



Economics Questions By Topic:

**Supply & Demand (1.2.2 & 1.2.4)
Mark Scheme**

A-Level Edexcel Theme 1

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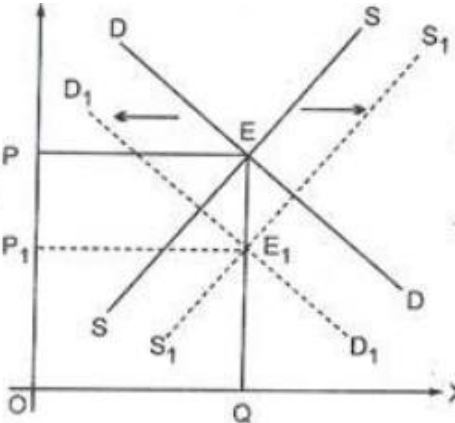
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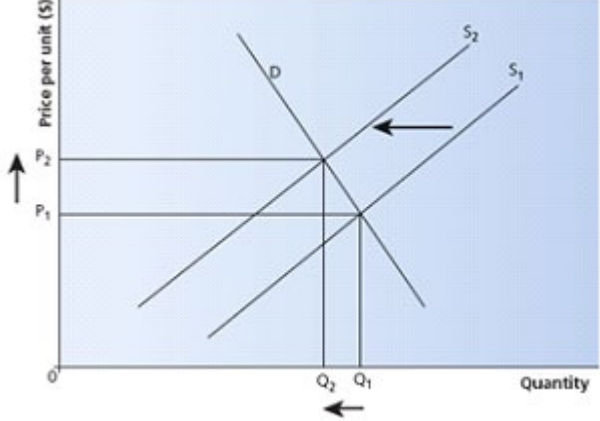
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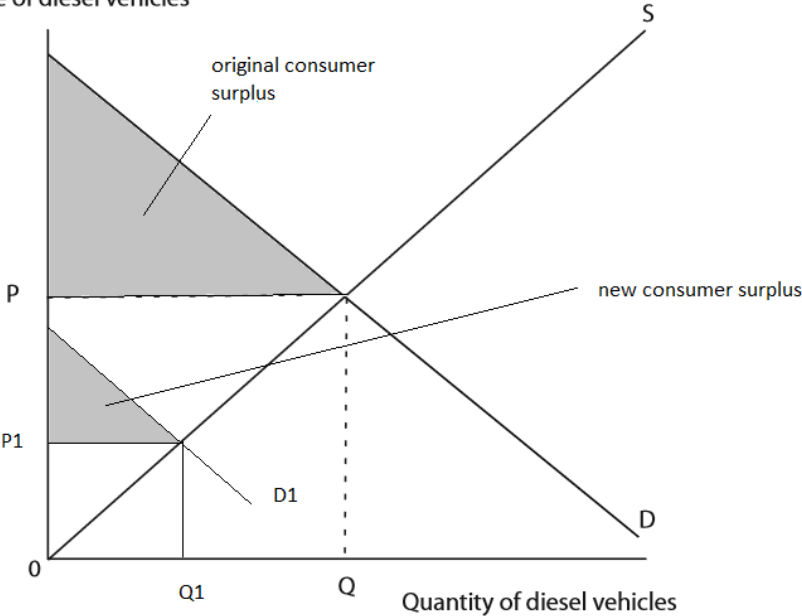
SECTION A

Question Number	Answer	Mark																								
1	<p style="text-align: center;">Application 2, Knowledge 2</p> <p>Application: up to 2 marks for completing the table accurately. 1 mark for any correct answer in the column and 2 for all accurately complete/completed to the appropriate point.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Price</th> <th style="padding: 5px;">Quantity demanded per month (000s)</th> <th style="padding: 5px;">Quantity supplied per month (000s)</th> <th style="padding: 5px;">New quantity supplied per month (000s)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">£25</td> <td style="padding: 5px;">400</td> <td style="padding: 5px;">320</td> <td style="padding: 5px;">240</td> </tr> <tr> <td style="padding: 5px;">£30</td> <td style="padding: 5px;">360</td> <td style="padding: 5px;">360</td> <td style="padding: 5px;">280</td> </tr> <tr> <td style="padding: 5px;">£35</td> <td style="padding: 5px;">320</td> <td style="padding: 5px;">400</td> <td style="padding: 5px;">320</td> </tr> <tr> <td style="padding: 5px;">£40</td> <td style="padding: 5px;">280</td> <td style="padding: 5px;">440</td> <td style="padding: 5px;">360</td> </tr> <tr> <td style="padding: 5px;">£45</td> <td style="padding: 5px;">240</td> <td style="padding: 5px;">480</td> <td style="padding: 5px;">400</td> </tr> </tbody> </table> <p>Knowledge/understanding: 1 mark for identifying the original and new equilibrium (1) Current equilibrium price = £30 New equilibrium identified = £35 (where QD = 320 and QS = 320) (1)</p> <p>1 mark for calculating the change in the equilibrium price (1) £35-£30 = £5 increase</p>	Price	Quantity demanded per month (000s)	Quantity supplied per month (000s)	New quantity supplied per month (000s)	£25	400	320	240	£30	360	360	280	£35	320	400	320	£40	280	440	360	£45	240	480	400	(4)
Price	Quantity demanded per month (000s)	Quantity supplied per month (000s)	New quantity supplied per month (000s)																							
£25	400	320	240																							
£30	360	360	280																							
£35	320	400	320																							
£40	280	440	360																							
£45	240	480	400																							

Question Number	Answer	Mark																														
2	<p style="text-align: center;">Application 2, Knowledge 2</p> <p>Application: Accurate insertion of data in both columns in table (either fully or as far as the new equilibrium). (1+1 marks)</p> <table border="1" data-bbox="411 510 1267 840"> <thead> <tr> <th>Price £</th> <th>Quantity demanded per month (000)</th> <th>Quantity supplied per month (000)</th> <th>New Quantity demanded per month (000)</th> <th>New Quantity supplied per month (000)</th> </tr> </thead> <tbody> <tr> <td>25</td> <td>5</td> <td>9</td> <td>8</td> <td>10</td> </tr> <tr> <td>24</td> <td>6</td> <td>8</td> <td>9</td> <td>9</td> </tr> <tr> <td>23</td> <td>7</td> <td>7</td> <td>10</td> <td>8</td> </tr> <tr> <td>22</td> <td>8</td> <td>6</td> <td>11</td> <td>7</td> </tr> <tr> <td>21</td> <td>9</td> <td>5</td> <td>12</td> <td>6</td> </tr> </tbody> </table> <p>Knowledge/understanding: Calculation of new equilibrium price of £24 (1) and quantity of 9 000 (1)</p> <p>NB do not award for quantity of 9</p> <p>Award full marks for £24 and 9 000</p>	Price £	Quantity demanded per month (000)	Quantity supplied per month (000)	New Quantity demanded per month (000)	New Quantity supplied per month (000)	25	5	9	8	10	24	6	8	9	9	23	7	7	10	8	22	8	6	11	7	21	9	5	12	6	(4)
Price £	Quantity demanded per month (000)	Quantity supplied per month (000)	New Quantity demanded per month (000)	New Quantity supplied per month (000)																												
25	5	9	8	10																												
24	6	8	9	9																												
23	7	7	10	8																												
22	8	6	11	7																												
21	9	5	12	6																												

