

**OXFORD**

INTERNATIONAL  
AQA EXAMINATIONS

---

# INTERNATIONAL AS **ECONOMICS** **EC01**

Unit 1 The Operation of Markets, Market Failure and the Role of  
Government

---

Mark scheme

June 2022

---

Version: 1.0 Final Mark Scheme



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from [oxfordaqaexams.org.uk](http://oxfordaqaexams.org.uk)

#### **Copyright information**

OxfordAQA retains the copyright on all its publications. However, registered schools/colleges for OxfordAQA are permitted to copy material from this booklet for their own internal use, with the following important exception: OxfordAQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2022 Oxford International AQA Examinations and its licensors. All rights reserved.

## International AS Economics mark scheme

### How to mark

#### Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

#### Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

#### Assessment objectives

This component requires students to:

|     |   |
|-----|---|
| AO1 | Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues. |
| AO2 | Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.  |
| AO3 | Analyse issues within economics, showing an understanding of their impact on economic agents.   |
| AO4 | Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.   |

#### The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

## Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

## Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

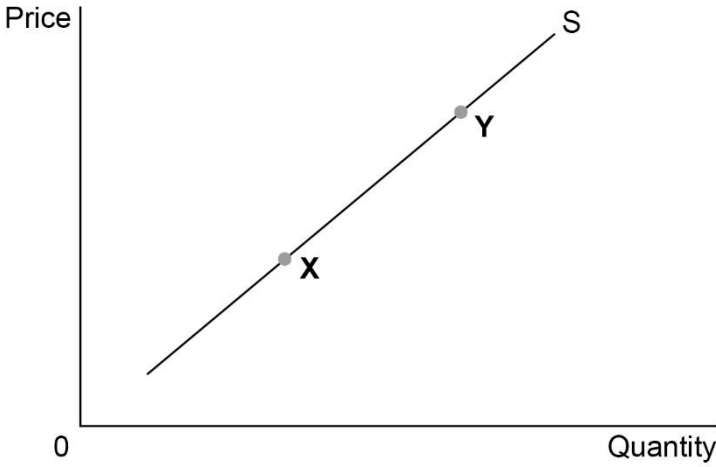
Total for this section: 15 marks

| Question | Part | Marking guidance   | Total marks      |
|----------|------|--|------------------|
| 01       |      | Choices have an opportunity cost because<br><br>Answer: <b>D</b> (resources are scarce.) | 1<br><br>AO1 = 1 |

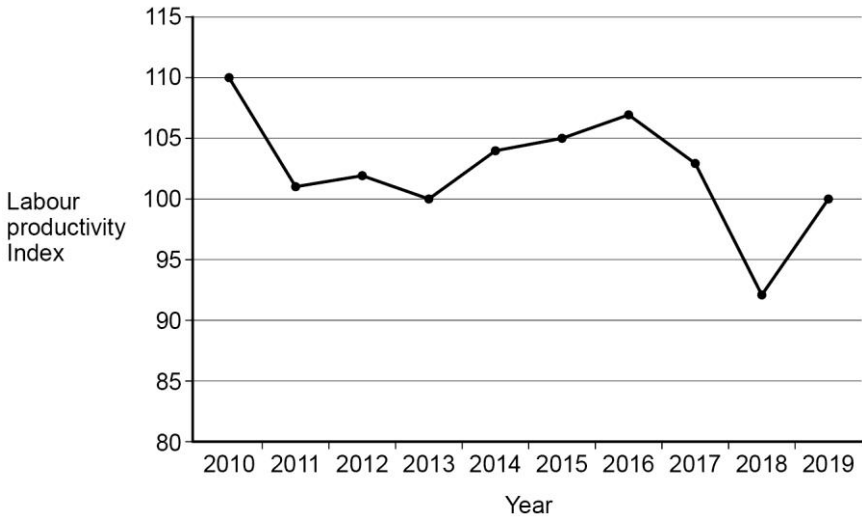
| Question | Part | Marking guidance   | Total marks      |
|----------|------|--|------------------|
| 02       |      | Which one of the following is a feature of a free market economic system?<br><br>Answer: <b>B</b> (External costs are ignored by the price mechanism.) | 1<br><br>AO1 = 1 |

