



# Cambridge Pre-U

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## ECONOMICS

9772/01

Paper 1 Multiple Choice, Short Answers and Data Response

May/June 2023

MARK SCHEME

Maximum Mark: 80

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**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

**Social Science-Specific Marking Principles  
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer.
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

**ANNOTATIONS**

The following annotations are used in marking this paper and should be used by examiners wherever appropriate.

Annotation	Use or meaning
KU	Relevant economic knowledge and understanding used to help answer the question here (see AO1).
APP	Relevant application of economic concepts to the given question or context is shown here (see AO2)
AN	Relevant economic analysis of the situation in the question is demonstrated (see AO3).
EE	Relevant, effective evaluation of the issues in the question is given here (see AO4).
✓	Correct and relevant point made in answering the question.
BOD	Benefit of the doubt given. The point has not been made quite correctly, completely or precisely, but is nearly there and the intention is clear.
^	Omission mark. A term, a label, a line on a graph, an example, etc, required to make the point correctly has been missed out of the response.
×	Incorrect point or error made.
TV	Too vague. This part of the response is not precise enough to be worth any credit.
?	The point being made is unclear or confused.
IR	Irrelevant response – this work is not helping the candidate to answer the given question.
SEEN	This work has been noted by the examiner, but there is nothing of any credit here.
highlighter	Used to indicate something of significance or referred to by another annotation or comment.
[T] (text box)	A catch-all, when you need to give more detail or explanation. For the Essay there may be a requirement to show part marks in a text box – see the detailed mark scheme.
OFR	Own figure rule
REP	Repetition of a point already made/credited

**ASSESSMENT OBJECTIVES**

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Apply economic theory to real-world situations.
AO3 Analysis	Analyse economic problems using appropriate numerical and non-numerical techniques.
AO4 Evaluation	Evaluate and make conclusions; assess the relevance and appropriateness of assumptions made within economic models.

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
<b>Section A MCQ</b>		
1	C	
2	D	
3	B	
4	C	
5	B	
6	C	
7	B	
8	A	
9	A	
10	C	
11	B	
12	C	
13	B	
14	A	
15	D	
16	D	
17	D	
18	C	
19	D	
20	D	
21	B	
22	D	
23	D	
24	B	
25	D	
26	D	
27	B	

