

OXFORD

INTERNATIONAL  
AQA EXAMINATIONS

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# INTERNATIONAL AS ECONOMICS EC01

Unit 1 The Operation of Markets, Market Failure and the Role of  
Government

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Mark scheme

June 2023

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Version: 1.0 Final



2 3 6 X E C 0 1 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from [oxfordaqaexams.org.uk](http://oxfordaqaexams.org.uk)

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## International AS Economics mark scheme

### How to mark

#### Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

#### Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

#### Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

#### The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

## Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

## Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

**Section A**

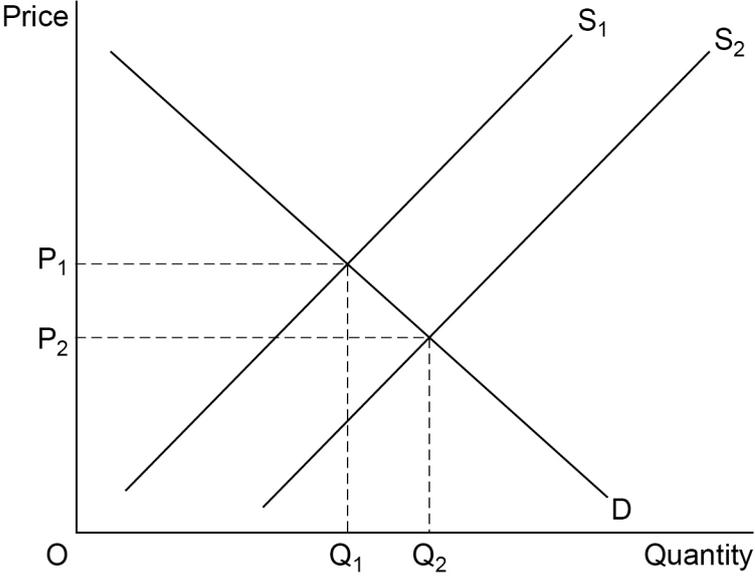
**Total for this section: 15 marks**

Question	Part	Marking guidance	Total marks
<b>01</b>		Which one of the following best describes the basic economic problem?  Answer: <b>D</b> (What, how and for whom goods and services should be produced)	<b>1</b>  <b>AO1 = 1</b>

Question	Part	Marking guidance	Total marks
<b>02</b>		Which one of the following values of cross elasticity of demand (XED) shows that two products are close substitutes?  Answer: <b>D</b> (+2.0)	<b>1</b>  <b>AO2 = 1</b>

Question	Part	Marking guidance	Total marks
<b>03</b>		Which one of the following is a characteristic of a perfectly competitive market?  Answer: <b>D</b> (Price is determined by demand and supply)	<b>1</b>  <b>AO1 = 1</b>

Question	Part	Marking guidance	Total marks
<b>04</b>		Which one of the following explains why merit goods are likely to be underprovided in a free market economy?  Answer: <b>A</b> (Their benefits are underestimated by consumers.)	<b>1</b>  <b>AO1 = 1</b>

Question	Part	Marking guidance	Total marks
05		 <p data-bbox="368 974 1294 1041">All other things being equal, which one of the following is most likely to cause a shift of the supply curve from <math>S_1</math> to <math>S_2</math>?</p> <p data-bbox="368 1077 1150 1111">Answer: <b>C</b> (A rise in productivity in making chocolate bars)</p>	<p data-bbox="1318 309 1337 336"><b>1</b></p> <p data-bbox="1318 383 1430 409"><b>AO2 = 1</b></p>

Question	Part	Marking guidance	Total marks												
06		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sales</th> <th>Total revenue (£)</th> <th>Total costs (£)</th> </tr> </thead> <tbody> <tr> <td>100</td> <td>10 000</td> <td>6 000</td> </tr> <tr> <td>200</td> <td>18 000</td> <td>14 000</td> </tr> <tr> <td>300</td> <td>24 000</td> <td>22 000</td> </tr> </tbody> </table> <p>Which one of the following can be concluded from <b>Table 1</b>?</p> <p>As sales increase, there is also an increase in</p> <p>Answer: <b>A</b> (average costs.)</p>	Sales	Total revenue (£)	Total costs (£)	100	10 000	6 000	200	18 000	14 000	300	24 000	22 000	1 AO3 = 1
Sales	Total revenue (£)	Total costs (£)													
100	10 000	6 000													
200	18 000	14 000													
300	24 000	22 000													