| Question             | Part  | Marking guidance  | Total marks               |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |
|----------------------|---|---|---------------------------|---|--|---------------------------|---|----|-----|-----|---|----|-----|-----|---|-----|-----|-----|---|-----|-----|-----|---|-----|-----|-----|------------------|
| 03                   |   | <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Price of popcorn (€)</th> <th>Demand for popcorn before ticket price fall (boxes)</th> <th>Demand for popcorn after ticket price fall (boxes)</th> <th>Supply of popcorn (boxes)</th> </tr> </thead> <tbody> <tr> <td>5</td> <td>60</td> <td>120</td> <td>390</td> </tr> <tr> <td>4</td> <td>90</td> <td>150</td> <td>350</td> </tr> <tr> <td>3</td> <td>200</td> <td>310</td> <td>310</td> </tr> <tr> <td>2</td> <td>270</td> <td>420</td> <td>270</td> </tr> <tr> <td>1</td> <td>390</td> <td>530</td> <td>230</td> </tr> </tbody> </table> <p>What is the <b>change</b> in the equilibrium price?<br/><br/>Answer: <b>A</b> (€1)</p> | Price of popcorn (€)      | Demand for popcorn before ticket price fall (boxes) | Demand for popcorn after ticket price fall (boxes) | Supply of popcorn (boxes) | 5 | 60 | 120 | 390 | 4 | 90 | 150 | 350 | 3 | 200 | 310 | 310 | 2 | 270 | 420 | 270 | 1 | 390 | 530 | 230 | 1<br><br>AO3 = 1 |
| Price of popcorn (€) | Demand for popcorn before ticket price fall (boxes) | Demand for popcorn after ticket price fall (boxes)  | Supply of popcorn (boxes) |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |
| 5                    | 60  | 120   | 390                       |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |
| 4                    | 90  | 150   | 350                       |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |
| 3                    | 200   | 310   | 310                       |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |
| 2                    | 270   | 420   | 270                       |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |
| 1                    | 390   | 530   | 230                       |   |  |                           |   |    |     |     |   |    |     |     |   |     |     |     |   |     |     |     |   |     |     |     |                  |

| Question | Part | Marking guidance  | Total marks      |
|----------|------|---|------------------|
| 04       |      | The price elasticity of supply of oranges is<br><br>Answer: <b>B</b> (inelastic.) | 1<br><br>AO3 = 1 |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 05       |      |  <p>Which one of the following is most likely to cause a movement from point <b>X</b> to point <b>Y</b> on the supply curve?</p> <p>Answer: <b>B</b> (Higher spending on advertising the good.)</p> | <p><b>1</b></p> <p><b>AO2 = 1</b></p> |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 06       |      | <p>Which of the following combination of effects is most likely to result when the firm no longer has the legal right to be the sole producer of the medicine?</p> <p>Answer: <b>C</b> (Combination C: Competition rises, price falls, barriers to entry fall, output rises.)</p> | <p><b>1</b></p> <p><b>AO2 = 1</b></p> |

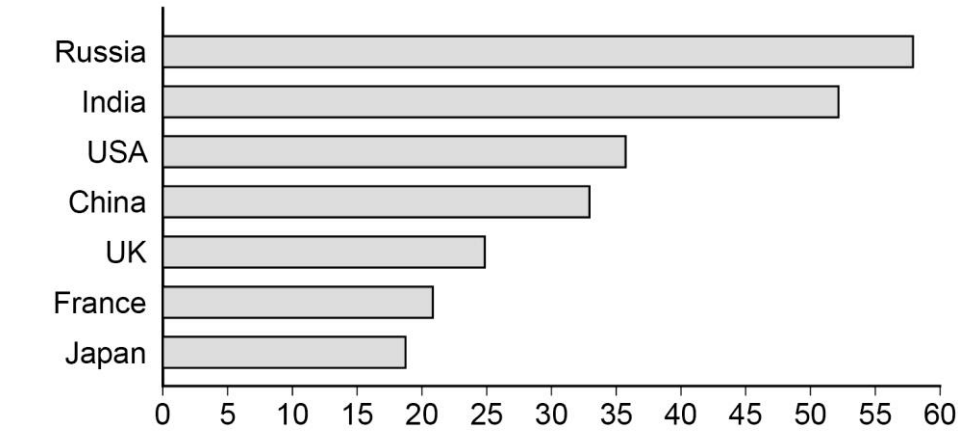
| Question | Part                      | Marking guidance  | Total marks |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
|----------|---------------------------|---|-------------|---------------------------|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|----|------|-----|---------------------------------------|
| 07       |                           | <div style="text-align: center;">  <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <caption>Data for Figure 2: Labour productivity Index</caption> <thead> <tr> <th>Year</th> <th>Labour productivity Index</th> </tr> </thead> <tbody> <tr><td>2010</td><td>110</td></tr> <tr><td>2011</td><td>101</td></tr> <tr><td>2012</td><td>102</td></tr> <tr><td>2013</td><td>100</td></tr> <tr><td>2014</td><td>104</td></tr> <tr><td>2015</td><td>105</td></tr> <tr><td>2016</td><td>107</td></tr> <tr><td>2017</td><td>103</td></tr> <tr><td>2018</td><td>92</td></tr> <tr><td>2019</td><td>100</td></tr> </tbody> </table> </div> <p>Which one of the following can be concluded from <b>Figure 2</b>?</p> <p>Answer: <b>C</b> (Labour productivity was higher in 2015 than in the base year.)</p> | Year        | Labour productivity Index | 2010 | 110 | 2011 | 101 | 2012 | 102 | 2013 | 100 | 2014 | 104 | 2015 | 105 | 2016 | 107 | 2017 | 103 | 2018 | 92 | 2019 | 100 | <p><b>1</b></p> <p><b>AO2 = 1</b></p> |
| Year     | Labour productivity Index |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2010     | 110                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2011     | 101                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2012     | 102                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2013     | 100                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2014     | 104                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2015     | 105                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2016     | 107                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2017     | 103                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2018     | 92                        |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |
| 2019     | 100                       |   |             |                           |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |     |      |    |      |     |                                       |

