

**General Certificate of Secondary Education**

**J320**

**Economics**

**Unit A591: *How the Market Works***

**Specimen Paper**

Time: 1 hour

Candidates answer on the question paper.

**Additional materials:**  
**None**

Candidate  
Forename

Candidate  
Surname

Centre  
Number

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Candidate  
Number

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**INSTRUCTIONS TO CANDIDATES**

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each **question** carefully and make sure you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do not write in the bar codes.
- Do not write outside the box bordering each page.
- Write your answer to each question in the space provided.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 60.
- You will be awarded marks in questions 4, 8 and 12 for the quality of written communication of your answer

FOR EXAMINER'S USE			
1		7	
2		8	
3		9	
4		10	
5		11	
6		12	
			<b>TOTAL</b>

This document consists of **10** printed pages and **2** blank pages.

Answer **all** questions.

**Fig. 1**

Pops Ltd is a company which specialises in making jelly bean sweets. Mr Singh started Pops Ltd ten years ago. The factory in Nottingham is on a large industrial estate. Pops Ltd employs a large number of people who live on a nearby housing estate. The people Pops Ltd employ are skilled and specialise in one part of the production process. Pops Ltd also uses a lot of capital in producing its jelly beans on a production line.

1 Pops Ltd uses factors of production. Select **two** factors of production from the list below.

- Capital
- Customers
- Housing estate
- Jelly beans
- Labour
- Specialisation

[2]

2

(a) Explain what is meant by opportunity cost.

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..... [2]

(b) A customer spends £1 on jelly beans. Explain **one** example of the opportunity cost to the customer of buying jelly beans.

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..... [2]

3 Using an example from Fig. 1, explain what is meant by specialisation.

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[6]

4 Mr Singh believes that the benefits of specialisation for Pops Ltd are greater than the costs. Do you agree? Give reasons for your answer.

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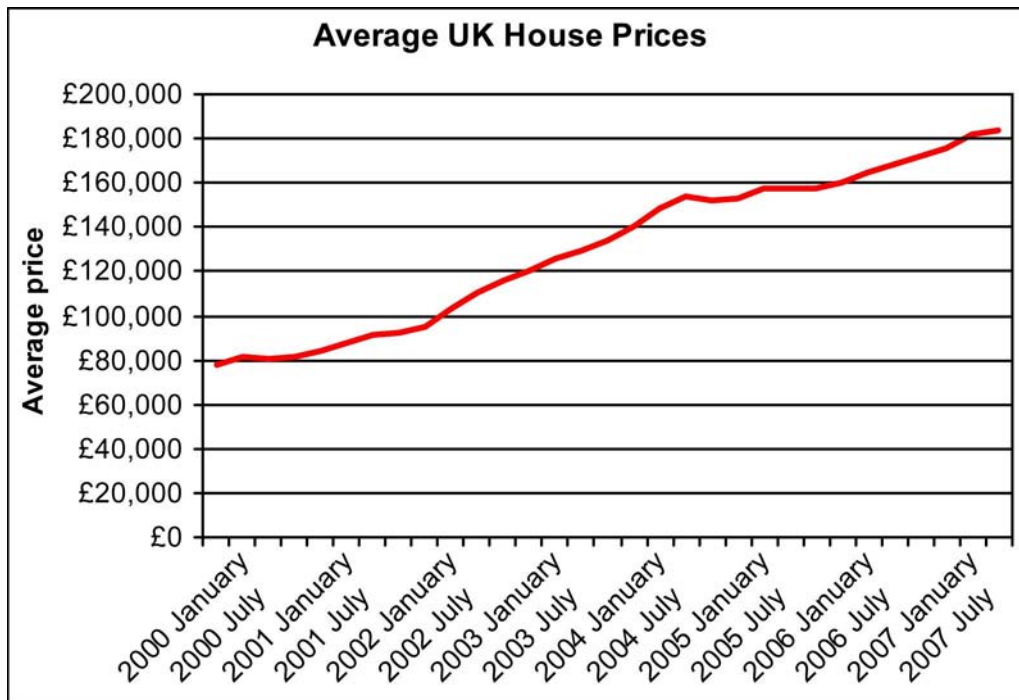
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[8]

Fig. 2



- 5 Using Fig. 2, describe what has happened to average UK house prices between January 2000 and July 2007.

