



Examiners' Report June 2024

GCE Economics B 9EB0 01

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Introduction

This paper effectively discriminated between candidates with a wide range of marks awarded and some very good responses to the questions set. Candidates with a solid understanding of economics performed particularly well, especially on the longer questions, providing excellent and thoughtful responses. In contrast, there were also weaker responses that demonstrated little understanding of or familiarity with the specification content. The main reasons for underachievement were common issues: failing to follow command words and not reading the questions carefully enough. Instructions to 'assess' and 'evaluate' were not adhered to by some candidates. Many missed marks because they did not answer the questions as set where misreading the question wording resulted in lost marks.

Future candidates should be reminded of the importance of applying appropriate context to all responses. Repeating generic or stock answers, or merely copying extracts, will not achieve higher levels on the mark scheme. All levels-based questions require the use of relevant evidence, as stated in the descriptor table, so responses must effectively incorporate relevant evidence to access the higher levels and marks.

Marking Levels – A Holistic Approach

This specification continues to use marking descriptors for all levels-based questions. It is essential for centres to understand these descriptors and how they are applied. The levels-based mark schemes are used holistically rather than by assessing individual objectives. Consequently, a candidate attempting evaluation with some context will not automatically be placed in the top levels; weak evaluation or lack of context may result in a maximum achievement of Level 2. Some candidates are still copying out large sections of the extracts with only limited evaluation, which will result in lower-level marks.

Question 1 (a)

This question required candidates to give valid reasons why market share was an important business objective for TUI. For the Knowledge mark, examiners accepted a wide range of reasons beyond economies of scale, such as increased market power, expansion, reduced competition, increased competitive advantage, higher revenues/profits, greater brand exposure, acquiring more customers/sales and becoming the market leader. There are no marks for definitions and many candidates still waste time doing this.

Application had to be specific to the travel industry and could be drawn from any of the Extracts, not just Extract A. Many candidates quoted from Extract A about losing market share to Jet2holidays and referenced TUI expanding into other segments but any reasonable link to factors such as planes, flights, or holidays was acceptable for Application. Jet2holidays counted as Application but TUI did not, as it was mentioned in the question. If the response was generic and could apply to any industry, it could only score 2 marks. For the Analysis mark, any consequence or development of the reason given for the Knowledge point was awarded, such as how economies of scale could benefit TUI. The Analysis point did not need to be in context.

(4)

TUI may want to increase their market share to take advantage ~~of~~ of economies of scale, this increase in ~~average~~ marketshare may facilitate purchasing economies of scale which enables them to purchase goods ~~from~~ from a supplier at a lower rate in a bulk pile, this may mean their average costs fall and their profits increase leading to ~~an increase in~~ potential increase in profits.



ResultsPlus
Examiner Comments

This response scored 2 marks. The response is completely generic and could apply to any firm or industry so cannot be awarded Application marks. There is a valid reason (economies of scale) and the analysis demonstrates the consequences of achieving economies of scale.



ResultsPlus
Examiner Tip

Do not define any of the key terms and ensure you include two separate pieces of application. Many candidates often omit context, resulting in responses that only demonstrate knowledge and analysis.

* Increasing market share allows TUI to utilise economies of scale. This is because, as sales rise, TUI can fit more families on planes (reducing average ^{per} cost) and have more sales per flight attendant employed (reducing average cost). This means average costs ^{fall} as output rises, causing economies of scale, ~~reducing~~ increasing TUI's profit margins, boosting profitability.



ResultsPlus
Examiner Comments

This response scored 4 marks:

Knowledge = economies of scale

Application = fit more families on planes

Application = more sales per flight attendant

Analysis = increasing profit margins, boosting profitability

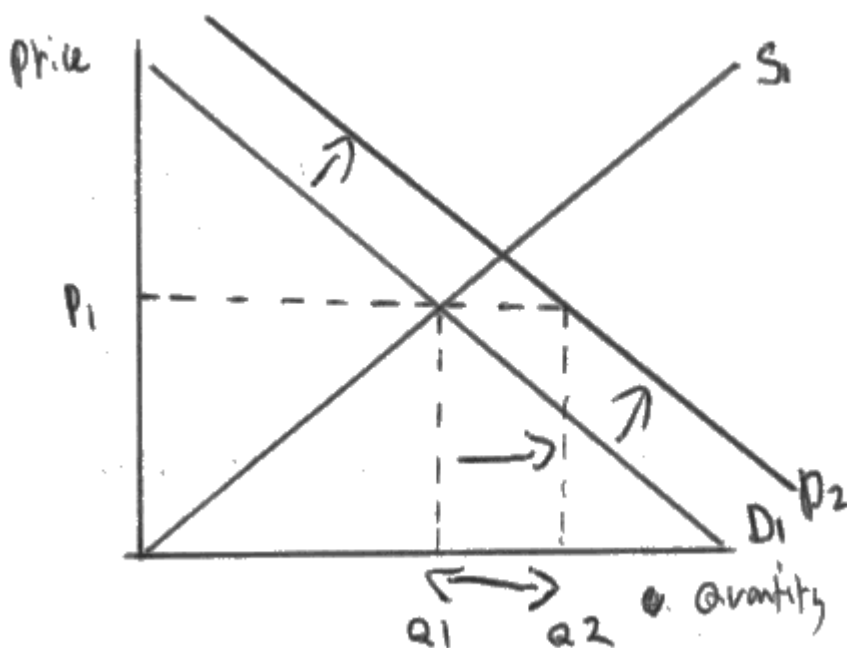


ResultsPlus
Examiner Tip

The 'Explain' question can be answered in four sentences. Try to structure your response in the order of the mark scheme. Start with the knowledge mark, followed by your two separate pieces of application and conclude with the analysis mark. Using the name of the firm in the question is not considered Application and it is often common for candidates to only give one piece of Application. Think of the Application as the filling in a sandwich with the Knowledge and Analysis either side of it. Using this structure will ensure you do not write generic responses.

Question 1 (b)

This question requires candidates to use a supply and demand diagram to illustrate the impact on the market for global travel after travel restrictions have been removed for consumers. As in previous examination years, some candidates used incorrect labels for the diagram and therefore it is essential that candidates use past examination papers to practise this type of question. Only Price and Quantity (or P & Q) will be accepted for the axes and the original equilibrium and new equilibrium must be shown to demonstrate the impact on the market.



