

Mark Scheme for June 2011

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

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

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

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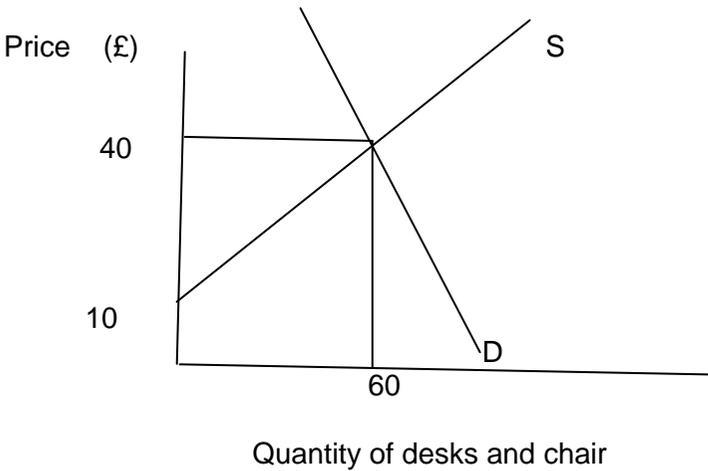
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Question			CBT Question No	Expected Answer	Mark	Rationale
1	(a)	(i)	1	<p>Select the ONE example in the table below which relates to the tertiary sector.</p> <p>For one mark, the only accepted answer is:</p> <ul style="list-style-type: none"> Teaching 	[1]	If more than one answer is ticked, then no marks are available.
		(ii)	2.1	<p>The Headteacher and the governors chose to re-equip the Economics' classrooms. What was the opportunity cost of this decision?</p> <p>For one mark, the English teacher.</p>	[1]	<p>Allow: not employing the teacher, etc. Do NOT allow 'equipment' etc.</p>
		(iii)	2.2	<p>Explain how this decision shows the basic economic problem?</p> <p>Up to two marks, the basic economic problem is that resources are scarce or that our wants exceed the resources.</p> <p>Give one mark for explaining the basic economic problem. Give one mark for relating the example on the question paper to this i.e. direct and specific application</p>	[2]	<p>Allow any valid idea of the basic economic problem.</p> <p>Give marks as follows: 'the basic economic problem is that resources are scarce [1] and the example shows this because the college can only afford either teachers or equipment [1]'. Answers must refer to 'teachers' or 'equipment' i.e. application using Fig. 1 Where the answer to part (a) is incorrect, OFR can be applied.</p>
	(b)		3	<p>In re-equipping the classrooms the school has used its money as a medium of exchange. State TWO other functions of money.</p> <p>One mark for each correct identification, up to a maximum of two. Deferred payment; store of value; and unit of account.</p>	[2]	

Question	CBT Question No	Expected Answer	Mark	Rationale
(c) (i)	4	<p>Using the data in Fig.1 on the price elasticity of demand for, and the number of desk and chair sets, on the diagram below draw and label the supply and demand lines and the equilibrium point.</p> <p>Up to four marks:</p> <p>Give 1 mark for correctly drawing the demand line.</p> <p>Give 1 mark for correctly labelling it, D.</p> <p>Give 1 mark for correctly drawing the supply line.</p> <p>Give 1 mark for correctly labelling it, S.</p> <p>The diagram below is worth 4 marks</p> 	[4]	<p>Two correctly drawn lines, unlabelled or incorrectly labelled = two marks.</p> <p>Two incorrectly drawn lines [ignored most/all the data], but correctly labelled = two marks.</p> <p>To gain four marks candidates must have used the data correctly i.e. accurate plotting of the data e.g. supply starts at $P = £10$.</p> <p>NB there is no need to show the equilibrium, although it would help for part (c)(ii).</p>