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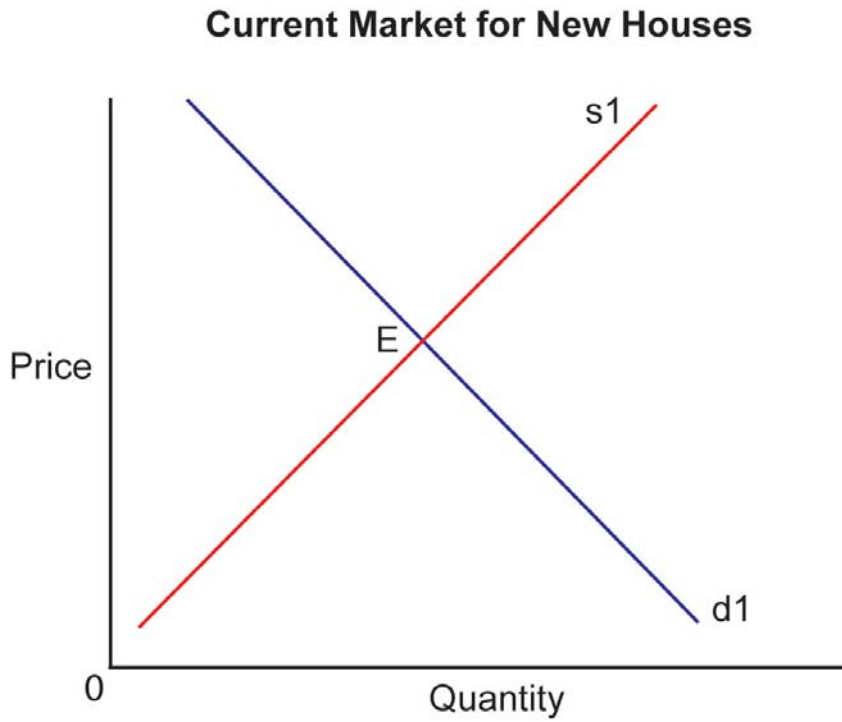
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6

Fig. 3



(a) The diagram above shows the demand for and supply of new houses. On the diagram draw and label a new curve to show the effect on the market for new houses of a fall in the price of bricks. [2]

(b) State what happens to:

the market price.....

.....

the quantity sold.....

..... [2]

7

(a) The government is considering giving a subsidy to house builders. Explain what is meant by a subsidy.

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..... [2]

**(b)** With reference to Fig. 3, explain **two** benefits to the housing market of giving a subsidy to house builders.

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[4]