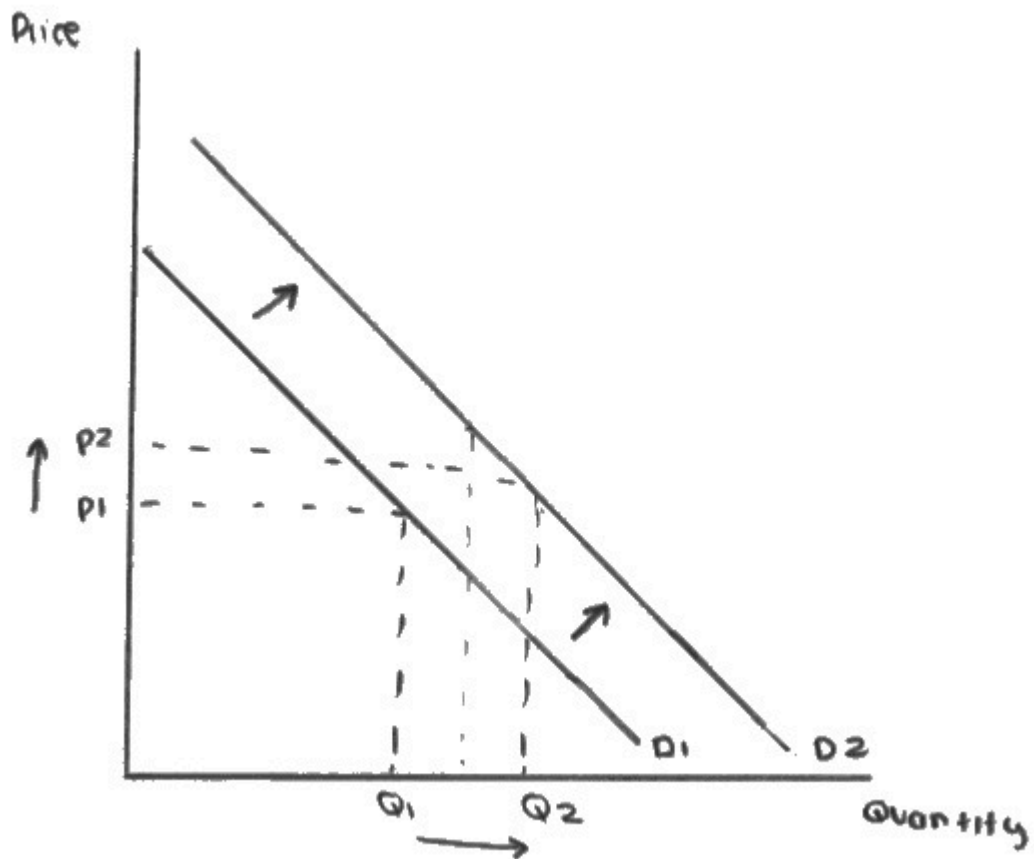
ResultsPlus
Examiner Comments

This response scored 3 marks. Unfortunately, there is no new equilibrium shown at the market clearing point so the Analysis mark cannot be awarded.



ResultsPlus
Examiner Tip

Do not show shifts to both supply and demand as this will not be awarded marks. You will only ever be required to shift one curve, and double shifts can only be awarded 2 marks maximum (with correct labelling).



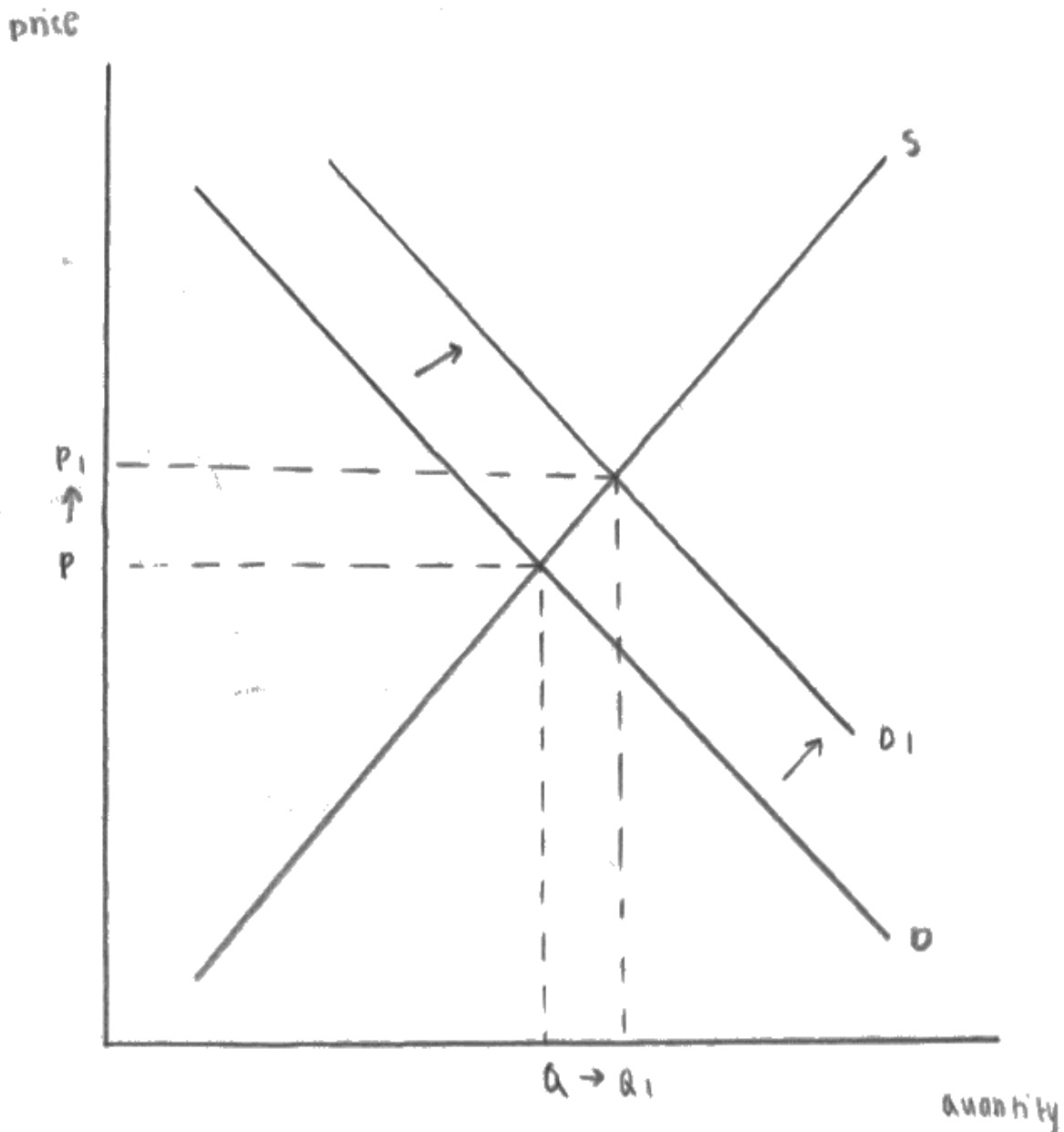
ResultsPlus
Examiner Comments

This response scored 1 mark only. There is no supply curve drawn so the Knowledge or Analysis marks cannot be awarded. There is 1 Application mark awarded for the correct rightward shift in the demand curve.



