



Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCE AS Level

In Economics B (8EB0)

Paper 01 Markets, consumers and firms

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Publications Code 8EB0_01_1906_MS

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	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"> Costs that do not vary (1) with the level of output (1) <p>NB: any other suitable alternative. Do not award marks for examples</p>	(2)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge/understanding 1, Application 3</p> <p>Knowledge: 1 mark for:</p> <p style="text-align: center;">Fixed costs ----- (1) selling price - variable costs per unit</p> <p>Application:</p> $\begin{array}{r} \pounds 34\,720 \\ \hline \pounds 36 - \pounds 1 \end{array} \quad \mathbf{(1)}$ <p>OR</p> $\begin{array}{r} \pounds 34\,720 \\ \hline \pounds 35 \end{array} \quad \mathbf{(1)}$ <p style="text-align: center;">= 992 clients/sessions/units (1)</p> <p>NB: If no working is shown award marks as below</p> <ul style="list-style-type: none"> If answer given is 992 clients/sessions/units award 4 marks If answer given is 992, award 3 marks. If the answer given is £992, award 3 marks 	(4)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding the benefit of leasing e.g. new equipment will be provided for a fixed monthly payment (1)</p> <p>Application: Up to 2 marks are available for contextualised answers, e.g. £20 020 is a large sum of money to be found (1) by a small business such as <i>The Sanctuary</i> (1)</p> <p>Analysis: 1 mark is available for linked development, e.g. this will improve cash flow and make it easier to plan ahead (1)</p>	(4)

Question Number	Answer	Mark
1(d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • <i>The Sanctuary</i> is open 10am – 10pm every day but there is flexibility in these hours • They currently only have 1 pod, meaning they can only make £36 revenue per hour • The more hours they are open, the more revenue they can bring in to the business and so by opening long hours, <i>The Sanctuary</i> increases its earning potential • Most costs are fixed and so by opening more hours, they may be able to cover these costs more quickly • However, by opening long hours, more people may be able to try the floating pod outside of their own working hours, thus attracting more new clients • Opening late suits the potential needs of clients who work long hours themselves • As they don't have any competition in the area, <i>The Sanctuary</i> may be trying to build up their customer base as much as possible in case new entrants do enter the market • Even if the initial reason is not financial, most factors ultimately lead to <i>The Sanctuary</i> bringing in more revenue 	(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:

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- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Answer	Mark
1(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Currently, <i>The Sanctuary</i> can only recoup its costs with the use of one pod, limiting their revenue to a maximum of £36 per hour/£432 per day • If there is a problem with the existing pod, or during maintenance, the business cannot bring in any revenue. A second pod would reduce this problem • Donna and Danny have covered the cost of their first pod during the 5 years they have been in business • As they are already established, it may be easier for <i>The Sanctuary</i> to attract new clients • Existing clients may bring a friend so they can use the pods simultaneously • It is currently the only business of its kind in the area • However, the business may need to close whilst installation takes place • Having seen its success, competitors may set up within the area • <i>The Sanctuary</i> may already have reached its potential in terms of the number of clients it can attract • We do not have enough information regarding whether Donna and Danny will need to borrow money to purchase another pod to fully answer the question • Overall, it depends on the time frame. Initially it may be difficult to cover all the additional costs, but if the business continues to be successful over several years, it may be beneficial 	(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

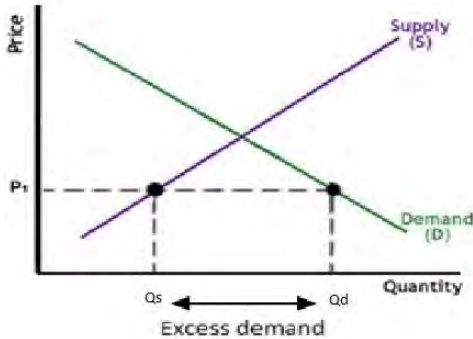
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Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