**8** Discuss the factors which may have caused the rise in demand for housing in the UK between 2000 and 2007.

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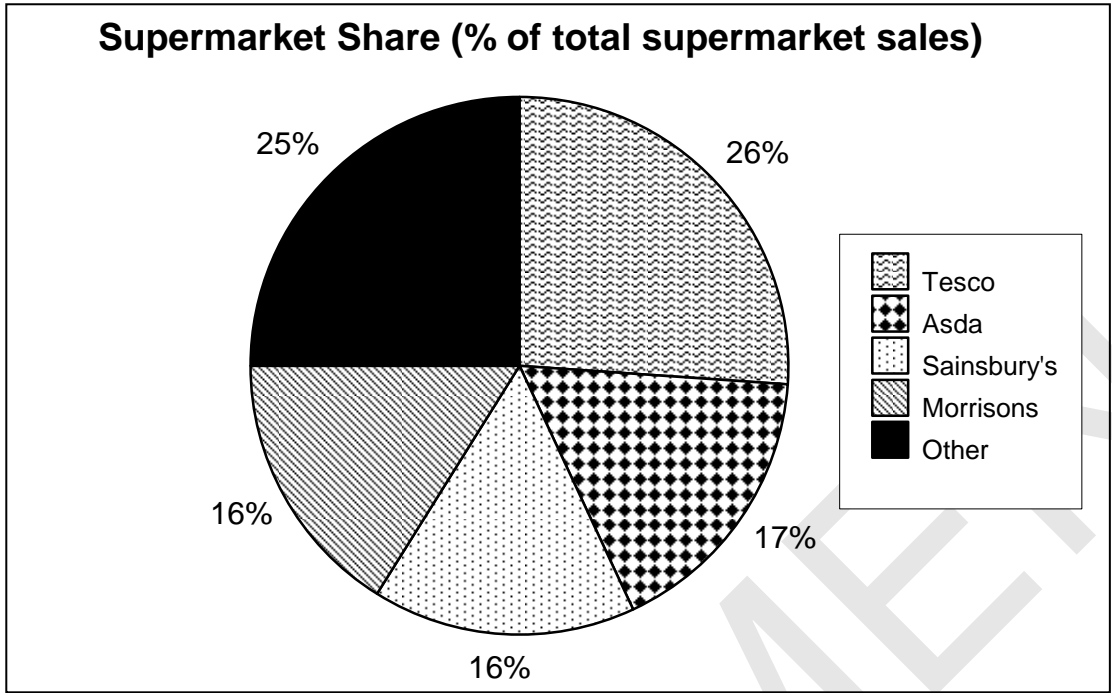
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[8]

Fig. 4



9

(a) Using Fig. 4, state which supermarket has the largest market share?

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 ..... [1]

(b) What is the total percentage market share of the four largest supermarkets? Show your working.

.....  
 .....  
 .....  
 ..... [2]

10

(a) Explain what is meant by economies of scale.

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 ..... [2]





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[8]

**Paper Total [60]**

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**General Certificate of Secondary Education**

**ECONOMICS**

**J320**

Unit A591: *How the Market Works*

**Specimen Mark Scheme**

The maximum mark for this paper is 60.

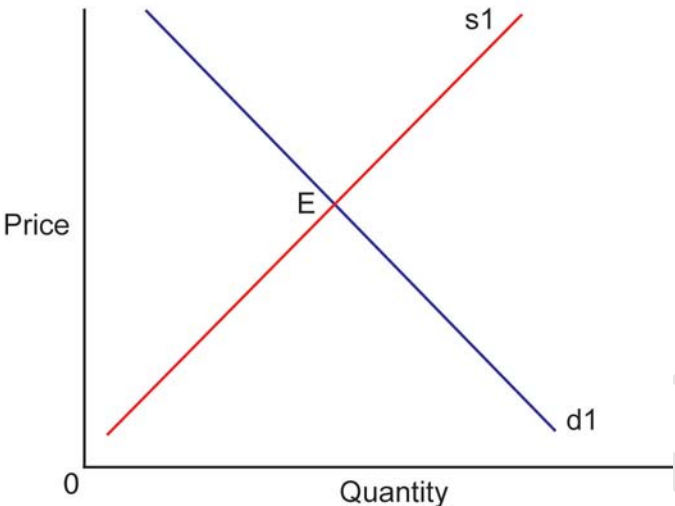
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Question Number	Answer	Max Mark
1	<p><b>Pops Ltd uses factors of production. Select <u>two</u> factors of production from the list below.</b></p> <ul style="list-style-type: none"> <li>• Capital</li> <li>• Customers</li> <li>• Housing estate</li> <li>• Jelly beans</li> <li>• Labour</li> <li>• Specialisation</li> </ul> <p><b>One mark</b> for each of two correct identifications Labour <b>one</b> mark Capital <b>one</b> mark</p>	[2]
2(a)	<p><b>Explain what is meant by opportunity cost.</b></p> <p><b>Two marks</b> for a clear explanation, e.g. next best alternative which is given up. <b>One mark</b> for some understanding shown, e.g. choices being made, next best alternative. <b>0 marks</b> No evidence submitted or response does not address the question. <b>Two marks maximum</b></p>	[2]
2(b)	<p><b>A customer spends £1 on jelly beans. Explain one example of the opportunity cost to the customer of buying jelly beans.</b></p> <p><b>Two marks</b> for explaining the idea of one option being chosen in terms of another being given up. E.g. The opportunity cost of spending £1 on jelly beans is spending £1 on other sweets or buying a magazine. <b>One mark</b> for some understanding. Maximum of 1 mark for no application to Pops Ltd. <b>0 marks</b> No evidence submitted or response does not address the question. <b>Two marks maximum</b></p>	[2]
3	<p><b>Using an example from Fig. 1, explain what is meant by specialisation.</b></p> <p><b>Level 3</b> <b>5-6 marks</b></p> <p>Candidate analyses fully the meaning of specialisation with application to Pops Ltd. Knowledge and understanding should have been demonstrated and applied/understood.</p>	

