



Mark Scheme (Results)

November 2021

Pearson Edexcel GCE

In Economics B (9EB0)

Paper 1: Markets and how they work

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

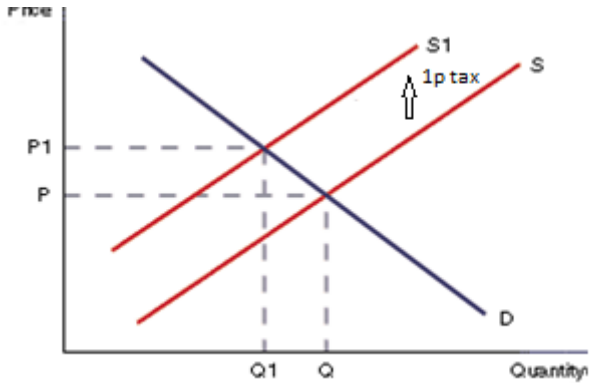
Section A

Question Number		Mark
1(a)	Knowledge/understanding 1, Application 2, Analysis 1 Knowledge/understanding: up to 1 mark for explaining the way e.g. creation of online shopping via the internet (1) Application: up to 2 marks are available for contextualised answers, e.g. growth of online clothing retailers such as <i>Boohoo</i> (1) high street clothing stores are struggling/closing (1) Analysis: Up to 1 mark is available for developing the connection e.g. this has enabled the online clothing market to grow whilst destroying traditional high street clothing shops (1)	(4)

Question Number		Mark
1(b)	Knowledge/understanding 1, Application 3 Knowledge/understanding: 1 mark for formula for gross profit margin e.g. $\frac{\text{Gross Profit}}{\text{Revenue}} \times 100 \text{ (1)}$ Application: $\frac{230\,091\,000}{434\,565\,000} \text{ (1)} \times 100 = 52.95\% \text{ (1)}$ NB: if no working is shown award marks as below • If the answer given is 52.95% award 4 marks • If the answer given is 52.95 award 3 marks	(4)

Question Number		Mark
1(c)	Knowledge/understanding 1, Application 3 Knowledge/understanding: 1 mark for formula for average revenue e.g. $\frac{\text{Revenue}}{\text{Units sold}} \quad (1)$ Application: $\frac{434\,565\,000}{10\,501\,813} \quad (1) = £41.38 \quad (1)$ NB: if no working is shown award marks as below • If the answer given is £41.38 award 4 marks • If the answer given is 41.38 award 3 marks	(4)

Question Number	Indicative content	Mark
1(d)	Knowledge/understanding 2, Application 2, Analysis 2 Knowledge/understanding: up to 2 marks are available for identifying 2 advantages e.g. an increase in productivity (1) reduced costs per unit (1) Application: up to 2 marks are available for a contextualised answer e.g. dresses can be made more rapidly by specialised labour (1) UK manufacturers are only paid between £2.50-£3 per dress (1) Analysis: up to 2 marks are available for developing the benefits of division of labour e.g. This can result in a larger quantity of clothing being able to reach the retail outlets quickly for resale (1). These lower prices can increase the quantity sold helping to boost revenue/profits (1)	(6)

Question Number	Indicative content	Mark
1(e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2  • An introduction of a 1p tax on clothing could result in an upward shift of the supply curve from S to S1 • This is because the 1p per garment will add to the cost of production (vertical distance between S and S1) • This results in P increasing to P1 and could result in fewer fast fashion garments being manufactured (Q to Q1) • This could reduce the negative impact of clothing on the environment • However, this is just a suggestion by MPs on the Environmental Audit Committee • The 1p tax is very low and in practice would have little or no effect on the amount of fast fashion being purchased by consumers • As it stands, any shift in supply is unlikely • Clothing retailers such as <i>Boohoo</i> may simply absorb the 1p tax rather than pass it on to consumers	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

