



**GCE**

**Economics**

**H060/01: Microeconomics**

AS Level

**Mark Scheme for June 2022**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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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## MARKING INSTRUCTIONS

### PREPARATION FOR MARKING

#### RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to *RM Assessor* and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 5 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

### MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% deadlines. If you experience problems, you must contact your Team Leader without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**  
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

#### **Rubric Error Responses – Optional Questions**

Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM assessor, which will select the highest mark from those awarded. (*The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.*)

**Multiple Choice Question Responses**

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

**Contradictory Responses**

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

**Short Answer Questions** (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

**Short Answer Questions** (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

**Longer Answer Questions** (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
  - there is nothing written in the answer space.

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

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8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**  
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.
9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
  - To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

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## 11. Annotations

Annotation	Meaning
	Blank Page – this annotation must be used on all blank pages within an answer booklet and on each page of an additional object where there is no candidate response.
	Correct – mark awarded
	Incorrect
	Benefit of doubt
	AO1 – Knowledge and understanding
	AO2 – Apply knowledge and understanding
	AO3 - Analyse
	AO4 - Evaluation
	Not answering question
	Noted but no credit given
	Too vague
	Own figure rule
	Confused
	Unclear

## 12. Subject Specific Marking Instructions

### INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

### Rubric Infringement

Candidates may infringe the rubric in the following way:

- answering two questions from Section C.

If a candidate has written two answers for Section C, mark both answers and award the highest mark achieved.

### USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

Before the Standardisation Meeting, you should read and mark a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of Bands for the paper which you are marking. Please mark these answers according to the marking criteria. Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

**INSTRUCTIONS TO EXAMINERS:**

**A: INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Using 'best-fit', decide first which set of BAND DESCRIPTORS best describes the overall quality of the answer. Once the band is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.
  - Highest mark: If clear evidence of all the qualities in the band descriptors is shown, the HIGHEST Mark should be awarded.
  - Lowest mark: If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the bands below and show limited evidence of meeting the criteria of the band in question) the LOWEST mark should be awarded.
  - Middle mark: This mark should be used for candidates who are secure in the band. They are not 'borderline' but they have only achieved some of the qualities in the band descriptors.
- 3 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band 6 marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

**B: TOTAL MARKS**

- 1 The maximum mark for the paper is 60.
- 2 The quality of the extended response is assessed on this part of the question paper which is identified with the use of an asterisk (\*). The assessment of this skill is embedded within each of the levels of response and it must be considered when determining the mark to be awarded within the appropriate level.

<b>Levels of response / Level descriptors</b>	<b>Knowledge and understanding/ Application</b>	<b>Analysis</b>	<b>Evaluation</b>
<b>Strong</b>	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
<b>Good</b>		An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
<b>Reasonable</b>	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
<b>Limited</b>	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

<b>Multiple Choice Questions</b>	<b>Answers</b>
<b>1</b>	<b>A</b>
<b>2</b>	<b>B</b>
<b>3</b>	<b>D</b>
<b>4</b>	<b>A</b>
<b>5</b>	<b>D</b>
<b>6</b>	<b>B</b>
<b>7</b>	<b>B</b>
<b>8</b>	<b>D</b>
<b>9</b>	<b>C</b>
<b>10</b>	<b>D</b>
<b>11</b>	<b>A</b>
<b>12</b>	<b>D</b>
<b>13</b>	<b>A</b>
<b>14</b>	<b>D</b>
<b>15</b>	<b>D</b>

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Question		Answer	AO	Quantitative skills
1	A	Rationale: A <b>Correct:</b> Interest is reward for capital B Profit C Wages D Rent	1	
2	B	Rationale: A 8% added B <b>Correct:</b> $2/25\% \times 100 = \%$ change in quantity supply of 20%. C 25% added D 80% added	1	Yes
3	D	Rationale: A Joint demand B Derived demand C Competitive demand D <b>Correct:</b> Definition of composite, increases in D for one leads to a fall in S of the other	2	
4	A	Rationale: A <b>Correct:</b> Increase in income so demand curve shifts right B Demand curve shifts left C Demand curve shifts left D Movement along	2	
5	D	Rationale: A Perfectly inelastic – very short run B Relatively inelastic – short run C Unitary elastic D <b>Correct:</b> Relatively elastic, more responsive to change	3	Yes
6	B	Rationale: A Price does fall but output does not B <b>Correct:</b> Output increases and price falls C Price falls and output increases D Does not increase price	2	
7	B	Rationale: A Less than zero B <b>Correct:</b> 0.25 Between zero and one C cross elasticity of demand D Greater than 1	3	Yes