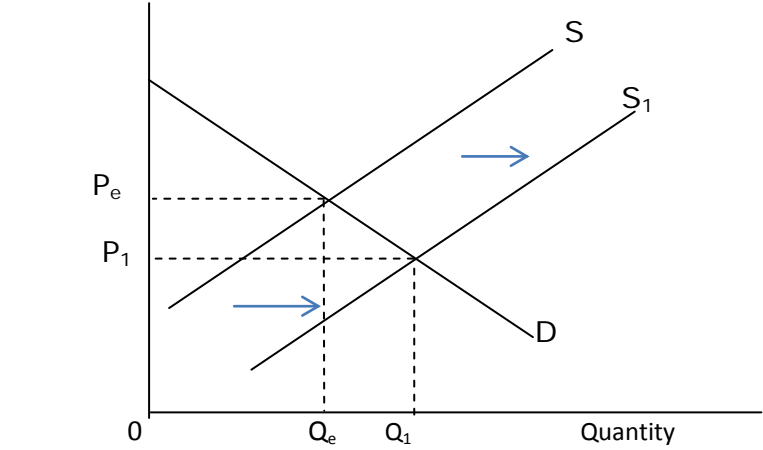
Question Number	Answer	Mark
3	<p style="text-align: center;">Knowledge 2, Application 2</p> <p>Knowledge</p> <ul style="list-style-type: none"> • Supply and demand diagram annotated to show: a right shift in the supply curve (1) and a left shift in the demand curve (1) <p>Application</p> <ul style="list-style-type: none"> • New lower price (1) • New equilibrium price at D1 and S1 as illustrated below, for example (1) 	(4)

Question Number	Answer	Mark
4	<p style="text-align: center;">Knowledge 2, Application 2</p> <p>Knowledge</p> <ul style="list-style-type: none"> • Supply and demand diagram annotated to show a left shift in the supply curve (2) <p>Application</p> <ul style="list-style-type: none"> • New equilibrium price (1) • New equilibrium quantity (1)  <p>NB – Award up to 2 diagrammatic application marks for other microeconomic effects based on correct knowledge e.g. – changing Consumer Surplus (1) or Producer Surplus (1) or Revenue (1) or Shortage (1)</p>	(4)

Question Number	Answer	Mark
<p>5 (a)</p>	<p style="text-align: center;">Application 2</p> <p>Identify demand shifts left (1) Annotate or identify reduced consumer surplus (1)</p> <p>Price of diesel vehicles</p>  <p style="text-align: center;">NB If the candidate shows an incorrect shift, but the new consumer surplus is correct, award 1 mark</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>5(b)</p>	<p style="text-align: center;">Knowledge 1</p> <p>The only correct answer is C</p> <p>A is not correct because irrational behaviour would suggest an increase in demand.</p> <p>B is not correct because if consumers expected price of diesel to rise they would increase demand for diesel.</p> <p>D is not correct because they are not rival products.</p>	<p>(1)</p>

Question Number	Answer	Mark
5(c)	<p style="text-align: center;">Knowledge 1</p> <p>Knowledge</p> <p>1 mark for definition, e.g.</p> <p>Amount consumers are willing and able to buy (1) Amount consumers buy at a particular price/period of time (1)</p>	(1)

Question Number	Answer	Mark
Q6	<ul style="list-style-type: none"> • Answer B (1 mark) • Explicit reference to the data depicting the fall in price of gold e.g. \$1,730 per ounce to \$1,290 per Troy ounce (accept approximate figures) (1 mark) • Demand and supply diagram depicting an increase in supply / and original and new equilibrium for price and quantity (1+1 marks) <p>OR</p> <p>A written explanation that the central banks sale of gold will increase the supply curve and pushing price down / development such as the release of gold reserves has caused excess supply in the market. (1+1 marks)</p> <p>Price gold \$</p>  <p>Quantity</p> <p>Rejection marks</p> <ul style="list-style-type: none"> • Option A is incorrect since an increase in demand for gold jewellery will increase the demand for gold, so price increases. (1 mark) NB: do not double award for rejection of options A and D • Option C incorrect as increased costs of machinery will increase production costs for extracting gold, so price will rise / supply will shift inwards / left. (1 mark) • Option D incorrect since speculative buying of gold will increase demand and increase its price. (1 mark) 	(4)

Question Number	Answer	Mark
Q7	<p>Correct option C (1 mark)</p> <ul style="list-style-type: none"> • Explicit reference to the price data, for example, price fell from 368 cents to 321 cents per kilo. (1 mark) • Diagram depicting an increase in supply / decrease in price (1+1 marks) OR written explanation to this effect (1 mark). <div data-bbox="464 510 997 965" data-label="Figure"> <p>The diagram is a standard supply and demand graph. The vertical axis is labeled 'Price' and the horizontal axis is labeled 'Quantity'. A downward-sloping line is labeled 'D' (Demand). Two upward-sloping lines are shown: 'S' (original Supply) and 'S1' (new Supply). An arrow points from S to S1, indicating an increase in supply. The initial equilibrium is at the intersection of S and D, with price P_e and quantity Q_e. The new equilibrium is at the intersection of S1 and D, with price P_1 and quantity Q_1. Arrows on the axes indicate the direction of change: price decreases from P_e to P_1, and quantity increases from Q_e to Q_1.</p> </div> <p>Rejection marks</p> <ul style="list-style-type: none"> • Options A incorrect since an increase in wages of tea growers would increase production costs and so lead to a decrease in the supply of tea or raise price. (1 mark) • Option B incorrect since tea and coffee are substitutes. An increase in the price of coffee should cause the demand for tea to increase – so raising its price. (1 mark) • Option D incorrect since sugar and tea are complementary goods. A decrease in price of sugar is likely to cause an increase in demand for tea, so raising its price / accept idea of little or no effect on the price of tea. (1 mark) 	(4)

