

Question Number	Answer	Mark
1(a)	<p>Knowledge/understanding 2</p> <p>Knowledge/understanding: 2 marks for:</p> <ul style="list-style-type: none"> • monetary policy involves changes in the base rate of interest (1) • to influence the rate of growth of aggregate demand (1). <p>NB accept any other suitable alternative.</p>	(2)

Question Number	Answer	Mark
1(b)	<p>Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for $\% \text{ change in real wages} = \% \text{ change in pay} - \% \text{ rate of inflation}$ (1).</p> <p>Application $\% \text{ change in real wages} = 0.9\% (1) - 2.2\% (1)$ $\text{change in real wages} = -1.1\% (1)$</p> <p>NB if the answer given is -1.1% give 4 marks.</p>	(4)

Question Number	Answer	Mark
1 (c)	<p>Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding of 'real wages' as a concept, e.g. the actual amount of goods and services that a given level of wages can buy/purchasing power of wages after adjusting for inflation (1).</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. living standards are continuing to fall (1); total pay is not going up as fast as inflation (1).</p> <p>Analysis: 1 mark available for developing the effect, e.g. the same amount of income will buy fewer goods (1.1% less) and so in real terms purchasing power has declined and the individual is worse off (1).</p>	(4)

Question Number	Indicative content	Mark
1 (d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • The overall trend is declining unemployment. • Unemployment has reached the lowest level since 2009, but a fall of 99,000 is a drop of only 0.4% in the number of people out of work and may not be significant. • Falling unemployment means that more people have jobs and therefore a higher level of disposable income. • As unemployment falls, the demand should rise for many goods and services. • At the same time it becomes harder to fill job vacancies. • In the UK the recent global downturn and recession has been hard for many firms with reduced sales causing problems with profitability and even survival. • As more people get jobs, incomes rise and this boosts firms' turnover. • Firms such as Aldi that have done well in the recession may see a downturn in trade as consumers revert to more expensive substitutes. • Areas such as the south east with lower starting levels of unemployment may find it hard to recruit suitable staff. This may lead to employers offering higher wages to attract staff, increasing costs and possibly reducing profitability. 	(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	Indicative content	Mark
1 (e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • An appreciation of the pound means that more foreign currency can be 'bought' for the same number of pounds. • This should mean that imports become cheaper as fewer pounds have to be exchanged for the same number of dollars, for example. • This will mean a reduction in costs for firms who import raw materials, semi-finished or finished goods from abroad. • This could lead to a rise in profits or a chance to decrease prices to gain a competitive advantage. • Exporters will not be pleased because foreign countries will have to give up more of their currency to buy the same number of pounds. • This may mean that demand will fall or prices in sterling may need to be reduced to maintain demand. This may cause a loss of profitability. • The pound rose against the dollar – other currencies may be different. • The rise was only just over a cent and may have little significance. • Much may depend on the extent and duration of the appreciation and the type of good or service involved. • Exports that are price inelastic will not suffer as much as those that are price elastic. Firms not involved in international trade may not be affected at all. 	(12)

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	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.

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Question Number	Answer	Mark
2(a)	<p>Knowledge/understanding 2</p> <p>Knowledge/understanding: 2 marks for:</p> <ul style="list-style-type: none"> • the percentage of total sales (1) • in a market held by a brand/s, product/s or company/ies (1). <p>NB accept any other suitable alternative.</p>	(2)

Question Number	Answer	Mark
2(b)	<p>Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for: defines $YED = \% \text{ change in } Q \div \% \text{ change in } Y$ (1)</p> <p>Application up to 3 marks for: $\% \text{ change in } Q = 20\%$ (1) , $\% \text{ change in } Y = 11.6\%$ (1) $YED = 1.7$ OR 1.72 (1)</p> <p>NB if the answer given is 1.7 OR 1.72 give 4 marks.</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</p> <ul style="list-style-type: none"> • an understanding of recession, e.g a stage in the economic or business cycle/two consecutive quarters of negative GDP growth (1). <p>Application: up to 2 marks are available for contextualised answers, e.g. household incomes fall/stagnate/rise more slowly (1) which might be expected to reduce spending on luxuries such as visiting the cinema (1).</p> <p>Analysis: 1 mark is available for developing the significance, e.g. sales have increased but not as quickly as they may have done if there had been no recession (1), or changing technology has allowed cinemas to offer a better product/experience, maintaining or increasing attendance despite the recession (1).</p>	(4)