Question	Part	Marking guidance	Total marks
07		<p>Which one of the following is a <b>disadvantage</b> of division of labour for a firm?</p> <p>Answer: <b>B</b> (More output is likely to be lost if workers are absent.)</p>	1 AO1 = 1

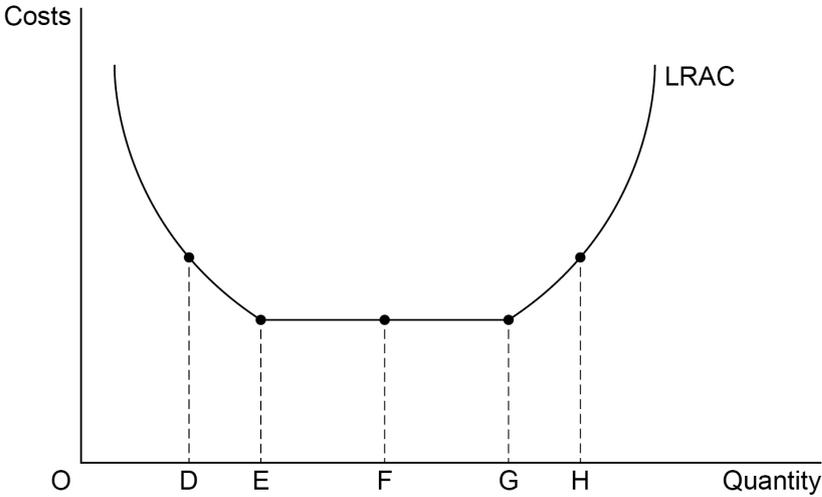
Question	Part	Marking guidance	Total marks
08		<p>What is the price elasticity of supply of tomatoes when the equilibrium price of tomatoes rises from €25 per kilo to €75 per kilo?</p> <p>Answer: <b>C</b> (+0.625)</p>	1 AO3 = 1

Question	Part	Marking guidance	Total marks
09		Which one of the following is used to distinguish between different market structures?  Answer: <b>A</b> (The degree of product differentiation)	1  <b>AO1 = 1</b>

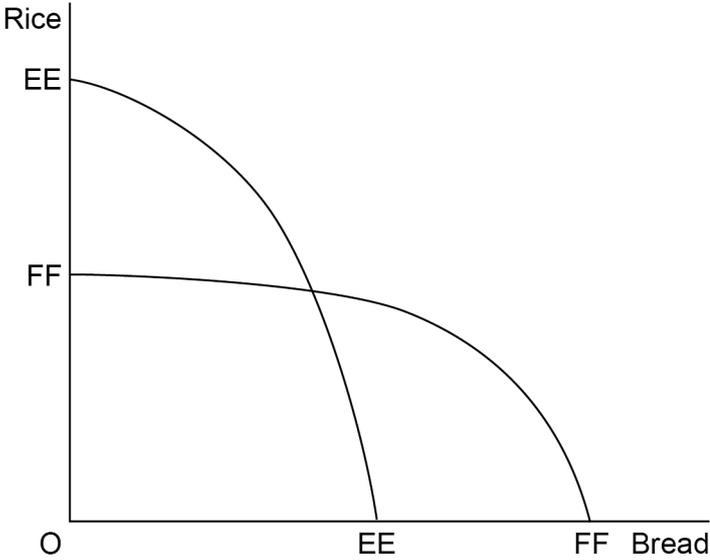
Question	Part	Marking guidance	Total marks
10		After a price rise, total revenue stays the same.  What is the price elasticity of demand for the product?  Answer: <b>B</b> (-1)	1  <b>AO2 = 1</b>

Question	Part	Marking guidance	Total marks
11		Which one of the following best describes the free-rider problem?  Answer: <b>B</b> (People can consume the good without having to pay for it.)	1  <b>AO1 = 1</b>