Question Number	Answer	Mark
8	<p>Correct option D (1 mark)</p> <ul style="list-style-type: none"> • Regulations increase production costs (1 mark) • Application: for example, more space needed / larger barns / bigger cages / free range hens (1 mark) • Written explanation of supply decreasing (1 mark) or diagrammatic analysis which shows a decrease in supply / higher price of eggs (1+1 marks) <div data-bbox="491 763 1114 1249" data-label="Figure"> </div> <p>Rejection marks</p> <ul style="list-style-type: none"> • Option A incorrect since a health scare would cause the demand for eggs to decrease and so push price down. (1 mark) • Option B incorrect since a decrease in the price of feed for hens would reduce production costs, leading to lower prices of eggs (1 mark) • Option C incorrect since a reduction in tax on eggs will shift supply outwards and so put pressure on price to fall (also accept idea that eggs are not taxed since essential good). (1 mark) 	(4)

Question Number	Answer	Mark																				
9	<ul style="list-style-type: none"> • C (1 mark) • Explanation of equilibrium price (a price where the quantity demand equals the quantity supply) (1 mark). • Identification of original equilibrium price as £2.10 / diagram depicting equilibrium price £2.10 (1 mark). • Diagram showing original supply and demand curves and shifts the supply curve inwards (1 mark). • Completion of new supply schedule in table (2 marks). <p>NB: Award 1 mark for identifying just 160 on the table or in written explanation</p> <table border="1" data-bbox="341 853 1227 1240"> <thead> <tr> <th>Price per packet</th> <th>Quantity demand (000)</th> <th>Quantity supply (000)</th> <th>New supply (000)</th> </tr> </thead> <tbody> <tr> <td>£2.00</td> <td>200</td> <td>160</td> <td>120</td> </tr> <tr> <td>£2.10</td> <td>180</td> <td>180</td> <td>140</td> </tr> <tr> <td>£2.20</td> <td>160</td> <td>200</td> <td>160</td> </tr> <tr> <td>£2.30</td> <td>140</td> <td>220</td> <td>180</td> </tr> </tbody> </table> <p>Rejection marks</p> <ul style="list-style-type: none"> • Option B incorrect as this is the original equilibrium price (1 mark). NB: do not double award. • Option A incorrect since the increase in production cost will lead to firms passing on costs to consumers via an increase in price (1 mark). • Option D incorrect as the supply is 40 000 more than the demand. (1 mark) 	Price per packet	Quantity demand (000)	Quantity supply (000)	New supply (000)	£2.00	200	160	120	£2.10	180	180	140	£2.20	160	200	160	£2.30	140	220	180	(4)
Price per packet	Quantity demand (000)	Quantity supply (000)	New supply (000)																			
£2.00	200	160	120																			
£2.10	180	180	140																			
£2.20	160	200	160																			
£2.30	140	220	180																			

NB: candidates may achieve up to 3 explanation marks even if incorrect option is selected.

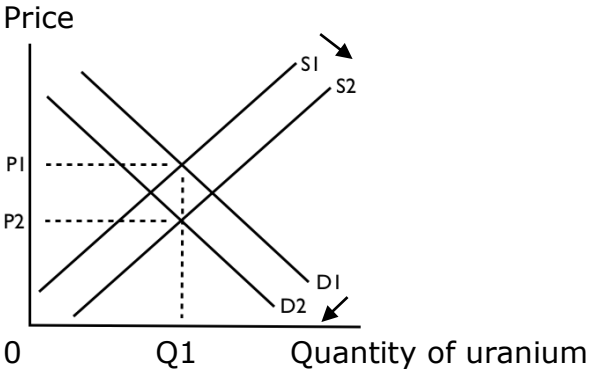
NB: candidates may achieve up to 3 marks for explaining three incorrect options (provided three different reasons are offered and each option key is explicitly rejected).

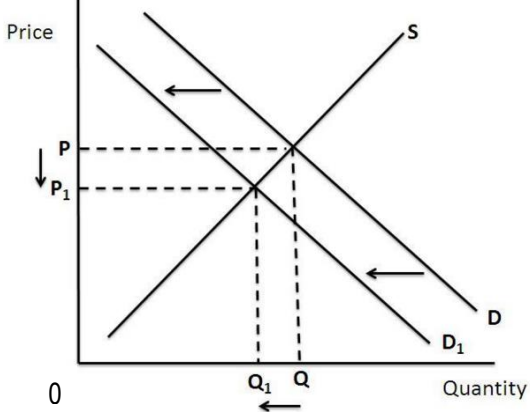
Question Number	Answer	Mark
10	<p>Answer D (1)</p> <ul style="list-style-type: none"> • A decrease in the machinery costs means a decrease in production costs for mining gold. (1) • Increase in incentives to produce (1) • Award for a correctly labelled diagram depicting an increase in supply and a fall in market price (1+1) OR identifying that the supply of gold will increase. (1) <p>Rejection marks</p> <ul style="list-style-type: none"> • Option A is incorrect since an increase in national income will shift the demand curve outwards / to the right / increase the price of gold. (1) • Option B is incorrect since a decrease in the price of silver will cause a decrease / shift inwards in the demand for gold - a substitute good. (1) 	(4)

