

INTERNATIONAL A-LEVEL

ECONOMICS

EC03

Unit 3 The Economics of Business Behaviour and the Distribution of
Income

Mark scheme

June 2025

Version: 0.1 Pre-Standardisation



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.

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International A-level 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 13 more weight should be given to AO3 than to AO1 and AO2. 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: 10 marks

Question	Part	Marking guidance	Total marks
01		Which one of the following best describes a rule of thumb? Answer: B (A way of thinking, based on experience, that consumers use to make decisions quickly)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
02		Which one of the following combinations describes these two statements? Answer: C (Positive, Normative)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
03		<p>Wage rate (\$ per hour)</p> <p>Quantity of labour (hours per month, 000s)</p> <p>All other things being equal, which one of the following will result if the minimum wage rate is increased from \$8 to \$9 per hour?</p> <p>Answer: D (Workers would be willing to work 7000 more hours per month)</p>	1 AO2 = 1

Question	Part	Marking guidance	Total marks
04		Firms in a market are most likely to experience hit-and-run competition if Answer: C (there are few barriers to leaving the market.)	1 AO1 = 1

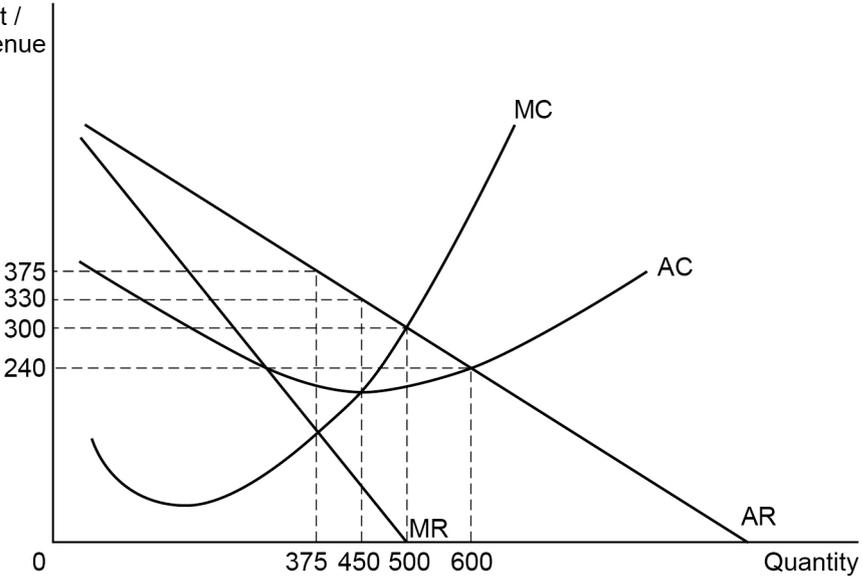
Question	Part	Marking guidance	Total marks
05		<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Adults</p> </div> <div style="text-align: center;"> <p>Children</p> </div> <div style="text-align: center;"> <p>Combined market</p> </div> </div> <p>The firm currently charges the same price to all customers. However, it is considering setting lower prices for children compared to those it sets for adults. By how much will the firm's profits increase if they price discriminate between children and adults?</p> <p>Answer: B (\$30 million)</p>	1 AO3 = 1

Question	Part	Marking guidance	Total marks												
06		<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Units of land</th> <th>Units of labour</th> <th>Units of capital</th> <th>Output (kg)</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>3</td> <td>5</td> <td>12 000</td> </tr> <tr> <td>4</td> <td>6</td> <td>10</td> <td>22 000</td> </tr> </tbody> </table> <p>Which one of the following results, in the long run, if the farmer increases output from 12 000kg to 22 000kg?</p> <p>Answer: A (Decreasing returns to scale)</p>	Units of land	Units of labour	Units of capital	Output (kg)	2	3	5	12 000	4	6	10	22 000	1 AO2 = 1
Units of land	Units of labour	Units of capital	Output (kg)												
2	3	5	12 000												
4	6	10	22 000												