Question	Part	Marking guidance	Total marks																		
12		<table border="1" data-bbox="410 336 1248 797"> <thead> <tr> <th data-bbox="410 336 761 414">Percentage of wealth owned by</th> <th data-bbox="764 336 1002 414">2018</th> <th data-bbox="1005 336 1248 414">2022</th> </tr> </thead> <tbody> <tr> <td data-bbox="410 418 761 490">Most wealthy 1%</td> <td data-bbox="764 418 1002 490">19</td> <td data-bbox="1005 418 1248 490">21</td> </tr> <tr> <td data-bbox="410 495 761 566">Most wealthy 5%</td> <td data-bbox="764 495 1002 566">36</td> <td data-bbox="1005 495 1248 566">42</td> </tr> <tr> <td data-bbox="410 571 761 642">Most wealthy 10%</td> <td data-bbox="764 571 1002 642">47</td> <td data-bbox="1005 571 1248 642">53</td> </tr> <tr> <td data-bbox="410 647 761 719">Most wealthy 25%</td> <td data-bbox="764 647 1002 719">72</td> <td data-bbox="1005 647 1248 719">74</td> </tr> <tr> <td data-bbox="410 723 761 795">Most wealthy 50%</td> <td data-bbox="764 723 1002 795">91</td> <td data-bbox="1005 723 1248 795">95</td> </tr> </tbody> </table> <p data-bbox="368 842 1262 909">It can be concluded from <b>Table 2</b> that between 2018 and 2022 there was a rise in</p> <p data-bbox="368 943 860 976">Answer: <b>A</b> (the inequality of wealth.)</p>	Percentage of wealth owned by	2018	2022	Most wealthy 1%	19	21	Most wealthy 5%	36	42	Most wealthy 10%	47	53	Most wealthy 25%	72	74	Most wealthy 50%	91	95	<p data-bbox="1313 304 1334 338"><b>1</b></p> <p data-bbox="1313 383 1426 416"><b>AO2 = 1</b></p>
Percentage of wealth owned by	2018	2022																			
Most wealthy 1%	19	21																			
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Most wealthy 25%	72	74																			
Most wealthy 50%	91	95																			

Question	Part	Marking guidance	Total marks
13		 <p data-bbox="368 882 1123 918">Diseconomies of scale occur when quantity changes from</p> <p data-bbox="368 947 638 983">Answer: <b>D</b> (G to H)</p>	<p data-bbox="1310 304 1331 336">1</p> <p data-bbox="1310 383 1426 414">AO2 = 1</p>

Question	Part	Marking guidance	Total marks
14		<p data-bbox="368 1128 1246 1196">Stanislav sells cups of coffee from a van. His total costs during the year are \$20 000.</p> <p data-bbox="368 1229 1225 1296">If he sells 10 000 cups of coffee a year and his only fixed cost is \$1000 a month to rent the van, what is his average variable cost?</p> <p data-bbox="368 1330 628 1366">Answer: <b>A</b> (\$0.80)</p>	<p data-bbox="1310 1128 1331 1160">1</p> <p data-bbox="1310 1207 1426 1238">AO3 = 1</p>

Question	Part	Marking guidance	Total marks
15		 <p data-bbox="368 952 1225 1016">Which one of the following could cause the movement of the PPB from <b>EE</b> to <b>FF</b>?</p> <p data-bbox="368 1055 1289 1120">Answer: <b>C</b> (Labour productivity has decreased for rice production but increased for bread.)</p>	<p data-bbox="1318 304 1337 331"><b>1</b></p> <p data-bbox="1318 383 1430 409"><b>AO3 = 1</b></p>

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define 'joint demand' (<b>Extract B</b>, line 4).</p> <p><b>A full and precise definition is given (3 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• products which are bought and/or used together</li> <li>• goods which are complementary to each other.</li> </ul> <p><b>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• products that go together</li> <li>• products that are demanded together</li> <li>• two goods which have a negative cross elasticity</li> </ul> <p><b>Fragmented points only (1 mark)</b></p> <p>Example:</p> <ul style="list-style-type: none"> <li>• products that are linked.</li> </ul>	<p><b>3</b></p> <p><b>AO1 = 3</b></p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define 'negative externalities' (<b>Extract C</b>, line 1).</p> <p><b>A full and precise definition is given (3 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• costs of consumption or production to third parties</li> <li>• when economic activity imposes external costs.</li> </ul> <p><b>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• harmful spill over effects</li> <li>• social costs minus private costs.</li> </ul> <p><b>Fragmented points only (1 mark)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• effects on someone else</li> <li>• external costs.</li> </ul>	<p><b>3</b></p> <p><b>AO1 = 3</b></p>