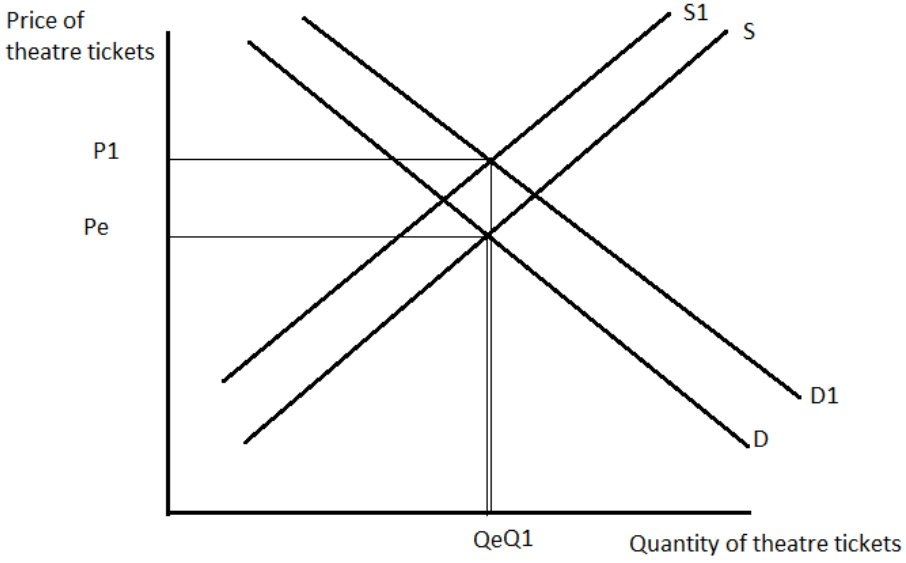
Section B

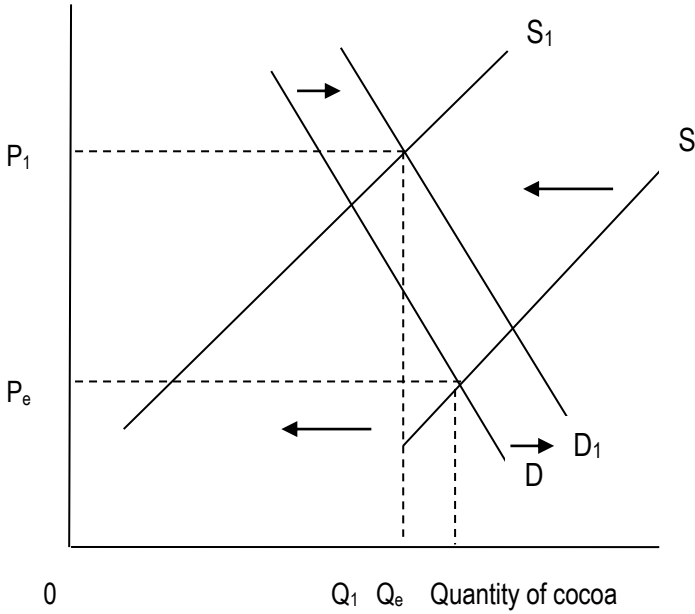
Question Number	Answer	Mark
11	<p style="text-align: center;">Knowledge 2, Analysis 2, Application 2, Evaluation 2</p> <p>Knowledge/understanding: 2 marks for identification of two non price determinants (1+1) e.g.</p> <ul style="list-style-type: none"> • Change in taste and preference/quality of service • Changes in income • Price of substitute has risen/substitute less attractive • Price of complement has fallen/complement more attractive • Increased population/migration • Lower price in real terms • Lower prices – special offers/off-peak/forward booking. <p>Analysis: 1 mark for linked explanation of each identified determinant to demand increasing/shifting right (this may be shown on a diagram) (1+1)</p> <p>Increase in population moved to commuter areas/improvement in rail stock e.g. wifi access.</p> <p>Income elasticity of demand</p> <p>Close substitute e.g. car travel, XED >+1</p> <p>Close complement e.g. on-board meal, XED >-1</p> <p>Application: 2 marks for reference to Figure 2 (1+1) or other data (1), e.g.</p> <ul style="list-style-type: none"> • Approximately 50 billion rail passenger kilometres per year (1) to 65 billion (1) or increased by 15 billion rail passenger kilometres per year (2) or Increased by 30% (2) 	

	<ul style="list-style-type: none"> • Economic recovery post 2008 crisis (1) • Cost of car travel/road congestion (1) • Quality of train meals/on board Wi-Fi access (1) <p>Evaluation: 2 marks for two evaluative comments, OR 2 marks for identification and linked development of one evaluative comment, evaluating significance of factors or another reason as a counter-argument e.g.</p> <ul style="list-style-type: none"> • Delays and cancellations (1) • Recession 2008- 2010 (1) • Car travel still cheaper/train delays and cancellations (1) • Rail meals expensive/congested trains so can't work on board (1) • Increased home working • Rail fares have risen (1) 	(8)
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Question Number	Answer	Mark
12	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 2</p> <p>Knowledge 1 mark for an increase in supply or a decrease in demand. This may be illustrated on a diagram</p> <p>Application 2 marks for using source data explaining change in supply and demand, e.g.</p> <ul style="list-style-type: none"> • Estimated surplus (1) of approximately 7 million kg of uranium (1) • Kazakhstan’s production has increased significantly/stockpiles (1) • Confidence in nuclear industry declined/Japan closed some of its nuclear plants (1) <p>Analysis Accurate diagram – showing price fall (1) correct shift in demand and supply (1) e.g.</p> 	(5)

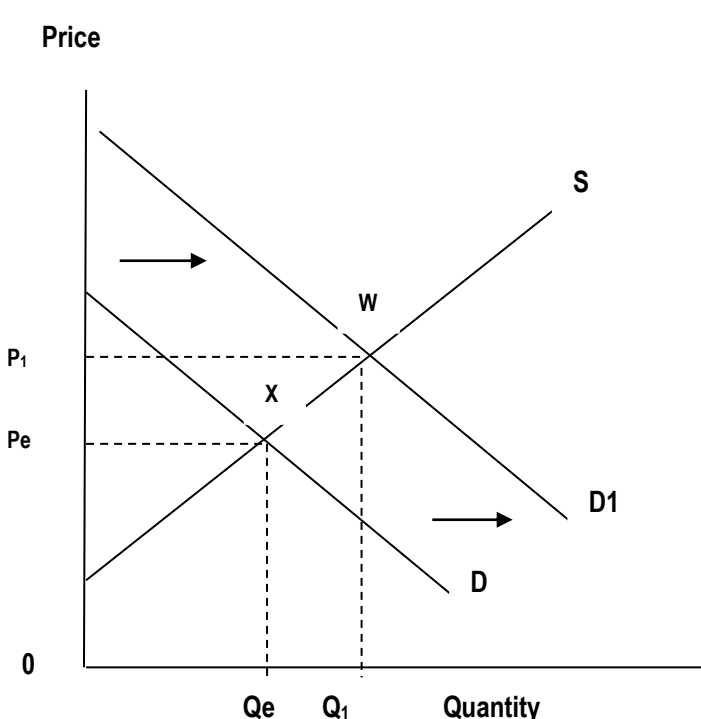
Question Number	Answer	Mark
13	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 2</p> <p>Knowledge 1 mark for definition of revenue or may identify clearly in diagram (1)</p> <p>Application 1 mark for using source data or linking ban to reduced consumption (1) and 1 mark for diagrammatic link to change in revenue (1), e.g.</p> <ul style="list-style-type: none"> • “can reduce tobacco consumption” (1) leading to decreased revenue as shown in diagram (1) <p>Analysis Diagram showing demand shifts left or becomes less price inelastic (1) and new equilibrium (1)</p> 	(5)

