

Pearson Edexcel International A Level Economics

Getting Ready to Teach





Agenda

- To gain understanding about how the qualifications are devised
- To understand the content of the qualification
- To understand how to plan the course and/or lessons
- To understand the assessment of the qualification and how to prepare students
- To understand the Assessment Objectives for the qualification
- To understand the question types for the qualification
- To understand the mark schemes for the qualification
- To practise using the mark schemes using exemplar student work
- To learn about the support provided by Pearson around assessment and exemplars
- Networking and sharing ideas with other teachers.



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Specification & Content overview



What are specifications and SAMs?

The *specification* is the main document you need to teach the course.

It outlines the aims of the course, the content you **MUST** cover and all the information you need about assessing your students.

A copy of this document is in your pack and on our website.

SAMs is short for Sample Assessment Materials. This document is just as important as the specification.

The SAMs are examples of the question papers and mark schemes and show the question types and how they will be marked by the examiners.

We base all of our future papers and assessments on these Sample Assessment Materials.



Unit 1 Markets in action: Content overview [1]

Introductory concepts:

- The nature of economics including the *ceteris paribus* assumption
- Positive and normative economics
- Scarcity including opportunity cost; free goods and economic goods
- Production possibility curves
- Specialisation and the role of money and financial markets
- Free markets, mixed and command economies



Unit 1 Markets in action: Content overview [2]

Consumer behaviour and demand:

- Rational decision making - including reasons why consumers may *not* aim to maximise utility
- The demand curve
- Price, income and cross elasticities of demand

Supply:

- The supply curve
- Price elasticity of supply



Unit 1 Markets in action: Content overview [3]

Price determination

- Determination of market equilibrium
- Consumer and producer surplus
- Functions of the price mechanism
- Indirect taxes and subsidies



Unit 1 Markets in action: Content overview [4]

Market failure

- Sources of market failure
- Positive and negative externalities
- Non-provision of public goods
- Imperfect market information
- Moral hazard
- Speculation and market bubbles

Government intervention in markets

- Purposes and methods of government intervention
- Government failure



Unit 2 Macroeconomic performance and policy: Content overview [1]

Measures of economic performance

- Economic growth
- Inflation
- Employment and unemployment
- Balance of payments



Unit 2 Macroeconomic performance and policy: Content overview [2]

Aggregate demand

- The characteristics of aggregate demand
- Consumption
- Investment
- Government expenditure
- Net trade balance

Aggregate supply [AS]

- The characteristics of aggregate supply
- Short-run AS
- Long-run AS



Unit 2 Macroeconomic performance and policy: Content overview [3]

National income

- Injections and withdrawals
- Equilibrium level of real output
- The multiplier including different ways of calculating the multiplier

Economic growth

- Causes of growth
- Benefits of growth
- Costs of growth
- Output gaps



Unit 2 Macroeconomic performance and policy: Content overview [4]

Macroeconomic objectives and policies

- Macroeconomic objectives
- Possible conflicts between macroeconomic objectives
- Macroeconomic supply-side policies [including the distinction between free market and interventionist supply-side policies]
- Macroeconomic demand-side policies



Activity: IAS Units

Which areas are likely to be most challenging to teach?



Unit 3 Business Behaviour: Content overview [1]

Types and sizes of businesses

- Types of business
- Size of businesses
- Business objectives

Revenue, costs and profits

- Revenue
- Costs
- Economies and diseconomies of scale
- Profits and losses



Unit 3 Business Behaviour: Content Overview [2]

Market structures and contestability

- Efficiency
- Concentration ratio
- Perfect competition
- Monopolistic competition
- Oligopoly
- Monopoly
- Monopsony
- Contestability



Unit 3 Business Behaviour: Content overview [3]

Labour markets

- The demand for labour
- The supply of labour
- The determination of wage rates in competitive and non-competitive markets
- Market failure in the labour market

Government intervention

- Government intervention in product markets
- Government intervention in labour markets



Unit 4 Developments in the global economy: Content overview [1]

Causes and effects of globalisation

- Characteristics of globalisation
- Causes of globalisation
- Effects of globalisation

Trade, industry and the global economy

- Specialisation and comparative advantage
- Patterns and volume of world trade
- Terms of trade
- Trade liberalisation and trading blocs
- Restrictions on free trade



Unit 4 Developments in the global economy: Content overview [2]

Balance of payments, exchange rates and international competitiveness

- Balance of payments
- Exchange rates
- International competitiveness

Poverty and inequality

- Poverty
- Inequality



Unit 4 Developments in the global economy: Content overview [3]

The role of the state in the macroeconomy

- Public expenditure
- Taxation
- Public sector borrowing and public sector debt
- Macroeconomic policies

Growth and development in developing, emerging and developed economies

- Measures of economic development [including the Human Development Index]
- Constraints on growth and development
- Measures to promote growth and development



Activity: IAL Units 3 and 4

Which areas are likely to be most challenging to teach?

What our examiners have been noticing in Unit 1 [1]

- Candidates need to pay attention to producer surplus and consumer surplus as many identified them the wrong way round
- Candidates need to know how to define free goods and economic goods. Many confused these and offered definitions of public goods
- Candidates need to understand how the price elasticity of demand varies along a demand curve
- Candidates generally understood that an indirect cost leads to a leftward shift of the supply curve. However, they need to understand that an ad valorem tax would cause the supply curve to pivot and not shift parallel to the original curve



What our examiners have been noticing in Unit 1 [2]

- There is still some confusion between market failure and government failure
- On the externalities diagrams it is important that candidates can accurately identify the welfare gain/loss
- When identifying the external costs it is important to explain who the third parties are and how these are affected



What our examiners have been noticing in Unit 2

- Candidates need to know the difference between a fiscal deficit and a current account deficit.
- They also need to know the difference between deflation and disinflation
- Many candidates did not know a definition of savings ratio
- A number of candidates could not calculate the multiplier and apply this in context to calculate the overall change in national income



What our examiners have been noticing: General issues

- When asked to draw a diagram in Section B (short answer questions) all marks can be achieved through the diagram and no written explanation is required
- In diagrams encourage students to identify the old and new equilibrium points and to show changes using arrows e.g. to identify a shift in a curve and new price and quantity
- When asked to refer to two sources, there will be marks available for making explicit reference to information from each source in points-based questions
- Centres should practise reading data style questions to help candidates understand the difference between commenting on data and commenting on a trend