Question		CBT Question No	Expected Answer	Mark	Rationale
	(ii)	5	<p>What is the equilibrium:</p> <ul style="list-style-type: none"> • Price • Quantity <p>One mark for each correct identification, up to a maximum of two identifications.</p> <p>Answers: Price – £40 (1) Quantity – 60 (1)</p>	[2]	<p>OFR can be given if in (c)(i) there is incorrect use of data.</p> <p>These are the only acceptable answers.</p> <p>£ sign is not necessary.</p>
(d)		6	<p>Discuss the factors that are likely to cause the price of classroom desks to increase.</p> <p>Demand:</p> <ul style="list-style-type: none"> • increase in numbers of pupils • rise in the amount of money schools have • parents/Government expect schools to have new desks [taste and fashion] • rise in price of substitute – if a valid one can be suggested. <p>Supply:</p> <ul style="list-style-type: none"> • rise in the price of the factors of production • increase in indirect taxes • fall in the value of £ – assuming they are imported. <p>Level 4 [7 – 8 marks] Candidates give a fully supported answer which clearly analyses at least one factor and comes to a conclusion/offers comment. Answers at the bottom may not always be clearly related to classroom desks.</p>	[8]	<p>Allow any valid idea</p> <p>Levels 3 & 4 – AO3 Level 2 – AO2 Level 1 – AO1</p> <p>The Level, eg, L2, must be shown in the body of the text eg 'if the number of pupils increase then schools will buy more desks.' [L2]</p> <p>'There are three main factors affecting the price of desks. If the numbers of pupils rise, then schools have to purchase more desks so the demand curve moves to the right increasing price. If schools get more income they could afford to buy new desks leading to the same effect. An increase in the costs of making the desks would shift the supply curve to the left leading to a price rise. As schools seem not to want to spend money on new desks and increases in income are spent on teachers or computers the most likely cause of a rise in price is a rise in the cost of the factors involved in making them.' [L4]</p>

Question			CBT Question No	Expected Answer	Mark	Rationale
				<p>Level 3 [5 – 6 marks] Candidates are able to analyse a number of factors. At the top there will be at least one demand and one supply factor.</p> <p>Level 2 [3 – 4 marks] Candidates are able to apply a number of factors. At the top there will be at least one demand and one supply factor.</p> <p>Level 1 [1 – 2 marks] Candidates offer knowledge of factors affecting demand and/or supply</p>		<p>Candidates may draw a diagram(s). There are no marks for this, but it may well enhance any analysis, so long as they make correct reference to it.</p> <p>NB The answer MUST apply to classroom desks.</p>
2	(a)	(i)	7.1	<p>State a factor of production that is mentioned in Fig.2.</p> <p>The most likely answers are capital [equipment] or labour. Candidates can gain the mark for land or enterprise</p>	[1]	<p>Allow reference to Jacek Padereski [labour] or to enterprise [e.g. purchase of new equipment] or land [the rail track or National Park].</p> <p>Do not allow entrepreneur</p>
		(ii)	7.2	<p>State ONE other factor of production.</p> <p>For one mark, capital, enterprise, labour, land.</p>	[1]	<p>The factor given MUST be different from the answer to (a)(i) e.g. if (a)(i) labour, then (a)(ii) cannot be labour.</p>
	(b)	(i)	8	<p>Using Fig.2, calculate the average revenue in 2010. Show your working.</p> $AR = \frac{TR}{Q} = \frac{210000}{14000} (1) = £15 (1)$ <p>Give two marks for the correct answer. Give one mark for the correct formula or the correct figures.</p>	[2]	<p>Do not penalise failure to show working. [£]15 on its own is worth two marks.</p>