Question Number	Answer	Mark
14	<p style="text-align: center;">Knowledge 1, Application 1, Analysis 3</p> <p>Knowledge/understanding: 1 mark for:</p> <ul style="list-style-type: none"> accurate supply and demand with original equilibrium. (1) <p>Application: 1 mark for identifying either:</p> <ul style="list-style-type: none"> record numbers of people wanting to buy tickets for shows (1) costs of running the theatres has risen to pay for restoration and absorb the cost of booking fees. (1) <p>Analysis: 1 mark for each of the following:</p> <ul style="list-style-type: none"> supply shifted leftwards (1) demand shifted rightwards (1) accurate new equilibrium showing higher price. (1) <p>For example:</p>  <p>The graph shows the market for theatre tickets. The vertical axis is labeled 'Price of theatre tickets' and the horizontal axis is labeled 'Quantity of theatre tickets'. There are two downward-sloping demand curves: the original demand curve 'D' and a new demand curve 'D1' shifted to the right. There are two upward-sloping supply curves: the original supply curve 'S' and a new supply curve 'S1' shifted to the left. The original equilibrium price is P_e and the original equilibrium quantity is Q_e. The new equilibrium price is P_1, which is higher than P_e. The new equilibrium quantity is Q_1, which is less than Q_e.</p>	(5)

Question Number	Answer	Mark
<p>15(a)</p>	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • Explicit data reference to the rise in price of cocoa (£1 840 to £2 230 a tonne / a rise of 21%) (1 mark) • Supply has decreased due to very poor harvest in West Africa from the El Nino weather system. (1 mark) • Demand has increased due to traders purchasing the crop in advance. (1 mark) • Diagram (up to 4 marks) <p>Price per tonne</p>  <p>0 Q_1 Q_e Quantity of cocoa</p> <ul style="list-style-type: none"> ➤ Original demand and supply curve with equilibrium price identified (1) ➤ Increase in demand curve (1) ➤ Decrease in supply curve (1) ➤ New equilibrium price identified (1) <p>NB: If just one curve shifted - award a maximum of 2 marks for diagram. NB: If one curve shifted incorrectly - award a maximum of 2 marks for diagram. NB: candidates must show a price increase on the diagram to achieve full marks NB: If no diagram offered – award a maximum of 3 marks.</p>	<p>(6)</p>

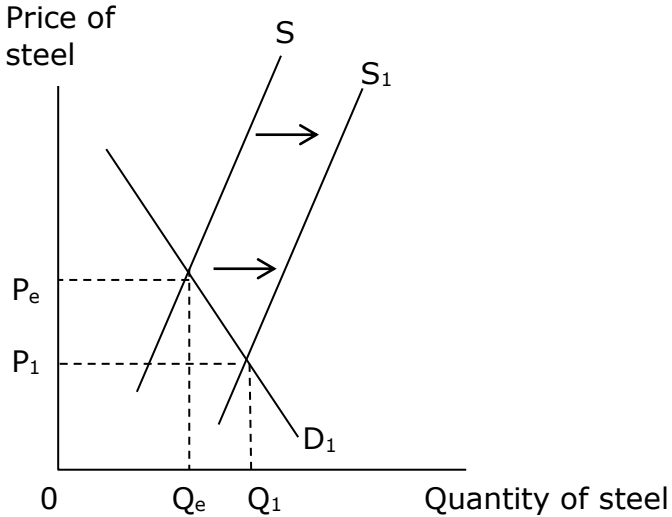
Question Number	Answer	Mark
<p>15(b)</p>	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • An increase in price of cocoa will raise production costs for companies making chocolate (1 mark) • Chocolate companies might respond by increasing the price of chocolate bars / reducing supply of chocolate bars (1 mark) • NB: This may be shown by a diagram which shifts the supply curve inwards and raises price – it should be identified as chocolate market here (1 mark). • Extract 2 indicates that for standard chocolate brands the producers may simply keep price of chocolate the same and change size of bars or the mix of ingredients (1 mark). <p>Up to 2 marks for any of the points below which have linked development.</p> <ul style="list-style-type: none"> • Decrease in producer surplus / profits. • Decrease in share price / dividends for chocolate companies. • Decrease in employment in chocolate companies. • Decrease funds for investment into new chocolate products / examples of new products offered. 	

	<p>Evaluation 4 marks (up to 4 marks for one or more points)</p> <ul style="list-style-type: none">• Consideration of relevance price elasticity of demand: if inelastic then chocolate firms can pass on the extra costs to consumers.• Other things may not be equal e.g. there could be an decrease in milk and nut costs which offset the increase in cocoa prices / increase in efficiency.• Consideration of the extent to which the increase in cocoa prices will remain / reference to Figure 1 trend in prices.• Consideration of possibility of forward buying of cocoa by chocolate producers.	<p>(10)</p>
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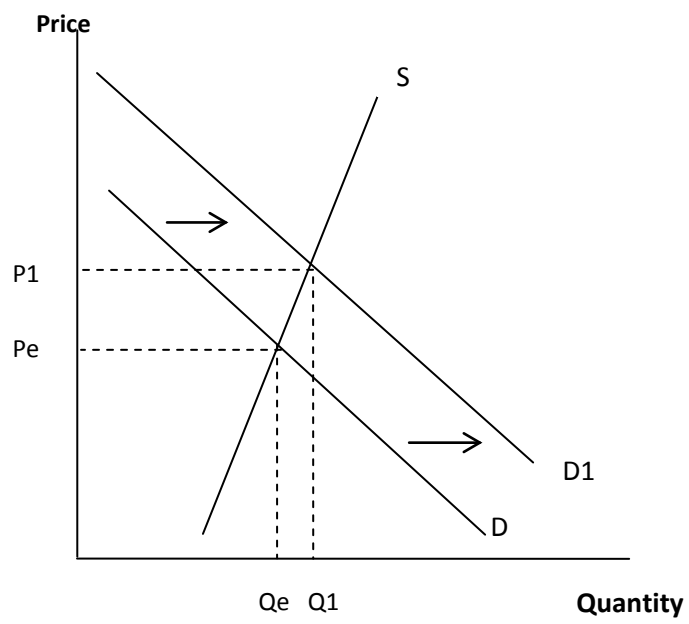
Question Number	Answer	Mark
<p>16</p>	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • Explicit reference to the data in Figure 1, for example, total revenue increased from £1380 million in 2008 to £1960 million in 2014 / increased by £580 million or 42%. (1 mark). • Definition of total revenue, for example, the total amount of money received by firms from selling bottled water / it is the average price multiplied by the total quantity (1 mark). • Diagram (up to 4 marks) <ul style="list-style-type: none"> ➤ Original supply and demand diagram with equilibrium price and quantity (1) ➤ Increase in demand curve (1) ➤ Original total revenue area identified, for example, OP_eXQ_e (1) ➤ New total revenue area identified, for example, OP_1WQ_1 (1) <p>Also accept change in total revenue area shown (1+1)</p> 	<p>(6)</p>

Question Number	Answer	Mark
17(a)	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • NB: Only award marks for the effects on the producers of iron ore. • The fall in price of iron ore is likely to reduce revenue or profits or producer surplus for iron ore producers / share prices have fallen / dividends likely to fall for shareholders / less funds for investment in long run. (1+1+1 marks) • Award for accurate diagram depicting new and old producer surplus. (1 mark) • Producers may make losses or exit the industry / reference to Figure 2 which shows some mining companies to be highly vulnerable to falling prices e.g. Gindalbie Metals and Grange resources / link the price of ore (\$93) to cost of mining the ore for one or more of the companies in Figure 2. (1+1+1 marks) • Danger of less competition in the industry as firms exit or new projects are not started as mentioned in Extract 1 / development of the point e.g. lead to market failure where firms might exploit consumers via higher prices in long run. (1+1 marks) • Iron ore producers forced to cut production costs or increase efficiency / development of point e.g. shut down marginal mines or cut wages or employment / redundancies paid. (1+1+1 marks) • It may lead to merger activity among the iron ore producers / development of point e.g. Glencore bid for Rio Tinto. (1+1 marks). 	

