

GCSE

Economics

General Certificate of Secondary Education **1985/02**

Paper 2 Foundation Tier

Mark Scheme for June 2010

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Question	Expected Answer	Mark	Rationale
1 (a)	<p>Calculate the percentage UK market share held by the five largest mobile phone manufacturers. Show your working.</p> <p>Target: To interpret market share data.</p> <p>83% (up to 2 marks).</p> <p>Correct working but incorrect answer (1 mark).</p>	[2]	
	<p>(b)</p> <p>Nokia reduced its prices by 10% to compete with other firms. Is cutting price the best method for firms to compete with each other? Give reasons for your answer.</p> <p>Target: To evaluate methods of competition.</p> <p>Yes – is likely to attract more customer instantly (depends on elasticity), no cost involved.</p> <p>No – may lower profit, may be suggestive of a drop in quality.</p> <p>No – may lead to price war.</p> <p>Other methods of competition – advertising, improve service.</p> <p>Level 3 (5-6 marks) Candidate discusses the costs and benefits to Nokia of price reduction and/or the costs and benefits of another method of competing.</p> <p>Level 2 (3-4 marks) Candidate explains the costs and/or the benefits to Nokia of reducing price or compares with another method of competition.</p> <p>Level 1 (1-2 mark) Candidate shows an understanding of the effect of lowering price.</p>	[6]	<p>Use ticks. Ticks must match the number of marks given.</p> <p>L1 max if candidate only talks about other methods of competition.</p>

Question	Expected Answer	Mark	Rationale
2	<p>Using the demand and supply diagram below, explain how a successful advertising campaign for iPhones will affect the price and quantity sold of iPhones.</p> <p>Target: To explain one factor which cause the demand curve to shift to the right.</p> <p>Diagram – Shift the demand curve to the right (1 mark) Label the new demand curve (1 mark) Label the new equilibrium (1 mark).</p> <p>Explanation – Stating price will rise (1 mark) Stating quantity will rise (1 mark)</p>	[5]	<p>Use ticks.</p> <p>For new equilibrium allow the use of E1 to denote equilibrium.</p>

Question	Expected Answer	Mark	Rationale
3 (a)	<p>Using the demand and supply diagram below, show how a subsidy to firms would affect the market price for mobile phones.</p> <p>Target: Using a demand and supply diagram show how a subsidy works. Up to two marks</p> <p>Shift supply curve to the right and label – (1 mark) Draw and label the new equilibrium – (1 mark).</p>	[2]	If the new supply curve is not labelled but shifted correctly to the right give the mark if no other curve is shifted.
(b)	<p>Discuss how providing a subsidy to <u>producers</u> of mobile phones will affect both the consumers and producers of mobile phones.</p> <p>Target: to evaluate how subsidies will affect a market.</p> <p>Consumer – lower prices, more supply, distorts competition</p> <p>Producer – reduction in costs, lower prices lead to more sales, less need to be efficient, may require more workers/resources due to increased sales</p> <p>Level 3 (4-6 marks) Candidate discusses the effects on both the consumer and the producer.</p> <p>Level 2 (2-3 marks) Candidate explains the effects on either the consumer or the producer.</p> <p>Level 1 (1 mark) Candidate identifies some effects.</p>	[6]	Use ticks. Must be level 3 for 4 or more ticks.