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Question		Answer	AO	Quantitative skills
8	D	Rationale: A Price should increase towards equilibrium B Unlikely, price is below equilibrium C Supply is not equal to demand D <b>Correct:</b> Demand exceeds supply	2	Yes
9	C	Rationale: A This is the role of the state not firms B Governments provide subsidies to firms C <b>Correct:</b> This is the role of firms D People supply labour to firms	1	
10	D	Rationale: A Social efficiency B Distributive efficiency C Definition of allocative efficiency D <b>Correct:</b> Productive efficiency	1	
11	A	Rationale: A <b>Correct:</b> Definition of ceteris paribus B Refers to normative statement C Factors of production D Planned economy	1	
12	D	Rationale: A Economic good B Economic good C Economic good D <b>Correct:</b> Free good	1	
13	A	Rationale: A <b>Correct:</b> Negative XED so complement B income elasticity of demand C Positive XED D Zero XED	2	
14	D	Rationale: A Describes private benefits B Describes private benefits C Describes private benefits D <b>Correct:</b> Describes social benefits. Positive externalities are benefits enjoyed by those affected by the economic activities of others	1	

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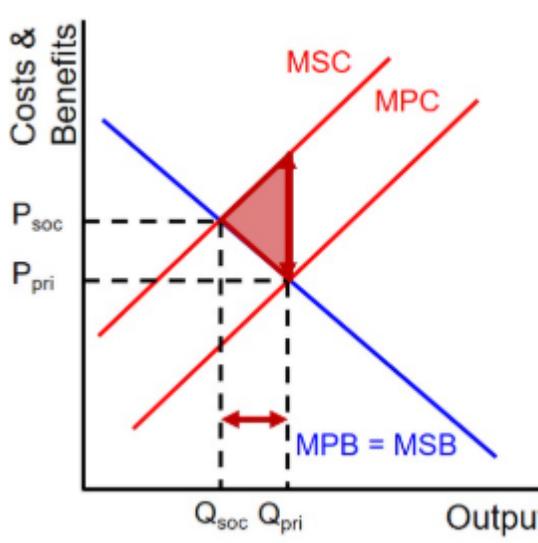
Question		Answer	AO	Quantitative skills
15	D	Rationale: A Normative statement B Normative statement C Normative statement D <b>Correct:</b> Positive statement	2	