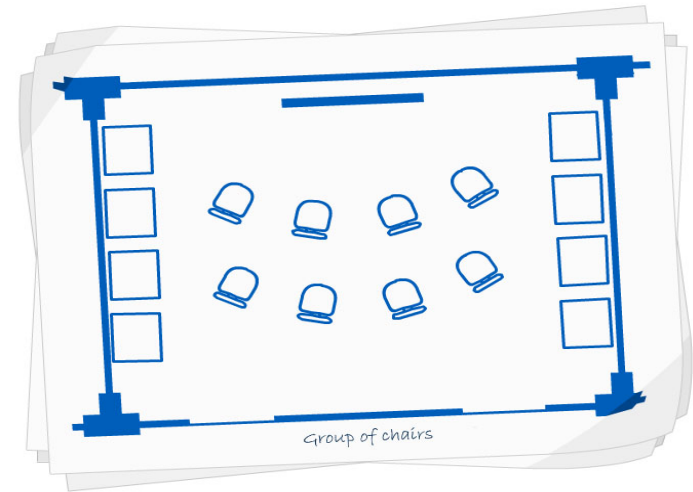
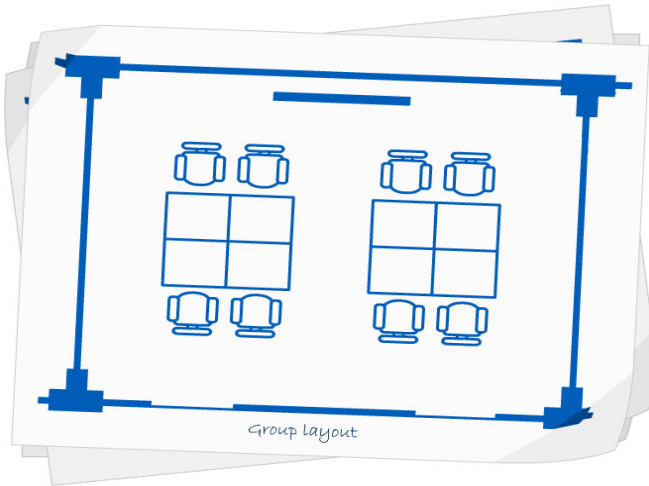
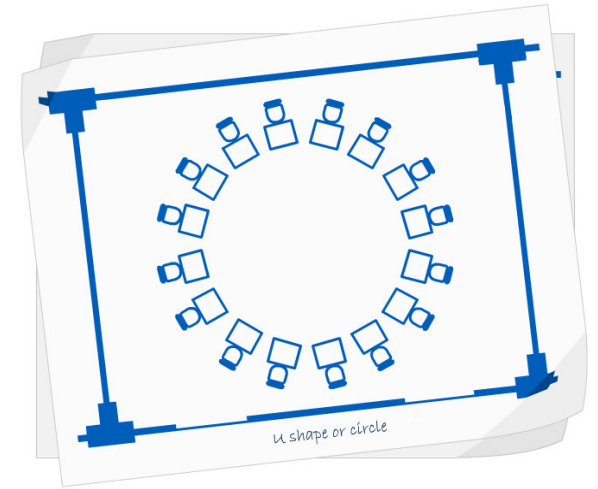
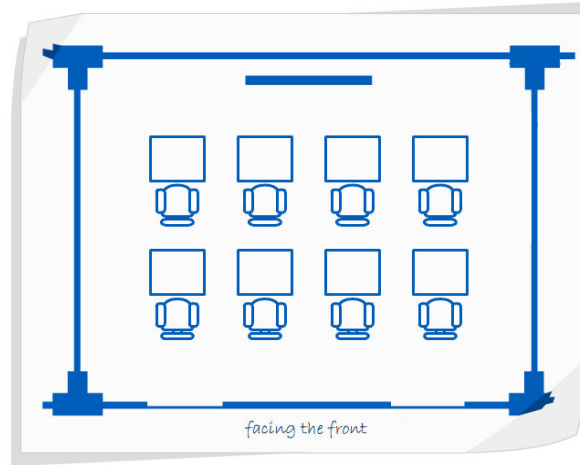


What our examiners have been noticing: Essays

- Diagrams should be drawn where helpful.
- Candidates that did best when they were able to apply to the specific question and use relevant examples.
- Many candidates looked at too many reasons/factors/points but what they gained in breadth they lost in depth as they did not provide enough chains of reasoning to access good analysis marks.
- Evaluation points should be made and linked to the context of the question. These should have a chain of reasoning or sufficient development to be able to achieve Level 3.
- To achieve Level 3 for evaluation in the essay it is necessary to include an informed judgement.

Teaching

Learning spaces





How do I make sure I cover all the content?

- Specification
- Lesson plans
- Schemes of work
- Year planners



Schemes of work - Activity

ACTIVITY: What considerations should be taken into account when planning a scheme of work?



Considerations in mapping a scheme of work

- Amount of teaching time per week?
- Ability of students?
- Whether students to be entered for Unit 1 after one term? OR both Units 1 & 2 to be taken after 1 year.
- Number of teachers delivering the course

Lesson planning – an example from the scheme of work

1.3.1 Introductory concepts

6 Free market economies, mixed economy and command economy

- a) The distinction between free market, mixed and command economies
- b) The advantages and disadvantages of free market and command economies
- c) The role of the state in a mixed economy

Students could be put into groups to work on a poster display – some allocated free market economies and some allocated command economies. Give them a sheet to clarify what sorts of things they must include. Students to present poster to class. A summary sheet could be provided of the key points after the presentations.




Lesson planning: activity

Suggest *one* idea to introduce a lesson on:

Price determination

OR

Economic growth



How is the content assessed?

How is the content assessed? Example 1


- 1 **Statement 1:** In 2017 the Kenyan Government spent Sh172.5 billion on healthcare. This is 8% of its annual budget.

Statement 2: The African Union believes African countries should spend 15% of their annual budgets on healthcare.

Which **one** of the following best describes the two statements above?

- ☐ **A** Both statements are positive
- ☐ **B** Statement 1 is positive and statement 2 is normative
- ☐ **C** Both statements are normative
- ☐ **D** Statement 1 is normative and statement 2 is positive

(Total for Question 1 = 1 mark)



How is the content assessed? Example 1

Unit 1 Content

1.3.1 Introductory concepts

2 Positive and normative economics

a) The distinction between positive statements and value judgements on economic issues. b) The role of value judgements in influencing economic decision making and policy.

How is the content assessed? Example 2

- 4 The multiplier**
- a) The multiplier and multiplier process.
 - b) Marginal propensities and their effects on the multiplier:
 - the marginal propensity to consume (MPC)
 - the marginal propensity to save (MPS)
 - the marginal propensity to tax (MPT)
 - the marginal propensity to import (MPM).
 - c) Calculations of the multiplier using the formula $1/(1-MPC)$ and $1/MPW$, where $MPW = MPS + MPT + MPM$.

How is the content assessed? Example 2

11 The Central Bank of Egypt has estimated that the marginal propensity to consume for Egypt's economy is 0.6. In October 2017, the Egyptian Government announced a LE11.9 billion investment into renewable energy. (LE = Egyptian currency).

Ceteris paribus, calculate the final increase in the national income resulting from the LE11.9 billion investment.

[4 marks]



How is the content assessed? ACTIVITY

Devise a *20-mark essay question* to match the content for Unit 2

Section 2.3.6: Macroeconomic objectives and policies.



IAS assessment

Unit 1 and Unit 2 are assessed through two externally examined papers:

Unit 1	Unit 2
Markets in Action	Macroeconomic performance and policy
Time: 1¾ hours	Time: 1¾ hours

Assessment: Units 1 and 2

Section A	Section B	Section C	Section D
6 multiple choice questions	5 short-answer questions each worth 4 marks	One data response with 5 parts. A separate source booklet contains all the information for these questions. Marks for each part: 2, 4, 6, 8 & 14	One essay [out of two]. These usually have a context.
Total marks: 6	Total marks: 20	Total marks: 34	Total marks: 20



IAL assessment

Unit 3 and Unit 4 are assessed through two externally examined papers:

Unit 3	Unit 4
Business behaviour	Developments in the global economy
Time: 2 hours	Time: 2 hours

Assessment: Units 3 and 4

Section A	Section B	Section C
6 multiple choice questions Each question is worth 1 mark	One data response with 5 parts. A separate source booklet contains all the information for these questions. Marks for each part: 2, 4, 6, 8 & 14	Two essays [out of three]. Each essay is worth 20 marks. These usually have a context.
Total marks: 6	Total marks: 34	Total marks: 40

What are assessment objectives?



What are the assessment objectives?

There are four assessment objectives:

- Knowledge
- Application
- Analysis
- Evaluation

Details of these and their weightings are on the next slide...

Assessment objectives

		% in IAS	% in IA2	% in IAL
AO1	Demonstrate knowledge of terms, concepts, theories and models to show an understanding of the behaviour of economic agents	27.5	18.75	23.1
AO2	Apply knowledge and understanding to various economic contexts	30	22.5	26.3
AO3	Analyse issues and evidence, showing an understanding of their impact on economic agents	22.5	28.75	25.6
AO4	Evaluate economic arguments and use appropriate evidence to support informed judgements	20	30	25



AO1: Knowledge

Knowledge of terms, concepts, theories and models to show an understanding of the behaviour of economic agents

This could include:

- Definitions
- Formulae
- Basic diagrams
- Identification of key points



AO2: Application

Using knowledge and understanding **in context**

Use of **data/extracts** in answer

Use of **examples to illustrate points**

Manipulation of data e.g. **calculations** based on data



AO3: Analysis (1)

Selecting and applying the **appropriate theories/concepts to the context**

A **chain of reasoning**: may be exemplified by explaining a transmission mechanism e.g. the effects of investment in infrastructure

Could be demonstrated by use of **diagrams** that are explained fully and integrated into the analysis



AO3: Analysis (2)

Explanation of a situation/issue/problem by a logical sequence of linked ideas

Use link words such as so, because, if and therefore

Strong analysis also uses can/could/might



AO4 Evaluation [1]

Key point: Evaluation should be *in the context of the question* – not generic points.