**MAXIMUM FOR QUESTION 16: 6 MARKS**

Question	Part	Marking guidance	Total marks								
17	1	<p>Use <b>Extract A (ii)</b> to calculate the difference between the sales of ‘all electric vehicles’ in 2021 and the mean number of sales of ‘all electric vehicles’ for the years 2017 to 2020.</p> <p>Calculation:</p> $\text{Mean for 2017 to 2020} = \frac{(195\,000 + 333\,000 + 320\,000 + 308\,000)}{4}$ $= \frac{1\,156\,000}{4} = 289\,000$ <p>Difference = 608 000 – 289 000 = 319 000</p> <p>Correct answer is 319 000</p> <table border="1" data-bbox="368 909 1299 1509"> <thead> <tr> <th data-bbox="368 909 1142 1005">Response</th> <th data-bbox="1147 909 1299 1005">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 1012 1142 1171">For the correct answer (units not needed): 319 000 (Also allow –319 000)</td> <td data-bbox="1147 1012 1299 1171">3 marks</td> </tr> <tr> <td data-bbox="368 1178 1142 1301">For the correct answer but with incorrect units: eg 319 or \$319 000</td> <td data-bbox="1147 1178 1299 1301">2 marks</td> </tr> <tr> <td data-bbox="368 1308 1142 1509">For the correct mean sales for 2017 to 2020: 289 000 <b>OR</b> For the correct method but the wrong answer</td> <td data-bbox="1147 1308 1299 1509">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer (units not needed): 319 000 (Also allow –319 000)	3 marks	For the correct answer but with incorrect units: eg 319 or \$319 000	2 marks	For the correct mean sales for 2017 to 2020: 289 000 <b>OR</b> For the correct method but the wrong answer	1 mark	<p><b>3</b></p> <p><b>AO1 = 1</b> <b>AO2 = 2</b></p>
Response	Max 3 marks										
For the correct answer (units not needed): 319 000 (Also allow –319 000)	3 marks										
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For the correct mean sales for 2017 to 2020: 289 000 <b>OR</b> For the correct method but the wrong answer	1 mark										

Question	Part	Marking guidance	Total marks								
17	2	<p>Use <b>Extract A (ii)</b> to calculate how many partly-electric vehicles were sold for each fully-electric vehicle sold in 2021.</p> <p>Give your answer as a ratio correct to <b>two</b> decimal places.</p> <p>Calculation:</p> $\frac{165\,000}{443\,000} = 0.37246$ <p>Correct answer is 0.37:1</p> <table border="1" data-bbox="368 779 1283 1805"> <thead> <tr> <th data-bbox="373 786 1129 875">Response</th> <th data-bbox="1134 786 1278 875">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="373 882 1129 1111"> <p>For the correct answer: 0.37:1</p> <p>(With or without working shown)</p> </td> <td data-bbox="1134 882 1278 1111">3 marks</td> </tr> <tr> <td data-bbox="373 1117 1129 1509"> <p>For the correct answer but not to two decimal places eg 0.4:1</p> <p><b>OR</b></p> <p>For the correct answer but not shown as a ratio eg 0.37</p> <p><b>OR</b></p> <p>For the correct answer rounded the wrong way: 0.38:1</p> <p><b>OR</b></p> <p>For the correct answer but with added units: eg 0.37 thousand: 1</p> </td> <td data-bbox="1134 1117 1278 1509">2 marks</td> </tr> <tr> <td data-bbox="373 1516 1129 1798"> <p>For the correct answer and with added units: eg 0.37 thousand</p> <p><b>OR</b></p> <p>For the correct answer but not to two decimal places and with added units: eg 0.3 thousand</p> <p><b>OR</b></p> <p>For the correct working but the wrong answer</p> </td> <td data-bbox="1134 1516 1278 1798">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	<p>For the correct answer: 0.37:1</p> <p>(With or without working shown)</p>	3 marks	<p>For the correct answer but not to two decimal places eg 0.4:1</p> <p><b>OR</b></p> <p>For the correct answer but not shown as a ratio eg 0.37</p> <p><b>OR</b></p> <p>For the correct answer rounded the wrong way: 0.38:1</p> <p><b>OR</b></p> <p>For the correct answer but with added units: eg 0.37 thousand: 1</p>	2 marks	<p>For the correct answer and with added units: eg 0.37 thousand</p> <p><b>OR</b></p> <p>For the correct answer but not to two decimal places and with added units: eg 0.3 thousand</p> <p><b>OR</b></p> <p>For the correct working but the wrong answer</p>	1 mark	<p><b>3</b></p> <p><b>AO1 = 1</b> <b>AO2 = 2</b></p>
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**MAXIMUM FOR QUESTION 17: 6 MARKS**

