5	**QS8:** Make calculations of elasticity and interpret the result **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** **B** is incorrect because this affects the price elasticity of supply of labour **C** is incorrect because this affects the price elasticity of supply of labour **D** is incorrect because this affects the supply of labour	**(1)**

6	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** **A** is incorrect because this indicates that barriers to entry are low **C** is incorrect because this would encourage entry into the industry **D** is incorrect because this suggests that it is relatively easy for firms to enter the industry	**(1)**

5	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** **B** *is not correct because the profit motive and an increase in competition resulting from privatisation would increase productive efficiency* **C** *is not correct because an increase in competition resulting from privatisation would lead to greater consumer choice* **D** *is not correct because privatisation involves the sale of shares to individuals and institutions*	**(1)**

5	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	**The only correct answer is D** A is incorrect because the firm would be making supernormal profits B is incorrect because this is the long-run shut-down position C is incorrect because the firm will continue to operate in the short-run	**(1)**

4	**QS8:** Make calculations of elasticity and interpret the result.	**The only correct answer is C** **A** *is not correct because a fall in net migration would cause a fall in the supply of labour* **B** *is not correct because a decrease in productive efficiency would affect output and not the elasticity of supply of labour* **D** *is not correct because a rise in trade union membership could cause a fall in the supply of labour*	**(1)**

4	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	The only correct answer is D A is incorrect because average revenue would be greater than marginal cost B is incorrect because marginal revenue would be lower than average revenue C is incorrect because marginal revenue would be less than total cost	**(1)**

4	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because supernormal profit will encourage market entry C is incorrect because normal profit will be made in the long-run D is incorrect because normal profit will be made in the long-run	**(1)**

6	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** *is not correct because it is not producing at the lowest point on the AC curve in the short run* **C** *is not correct because these firms make normal profits in the long run* **D** *is not correct because price is not equal to marginal cost in the short run*	**(1)**

4	**QS1:** Calculate, use and understand ratios and fractions **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The correct answer is **B** **A** is incorrect because this is the four-firm concentration ratio **C** is incorrect because this is the four-firm concentration ratio plus others **D** is incorrect because this is the six-firm concentration ratio	**(1)**

4	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is incorrect because this would help the success of the government intervention **B** is incorrect because a more flexible workforce would help the success of the government intervention **C** is incorrect because perfect knowledge would help the success of the government intervention	**(1)**

2	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes.	D	**(1)**

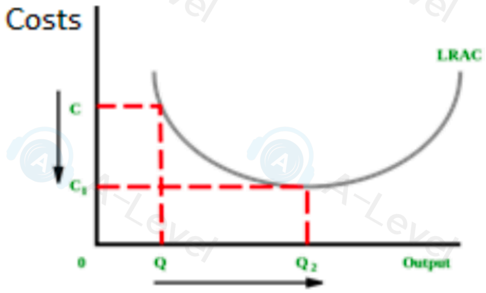
6	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	**The only correct answer is B** A is incorrect because this occurs where MR=0 C is incorrect because this occurs where MC=MR D is incorrect because this occurs between profit maximisation and sales volume maximisation	**(1)**

4	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	**The only correct answer is C** A is incorrect because higher rent would cause supernormal profits to decrease B is incorrect because higher rent would cause supernormal profits to decrease but the price remains constant D is incorrect because the supernormal profit would decrease and the price remains constant	**(1)**

Question	Quantitative skills assessed	Answer	Mark
1	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because the firms are at the same stage of production B is incorrect because the firms are at the same stage of production D is incorrect because the firms are in the same industry	(1)
5	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because demand is more price elastic in the afternoon C is incorrect because supply is perfectly inelastic D is incorrect because supply is perfectly inelastic	(1)
6	**QS8: Make calculations of elasticity and interpret the result** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	**The only correct answer is B** A is incorrect because the demand is more price elastic in the daytime than the evening. C is incorrect because the supply of seats in a cinema would be perfectly inelastic D is incorrect because the elasticity of supply will not vary between the daytime and evening	(1)
2	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because a marginal cost pricing strategy is where MC=AR B is incorrect because a limit pricing strategy is where all consumers would pay the same price D is incorrect because a predatory pricing strategy sets the price below the average variable cost for all consumers	(1)
3	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	The only correct answer is A B is incorrect as the business will make normal profit C is incorrect because the business will reduce output D is incorrect because the price will fall	(1)

Question	With reference to Figure 1, calculate the percentage point change in the four-firm concentration ratio between 2020 and 2021. **Answer**	Mark
7(a)	**Application 2** **Quantitative skills assessed:** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. 1 mark for calculation in 2020: 26+11+20+15 = 72% OR 1 mark for calculation in 2021: 21+17+16+13 = 67% 1 mark for the change in CR: 67% - 72% = -5 **NB: Award full marks for correct answer (-5) regardless of working.** **NB: Accept 5 without minus sign**	**(2)**

Question	With reference to Extract A, analyse **two** reasons why India has become the world's second largest smartphone market. **Answer**	Mark
7(b)	**Knowledge 2 Application 2 Analysis 2** **Quantitative skills assessed: QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** **Up to 2 marks for identifying two reasons and 1 mark for each linked expansion e.g.** • Large population **(1K)** means high potential sales in India **(1An)** • Increasing per capita real incomes/disposable incomes **(1K)** mean smartphones are more affordable for consumers **(1An)** • Large smartphone ownership **(1K)** shows potential for upgrading to the latest models **(1An)** **Application** **Up to 2 marks for identifying two relevant applications from extract A e.g. (1+1)** • per capita income rose from US$1000 to US$1301 **(1)** • over half the population owns a mobile phone/it is expected that the market will grow from US$ 25.1 billion in 2018-2019 to US$ 80 billion in 2025-26 **(1)** in 2021 India's population was 1.38 billion/India has the second largest population after China **(1)**	**(6)**