Might involve consideration of:

- **Magnitude** of change/consequence
- **Time frame** effects may be different in the short run/long run
- **Measurement** issues



AO4 Evaluation [2]

Showing a **critical awareness**

Recognising **different viewpoints**

Questioning **quality of the evidence**: validity and reliability

Questioning **validity of underlying assumptions** (e.g. does correlation imply causation)

Making an **informed judgement** [for the 20-mark essay questions]

Quantitative skills (1)

Skill		IAS	IA2
QS1	Ratios and fractions	✓	✓
QS2	Percentage and percentage point change	✓	✓
QS3	Mean, median and relevant quantiles	✓	✓
QS4	Standard graphical forms	✓	✓
QS5	Index numbers	✓	✓
QS6	Cost, revenue and profit (marginal, average, totals)		✓
QS7	Money to real terms		✓
QS8	Elasticity	✓	✓
QS9	Interpret, apply, analyse info in written, graphical, tabular & numerical forms	✓	✓

Quantitative skills (2)

Skill		IAS	IA2
<i>QS10-12 may be assessed but do not contribute to the 20% target</i>			
<i>QS10</i>	<i>Distinguish between changes in the level and rate of change of a variable</i>	✓	✓
<i>QS11</i>	<i>Composite indicators</i>		✓
<i>QS12</i>	<i>Seasonally-adjusted figures</i>	✓	✓




Quantitative skills [3]

Quantitative skills may be assessed:

- through *multiple choice questions*
- through *short answer questions* in Units 1 and 2, e.g. calculate and illustrate questions
- through *data response questions*
- within *extended response* questions e.g. students might use quantitative skills as part of their evidence to support knowledge, application, analysis and evaluation

Minimum of 20% of the overall marks for both IAS and IAL



Where are each of
the AOs assessed?

Section A (multiple choice) questions

Units 1 & 2

6 questions: each is worth 1 mark

	AO1 Knowledge	AO2 Application
6 questions	3	3

ACTIVITY: SAMS WEC1 1: Which AO is being tested in Q1, Q2, Q5 & Q6?

Section A (multiple choice) questions

Units 3 & 4

6 questions: each is worth 1 mark

	AO1 Knowledge	AO2 Application	AO3 Analysis
6 questions	1	2	3

Section B (short answer) for Units 1 & 2

Each of these 5 questions is worth 4 marks.

The 20 marks available are distributed as follows:

	AO1 Knowledge	AO2 Application	AO3 Analysis
5 questions [4 marks each]	6	10	4

Section B (short answer) command words for Units 1 & 2

	A01 Knowledge	A02 Application	A03 Analysis
Calculate / Draw	1	3	
Explain <i>what</i>	2	2	
Explain <i>why/how</i>	1	1	2



Activity

Refer back to the last slide then answer these questions:

- Look at Q7, Q8, Q9 in your delegate pack.
- Identify which AOs are being targeted for each question

Command words for data response questions [all units]

	AO1 Kn	AO2 Ap	AO3 An	AO4 Ev
Define [AS units] Calculate [A2 units]	2	2		
Explain <i>what</i>	2	2		
Analyse	2	2	2	
Examine	2	2	2	2
Discuss	8 KAA			6

Section D (essay) questions

Units 1 & 2: 1 question from a choice of 2: worth 20 marks

Command word: Evaluate

Units 3 & 4: 2 questions from a choice of 3: worth 20 marks each

Command words: Evaluate; to what extent?

	Knowledge, Application & Analysis	Evaluation
Total mark 20	12	8
	Assessed in 4 levels	Assessed in 3 levels

What are mark schemes?



What are mark schemes?

- These are the 'answers' to the questions
- They often give a number of options students might give
- They can show indicative content to guide the markers
- They also advise the examiner on what to reward and not reward
- Examiners are encouraged to use the MS positively and to look to reward marks for what is there rather than to penalise students for what isn't.



Points-based mark schemes

- In questions worth 2, 4, 6 or 8 marks, a points-based mark scheme is used
- A specific number of marks is allocated to the AOs being tested
- Therefore, to access the marks, the candidate needs to understand what each AO is testing – as explained previously

Example of a points-based mark scheme for a 4-mark question

Question	With reference to Figure 1, explain the term 'real GDP growth'.	Mark
12 (b)	<p>Knowledge 2, Application 2</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms.</p> <p>Knowledge</p> <p>Up to 2 marks for offering a definition of real GDP growth.</p> <p>The percentage annual increase (1) in the value of a country's output of goods and services over a period of time accounting for inflation (1).</p> <p>Application</p> <p>Up to 2 marks for reference to Figure 1:</p> <ul style="list-style-type: none"> • From Jan 2016-December 2017 Romania has seen economic growth (1) • The economic growth has been rapid from 4.3% in Jan 2016 (1) to 8.8% September 2017 (1) 	(4)



Activity: Exemplar answers

Using the mark scheme for this question, decide how many marks each of the 2 exemplar answers would receive.

The mark scheme and answers are in the delegate booklet.

Exemplar answer 1

'Real GDP growth is the growth in GDP after adjusting for the effects of inflation. The real GDP in Romania as seen in Figure 1 shows an increase from 4.3% in the first quarter of 2016 to 6.0% in the second quarter of 2016.

The economy was in growth from 2016 to 2017. The growth of real GDP was highest in Q3 2017 at 8.8%'

Exemplar answer 2

'Real GDP growth refers to the percentage increase in the total output of goods and services in GDP adjusted for inflation in an economy over a period time.'

In Figure 1 the Romanian economy has experienced a growth in real GDP from Q1 in 2017 to Q3 in 2017. The real GDP has increased in this period from 5.7% to 8.8%.'



Explain 'Why/how' questions (4 marks)

Always worth 4 marks as follows:

- 1 mark awarded for knowledge
- 1 mark awarded for application
- 2 marks awarded for analysis
- These questions appear in Section B (short answer questions in Unit 1 and 2)



Question – explain why/how

New Zealand has a population of 4 693 million people. In 2017 its net migration was 73 000, with more individuals arriving than leaving the country.

Explain **one** possible impact on the level of unemployment of this net migration.



Activity Question 8

- In the delegate pack you will find the mark scheme and two responses.
- Using the mark scheme, compare the two responses on the next page and decide which is the better response. [These responses are also on the next two slides.]
- What marks would you award for knowledge, application and analysis for each answer?



Exemplar answer 1

'Unemployment refers to the number of people out of an economic job but who are actively looking for work. As stated above New Zealand's net migration was 73,000 with more people arriving than leaving the country.

As a result this will increase the productivity of the labour force as more skilled workers will come to work. This will increase employment opportunities and thus cause unemployment levels to fall. This will cause AD to rise.'

Exemplar answer 2

'Level of unemployment is the total number of people out of the total workforce who are willing and able to work but can't find a job. Net migration is the difference between emigration and immigration. In 2017 New Zealand received 73,000 immigrants and as a country experiencing net migration this will increase the level of unemployment as some of these immigrants will fail to find work and remain unemployed. Some immigrants will replace domestic people from work, increasing the unemployment level in New Zealand.'

Summary: Key points on 'Explain' questions

- Check wording of 'explain' questions carefully to determine whether it is an '*explain what*' question' or an '*explain why/how*' question
- Remember that AO marks are as follows:
Explain what questions: *K 2; Ap 2*
and
Explain why/how questions: *K 1; Ap 1; An 2*



Analyse questions

Always worth 6 marks as follows:

- 2 marks awarded for **knowledge**
- 2 marks awarded for **application**
- 2 marks awarded for **analysis**



EXAMPLE: With reference to Extract A, analyse one macroeconomic effect of the reduction in indirect tax.

How AOs would be applied:

FOR KNOWLEDGE:

- There is 1 mark for defining 'indirect tax' or giving an example AND
- 1 mark for identifying one macroeconomic effect

FOR APPLICATION:

- Up to 2 marks for data reference

FOR ANALYSIS:

- Up to 2 marks for explaining one macroeconomic effect of lower VAT



Examine questions [1]

Always worth 8 marks as follows:

- 2 marks awarded for [knowledge](#)
- 2 marks awarded for [application](#)
- 2 marks awarded for [analysis](#)
- 2 marks awarded for [evaluation](#)



Examine questions [2]

Similar to 'Analyse' questions but must include evaluation.