Question Number	Indicative content	Mark
2(d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • A niche market is a small section of a larger market that has certain special characteristics, e.g. specialised product or service, close relations with consumers, and is often able to charge a premium price. • Typically, demand in a niche market is more price inelastic than in a mass market and this may allow small, independent cinemas to compete on non-price factors. • Small, independent cinemas cater for a niche market and do not compete directly with the big chains. • Not everyone wants to see the big Hollywood blockbuster movies. • By providing niche products, such as foreign or classic films, they are likely to attract customers whose demands are not satisfied by the mass market chains. • These customers are likely to be loyal and even willing to pay premium prices, leading to increased sales revenue, profitability and survival in the market. • The extent of the benefits may depend on: <ul style="list-style-type: none"> ○ whether tastes change ○ the availability of substitutes, such as DVDs, the launch of Netflix and on-demand films ○ the sophistication of substitutes such as home cinema equipment ○ whether or not large firms enter the market. 	(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.

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Question Number	Indicative content	Mark
2(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Inorganic growth means expanding by the joining together of two or more firms by merger or takeover. • Growth can be rapid and this may be important in a dynamic market such as the film entertainment industry. • By contrast, organic growth can take much longer. • Inorganic growth also reduces competition at the same time as expanding market share. • Other benefits include the acquisition of brand names and assets. • By taking over existing cinemas, Cineworld does not have to gain planning permission or take the time to build new cinemas. • It is a strong oligopoly: there is a three-firm concentration ratio of 70%. • Increasing size can lead to economies of scale and increasing market power which might be useful in negotiating with film studios over rental fees for films. • However, around 50 per cent of all mergers and acquisitions fail to yield the anticipated benefits. • Culture clashes and communication problems may arise. • Too much growth may bring about diseconomies of scale. • Having 70 per cent of the market may attract the attention of the Competition and Markets Authority. 	(12)

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	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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Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • The digital economy is based on digital technologies and is also sometimes called the internet economy. • The development of the internet in particular has created another medium (virtual market) where exchange can take place. • Impact on firms' demand for skilled labour (recruitment, training, wage rates and labour productivity). • Impact on firms' distribution (reducing costs). • Impact on relationships with suppliers (costs and lean production). • Impact on consumers (ability to compare prices of substitutes, more information, e.g. ratings, more choice). • Impact on the competitor and consumer knowledge in the market (firms create websites and smartphones and other devices enable consumers to access them). • Impact on how firms define their market geographically (UK firms have access to national and international markets that would previously have been too costly to access, thereby gaining potential new and profitable sales). • Impact on costs (UK firms can find and access the most competitive sources for inputs; digital tools can improve efficiency and reduce costs). • Impact on the cost of communication (improved communications such as Skype, teleconferencing and emails are all part of the digital economy). • Impact on trading costs: credit-card fraud, privacy invasion and business security are all problems. • Impact on prices if market more competitive. • Impact on investment plans – need to upgrade technology regularly (firms may have to invest a great deal of money to remain digitally competitive). • Impact on innovation: piracy and copying of intellectual property rights (IPR) is more likely and needs to be guarded against. • Market entry: creates opportunities for new firm start-ups (many new firms have been created because of the rise and creation of the digital economy). • Increased competition: non-UK firms are likely to take advantage of the digital economy and therefore UK firms may face increased competition. • Market exit: some UK firms have suffered at the hands of the digital economy, for example bookshops and retailers such as HMV, Virgin and Comet. • Impact on the range of stock a firm can store/offer (the 'long tail', whereby many niches can create firms such as Amazon). 	

	<ul style="list-style-type: none">• In the long term, the economy can benefit from increased sales, resulting in increase in employment and growth, yielding higher tax revenues and reduced spending on benefits.	(20)
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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.

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