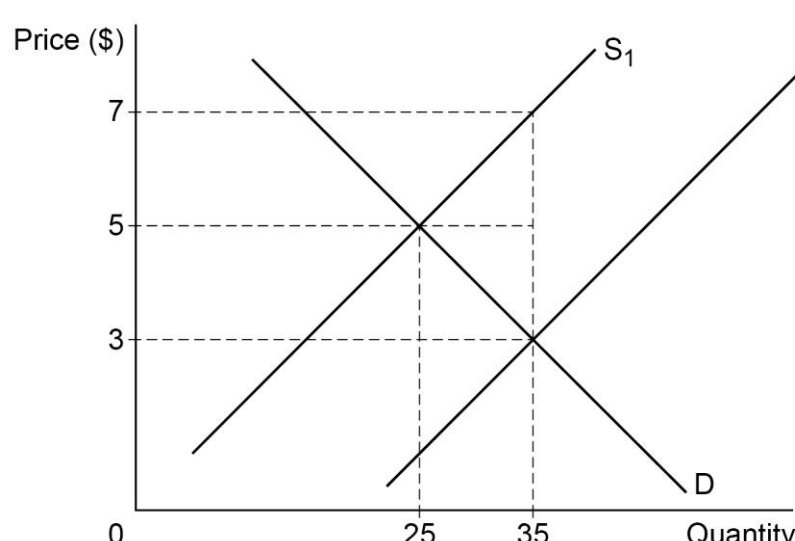
| Question          | Part                             | Marking guidance  | Total marks       |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |
|-------------------|----------------------------------|---|-------------------|----------------------------------|-----------------|-----|-----------------|-----|-----------------|-----|-----------------|-----|---------|-----|---------------------------------------|
| 08                |                                  | <p>Demand per household in one year</p> <table border="1"> <caption>Data for Figure 3</caption> <thead> <tr> <th>Income group (\$)</th> <th>Demand per household in one year</th> </tr> </thead> <tbody> <tr> <td>10 000 – 15 999</td> <td>150</td> </tr> <tr> <td>16 000 – 20 999</td> <td>140</td> </tr> <tr> <td>21 000 – 25 999</td> <td>110</td> </tr> <tr> <td>26 000 – 30 999</td> <td>105</td> </tr> <tr> <td>31 000+</td> <td>100</td> </tr> </tbody> </table> <p>Income group (\$)</p> <p>From <b>Figure 3</b>, it can be concluded that <b>Good Y</b></p> <p>Answer: <b>D</b> (is an inferior good.)</p> | Income group (\$) | Demand per household in one year | 10 000 – 15 999 | 150 | 16 000 – 20 999 | 140 | 21 000 – 25 999 | 110 | 26 000 – 30 999 | 105 | 31 000+ | 100 | <p><b>1</b></p> <p><b>AO2 = 1</b></p> |
| Income group (\$) | Demand per household in one year |   |                   |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |
| 10 000 – 15 999   | 150                              |   |                   |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |
| 16 000 – 20 999   | 140                              |   |                   |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |
| 21 000 – 25 999   | 110                              |   |                   |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |
| 26 000 – 30 999   | 105                              |   |                   |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |
| 31 000+           | 100                              |   |                   |                                  |                 |     |                 |     |                 |     |                 |     |         |     |                                       |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 09       |      | <p>Which one of the following can be concluded from this statement?</p> <p>Answer: <b>A</b> (In a free market, there will be a misallocation of resources.)</p> | <p><b>1</b></p> <p><b>AO1 = 1</b></p> |

| Question | Part | Marking guidance   | Total marks                           |
|----------|------|--|---------------------------------------|
| 10       |      | <p>The main reason that street lighting does not have a market price is because of the problem of</p> <p>Answer: <b>B</b> (non-excludability.)</p> | <p><b>1</b></p> <p><b>AO1 = 1</b></p> |



| Question | Part | Marking guidance  | Total marks   |
|----------|------|---|---|
| 11       |      |  <p data-bbox="375 772 1337 806">Percentage share of total wealth owned by the top 1% of the population</p> <p data-bbox="375 891 1161 925">Which one of the following can be concluded from <b>Figure 4</b>?</p> <p data-bbox="375 958 1005 992">Answer: <b>A</b> (All countries had wealth inequality.)</p> | <p data-bbox="1364 309 1388 342">1</p> <p data-bbox="1364 387 1460 454">AO1 = 1</p> |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 12       |      |  <p>The total value of the subsidy is</p> <p>Answer: <b>D</b> (\$140)</p> | <p><b>1</b></p> <p><b>AO3 = 1</b></p> |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 13       |      | <p>Which one of the following is a reason why government provision of education can lead to a misallocation of resources?</p> <p>Answer: <b>D</b> (There is a lack of information about the ideal amount of education.)</p> | <p><b>1</b></p> <p><b>AO1 = 1</b></p> |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 14       |      | <p>The combined market share of the three largest firms increases by 50%. What is the new three-firm concentration ratio after this change?</p> <p>Answer: <b>B</b> (75%)</p> | <p><b>1</b></p> <p><b>AO3 = 1</b></p> |

| Question | Part | Marking guidance   | Total marks                           |
|----------|------|--|---------------------------------------|
| 15       |      | <p>Which one of the following could result in average cost remaining constant when output increases?</p> <p>Answer: <b>D</b> (Total fixed cost is constant and average variable cost increases.)</p> | <p><b>1</b></p> <p><b>AO2 = 1</b></p> |