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- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Answer	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"> the amount producers are willing and able to sell (1) at a given price and at a given time (1) <p>NB any other suitable alternative. Do not award marks for examples</p>	(2)

Question Number	Answer	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 the original supply and demand curves (1) 1 mark for correctly showing price below the equilibrium (1) <p>Application: 1 mark for correctly showing Q_s and Q_d (1)</p> <p>Analysis: 1 mark for showing the excess demand (1)</p> 	(4)

Question Number	Answer	Mark
2(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding the problem of scarcity, e.g. there are limited resources and unlimited wants (1)</p> <p>Application: Up to 2 marks are available for contextualised answers, e.g. there are insufficient affordable houses to meet the demand (1), 255,000 people were recorded without a home at the last count (1)</p> <p>Analysis: 1 mark is available for linked development, e.g. as there are only enough resources to build a finite amount of housing, homelessness is on the increase (1)</p>	(4)

Question Number	Answer	Mark
2(d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Government intervention is action taken by a government in order to affect situations leading to market failure in the free market • Market failure in the housing market is present because of expensive costs, inequality and homelessness • Other types of government intervention include regulation, indirect taxation and voluntary agreements • As the loans can provide a 20% deposit, £60 000 could be put forward on the price of a £300 000 house. This is above the average price shown of a new build home in October 2017 • Help to Buy Loans are effective as they are predicted to help around 360,000 households by 2021, 8 years after the scheme began • New build homes up to a price of £600 000 can be purchased with the loans more than double the average price shown at the end of the data • However, the loans are to cost the government an additional £10bn. This money could instead be spent on things like education and health • Some people may still struggle to find the 5% needed or to make the repayments after 25 years and so government grants maybe more effective 	(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

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Question Number	Answer	Mark
2(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Halifax stated that a lack of land had led to a shortage of houses and therefore pushed prices up • An average house costs £225 826, which is the highest recorded price • Resources are allocated by the price mechanism. Infinite wants, such as housing, would be rationed so demand meets the supply of scarce resources, such as affordable land • This means because the demand for land is greater than the supply of land, price will increase to reduce the quantity demanded until equilibrium is reached • The price of land is one of the main factors in determining the price of a house • However, a high employment rate means more consumers are likely to have higher disposable incomes and therefore be able to demand more housing • Government intervention in the form of schemes focused on helping people to afford housing, would increase demand rather than supply • Although interest rates are rising, they are still low. This may deter people from saving as they are not likely to receive a good return, and so they may invest in housing instead • High inflation is likely to lead to higher costs for builders of housing. This may be passed on in the form of higher house prices • Although a shortage of land is likely to be a major factor in house prices rising, it is probable that it is a combination of factors rather than this one alone 	(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.

Question Number	Answer	Mark
3	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • The rationing function applies when resources are scarce and wants are infinite. If quantity demanded is greater than quantity supplied, the price increases to reduce the quantity demanded until equilibrium is reached • Higher prices for premium quality and speciality coffee indicates the presence of the rationing function • The incentive function is when high prices act as an incentive to producers in other markets to leave those markets and move to those with higher prices, because of the profits that can be made • As there are new coffee shops opening almost every week, the evidence suggests the incentive function maybe present in that there are more producers entering the market • This trend looks set to continue with more than 32,000 outlets and a turnover of £16bn predicted by 2025 • The signalling function occurs when a price increase 'signals' producers to increase production. As a result the producers can obtain higher profits • The additional 445 coffee shops by existing producers such as <i>Costa</i>, <i>Starbucks</i> and <i>Caffé Nero</i> could be seen as evidence of the signalling function • However, all three functions of the price mechanism are likely to be present in the UK coffee shop market • Given the rate of increase and the long term trend, it would seem likely that the incentive and signalling functions have had the biggest impact in the UK coffee shop market • It depends on whether the market trends continue as forecast as to which of the functions is the most dominant 	(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 (AO2) in responses

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- 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