ResultsPlus
Examiner Tip

Always draw both the supply and demand curves and label them clearly.



ResultsPlus
Examiner Comments

This response scores 4 marks. It correctly shifts the demand curve to the right and has the correct labelling.



ResultsPlus
Examiner Tip

Do not use Quantity Demanded for the y axis. Always label the equilibriums on the axes. Use a ruler and make sure the diagram is large enough to fill the box provided.

Question 1 (c)

This question was very well answered by the majority of candidates. This was a relatively straightforward question which required the candidates to calculate the operating profit margin. Some candidates were not awarded the full 4 marks because they failed to show the % sign or give the final answer to two decimal places despite this being stated in the question.

$$\text{operating profit margin} = \frac{\text{operating profit}}{\text{revenue}} \times 100$$

$$\text{operating profit} = 52.5 \text{ m}$$

$$\text{revenue} = 5286 \text{ m}$$

$$\frac{52.5}{5286} \times 100 =$$



ResultsPlus
Examiner Comments

This response scored 3 marks. Unfortunately, no correct answer was given but this is a fine example of how 3 marks can still be awarded if a candidate does give a correct formula and show workings.



ResultsPlus
Examiner Tip

Quantitative skills are an important element. It is advisable for candidates to show their workings, as candidates can gain marks for workings even if the final answer is incorrect.

$$\frac{\text{operating profit}}{\text{Sales revenue}} \times 100$$

$$\frac{52.5}{5286.0} \times 100 = 0.99\%$$



ResultsPlus
Examiner Comments

This response scored 4 marks. The response is given to two decimal places with the correct units.



ResultsPlus
Examiner Tip

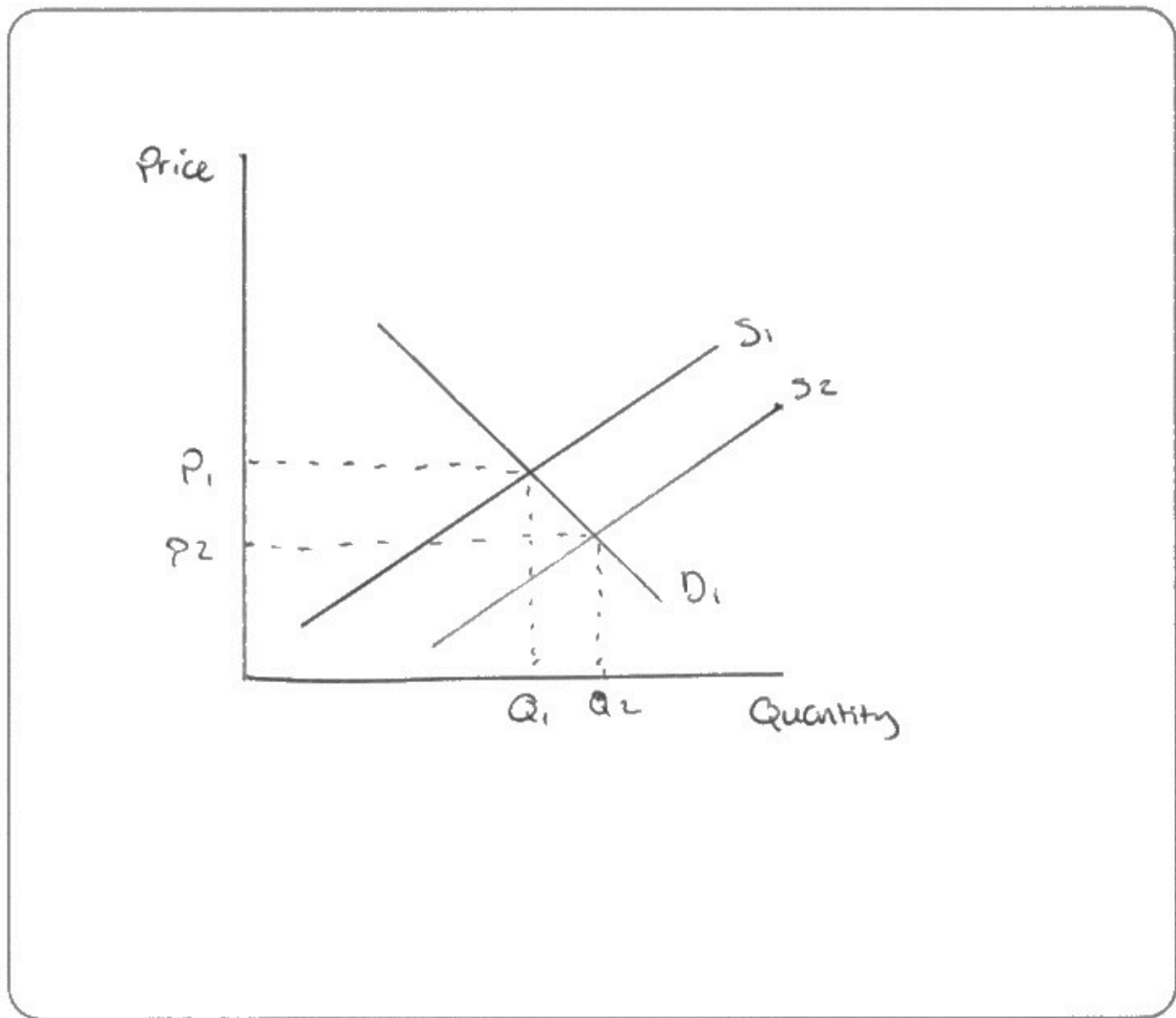
Always write out the formula no matter how simple a calculation appears. Show your working. Check the decimal places and correct units have been used. It is very easy to drop marks on these types of questions and rush through them. Always do a sense check.

Question 1 (d)

This question requires candidates to analyse the likely impact on the market for air travel of improvements in aircraft technology. New technology is a supply factor and therefore examiners awarded marks for a rightward shift of the supply curve with a lower equilibrium price and a higher equilibrium quantity.