## Section B

Total for this section: 65 marks

| Question | Part | Marking guidance   | Total marks                           |
|----------|------|--|---------------------------------------|
| 16       | 1    | <p>Define 'concentrated market' (<b>Extract B</b>, line 6).</p> <p><b>A full and precise definition is given (3 marks)</b></p> <p>The definition should include an understanding of how 'concentration' is measured (market share).</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• where a few firms, or possibly only one, have a high market share</li> <li>• a market with a high concentration ratio meaning a few firms have a significant market share.</li> </ul> <p><b>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)</b></p> <p>The definition understands the idea of a few dominant firms but fails to recognise that this is measured by market share.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• a market with a small number of large firms</li> <li>• a market where a small number of firms are powerful</li> <li>• there are dominant firms.</li> </ul> <p><b>Fragmented points only (1 mark)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• there are a few firms</li> <li>• there is low competition.</li> </ul> | <p><b>3</b></p> <p><b>AO1 = 3</b></p> |

| Question | Part | Marking guidance  | Total marks                           |
|----------|------|---|---------------------------------------|
| 16       | 2    | <p>Define 'positive consumption externalities' (<b>Extract C</b>, lines 2–3).</p> <p><b>A full and precise definition is given (3 marks)</b></p> <p>Should include reference to third parties, consumption and positive effects.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• benefits to third parties due to the consumption of goods or services</li> <li>• when there are extra benefits beyond the individual when a good is consumed.</li> </ul> <p><b>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)</b></p> <p>The answer fails to include one of the concepts of third parties, consumption or positive effects.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• third party benefits</li> <li>• benefits from consumption of goods or services.</li> </ul> <p><b>Fragmented points only (1 mark)</b></p> <p>Only one element of third parties, consumption or benefits is given.</p> <p>An example on its own gains no credit.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• positive side effects</li> <li>• benefits from an economic transaction.</li> </ul> | <p><b>3</b></p> <p><b>AO1 = 3</b></p> |

**MAXIMUM FOR QUESTION 16: 6 MARKS**

| Question   | Part           | Marking guidance   | Total marks |                |  |         |   |         |  |        |  |
|--|----------------|--|-------------|----------------|--|---------|---|---------|--|--------|--|
| 17   | 1              | <p>Use <b>Extract A (i)</b> to calculate the mean Olympic Games revenue from television broadcasting for the years 1992 to 2016.</p> <p>Calculation:</p> $\frac{(636 + 898 + 1332 + 1494 + 1739 + 2569 + 2868)}{7} =$ $\frac{11\,536}{7} = \$1648\text{m}$ <table border="1" data-bbox="368 680 1294 1547"> <thead> <tr> <th data-bbox="368 680 1142 779">Response</th> <th data-bbox="1147 680 1294 779">Max<br/>3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 786 1142 907">For the correct answer: \$1648m<br/>(With or without working shown)</td> <td data-bbox="1147 786 1294 907">3 marks</td> </tr> <tr> <td data-bbox="368 913 1142 1111">For the correct answer but with missing/incorrect units 'millions' or 'm': eg \$1648<br/><b>OR</b><br/>For the correct answer but no currency sign: 1648m</td> <td data-bbox="1147 913 1294 1111">2 marks</td> </tr> <tr> <td data-bbox="368 1117 1142 1547">For the correct working but with no currency and missing/incorrect units: eg 1648<br/><b>OR</b><br/>For the correct working but with the wrong answer: eg<br/><math display="block">\frac{(636 + 898 + 1332 + 1494 + 1739 + 2569 + 2868)}{7}</math><br/>or equivalent</td> <td data-bbox="1147 1117 1294 1547">1 mark</td> </tr> </tbody> </table> | Response    | Max<br>3 marks | For the correct answer: \$1648m<br>(With or without working shown) | 3 marks | For the correct answer but with missing/incorrect units 'millions' or 'm': eg \$1648<br><b>OR</b><br>For the correct answer but no currency sign: 1648m | 2 marks | For the correct working but with no currency and missing/incorrect units: eg 1648<br><b>OR</b><br>For the correct working but with the wrong answer: eg<br>$\frac{(636 + 898 + 1332 + 1494 + 1739 + 2569 + 2868)}{7}$<br>or equivalent | 1 mark | <p><b>3</b></p> <p><b>AO1 = 1</b><br/><b>AO2 = 2</b></p> |
| Response   | Max<br>3 marks |  |             |                |  |         |   |         |  |        |  |
| For the correct answer: \$1648m<br>(With or without working shown)   | 3 marks        |  |             |                |  |         |   |         |  |        |  |
| For the correct answer but with missing/incorrect units 'millions' or 'm': eg \$1648<br><b>OR</b><br>For the correct answer but no currency sign: 1648m  | 2 marks        |  |             |                |  |         |   |         |  |        |  |
| For the correct working but with no currency and missing/incorrect units: eg 1648<br><b>OR</b><br>For the correct working but with the wrong answer: eg<br>$\frac{(636 + 898 + 1332 + 1494 + 1739 + 2569 + 2868)}{7}$<br>or equivalent | 1 mark         |  |             |                |  |         |   |         |  |        |  |