Question	Part	Marking guidance	Total marks
18	1	<p><b>Extract A</b> shows the average price of petrol vehicles and sales of electric vehicles in the US for the years 2017 to 2021.</p> <p>Explain why changes in the average price of petrol vehicles might affect the sales of electric vehicles.</p>	<p><b>6</b></p> <p><b>AO1 = 2</b>  <b>AO2 = 2</b>  <b>AO3 = 2</b></p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> </ul>
2	3–4	<ul style="list-style-type: none"> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> </ul>
1	1–2	<ul style="list-style-type: none"> <li>Shows limited knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes limited application of relevant economic principles to the question.</li> <li>May include some limited analysis but the analysis lacks focus and/or becomes confused.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- identifies electric vehicles as a substitute for petrol vehicles
- recent upward trend in the average price of petrol vehicles
- why an increase in the price of petrol vehicles is likely to increase the demand for electric vehicles
- recognises that demand for petrol vehicles may be price inelastic and this indicates that most people will continue buying petrol vehicles even if the price rises significantly
- how close petrol vehicles and electric vehicles are as substitutes
- the significance of the value of XED
- use of demand and supply analysis.

**Note:** Some students may support their answer with a diagram/diagrams but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	2	To what extent do the data suggest that changes in the average price of petrol vehicles affect the sales of electric vehicles?  Use the data in <b>Extract A</b> to support your answer.	6  AO2 = 1 AO3 = 1 AO4 = 4

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> <li>Includes sound evidence that indicates the extent to which changes in the average price of petrol vehicles affect the sales of electric vehicles.</li> <li>Includes a supported overall judgement concerning the extent to which changes in the average price of petrol vehicles affect the sales of electric vehicles.</li> </ul>
2	3–4	<ul style="list-style-type: none"> <li>Includes limited evidence that indicates the extent to which changes in the average price of petrol vehicles affect the sales of electric vehicles.</li> <li>Attempts a judgement concerning the extent to which changes in the average price of petrol vehicles affect the sales of electric vehicles.</li> </ul>
1	1–2	<ul style="list-style-type: none"> <li>Includes evidence that does not clearly indicate the extent to which changes in the average price of petrol vehicles affect the sales of electric vehicles.</li> <li>May include an unsupported judgement concerning the extent to which changes in the average price of petrol vehicles affect the sales of electric vehicles.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- the average price of petrol vehicles has risen from around \$35 000 in 2017 to a peak of \$47 000 in 2021 (a rise of 34%), meanwhile sales of electric vehicles have risen from 195 000 to 608 000 (a greater rise of 212%)
- the largest increase in the price of petrol vehicles was from \$39 000 in 2020 to \$47 000 in 2021 and the largest increase in electric vehicle sales was also between 2020 and 2021, from 308 000 to 608 000
- the price of petrol vehicles rose slightly between 2018 and 2020 from just over \$35 000 to \$39 000 but there was a slight decline in electric and partly-electric vehicle sales between 2018 to 2020 from 333 000 to 308 000
- conclusion that changes in the price of petrol vehicles have some effect on the sale of electric vehicles, with a higher price of petrol vehicles being associated with higher electric vehicle sales
- recognition that the price of petrol vehicles is not the only factor affecting the sale of electric vehicles
- recognition that data only apply to the US between 2017 and 2021 and that there may be a different relationship in other countries and/or different time periods
- identification of data that would help us reach a firmer conclusion, for example changes in petrol prices as a complement to driving petrol vehicles, changes in the price of electric vehicles and the availability of battery charging points.