The marks were split 4 marks for a correct diagram and 2 marks for the written analysis. Candidates needed to analyse the diagram as to why there is an outward shift in supply rather than just describe it. Examiners rewarded references for some understanding that costs may decrease for airlines or that there could be more of an incentive for airlines to enter the market. The written part of the response had to be applied to the market for air travel and examiners accepted references to TUI, Jet2, flights and planes as examples of context. For the analysis mark, examiners rewarded references to lower prices for consumers or for any other consequences of lower costs such as economies of scale, more price competition. The analysis did not just have to be about lower prices.

Candidates who incorrectly shifted the demand curve could still achieve 2 marks for the diagram if the labels were correct and examiners did read the written part of the response in case there was anything of merit relating to increased supply.



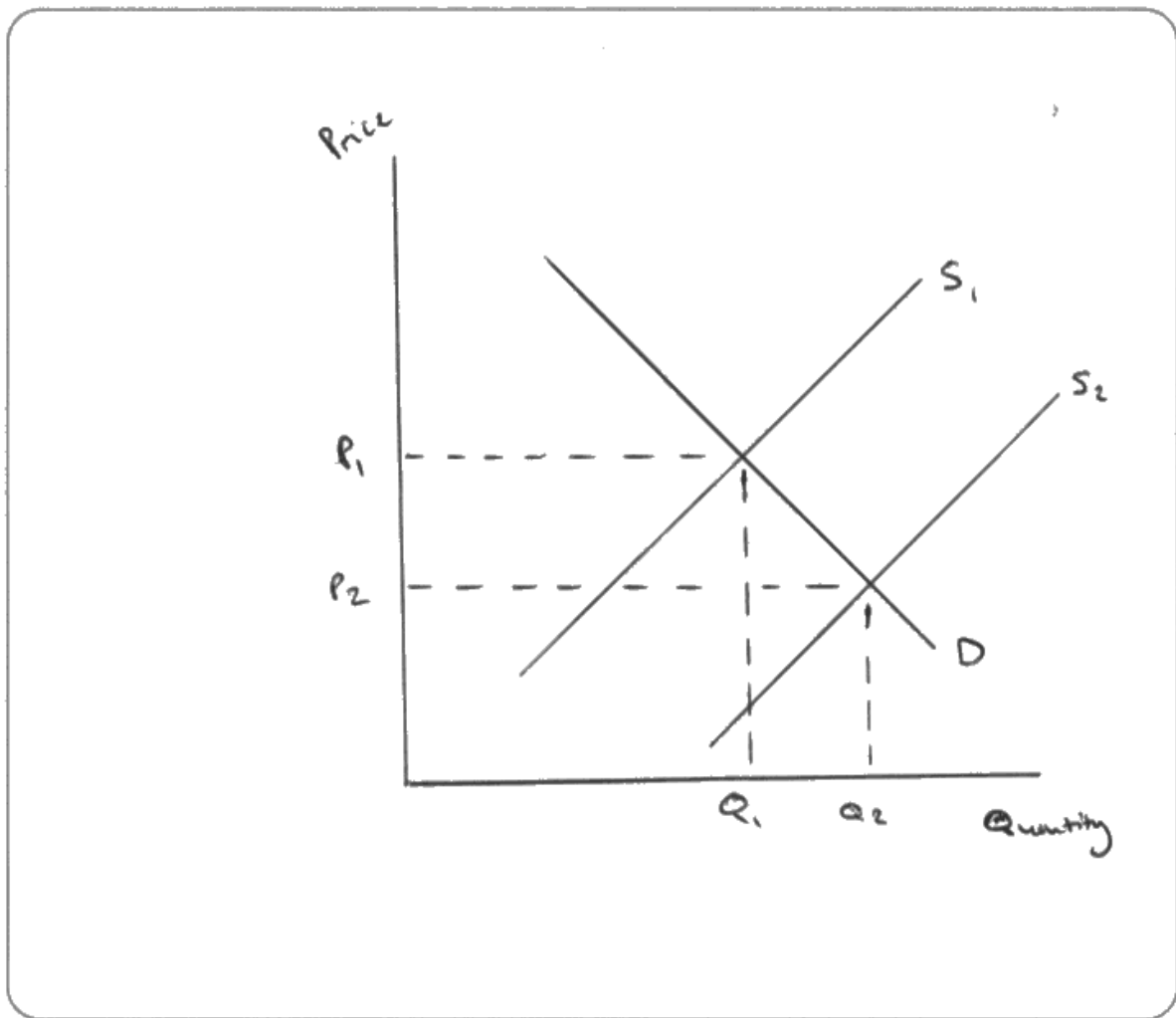
Improvements in technology will make aircrafts more efficient increasing supply from S_1 to S_2 leading to a decrease in price from P_1 to P_2 therefore leading to an increase in quantity demanded from Q_1 to Q_2 .



This response scored 4 marks. There is a correct diagram worth 4 marks. The written part of the response only describes the diagram rather than analysing why there is an impact on the market for air travel of improvements in aircraft technology.



For this type of question when you are being asked for diagram and some analysis, do not just describe the diagram but analyse why there is a shift in the curve in context. Examiners want to know why this occurs or the consequences for the market for air travel of more fuel-efficient aircraft.



The most likely impact on air travel of improvements in aircraft technology is the lower costs to airlines such as TUI or Jet2 to run the planes. This is because a more efficient fuel ~~can~~ could increase the ~~distance~~ distance a plane can travel before refuelling. This means less fuel is used ~~causing~~ causing average costs to decrease and therefore achieving economies of scale.



This response scored 6 marks with a fully labelled diagram. For the written part, marks were awarded for reference to lower costs to airlines such as TUI or Jet2 to run the planes (Application) and that average costs decrease, therefore achieving economies of scale (analysis).



The marks for the diagram in a 6 mark question are awarded the same way as the diagram in a 4 mark question so ensure you correctly label the axes and curves. Only Price and Quantity (or P&Q) will be accepted for the axes.

Question 1 (e)

This question requires candidates to discuss the impact of the wildfires in Rhodes on TUI's break-even level of output and is the first levels-based question on the paper. Some responses seen were very basic, merely stating that the break-even level is likely to increase without providing any real analysis of why this would occur. Many candidates quoted the increased cost of €25 million but did not elaborate further. Better responses explained why this might happen, referring to fixed and variable costs or noting that TUI would need to sell more holidays to cover the additional costs. The counter argument was often stronger with many candidates incorporating data from the Extract to show that Rhodes only accounts for 5% of TUI's holidays and that bookings are up 6% from the previous year. Some candidates reached Level 3, providing chains of reasoning with the use of relevant evidence. While the use of relevant evidence was generally good on this question, many responses lacked the development needed to access the highest level. A conclusion was not necessary but often seen.