Question	Expected Answer	Mark	Rationale												
4 (a)	<p>The descriptions below are of two types of unemployment that might occur due to the closure of the Bochum factory. Match each description with the correct type of unemployment.</p> <p>Target: To identify types of unemployment from definitions.</p> <p>One mark for each correct identification up to a maximum of two identifications</p> <table><tr><td>Frictional</td><td>Structural</td><td>Voluntary</td></tr><tr><td>Description</td><td></td><td>Type of unemployment</td></tr><tr><td>Unemployment caused by the permanent closure of the mobile phone factory in Bochum.</td><td></td><td>Structural</td></tr><tr><td>Unemployment caused whilst the factory workers are seeking new work in Bochum.</td><td>Frictional</td><td></td></tr></table>	Frictional	Structural	Voluntary	Description		Type of unemployment	Unemployment caused by the permanent closure of the mobile phone factory in Bochum.		Structural	Unemployment caused whilst the factory workers are seeking new work in Bochum.	Frictional		[2]	
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(b)	<p>Explain <u>three</u> possible economic reasons why Nokia may prefer to locate mobile phone production in Romania rather than in Germany.</p> <p>Target: To explain the difference in location of a firm.</p> <p>One mark for each correct identification up to a maximum of three identifications, plus a further one for each of three explanations.</p> <p>One mark for each correct identification plus one mark for explanation. A maximum of three identifications.</p> <p>Reasons could include lower labour costs, availability of skilled labour, lower land costs, more aid from the government and EU, less company taxes, lower transport costs, larger market.</p>	[6]	<p>Use ticks.</p> <p>No more than 2 marks if costs of production and then labour is mentioned. However separate costs are fine.</p>												

Question	Expected Answer	Mark	Rationale
(c)	<p>To what extent would the closure of the Nokia factory in Bochum lead to problems for the local community? Give reasons for your answer.</p> <p>Target: To evaluate economic effects on a local community of a factory closure.</p> <p>Problems may include, high unemployment, knock on (multiplier) effects on spending, local businesses may suffer, social effects such as crime. Possible benefits eg fewer external costs.</p> <p>Level 3 (5-6 marks) At least two problems discussed.</p> <p>Level 2 (3-4 marks) Candidate explains why factory closure would lead to problems.</p> <p>Level 1 (1-2 marks) Up to two problems stated or one problem described.</p>	[6]	Use ticks. Must be level 3 for 5 or more ticks.
5	<p>(a)</p> <p>Ray who is 17 years old and works in a mobile phone shop for 8 hours one day a week. He earns the minimum wage. Calculate by how much his daily wage will rise as a result of the change in the national minimum wage. Show your working.</p> <p>Target: To calculate changes in wages. Up to two marks</p>	[2]	
	<p>8 x 3.40 = £27.20 8 x 3.53 = £28.24 Or 13p x 8 Difference is £1.04 a week (2 marks) 1 mark for correct working but wrong answer.</p>		

Question	Expected Answer	Mark	Rationale
(b)	<p>A national minimum wage is good for the economy. Do you agree? Give reasons for your answer.</p> <p>Target: To evaluate the effects of a national minimum wage.</p> <p>Arguments for could include equity/fairness argument, helping the lower paid, reducing exploitation. Employers pay instead of the taxpayer in top-up benefits. Incentives to work are increased. People less likely to want to rely on benefits instead of work. Increases demand in the economy, helps growth and employment.</p> <p>Arguments against could include: it does not help the poorest who do not work at all. It increases costs to employers, which could mean higher prices. It makes UK goods less competitive in international markets. It helps people not from poor households, eg. Working children of the well-off. It can cause unemployment in some industries, ie. Less labour is bought at the higher wage.</p> <p>Level 3 (5-8) Candidate discusses at least one argument for and one against.</p> <p>Level 2 (3-4 marks) Basic analysis of argument either for or against NMW.</p> <p>Level 1 (1-2 mark) Brief argument for or against NMW stated.</p>	[8+2]	Use ticks. Must be level 3 for 5 ticks or more.

Question	Expected Answer	Mark	Rationale
6 (a)	<p>The first headline in Fig. 7 states ‘Data points to weaker UK economy’. Below are four pieces of data. Circle the two pieces of data that support this headline.</p> <p>Target: to show an understanding of economic data.</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Budget deficit is rising (1 mark) Unemployment on the rise (1 mark).</p>	[2]	
(b)	<p>Discuss how the UK government could stimulate the UK economy through changes in government spending and taxation.</p> <p>Target: to evaluate possible policies the government could use to improve the economy.</p> <p>Possible policies: Fiscal policy - reducing income tax, reducing corporation tax, increasing benefits, increasing government spending.</p> <p>Level 3 (6-8 marks) Candidate discusses how two or three of these measures will help improve the economy.</p> <p>Level 2 (3-5 marks) Candidate explains one or more of these measures.</p> <p>Level 1 (1-2 mark) Candidate identifies possible policies or describes one such measure.</p>	[8]	