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
28	C	
29	C	
30	C	

Question	Answer	Marks																				
<b>Section B: Short Answers</b>																						
31(a)	<p><b>In 2021, the Gini coefficient for income distribution in the UK was 0.35. In Canada in the same year, it was 0.33.</b></p> <p><b>State what this data indicates about differences in income distribution in the two countries.</b></p> <p><b>1 mark</b> for the Gini coefficient measures income inequality.</p> <p><b>1 mark</b> for the larger value of the Gini coefficient in the UK means that income inequality was greater in the UK in 2021 than that in Canada. Do not accept reference to 'fairness' or similar.</p>	<b>2</b>																				
31(b)	<p><b>In the UK tax year up to 5 April 2022, the amount of personal income tax payable at different total income levels is shown in Table 31.1:</b></p> <p><b>Table 31.1: UK personal income tax payable at different total income levels</b></p> <table border="1" data-bbox="320 920 1310 1182"> <thead> <tr> <th>Total Income (£)</th> <th>Personal income tax payable (£)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">12 000</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">35 000</td> <td style="text-align: center;">4486</td> </tr> <tr> <td style="text-align: center;">55 000</td> <td style="text-align: center;">9431</td> </tr> </tbody> </table> <p><b>Explain what evidence there is in Table 31.1 to support the view that personal income taxation in the UK is progressive. Use calculations in your answer.</b></p> <table border="1" data-bbox="320 1350 1310 1680"> <thead> <tr> <th>Total Income (£)</th> <th>Personal income tax payable (£)</th> <th>Percentage of personal income in income tax (%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">12 000</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">35 000</td> <td style="text-align: center;">4486</td> <td style="text-align: center;">12.82</td> </tr> <tr> <td style="text-align: center;">55 000</td> <td style="text-align: center;">9431</td> <td style="text-align: center;">17.15</td> </tr> </tbody> </table> <p><b>1 mark</b> for a progressive taxation system is one which takes a larger percentage of higher incomes.</p> <p><b>1 mark</b> for at least two correct percentage calculations.</p> <p><b>1 mark</b> for the percentage of personal income paid in income tax increases as income increases making the tax system progressive.</p>	Total Income (£)	Personal income tax payable (£)	12 000	0	35 000	4486	55 000	9431	Total Income (£)	Personal income tax payable (£)	Percentage of personal income in income tax (%)	12 000	0	0	35 000	4486	12.82	55 000	9431	17.15	<b>3</b>
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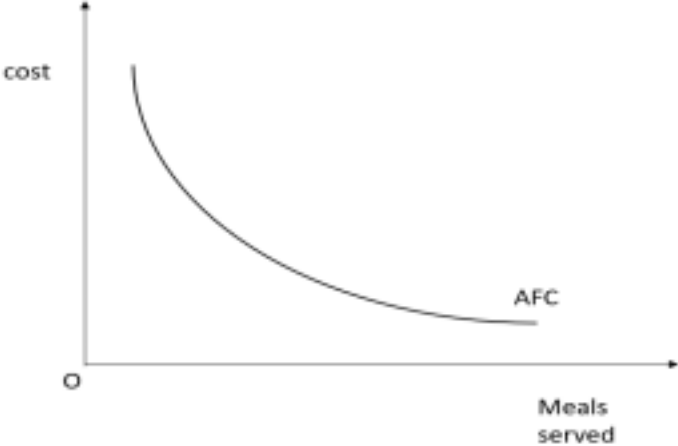
Question	Answer	Marks
32(a)	<p><b>Throughout 2020, the government of Taiwan intervened in the foreign currency market to prevent the appreciation of its currency, the New Taiwan dollar (NTD) against the US dollar.</b></p> <p><b>Explain <u>one</u> reason why the government of Taiwan might want to prevent the appreciation of the NTD against the US dollar.</b></p> <p>The government of Taiwan might want to restrict the appreciation because an appreciating NTD will lead to higher export prices/a decrease in import prices decrease in (net) exports for Taiwan (<b>1 mark</b>) which could lead to a reduction in aggregate demand/economic growth/any other valid reason in Taiwan (<b>1 mark</b>).</p>	<b>2</b>
32(b)	<p><b>Explain how the government of Taiwan might have intervened to prevent the appreciation of the NTD.</b></p> <p>The government of Taiwan could instruct the Central Bank of Taiwan to buy (more) US dollars with the NTD/ sell NTD (<b>1 mark</b>).</p> <p>OR</p> <p>Via a reduction in the interest rate (<b>1 mark</b>).</p> <p>This would increase the supply of the NTD (<b>1 mark</b>) and result in a new market equilibrium with a lower value exchange rate (<b>1 mark</b>).</p> <p>A diagram can be rewarded as part of this explanation.</p>	<b>3</b>

