5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **QS10:** Distinguish between changes in the level of a variable, and the rate of change	**The only correct answer is C** **A** is not correct because total utility is still rising **B** is not correct because total utility is still rising **D** is not correct because total utility is falling	**(1)**

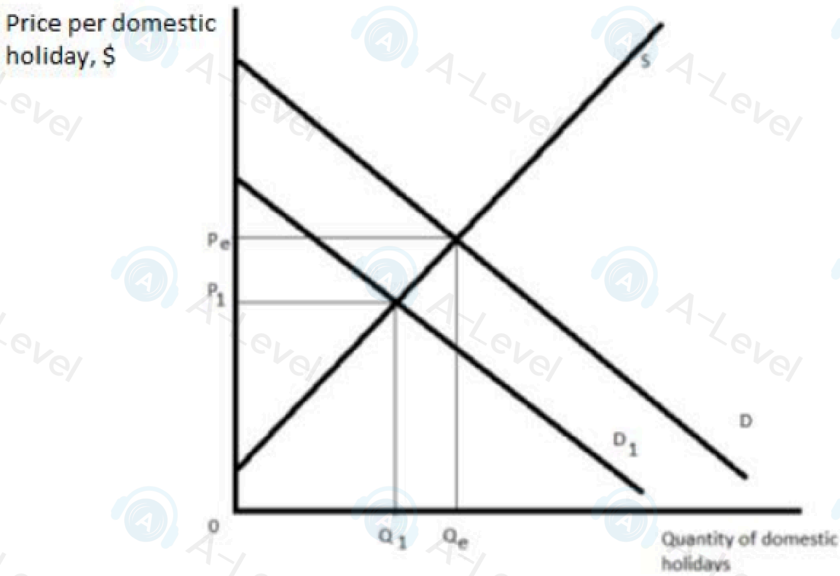
3	**QS8**: Make calculations of elasticity and interpret the result **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C**- The demand for refrigerators is price inelastic **A** is not correct because the demand for clothes dryers is price inelastic **B** is not correct because the price elasticity of demand for dishwashers is not zero **D** is not correct because washing machines have price inelastic demand	**(1)**

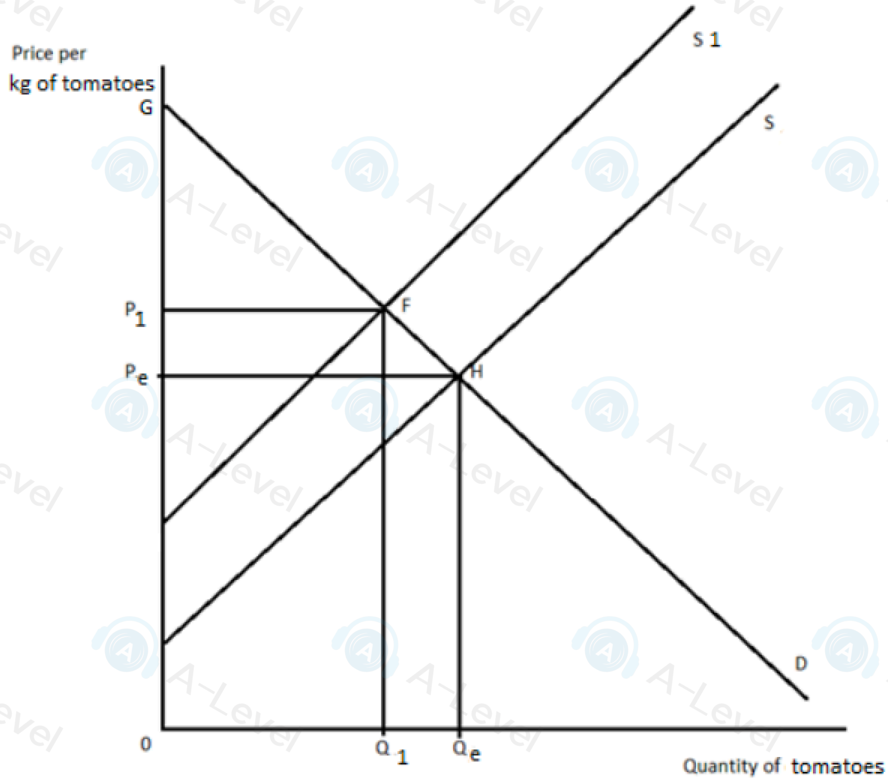
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because moral hazard is a market failure **B** is not correct because this is not a function of money **C** is not correct because this is a role of the government/central bank	**(1)**