Allow a margin of  $\pm$ \$1000

Credit valid alternative content.

**MAXIMUM FOR QUESTION 18: 12 MARKS**

Question	Part	Marking guidance	Total marks
19		<p><b>Extract B</b> (line 1) states: ‘Petrol prices have recently reached record highs’.</p> <p>With the help of a diagram, explain possible reasons why the price of petrol may increase.</p>	<p><b>9</b></p> <p><b>AO1 = 2</b>  <b>AO2 = 4</b>  <b>AO3 = 3</b></p>

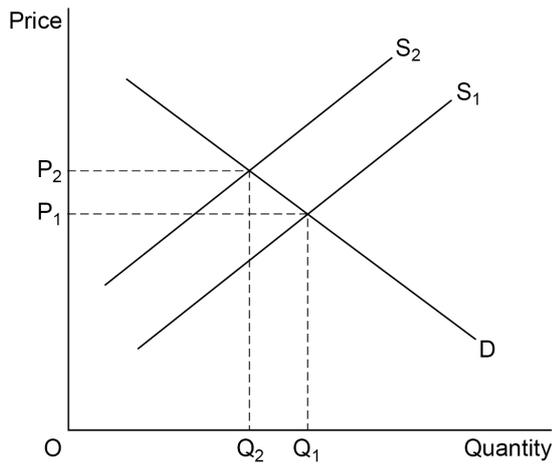
Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	7–9	<ul style="list-style-type: none"> <li>Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.</li> </ul>
2	4–6	<ul style="list-style-type: none"> <li>Includes one or more issues that are relevant to the question.</li> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>May include a relevant diagram to support their explanation.</li> </ul>
1	1–3	<ul style="list-style-type: none"> <li>Is very brief and/or lacks coherence.</li> <li>Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.</li> </ul>
	0	No creditworthy material

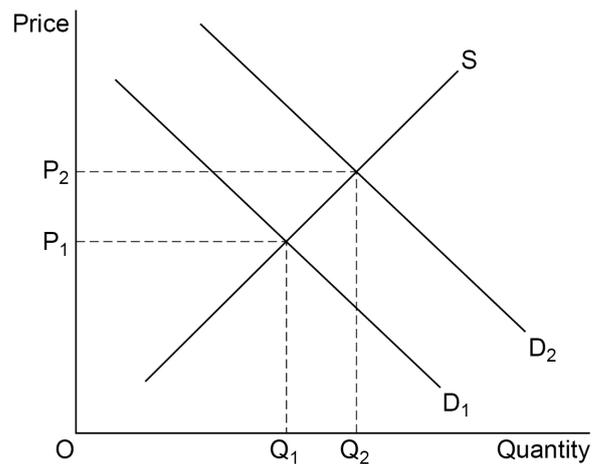
**Indicative content**

The expected diagram is a supply and demand diagram, showing supply shifting left (**Figure 5**) and/or demand shifting right (**Figure 6**). It should show an increase in price but quantity may increase, decrease or stay the same, depending on which curve has been shifted.

**Figure 5**



**Figure 6**



**Relevant issues include:**

- meanings of demand and supply
- explanation of how changes in the price of oil affect the price of petrol
- recognition that petrol prices are likely to increase if either demand increases and/or supply decreases
- explanation of reasons why demand for petrol may increase, eg economic recovery
- analysis of how increased demand for petrol may increase price
- explanation of reasons why supply of petrol may decrease, eg global supply issues, including a lack of delivery drivers, an increase in indirect tax
- the effect of global factors such as conflicts or the actions of OPEC
- analysis of how decreased supply of petrol may increase price
- the significance of price elasticity of demand and supply.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p><b>Extract C</b> (line 19) states that the US government is ‘reducing indirect taxes on electric cars.’</p> <p>Analyse the likely effects of a reduction in indirect tax on the market for electric cars.</p>	<p><b>12</b></p> <p><b>AO1 = 3</b>  <b>AO2 = 4</b>  <b>AO3 = 5</b></p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> <li>Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>May include a relevant diagram that is accurate and used appropriately to support their explanation.</li> </ul>
2	5–8	<ul style="list-style-type: none"> <li>Includes one or more issues that are relevant to the question.</li> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>May include a relevant diagram to support their explanation.</li> </ul>
1	1–4	<ul style="list-style-type: none"> <li>Is very brief and/or lacks coherence.</li> <li>Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- meaning of indirect tax
- analysis of the effects of a reduction in indirect tax on costs of production and supply
- analysis of the effects of lower indirect tax on price and quantity sold
- the significance of price elasticity of demand and/or supply
- consideration of extent to which price falls and who gains from this
- analysis of possible short-run and long-run effects.
- Tax burden