Question	Part	Marking guidance	Total marks
07		<p>A firm in an oligopolistic market creates a new product and uses a patent to protect it.</p> <p>Which one of the following is the most likely result of the patent being granted?</p> <p>Answer: C (The market becomes less contestable)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
08		<p>Sunarti owns a firm that makes bags. The price elasticity of demand for the bags is -0.9. If she decreases the price of the bags, her weekly sales will increase from 15 to 16 bags.</p> <p>All other things being equal, which one of the following will result from this decrease in price?</p> <p>Answer: B (Marginal revenue will be negative)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks								
09		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Number of chocolate bars</th> <th>Average utility (units)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">33</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">30</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">25</td> </tr> </tbody> </table> <p>How much marginal utility does Juan gain from eating the 4th chocolate bar?</p> <p>Answer: C (21 units)</p>	Number of chocolate bars	Average utility (units)	3	33	4	30	5	25	<p>1</p> <p>AO2 = 1</p>
Number of chocolate bars	Average utility (units)										
3	33										
4	30										
5	25										

Question	Part	Marking guidance	Total marks
10		<p data-bbox="368 331 469 421">Cost / revenue (\$)</p>  <p data-bbox="368 947 1270 1014">What is the highest amount of total revenue the firm could earn while still being able to achieve both objectives?</p> <p data-bbox="368 1048 676 1084">Answer: B (\$144 000)</p>	<p data-bbox="1310 304 1331 333">1</p> <p data-bbox="1310 383 1426 412">AO2 = 1</p>

Section B

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
11	1	<p>Define 'relative poverty'.</p> <p>A full and precise definition is given (2 marks)</p> <p>Examples of acceptable definitions worth 2 marks:</p> <ul style="list-style-type: none"> • where an individual or household has less than a certain percentage of the average (median) income in their country • being poor compared to others in the society they live in. <p>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (1 mark)</p> <p>Examples of definitions worth 1 mark:</p> <ul style="list-style-type: none"> • when people receive less than the average income • having a worse standard of living than other people. 	<p>2</p> <p>AO1 = 2</p>

