

# GCSE ECONOMICS

(8132)

**Marked Papers**  
Paper 1 8132/1

See a range of responses and how different levels are achieved and understand how to interpret the mark scheme.

Version 1.0 November 2017

# EXAMPLE RESPONSES



Please note that these responses have been reproduced exactly as they were written and have not been subject to the usual standardisation process.

## Specimen paper 1, question 15

### Question

**Figure 2**

Two businesses are producing sofas for sale to households; SofaSogood plc sells its sofas from a warehouse located on the outskirts of a large town and are sold direct to consumers. Handcraft Furniture Ltd sells sofas from a shop located in a small town which are produced in premises located behind the shop.

The sofas are aimed at different markets and are sold for significantly different prices. Data relating to each business is shown below.

	<b>SofaSogood plc</b>	<b>Handcraft Furniture Ltd</b>
Number of workers employed	75	12
Average yearly income of consumers	£24,000	£55,000
Method of production	Machine intensive	Hand-made
Discount offered by suppliers	10%	1%
Annual production level	5,000 sofas	300 sofas

Using **Figure 2**, analyse why the price of a sofa sold by Handcraft Furniture Ltd is likely to be more expensive than a sofa sold by SofaSogood plc.

**[6 marks]**

## Mark scheme

AO2 – 2 marks, AO3 – 4 marks

Level	Marks	Description
3	5–6	A full analysis of the economic evidence, a well-developed and logical chain of reasoning.
2	3–4	An incomplete analysis of the economic evidence, starts to develop a chain of reasoning.  Good application of knowledge and understanding of concepts/issues mostly relevant to the context.
1	1–2	Analysis of discrete points of the economic evidence with no chain of reasoning attempted.  Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.
0	0	Nothing written worthy of credit.

### Indicative content:

- Handcraft Furniture Ltd. (HF) sells sofas to customers with much higher incomes than customers of SofaSogood (SS) which allows HF to raise its selling price.
- HF has 12 workers whereas SS has 75, which means that the scope for specialisation is lower and therefore unit costs may be higher meaning the selling price will need to be higher to cover costs.
- HF do not get as high a discount on their supplies as SS. SS benefit from purchasing economies of scale which means their unit costs are lower leading to lower prices for their sofas.
- Machine intensive production by SS could mean that their variable costs of production are lower than the variable costs of HF whose product is hand-made. This means that HF has higher costs per unit leading to a higher selling price.
- Because HF sofas are hand-made the output of sofas is lower than SS, 66 sofas per person at SS and 25 per person at HF. As a consequence of this productivity is much lower and labour costs are higher leading to having to charge higher prices.
- SS sofas are located in a warehouse outside the town which enables them to gain the benefits of lower storage and distribution costs whilst HF are situated in town and are constrained by higher overheads.

**Note:** This indicative content is not exhaustive, other creditworthy be awarded marks as appropriate.

## Student responses

### Student response 1

Handcraft Furniture do not get a very big discount from their suppliers and also they are based in town where their rent costs will be higher, therefore they will want a high price so they don't make a loss.

This is a low level response.

### Student response 2

Handcraft Furniture produce hand-made items whereas SofaSogood has machinery that creates its furniture. Of these two methods, machine intensive production is likely to carry lower variable costs, which allows SofaSogood to produce each item for a lower unit cost, and in turn lower their prices.

This is a medium level response.

### Student response 3

Figure 2 shows that the average yearly income of a Handcraft Furniture customer is £55,000, compared with £24,000 for SofaSogood customers. Handcraft may therefore be able to charge higher prices for their products as their customers are likely to have more disposable income. Additionally, Handcraft has a much smaller operation than SofaSogood, with many less workers employed and less than a tenth as many sofas produced per year. SofaSogood seems to be benefitting from this high volume of production through purchasing economies of scale, as their discount from their suppliers is 10% compared to just 1% for Handcraft. This better discount could lower the unit costs of SofaSogood which they may pass on to customers in the form of lower prices.

This is a high level response.

## Specimen paper 1, question 21

### Question

#### Figure 5

A small, independent fast-food shop is considering whether or not to introduce a new machine to speed up production. The machine would be able to produce burgers to order and enable the production of burgers to be split into different stages so that each worker would be involved in only one stage of the process.

The shop's sales are in decline with customers regularly complaining about having to wait a long time for their orders. It is hoped that the installation of the machine will enable sales to rise but the machine would be an expensive investment.

The current workforce of the shop are worried about the changes but the managers claim that the investment could lead to many benefits. Regardless of whether the investment in the machine goes ahead, the management of the shop are worried about the low-price competition they face from a larger fast-food chain soon to open in the local area.

Using **Figure 5**, assess whether the decision to install the machine will be beneficial for the business and the workers.