- The 2 marks for evaluation may be gained either by:
 - making one point that is developed or
 - two brief evaluative comments



Applying the points-based mark scheme for an 'examine' question

Question: With reference to Extract B, examine the external costs resulting from increasing meat production.

- Mark scheme for this question and 2 exemplar answers in delegate booklet, the first of which is annotated showing how the mark scheme would be applied.
- NB First exemplar is also on next slide.

Exemplar 1

'External costs are costs to a third party that is not involved in the production process. [1 KN MARK]

In this case the external costs resulting from increased meat production is as follows: water pollution which has an effect on the environment [1AP]; antibiotics for treating animals thus leading to a decline in the effectiveness as continuous use to treat illness. [1AP + 1AN] A 15% contribution of all global greenhouse gas emissions leading to global warming. [1AP – already at maximum so ignored]

TOTAL: 1KN + 2AP + 1AN + 0EV = 4/8



Exemplar 2

- There is another answer to this question (Exemplar 2) in the delegate booklet
- Use the mark scheme to determine the marks for each of the assessment objectives.


Issues from previous examinations for points-based questions

- Candidates often spent *too much time* on answering the questions with *low mark bases*
- Some *definitions were imprecise*
- Application marks lost because the answer was *not related to the context or there were no examples*
- Analysis marks may have been lost because there was *no linked explanation* of the point made. [This only needs to be brief for points-based questions]
- *Evaluation was often omitted* in the 8-mark 'examine' questions



Levels-based mark schemes

- Used in questions worth 14 or 20 marks, as a levels-based mark scheme.
- The mark schemes focus on the *quality* of student answers rather than the *quantity of points* made.
- The quality of student answers is assessed according to the level descriptors.
- For these questions, the levels-based criteria are used to determine what mark to award for Knowledge, Application and Analysis [KAA] and, separately, for Evaluation [EV]



Discuss questions [14-mark questions]

- 8 marks for KAA + 6 marks for EV
- There are 3 levels for KAA and 3 levels for EV

KAA Level 4 criteria for a 20-mark essay [10-12 marks]

- Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.
- Ability to link knowledge and understanding in context using appropriate 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.



EV Level 3 criteria for a 20-mark essay [7-8 marks]

- Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement.
- Appropriate reference to evidence/context.
- Evaluation is supported by a logical chain of reasoning.



Exemplar question

12 million consumers within the UK are on standard variable tariffs for their gas and electricity. One energy supplier, RWE npower, charged consumers on the standard variable rate £1 166 per year. However, its cheapest deal was £935 per year. Consequently the UK Government is introducing a maximum price for gas and electricity.

Evaluate the likely impact of the introduction of a maximum price for gas and electricity.

[20 marks]



Activity

Please read the student responses to the question on the previous slide.

Using the level descriptors in the mark scheme, determine a level for KAA and a level for EV for the answers.

The exam paper



How can I teach good exam technique?

- Ensure that students practise using a whole paper and understand how it is laid out
- Understand that there should more than enough paper – you don't need to fill the whole booklet!
- Give students timed tests
- Walking-talking mocks



How can I teach good exam technique?

Timing: suggestion - work on this basis for Units 1 and 2:

- [Section A](#): 6 multiple choice questions 6 marks; 6 minutes
- [Section B](#): 5 short answer questions, 4 marks each: 20 marks, 20 minutes
- [Section C](#): Data response with 2, 4, 6, 8 & 14 mark questions: 34 marks, 45 minutes {to allow sufficient time to read the data in the source booklet and answer the questions]
- [Section D](#): 1 essay, 20 marks: 30 minutes

This will leave a few minutes for the candidate to review their answers.



Walking-talking mocks

- Students sit in the same exam room where they will do their exam, preferably in the same seats
- Students are given an exam paper which is as close to being like the real thing as possible (e.g. exam writing booklet if relevant)
- Students are literally walked through every question on the paper – the person leading the session talks them through the smallest steps, such as underlining key words, how to plan, things to remember etc.
- Students then write their responses in timed conditions



Activity

How might you use walking-talking mocks?

Example:

- Colour coding the question – red for 6 minutes, green for 10 minutes etc.
- Can you think of any others?

Pearson Edexcel International A Level Business

Pearson Edexcel International AS
Level Economics Exam Insights
May/June 2024
XEC11



Grade Boundaries and Percentages – XEC11

%	A	B	C	D	E	U
2024	80	70	60	50	40	0
2019	80	70	60	50	40	0

<u>Boundaries</u>		A	B	C	D	E	U
UMS							
2024	200	160	140	120	100	80	0
2019	200	160	140	120	100	80	0

AS Level Economics WEC11 Unit 1 – Markets in Action

AS Level Economics WEC12 Unit 2 – Macroeconomic performance and policy

% UMS	A	B	C	D	E	U
2024	80	70	60	50	40	0
2019	80	70	60	50	40	0

AS Level Economics Raw mark comparison

Unit 1	Raw	A	B	C	D	E	U
80	2024	59	53	47	41	36	0
	2019	57	51	45	40	35	0

Unit 2	Raw	A	B	C	D	E	U
80	2024	55	49	43	38	33	0
	2019	56	50	45	40	35	0

IAL Economics – Unit 1 (WEC 11) – Question Q8

With reference to hotel breakfasts, explain why the above information illustrates 'diminishing marginal utility'. (4)

Mark scheme Extract: Responses are likely to include:

- A01 -Where an additional unit of consumption leads to a smaller increase in utility/ where the marginal utility decreases/total utility increases but at a slower rate
- A02 - 80% of hotel guests go to the buffet three times / Only 10% visit five times
- A03 - 90% of hotel guests are satiated/full after consuming the 4th bowl/plate of food (1) so do not consume the 5th bowl/plate

See Mark scheme for full version

Diminishing marginal utility refers to the extra utility a consumer receives by consuming an ~~extra~~ additional unit of a good or service is decreasing. Most people, 80% of hotel guests ~~feel~~ feel full after visiting the breakfast buffet three times. so by visiting on the fourth time, they ~~with~~ are getting less satisfaction, thus ^{total} utility will fall, and therefore, they won't go on the fourth time.

Mark	0	1	2	3	4
%ge candidates	14.2	49.8	25.7	7.3	3

IAL Economics – Unit 1 (WEC 11) – Question 9

With reference to lighthouses, explain the difference between ‘non-rivalry’ and ‘non-excludability’.(4)

Mark scheme Extract: Responses are likely to include:

A01

- Where the consumption by one person does not reduce the benefit for another person/ where people can consume a good without affecting the benefit derived by others
- Where you cannot prevent another person from consuming the same good / when it is impossible to provide a good without others being able to benefit from it

A02

- 24 300 lighthouses globally / Number of losses of ships at sea reduced from 109 to 38 (1AP)
- Lighthouses are a public good

See Mark scheme for full version

Non-rivalry means that the consumption of 1 person doesn't effect the consumption of others

Non-excludability means that no one can prevent other people from consuming that good.

Since, there are 24,300 lighthouses globally, ~~no one can~~ if 1 person if one no one can prevent a ship from using lighthouse. Therefore lighthouse has a characteristic of non-excludability.

Thus, if one ship use lighthouse, the other ship still able to use it as well so it is non-rivalry.

Mark	0	1	2	3	4
%ge candidates	11.6	15.6	21.9	23.9	27.1

IAL Economics – Unit 1 (WEC 11) – Question 12e

With reference to Extract C, discuss the benefits of subsidies paid to rice growers. Illustrate your answer with an appropriate diagram. (14)

Mark scheme Extract: Responses are likely to include:

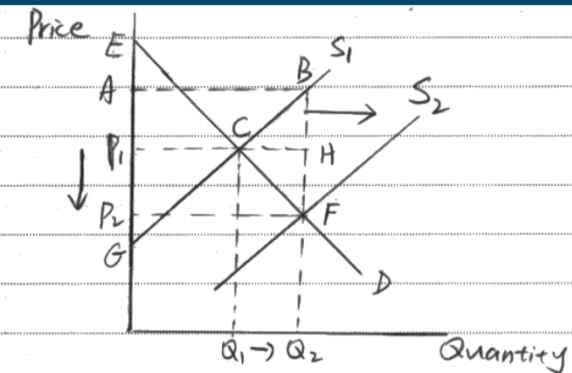
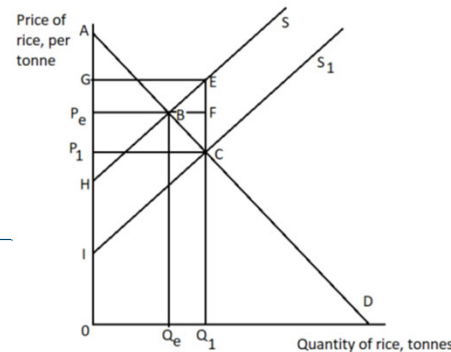
A01,A02,A03

- Subsidies - cash grant to encourage production and consumption
- Price paid lowers from P_e to P_1

A04

Higher output may cause land to become less fertile and quality of the rice to fall

See Mark scheme for full version



As shown in the diagram, with subsidies, the reduction in costs of rice production shifts supply curve for rice from S_1 to S_2 , resulting in increase in output from Q_1 to Q_2 , and the decrease in price from P_1 to P_2 . Also, it can increase producer surplus from P_1CG to ABG , as well as increase consumer surplus from ECP_1 to EFP_2 .