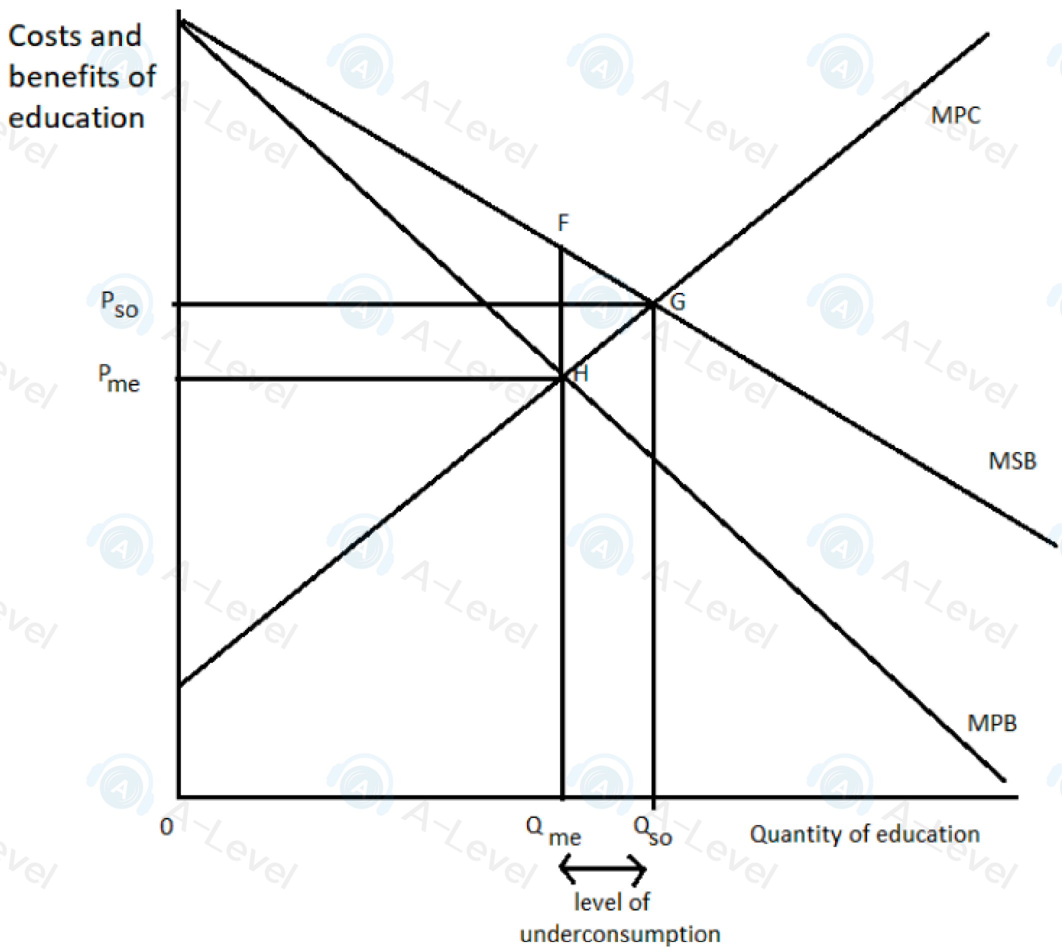
6	**QS8**: Make calculations of elasticity and interpret the result	**The only correct answer is B** **A** is not correct because a decrease in real income will result in a less than proportionate decrease in demand for butter **C** is not correct because a decrease in real income will result in a less than proportionate increase in the demand for margarine **D** is not correct because the data is about income elasticity and not price elasticity of demand.	**(1)**