| Question   | Part           | Marking guidance   | Total marks |                |  |         |  |         |  |        |  |
|--|----------------|--|-------------|----------------|--|---------|--|---------|--|--------|--|
| 17   | 2              | <p>The index for the revenue for cities hosting the Olympic Games was 100 in 1992.</p> <p>Use <b>Extract A (ii)</b> to calculate the index for the revenue in 2012.</p> <p>Give your answer to <b>one</b> decimal place.</p> <p>Calculation:</p> $\frac{4000}{3000} \times 100 = 133.33 \text{ recurring}$ <p>New index for 2012 is 133.3</p> <p>Answer = 133.3 (to 1dp)</p> <table border="1" data-bbox="368 875 1287 1740"> <thead> <tr> <th data-bbox="373 882 1129 972">Response</th> <th data-bbox="1134 882 1283 972">Max<br/>3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="373 978 1129 1135">                     For the correct answer: 133.3 (no units but allow 'index points' or equivalent)<br/><br/>                     (With or without working shown)                 </td> <td data-bbox="1134 978 1283 1135">3 marks</td> </tr> <tr> <td data-bbox="373 1142 1129 1420">                     For the correct answer but not to one decimal place:<br/>                     eg 133 or 133.33<br/><br/> <b>OR</b><br/><br/>                     For the correct answer but with added/incorrect units:<br/>                     eg 133.3%                 </td> <td data-bbox="1134 1142 1283 1420">2 marks</td> </tr> <tr> <td data-bbox="373 1426 1129 1733">                     For the correct answer but not to one decimal place <u>and</u><br/>                     with incorrect/added units: eg 133.33%<br/><br/> <b>OR</b><br/><br/>                     For the correct working but the wrong answer:<br/><br/> <math display="block">\frac{4000}{3000} \times 100 \text{ or equivalent}</math> </td> <td data-bbox="1134 1426 1283 1733">1 mark</td> </tr> </tbody> </table> | Response    | Max<br>3 marks | For the correct answer: 133.3 (no units but allow 'index points' or equivalent)<br><br>(With or without working shown) | 3 marks | For the correct answer but not to one decimal place:<br>eg 133 or 133.33<br><br><b>OR</b><br><br>For the correct answer but with added/incorrect units:<br>eg 133.3% | 2 marks | For the correct answer but not to one decimal place <u>and</u><br>with incorrect/added units: eg 133.33%<br><br><b>OR</b><br><br>For the correct working but the wrong answer:<br><br>$\frac{4000}{3000} \times 100 \text{ or equivalent}$ | 1 mark | <p><b>3</b></p> <p><b>AO1 = 1</b><br/><b>AO2 = 2</b></p> |
| Response   | Max<br>3 marks |  |             |                |  |         |  |         |  |        |  |
| For the correct answer: 133.3 (no units but allow 'index points' or equivalent)<br><br>(With or without working shown)   | 3 marks        |  |             |                |  |         |  |         |  |        |  |
| For the correct answer but not to one decimal place:<br>eg 133 or 133.33<br><br><b>OR</b><br><br>For the correct answer but with added/incorrect units:<br>eg 133.3%   | 2 marks        |  |             |                |  |         |  |         |  |        |  |
| For the correct answer but not to one decimal place <u>and</u><br>with incorrect/added units: eg 133.33%<br><br><b>OR</b><br><br>For the correct working but the wrong answer:<br><br>$\frac{4000}{3000} \times 100 \text{ or equivalent}$ | 1 mark         |  |             |                |  |         |  |         |  |        |  |

**MAXIMUM FOR QUESTION 17: 6 MARKS**

| Question | Part | Marking guidance  | Total marks   |
|----------|------|---|---|
| 18       | 1    | <p><b>Extract C</b> (lines 18–19) states: ‘It is argued that without the large revenues from television broadcasting, countries may not be willing to host the Olympic Games.’</p> <p>Explain how the revenue from television broadcasting could affect the profit or loss of cities hosting the Olympic Games.</p> | <p><b>6</b></p> <p><b>AO1 = 2</b><br/><b>AO2 = 2</b><br/><b>AO3 = 2</b></p> |

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

| Level | Marks | Descriptor   |
|-------|-------|--|
| 3     | 5–6   | <ul style="list-style-type: none"> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> </ul>   |
| 2     | 3–4   | <ul style="list-style-type: none"> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> </ul> |
| 1     | 1–2   | <ul style="list-style-type: none"> <li>Shows limited knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes limited application of relevant economic principles to the question.</li> <li>May include some limited analysis but the analysis lacks focus and/or becomes confused.</li> </ul>   |
|       | 0     | No creditworthy material   |