	<p>Evaluation: 2+2 or 3+1 or 1+1+2 marks</p> <ul style="list-style-type: none"> ➤ Evaluative use of data. ➤ Low-cost producers are likely to gain an increase in market share / may end up with higher revenue and profits in the long term / reference to Figure 2 which indicate that Rio Tinto and BHP have lowest costs and so room for further price cuts. ➤ Discussion of future demand / higher future prices: Extract 1 refers to expected growth in long term demand from China and other Asian countries which will help to raise prices. ➤ Discussion on magnitude of price fall e.g. Figure 1 shows around a 30% or one-third fall in two years / discussion of the increase in production capacity and how this may depress prices for a long period of time. ➤ Iron ore producers may also produce other goods such as steel and so may not lose out from falling prices / they mine other commodities and so can cope with falling revenues or profits in part of their business. ➤ Iron ore producers may use cash reserves or other sources of finance to stay in the industry. 	(10)
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Question Number	Answer	Mark
17(b)	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • Falling price of iron ore will reduce production cost for producing steel. (1 mark). • The production or supply of steel may increase and so lead to a fall in price (1 mark). • Further development of impact on the market for steel e.g. higher consumer surplus or producer surplus / some steel firms are adding to their stockpiles / consideration of price elasticity of demand. (1+1 marks) • NB: do not award for reference to complementary goods. • Diagram (up to 3 marks) <ul style="list-style-type: none"> ➤ Original demand and supply of steel with equilibrium price and quantity (1) ➤ Increase in supply of steel (1) ➤ New equilibrium price and quantity of steel (1) <p>NB: if no suitable diagram award up to 3 marks</p> 	(6)

Question Number	Answer	Mark
18	<p style="text-align: center;">6 KAA marks</p> <ul style="list-style-type: none"> • Data reference to the increase in house prices such as 3.8% in the 12 months to August 2013 / average house price now at its highest ever level of £247 000. (1 mark) • Identification of two reasons: sustained period of low interest rates / Government Help to buy' scheme or an increase in the availability of mortgages (1+1 marks). Also accept other reasons such as rising incomes / rising business confidence as economy recovers / increased purchases by foreign buyers. • Development of two reasons (2+2 or 1+3 marks). NB: do not double award for reasons which are the same, for example, more affordable property. <ul style="list-style-type: none"> ➤ Sustained period of low interest rates for borrowers: so monthly repayments are lower / mortgage repayments are more affordable. ➤ Government 'Help to buy' scheme: it makes buying a property more affordable so enables people to borrow up to 95% of the value of the property / only need 5% cash deposit so easier to save up this money / banks are more willing to lend as the government guarantees up to 15% of the value of the house loan, so less likely to lose out from borrowers unable to repay. ➤ Foreign buyers may purchase to diversify their assets / seen as a safe haven / long term investment. ➤ Award for diagram depicting an increase in demand for housing and a rise in price. (1 mark) 	(6)



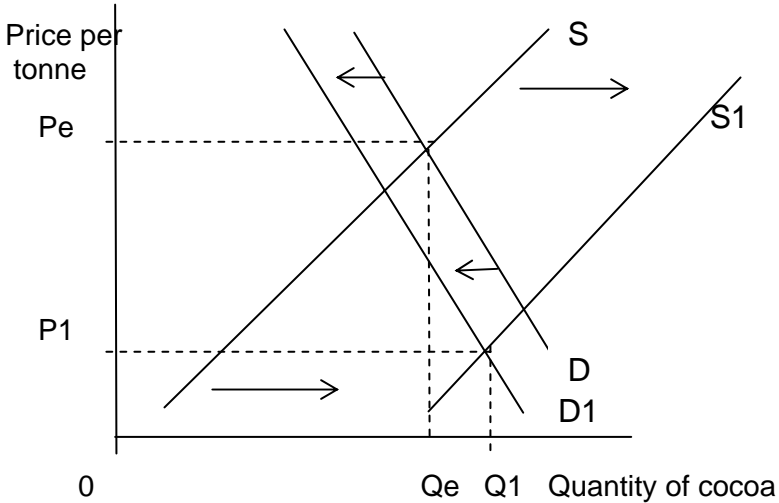
Question Number	Answer	Mark
19	<p>8 KAA marks (3+3+2 or 4+4 or 2+2+2+2 marks)</p> <p>Demand factors include:</p> <ul style="list-style-type: none"> • Price of Crossrail tickets - might be relatively cheaper or more expensive than other forms of travel / consideration of price elasticity of demand. (up to 4 marks) • Price or availability of substitutes / private motor vehicles are expensive and problems of parking / problems of congestion and long time period to travel / cycling in London is extremely dangerous / XED .(up to 4 marks) • Price of complementary goods with suitable development, for example, car parking or bicycle facilities at rail stations / development XED. (up to 4 marks) • Population growth in London / could be due to continued immigration. (up to 4 marks) • Extract 1 refers to the trend for companies to move back into London reversing a 20 year trend / increase in investment flows including from overseas. (up to 4 marks) • Growth in real incomes / development with YED / means more employment opportunities. (up to 4 marks) • Government economic policies such as low income and corporation taxes / attract labour flows and capital flows e.g. from France. (up to 4 marks) • Trends in fashion and tastes / London is a global city with various cultural attractions. (up to 4 marks) • Quality / Convenience or reduction in travelling times / some 38 railway stations / links with hub rail and tube stations e.g. Paddington. (up to 4 marks) • Marketing of Crossrail / increase in advertising could improve customer knowledge / generate some brand loyalty. (up to 4 marks) 	(14)