Question	Part	Marking guidance	Total marks								
11	2	<p>Use Figure 4 to calculate the percentage change in the total amount consumers spend on rice following the introduction of the maximum price.</p> <p>Calculation:</p> <p>Original amount spent = \$0.60 × 60 000 = \$36 000</p> <p>New amount spent = \$0.48 × 48 000 = \$23 040</p> <p>Change = \$23 040 – \$36 000 = –\$12 960</p> <p>Percentage change in spending</p> $= \frac{23\,040 - 36\,000}{36\,000} \times 100 = -36\%$ <table border="1" data-bbox="368 875 1294 1641"> <thead> <tr> <th data-bbox="373 882 1134 969">Response</th> <th data-bbox="1139 882 1289 969">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="373 976 1134 1077">For the correct answer: –36% (with or without working shown)</td> <td data-bbox="1139 976 1289 1077">3 marks</td> </tr> <tr> <td data-bbox="373 1084 1134 1272">For the correct answer but missing minus sign: 36% OR For the correct answer but with missing/incorrect units: eg –36 or –£36</td> <td data-bbox="1139 1084 1289 1272">2 marks</td> </tr> <tr> <td data-bbox="373 1279 1134 1635">For the correct calculation of both original <u>and</u> new amounts spent: eg 36 000 <u>and</u> 23 040 (with or without units) OR For the correct calculation of the difference in amount spent: \$12 960 OR For the correct method but the wrong answer</td> <td data-bbox="1139 1279 1289 1635">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: –36% (with or without working shown)	3 marks	For the correct answer but missing minus sign: 36% OR For the correct answer but with missing/incorrect units: eg –36 or –£36	2 marks	For the correct calculation of both original <u>and</u> new amounts spent: eg 36 000 <u>and</u> 23 040 (with or without units) OR For the correct calculation of the difference in amount spent: \$12 960 OR For the correct method but the wrong answer	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
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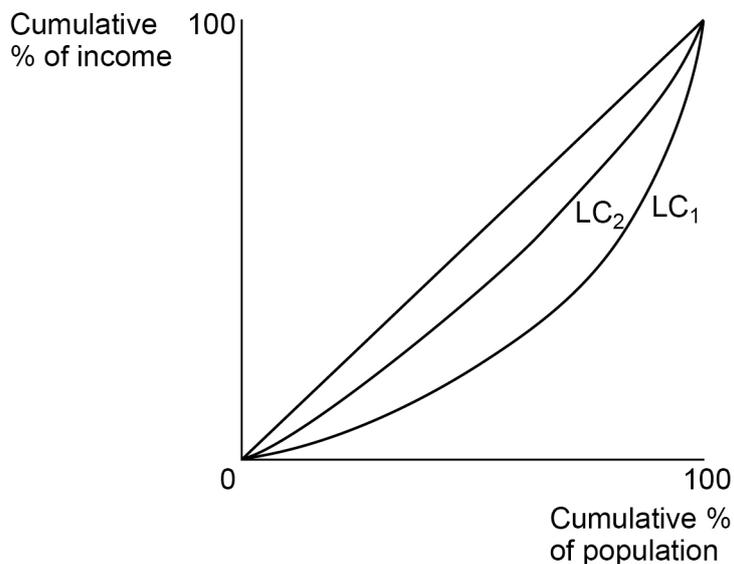
Question	Part	Marking guidance	Total marks								
11	3	<p>Use Figure 4 to calculate the deadweight loss which results from the introduction of the maximum price.</p> <p>Calculation:</p> <p>Change in price:</p> $\$0.78 - \$0.48 = \$0.30$ <p>Reduction in quantity:</p> $60\,000\text{kg} - 48\,000\text{kg} = 12\,000\text{kg}$ $\frac{0.30 \times 12\,000}{2} = \1800 <table border="1" data-bbox="368 840 1294 1868"> <thead> <tr> <th data-bbox="368 840 1134 936">Response</th> <th data-bbox="1134 840 1294 936">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 936 1134 1039">For the correct answer: \$1800 (with or without working shown)</td> <td data-bbox="1134 936 1294 1039">3 marks</td> </tr> <tr> <td data-bbox="368 1039 1134 1471"> For the correct answer but with missing/incorrect units: eg 1800 or £1800 OR For the correct calculation of the triangles for lost consumer <u>and</u> producer surplus (with or without \$ and minus sign): eg –1080 and –720 OR For the correct calculation of the change in consumer <u>and</u> producer surplus (with or without \$ sign): eg 4680 and –6480 </td> <td data-bbox="1134 1039 1294 1471">2 marks</td> </tr> <tr> <td data-bbox="368 1471 1134 1868"> For the correct calculation of the triangle for lost consumer <u>or</u> producer surplus (with or without \$ and minus sign): eg –1080 or –720 OR For the correct calculation of either the change in consumer <u>or</u> producer surplus (with or without \$ sign): eg 4680 or –6840 OR For the correct method but the wrong answer </td> <td data-bbox="1134 1471 1294 1868">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: \$1800 (with or without working shown)	3 marks	For the correct answer but with missing/incorrect units: eg 1800 or £1800 OR For the correct calculation of the triangles for lost consumer <u>and</u> producer surplus (with or without \$ and minus sign): eg –1080 and –720 OR For the correct calculation of the change in consumer <u>and</u> producer surplus (with or without \$ sign): eg 4680 and –6480	2 marks	For the correct calculation of the triangle for lost consumer <u>or</u> producer surplus (with or without \$ and minus sign): eg –1080 or –720 OR For the correct calculation of either the change in consumer <u>or</u> producer surplus (with or without \$ sign): eg 4680 or –6840 OR For the correct method but the wrong answer	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
Response	Max 3 marks										
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Question	Part	Marking guidance	Total marks						
11	4	Assuming these policies are successful, draw a Lorenz curve diagram to show a reduction in the inequality in the distribution of income.	2 AO1 = 1 AO2 = 1						
		<table border="1"> <thead> <tr> <th>Response</th> <th>Max 2 marks</th> </tr> </thead> <tbody> <tr> <td>Diagram showing an initial Lorenz curve indicating an unequal distribution of income with a second curve shifted towards the line of perfect equality. Both curves and axes labelled correctly</td> <td>2 marks</td> </tr> <tr> <td> Diagram showing an initial Lorenz curve indicating an unequal distribution of income with a second curve shifted towards the line of perfect equality, but one or both of the axis labels are missing/incorrect OR Diagram showing two Lorenz curves but no indication of which curve is which <u>and</u> at least one axis label is correct OR Diagram with one Lorenz curve indicating an unequal distribution of income <u>and</u> both axes labelled correctly </td> <td>1 mark</td> </tr> </tbody> </table>		Response	Max 2 marks	Diagram showing an initial Lorenz curve indicating an unequal distribution of income with a second curve shifted towards the line of perfect equality. Both curves and axes labelled correctly	2 marks	Diagram showing an initial Lorenz curve indicating an unequal distribution of income with a second curve shifted towards the line of perfect equality, but one or both of the axis labels are missing/incorrect OR Diagram showing two Lorenz curves but no indication of which curve is which <u>and</u> at least one axis label is correct OR Diagram with one Lorenz curve indicating an unequal distribution of income <u>and</u> both axes labelled correctly	1 mark
		Response		Max 2 marks					
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Indicative content