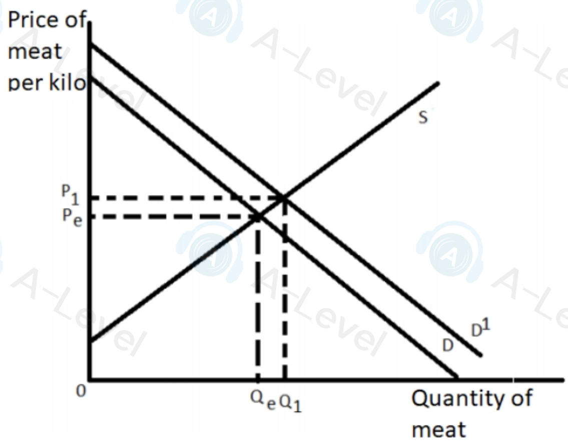
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as utility is maximised at 4 glasses of milk* ***C*** *is not correct as consumption of the fifth glass results in decreasing marginal utility* ***D*** *is not correct as utility is maximised at 4 glasses of milk*	**(1)**

5	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because renewable resources generated 39% which is less than 50% **C** is not correct because non-renewable resources generated 61% of electricity **D** is not correct because renewable resources generated 39% of electricity	**(1)**

Question	Draw a diagram to illustrate the likely impact of this change in real incomes on the equilibrium price and quantity for domestic holidays in Laos. Answer	Mark
7	**Knowledge 1, Application 3** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS8:** Make calculations of elasticity and interpret the result. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for showing knowledge on diagram • Original supply and demand **(1)** **Application** Up to 3 marks for the following information included on diagram: • Original equilibrium price and quantity **(1)** • Demand shifted to the left **(1)** • New equilibrium price and quantity **(1)** 	**(4)**

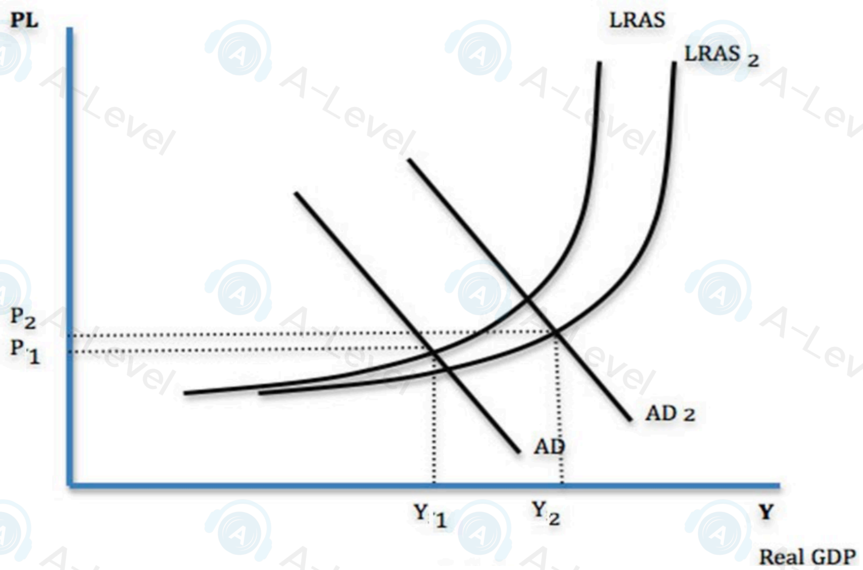
Question	*Ceteris paribus*, explain the likely impact of this change in supply on the consumer surplus in the tomato market. Illustrate your answer with a supply and demand diagram. **Answer**	Mark
11	**Knowledge 1, Application 1, Analysis 2** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of consumer surplus e.g.: • The difference between the market price and the price at which the consumers are willing to buy/pay **(1)** **Application** 1 mark for correct shift of supply to the left **(1)**  **Accept perfectly inelastic supply curves for each year** **Analysis** Up to 2 marks for showing the change in consumer surplus Original consumer surplus GHP_e **(1)** New consumer surplus GFP_1 **(1)** **OR** Consumer surplus decreases **(1)** by FHP_eP_1 **(1)**	**(4)**