One likely impact of the wild fires in Rhodes on TUI's break even level output is that it would make it harder to reach break even. This is because it will experience €25m in extra costs due to the evacuation of 8000 customers on the Island. Therefore the break even level will be harder to reach. However despite this the tourism to Rhodes only makes up 5% of its summer holidays therefore the difference won't be as extreme. In addition it predicted 6% increase in summer bookings therefore this may counter it and cause levels to stay the same. Therefore the extent to which break even level of output will be impacted for TUI largely depends on the success in other areas of the industry.



ResultsPlus
Examiner Comments

This response scored 4 marks. There is evaluation with the counter argument stronger and more developed than the analysis. This is placed at the midpoint of Level 2.



ResultsPlus
Examiner Tip

No conclusion is required for the Discuss question. However, balance and context are required to achieve the highest marks.

Break even is the level at which TVI is not making a profit or loss, calculated by fixed costs/contribution.

The likely impact is that the break-even level of output is to be significantly increased. An additional €25 million in fixed costs as a result of an external shock, 'the wildfires', means the TVI will have to sell more of its holidays and other products and services to compensate for these fixed costs. ~~Furthermore, this reduces their margin of~~ As a result, the break even output will increase, putting pressure on the firm. However, it could also be argued that one of the largest firms in the market such as TVI may be able to reach this level of output fairly quickly. The wildfires are external shocks, and it is likely that their average costs are low due to achieving economies of scale. As a result, it may be the contribution is higher due to lower variable costs, and so break even may ~~also~~ but increase but not significantly. A tour operator firm ~~is~~ such as TVI will have more than one holiday package, other than Rhodes, as it says it only accounts for 5% of its summer holiday ~~the~~ offering, meaning that the break even level of output could be argued to increase insignificantly. ~~especi~~ Furthermore, it is important to note that a firm

in this market is likely to be prepared for external shocks, and the level of diversification of TUI through selling a range of packages is likely to absorb the fixed costs. In judgement, there may be high initial costs due, but the size of TUI will likely absorb the costs through other packages, as displayed by the increased profit levels ~~for~~ from 2022 to 2023.



ResultsPlus
Examiner Comments

This response scored 8 marks. This is an excellent response with developed chains of reasoning on both sides of the argument. The counter argument is strong and balanced with very good use of relevant evidence.



ResultsPlus
Examiner Tip

You do not need to give any definitions to score full marks on the levels-based questions. Often this is the starting point for many candidates but definitions just waste valuable time which you can use to answer the question set.

Question 1 (f)

This question requires candidates to assess the possible benefits of market mapping for TUI and proved a challenge for many candidates. There were numerous blank responses or answers that clearly indicated a lack of understanding of market mapping. Examiners looked for references to identifying gaps in the market or using two variables to map out the competition. While the context was generally strong in the analysis part of the response, it tended to diminish in the counter argument. The counter argument often focused on why there was a gap in the market in the first place or the costs and resources required to conduct market mapping.

One benefit TUI may gain from market mapping is having a visual representation of the competitors products. Through this TUI may be able to spot a gap in the market. This is where there is an opportunity for TUI to provide a new product or service or ~~set~~ satisfy unmet consumer demands as there is weak competition. TUI is targeting other segments such as ~~low~~ leisure market, accommodation only, flight only, car hire, tours and experiences. All these possible opportunities for growth can be laid out within a market map through this TUI can see what sections are deemed popular through customer insight. For example, is high price and high quality popular and in high demand by consumers. If there is a gap which is not being catered for then TUI can make sure that it supplies this option of holiday or activity. This will increase TUI's profits as they scope out the competition. In doing this they can offer a distinctive deal, have a competitive advantage and differentiate their services.

However, market mapping ~~example~~ is open to subjectivity, this means that the data used on the map is interpreted differently to those who analyse it. This means the gaps in the market are inaccurate due to some people believing they are available. This gap may not be filled for a reason

it may be possible that the demand for this product or service is not as available. This means that finding the gaps is ineffective as people do not want to buy this service. Furthermore, the data required for the market map may be costly. A TUI may not want to invest in this form of ~~data~~ ~~identifying~~ ~~equivalent~~ analysis.

Overall, market mapping is an effective tool to suggest a possible opening in a market. However, a TUI must use other forms of analysis to check that the information provided on the map is reliable.



ResultsPlus
Examiner Comments

This response scored 9 marks. The first paragraph is particularly strong, featuring well-developed chains of reasoning and the effective use of relevant evidence. The counter argument, while good, lacks context and is not as developed as the analysis. Overall, this response was consistent and maintained a mid-level 4 performance throughout.



ResultsPlus
Examiner Tip

Ensure you have relevant evidence (or often referred to as context) on both sides of your argument. It is often the case that context is lacking on the counter argument so double check that you are not giving a generic answer for this part of your response.

Question 1 (g)

This question requires candidates to use Extract D to assess the possible impact of changes in UK interest rates on holiday firms such as TUI. Some candidates assessed the impact of higher interest rates solely based on the chart, which showed an increase in the base rate over time. Others evaluated the impact of both higher and subsequently lower interest rates. Both approaches were accepted. Although the question focused on the impact on firms, assessments that considered the effects on consumers such as increased saving and reduced borrowing, and how these changes might have influenced demand for holidays, were also valid. Better Responses incorporated economic concepts rather than relying on common sense. Strong application of economic principles was necessary to achieve higher levels of evaluation.

On the one hand, if interest rates change to higher, such as in July 2023 when they are above 5%, as can be seen in Figure 10. Spending will generally fall and savings will generally increase. As a result, luxury goods and services such as TUI, will especially likely face a decrease in consumption due to less spending and lower consumer confidence. This impact can be negative for them as reduced demand may cause them to have to drop their prices due to excess supply in the market. However, while this is generally the case, it should be remembered that higher interest rates will also likely cause foreign investors to place their money in UK banks in order to benefit from the higher interest rates, known as hot money flows. These hot money flows will then likely cause the exchange rate to change and the pound to become stronger against other currencies due to an increase in demand for it. As a result, holiday firms may face an increase in demand as going on holiday seems more attractive due to the pound having more purchasing power in the holiday destination. Therefore, an increase in the UK interest rate may also be positive for holiday firms such as TUI as abroad travel becomes more incentivised and thus demand increases being positive for holiday firms such as TUI.