The expected diagram involves two Lorenz curves, with the second curve having shifted towards the line of perfect income equality. Axes should be labelled correctly and indicate a scale from 0 to 100.

The expected diagram is as follows:



Acceptable labels include:

Vertical axis: Cumulative % of income, % of income

Horizontal axis: Cumulative % of population, cumulative % of households, % of population, % of households

MAXIMUM FOR QUESTION 11: 10 MARKS

Section C

Total for this section: 45 marks

Question	Part	Marking guidance	Total marks
12	1	<p>Extract A shows the number of cars produced and profits for Tesla between 2016 and 2022.</p> <p>Explain why an increase in the production of cars may increase the profit made by a car producer.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</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
2	3–4	<ul style="list-style-type: none"> Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes reasonable application of relevant economic principles to support the response. Includes well-focused analysis with a clear, logical chain of reasoning.
1	1–2	<ul style="list-style-type: none"> Shows some limited knowledge and understanding of relevant economic terminology, concepts and principles. May include some application of relevant economic principles to the question. May include some attempted analysis but the analysis is not adequately developed and/or may be confused.
	0	No creditworthy material

Indicative content:

- definitions of production, profits
- the relationship between different types of costs, revenue and profit
- explanation that increasing production may allow a firm to reach its minimum efficient scale
- understanding that fixed costs can be spread over a greater quantity of output if production increases
- explanation of why economies of scale can reduce long-run average costs
- explanation of different types of economy of scale and how they may benefit a car producer
- greater levels of production may help a firm increase market share and so increase market power
- analysis of why greater scale can impact revenue eg lower production costs allowing lower prices, increasing competitiveness or providing opportunity for product development and diversification
- explanation of why an increase in production is likely to reduce average costs and increase revenue, raising profits.

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

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	To what extent do the data suggest that an increase in the production of cars increased the profit made by Tesla between 2016 and 2022? Use the data in Extract A to support your answer.	4 AO1 = 1 AO2 = 1 AO4 = 2

Examiners are reminded that AO1, AO2 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
2	3–4	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which an increase in the production of cars increased the profit made by Tesla. Includes a supported judgement concerning the extent to which an increase in the production of cars increased the profit made by Tesla.
1	1–2	<ul style="list-style-type: none"> Includes some limited evidence that indicates the extent to which an increase in the production of cars increased the profit made by Tesla. May attempt a judgement concerning the extent to which an increase in the production of cars increased the profit made by Tesla.
	0	No creditworthy material

Indicative content:

- between 2016 and 2022, Tesla’s car production rose from 75 890 to 1 313 851 units (1631%) while its profit rose from a loss of \$667m to a profit of \$13 656m consistent with a positive relationship between the two variables
- the level of production increased in each year during this period
- the only year when profit fell (or losses did not reduce) was in 2017, when losses rose from \$667m to \$1632m (145%), while car production increased from 75 890 to 103 014 (36%), which is not consistent with a positive relationship between the two variables
- between 2016 and 2019, car production increased from 75 890 to 367 656 (384%) and losses fell from \$667m to \$69m (90%)
- between 2020 and 2022, car production rose from 499 647 to 1 313 851 (163%) and profits rose from \$1994m to \$13 656m (585%)
- losses in the first four years shown may be influenced by investments into R&D and marketing which contribute to profits in later years
- consideration of other factors that might affect the level of profit such as the degree, or the nature, of competition in the market or changes in the amount of government support
- the likely conclusion is that an increase in the production of cars increased the profit made by Tesla between 2016 and 2022.