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student’s response to the question.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p><b>Extract C</b> (lines 8–9) states: ‘Governments across the world are using different policies to try to encourage greater use of electric vehicles’.</p> <p>Use the extracts and your knowledge of economics to assess whether governments should intervene to increase the sales of electric vehicles.</p>	<p><b>20</b></p> <p><b>AO1 = 3</b>  <b>AO2 = 4</b>  <b>AO3 = 5</b>  <b>AO4 = 8</b></p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	<p><b>Sound, focused analysis and well-supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors</li> <li>• includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes supported evaluation throughout the response and in a final conclusion.</li> </ul>
4	13–16	<p><b>Sound, focused analysis and some supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present</li> <li>• includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response</li> <li>• includes some well-focused analysis with clear, logical chains of reasoning</li> <li>• includes some reasonable, supported evaluation.</li> </ul>
3	9–12	<p><b>Some reasonable analysis but generally unsupported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present</li> <li>• includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.</li> </ul>
2	5–8	<p><b>A fairly weak response with some understanding that:</b></p> <ul style="list-style-type: none"> <li>• includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely</li> <li>• includes some limited application of relevant economic principles to the given context and/or data to the question</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some evaluation which is weak and unsupported.</li> </ul>
1	1–4	<p><b>A very weak response that:</b></p> <ul style="list-style-type: none"> <li>• includes little relevant knowledge and understanding of economic terminology, concepts and principles</li> <li>• includes application to the given context which is, at best, very weak</li> <li>• includes attempted analysis which is weak and unsupported.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- knowledge of recent trends in petrol and electric vehicle markets
- how markets and prices allocate resources
- the determinants of demand and supply of electric vehicles and the significance of elasticity
- discussion of possible market failures – negative externalities in consumption of petrol vehicles, equity arguments relating to access to electric vehicles, market imperfections eg relating to the provision of charging points, imperfect information
- analysis and evaluation of alternative government policies, eg taxing or banning petrol/diesel vehicles, subsidies or tax incentives for electric vehicles, government spending on electric charging points or research and development
- impact on tax revenue of governments
- cost and opportunity cost of government intervention
- significance of data included in the extracts, eg phasing out of petrol vehicles, the pros and cons of electric vehicles, relative prices of electric and petrol vehicles, and amounts spent by governments to promote electric vehicles
- market failure versus government failure
- knowledge of experience of different countries
- an overall assessment of whether governments should intervene to increase the sales of electric vehicles.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

**Assessment Objectives Grid**

	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>Section A</b>					
01	1				<b>1</b>
02		1			<b>1</b>
03	1				<b>1</b>
04	1				<b>1</b>
05		1			<b>1</b>
06			1		<b>1</b>
07	1				<b>1</b>
08			1		<b>1</b>
09	1				<b>1</b>
10		1			<b>1</b>
11	1				<b>1</b>
12		1			<b>1</b>
13		1			<b>1</b>
14			1		<b>1</b>
15			1		<b>1</b>
<b>Section B</b>					
16.1	3				<b>3</b>
16.2	3				<b>3</b>
17.1	1	2			<b>3</b>
17.2	1	2			<b>3</b>
18.1	2	2	2		<b>6</b>
18.2		1	1	4	<b>6</b>
19	2	4	3		<b>9</b>
20	3	4	5		<b>12</b>
21	3	4	5	8	<b>20</b>
<b>Unit total</b>	<b>24</b>	<b>24</b>	<b>20</b>	<b>12</b>	<b>80</b>