On the other hand, if the interest rate changed lower then consumption may increase as well as investment in the UK due to higher amounts of consumer confidence and business confidence which can be seen with "record holiday bookings for summer 2023 and 2024". This may in part be due to animal spirits where if many people start booking holidays, others also do so because ~~they~~ they don't want to feel left out as well as it also being aided by lower interest rates meaning any outstanding debts such as variable mortgages will be at a lower rate compared to usual so the wealth effect will take place leading consumers to increase spending on luxury goods. Therefore the possible impact may be positive.

In conclusion, I believe that a change in interest rate will be mostly negative for holiday firms such as TUI, this is because I believe it will decrease consumer confidence and mean consumers are less likely to spend on luxury goods with a high YED.



This response scored 9 marks. This response examines the impact of both higher and lower interest rates, offering a thorough evaluation. It considers the effect on the exchange rate due to hot money flows and integrates multiple strands of evaluation while utilising numerous economic concepts throughout. This matches the criteria for Level 3 and was awarded at the top of the level.



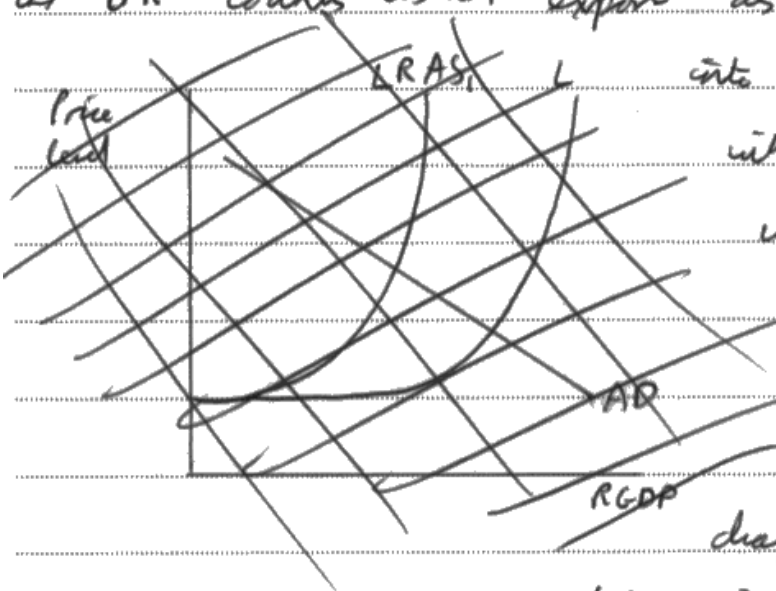
Use the data. The extracts are there for a reason and many candidates fail to incorporate any data into their responses. Using data lifts a response and really does help you contextualise your answer. Examiners see far too many generic responses or stock answers which cannot access the higher levels. If a question states 'firms such...' as this means that you can use your own examples and are not restricted to the firm in the extracts. Bring in your wider reading and examples that you have studied in class. It makes a difference using data and/or relevant examples.

Question 1 (h)

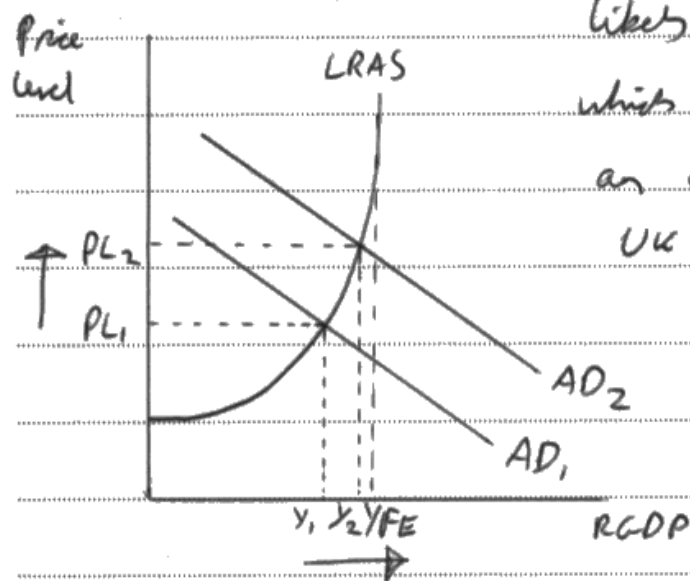
This question requires candidates to assess the likely impact from the growth of the travel and tourism sector on aggregate demand (AD) in the UK. Many candidates effectively used the context provided in Extract E to illustrate the impact on the components of aggregate demand (AD). It was not necessary to cover all components of AD to achieve higher levels; focusing on key components and their relevant impacts was sufficient. Although the question does not explicitly require an AD/AS diagram, several candidates included a diagram to demonstrate the impact on AD. While the inclusion of a diagram does not directly contribute to additional marks, an accurate diagram could enhance the understanding and application of economic concepts, illustrating knowledge and understanding of the consequences of growth in travel and tourism. In terms of counter arguments, many candidates linked the impact to inflation. Although inflation is not specifically mentioned in the mark scheme, it was a valid point of evaluation and therefore rewarded. However, other approaches were also acceptable. The counter argument was generally weaker compared to the main analysis and strengthening this aspect could have provided a more balanced evaluation. As with previous questions, better answers incorporated economic concepts and terminology rather than relying on a common sense approach. Effective use of economic concepts is crucial for achieving higher levels on these types of questions.

Aggregate demand (AD) is the total demand in an economy. It is calculated using the following formula: $AD = C + I + G + (X - M)$.

On the one hand, growth of the travel and tourism sector on AD will likely be positive, ~~because~~ because of the UK's travel and tourism contribution to GDP... forecast to grow". As a result this will increase the UK's exports and as a result also help to balance the UK's trade deficit. This is because, tourism into the UK counts as an export as foreign revenue is coming



into the UK economy and as such will shift AD to the right. This will likely positively impact the UK as it will also cause an increase in Real GDP, as can be seen in the diagram. Therefore, there will



likely be increased economic growth, which typically is accompanied by an increase in living standards for the UK, therefore it may decrease inequality which can increase employment and result in increased consumption and investment into

increased consumer confidence as well thus boosting AD again. Therefore growth of the travel and tourism sector on AD in the UK will likely be positive.

However, it may not be positive depending on how close the UK economy is to reaching full capacity, as illustrated by YFE on the diagram. This is negative because at this point demand-pull inflation will occur where prices rise but real GDP doesn't rise ~~with it~~ which can have a reduction in living standards and can harm other components of AD if ~~the~~ ~~and~~ long run aggregate supply cannot keep up with AD which may be the case with London alone having "15.6 million international visitors" in 2022 spending "around €14.2 bn". Therefore the government may need to increase their supply side policies in order to shift LRAS to the right allowing a new point of full employment to be established in order to combat demand-pull inflation.

