

## **Mark Scheme for June 2010**

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All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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Question	Expected Answer	Mark	Rationale
1 (a)	<p><b>Calculate the percentage UK market share held by the five largest mobile phone manufacturers. Show your working.</b></p> <p><b>Target: To interpret market share data.</b></p> <p><b>Up to two marks.</b></p> <p>83% (2 marks).</p> <p>Correct working but incorrect answer (1 mark).</p>	<b>[2]</b>	% sign is not required.
(b)	<p><b>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.</b></p> <p><b>Target: To evaluate methods of competition.</b></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. Other methods of competition – advertising, improve service.</p> <p><b>Level 3 (5-6 marks)</b> Candidate discusses the costs and benefits of price reduction and/or the costs and benefits of another method of competing.</p> <p><b>Level 2 (3-4 marks)</b> Candidate explains the costs and/or the benefits to Nokia of reducing price or compares with another method of competition</p> <p><b>Level 1 (1-2 mark)</b> Candidate shows an understanding of competition between firms.</p>	<b>[6]</b>	<p>Use ticks. Ticks must match the number of marks given and use the level descriptors.</p> <p>L1 max if candidate only talks about other methods of competition.</p> <p>Example should back up economic knowledge rather than mobile phone knowledge.</p>

Question	Expected Answer	Mark	Rationale
2	<p><b>Using a demand and supply diagram, explain how a successful advertising campaign for iPhones will affect the price and quantity sold of iPhones.</b></p> <p><b>Target: To explain changes how changes in price will affect demand with support from a diagram.</b></p> <p><b>Up to five marks</b></p> <p>Diagram – Correct axis – (1 mark)  Original demand and supply curve, labelled – (1 mark)  Shift of the demand curve to the right – (1 mark).</p> <p>Explanation – stating price will rise (1 mark)  Stating quantity sold will rise (1 mark)</p>	<b>[5]</b>	<p>Use ticks.</p> <p>Allow quantity demanded if accompanied by Q1 to Q2.</p> <p>If diagram is incorrect but explanation correct give explanation marks</p>
3	<p><b>Is the use of subsidies the best method for reducing regional problems such as high unemployment? Give reasons for your answer.</b></p> <p><b>Target: To evaluate the use of subsidies for reducing unemployment. Maximum five marks</b></p> <p>Arguments for may include; help increase money into the local community to not only will unemployment reduce but the knock on effect will be greater (multiplier), reduce unemployment as people will be required to fill the jobs.</p>	<b>[6]</b>	<p>Use ticks. Ticks must match the number of marks given and use the level descriptors.</p> <p>The candidate <b>MUST</b> relate to regional problems.</p>

Question	Expected Answer	Mark	Rationale
	<p>Arguments against may include: opportunity cost, money could be spent elsewhere such as education or health, the unemployed may not benefit as the jobs may not be right for them, may only benefit a few rather than everyone.</p> <p>Other methods include: training schemes, job centres, more money for the local community as a whole.</p> <p><b>Level 3 (5-6 marks)</b> Candidate discusses both the advantages and disadvantages of subsidies and/or will suggest other methods. Some candidates may state that regional problems were not solved in this case.</p> <p><b>Level 2 (3-4 marks)</b> Candidate explains either the advantages or the disadvantages and/or other methods</p> <p><b>Level 1 (1-2 mark)</b> Candidate shows some understanding of how subsidies will work.</p>		
4	<p><b>(a)</b></p> <p><b>Other than regional unemployment, state <u>two</u> types of unemployment that may occur due to the closure of the Bochum factory.</b></p> <p><b>Target: To state types of unemployment.</b></p> <p><b>One mark for each correct identification up to a maximum of two identifications.</b></p> <p>Structural (1), frictional (1).</p>	<b>[2]</b>	Only use these key words. Explanation does not count.