**Indicative content:**

- identifies revenue as the income from sales
- identifies television broadcasting revenue as part of the total revenue for cities
- identifies revenue in the profit calculation (total revenue – total costs = profit) and/or defines the term profit as the amount of money remaining after costs are removed from revenue
- how cities hosting the Olympic Games face a number of costs that are likely to be significant and therefore broadcasting revenue is important for the Games to be able to be funded
- how the Olympic Games often make a significant loss and television broadcasting revenue reduces the size of this loss for host cities
- how the size of the broadcasting market for the Olympic Games is likely to be large with global audiences and therefore the revenue from television broadcasting is likely to be significant
- providing the facilities for television broadcasting might add to the cost of the Games
- the expectation of extra revenue from television broadcasting may persuade the host to spend more money on the Games and hence have little impact on profit
- the idea that television broadcasting creates additional markets and revenue streams, particularly from advertising and sponsorship, thus enhancing the profit of the Games.

**Note:** Some students may support their answer with a diagram/diagrams but this is not needed for full marks.

Credit valid alternative content.



| Question | Part | Marking guidance  | Total marks                            |
|----------|------|---|--|
| 18       | 2    | To what extent do the data suggest that the revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games?<br><br>Use the data in <b>Extract A</b> to help support your answer. | 6<br><br>AO2 = 1<br>AO3 = 1<br>AO4 = 4 |

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

| Level | Marks | Descriptor  |
|-------|-------|---|
| 3     | 5–6   | <ul style="list-style-type: none"> <li>Includes sound evidence that indicates the extent to which the revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games.</li> <li>Includes a supported overall judgement concerning the extent to which the revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games.</li> </ul>     |
| 2     | 3–4   | <ul style="list-style-type: none"> <li>Includes limited evidence that indicates the extent to which the revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games.</li> <li>Attempts a judgement concerning the extent to which revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games.</li> </ul>                         |
| 1     | 1–2   | <ul style="list-style-type: none"> <li>Includes evidence that does not clearly indicate the extent to which the revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games.</li> <li>May include an unsupported judgement concerning the extent to which revenue from television broadcasting affects the profit or loss of cities hosting the Olympic Games.</li> </ul> |
|       | 0     | No creditworthy material  |

**Indicative content:**

- Television broadcasting revenues have risen for each Games since 1992, with an increase of \$2232m (351%) whereas profit has been weak, with the only profit of \$10m being made at the 1996 Games.
- Revenue from television broadcasting makes up a significant proportion of the total revenue generated by the Games for host cities. For example, in 2016 the television broadcast revenue was \$2868m, almost a third of the total. This suggests that broadcasting revenues are crucial sources of revenue and enhance the profit of the Games.
- Generally, the Games still make a significant loss, despite television broadcasting revenues for host cities increasing, with the average loss across the seven Games being nearly \$9bn.
- There are significant costs of hosting the Games that outweigh the revenue gained from television broadcasting for host cities. Despite over \$1.7bn in television revenue in 2008, the Games lost \$36bn overall.
- While television broadcasting revenue for host cities has risen each time, the total revenue fell between 1992 and 2000 and in 2012. For example, between 2008 and 2012, total television broadcasting revenue grew by \$830m (48%) but the total Games revenue fell by \$2bn (33.3%).
- Identification of other factors that could affect the revenue and cost and hence the profit of an Olympic Games, eg ticket sales, sponsorship, number of sports venues needed.
- Discussion of whether generating more revenue from television broadcasting may have led to higher costs.

- Conclusion that without the revenue from television broadcasting rights, losses from the Games for host cities would have been even greater. For example, removing television broadcasting revenues from the 2016 Games would have increased the loss made by \$2868m (143%), there would not have been a profit in 1996 without the revenue from television broadcasting.

Credit valid alternative content.

**MAXIMUM FOR QUESTION 18: 12 MARKS**

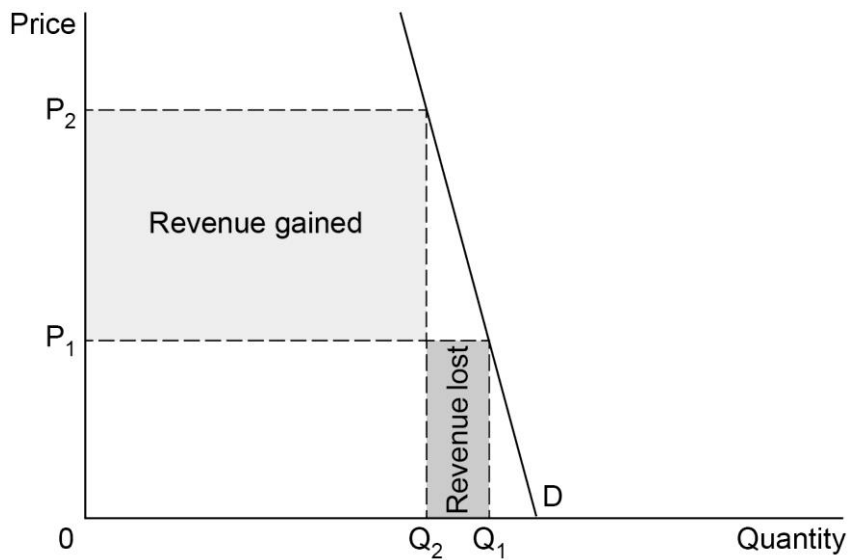
| Question | Part | Marking guidance  | Total marks   |
|----------|------|---|---|
| 19       |      | <p><b>Extract B</b> (lines 14–16) states: ‘The most popular events, such as the 100 metres races, are in high demand. The rights to watch these events and advertise close to them can be sold for very high prices.’</p> <p>With the help of a diagram, explain why television broadcasters are likely to earn more revenue if they raise the price for viewing the most popular Olympic events.</p> | <p><b>9</b></p> <p><b>AO1 = 2</b><br/> <b>AO2 = 4</b><br/> <b>AO3 = 3</b></p> |