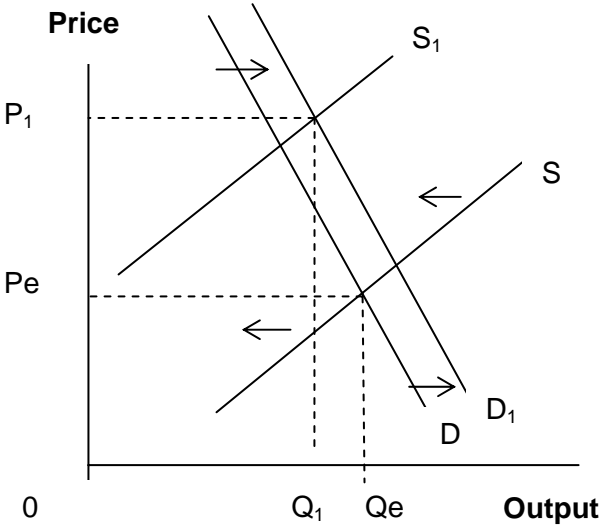
6 Evaluation marks (2+2+2 or 3+3 or 1+1+1+1+2)

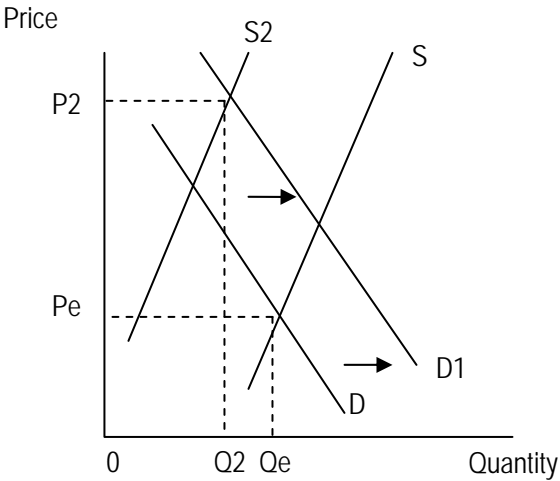
- Counterarguments to KAA points / qualification of their significance.
- Population growth may slow down especially if tighter immigration controls imposed by government / possible exit from EU.
- Economic development and growth could slow down / may be another recession / which reduces business confidence and investment.
- Price of Crossrail is likely to be very expensive in order to repay the high levels of government expenditure on project.
- Prioritisation of determinants of demand.
- Short run and long run influences.

The quality of written communication will be assessed in this question based on the candidate's ability:

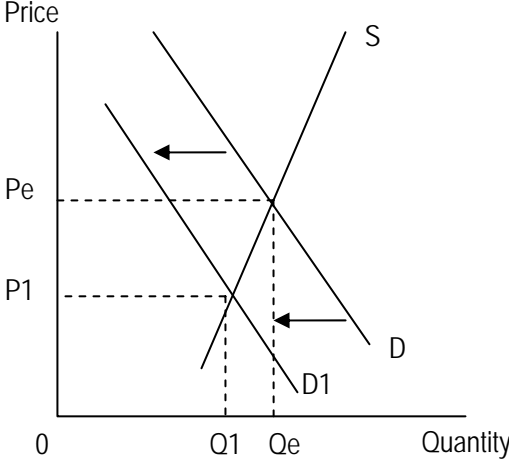
- To present an argument and conclude on the basis of that argument.
- To organise information clearly and coherently.
- To use economics vocabulary appropriately.
- To use grammar, spelling and punctuation appropriately.

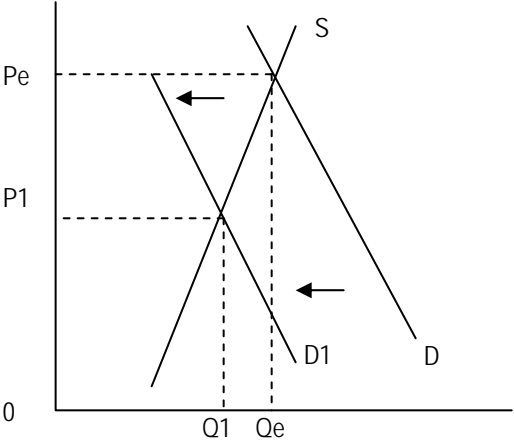
Question Number	Answer	Mark
20	<p>6 KAA marks</p> <ul style="list-style-type: none"> • Explicit data reference to the fall in price of cocoa (£2,153 to £1,410 a tonne / a fall of 35%) (1 mark) • Demand has decreased due to the decrease in consumption in Europe or recession. (1 mark) • Supply has increased due to very good harvest in Ivory Coast. (1 mark) • Diagram (up to 4 marks)  <p>➤ Original demand and supply curve with equilibrium price identified (1)</p> <p>➤ Decrease in demand curve (1)</p> <p>➤ Increase in supply curve (1)</p> <p>➤ New equilibrium price identified (1)</p> <p>NB: If just one curve shifted - award a maximum of 2 marks for diagram.</p> <p>NB: If one curve shifted incorrectly - award a maximum of 2 marks for diagram.</p> <p>NB: If no diagram offered - award a maximum of 3 marks.</p>	(6)

Question Number	Answer	Mark
<p>21</p>	<p>KAA = 6 marks</p> <p>Diagram showing a decrease in supply and increase in demand (up to 4 marks)</p> <ul style="list-style-type: none"> ➤ Original demand and supply curves with price equilibrium (1) ➤ A decrease (inward shift) in supply curve (1) ➤ An increase (outward shift) in demand curve (1) ➤ New price equilibrium (1)  <ul style="list-style-type: none"> • Decrease in supply due to flooding / an increase in production costs. (1 mark) • Increase in demand due to speculative buying. (1 mark) • Reference to price of coal rising by 35 per cent / data reference from Figure 1 e.g. price of coal risen to \$135 per ton. (1 mark) <p>Note: if just one curve shifted, award a maximum of 2 marks for the diagram</p>	<p>(6)</p>

Question Number	Answer	Mark
22	<p>KAA (6 marks)</p> <ul style="list-style-type: none"> • Explicit reference to Figure 1 on the rise in price of cotton in 2010 e.g. a rise from around 70 US cents to 160 US cents per pound (accept price rises of up to \$240 cents) (1 mark). • A decrease in supply e.g. flooding in China and Pakistan / Indian Government export ban (1 mark). • An increase in demand due to speculative buying (1 mark). <p>NB: award 1 mark for further development of either a supply or demand factor e.g. discussion of supply being highly price inelastic, so speculative demand will have a bigger impact upon price.</p> <ul style="list-style-type: none"> • Diagram (up to 4 marks)  <p>The diagram is a supply and demand graph. The vertical axis is labeled 'Price' and the horizontal axis is labeled 'Quantity'. The origin is marked '0'. There are two supply curves: the original supply curve 'S' and a new supply curve 'S2' shifted to the left. There are two demand curves: the original demand curve 'D' and a new demand curve 'D1' shifted to the right. The original equilibrium point is at the intersection of S and D, corresponding to price 'Pe' and quantity 'Qe'. The new equilibrium point is at the intersection of S2 and D1, corresponding to price 'P2' and quantity 'Q2'. Dashed lines connect these equilibrium points to their respective values on the axes. Arrows indicate the direction of the shifts: a leftward arrow for the supply curve and a rightward arrow for the demand curve.</p> <ul style="list-style-type: none"> ➤ Original demand and supply diagram with equilibrium price (1 mark) ➤ An increase in the demand curve (1 mark) ➤ A decrease in the supply curve (1 mark) ➤ The new equilibrium price (1 mark) <p>NB: 4 marks can only be awarded if both demand and supply are correctly shifted.</p> <p>NB: Award a maximum of 3 marks if no diagram.</p> <p>NB: Award a maximum of 5 marks if just one curve is shifted.</p>	(6)