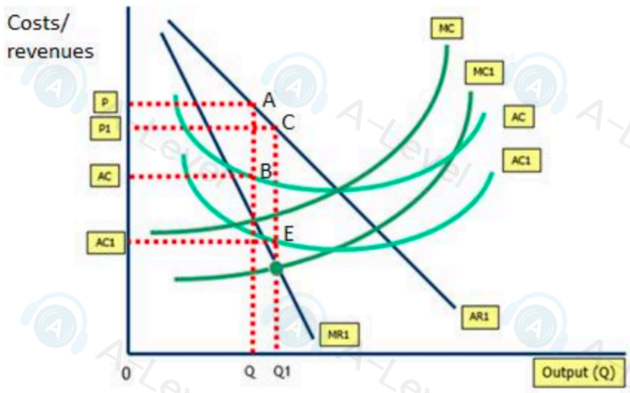
Question	With reference to Extract B, explain what is meant by 'economies of scale '. **Answer**	Mark
7(c)	**Knowledge 2 Application 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge:** Up to 2 marks for the definition of economies of scale: When long-run average costs fall **(1)** as output increases **(1)**  Diagram showing LRAC **(1)** with correct annotation to show LRAC falling as output increases **(1)** **Application:** Up to 2 marks for application to the context e.g.: • Samsung has set up in India to benefit from economies of scale **(1)** for example, technical/purchasing/marketing **(1)** • Samsung opened the world's largest mobile phone factory **(1)** • Foxconn has set up in India to reduce long-run average costs **(1)**	**(4)**

Question	With reference to Figure 2 and Extract B, examine the likely impact on the profits of Samsung of opening a smartphone factory in India. Use an appropriate diagram in your answer. **Answer**	Mark
7(d)	**Knowledge 2 Application 2 Analysis 2 Evaluation 2**	

Quantitative skills assessed:

QS4: Construct and interpret a range of standard graphical forms

QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.



Knowledge

Up to 2 marks for drawing a diagram that shows knowledge of:

- Original MC, AC, MR, AR, with profit maximising equilibrium **(1)**
- Fall in costs showing downward shift in AC to AC_1 /

Or

- a downward shift in both AC to AC_1 and MC to MC_1 **(1)**

Analysis

Up to 2 marks for impact on supernormal profits e.g.**:**

- Original supernormal profits A,B,AC,P **(1)**
- New supernormal profit area C,E,AC1,P1 **(1)**

Application

- Labour costs in India are 50% lower than in China **(1)**
- Skilled labour costs up to 15% less than in China
- The Make in India programme offers tax relief to firms producing in India **(1)**
- Transportation costs are reduced **(1)**

Evaluation

Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.:

- Imported components are expensive and taxed at 12.5% increasing costs if not purchasing lower priced components in the expanding Indian market **(1)**
- Insufficient supply of domestic smartphone components forcing firms to purchase expensive imports **(1)**
- Labour costs would be even lower if firms manufactured in Indonesia or Vietnam **(1)**
- The power supply is unreliable so reducing output **(1)** increasing costs and lowering profit **(1)**
- Transport costs may rise **(1)** as it is slow and costly reducing profits **(1)**

(8)

Question	With reference to Extract C, Figure 2 and your own knowledge, discuss the benefits of non-price competition for consumers and businesses in the Indian smartphone industry. **Indicative content**
7(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis (8 marks) – indicative content** • Non-price competition occurs when firms use such factors as packaging, delivery, or customer service rather than price to increase demand for their products. • The Indian mobile phone industry is an oligopoly with the combined market share of the top 4 at 67% in 2021. Therefore they are unlikely to compete on price **Benefits to consumers:** • Better quality goods: Businesses are competing through innovation and design. This enables consumers to benefit from more choice/better quality goods, improving consumer welfare • Increased awareness through advertising. This enables consumers to make informed/rational decisions/maximising utility • Branding: this enables consumers to recognise the smartphones produced by each manufacturer • After-sales service: this enables consumers to resolve problems when using smartphones • New products may be developed through non-price competition allowing consumers to benefit from a greater range of smartphones with better technology **Benefits for businesses:** • Higher profits: non-price competition makes demand more price inelastic because of the better quality products. Businesses can charge higher prices and increase their profits • Avoids costly price wars • Better branding/customer loyalty as businesses are able to differentiate themselves from other smartphone producers. This can help businesses increase their sales and market share • Product differentiation through non-price competition helps these businesses to set their own prices **NB Level 3 response requires benefits to both business and consumers**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content **Consumers:** • Non-price competition may lead to higher prices for consumers as businesses will need to cover their innovation costs, reducing consumer surplus • Consumers would most likely benefit from lower prices in a price war/price competition • Non-price competition increases the complexity of the purchase • Non-price competition acts as a barrier to entry reducing choice **Businesses:** • Non-price competition can be expensive. Businesses investing in new technology and innovation will increase their costs of production which may cause profits to fall • Investing in innovation and technology can be risky and takes a long time. If unsuccessful, businesses may face increased costs and be unable to recover them with higher sales • Smaller firms may not be able to operate in this market as non-price competition acts as a barrier to entry for them • Non-price competition could contribute to allocative inefficiency as prices rise

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.