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

| Level | Marks | Descriptor  |
|-------|-------|---|
| 3     | 7–9   | <ul style="list-style-type: none"> <li>Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.</li> </ul> |
| 2     | 4–6   | <ul style="list-style-type: none"> <li>Includes one or more issues that are relevant to the question.</li> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>May include a relevant diagram to support their explanation.</li> </ul>  |
| 1     | 1–3   | <ul style="list-style-type: none"> <li>Is very brief and/or lacks coherence.</li> <li>Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.</li> </ul>                                      |
|       | 0     | No creditworthy material  |

### Indicative content

The expected diagram involves raising price on an inelastic section of the demand curve. It is expected that students will be able to show on the diagram that raising price will lead to higher revenue because the subsequent contraction in quantity demanded is less than proportional to the increase in price. Students do not need to shade or label the areas of lost and gained revenue but it should be clear from the diagram that total revenue has increased.



**Relevant issues include:**

- meaning and calculation of revenue
- meaning of price elasticity of demand and inelastic demand
- the link between price and total revenue, with the rise in price making up part of the impact on total revenue alongside the change in quantity demanded
- the importance of price elasticity of demand in determining the impact on total revenue of an increase in price
- the likelihood of televised popular Olympic events having highly inelastic demand due to the lack of substitutes and the loyal following of viewers
- that watching the most popular Olympic events on television remains the only way for most consumers to access the product
- the importance of monopoly power due to the lack of competition
- the idea that it is likely to be difficult for illegal markets to broadcast these events, despite prices being high.

Credit valid alternative content.

| Question | Part | Marking guidance   | Total marks  |
|----------|------|--|--|
| 20       |      | <p><b>Extract C</b> (lines 6–8) states: ‘Where consumers have to pay to watch the Olympic Games on television, perhaps there should be government intervention through the introduction of a maximum price’.</p> <p>Analyse the likely effects on the market for television broadcasting of the Olympic Games if governments introduce a maximum price to watch the Olympic Games on television.</p> | <p><b>12</b></p> <p><b>AO1 = 3</b><br/> <b>AO2 = 4</b><br/> <b>AO3 = 5</b></p> |

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives.

| Level | Marks | Descriptor  |
|-------|-------|---|
| 3     | 9–12  | <ul style="list-style-type: none"> <li>Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>May include a relevant diagram that is accurate and used appropriately to support their explanation.</li> </ul> |
| 2     | 5–8   | <ul style="list-style-type: none"> <li>Includes one or more issues that are relevant to the question.</li> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>May include a relevant diagram to support their explanation.</li> </ul>                        |
| 1     | 1–4   | <ul style="list-style-type: none"> <li>Is very brief and/or lacks coherence.</li> <li>Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.</li> </ul>                  |
|       | 0     | No creditworthy material  |

#### Indicative content:

- meaning of maximum price or price ceiling
- possible reasons for introducing a maximum price including equity of access, expanding viewing figures for Olympic sport and the consequent impacts on the popularity of sport, including positive externalities and reducing monopoly power of broadcasters
- analysis of effects on demand and supply of setting a maximum price below equilibrium
- analysis of the likely effects on broadcaster revenues and profits

- analysis of the likely effects on the prices paid by broadcasters to secure television rights to the Olympics
- analysis of the benefits and costs to consumers
- analysis of impacts on firms such as cost-cutting measures to protect profits and potential reduction in broadcasting quality
- analysis of the importance of the level of maximum price set on profits and on the level of demand
- explaining that for some/many events, the maximum price is likely to be above the equilibrium price and hence there will be no effect on the market
- the likelihood that broadcasters will engage in product differentiation strategies to allow them to raise the price for substitute products such as specialist viewing options
- analysis of the impact of price elasticity of demand
- possible short-run and long-run impacts on the market.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

| Question | Part | Marking guidance   | Total marks  |
|----------|------|--|--|
| 21       |      | <p><b>Extract B</b> (lines 5–7) states: ‘The sale of rights to a single firm gives broadcasters monopoly power, since it is a highly concentrated market. In 2016, NBC made \$250m profit from broadcasting the Rio Olympics in the US.’</p> <p>Use the extracts and your knowledge of economics to assess the case for and against selling the rights to broadcast the Olympic Games to one firm.</p> | <p><b>20</b></p> <p><b>AO1 = 3</b><br/> <b>AO2 = 4</b><br/> <b>AO3 = 5</b><br/> <b>AO4 = 8</b></p> |