Question		CBT Question No	Expected Answer	Mark	Rationale
(b)	(ii)	8	<p>The demand for journeys is price inelastic. Explain how Culthwaite Rail Ltd could increase its total revenue by changing its price.</p> <p>Up to two marks, give one mark for stating that the price could be increased.</p> <p>Give one mark for explaining how this would increase total revenue.</p>	[2]	<p>‘As PED is inelastic, Culthwaite Rail Ltd could increase total revenue by raising the price [1]. This is because the rise in price would lead to a much smaller fall in quantity [and as $TR = P \times Q$ this would lead to a higher TR.] [1].’</p> <p>Allow the idea that $PED = 0$</p> <p>‘Put the price up as PED is inelastic and demand will not fall by much’ = two marks</p> <p>Give one mark for an explanation of what inelastic means if this is all the candidate offers.</p>
(c)		9	<p>Culthwaite Rail Ltd operates in the private sector. State and explain TWO differences between the private and public sectors.</p> <p>Candidates may mention:</p> <ul style="list-style-type: none"> • ownership/shareholders – state v private individuals • aims/objective – public welfare/service v profit • finance – government v banks/shareholders, etc • affected by e.g. pay – government policy v market forces. <p>One mark for each identification One mark for basic development in terms of both sectors One more mark for development which clearly explains both sectors</p>	[6]	<p>Allow any valid idea.</p> <p>OFR applies so if the difference is incorrect, but the explanation is logical then a max of two is available.</p> <p>‘Difference: Ownership [1] – private firms are owned by individual people while public ones are owned by the state [1]. In the case of the private sector ownership may be one person or by thousands of shareholders. Public ones can be owned by central or local government [1].’ Either of these developments would gain the third mark.</p> <p>Be careful not to allow PLC v Ltd development.</p>

Question	CBT Question No	Expected Answer	Mark	Rationale
(d)	10	<p>Discuss the extent to which being a monopoly may benefit a firm such as Culthwaite Rail Ltd.</p> <p>Candidates may mention:</p> <ul style="list-style-type: none"> • can charge higher prices – depends on PED • allow for greater economies of scale – could lead to diseconomies • greater profits – could lead to either complacency or to more R&D, etc. <p>Level 4 [7 – 8 marks] Candidates give a fully supported answer which clearly discusses ‘the extent to which’.</p> <p>Level 3 [5 – 6 marks] Candidates are able to clearly analyse one or more benefit, but ‘the extent to which’ is not clearly addressed. If two or more benefits are clearly analysed then the answer will be at the top, but so can one done very well.</p> <p>Level 2 [3 – 4 marks] Candidates are able to apply knowledge of the benefits.</p> <p>Level 1 [1 – 2 marks] Candidates offer knowledge of one or more benefits which may be in a list or at the bottom shows understanding of monopoly.</p>	[8]	<p>Allow any valid idea.</p> <p>Levels 3 & 4 – AO3 Level 2 – AO2 Level 1 – AO1</p> <p>The Level eg L2 must be shown in the body.</p> <p>Candidates may refer to Culthwaite Rail Ltd, but this is not required. ‘As a monopoly Culthwaite Rail Ltd will be able to benefit by raising prices and making greater profits. [L1] This would be good as the profits could pay for growth and new equipment [L2], but it could lead to the firm becoming lazy and not thinking of its customers or to diseconomies of scale. Higher prices might lead to people using other means of transport thus reducing profits.[L3] Being a monopoly could be very beneficial, allowing for economies of scale, or a disaster. The extent to which it would benefit CR Ltd would depend on its ability to continue to meet the needs of its customers.’ [L4]</p> <p>Reference to consumers cannot be credited unless it is a benefit to the monopoly firm.</p>

Question		CBT Question No	Expected Answer	Mark	Rationale
3	(a)	11	<p>Using Fig.3, calculate the difference in the average gross income per year between Health Professionals and Administrators. Show your working.</p> <p>Up to two marks</p> <p>£45000 - £15000 [1] = £30000 [1]</p>	[2]	<p>Do not penalise failure to show working. [£]30000 on its own is worth two marks.</p> <p>OFR applies – ie wrong figure(s) chosen, but then a logically correct answer = one mark.</p>
	(b) (i)	12	<p>Using two of the words below, complete the sentence so that it explains what is meant by Gross Income.</p> <p>One mark for each correct identification, up to a maximum of two.</p> <p>Gross income is the total [1] amount that a person receives before all deductions [1] are taken into account.</p>	[2]	<p>The words must be in the correct order and the only acceptable answer is the one shown.</p>
	(ii)	13	<p>In the table below, which TWO payments are taken away from Gross Income to give Net Income?</p> <p>One mark for each correct identification, up to a maximum of two identifications.</p> <p>The only accepted answers are:</p> <ul style="list-style-type: none"> • Income tax • National Insurance. 	[2]	<p>Accept the first two ticks only, ie if all four are ticked the candidate will score one mark for income tax.</p>

