could result in the future• Once built, there may be benefits from additional capacity for leisure and business purposes; thus benefitting the economy• The government could benefit and recoup some of the costs due to increased business activity resulting from the expansion• Additional capacity is needed for sustained growth in the UK economy and to meet the government's objectives• Some costs and benefits are difficult to quantify accurately• This is a long term project which makes assessing costs and benefits more problematic and past history indicates the costs may be higher than projected• Going ahead with a new runway at Heathrow could allow enough finance to be generated to be utilised in schemes to benefit the environment and areas damaged by the construction.	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Demonstrating application (A02) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