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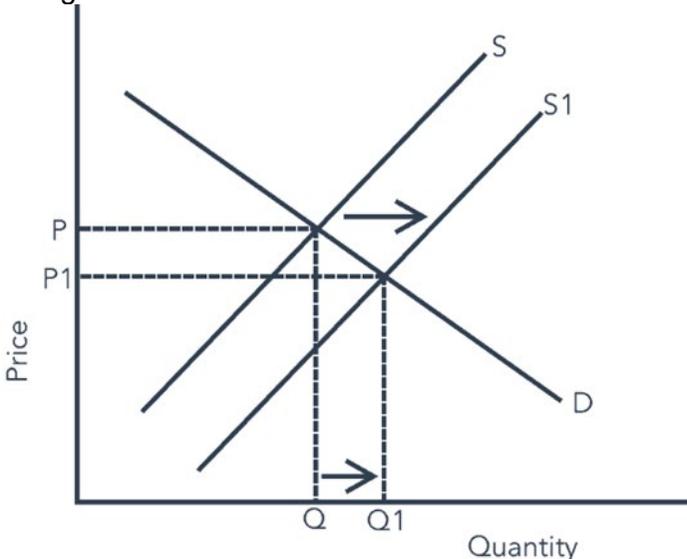
Question			Answer	Mark	Guidance
16	(a)		<p><b>Using Fig. 1, calculate how much more of the poorest household's income was spent on energy compared to the richest households in 2016.</b></p> <p>6% (points) (1)</p>	<p><b>1</b></p> <p>(AO1x1)</p>	<p>Allow a range of marks between 5% and 6.5%</p> <p><b>Quantitative skills rewarded in this question</b></p>
16	(b)	(i)	<p><b>Using Fig. 2, If the UK Government introduces a tax so that there is a 50% increase in the total electricity price in 2018 compared to 2017, what would the price per kilowatt hour (kWh) in the UK?</b></p> <p>15p+7.5p (1) = 22.5p (2)</p>	<p><b>2</b></p> <p>(AO1x1 AO2x1)</p>	<p>Allow reasonable range 21p – 24p (price of 14p – 16p increased by 50%)</p> <p><b>Quantitative skills rewarded in this question</b></p>
16	(b)	(ii)	<p><b>State what impact the increase in electricity price would have on consumer surplus.</b></p> <p>Consumer surplus would fall (1)</p>	<p><b>1</b></p> <p>(AO1x1)</p>	<p>Award any response signifying a reduction in consumer surplus</p>
16	(b)	(iii)	<p><b>Explain why money is used as a medium of exchange to pay for electricity.</b></p> <p>Without money goods and services would need to be exchanged directly/barter system/ require a double coincidence of wants (1).</p> <p>Without money it would be very difficult and inefficient to undertake transactions (1)</p>	<p><b>2</b></p> <p>AO2x2</p>	<p>One mark for any explanation about double coincidence of wants or barter system.</p> <p>One mark for why a barter system would not work well or why money would be more efficient.</p>

<p>16</p>	<p>(c)</p>	<p><b>Using a diagram, explain the costs experienced by the residents of Lancashire due to the extraction of shale gas.</b></p> <p><b>Up to 3 marks for a diagram:</b></p> <ul style="list-style-type: none"> <li>• Accurate labelling of axes and MPB and MPC curves (1)</li> <li>• Accurate labelling of MSC curve (1)</li> <li>• Clear identification of external cost /MEC Or original and new equilibrium points. (1)</li> </ul> <p>Welfare loss to society as the marginal social cost is greater than the marginal social benefit (1) due to the increase in pollution / earth tremors.(1)</p>	<p><b>4</b></p> <p>(AO1x2 AO2x2)</p>	<p>Accept horizontal axis label of output or quantity</p>  <p><b>Quantitative skills rewarded in this question</b></p>
<p>16</p>	<p>(d)</p>	<p><b>(i) What type of economic system is likely to have the most government intervention?</b></p> <p>Planned economy (1)</p>	<p><b>1</b></p> <p>(AO1x1)</p>	<p>Accept command economy [1]</p>

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16	(d)	(ii)	<p><b>Using the information provided, explain two benefits of government intervention in the energy market.</b></p> <p>Reduce negative externalities/ more likely to achieve the social optimum output (1) due to use of taxes in the electricity industry (1)</p> <p>Fairer/lower prices for consumers (1) due to price capping by OFGEM for energy tariffs (1)</p> <p>Lower prices for consumers (1) due to subsidies for nuclear/cleaner energy (1)</p>	<p><b>4</b></p> <p>(AO1x2 AO2x2)</p>	<p>Maximum of 2 marks for any policy</p>
16	(e)*		<p><b>Evaluate, using an appropriate diagram(s), the effects of an increase in the supply of alternative greener energy on the electricity market.</b></p> <p><b>Level 3 (7-10 marks)</b>  <b>Good – strong</b> analysis of the impact of an increase in the supply of a substitute on the electricity market. Good analysis will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. <b>Strong</b> analysis will have <b>consistently</b> well-developed links through a <b>coherent</b> chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.</p> <p><b>Good - strong</b> evaluation of the impact of an increase in the supply of a substitute on the electricity market weighing up both</p>	<p><b>10</b></p> <p>(AO2 x1 AO3 x 4 AO4 x5)</p>	<p>As supply of alternative energies such as wind, nuclear and solar increase, consumers are more likely to begin using these energies where possible. As more firms supply cleaner energy for example due to government subsidies or cheaper production methods, the supply curve will shift to the right for greener energy. This may lead to a fall in prices as shown in the diagram to P1 and encourage more people to make use of these cleaner energies.</p> 

sides/comparing alternatives. Strong evaluation should include a supported judgement.