Question		CBT Question No	Expected Answer	Mark	Rationale
(c)	(i)	14	<p>Explain what is meant by productivity.</p> <p>Up to two marks.</p> <p>Output per unit of factor of production [1] per time period [1].</p> <p>Idea of efficiency is worth one mark so long as there is a reference to factor of production.</p>	[2]	<p>Accept any factor for the output.</p> <p>Accept a relevant calculation: 'someone bakes 60 cakes per day'.</p> <p>It could also be e.g. 'this means the number of units produced by each worker [1] each year [1].'</p> <p>There are NO marks for production or for where factors of production/inputs are ignored</p>
	(ii)	15	<p>State and explain TWO ways in which the productivity of a worker could be increased.</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one for each explanation.</p> <p>Candidates may mention:</p> <ul style="list-style-type: none"> • education and training [not both separately] • improve capital equipment • more capital • motivation methods, e.g. pay, working conditions, team working; commission/bonus; perks; job rotation; etc. <p>For each way: Give one mark for the way. Give one mark for some application/explanation in terms of increase in output.</p>	[4]	<p>Allow any valid idea.</p> <p>Candidates who confuse productivity and production can gain a max of two marks [OFR] – ie the application marks.</p> <p>Specialisation/division of labour may also be accepted, but do NOT allow vague comments on experience.</p> <p>'Productivity can be increased by sending a worker on a training course [1]. The worker will learn new techniques so he can produce more [1]</p> <p>Motivation with no method max one mark. Fast/faster on its own – no extra credit.</p>

Question		CBT Question No	Expected Answer	Mark	Rationale
3	(d)	16	<p>Discuss the reasons why doctors are paid more than nurses.</p> <p>Candidates might mention:</p> <ul style="list-style-type: none"> • supply of doctors less than the supply of nurses • inelastic supply of doctors due to length of training • greater demand for doctors • cost more for training/student fees • have to spend years paying back student loans • miss out on pay in the years spent training, etc • stronger trade union [professional body] • greater skill? <p>Level 4 [7 – 8 marks] Candidates give a fully supported answer which, having offered some analysis, clearly discusses the factors coming to a conclusion.</p> <p>Level 3 [5 – 6 marks] Candidates are able to clearly analyse a number of factors leading to the higher pay of doctors. One factor well analysed can gain the bottom of the level.</p> <p>Level 2 [3 – 4 marks] Candidates are able to offer some application which may concentrate on one aspect only. At the bottom application is very limited and may show little real understanding.</p> <p>Level 1 [1 – 2 marks] Candidates offer knowledge of factors affecting pay.</p>	[8]	<p>Levels 3 & 4 – AO3 Level 2 – AO2 Level 1 – AO1</p> <p>The Level eg L2 must be shown in the body.</p> <p>To reach L4 there must be a supported conclusion drawn from the answer.</p> <p>Award any valid reason.</p> <p>Examples of analysis: use of supply or demand; Allow hospital doctors/specialists</p> <p>‘Doctors spend much longer training and, therefore, need to be compensated for this and the money spent in achieving this, whereas nurses have been able to earn for more years. The length of training also means that the supply of doctors is inelastic, the supply of nurses is more elastic, so given similar demand doctors will earn more. The training gives doctors skills which cannot easily be replaced, unlike nursing which far more people could do. In addition, all doctors belong to the BMA, whereas nurses have several unions. This gives doctors greater bargaining power. The most important of these factors are the inelastic supply of doctors and the BMA as both of these directly force up the pay while the BMA controls the inelastic supply of doctors.’[L4]</p>

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