Question Number	Answer	Max Mark
<p style="text-align: center;"><b>3</b> cont'd</p>	<p><b>Level 2</b> <b>3-4 marks</b></p> <p>Candidate briefly describes the meaning of specialisation with application to Pops Ltd. A basic knowledge and understanding should have been demonstrated.</p> <p><b>Level 1</b> <b>1-2 marks</b></p> <p>Candidate briefly describes the meaning of specialisation. No application to Pops Ltd is shown.</p> <p><b>0 marks</b> No evidence submitted or response does not address the question.</p> <p><b>Indicative content</b></p> <p>Specialisation is where a country/region/firm produces a narrow/particular/specific range of products rather than everything. Pops Ltd has specialised workers. One worker may package the jelly beans; another may add the colouring and another may control the quality.</p>	<b>[6]</b>
<p style="text-align: center;"><b>4</b></p>	<p><b>Mr Singh believes that the benefits of specialisation for Pops Ltd are greater than the costs. Do you agree? Give reasons for your answer.</b></p> <p><b>Level 4</b> <b>7-8 marks</b></p> <p>Candidate evaluates the advantages and disadvantages of specialisation. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be a few, if any, errors of spelling, punctuation and grammar. Candidate has been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with reference to the question.</p> <p><b>Level 3</b> <b>5-6 marks</b></p> <p>Candidate analyses advantages or disadvantages of specialisation. Relatively straightforward ideas have been expressed with some clarity and fluency. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning. Knowledge and understanding should have been demonstrated and applied/understood.</p>	

Question Number	Answer	Max Mark
<p><b>4</b> <b>cont'd</b></p>	<p><b>Level 2</b> <b>3-4 marks</b></p> <p>Candidate applies knowledge and critical understanding of specialisation. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. A basic knowledge and understanding should have been demonstrated.</p> <p><b>Level 1</b> <b>1-2 marks</b></p> <p>Candidate demonstrates basic knowledge and understanding of advantages or disadvantages of specialisation. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</p> <p><b>0 marks</b> No evidence submitted or response does not address the question.</p> <p><b>Indicative content</b></p> <p>Advantages – increases in productivity, higher quality products, workers become more skilled at their job, lowering of average costs, increase in sales/profit.</p> <p>Disadvantages – workers may become bored, high cost of training workers.</p>	<p>[8]</p>
<p><b>5</b></p>	<p><b>Using Fig. 2, describe what has happened to average UK house prices between January 2000 and July 2007.</b></p> <p><b>One mark</b> for each of two correct identifications</p> <p><b>One mark</b> for average house prices have risen,</p> <p><b>One mark</b> for from approximately £80,000 in 2000,</p> <p><b>One mark</b> for to £180,000 in 2007,</p> <p><b>One mark</b> for a £100,000 increase in 7 years,</p> <p><b>One mark</b> for it has been a steady increase throughout the period</p> <p><b>Two marks maximum</b></p>	<p>[2]</p>