Question	Expected Answer	Mark	Rationale
(b)	<p><b>Explain <u>three</u> possible economic reasons why Nokia may prefer to locate mobile phone production in Romania rather than in Germany.</b></p> <p><b>Target: To explain the difference in location of a firm.</b></p> <p><b>One mark for each correct identification up to a maximum of three identifications, plus a further one mark for each of three identification.</b></p> <p>2 marks for each reason (briefly) explained. 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>	<b>[6]</b>	<p>Use ticks</p> <p>Separate costs such as labour, land and capital can be given separate explanations however if costs of production/resources is given do not give marks in addition to separate costs.</p>
(c)	<p><b>To what extent would the closure of the Nokia factory in Bochum lead to problems for the local community? Give reasons for your answer.</b></p> <p><b>Target: To evaluate economic effects on a local community of a factory closure.</b></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><b>Level 3 (5-6 marks)</b> At least two problems discussed.</p> <p><b>Level 2 (3-4 marks)</b> Candidate explains one reason why the factory closure would lead to problems.</p> <p><b>Level 1 (1-2 marks)</b> Up to two problems stated or one problem described.</p>	<b>[6]</b>	<p>Use ticks. Ticks must match the number of marks given and use the level descriptors. Two distinct problems must be discussed. A list/bullet points cannot go beyond L1</p>

Question	Expected Answer	Mark	Rationale
5 (a)	<p>Ray is 17 years old and works in a mobile phone shop for eight 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><b>Target: To calculate changes in wages.</b></p> <p><b>Up to two marks</b></p> <p>8 x 3.40 = £27.20  8 x 3.53 = £28.24  Difference is £1.04 a week (2 marks)  1 mark for correct working but wrong answer.</p>	[2]	
	<p>(b) <b>A national minimum wage is good for the economy. Do you agree? Give reasons for your answer.</b></p> <p><b>Target: To evaluate the effects of a national minimum wage.</b></p> <p>Arguments for could include: equity/fairness argument, helping the lower paid, reducing exploitation. Employers pay instead of the tax payer 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><b>Level 3 (5-8)</b>  Candidate explains at least one argument for and one against.</p>	[8+2]	<p>Use ticks. Ticks must match the number of marks given and use the level descriptors. Ensure level is placed on answer. Remember to add QWC marks to answer.</p> <p>If only one sided stop giving's ticks at 4</p>

Question	Expected Answer	Mark	Rationale												
	<p><b>Level 2 (3-4 marks)</b> Basic analysis of argument for and/or or against NMW.</p> <p><b>Level 1 (1-2 mark)</b> Brief argument for or against NMW stated.</p>														
6	<p>(a) The newspaper headlines suggest that there will be changes in UK economic indicators. Tick the correct boxes below to show the likely direction of the change in each of the indicators. One mark for each correct identification up to a maximum of three identification.</p> <table><tr><th>Economic indicator</th><th>Rises</th><th>Falls</th></tr><tr><td>Budget deficit</td><td>✓</td><td></td></tr><tr><td>Consumer spending</td><td></td><td>✓</td></tr><tr><td>Rate of economic growth</td><td></td><td>✓</td></tr></table>	Economic indicator	Rises	Falls	Budget deficit	✓		Consumer spending		✓	Rate of economic growth		✓	[3]	
Economic indicator	Rises	Falls													
Budget deficit	✓														
Consumer spending		✓													
Rate of economic growth		✓													
	<p>(b) Is the use of interest rates the best method of stimulating the UK economy? Give reasons for your answer.</p> <p><b>Target: To evaluate interest rate policy.</b> Interest rates – decrease in interest rates, increases consumer spending as borrowing becomes cheaper, it is less worthwhile saving, increased spending will create more jobs (derived demand), GDP will increase, increase economic growth, increase in standard of living, a decrease in the interest rate will increase investment as the rate of return will increase, more investment may increase production and productivity. Decreasing the interest rate may cause demand pull inflation. Increased production will increase negative externalities. Can the UK economy cope with a big increase in demand for its products.</p> <p>Other policies – increase government spending (supply side reforms), decrease taxation.</p>	[8]	<p>Use ticks. Ticks must match the number of marks given and use the level descriptors.</p> <p>NAQ if candidate discusses high/increasing interest rates</p>												