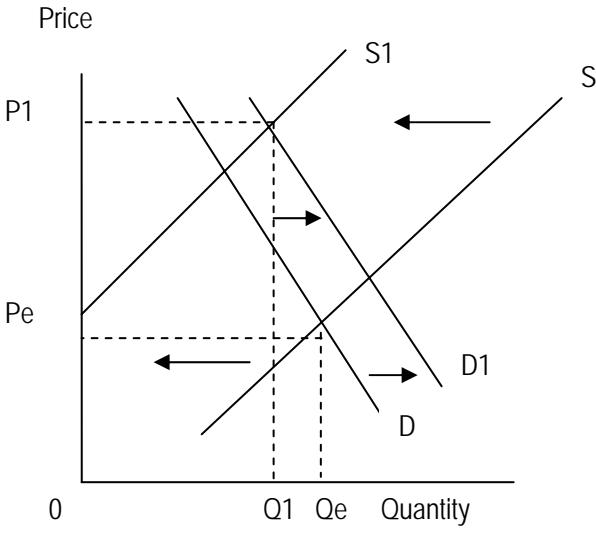
Question Number	Answer	Mark
23	<ul style="list-style-type: none"> • Explicit reference to Figure 1 to show price increase of beef e.g. from 125 cents to 170 cents or a 45 cents rise or from 50 cents to 100 cents (Accept approximate figures here). These figures may be stated on the diagram. (1 mark) • Increase in price of beef caused by: <ul style="list-style-type: none"> ➤ Rise in price of cattle feed (1 mark) ➤ Drought in Australia and New Zealand (1 mark) <p>Note: award for development of either of these points e.g. an increase in production costs. (1 mark)</p> <ul style="list-style-type: none"> • Diagram (up to 3 marks) <div data-bbox="486 1025 997 1489" data-label="Figure"> </div> <ul style="list-style-type: none"> ➤ Original demand and supply diagram (must include equilibrium price) (1 mark) ➤ A decrease in supply curve (accept a double inward shift of the supply curve) (1 mark) ➤ The original and new equilibrium price (1 mark) <p>NB: Award a maximum of 4 marks if no diagram.</p> <p>NB: Award a maximum of 5 marks if incorrect diagram depicting a shift in demand as well as supply.</p>	(6)

Question Number	Answer	Mark
24	<p>Explicit reference to Extract 1 to show September price decrease of housing e.g. £6000 or 3.6% / accept a fall of 10% in 2011. Note the figures may be shown on the diagram (1 mark)</p> <ul style="list-style-type: none"> • Identification of causes of decrease in house prices: High and rising unemployment / limited wage growth / deteriorating consumer confidence / difficulties in getting a mortgage (award any two points 1+1 marks) • Development of either or both points (up to 2 marks) <p>Diagram (up to 3 marks)</p>  <ul style="list-style-type: none"> ➤ Original demand and supply diagram (1 mark) ➤ A decrease in demand curve to D1 (accept a double inward shift of the demand curve) (1 mark) ➤ The original and new equilibrium price (1 mark) <p>NB: Award a maximum of 4 marks if no diagram.</p> <p>NB: Award a maximum of 5 marks if incorrect diagram depicting a shift in supply as well as demand.</p>	(6)

Question Number	Answer	Mark
25	<p>Correct diagram (3 marks)</p>  <ul style="list-style-type: none"> ➤ Original demand and supply, depicting equilibrium price (1) ➤ A decrease in the demand curve (1) ➤ Decrease in equilibrium price (1) <p>NB: If supply curve is also shifted as well as the demand curve, then award a maximum of 2 marks for the diagram.</p> <p>Reasons for fall in price of copper: lower global economic growth / falling demand from China / decrease in demand for motor vehicles and construction sectors (1 mark).</p> <p>Reference to price fall from \$8,940 to just \$2,871 between April 2008 and December 2009 or a 68% reduction. (1 mark)</p>	(4)

Question Number	Answer	Mark
26	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • Data reference e.g. price of sugar has increased to 50 cents (1 mark) • An increase in demand due to speculation / speculative buying of sugar: (1 mark). • A decrease in supply due to excess rain or poor weather in Brazil or supply of sugar cane being diverted to production of ethanol (1 mark). • Reference to supply or demand being inelastic and so causing a significant rise in price (1 mark) • Diagrammatic analysis which shows: <ul style="list-style-type: none"> ➤ an increase in the demand curve (1 mark). ➤ a decrease in the supply curve (1 mark). ➤ original equilibrium price (1 mark). ➤ new final equilibrium price (1 mark). 	(6)

Question Number	Answer	Mark
27	<ul style="list-style-type: none"> • Direct reference to food price increase in Figure 1 e.g nominal price rise from 100 to more than 200 / real price rise from 100 to 160. (1) <p>The increase in price of food caused by:</p> <ul style="list-style-type: none"> • Increase in demand due to global population growth / increase in incomes in developing countries (1+1) <p>Either of these points may be developed to achieve 2 marks, e.g. reference to positive income elasticity of demand for food / normal good. NB: 2 marks available for explaining increased demand.</p> <ul style="list-style-type: none"> • Decrease in supply due to increased costs of production / e.g. rising fuel prices, farm machinery and animal feed (1+1). <p>NB: 2 marks available for explaining decreased supply.</p> <ul style="list-style-type: none"> • Accept a reference to inelasticity of supply and/or demand (1). <p>NB: Award a maximum of 5 marks for explanation / data reference.</p>	

	 <p>Diagram up to 4 marks:</p> <ul style="list-style-type: none"> ➤ Original demand & supply diagram with equilibrium price(1) ➤ Increase in demand curve (1) ➤ Decrease in supply curve (1) ➤ New equilibrium price (1) <p>NB: Award a maximum of 2 marks for the diagram if just one curve is correctly shifted.</p>	(8)
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