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
%ge candidates	4	1.3	2.2	2.4	4.4	4.6	7.2	8.9	11.9	13.5	15.6	11.8	9.1	2	1

IAL Economics – Unit 1 (WEC 11) – Question 13

Evaluate possible factors that could cause a rightward shift of a country's production possibility frontier.
Include at least one relevant diagram in your answer. (20)

Mark scheme Extract: Responses are likely to include:

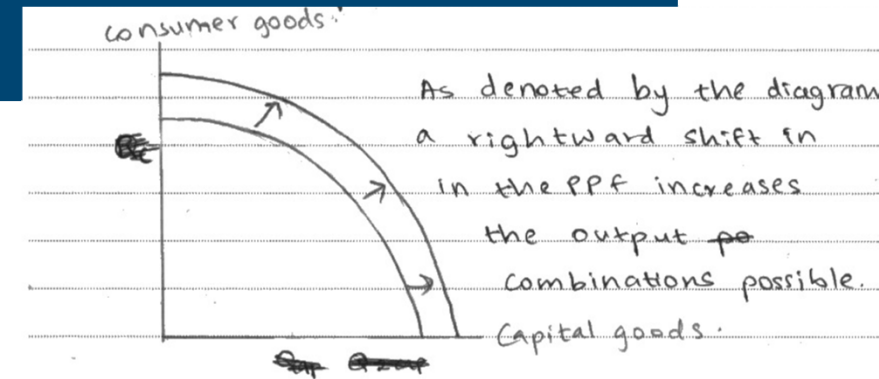
A01,A02,A03

- Population increase from 9.4m to 14.1m (UAE)/12.1m to 18.8m (Bolivia)/113.9m to 180.2m (Philippines) increases the size of the available workforce
- More immigration- increases the size of the labour force and production possibilities

A04

- Immigrating to a country may not be attractive if jobs are not available in the right areas
- Immigration may cause pressure on public services

See Mark scheme for full version



One factor that can cause a rightward shift of a country's PPF is the increase in population of the country. In the UAE, population is expected to increase by 4.7 million, 6.7 Million in Bolivia and 66.3 Million in the Philippines.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	2.3	4.1	3.9	3.6	6.9	8.4	10.4	6	9	10.5	9.2	7.5	7.1	5.4	3.4	1.7	0.5	0.1	0.1	0	0

IAL Economics – Unit 1 (WEC 11) – Question 14

Evaluate the likely impact of imposing indirect taxes on aeroplane flights to reduce carbon emissions.

Include at least one relevant diagram in your answer.(20)

Mark scheme Extract: Responses are likely to include:

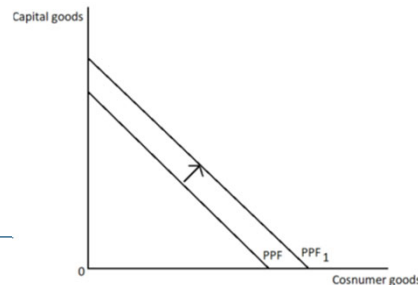
A01,A02,A03

- Increase costs of production
- Shifts/pivots supply to the left, S to S_1
- Increased equilibrium price charged to consumers P_e to P_1

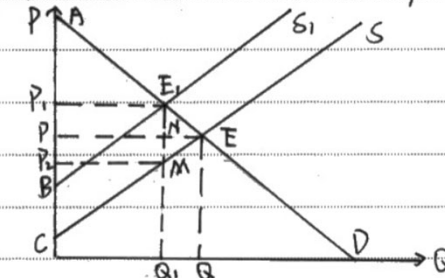
A04

- Depends on the size of the tax
- Highly inelastic demand for flights means relatively small impact on quantity

See Mark scheme for full version



Indirect tax is a tax which is imposed on goods and services, set by the government. An increasing ~~amount~~ carbon emission in the past decade from by 0.5% brings ~~the~~ negative externality to the environment, leading to global warming and flood. This might because of the increasing number of ~~airplane~~ airplane flights by 13 million. Therefore, ~~an~~ an indirect tax is imposed ~~on~~ on aeroplane flights.



Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	1.1	0.8	2	2.4	3.8	4.5	5.2	5.4	7.9	9.8	11.2	9.9	9.4	7.9	8.2	4.8	2.5	1.9	1	0.3	0.2

IAL Economics – Unit 2 (WEC 12) – Question 12a

Define the term 'corporation tax' (Extract A, lines 4 and 5).(2)

Mark scheme Extract: Responses are likely to include:

- tax charged by the government / a direct tax /
- tax on a firm/business/company
- profits

[See Mark scheme for full version](#)

Corporation tax is tax charged by the government onto businesses on their profit. This would mean a low corporation tax of 12.5% would intice busins to ~~re~~ operate in Ireland.

Mark	0	1	2
%ge candidates	18.4	48.4	33.2

IAL Economics – Unit 2 (WEC 12) – Question 12b

Explain what is meant by Gross National Income (Extract A, line 24). (4)

Mark scheme Extract: Responses are likely to include:

A01

- It is GDP (1) plus net income (positive or negative) from overseas/abroad
It is GDP (1) plus net receipts from abroad from compensation of employees, property income and net taxes less subsidies on production (1)

A02

- An alternative measure of economic growth (1)
- This measure removes the impact of international companies / provides a better understanding of domestic demand (1)

See Mark scheme for full version

Gross national income (GNI) is a measure of economic growth that measures total output or expenditure on goods and services in an economy, in addition to overseas interest payments and dividends.* Ireland's central bank uses GNI as an alternative measure of economic growth to GDP (gross domestic product), as it accounts for overseas interest payments and dividends and therefore removes the impact of international companies on economic growth.

*over a period of time

Mark	0	1	2	3	4
%ge candidates	11.5	23.4	35.7	18.7	10.7

IAL Economics – Unit 2 (WEC 12) – Question 12e

With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries. (14)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- Percentage changes are misleading without any reference to total GDP
- Differences in the composition of GDP: most of Ireland's GDP is made up of investment by international companies, where their output produced can be volatile – "Some of these companies are so large that the country's GDP figures may be overstated"

A04

- Benefits of using GDP for comparison – e.g., it is a standard measure used by all countries and is well understood by policymakers
- GDP is an accurate indicator of the size of an economy and the GDP growth rate is probably the best indicator of economic growth

[See Mark scheme for full version](#)

The first limitation of using GDP to compare living standards between countries is GDP does not reflect the income distribution. The annual real GDP growth rate in 2022 in India was likely to be 7% but it was only 2% in the USA. Hence, the rate of change of real output in India is much greater than it is in the USA. But there is significant inequality of income distribution in India as people in India have their specific social status. People with lower status can only earn a few incomes to survive, but people with higher status are

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
%ge candidates	6.1	2.8	5.5	5.9	9.2	11.4	11.4	10.9	10.9	7.1	8.4	4.8	3.3	1.4	1

IAL Economics – Unit 2 (WEC 12) – Question 13

Evaluate supply-side policies that a government could use to increase the rate of economic growth and to decrease the rate of inflation. Refer to a country of your choice in your answer.(20)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