Question	Expected Answer	Mark	Rationale
	<p><b>Level 3 (6-8 marks)</b> Candidate discusses the advantages and disadvantages of interest rates on the economy and/or discusses other methods</p> <p><b>Level 2 (3-5 marks)</b> Candidate analyses how interest rates can affect the economy and/or describes other methods</p> <p><b>Level 1 (1-2 mark)</b> Candidate shows some understanding using interest rates to stimulate the economy.</p>		
7	<p><b>(a)</b></p> <p><b>Describe what happened to prices between August 2008 and February 2009.</b></p> <p><b>Target: To describe the trend in prices.</b></p> <p><b>Maximum two marks.</b></p> <p>Prices increased (1 mark) at a slower rate (1 mark).</p>	<b>[2]</b>	Must be prices not inflation.
	<p><b>(b)</b></p> <p><b>Is inflation always bad for an economy? Give reasons for your answer.</b></p> <p><b>Target: To evaluate the effects of inflation.</b></p> <p>Adverse effects on employment, the balance of payments, distribution of incomes, can be discussed as well as the danger of hyperinflation, etc. Also shoe leather costs, menu costs, etc. Possible benefits of low rates include stimulus to investment, easier for relative prices to adjust in markets, borrowers and debtors gain (including government with national debt), value of assets rises (eg houses).</p>	<b>[6]</b>	Use ticks. Ticks must match the number of marks given and use the level descriptors.

Question	Expected Answer	Mark	Rationale
	<p><b>Level 3 (4-6 marks)</b> Candidates discuss both the benefits and costs of inflation.</p> <p><b>Level 2 (2-3 marks)</b> Some effects of inflation are explained (costs or benefits).</p> <p><b>Level 1 (1 mark)</b> Identifies problems or benefits of inflation.</p>		
8	<p><b>Using the information from the case study and your knowledge of economics, discuss how the changes in the UK economy are likely to affect the mobile phone market. Give reasons for your answer.</b></p> <p><b>Target: To consider the effects of the economic trend on mobile phone companies.</b></p> <p>Negative effects may include – increasing NMW means costs are rising, inflation is rising 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>Positive effects may include – numbers owning mobile phones rising, if NMW is rising people have more disposable income so are able to afford a mobile phone (luxury).</p> <p><b>Level 4 (9-14 marks)</b> Candidate discusses overall impact of trend on the mobile phone industry. Candidate must discuss benefits and costs to achieve this level.</p> <p><b>Level 3 (5-8 marks)</b> Candidate either analyses benefits or costs of trend.</p>	[14+2]	<p>Use the level descriptors. Annotate level in the appropriate part of the answer. Candidate must apply the data from the case study to get passed level 1.</p> <p>Remember to add QWC marks</p>

Question		Expected Answer	Mark	Rationale
		<b>Level 2 (3-4 marks)</b> Candidate applies trend to effects in the mobile phone industry.		
		<b>Level 1 (1-2 marks)</b> Candidate recognises some effects of trend.		

## Higher Tier assessment objectives

Question	AO1	AO2	AO3	AO4	Total	QWC	A*	A	B	C	D	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	2	1	2	0	5		1	2	2			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	2	0	0	0	2			1	1			2	5.2e
4b	0	1	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	3	7	5.2j
6a	0	2	0	0	2				2			2	5.3
6b	1	0	2	3	6		1	2	3			6	5.3c(ii)
7a	0	2	0	0	2			1	1			2	5.3c(iii)
7b	0	1	2	3	6		1	2	3			6	5.3c(iii)
8	2	2	4	6	14	2	3	5	6			14	5.3
Totals	16	16	22	22	80	4	8	15	22	19	12	80	
Crossover questions													

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