Question	Draw a diagram to illustrate these external benefits. Answer	Mark
7	**Knowledge 1, Application 3** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for showing knowledge on diagram • Downward sloping MSB above MPB **(1)** **Application** Up to 3 marks for the following information included on diagram or in supporting write up: • Market equilibrium price **and** quantity **(1)** • Social optimum price **and** quantity **(1)** • Welfare loss/welfare gain area FGH/ size of external benefit FH/ level of underconsumption Qme - Qso **(1)**  **NB accept a parallel shift of MPB to MSB**	**(4)**

Question	The cross elasticity of demand for meat with respect to fish is estimated to be +0.13 in Bangladesh Explain the likely impact of a 10% increase in the price of fish on the demand for meat in Bangladesh. **Answer**	Mark
11	**Knowledge 1, Application 1, Analysis 2** Quantitative skills assessed: **QS8**: Make calculations of elasticity and interpret the result. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** • 1 mark for definition or formula of cross elasticity of demand e.g.: Responsiveness of demand for one product to a change in the price of another product $\frac{\text{\% change in quantity demanded of good x}}{\text{\% change in price of good y}}$ **(1)** **Application** 1 mark for application to meat and fish • Meat and fish are substitutes **(1)** • XED between fish and meat is positive **(1)**	
	Analysis Up to 2 marks for calculating the likely impact on demand for meat • An increase in demand **(1)** of 1.3% (0.13 x 10) **(1)** **Or** Up to 2 marks for using a diagram to show the likely impact on demand for meat  • For showing increase in demand **(1)** • For showing increase in equilibrium price/quantity **(1)**	

	Or 2 marks for alternative written explanation. • If the price of fish increases consumers will buy more meat causing the demand for meat to increase **(1)** the percentage increase will be less than 10% as the cross elasticity is inelastic **(1)** • Not close substitutes **(1)** so the impact so will result in a less than proportionate impact on quantity of meat demanded **(1)**	**(4)**

Question	With reference to health insurance, explain what is meant by moral hazard. **Answer**	**Mark**
8	**Knowledge 1, Application 1, Analysis 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for understanding moral hazard e.g.: • Where the consumer does not suffer from the consequences of their action/ • Where the costs associated with risks of an action are transferred to another party **(1K)** **Application** 1 mark for applying to health insurance e.g.: • 68% of those without health insurance visited a dentist but 88% of those with health insurance visited a dentist/ • Those with health insurance visited the dentist more often than those without health insurance **(1AP)** **Analysis** up to 2 marks for linked expansion • The consumers that are insured take more risks with their health **(1AN)** and are therefore more likely to need healthcare and make a claim/ so they are less careful with their health **(1AN)** • The consumer is more likely to smoke/eat sugary food/drink fizzy drinks **(1AN)** as any healthcare costs to treat teeth are covered by the insurance policy **(1AN)**	**(4)**

Question	Evaluate the importance of productivity for the rate of economic growth in a country. Indicative content
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Productivity measures the efficiency of production. Usually measured as output per worker/output per hour worked • Economic growth is the increase in GDP of the economy • High productivity increases the productive potential of the economy, causing economic growth • High levels of productivity cause increased incentives for businesses to invest • An increase in productivity could lead to an increase in LRAS and to a rise in real output and to a fall in the price level A highly productive workforce may increase the demand for labour and real wages, increasing consumption and AD • Higher productivity is likely to increase company profits and increase tax revenue leading to more government spending and potential multiplier effect on GDP • High productivity may increase demand for exports improving the current account of the balance of payments
	Students may take alternative perspective Diagrammatic analysis may be rewarded. 

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	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.

	Evaluation (8 marks) – indicative content • Investment by businesses is based upon confidence not productivity • Potential growth is influence by productivity whereas actual growth occurs as a result of an increase in AD • Increased productivity may only occur in the long run • Magnitude of productivity/ depends on relative productivity • Other methods may be better in achieving economic growth • High consumption through demand-side policies • May conflict with sustainability objectives	
Level	**Mark**	**Descriptor**
	0	No rewardable material.

Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	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.