*There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.*

**Level 2 (4-6 marks)**

**Reasonable** analysis of the impact of an increase in the supply of a substitute on the electricity market. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

**Reasonable** evaluation of the impact of an increase in the supply of a substitute on the electricity market, considering both sides/comparing alternatives.

*There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.*

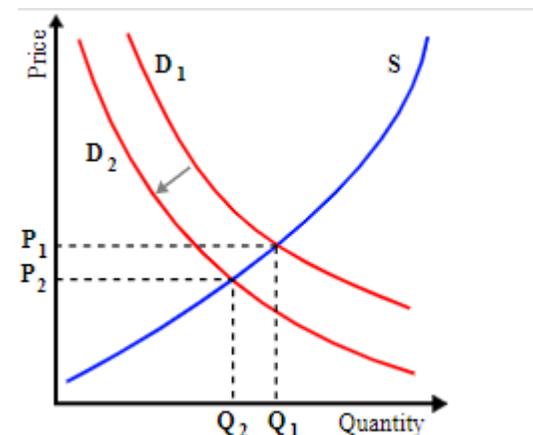
**Level 1 (1-3 marks)**

**Limited** analysis based on application of knowledge and understanding of the impact of an increase in the supply of a substitute on the electricity market. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. Any relevant diagram(s) may not be present or are incorrectly labelled.

**Limited** evaluation of the causes of low economic growth or **no** evaluation.

The price of wind power is expected to be £40 per megawatt hour which is cheaper than electricity which is expected to be £48.95 and increase going forward.

As demand increases for cleaner energies this will lead to a fall in demand for non-green electricity as they are substitutes. This will cause the demand curve for electricity to shift to the left to D2.



As demand falls for non-green electricity this is likely to lead a fall in revenue and profits for electricity companies.

Also, as demand begins to fall for non-green electricity, electricity companies may further reduce prices to try and discourage consumers to moving towards greener energy. This is likely to reduce profits from its current levels.

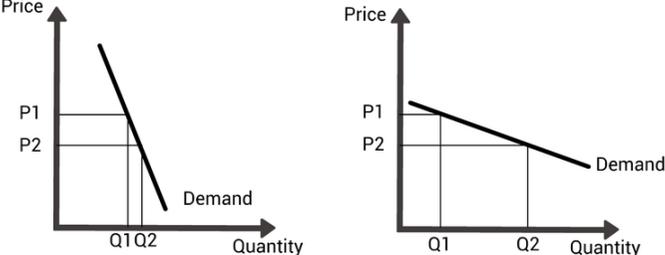
However, whilst it may be possible to make use of some greener energy particularly for businesses it is much harder for household consumers to change their total energy usage to greener energy. There may only be a small fall in demand for non-green electricity as they are not perfect substitutes.

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			<p><i>Information is basic and communicated in an unstructured way. The information is supported by limited evidence. The relationship to the evidence may not be clear.</i></p> <p><b>0 marks</b> No response worthy of credit</p>		<p>Consumers can be very slow at changing their behaviour and may not change their energy producer in the short run. They may be happy with their electricity company and do not want the trouble of moving supplier.</p> <p>Nuclear power despite heavy subsidies is expected to cost £92.50 per megawatt hour and is therefore around twice as expensive as electricity. There have also been problems with the mining of shale gas and the excessive amount of subsidies required for nuclear energy, therefore the electricity industry may face less competition than expected.</p>
Descriptor			Award mark		
Consistently meets the criteria for this level			At top of level		
Meets the criteria but with some slight inconsistency			Above middle and either below top of level or at middle of level (depending on number of marks available)		
Just enough achievement on balance for this level			Above bottom and either below middle or at middle of level (depending on number of marks available)		
On the borderline of this level and the one below			At bottom of level		