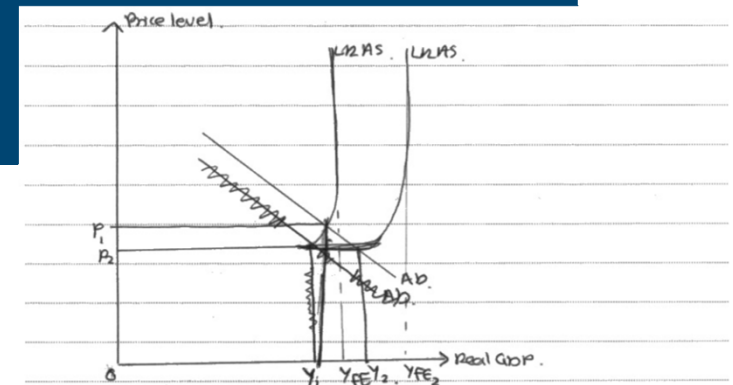
- Increased government spending on skills through investment in education and/or training – this would increase human capital and raise productivity
- Increased government spending on infrastructure investment (e.g. roads or broadband) – this would reduce industry costs or improve access to markets

NB: Award a maximum of level 3 if no reference to a specific country

A04

- Government has to spend a significant amount of money to come out of this period of low rates of economic growth as it has been ongoing since 2022
- Significant time lags and implementation lags for supply-side policies

See Mark scheme for full version



The One way a government can increase economic growth is by using market based supply side policies. For instance Japan could encourage more businesses to be set up by reducing barriers to entry by ^{using deregulation} ~~selling up more~~. With more businesses set up the number of competition will increase. As such firms in Japan have to survive will start to innovate and act efficiently. By ~~invest~~ investing in capital goods and new

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	4.3	1.4	3	3	3.3	4	4.6	5.9	7.4	7.1	8.3	7.7	8.5	7.7	6.7	6.7	4.6	2.8	1.4	0.6	1

IAL Economics – Unit 2 (WEC 12) – Question 14

Evaluate the likely macroeconomic effects of a government using deflationary policies to achieve a balanced budget. Refer to a country of your choice in your answer.(20)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- Reduction in Argentina's real output/economic growth as a result of the lower injections into, and greater withdrawals from, the country's circular flow of income
- Rising unemployment/falling real wages of workers in Argentina's public sector: the government may introduce spending cuts

A04

- Impact on macroeconomic objectives depends on the magnitude of the reduction in government spending and the increase in taxation
- Time lags for the policy to come into effect – up to 18 to 24 months

[See Mark scheme for full version](#)

The deflationary policies is that government may use taxes, government spending and government borrowing to ~~decrease~~ ^{adjust} aggregate demand. In this case, the government using the deflationary policies to achieve a balanced budget. Therefore, the government spending may decrease and the tax may increase. As Argentina as an example.

In ~~Feb~~ February 2024 government expenditure ~~excess~~ exceeded tax revenue by approximately \$ 1 billion in Argentina. That cause the government deficit because government expenditure greater than tax revenue. So, there is some effect when government achieve the balanced budget.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	6	4.3	4.6	3.5	4.7	7.7	7.3	6.3	8.4	6.6	8.7	4.6	6.8	4.8	4.8	5.7	2.8	2.5	0.8	0.4	0.8



Key Points from the Examiners – Unit 1 - Markets in Action

- Question 7 – When asked to draw a diagram, all marks can be achieved through the diagram and no written explanation is required. A number of candidates supported their response with a written explanation when, in fact, the diagram had achieved full marks.
- Question 8 – Diminishing marginal utility was not well understood and the confusion with decreasing marginal utility needs exploring.
- Question 9 – Candidates need to be able to define the concepts of non-rivalry and non-excludability. With the latter it is important not to just use the word excludable in the definition.
- Define the key terms relevant to the question.
- Diagrams should be integrated into the analysis.



Key Points from the Examiners – Unit 1 - Markets in Action - continued

- Candidates are encouraged to have a clear structure to their answers. They must avoid writing essays in bullet points or in long blocks/paragraphs without making a distinction between their analysis and evaluation points. The nature of essay questions means that they draw on a student's knowledge accumulated throughout their course, and on their ability to apply that knowledge directly to the question.
- Encourage candidates to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports. Paying greater emphasis on time management is also vital for the completion of the paper

Key Points from the Examiners – Unit 2 – Macroeconomic performance policy

- Ensure that all candidates are familiar with all the quantitative skills (as found on page 69 of the specification).
- Candidates must read all questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of its depth and breadth, was the main reason for low scores.
- Encourage candidates to draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not required. This would help add depth to arguments
- Section B: for diagram-based questions, all marks can be achieved through a diagram and no written explanation is required. This is an inefficient use of time. For calculation-based questions, all marks can be achieved through working out the right answer. For questions where a text response is required, candidates should focus on identifying one point and developing it. Giving a list of points will only get knowledge marks.

Key Points from the Examiners – Unit 2 – Macroeconomic performance policy - Continued

- Section C: Ensure that candidates refer to the relevant extracts but do not copy from them. Brief quotations are acceptable but, in themselves, will not achieve higher level marks. Remember that the 4 – and 6-mark questions do not require evaluation, so please use the time given effectively and avoid assessing the analysis points made.
- Section C 14-mark question and Section D essays: Encourage candidates to develop a chain of reasoning by analysing two salient points in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a low Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section C), appropriate examples (Sections C and D) or context at the start of Section D questions.
- In addition, ensure that candidates are aware that evaluative comments should be linked to the context of the question being asked. These should have a chain of reasoning or sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section D it is necessary to include an informed judgement.

Pearson Edexcel International A Level Business

Pearson Edexcel International A
Level Economics Exam Insights
May/June 2024
YEC11



Grade Boundaries and Percentages – YEC11

%	A	B	C	D	E	U
2024	80	70	60	50	40	0
2022	80	70	60	50	40	0

<u>Boundaries</u> UMS		A	B	C	D	E	U
2024	400	320	280	240	200	160	0
2022	400	320	280	240	200	160	0

A2 Level Economics WEC13 Unit 3 – Business Behaviour

A2 Level Economics WEC14 Unit 4 – Developments in the Global Economy

% UMS	A*	A	B	C	D	E	U
2024	90	80	70	60	50	40	0
2022	90	80	70	60	50	40	0

A2 Level Economics Raw mark comparison

Unit 3	Raw	A*	A	B	C	D	E	U
80	2024	58	53	48	43	39	35	0
	2022	57	50	43	37	31	25	0

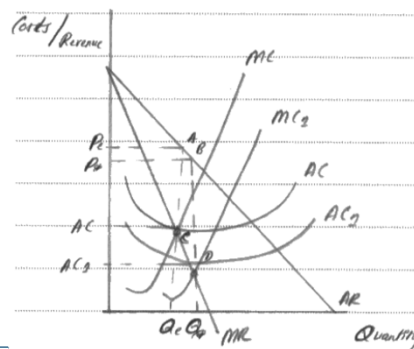
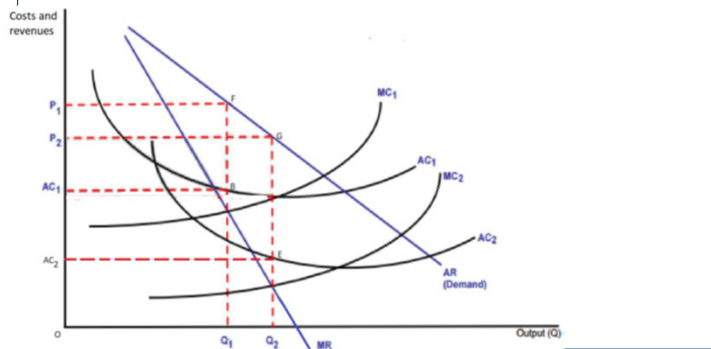
Unit 4	Raw	A*	A	B	C	D	E	U
80	2024	56	50	44	38	32	26	0
	2022	61	53	46	39	33	27	0

IAL Economics – Unit 3 (WEC 13) – Question 7d

With reference to Extract B, examine the likely impact of a reduction in Uniqlo's costs of production on its total profits. Illustrate your answer with an appropriate diagram. (8)

Mark scheme Extract: Responses are likely to include:

- Original AR, MR, AC₁, MC₁ and profit maximisation equilibrium (1)
- Uniqlo hopes to negotiate favourable deals with suppliers of cotton and dyes (1)
- To attract highly skilled labour Uniqlo has had to increase wages by 40% (1) This will increase MC and AC reducing profits (1)



Firstly, cost of production is likely to decrease due to lower unit costs. As mentioned, Uniqlo aims to negotiate lower prices from its suppliers including cotton and dyes (line 6). If cotton and dyes are variable costs, when negotiating lower prices from suppliers, they will be able to purchase material costs for cheaper prices. This will lead to the curves shifting from "MC - MC₂" and "AC - AC₂" making cost of production reducing leading to Uniqlo's profitability increasing from area "P₁EAC₁Q₁" to "P₂BDAC₂".