Question Number	Answer	Max Mark
6(a)	<p style="text-align: center;"><b>Current Market for New Houses</b></p>  <p>The diagram above shows the demand for and supply of new houses. On the diagram draw and label a new curve to show the effect on the market for new houses of a fall in the price of bricks.</p> <p><b>One mark</b> for each of two correct identifications  <b>One mark</b> for shift of correct curve (supply)  <b>One mark</b> for correct direction of shift (leftward shift).</p>	[2]
6(b)	<p><b>State what happens to:</b></p> <ul style="list-style-type: none"> <li>• <b>the market price</b></li> <li>• <b>the quantity sold</b></li> </ul> <p><b>One mark</b> for each of two correct identifications  <b>One mark</b> for Market price – falls  <b>One mark</b> for Quantity sold – rises  <b>Own figure rule applies.</b></p>	[2]

Question Number	Answer	Max Mark
<p>7(a)</p> <p>7(b)</p>	<p><b>The government is considering giving a subsidy to house builders. Explain what is meant by a subsidy.</b></p> <p><b>Two marks</b> for a subsidy is a sum of money given to a firm by the government.</p> <p><b>One mark</b> for a candidate who shows some idea of a subsidy.</p> <p><b>0 marks</b> for explaining why a subsidy is given.</p> <p><b>Two marks maximum</b></p> <p><b>With reference to Fig. 3, explain <u>two</u> benefits to the housing market of giving a subsidy to house builders.</b></p> <p><b>One mark</b> for a correct identification of a benefit</p> <p><b>Two marks</b> for two correct identifications of a benefit</p> <p><b>One mark</b> for an accurate explanation of one benefit</p> <p><b>Two marks</b> for two accurate explanations of these benefits</p> <p><b>Indicative content</b></p> <p>Lower prices (bring down already high prices), increase supply; make housing more affordable for first time buyers. Meet government targets in terms of development.</p> <p><b>Four marks maximum</b></p>	<p>[2]</p> <p>[4]</p>
<p>8</p>	<p><b>Discuss the factors which may have caused the rise in demand for housing in the UK between 2000 and 2007.</b></p> <p><b>Level 4</b></p> <p><b>7-8 marks</b></p> <p>Candidate evaluates the factors which cause the demand curve to shift. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be a few, if any, errors of spelling, punctuation and grammar. Candidates have been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with reference to the question.</p> <p><b>Level 3</b></p> <p><b>5-6 marks</b></p> <p>Candidate analyses the factors which cause the demand curve to shift. Relatively straightforward ideas have been expressed with some clarity and fluency. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning. Knowledge and understanding should have been demonstrated and applied/understood</p>	

Question Number	Answer	Max Mark
<p><b>8</b> <b>cont'd</b></p>	<p><b>Level 2</b> <b>3-4 marks</b></p> <p>Candidate applies knowledge and critical understanding of factors which cause the demand curve to shift. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. A basic knowledge and understanding should have been demonstrated</p> <p><b>Level 1</b> <b>1-2 marks</b></p> <p>Candidate demonstrates basic knowledge and understanding of factors which cause the demand curve to shift. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</p> <p><b>0 marks</b> No evidence submitted or response does not address the question.</p> <p><b>Indicative content</b></p> <p>Factors to be considered – increases in average incomes, lowering of interest rates, tastes and fashions changing, increase in the price of rent (substitutes), increase in population and demographics such as more divorces.</p>	<p>[8]</p>
<p><b>9(a)</b></p>	<p><b>With reference to Fig. 4, state which supermarket has the largest market share?</b></p> <p><b>One mark</b> for correct identification</p> <p>Tesco</p>	<p>[1]</p>
<p><b>9(b)</b></p>	<p><b>What is the total percentage market share of the four largest supermarkets? Show your working.</b></p> <p><b>Two marks</b> 75%</p> <p><b>One mark</b> If % not given.</p> <p><b>One mark</b> for correct working but incorrect answer.</p> <p><b>Two marks maximum</b></p>	<p>[2]</p>