Question	Answer	Marks														
33(a)	<p><b>With reference to Table 33.1, calculate the UK balance of trade in 2020.</b></p> <p>Table 33.1 Selected UK economic statistics, totals for 2020</p> <table border="1"> <thead> <tr> <th></th> <th>Billion (£)</th> </tr> </thead> <tbody> <tr> <td>Government spending</td> <td>1 093</td> </tr> <tr> <td>Tax revenue</td> <td>793</td> </tr> <tr> <td>National debt</td> <td>1 877</td> </tr> <tr> <td>Export of goods and services</td> <td>574</td> </tr> <tr> <td>Import of goods and services</td> <td>586</td> </tr> <tr> <td>Net primary income</td> <td>– 37.3</td> </tr> </tbody> </table> <p>The value of exported goods and services of £574bn minus the value of imported goods and services of £586bn (<b>1 mark</b>) = (–)£12bn (<b>1 mark</b>).</p> <p><b>Note:</b> correct formula/figures with the incorrect answer still = 1 mark</p>		Billion (£)	Government spending	1 093	Tax revenue	793	National debt	1 877	Export of goods and services	574	Import of goods and services	586	Net primary income	– 37.3	<b>2</b>
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Question	Answer	Marks
33(b)	<p><b>With reference to Table 33.1, calculate the UK government's fiscal balance for 2020 and state whether this will increase or decrease the UK national debt.</b></p> <p>Government's fiscal balance = tax revenue – government spending (<b>1 mark</b>)  OR  £793bn - £1093bn = (-) £300 bn/ £300 bn deficit (<b>2 marks</b>) [bn and £ required for 2 marks, either or both missing = 1 mark]  <b>Note:</b> 2 marks can be awarded for just (-) £300 bn/ £300 bn deficit  This will increase the UK national debt (<b>1 mark</b>)  <b>OR</b>  If an incorrect deficit is calculated award 1 mark for stating this will increase the national debt.  OR  if a surplus is calculated award 1 mark for stating this will reduce the national debt.</p>	<b>3</b>

Question	Answer	Marks
34(a)	<p><b>State the effect on the price level and real GDP, in the short run, of an increase in aggregate demand if firms are operating at full capacity.</b></p> <p>Price level will increase (<b>1 mark</b>).  Real GDP will remain unchanged (<b>1 mark</b>).</p>	<b>2</b>
34(b)	<p><b>Explain <u>one</u> advantage of a reduction in the rate of inflation.</b></p> <p>A decrease in the rate of inflation means prices are rising, but at a lower rate than previously (<b>1 mark</b>).  This might encourage investment/increase economic growth/reduce unemployment (<b>1 mark</b>) by reducing uncertainty (<b>1 mark</b>)  OR  This might improve the current account position/aggregate demand (<b>1 mark</b>) by increasing international price competitiveness (<b>1 mark</b>)  OR  This might lead to a possible increase in the standard of living / purchasing power (<b>1 mark</b>) if wage rates increase by relatively more than inflation or prevents standard of living / purchasing power being reduced to such a large extent (<b>1 mark</b>).  <b>Note:</b> Accept any such correct analysis for up to 2 marks.  <b>Note:</b> No marks if the answer is in terms of advantage from any form of lower prices.</p>	<b>3</b>

Question	Answer	Marks
<b>Section C: Data Response</b>		
35(a)	<p><b>Using the information in Fig. 35.1, compare the trend in job vacancies in accommodation and food service activities (AFSA) with the trend in all vacancies between Q1 2020 and Q1 2021.</b></p> <p>1 mark for each of two comparative statements up to a maximum of 2 marks.</p> <p>Such as: Both trends initially decreased between Q1 2020 and Q2 2020, but 'accommodation and food service activities' relatively more so <b>(1 mark)</b>. The recovery in 'all vacancies' beyond Q2 2020 was continuous whereas that of 'accommodation and food service activities' fluctuated <b>(1 mark)</b>. From Q4 2021 'accommodation and food service activities' experienced a relatively more rapid increase than 'all vacancies' <b>(1 mark)</b>.</p> <p>With an index value of around 120 'accommodation and food service activities' ended the period with a relatively greater increase than 'all vacancies' which ended on an index value of around 110 <b>(1 mark)</b>.</p>	<b>2</b>
35(b)	<p><b>Assuming that the price of each food item in Table 35.1 were to increase by 5%, explain which item would experience the smallest proportionate change in total revenue.</b></p> <p>The food is fruit and nuts <b>(1 mark)</b>. Total revenue would remain the same following the price increase if the PED were (-) 1 <b>(1 mark)</b>. The value of PED closest to (-) 1 in the table is fruit and nuts at 0.632 <b>(1 mark)</b>.</p>	<b>3</b>

