# 1.5 Specialisation, Division of Labour and the Functions of Money: 30-minute Pack

AQA 7136 · Calculators not allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

**Answer all questions. Full sentences are required for the extended 12-mark question only. Allocation: 30 minutes. Short-answer questions require brief, focused responses.**

**1** Evaluate the view that specialisation is always beneficial for an economy, considering micro and macro effects, distributional consequences, and potential limits to the benefits. Base your answer on economic theory and reasonable real world examples where relevant.

**(Total for Question 1 is 12 marks)**

**2** Explain three advantages of the division of labour for firms in a manufacturing context, for example a small workshop expanding production into a larger factory.

**(Total for Question 2 is 3 marks)**


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**3** Define the function of money as a medium of exchange, explaining why this role reduces transaction costs in a market context where barter was previously used.

**(Total for Question 3 is 2 marks)**

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**4** State three characteristics that make for a good form of money in an economy, for example when assessing coin and banknote currency suitability.

**(Total for Question 4 is 3 marks)**


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# Mark scheme · 1.5 Specialisation, Division of Labour and the Functions of Money: 30-minute Pack

## Question 1

**Level 1** Simple statements about benefits or costs of specialisation with limited development and little or no application or evaluation. **1-4**

**Level 2** Clear explanation of benefits and drawbacks, with application or examples and some analysis of conditions under which specialisation may be beneficial or harmful. **5-8**

**Level 3** Well-developed balanced evaluation that analyses both sides, uses appropriate examples, considers magnitude, time scales and distributional effects, and reaches a supported conclusion. **9-12**

**Indicative content:**

- Benefits: higher productivity due to repetition and skill improvement, potential economies of scale at the firm level, lower training costs per specific task, and gains from trade for countries allowing more output and consumption possibilities.
- Micro advantages: firms can increase throughput and lower unit labour time; workers may gain from higher wages if productivity is rewarded.
- Macro advantages: national specialisation can increase export earnings and overall economic output through comparative advantage.
- Costs: worker monotony, risk of deskilling, higher structural unemployment risk if demand shifts, and greater vulnerability for countries reliant on narrow export bases to external shocks or price volatility.
- Distributional impacts: gains may be unequally distributed with capital owners or highly skilled workers capturing most benefits while lower skilled workers face stagnation.
- Limits and caveats: diminishing returns to further specialisation if tasks become too narrow, coordination costs, need for effective markets and institutions, and transition costs when switching industries.
- Contextual factors: time horizon matters, size of market, mobility of labour and capital, and presence of institutions for retraining and social safety nets.
- Evaluation approaches: weigh the likely net effect in different scenarios, e.g. developing country specialising in a commodity versus advanced economy diversifying into high value-added services, and reach a judgement that specialisation is conditionally beneficial rather than always beneficial.

## Question 2

increased productivity from workers specialising in a small number of tasks, allowing faster output per worker **B1**

reduced time wasted switching tasks, so higher output per hour **B1**

easier training and the possibility of introducing simple machinery specific to repeated tasks **B1**

**Answer: Examples: workers specialising raises productivity; less time lost switching tasks; simpler, quicker training and suitable machinery for repeated tasks.**

## Question 3

medium of exchange: money is accepted in exchange for goods and services instead of barter **B1**

reduces transaction costs by removing the need for a double coincidence of wants and simplifying pricing and trade **B1**

**Answer: Money accepted in exchange for goods and services instead of barter; it reduces transaction costs by removing the need for a double coincidence of wants and simplifying trading.**

## Question 4

widely accepted/accepted as legal tender **B1**

stable value, i.e. low and predictable inflation so it stores value reasonably well **B1**

divisible, durable and portable (easy to split into units, long lasting and easy to move) **B1**

**Answer: Widely accepted; reasonably stable in value; divisible, durable and portable.**


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