Question	Answer	Mark	Guidance
17*	<p><b>The price elasticity of demand for bread is inelastic while for designer watches it is elastic.</b></p> <p><b>Evaluate, using an appropriate diagram(s), the factors that determine the price elasticity of demand for a product.</b></p> <p><b>Level 4 (16-20 marks)</b>  <b>Good</b> knowledge and understanding of the factors affecting the price elasticity of demand for a product.</p> <p><b>Strong</b> analysis of the factors affecting price elasticity of demand for a product will have <b>consistently</b> well-developed links through a <b>coherent</b> chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.</p> <p><b>Strong</b> evaluation of the factors affecting the price elasticity of demand for a product.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (11-15 marks)</b>  <b>Good</b> knowledge and understanding of the factors affecting the price elasticity of demand for a product.</p> <p><b>Good</b> analysis of the factors affecting the price elasticity of demand of a product. There is correct analysis in the form of developed links. These links</p>	<p><b>20</b></p> <p>(AO1*3 AO2*4 AO3*6 AO4*7)</p>	<p>Identify factors that determine PED for a product: necessity/luxury, number of substitutes, branding, addiction, percentage of income spent on good and time.</p> <p>Price elasticity of demand shows the percentage change in demand when the price has been increased or decreased.</p> <p>Numeric example of percentage changes in demand relative to prices for elastic or inelastic products.</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;">  </div> <p><b>Analysis</b></p> <ul style="list-style-type: none"> <li>The first graph, above, shows a product with inelastic demand, such as a necessity like bread. Here, if the price is increased from P2 to P1, the percentage change in quantity is far smaller than the percentage change in price and quantity purchased falls from Q2 to Q1. Consumers are less price sensitive and therefore will continue to buy the product as prices increase as they have a need for it.</li> <li>The second graph shows a product with elastic demand such as a luxury product, like Rolex watches. Here, if the price is increased from P2 to P1, the percentage change in quantity is far bigger than the percentage change in price and quantity purchased falls from Q2 to Q1. Consumers are more price sensitive because it is not needed.</li> </ul>

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Question	Answer	Mark	Guidance
	<p>are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><b>Good</b> evaluation of the factors affecting the price elasticity of demand for a product.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p><b>Level 2 (6-10 marks)</b>  <b>Reasonable</b> knowledge and understanding of the factors affecting the price elasticity of demand for a product.</p> <p><b>Reasonable</b> analysis of the factor(s) affecting the price elasticity of demand for a product. There is correct analysis largely in the form of single links. These address the question <b>but</b> are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p><b>Reasonable</b> evaluation of the factor(s) affecting the price elasticity of demand for a product.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1-5 marks)</b>  <b>Limited</b> knowledge and understanding of the factors affecting the price elasticity of demand for a product.</p> <p><b>Limited or no</b> analysis of the factor(s) affecting the price elasticity of demand for a product. There is little</p>		<ul style="list-style-type: none"> <li>• Few substitutes the PED is likely to be more inelastic than a product with many substitutes. The closer the substitutes the more elastic demand.</li> <li>• Firms can use advertising and branding to emphasis high quality of the product and build customer loyalty which makes the PED for their product less elastic. Rolex and Kingsmill bread have a strong brand and therefore increases in their prices will lead to smaller percentage fall in quantity demanded than for less well-known brands e.g., supermarket generic brands.</li> <li>• The percentage of income spent on the product. Where products make up a small percentage of income, PED is likely to be more inelastic. For example, demand for bread is unlikely to fall even if there are large increases in price. However, with luxury items, e.g. expensive watches, PED will be more elastic.</li> <li>• PED is more elastic in the long run than in the short run as consumers begin to change their habits.</li> </ul> <p><b><u>Evaluation</u></b></p> <ul style="list-style-type: none"> <li>• Whilst the PED for bread generally is inelastic, there are many different branded breads available. Therefore, the PED for a specific brand of bread is likely to be more elastic as there are many substitutes</li> <li>• PED for a product may also vary over time due to seasons. For example, demand for sunglasses is likely to be more elastic over the winter months.</li> <li>• During a downturn or recession, falling incomes may reduce consumer confidence and therefore the demand for all non-essential products may become more elastic.</li> <li>• What is considered a necessity varies from individual to individual.</li> <li>• PED for products may vary overtime. Fads may make the demand for a product more inelastic.</li> <li>• Even for necessity items if the price increase is large enough and remains so over a long period, consumers may change their</li> </ul>