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

| Level | Marks | Descriptor  |
|-------|-------|---|
| 5     | 17–20 | <p><b>Sound, focused analysis and well-supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors</li> <li>includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response</li> <li>includes well-focused analysis with clear, logical chains of reasoning</li> <li>includes supported evaluation throughout the response and in a final conclusion.</li> </ul>   |
| 4     | 13–16 | <p><b>Sound, focused analysis and some supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present</li> <li>includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response</li> <li>includes some well-focused analysis with clear, logical chains of reasoning</li> <li>includes some reasonable, supported evaluation.</li> </ul>  |
| 3     | 9–12  | <p><b>Some reasonable analysis but generally unsupported evaluation that:</b></p> <ul style="list-style-type: none"> <li>focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present</li> <li>includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response</li> <li>includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.</li> </ul> |
| 2     | 5–8   | <p><b>A fairly weak response with some understanding that:</b></p> <ul style="list-style-type: none"> <li>includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely</li> <li>includes some limited application of relevant economic principles to the given context and/or data to the question</li> <li>includes some limited analysis but it may lack focus and/or become confused</li> <li>includes some evaluation which is weak and unsupported.</li> </ul>   |
| 1     | 1–4   | <p><b>A very weak response that:</b></p> <ul style="list-style-type: none"> <li>includes little relevant knowledge and understanding of economic terminology, concepts and principles</li> <li>includes application to the given context which is, at best, very weak</li> <li>includes attempted analysis which is weak and unsupported.</li> </ul>  |
|       | 0     | No creditworthy material  |

**Indicative content:**

- identification of the problem of selling the rights to broadcast the Olympic Games to one firm as monopoly power
- meaning of monopoly power and knowledge of structure of market for television broadcasting for the Olympic Games
- the reasons for allowing monopoly power in the broadcasting market including the impacts on quality, investment, economies of scale and innovation and profits for the Games
- the reasons for preventing monopoly power in the broadcasting market including the impacts on price, inefficiency, misallocation of resources and equity of access to viewing the Olympic Games
- impact of monopoly power on broadcasters and their profits and potential levels of investment in their product and subsequent impacts on quality
- impact of monopoly power on the revenue from broadcasting rights for the Olympic Games organisers; the potential for greater revenues if rights remain exclusive versus the higher sales possible from reducing the monopoly power
- an assessment of whether or not monopoly power of broadcasters necessarily harms viewers in terms of higher prices – many broadcasters may use sales of advertising to generate revenue rather than charging high prices to consumers
- an analysis and evaluation of the different alternatives in the broadcasting market including allowing more firms to broadcast the Games, nationalising broadcasting or regulating prices
- problems of intervening in the market including the costs of any regulation of the industry, the difficulties of encouraging new entrants to the market and the disincentives to pay high prices for broadcasting rights
- the importance of revenue generation for the Olympic Games considering the extent of losses that the Games usually make
- evaluation of the likelihood that technology will inevitably make the broadcasting market more competitive with social media companies, streaming services and mobile phone networks all potential new competitors to traditional broadcasters
- market failure versus government failure
- different situations and priorities of different countries
- knowledge of experience of particular countries
- the significance of other data included in the extracts, eg the importance of viewing to particular countries and the need to fund infrastructure for the Games
- an overall assessment of the case for and against selling the rights to broadcast the Olympic Games to one firm.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.



**Assessment Objectives Grid**

|                   | <b>AO1</b> | <b>AO2</b> | <b>AO3</b> | <b>AO4</b> | <b>Total</b> |
|-------------------|------------|------------|------------|------------|--------------|
| <b>Section A</b>  |            |            |            |            |              |
| 01                | 1          |            |            |            | 1            |
| 02                | 1          |            |            |            | 1            |
| 03                |            |            | 1          |            | 1            |
| 04                |            |            | 1          |            | 1            |
| 05                |            | 1          |            |            | 1            |
| 06                |            | 1          |            |            | 1            |
| 07                |            | 1          |            |            | 1            |
| 08                |            | 1          |            |            | 1            |
| 09                | 1          |            |            |            | 1            |
| 10                | 1          |            |            |            | 1            |
| 11                | 1          |            |            |            | 1            |
| 12                |            |            | 1          |            | 1            |
| 13                | 1          |            |            |            | 1            |
| 14                |            |            | 1          |            | 1            |
| 15                |            | 1          |            |            | 1            |
| <b>Section B</b>  |            |            |            |            |              |
| 16.1              | 3          |            |            |            | 3            |
| 16.2              | 3          |            |            |            | 3            |
| 17.1              | 1          | 2          |            |            | 3            |
| 17.2              | 1          | 2          |            |            | 3            |
| 18.1              | 2          | 2          | 2          |            | 6            |
| 18.2              |            | 1          | 1          | 4          | 6            |
| 19                | 2          | 4          | 3          |            | 9            |
| 20                | 3          | 4          | 5          |            | 12           |
| 21                | 3          | 4          | 5          | 8          | 20           |
| <b>Unit total</b> | <b>24</b>  | <b>24</b>  | <b>20</b>  | <b>12</b>  | <b>80</b>    |