Question	Expected Answer	Mark	Rationale
7 (a)	<p>Describe what happened to inflation as measured by the RPI between August 2007 and February 2009.</p> <p>Target: to describe inflation data.</p> <p>Up to three marks</p> <p>Inflation fell (1 mark), data from case study to show this fall (1 mark, it was fairly stable then fell rapidly (1 mark), backed up by data from the case study (1 mark). Maximum mark of three.</p>	[3]	
	<p>(b) Is increasing interest rates the best way to control the future rate of inflation? Give reasons for your answer.</p> <p>Target: to evaluate policies to control inflation.</p> <p>Arguments for using interest rates easy to use can be changed every month, directly affects spending which in turn will control demand pull inflation.</p> <p>Arguments against using interest rates will not affect inflation if it is driven by cost pressures, may stop businesses investing, may cause unemployment.</p> <p>Other methods may include, fiscal policy, supply-side policies.</p> <p>Level 2 (5-6 marks) Candidate discusses the advantages and the disadvantages of using interest rates to control inflation either or discuss other policies the government could use.</p> <p>Level 1 (1-4 marks) Candidate explains how interest rates can be used to control inflation.</p>	[6]	Use ticks. 5 or more ticks must be a level 2 answer.

Question	Expected Answer	Mark	Rationale
8	<p>Mobile phone manufacturers are concerned about the changes in the UK economy and how it will affect the mobile phone market. Using the information in the case study and your own knowledge discuss whether the manufacturers are right to be concerned. Give reasons for your answer.</p> <p>Target: to evaluate how the economy will affect the mobile phone industry.</p> <p>Reasons to be concerned – increasing NMW means costs are rising, inflation is rising so people have less real income (if wages are not rising as quickly), prices of necessities such as petrol and food are rising, negative wealth affect with house prices falling, gloomy newspaper headlines.</p> <p>Reasons to be pleased – numbers owning mobile phones rising, if NMW is rising people have more disposable income so are able to afford a mobile phone (luxury), interest rates falling.</p> <p>Level 4 (7-12 marks) Candidate discusses both why the industry should be concerned and why it should be pleased.</p> <p>Level 3 (5-6 marks) Candidate analyses either reasons to be concerned or reasons to be pleased.</p> <p>Level 2 (3-4 marks) Candidate applies trend to effects on the mobile phone industry.</p> <p>Level 1 (1-2 marks) Candidate recognises some effects of trend.</p>	[12+2]	<p>Annotate level in the appropriate part of the answer.</p> <p>Candidate must apply the data from the case study to get past level 1</p>

Higher Tier assessment objectives

Question	AO1	AO2	AO3	AO4	Total	QWC	C	D	E	F	G	Total	Specification
*1a	0	2	0	0	2		1	1				2	5.2a
*1b	1	1	2	2	6		4	2				6	5.2a
2	1	2	2	0	5				2	2	1	5	5.2b,c,d
3a	2	0	0	0	2				2			2	5.3c(ii)
*3b	2	2	2	0	6		4	2				6	5.1c
*3c	1	1	2	2	6		4	2				6	5.3c(ii),d
4a	1	1	0	0	2					1	1	2	5.2e
4b	1	0	2	3	6				2	2	2	6	5.2e, 5.3c (ii)
*5a	2	0	2	0	4		2	2				4	5.2e,5.3c(ii) 5.2j
*5b	1	1	2	3	7	2	4	2				6	5.2j
6a	1	0	0	0	1						1	1	5.3
6b	1	0	3	4	8				3	3	2	8	5.3c(ii)
7a	0	3	0	0	3				2	1		3	5.3c(iii)
7b	0	0	3	3	6				3	2	1	6	5.3c(iii)
8	2	2	2	6	12	2			5	5	2	12	5.3
Totals	16	15	22	23	80	4	19	11	19	16	10	79	
Crossover questions					31								

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