[9 marks]

### Mark scheme

AO2 – 3 marks, AO3 – 6 marks

Level	Marks	Description
3	7–9	<p>A fully justified conclusion with sustained evaluation, which is coherent and relevant, with judgements supported by evidence.</p> <p>A full analysis of the economic evidence, a well-developed and logical chain of reasoning.</p> <p>Comprehensive application of knowledge and understanding of pertinent concepts/issues relevant to the context; specialist language used throughout.</p>
2	4–6	<p>A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence.</p> <p>An incomplete analysis of the economic evidence; starts to develop a chain of reasoning.</p> <p>Good application of knowledge and understanding of concepts/issues mostly relevant to the context; specialist language used mostly appropriately.</p>
1	1–2	<p>A basic conclusion or assertion may be present based on evaluative judgements supported by little or no evidence.</p>

		<p>Analysis of discrete points of the economic evidence with no chain of reasoning attempted.</p> <p>Basic application of knowledge and understanding of concepts/issues with limited relevance to the context; may use non-specialist language.</p>
0	0	Nothing written worthy of credit.

Note: If both business and workers are not covered in the response, can only reach level 2.

**Indicative content:**

For-business

- The machine would enable further specialisation to take place which would lead to increased productivity. This would enable the business to become more competitive.
- The machine will allow for further job role designations which will address the issue of waiting times and poor customer service. This will result in fewer customer complaints which could lead to a higher demand for burgers which will increase profits
- The machine will allow the business to take advantage of technological economies of scale which will reduce their average costs and therefore result in lower prices for their products. This will mean they may be able to increase revenues through selling more whilst at the same time reducing their costs and increasing profits.
- The machine will allow the business to grow or expand which could lead to opening more stores and hence greater profit potential.

For-workers

- The machine will result in fewer complaints which will create a nicer working environment and possibly increase the motivation and quality of service that workers can provide.
- The machine could result in the business surviving in the long-term due to increased competitiveness and productivity, saving workers' jobs.
- The machine could lead to the growth of the business in the long-term which could result in jobs being created and opportunities for further training and promotion.

Against-business

- The machine would be an expensive investment and may not lead to a high enough change in demand to cover the costs, which could lead to the failure of the business.
- The machine may not improve productivity and competitiveness sufficiently to stave off competition from the large chains.
- The machine may not improve productivity and competitiveness sufficiently to stave off competition from the large chains.
- The machine could lead to the workers' demotivation which may lead to decreased productivity of workers which could affect waiting times and quality of customer service, impacting on profitability.

**Against-workers**

- The machine could lead to job losses in the short-term due to the machine taking over some existing work.
- The machine could result in deskilling due to workers only being required to take on one stage of the process.
- The machine could lead to quality of work deteriorating as a consequence of workers become bored and demotivated.
- The machine could lead to a decrease in wages as the jobs required would be less skilled.

There will be winners and losers in the short-term but the business and workers could all lose out in the long-term without the investment.

**Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

## Student responses

### Student response 1

As machines are usually quicker and more efficient than humans, the business could find that their operations are now quicker and more efficient now they have the machine. On the other hand the workers may be demoralised to see how badly they have been doing their jobs and so this would be bad for the business.

This is a low level response.

### Student response 2

The decision to install the machine would be bad for the workers. Firstly, their jobs would be becoming more specialised, with each worker having a hand in just one part of production. A cost to the worker of flow production is that their job can become very boring and repetitive, and this will demoralise staff and cause them to do a worse job. Over time the staff will also lose any skills they had that are now not required in their new, minimised role, and this could harm their future career prospects. There is also no reason to think that the business will continue to hire as many staff as before now that they have a very efficient machine. Even if the staff are still needed, the huge cost of the machine may mean the business has to fire some workers or reduce their wages.

This is a medium level response.

### Student response 3

One of the main issues facing the business right now is the customer complaints about slow orders. The new machine, which is designed to speed up production, would reduce these complaints by making their production process more efficient. This should increase customer satisfaction and retention, which should lead to more burgers sold and increased profits for the business. The workers will also benefit from this as the increased profits could result in increased wages for staff and the increased customer satisfaction could decrease customer complaints which currently may be demotivating staff. Happier staff will also increase the customer satisfaction in the business which in turn could further increase profitability.

The incoming competition from the larger fast-food outlet also threatens the future of the business. By increasing their efficiency in production then the business could translate these lower unit costs into lower prices for consumers, which could help them survive. Even if the workers did not receive higher wages, the new machinery could guarantee them jobs in the long run, so both the business and workers would benefit.

This is a high level response.

## Get help and support

Visit our website for information, guidance, support and resources at [aqa.org.uk/8136](https://aqa.org.uk/8136)

You can talk directly to the economics subject team

E: [economics@aca.org.uk](mailto:economics@aca.org.uk)

T: 01483 477 863