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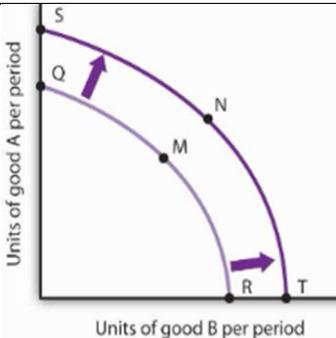
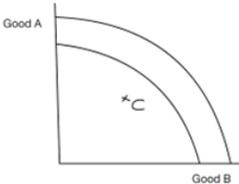
Question	Answer	Mark	Guidance
	<p>evidence of reasoning that addresses the question asked. There is a lack of a clear structure. The relevant diagram(s) may not be present or incorrectly labelled.</p> <p><b>Limited</b> evaluation of the factor(s) affecting the price elasticity of demand for a product in the form of an unsupported statement or <b>no</b> evaluation.</p> <p><i>Information is basic and communicated in an unstructured way. The information is supported by limited evidence.</i> The relationship to the evidence may not be clear.</p> <p><b>0 marks</b> No response worthy of credit</p>		<p>behaviour. for example, if the price of bread goes up significantly consumers may start to bake their own.</p> <ul style="list-style-type: none"> <li>Elasticity changes over the length of a demand curve.</li> </ul> <p><b>Note: Candidates may write about any products they wish. Candidates do not need to make any reference to watches or bread</b></p>
<b>Descriptor</b>	<b>Award mark</b>		
Consistently meets the criteria for this level	At top of level		
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)		
Meets most of the criteria with some inconsistencies	Middle of level		
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)		
On the borderline of this level and the one below	At bottom of level		

H060/01

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Question	Answer	Mark	Guidance
18*	<p><b>Division of labour and specialisation is used in many firms in Germany, a country which specialises in high value manufacturing.</b></p> <p><b>Evaluate, using an appropriate diagram(s), the role of specialisation and division of labour in addressing the problem of scarcity.</b></p> <p><b>Level 4 (16-20 marks)</b>  <b>Good</b> knowledge and understanding of specialisation and division of labour [and their role in addressing the problem of scarcity].</p> <p><b>Strong</b> analysis of the role of specialisation and division of labour in addressing the problem of scarcity will have <b>consistently</b> well-developed links through a <b>coherent</b> chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.</p> <p><b>Strong</b> evaluation of the role of specialisation and division of labour in addressing the problem of scarcity, weighing up both sides/comparing alternatives and reaching a supported judgement.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (11-15 marks)</b>  <b>Good</b> knowledge and understanding of specialisation and division of labour [and their role in addressing the problem of scarcity].</p> <p><b>Good</b> analysis of the role of specialisation and division of labour in addressing the problem of</p>	<p><b>20</b></p> <p>(AO1*3 AO2*4 AO3*6 AO4*7)</p>	<ul style="list-style-type: none"> <li>• Resources are limited but people's wants are unlimited. Therefore, choices need to be made as to how to allocate scarce resources.</li> <li>• The production possibility curve shows the maximum combination of different goods and services a country can produce if all resources in the economy are efficiently and fully utilised. The production possibility curve, below, shows that when a country is producing on the PPC it is efficiently utilising its resources to produce the maximum output.</li> <li>• If the country is producing inside the PPC, scarce resources are not being used to their maximum efficiency to produce the most efficient level of output.</li> </ul> <p><b>Analysis</b></p> <ul style="list-style-type: none"> <li>• Division of labour is when a manufacturing process is broken down into several small tasks and workers specialise in a task e.g. fitting a wheel on a car. Repetition improves efficiency improving productivity. In addition, capital resources can be shared therefore, division of labour helps ensure scarce resources are used efficiently to produce the maximum output.</li> <li>• Firms in an economy may also specialise. For example, a firm may focus solely on producing car wheels and another firm may focus on car seats. The business will therefore improve their knowledge of the production process resulting in lower waste/rejects.</li> <li>• Countries may also specialise in a product or service in which they have a comparative /absolute advantage. For example, Spain benefits from hot weather and therefore specialises in fruit and vegetables which it can trade with Germany who specialises in high value manufacturing. Both countries benefit as total output rises reducing the problem of scarcity.</li> <li>• Over time, a country can produce more and the PPC can shift outwards to the right</li> </ul>