Question	Answer			Marks												
35(c)	<p><b>With the aid of a diagram, explain the link between an increase in the number of meals that a restaurant serves and its average fixed costs.</b></p> <p>The question has been set to allow candidates to look (diagrammatically) at the impact of an increase in the number of meals served on the average fixed cost of a restaurant.</p> <div style="text-align: center;">  </div> <table border="1" data-bbox="344 990 1286 1993"> <thead> <tr> <th></th> <th>Knowledge</th> <th>Application</th> <th>Analysis</th> </tr> </thead> <tbody> <tr> <td>2 marks</td> <td></td> <td>Accurate drawing of a diagram that shows a continuously decreasing line (straight or convex) that does not touch either axis. Correctly labelled axis (output is OK on X axis) and curve.</td> <td>Clear explanation of how the increase in meals served will lead to a decrease in average fixed cost because the constant value of total fixed cost is being divided by an increasing number.</td> </tr> <tr> <td>1 mark</td> <td>Fixed costs are costs that do not change when the output/number of meals served changes. <b>OR</b> Average fixed costs are equal to total fixed cost divided by quantity/ number of meals served.</td> <td>An attempt to draw the above albeit imperfectly. (1 mark if, on an otherwise correct diagram: Any label is missing/inaccurate (allow cost or £ on Y axis) Incorrect line drawn AFC line touches either axis).</td> <td>Explanation simply stating the outcome that an increase in the number of meals served will lead to a reduction in average fixed cost.</td> </tr> </tbody> </table>				Knowledge	Application	Analysis	2 marks		Accurate drawing of a diagram that shows a continuously decreasing line (straight or convex) that does not touch either axis. Correctly labelled axis (output is OK on X axis) and curve.	Clear explanation of how the increase in meals served will lead to a decrease in average fixed cost because the constant value of total fixed cost is being divided by an increasing number.	1 mark	Fixed costs are costs that do not change when the output/number of meals served changes. <b>OR</b> Average fixed costs are equal to total fixed cost divided by quantity/ number of meals served.	An attempt to draw the above albeit imperfectly. (1 mark if, on an otherwise correct diagram: Any label is missing/inaccurate (allow cost or £ on Y axis) Incorrect line drawn AFC line touches either axis).	Explanation simply stating the outcome that an increase in the number of meals served will lead to a reduction in average fixed cost.	5
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Question	Answer			Marks	
35(c)		<b>Knowledge</b>	<b>Application</b>	<b>Analysis</b>	
	0 mark		An inability to draw a meaningful diagram.	No worthwhile analysis of the diagram.	

Question	Answer		Marks																							
35(d)	<p><b>The overconsumption of unhealthy food generates market failures. With reference to the information provided and your own economic knowledge, evaluate the view that information provision is a more effective government policy than indirect taxation to tackle this issue.</b></p>		<b>10</b>																							
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 45%;">Analysis</th> <th style="width: 40%;">Evaluation</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">6 marks</td> <td></td> <td>Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given.</td> </tr> <tr> <td style="text-align: center;">5 marks</td> <td></td> <td>Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given.</td> </tr> <tr> <td style="text-align: center;">4 marks</td> <td>Good explanation of a suitable range of relevant issues within a clear structure.</td> <td>Clear evidence of evaluation and good awareness of the relative strengths of the arguments given.</td> </tr> <tr> <td style="text-align: center;">3 marks</td> <td>Reasonable explanation of a limited range of relevant issues: some structure to the answer.</td> <td>Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given: may well have no final summary.</td> </tr> <tr> <td style="text-align: center;">2 marks</td> <td>Partial explanation given: a limited or unstructured answer.</td> <td>Some evidence of evaluation but no clear conclusion.</td> </tr> <tr> <td style="text-align: center;">1 mark</td> <td>Partial explanation given: a very limited answer.</td> <td>Limited evaluation.</td> </tr> <tr> <td style="text-align: center;">0 mark</td> <td>No relevant explanation.</td> <td>No evaluation.</td> </tr> </tbody> </table>		Analysis	Evaluation	6 marks		Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given.	5 marks		Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given.	4 marks	Good explanation of a suitable range of relevant issues within a clear structure.	Clear evidence of evaluation and good awareness of the relative strengths of the arguments given.	3 marks	Reasonable explanation of a limited range of relevant issues: some structure to the answer.	Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given: may well have no final summary.	2 marks	Partial explanation given: a limited or unstructured answer.	Some evidence of evaluation but no clear conclusion.	1 mark	Partial explanation given: a very limited answer.	Limited evaluation.	0 mark	No relevant explanation.	No evaluation.
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	<p><b>Analysis</b>            Answers without direct reference to the issues raised in the information provided will be awarded a maximum of 4 marks.            There are several leads in the data that can be pursued, these include:</p> <ul style="list-style-type: none"> <li>• Negative externality within obesity related cost to NHS of £6.1bn per year.</li> <li>• The existence of market failure through over consumption and welfare loss.</li> <li>• Market failure addressed through the policy of increased food quality/calorie information provided by restaurants, cafes and takeaways employing more than 250 people in England.</li> <li>• Market failure addressed through the alternative policy of indirect taxation on unhealthy food to reduce the market failures.</li> </ul>																									