Question Number	Answer	Max Mark
<p>10(a)</p>	<p><b>Explain what is meant by economies of scale.</b></p> <p><b>Two marks</b> for a clear explanation e.g. Candidates may state that it is where, as a result of an increase in size, there is a fall in the cost per unit of output/average cost. To gain 2 marks the idea of lowering average costs must be shown.</p> <p><b>One mark</b> for some understanding shown.</p> <p><b>0 marks</b> No evidence submitted or response does not address the question. e.g. A list of economies of scale or an example alone.</p> <p><b>Two marks maximum</b></p>	<p>[2]</p>
<p>10(b)</p>	<p><b>Name <u>one</u> type of economy of scale.</b></p> <p><b>One mark</b> for correct identification</p> <p>Risk bearing, financial, technical, marketing, managerial, purchasing</p>	<p>[1]</p>
<p>11</p>	<p><b>Analyse the <u>advantages</u> and <u>disadvantages</u> to a firm such as Tesco of operating on a large scale.</b></p> <p><b>Level 3</b> <b>5-6 marks</b></p> <p>Candidate analyses advantages and/or disadvantages to a firm such as Tesco of operating on a large scale.</p> <p>Both analysed fully will be at the top of the level. Knowledge and understanding should have been demonstrated and applied/understood.</p> <p><b>Level 2</b> <b>3-4 marks</b></p> <p>Candidate describes the advantages and/or disadvantages to a firm such as Tesco of operating on a large scale. A basic knowledge and understanding should have been demonstrated</p> <p><b>Level 1</b> <b>1-2 marks</b></p> <p>Candidate identifies/lists the advantages and/or disadvantages to a firm such as Tesco of operating on a large scale.</p> <p>No depth is given, possibly just a list or statements.</p> <p><b>0 marks</b> No evidence submitted or response does not address the question.</p>	

Question Number	Answer	Max Mark
<p><b>11</b> <b>cont'd</b></p>	<p><b>Indicative content</b></p> <p>Advantages – economies of scale, higher profit, ability to control the market and so increase price, more well known.</p> <p>Disadvantages – diseconomies of scale may occur; lack of motivation of workers, more difficult to control workers, loss of communication and cooperation, may become complacent.</p>	<p><b>[6]</b></p>
<p><b>12</b></p>	<p><b>Do consumers benefit from competitive markets? Give reasons for your answer. You may refer to the food retailing market, or any other market with which you are familiar, in your answer.</b></p> <p><b>Level 4</b> <b>7-8 marks</b></p> <p>Candidate evaluates the advantages and disadvantages of competitive markets. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be a few, if any, errors of spelling, punctuation and grammar. Candidate has been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with reference to the question.</p> <p><b>Level 3</b> <b>5-6 marks</b></p> <p>Candidate analyses the advantages or disadvantages of competitive markets. Relatively straightforward ideas have been expressed with some clarity and fluency. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning. Knowledge and understanding should have been demonstrated and applied/understood.</p> <p><b>Level 2</b> <b>3-4 marks</b></p> <p>Candidate applies knowledge and critical understanding of competitive markets. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. A basic knowledge and understanding should have been demonstrated.</p> <p><b>Level 1</b> <b>1-2 marks</b></p> <p>Candidate demonstrates basic knowledge and understanding of competitive markets. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</p>	

Question Number	Answer	Max Mark
12 cont'd	<p><b>0 marks</b> No evidence submitted or response does not address the question.</p> <p><b>Indicative content</b> Candidates can refer to any argument which is relevant to the stated market; such as price competition, and non-price competition: variety and choice on offer within the stores, quality of products sold, quality of the service provided, opening times, location of stores etc.</p>	[8]
<b>Paper Total</b>		<b>[60]</b>

## Assessment Objectives Grid (includes QWC)

Question	AO1	AO2	AO3	Total
1	2			2
2(a)	2			2
2(b)		2		2
3	2	2	2	6
4	2	2	4	8
5		2		2
6(a)	1	1		2
6(b)		2		2
7(a)	2			2
7(b)	2	2		4
8	2	2	4	8
9(a)		1		1
9(b)		2		2
10(a)	2			2
10(b)	1			1
11	2	2	2	6
12	2	2	4	8
<b>Totals</b>	<b>22</b>	<b>22</b>	<b>16</b>	<b>60</b>

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