Question	Answer	Mark	Guidance
	<p>scarcity. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><b>Good</b> evaluation of the role of specialisation and division of labour in addressing the problem of scarcity, weighing up both sides/comparing alternatives but without reaching a supported judgement.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p><b>Level 2 (6-10 marks)</b>  <b>Reasonable</b> knowledge and understanding of the role of specialisation and division of labour in addressing the problem of scarcity.</p> <p><b>Reasonable</b> analysis of the role of specialisation and division of labour in addressing the problem of scarcity. There is correct analysis largely in the form of single links. These address the question <b>but</b> are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p><b>Reasonable</b> evaluation of the role of specialisation and division of labour in addressing the problem of scarcity, considering both sides/comparing alternatives.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p>		 <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>With division of labour employees may become bored, careless, and inefficient when repeating tasks and therefore leading to scarce resources not being used efficiently.</li> <li>There is a risk of overspecialisation. If a firm or country specialise in a product and demand for it falls, reducing output leads to unemployed labour and empty factories. The country will then be producing inside its PPC (Point C on diagram below) as resources are no longer efficiently utilised.</li> </ul>  <ul style="list-style-type: none"> <li>Countries would face serious hardship if they did not maintain strategically important industries, such as food or fuels despite their inefficiency.</li> <li>Due to economic growth output could increase without specialisation and division of labour if there is an increase in productivity due to improved education/training. Equally an increase in factors of production such as a larger workforce, due to migration, could also reduce scarcity by increasing output.</li> </ul>

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Question	Answer	Mark	Guidance
	<p><b>Level 1 (1-5 marks)</b>  <b>Limited</b> knowledge and understanding of the role of specialisation and division of labour in addressing the problem of scarcity.</p> <p><b>Limited or no</b> analysis of the role of specialisation and division of labour in addressing the problem of scarcity. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. The relevant diagram(s) may not be present or incorrectly labelled.</p> <p><b>Limited</b> evaluation of the role of specialisation and division of labour in addressing the problem of scarcity, in the form of an unsupported statement or <b>no</b> evaluation.</p> <p><i>Information is basic and communicated in an unstructured way. The information is supported by limited evidence. The relationship to the evidence may not be clear.</i></p> <p><b>0 marks</b>  No response worthy of credit</p>		<ul style="list-style-type: none"> <li>Over time, technological advances can increase global output without specialisation or division of labour.</li> </ul>
<b>Descriptor</b>		<b>Award mark</b>	
Consistently meets the criteria for this level		At top of level	
Meets the criteria but with some slight inconsistency		Above middle and either below top of level or at middle of level (depending on number of marks available)	
Meets most of the criteria with some inconsistencies		Middle of level	
Just enough achievement on balance for this level		Above bottom and either below middle or at middle of level (depending on number of marks available)	
On the borderline of this level and the one below		At bottom of level	

**Assessment Objectives Grid**

<b>Question</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>1 to 15</b>	7	6	2		<b>15 (4)</b>
<b>16(a)</b>	1(1)				<b>1(1)</b>
<b>16(b) (i)</b>	1(1)	1(1)			<b>2(2)</b>
<b>16(b) (ii)</b>	1				<b>1</b>
<b>16(b) (iii)</b>		2			<b>2</b>
<b>(c)</b>	2	2 (2)			<b>4 (2)</b>
<b>(d)(i)</b>	1				<b>1</b>
<b>(d)(ii)</b>	2	2			<b>4</b>
<b>(e)</b>		1	4	5	<b>10</b>
<b>17 or 18</b>	3	4 (2)	6 (3)	7 (3)	<b>20 (8)</b>
<b>Total</b>	<b>18</b>	<b>18</b>	<b>12</b>	<b>12</b>	<b>60 (17)</b>

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