Credit valid alternative content.

MAXIMUM FOR QUESTION 12: 8 MARKS

Question	Part	Marking guidance	Total marks
13		<p>Extract B (line 5–6) states: ‘As the car industry moves away from vehicles that use petrol to electric-powered vehicles, demand for labour will change.’</p> <p>Explain the factors that are likely to affect the demand for labour in the car industry.</p>	<p>12</p> <p>AO1 = 3 AO2 = 3 AO3 = 6</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. More weight should therefore be given to AO3 than AO1 and AO2.

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

Indicative content:

- definition of the demand for labour
- understanding that the demand for labour is derived from the demand for the final product and that developments in the product market for cars will create changes in the factor market for labour
- analysis of demand for labour in the car industry using the marginal revenue productivity theory of labour
- explanation of how the wage rate influences car firms’ demand for labour
- analysis of how rising demand for EVs may affect the quantity and type of labour required

- consideration of how greater use of technology may impact productivity and so affect the demand for labour
- analysis of the extent to which increased market concentration in the global car industry may affect demand for labour
- explanation of different impacts in different countries as car production is globalised and producers can seek to relocate to countries with lower labour costs or higher skills
- analysis of how the availability and relative cost of substitutes within the production process may affect the demand for labour
- analysis of how the shift from petrol to electric-powered vehicles affects the demand for labour, given that EVs require fewer labour hours than petrol vehicles
- explanation of the impact of other labour-related costs such as the training required to equip workers for roles in the industry
- effects of government labour market policies in different countries on the demand for labour, eg employment and other related taxes, subsidies to the car industry, minimum wage rates and labour laws.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		<p>Extract C (lines 5–6) states: ‘Despite rising concentration ratios, new products are being developed. In some countries, government incentives have encouraged new suppliers to enter the car industry.’</p> <p>Discuss factors that are likely to influence the conduct and performance of firms in the car industry.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</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 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • 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 • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • 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.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.
1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- the meanings of, and difference between, the conduct and the performance of firms
- recognition that the car industry is an oligopoly and the main characteristics of an oligopoly
- discussion of different influences on conduct eg the nature and extent of competition, importance of innovation, degree of interdependence
- discussion of different measures of performance eg profit, efficiency, social perceptions or environmental and ethical considerations
- the link between conduct and performance
- identification of different policies or strategies that firms may adopt in the car industry eg mergers or shared production facilities
- analysis and evaluation of factors that are likely to influence conduct and/or performance in the car industry:
 - the role of partnerships and collaboration in the development of specific areas of expertise between firms in the industry and those in other related sectors
 - the extent to which the industry is contestable and the threat of new entrants such as Sony or Huawei
 - how much competition there is within the industry and the form it takes
 - the objectives of the owners of firms and the extent to which they conflict with those of the managers responsible for implementing strategies
 - the degree of interdependence between firms
 - the extent to which collusion occurs within the industry
 - how much product differentiation exists in relation to the range of car models and options and the role of innovation in driving this
- explanation of the relevance of both conduct and performance to firms in a dynamic oligopoly such as the car industry
- discussion of the extent to which conduct may affect performance or vice versa
- consideration of whether and why one particular form of performance may impact on another area eg the impact on costs and profit of significant investment into EV technology to achieve dynamic efficiency
- evaluation of the effects of a firm's relative size or market share to its market power and so ability to choose and carry out its strategy
- evaluation of the impact of different forms of government intervention on both the conduct and performance of firms
- evidence from specific firms about how their conduct or performance has been influenced by specific factors eg Volkswagen's conduct in respect of government emissions regulations and impact on profits
- an overall assessment of factors that are likely to influence the conduct and performance of firms in the car industry.

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.

Section D

Total for this section: 25 marks

Question	Part	Marking guidance	Total marks
15		<p>In November 2023, some politicians in Indonesia recommended privatising PLN, the country’s state-owned supplier of electricity. They said that the state-owned monopoly was inefficient and delaying the change to more renewable sources of energy. However, in the UK, a report suggests that a new, state-owned, renewable energy firm could reduce the average household electricity bill by up to 35% per year.</p> <p>Assess the advantages and disadvantages to consumers of having a state-owned monopoly supplying electricity.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</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 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
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2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.