Question	Answer	Marks
35(d)	<p><b>Evaluation</b></p> <p>Candidates should evaluate the view that information provision is a more effective government policy than indirect taxation to reduce the market failures arising from the overconsumption of unhealthy food.</p> <p>A clear and full appreciation of the relative merits of at least two of the issues mentioned below, or similar, is required to award all 6 evaluation marks:</p> <ul style="list-style-type: none"> <li>• the success of the information provision will depend on the quality of the information. Some outlets may not provide fully accurate information/difficulty of the government policing the accuracy of any information provided</li> <li>• consumers might not react in the expected (rational) way to the information, making the policy less effective</li> <li>• the policy is expensive for the food outlets and, unfairly, more so for some than others. Some smaller firms may not survive if required to comply leading to issues of opportunity cost</li> <li>• the fact that the information requirement only applies to some food outlets, and not others</li> <li>• if the demand for the food is price inelastic (evidence from Table 35.1) this will result in larger tax revenues which can be put towards public health spending to the same effect but will not itself greatly reduce unhealthy food consumption</li> <li>• the extent to which the burden of the indirect tax will be passed on to consumers</li> <li>• whether consumer food choice is an appropriate area for any intervention by the state</li> <li>• whether other insights from behavioural economics offer stronger alternative solutions</li> <li>• the possibility of government failure.</li> </ul> <p>A diagram is not required but the use of relevant diagrams to support the analysis should be considered.</p>	