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Question Number	Indicative content	Mark
1(f)	Knowledge 2, Application 2, Analysis 4, Evaluation 4 • Share capital is the money invested in a company by the shareholders and is an example of a long-term source of finance • In return for their investment, shareholders gain a share in the ownership of the company • The implications of using share capital is that it does not have to be paid back • Share capital does not incur any interest unlike long-term loans • Shares in <i>Boohoo</i> can be sold on the Stock Exchange which might encourage a wider range of investors • <i>Boohoo</i> was floated in 2014 and is now worth £3.7bn • Share capital raises a large sum which is necessary for major expansion • The capital raised from the flotation could be used to expand the firm such as entering new overseas markets • However, the Kamani family will have to give up some control over <i>Boohoo</i> as external shareholders would have to be consulted • In 2019, the firm made £24 719 000 profit for the year • Shareholders will want to receive dividends as a reward for buying shares in <i>Boohoo</i> so the Kamani family will receive a lower proportion of this profit • There are other ways that <i>Boohoo</i> could have raised a significant amount of capital such as long-term loans and mortgages which would have kept full control within the family • These alternative methods do have disadvantages in terms of payment of interest and the requirement for collateral • By using share capital, <i>Boohoo</i> has been able to increase the number of investors helping the firm to grow quickly	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5–7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8–10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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Question Number	Indicative content	Mark
1(g)	Knowledge 2, Application 2, Analysis 4, Evaluation 4 • Factors of production are inputs used in various combinations for the production of goods and services to make an economic profit • The factors of production are land, labour, capital, and enterprise • Enterprise can be seen as fundamental to the organisation of economic activity • Without enterprise, no firm would exist and the entrepreneur Mahmud Kamani has had to be willing to take risks in return for profit • Mahmud Kamani was able to combine enterprise with the other factors of production to start his initial business selling handbags on a market stall in Manchester and then expand to supply <i>Topshop</i> and <i>Primark</i> • Mahmud Kamani also was one of the first entrepreneurs to spot the opportunities for online clothing retail showing the importance of enterprise in the success of a firm • Mahmud Kamani has created a well-organised business, which has tapped into the growth of online retailing for quickly copying celebrity fashion trends. <i>Boohoo</i> has grown to be worth £3.7bn in just 15 years • However, although enterprise is important to any firm, enterprise on its own will not guarantee success • Many new business start-ups fail within the first few years due to a lack of capital, land or labour • It could be argued that <i>Boohoo</i>'s continued success could be because of its flotation in 2014 which has given it access to a large amount of capital, which has been used to expand the firm • <i>Boohoo</i> may have been successful not just because of enterprise, but the use of labour to successfully design clothing which is in demand by UK consumers • Overall, for a firm to be successful, an entrepreneur needs to combine all four factors of production equally and it cannot just be one factor which is more important than another for long-term success	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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Question Number	Indicative content	Mark
1(h)	Knowledge 2, Application 2, Analysis 4, Evaluation 4 • Corporate Social Responsibility (CSR) involves a firm behaving in an ethical way and accepting responsibility for its effects on all its stakeholders • <i>Boohoo</i> has been criticised for its £4 dress for the environmental and social costs of making fast fashion items • There is often a negative trade-off between ethical behaviour and profitability • CSR involves improving issues such as environmental protection, fair wages and working conditions, responsible sourcing and sustainability • As part of its CSR policy, <i>Boohoo</i> does employ six people in the UK and 10 people in China to check and ensure proper working conditions in the factories <i>Boohoo</i> uses • <i>Boohoo</i> is forming a partnership with Sustainable Clothing Action Plan (SCAP) to help reduce the carbon, water and waste footprint of its supply chain. • These measures will result in higher costs of production for <i>Boohoo</i> which may negatively affect profitability in the short-term • If higher costs translate into higher prices for clothing then its competitiveness and sales may suffer • There are plenty of other fast fashion retailers such as <i>Missguided</i> who are willing to undercut <i>Boohoo</i> which could result in a loss of market share • Many consumers may not care about their environmental claims and may be more concerned with the final selling price of the clothes • However, the trade-off may be limited or even non-existent • Having a CSR policy may mean that costly environmental damage can be avoided particularly as the impact of fast fashion and its impact on the environment is becoming an increasingly important issue with consumers and the media • Some firms such as <i>Boohoo</i> will gain a competitive advantage by following an ethical policy which can enhance reputation and desirability in the eyes of the consumer, thus giving a competitive advantage • Much depends on the additional costs involved in the implementation of their values • In the short term it may be costly to ensure these standards are being kept but in the longer-term, <i>Boohoo</i> may see its sales increase	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