Mark	0	1	2	3	4	5	6	7	8
%ge candidates	4.4	3	6.2	6.9	12.6	9.2	15.8	14.3	27.7

IAL Economics – Unit 3 (WEC 13) – Question 7e

With reference to Extract C, Figure 2 and your own knowledge, discuss the likely barriers to entry for a business wishing to enter the global fashion retail market. (14)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- Large firms are well-established, making them hard to compete with. Zara is the largest global retailer followed by Uniqlo. These brands have a high degree of brand loyalty
- Uniqlo, H&M and Zara all offer low prices making it harder for new firms to compete and make a profit

A04

- The fashion industry in countries such as China, has a large number of firms in it, reducing brand loyalty. Uniqlo only has a 1.4% market share

See Mark scheme for full version

celebrities such as Alexander Wang as endorsement, which could be a large source of expenditure. Small infant firms might stop because of the large risk of loss if it fails. Also, advertisement represent a large source of expenditure. small firms might find hardship in obtaining the finance to start up, place advertisement and gain market share. The hardship of obtaining finance might come from the high interest rate for small businesses to borrow from bank, as ^{they are} perceived as high risk borrowers.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
%ge candidates	1.6	0.5	1.2	1.7	3.5	7.2	10.5	13.4	16.5	12.5	12.5	9.2	6.7	1.8	1.4

20

IAL Economics – Unit 3 (WEC 13) – Question 8

Evaluate policies that a government could adopt to control monopolies. Illustrate your answer with an appropriate diagram(s). (20)

Mark scheme Extract: Responses are likely to include:

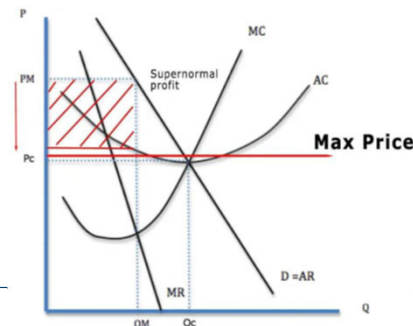
A01,A02,A03

- Profit regulation by imposing limits on the amount of profit a monopoly can earn, to ensure the business does not exploit its market power and to promote increased allocative efficiency and consumer welfare

A04

- Regulatory capture may occur if the regulator becomes influenced or controlled by the monopoly that it is supposed to regulate, resulting in the regulator allowing the monopoly to abuse its dominant position

See Mark scheme for full version



The US government can make use of a maximum price to help control a monopoly like Google. A maximum price is the highest price that can be charged for a product and is set below the equilibrium, when the equilibrium price is considered too high. The government would set the maximum price at the allocatively efficient output, so as to maximise social welfare. This is shown in the diagram below.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	1.8	1.5	1.5	4.1	6.2	5	5.6	7.1	8.8	9.4	11.5	7.6	7.1	5	7.1	7.9	1.8	0.6	0.6	0	0

IAL Economics – Unit 3 (WEC 13) – Question 9

Evaluate possible reasons for wage differentials in an occupation of your choice. Illustrate your answer with an appropriate diagram(s).(20)

Mark scheme Extract: Responses are likely to include:

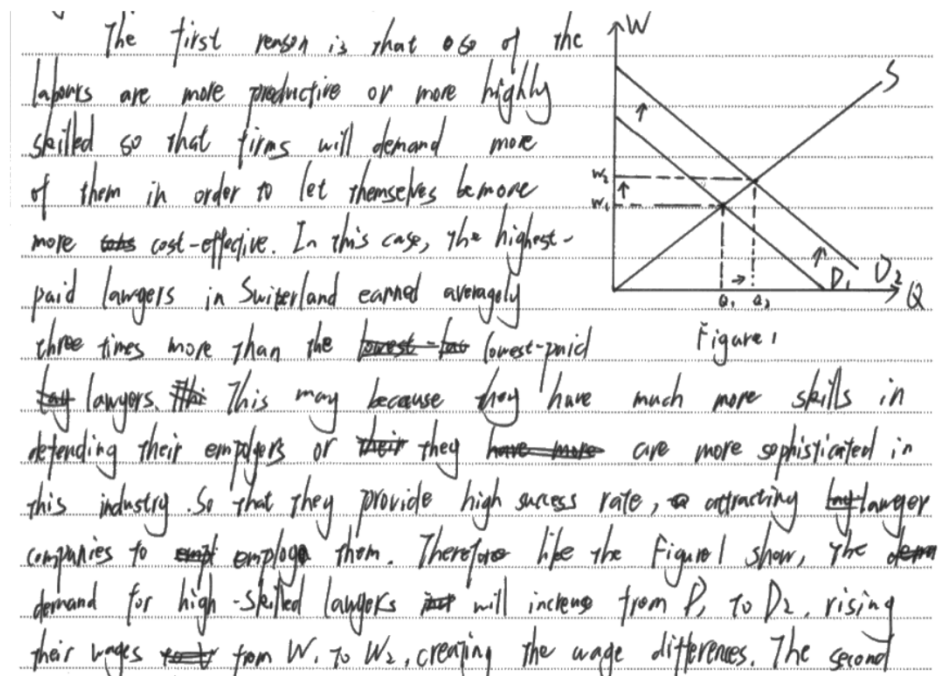
A01,A02,A03

- Elasticity of demand for labour, the more elastic and substitutable the labour is the lower the wage rate. If labour cannot be replaced by capital the demand for labour is more inelastic and the wage rate is likely to be higher

A04

- Anti-discrimination laws might limit the size of wage differentials in an occupation
- Paternity leave would cause men to also have gaps in their work, making the pay more equal between men and women

See Mark scheme for full version



Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	0.6	0.6	2.3	1.9	5.8	10.8	20.9	17.6	11.7	7	6.6	5	4	1.3	1.9	0.8	0.5	0.5	0	0	0

IAL Economics – Unit 3 (WEC 13) – Question 10

Evaluate the likely effects of collusion on businesses and consumers in an industry of your choice. Illustrate your answer with reference to game theory.(20)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- The collusion may create barriers to entry to the market that enable the firms to restrict competition, such as limiting the supply of Leicester City sportswear
- Price fixing leads to a fall in allocative efficiency and economic welfare and to a fall in consumer surplus
- Higher barriers to entry for new firms trying to enter the market

A04

- Benefits are more likely to apply to businesses that collude rather than consumers because the producer surplus is rising at the expense of the consumer surplus

See Mark scheme for full version

In July 2023 Leicester City Football Club was ~~found~~ found colluding with JD sports for price fixing and reducing output of Leicester City-branded clothes in the UK. This is tacit collusion as firms act as though they have formed a collusive agreement, without having contact with each other.

The effects of collusion on businesses can be shown with a game theory model. The game theory model shows the ~~other~~ different strategies available to a firm and its assumptions or effects on its rivals behaviour. ~~This~~ This is shown in the following diagram:

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	0.7	0.8	0.9	0.8	2.5	5.7	11.1	12.4	12.3	9.1	10.4	6.5	9.1	3.9	5	5.5	1.7	0.8	0.8	0.1	0.1

IAL Economics – Unit 4 (WEC 14) – Question 7d

With reference to Extract A, examine two likely problems for the Indonesian economy of its dependence on commodities. (8)

Mark scheme Extract: Responses are likely to include:

- A fall in prices of commodities would cause a decline in the rate of economic growth (1K); fall in exports causes AD to fall, lower real output and employment – can be shown diagrammatically (1AN)
- Indonesia is the world's largest producer of nickel, an important component in electric vehicle batteries (1)
- With growth in real GDP before the fall in the price of commodities (1), there was an opportunity to widen the tax base (1)

[See Mark scheme for full version](#)

Furthermore, 'Indonesia's exports of commodities made a more significant contribution to the country's current account surplus'. This means that if the value of its exports ~~fall~~ fell, as was forecast for 2023, there would be a worsening of its current account. This is negative because it would not receive enough foreign currency needed for imported capital goods to promote growth.