Question	Answer		Marks																								
35(e)	<p><b>With reference to the information provided and your own economic knowledge, evaluate <u>one price</u> and <u>one non-price</u> strategy a firm in the hospitality sector could use to increase profits.</b></p> <table border="1" data-bbox="320 383 1308 1440"> <thead> <tr> <th data-bbox="320 383 475 448"></th> <th data-bbox="475 383 892 448">Analysis</th> <th data-bbox="892 383 1308 448">Evaluation</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 448 475 613">6 marks</td> <td data-bbox="475 448 892 613"></td> <td data-bbox="892 448 1308 613">Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given.</td> </tr> <tr> <td data-bbox="320 613 475 779">5 marks</td> <td data-bbox="475 613 892 779"></td> <td data-bbox="892 613 1308 779">Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given.</td> </tr> <tr> <td data-bbox="320 779 475 945">4 marks</td> <td data-bbox="475 779 892 945">Good explanation of a suitable range of relevant issues within a clear structure.</td> <td data-bbox="892 779 1308 945">Clear evidence of evaluation and good awareness of the relative strengths of the arguments given.</td> </tr> <tr> <td data-bbox="320 945 475 1144">3 marks</td> <td data-bbox="475 945 892 1144">Reasonable explanation of a limited range of relevant issues: some structure to the answer.</td> <td data-bbox="892 945 1308 1144">Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given: may well have no final summary.</td> </tr> <tr> <td data-bbox="320 1144 475 1276">2 marks</td> <td data-bbox="475 1144 892 1276">Partial explanation given: a limited or unstructured answer.</td> <td data-bbox="892 1144 1308 1276">Some evidence of evaluation but no clear conclusion.</td> </tr> <tr> <td data-bbox="320 1276 475 1375">1 mark</td> <td data-bbox="475 1276 892 1375">Partial explanation given: a very limited answer.</td> <td data-bbox="892 1276 1308 1375">Limited evaluation.</td> </tr> <tr> <td data-bbox="320 1375 475 1440">0 mark</td> <td data-bbox="475 1375 892 1440">No relevant explanation.</td> <td data-bbox="892 1375 1308 1440">No evaluation.</td> </tr> </tbody> </table> <p data-bbox="316 1473 440 1507"><b>Analysis</b></p> <p data-bbox="316 1509 1276 1641">Answers without direct reference to the issues raised in the information provided will be awarded a maximum of 4 marks. Hospitality firms have price and non-price options to increase their profits. Either they can be used to cut their costs or increase their revenue.</p> <p data-bbox="316 1677 1241 1711">There are several leads in the data that can be pursued, these include:</p> <p data-bbox="316 1713 507 1747">Price strategy:</p> <ul data-bbox="316 1749 1281 1917" style="list-style-type: none"> <li>• explanation of the operation of adaptive pricing policies (Extract 35.2 line 15) to increase revenue such as ‘Happy hour’ for food and drink, ‘Buy one get one free’ (like ‘eat out to help out’) or special deals on particular items</li> <li>• competitive/psychological pricing, below local competitors’ price point</li> </ul>			Analysis	Evaluation	6 marks		Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given.	5 marks		Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given.	4 marks	Good explanation of a suitable range of relevant issues within a clear structure.	Clear evidence of evaluation and good awareness of the relative strengths of the arguments given.	3 marks	Reasonable explanation of a limited range of relevant issues: some structure to the answer.	Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given: may well have no final summary.	2 marks	Partial explanation given: a limited or unstructured answer.	Some evidence of evaluation but no clear conclusion.	1 mark	Partial explanation given: a very limited answer.	Limited evaluation.	0 mark	No relevant explanation.	No evaluation.	10
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35(e)	<p>Non-price strategy:</p> <ul style="list-style-type: none"> <li>• non-pricing strategies to increase revenue/profit include product diversification into takeaway meals, introducing home-deliveries through embracing new technology and marketing strategies to include greater advertising</li> <li>• non-pricing strategies to cut costs also include:</li> <li>• attempting to reduce the wage bill by reducing staffing levels (Figure 35.2)</li> <li>• asking suppliers to reduce their prices or cutting the range to enable greater bulk buying to take advantage of economies of scale</li> <li>• a drive towards reduced waste and greater (productive) efficiency</li> </ul> <p><b>Evaluation</b></p> <p>Candidates should evaluate the price and non-price strategies an individual firm in the hospitality sector could use to increase their profits:</p> <ul style="list-style-type: none"> <li>• any policy of price reduction will only raise revenue if demand is price elastic. If demand is price inelastic the policy will decrease revenue/profit. Individual hospitality outlets may need to calculate their own local price elasticity of demand rather than rely on industry wide estimates</li> <li>• non-pricing strategies to increase profit can be expensive and counter-productive if not successful, importance of the notion of opportunity cost</li> <li>• reducing staff levels to cut costs can reduce the operational possibilities of the firm causing reduced revenue/profit to a greater extent than the (minimum wage) cost saving</li> <li>• reducing the range of food offered can reduce demand for the individual outlet</li> <li>• it is very difficult for a firm to identify its average cost with the degree of accuracy required to identify its precise point of productive efficiency.</li> </ul>	