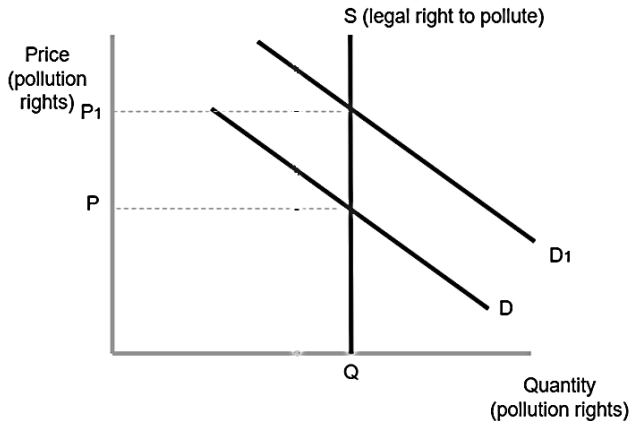
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Section B

Question Number	Indicative content	Mark
2	Knowledge 4, Application 4, Analysis 6, Evaluation 6 • Tradable pollution permits is a system of limiting carbon emission through granting firms permits to emit a certain amount of carbon dioxide • The number of permits is decided by the government and then permits are given to firms depending on various criteria such as how much output a firm produces • A firm can then buy and sell these permits in an open market • For example, if a firm wanted to emit more pollution, it could buy more permits. If it reduced its pollution emissions through improvements in technology or using renewable energy, it could sell its surplus permits on the market  • If there is an increase in demand for pollution permits demand will shift from D to D1 and the price of these tradable permits will increase • Firms will either pay more for the right to pollute or they will be incentivised to reduce pollution by investing in cleaner production options and reduce their CO₂ outputs • In the long run, this feeds innovation and drives down the price of new technologies • To reduce CO₂ emissions, the UK Government could gradually reduce the amount of permits it issues • Pollution permits provide both a reward and a penalty, and this combination is more likely to be effective than alternative methods such as indirect taxation • However, tradable pollution permits are very complex to administer in terms of deciding how many permits to issue in the first place and involve costs in terms of buying and selling • There is a difficulty of measuring how much a firm is actually polluting and permits do still result in carbon emissions which can still result in negative externalities • If tradable pollution permits are introduced in one country	

	but not others, it may cause production to shift to countries without the scheme. • Richer, more developed countries can simply buy additional permits from other less developed countries so does not reduce pollution but moves it to poorer countries • A Carbon Tax may be more simple, transparent and easy to administer • There needs to a range of measures used by the UK Government to reduce overall CO₂ emissions	(20)
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Demonstrating application (AO2) in responses

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Section C

Question Number	Indicative content	Mark
3	Knowledge 4, Application 4, Analysis 6, Evaluation 6 - Barriers to entry are factors that make it difficult for new firms to enter the market <i>WT.Social</i> is set up by <i>Wikipedia</i> which is already well-known and has an established online presence with experience of the technology required to run a successful online platform <i>WT.Social</i> might be successful if they can appeal to a particular niche group of social media users - The greatest users of <i>Facebook</i> in the UK are 20-29 year olds and if <i>WT.Social</i> can target this group of existing social media users, they might be able to gain market share in the UK <i>WT.Social</i> has been founded to offer a different social media experience and provide advert-free content which might appeal to social media users - Many social media users prefer no adverts and this feature could be used to differentiate <i>WT.Social</i> from other platforms such as <i>Facebook</i> and <i>Twitter</i> which use adverts and sell data to fund the platforms - The total number of <i>Facebook</i> users is set to rise to 41.37 million users by 2021 in the UK alone indicating there are many potential customers that <i>WT.Social</i> could target - Many social media users do in fact have several social media accounts so <i>WT.Social</i> could still be successful in a market dominated by <i>Facebook</i> and <i>Twitter</i> - However, it would be hard to displace <i>Facebook</i> from its position of dominance as being the first firm helps create brand loyalty and create a framework which is more difficult for new firms to enter - Figure 1 shows that <i>Facebook</i> has the largest market share in the UK with 40.22% followed by <i>Twitter</i> with 33.17% - This could make it very difficult for <i>WT.Social</i> to gain entry into the market as many users will be brand loyal to existing social media platforms - Many people will want to join the platforms with the most users and currently <i>WT.Social</i> only has 160,000 users globally so this could restrict how successful it will be - Other social media platforms are free to join and use whilst <i>WT.Social</i> is asking for donations to join otherwise new users are placed on a waiting list which could restrict the number of potential users - The success of <i>WT.Social</i> will depend on how the new platform is marketed and if users do prefer the new format to existing social media platforms	(20)

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