Mark	0	1	2	3	4	5	6	7	8
%ge candidates	4.2	5.3	9.4	11.9	14.9	16.2	16.2	12.2	9.7

IAL Economics – Unit 4 (WEC 14) – Question 7e

With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth. (14)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- Removal of government subsidies – forcing firms to focus on being more competitive rather than relying on subsidies, e.g. by increasing productivity: “removal of government subsidies on oil and fuel”
- Floating exchange rate systems – might make exports more internationally competitive, increasing export-led growth

A04

- Policy may be less effective as an increase in inflation might reduce economic growth because it could lead to greater uncertainty/lower international competitiveness of firms – “In 2023 it was forecast that Indonesia’s rate of inflation would increase to 5.5%”

See Mark scheme for full version

On the other hand, privatisation ^{sell} company may ^{lose} monopoly power in domestic market, forcing competition. Causing them less incentive to do R&D. Productivity and output level will decrease, causing slower rate and small effect to economic growth.

Moreover, economic growth depends on the size of net exports. May not be significant enough to influence AD of Indonesia. Overvalued may have downward pressure, such as fall in government spending or fall in consumption.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
%ge candidates	10.6	2.8	3.5	3.9	3.9	6.6	7.9	9.3	10	10	12.2	9	6.6	2.3	1.4

IAL Economics – Unit 4 (WEC 14) – Question 8

Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer. (20)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- Sale of foreign currency/dollar (or gold) reserves on the foreign exchange market in order to decrease the supply of the yen
- Purchase of domestic currency/yen in order to decrease the supply of the yen and increase the external value of the currency

A04

- Prioritisation/comparison of the effectiveness of different policies
- Significance of the causes discussed: a combination of factors is likely to have a larger impact on the exchange rate – “fell by 35%”

See Mark scheme for full version

One policy to be used is the buying of domestic currency. This refers to when the central bank sell its foreign currency reserves in exchange for their domestic currency. This can prevent depreciation as throughout the buying of domestic currency, demand for domestic currencies rise, which in turn lead to an increase in the external value of domestic currencies. Taking Japan as an example, In 2022 the value of Japan's currency, the yen fell by 35% against the US dollar. Japan's central bank intervened in the currency market to increase the external value of the yen. This intervention cost the central bank \$20.8 billion. This can be the result of Japan selling its foreign currency reserves.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	3.3	11.7	5.4	6.9	10.2	9	8.1	4.8	8.1	7.2	5.4	6.3	3.3	4.8	0.6	3	1.5	0.3	0.3	0	0

IAL Economics – Unit 4 (WEC 14) – Question 9

Evaluate the costs to a country of becoming a member of an economic and monetary union. Refer to a country of your choice in your answer. (20)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- High transition costs: Romania will have to replace their currency when adopting the euro; changes to bank notes/coins will be required
- Loss of independent monetary policy: Romania's central bank no longer has control over influencing interest rates/quantitative easing; will now be done centrally by ECB – one policy fits all

A04

- Greater price transparency: easier to check different prices in the same currency - hence increasing inner-regional competition/contestability and market efficiency

[See Mark scheme for full version](#)

EU's economic monetary policies are regulated by ECB, meaning that each member country is unable to decide on monetary policies autonomously, which leads to inflexibility of the European market in times of shocks: for example, quantitative easing in times of recession may work for some countries but be ineffective for others.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	2.4	1.2	1.4	3.3	5.9	5.5	6.7	6.4	7.4	9.3	13.8	9.3	8.8	7.1	4.1	3.8	2.4	0.9	0.2	0.2	0

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IAL Economics – Unit 4 (WEC 14) – Question 10

Evaluate possible causes of an increase in public expenditure as a proportion of GDP in a developing economy of your choice. (20)

Mark scheme Extract: Responses are likely to include:

A01,A02,A03

- Automatic stabilisers: when GDP falls, public expenditure is likely to rise; people become eligible for means-tested/unemployment benefits
- External shocks: e.g. global health crisis; natural disasters e.g. earthquakes, floods; subsidies to households and firms resulting from rise in energy prices

A04

Prioritisation of causes analysed – discussion of the most important cause

Discussion of the magnitude of the increase in public expenditure

e.g. 4.4pp for Azerbaijan and 3.4pp for India: relatively small increase

See Mark scheme for full version

However, Sri Lanka has a high ^{international} ~~national~~ debt to institutions like IMF and countries like China and Bangladesh. Therefore this expenditure will worsen the debt as there will be no funds to repay the debt and will result in the credit rating to fall, due to the country's inability to pay back debt making future borrowing difficult. This would create an opportunity cost as the cash has been used to pay off debt and improve the fiscal deficit.

Mark	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
%ge candidates	4	5.4	5.3	5.4	7.4	12	9.9	7.5	9.3	6.3	6.9	5.3	3.7	3.4	2.7	2.4	1.1	0.5	0.8	0.2	0



Key Points from the Examiners – Unit 3 - Business Behaviour

- Longer answer questions require depth more than breadth. Candidates should aim to develop two detailed analysis points and two detailed evaluations to achieve the higher levels.
- For section C diagrams should be drawn where helpful and many students successfully incorporated cost-revenue diagram into their response. Stronger responses utilised their diagram to explain the impacts on a business or different economic agents.
- Students that did best were able to apply to the specific question and use relevant examples that fitted with the context provided
- Longer answer questions require depth more than breadth. Candidates should aim to develop two detailed analysis points and two detailed evaluations to achieve the higher levels.
- Analysis and Evaluation needs to be well developed to achieve higher marks on essay questions



Key Points from the Examiners – Unit 4 – Developments in the Global Economy

- Candidate must read all the questions carefully and make sure they have addressed all parts of the question
- Drawings should be appropriate, accurate and legible with the correct labelling.
- Relevant extracts should be used as evidence in responses rather than copied out, in order to achieve higher marks
- Longer answer questions require depth more than breadth. Candidates should aim to develop two detailed analysis points and two detailed evaluations to achieve the higher levels.
- Analysis and Evaluation needs to be well developed to achieve higher marks on essay questions with 3 points of logical cause and effect
- Encourage students to practice challenging skills such as analysis and evaluation through the use of previous exam paper questions.



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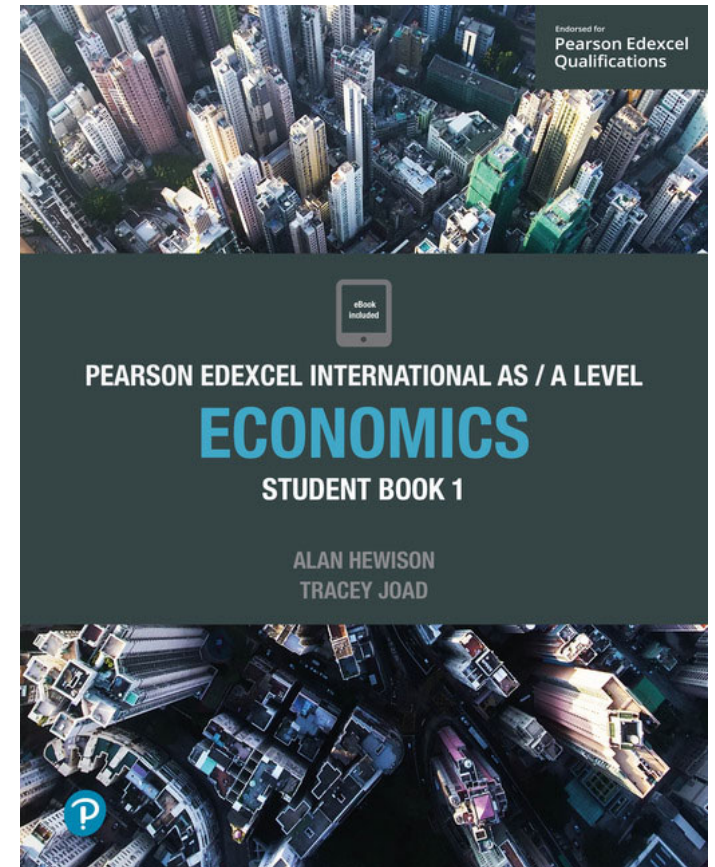


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Samantha Roden, Head of English, Qatar International School

Contact your dedicated Subject Advisor

Subject Advisor details

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Questions



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