In conclusion, I believe that the UK's comparison from the growth of travel and tourism will likely be positive for AD as it is a large injection into the UK economy and ~~is~~ "is expected to create nearly 700,000 new jobs". As well as this it will likely strengthen the exchange rate making imports cheaper allowing UK consumers cheaper foreign goods.



This response scored 9 marks. This response effectively utilises an AD/AS diagram to analyse the impact of the growth in the travel and tourism sector on aggregate demand (AD) in the UK. It explores how an increase in travel and tourism can lead to a rise in AD by boosting consumer spending, exports and how these can positively impact on economic growth and living standards in the UK. The counter argument considers the trade-off with inflation and although a good response, it was not developed enough for Level 4 and matched all the descriptors in Level 3 so was placed at the top of the level.



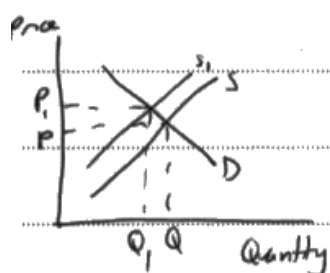
Do not be afraid to use diagrams in your response even if a diagram is not required in the question. Often diagrams can illustrate much more quickly an economic concept than writing, and examiners do not negatively mark if there are errors in your diagrams. Diagrams should be a staple in your 'toolkit' of economic concepts and used appropriately. If you are going to use diagrams in your response, then please do refer to them and do actually use them to support your answer.

Question 2

This question requires candidates to evaluate the effectiveness of indirect taxation on demerit goods to reduce childhood obesity in the UK. Many candidates performed well on this question by focusing on the specific topic rather than providing a general discussion on indirect taxation. Most candidates effectively evaluated the use of indirect taxation by exploring how it might reduce obesity by increasing the price of junk food and then discussing the limitations of this method such as it depended on PED and how there could be unintended consequences such as increasing poverty and inequality in the UK. Many candidates also proposed alternative strategies such as education, banning junk food advertising and subsidising healthier foods as other ways to reduce childhood obesity in the UK. Candidates were not required to suggest alternative methods and could focus solely on evaluating indirect taxation. Both approaches were acceptable. However, to achieve higher levels, such as Level 3 and above, it was crucial for candidates to critically evaluate indirect taxation and provide a counter argument regarding its potential ineffectiveness. Some responses highlight the benefits of indirect taxation but then failed to present a counter argument, often veering into alternative suggestions instead. To attain higher levels, candidates must ensure that their evaluation of indirect taxation is comprehensive and includes consideration of its limitations. The mark awarded was based on the quality of evaluation and the use of economic concepts rather than the number of arguments presented. Stronger responses are characterised by perceptive evaluation and effective application of economic principles. A conclusion or judgement was required as to the effectiveness of indirect taxation but this was often just a repeat of earlier points.

Indirect tax is one not linked to income, and here it is a sugar tax. Sugar is a demerit good as if left to the market is over consumed due to information failure - people do not know how bad it is for them. It is also has negative externalities, meaning that if left to the market is underpriced and overconsumed and no compensation is paid for the negative spill over effects (eg obesity) onto third parties like the NHS.

An indirect tax could reduce demand as it's prices might increase. Taxes are a cost to businesses, so they might increase cost price.



Quantity reduces from Q to Q_1 , and price increases from P to P_1 . In theory, this should help reduce obesity if ~~the~~ sugar ~~becomes more~~ or products containing sugar become more expensive.

However, it depends on the price elasticity of demand (PED).

If sugar is inelastic, then the increase in price will not reduce demand by that much. ~~It says that demand is~~ Demand

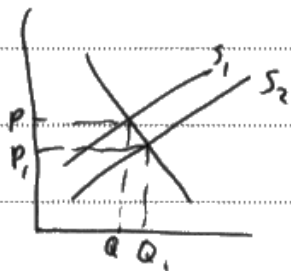
However a tax moves supply not demand; it does not correct the demerit nature of the good. To reduce demand, the government needs to correct information failure and educate people on the risks of overconsumption of sugar, like obesity which then causes other health ~~issues~~ issues.

~~The can red~~ They can increase education of risks of sugar in schools which might reduce childhood obesity as children become ~~an~~ aware of the risks. However, some of them might be too young to

understand, so the government might could launch an information campaign targeting the general public so parents are made aware of the risks as well, ~~there~~ and reduce how much sugar they feed their children. However, the information might be ignored. For example, the government is trying to reduce its demand for unhealthy food in children by banning advertising before of it before 9pm. However it is not in effect yet. The government should also try to increase demand of healthy foods to reduce child obesity.

An indirect tax is regressive, meaning it hits the poor disproportionately. However it is also ~~that~~ also likely that poor people are more uneducated on the negative effects of sugar. In some cases, demand could just be diverted to other unhealthy products, which might be cheaper than healthy products. So the government could subsidize healthy alternatives.

However, an indirect tax does correct the market failure due to negative externalities (market failure is failure to achieve allocate and economic efficiency) ~~and~~, internalising the externality. For sugar, the ~~private~~ social costs outweigh the social costs. S_1 is the ~~private~~ social cost, S_2 is the private costs. It is over



consumed from Q to Q_1 , and underpriced from P to P_1 . ~~Social costs~~ External costs of sugar overconsumption include obesity,

which then has long term health effects ~~eg~~ such as high blood pressure and diabetes. This increases the burden on the NHS ~~to the NHS~~ obesity could lead to a health condition that makes a

person unable to work, taking them out of the workforce. This has negative effects on the economy. The ^{poor} health continues to be a burden on the NHS. The tax revenue could be used to fund the NHS. †

However, an indirect tax might not be hypothesized. This means that the tax revenue might not be used to fund the NHS, but used for something else instead.

It depends on how easy it is to quantify the externality. It can sometimes be hard to calculate the external cost, and therefore hard to determine the rate of tax. It seems here that the estimated cost of obesity is of 3.3 billion or 3% of GDP, which is relatively significant. Therefore, it could be possible to appropriately determine the rate of tax for sugar, but it depends on if the cost of obesity caused by sugar can be quantified.