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Indicative content:

- definition of a state-owned monopoly
- analysis and evaluation of the possible advantages of a state-owned monopoly supplier of electricity:
 - absence of profit motive could lead to lower prices for consumers
 - less scope for customer exploitation due to shareholders prioritising short-term goals
 - the ability of government to undertake long-term planning and investment in the industry and so support innovation and sustainability
 - whether quality may be higher if profit considerations are deemed less important
 - the importance of safety and self-sufficiency in electricity generation and government’s ability to prioritise it
 - the probability that the state is more likely to consider externalities
- analysis and evaluation of the potential disadvantages of a state-owned monopoly supplier of electricity:
 - the impact of a lack of profit motive on efficiency, costs, quality and innovation etc
 - the risk of political influence affecting objectives and decisions
 - the risk of corruption and its potential impact on social welfare
 - lack of competitive pressure and impact on innovation, dynamic or X-efficiency etc
 - bureaucracy, slow decision-making and the impact on flexibility and responsiveness to consumers
- analysis of whether a natural monopoly exists in electricity supply and whether this supports the case for state ownership
- whether regulating private sector monopolies may achieve these advantages at lower cost or with improved efficiency
- evaluation of the importance of affordability and access for low-income households and therefore the potential impact on inequality and equity
- evaluation of whether governments are better placed to coordinate or allocate resources between industries and across the economy
- evaluation of whether state-owned or private sector firms are more or less accountable to consumers eg the ability to remove a government compared to the impact of consumer sentiment on profits and therefore conduct
- knowledge of different situations, experience and priorities within particular countries
- consideration of alternatives eg privately-owned monopolies, state-owned suppliers that are not monopolies or firms that are neither state-owned nor monopolies
- an overall assessment of the advantages and disadvantages to consumers of having a state-owned monopoly supplying electricity.

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
16		<p>In 2022, women in Mexico were paid 16.7% less, on average, than men doing similar work. The latest World Bank data showed that only 46% of Mexican women were either employed or actively seeking work, compared to 76% of men. However, unemployment in the country was just 2.7%, which is well below the global average.</p> <p>Assess the likely impact of discrimination in the labour market on wages, levels and types of employment.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</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 and AO3 than AO1 and AO2.

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Indicative content:

- definition of discrimination with examples of the different forms it might take in labour markets
- understanding of wages, levels and types of employment
- explanation of wage discrimination and the conditions it requires
- examples of different reasons why employers may practise discrimination
- the link between imperfect information and discrimination in the labour market
- identification of wage discrimination as a form of market failure
- analysis and evaluation of the impact of discrimination on wages:
 - the ability to practise wage discrimination and its impact on minimising wages
 - how access to training opportunities can be restricted and the impact this can have on wages for certain groups
 - restricted access to promotion opportunities and therefore lower wages
 - the impact on motivation and productivity and resultant impact on wages
- analysis and evaluation of the impact of discrimination on levels of employment:
 - reduced motivation to participate in the labour force and lower levels of employment as a result
 - reduced demand for labour from discriminated groups creating a contraction in the supply of their labour
- analysis of how these impacts on individual labour markets can lead to lower wage rates in both markets as the result of reduced demand and increased supply
- analysis and evaluation of the impact of discrimination on types of employment:
 - how segregated labour markets are created with certain types of jobs becoming dominated by particular groups
 - how this affects the perception of certain industries, reinforcing stereotypes and perpetuating the segregation
 - restricted career opportunities for some groups limiting access to higher-paid or management jobs
 - a lack of representation being perpetuated when management remains dominated by a particular group
 - discriminated groups supplying more of their labour to other occupations or industries where there is no discrimination
- assessment of how wage discrimination can make it harder to save, access education and training and improve employability
- an overall assessment of the likely impact of discrimination in the labour market on wages, levels and types of employment.

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

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02	1				1
03		1			1
04	1				1
05			1		1
06		1			1
07	1				1
08		1			1
09		1			1
10		1			1
Section B					
11.1	2				2
11.2	1	2			3
11.3	1	2			3
11.4	1	1			2
Section C					
12.1	1	1	2		4
12.2	1	1		2	4
13	3	3	6		12
14	4	3	9	9	25
Section D					
15 and 16	4	3	9	9	25
Unit total	22	21	27	20	90