Overall, a tax can reduce demand, but it depends on how much the tax is increased by, and if demand is inelastic or not. It has proved to work, reducing 5000 cases of obesity in Year 6 girls per year. However, the demand curve of it is not corrected, so information needs to be used. The tax also reduces the negative externalities, but it depends on if the tax is high enough to reduce the huge cost of of 3.3 billion



This response scored 17 marks. This response demonstrates a thorough understanding of economic concepts and terminology. It thoughtfully considers alternative approaches such as education and also discusses whether the tax is hypothecated, adding depth to the evaluation. A micro diagram is used (even though small) to illustrate how indirect taxation could help to reduce obesity with higher prices.



For a 20-mark response, it is crucial to create a simple plan rather than the 'kitchen sink' approach which tries to cover too many points. This helps ensure that the response is balanced and not one-sided. The conclusion should demonstrate judgment without introducing new concepts that have not been addressed earlier in the response.

Question 3

This question requires candidates to evaluate the extent to which the use of technology might increase productivity for a firm. For some candidates, this was more of a challenge compared to Question 2, with a few candidates merely reproducing large sections of the Extract. Most candidates effectively evaluated the use of technology by highlighting its potential to improve productivity while also discussing its disadvantages, such as the high cost and potential displacement of workers. Some candidates explored alternative methods for increasing productivity such as investing in human capital rather than the use of AI. As with Question 2, candidates were not required to suggest alternative methods; focusing solely on the evaluation of technology was also acceptable. However, to achieve higher levels, such as Level 3 and above, candidates needed to critically assess the effectiveness of technology in boosting productivity and provide a counter argument as to its limitations. While some responses used context from the Extract, wider reading was also accepted. Stronger responses often included their own examples to support their evaluation, with references to firms such as Mini and how AI can be used in the NHS and to train veterinarians.

To some extent, using technology such as AI may increase productivity for a firm because it allows them to create content that is "indistinguishable" from human output but it can produce output at a much faster rate. For example, coders can work twice as fast, when producing code twice as efficient than a human would. This may be beneficial for firms as they can reduce costs by not having to pay workers wages, holiday pay and sick days but they can produce at a much higher quantity. This may enable them to gain economies of scale, ~~therefore~~ For example, if a factory replaced their human capital with machinery, they can work at a much faster rate, producing more output for the same level of input and they don't have to pay the initial costs of instruments. By spreading fixed costs over a large volume, the manufacturing firm ~~and~~ reduces average costs per unit, hence they could pass this onto consumers in the form of lower prices making becoming more price competitive - they may also increase their exports as a result of this. ~~&~~ ALSO, quality of ~~the~~ manufactured products may improve as there is less human error and they may be more uniform.

However, increasing the use of technology may cost firms large start up costs to install and so it depends on how much the technology will improve productivity for the firm compared to the cost of it. Also, it may ~~cause~~ cause net unemployment, affecting over 300 million jobs across major economies. This could cause ~~structural~~ technological unemployment as human labour is replaced by technology, hence this may reduce living standards for people if they are not earning an income. If people have less disposable income this may reduce the sales that firms generate, hence they may produce less revenue and profit to invest in technology and improve productivity even further in order to gain a competitive advantage. Furthermore, if technology

breaks, for example ~~technology in a production line~~ machinery breaks in a factory producing clothes, the production line may come to a halt, hence reducing productivity as it takes time and money to get someone to fix it and get it back up and running. Hence, this may cause delays for a firm and may stop output completely for a given time.

Instead, improving productivity through ~~technology~~ human capital may be more ~~effective~~ effective. This can be done by improving the skills of labour as they provide training programs for employees. This means that if more people are skilled, more output will be produced for the same level of input, hence firm can also gain economies of scale, reduce fixed costs and pass this onto consumers in the form of lower prices. This may increase sales and firms could gain a larger market share, hence surviving against rivals. Furthermore, some jobs that require sensitivity would be very difficult to be undertaken by AI. For example, nursing requires empathy, which AI lacks, hence it ~~may~~ may not cause unemployment in certain sectors that require face-to-face human interaction. By improving productivity through skills boosting, it may also improve standards of living as more people can earn an income and more people may spend their money.

However, improving productivity through the ~~same~~ training people may lead to the unintended consequence of the 'brain drain' - this is where firms invest in training, only for employees to leave and work elsewhere. This may be classified as a waste of money for the firm as they are not benefiting from the investment in training. Also, training is very expensive and takes a long time to see the improvements in productivity, whereas technology can

be expensive in the short run but in the long run, the firm may benefit from more revenue as a result of the increase in production.

To conclude, it depends on the market which technology is being implemented to improve productivity. For example, it could be helpful in the administrative side of the NHS, hence dealing with the backlog of patients and improving the flow of data so that it is more efficient. It may also be more accurate in identifying certain diseases from scans, hence the NHS can intervene the illness at an early stage and this could save them a great deal of money in the long run as they spend less money on treatment before the illness is too complex. However, technology will cause a lot of unemployment, despite increasing global GDP by 7% over 10 years, leading to poorer living standards. Also, some jobs can't be replaced by tech, such as teaching and nursing. Finally, it depends on the cost of implementing technology compared to the benefit that firms get out of it. It may also be that technology can be used along side human capital to improve productivity even further.



ResultsPlus
Examiner Comments

This response scored 20 marks. Responses do not need to be 'perfect'. The response is well written, has plenty of economic concepts throughout, the use of relevant evidence is integrated into the chains of reasoning, and it has a sophisticated conclusion.



To achieve the highest marks on the 20 mark questions quality should be your focus. It is all about quality rather than quantity. Examiners are not counting the number of points you make and a maximum of 2 arguments per side is more than enough to access the higher levels. If you try to cover too many points, the evaluation becomes too thin and lacks depth and breadth. The 20 mark questions are designed to be open-ended and have a wide range of possible approaches so it is impossible to cover everything in the time you have in the examination. Aim for 1 mark per minute for all questions and demonstrate that you have studied the subject in depth rather than copying out the extracts or using a common sense approach.

Paper Summary

To enhance performance in future examination sittings, candidates are advised to:

- Carefully read and answer the question that is set.
- Do not define the key term in the "Explain" questions.
- Ensure units and decimal places are correct in calculation questions.
- Avoid providing one-sided answers for "Discuss" questions.
- Pay attention to command words such as "Assess" or "Evaluate."
- Use examples to illustrate arguments.
- Use subject-specific language and avoid general or common sense responses.
- Manage time effectively and avoid spending too long on one question.
- Include a relevant conclusion in longer questions.
- Write concisely and neatly. It does make a difference.
- Refrain from using additional sheets, as there is sufficient space to answer each question, with marks awarded for quality, not quantity.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

