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Mark Scheme (Results)

Summer 2016

Pearson Edexcel International Advanced Subsidiary in Economics (WEC01)
Paper 01 Markets in Action

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Section A: Supported multiple choice

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

NB: Candidates may achieve up to 3 marks (rejection marks) for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Answer	Mark
1	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Definition of PPF (the maximum combination of goods that can be produced with all available resources) **(1)** • Definition of opportunity costs (the next best alternative forgone) **(1)** • Application: Movement from Y to X sees 120-100=20 consumer goods forgone **(1)** to gain 90-50=40 capital goods **(1)** • Award 1 mark if they state the opportunity costs for moving from X to Y- forgo 40 units of capital for 20 units of consumer. • The economy is efficient as it is using all of its available resources at points X and Y are both on the PPF / resources are fully employed at X and Y **(1)** • For explaining that producing more capital goods they are forgoing current consumption for future consumption **(1)** **Rejection marks** **(Do not double award marks)** • Option A: W to V has an opportunity costs of 50 consumer goods/ forgo 50 units to gain 10 capital goods **(1)** • Option B: W to X has an opportunity costs of 20 capital goods not consumer goods/ they are gaining 50 consumer goods and not forgoing them/ opportunity costs is of capital goods not consumer goods **(1)** • Option D: they are gaining 20 consumer goods not forgoing them/ the opportunity costs is 50 capital goods. **(1)**	**(4)**

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Question Number	Answer	Mark
2	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Definition of a mixed economy- (an economy that involves both the free market and government intervention) **(1)** • Definition of public goods- (goods which have both non-excludability **and** non-rivalry (non diminishability is commonly offered)) **(1)** • Definition of market failure (where market forces will result in an inefficient allocation of resources) **(1)** • **Award up to 2 marks for definitions** • **Explanation** of free rider problem- where consumers can consume product without paying as you cannot exclude people from its consumption **(1)** • Private firms will not provide them as they cannot generate profits **(1)** • Example of public goods e.g defence, street lights **(1)** **Rejection marks** **(Do not double award marks)** • Option A: goods with negative externalities have negative impacts on third parties so the state will not subsidise them/ the state is more likely to tax negative externalities due to the external costs they incur on third parties/ subsidies are used for goods with positive externalities **(1)** • Option B: the price mechanism is where the forces of supply and demand through the invisible hand allocate resources and the government is not involved **(1)** • Option C: goods with external benefits are positive for third parties so the state will want to encourage their consumption through subsidies not tax them **(1)**	**(4)**

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Question Number	Answer	Mark
3	**Answer A (1 mark)** **Explanation (up to 3 marks)** • Definition of maximum price/ Reasons for a maximum price- e.g. to protect consumers **(1)** • At P_1 there is excess demand / shortage (where quantity demanded exceeds quantity supplied) / Q_2-Q_1 is the excess demand **(1)** • To clear the market firms will raise the price from P1 to P_e **(1)** • QD will contract due to salt being less affordable **(1)** • QS will extend as at higher prices it becomes more profitable to supply in the salt market **(1)** • Diagram showing movement along Demand and Supply line to equilibrium / showing movement of price or quantity **(1)** • Firms will want to increase price to maximise profits/ earn higher revenue **(1)** **Rejection marks** **(Do not double award marks)** • Option B: supply will extend so that quantity increases from Q_1 to Q_e and there will not be a shift in the curve **(1)** • Option C: Quantity demanded does not rise but falls from Q_2 to Q_e as the product become less affordable at the higher price P_e **(1)** • Option D: Quantity supplied rises from Q_1 to Q_e as it becomes more profitable to sell in the market at the higher price P_e **(1)**	**(4)**

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Question Number	Answer	Mark
4	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Definition or formula of price elasticity of demand (%ΔQd/%ΔP)/ definition of TR **(1)** • Calculation of PED 74000/100000= +0.74 5/14.99= -0.3336 +0.74/-0.3336= -2.21 **(1)** Calculation of percentage change in quantity demanded and price **(1)** • Calculation of TR 100 000 x $14.99= $1 499 000 **(1)** 174 000 x $9.99= $1 738 260 **(1)** **Or change in TR =** $1 738 260- $1 499 000 = **£239,260 (1+1)** • PED is relatively elastic so when you reduce price revenue will therefore rise **(1)** • the change in demand is greater than the change is price so elastic **(1)** • diagram to show TR rises **(1)** **Rejection marks** **(Do not double award marks)** • Option A: demand responds more than proportionately to the change in price so the PED is elastic not inelastic / inelastic demand products will see TR fall when price lowered/ even though TR rises demand is elastic **(1)** • Option B: demand responds more than proportionately to the change in price so the PED is elastic not inelastic **(1)** • Option D: this PED is elastic so revenue will rise when price falls **(1)**	**(4)**

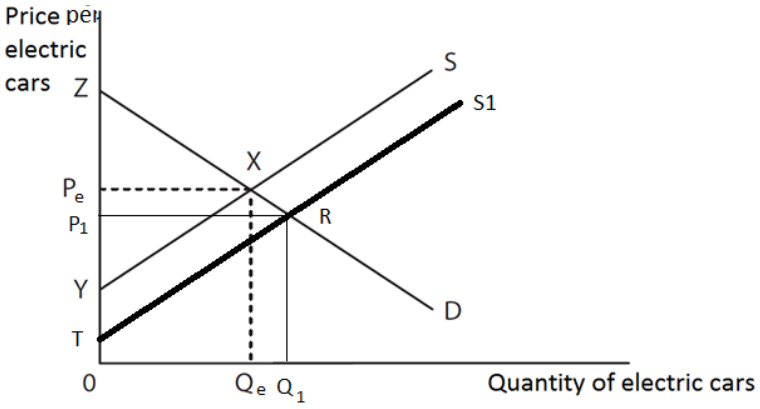
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Question Number	Answer	Mark
5	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Definition of a subsidy (payment by the government to encourage production or consumption of a good) **(1)** • Definition of consumer surplus (the difference between willing to pay and price actually paid) **(1)** • Subsidy will reduce costs **(1)** • Original consumer surplus PRU / may be shown on the diagram **(1)** • New consumer surplus P_1RX / may be shown on the diagram **(1)** **Rejection marks** **(Do not double award marks)** • Option A: This is the original consumer surplus PRU before the subsidy **(1)** • Option B: This is the new consumer surplus P_1RX after the subsidy **(1)** • Option D: P_1P_2TX is the size of the subsidy the government pays out **(1)**	**(4)**

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Question Number	Answer	Mark
6	**Answer A (1 mark)** **Explanation (up to 3 marks)** • Definition or formula for XED- responsiveness of Quantity Demanded of good x to a change in Price of good y. OR %ΔQDx÷ %ΔPy **(1)** • Negative cross price elasticity means it is a complement **(1)** • So when the price of paint rises the demand for paint will fall and the demand for paint brushes will also fall **(1)** • Paint and paint brushes are complements you use paint brushes to apply the paint/ to use paint we need brushes / paint and paintbrushes are bought together **(1)** • Diagram showing negative relationship between price of good X and quantity of good Y **(1)** **Rejection marks** **(Do not double award marks)** • Option B: Blu-ray movies or movie downloads are substitutes as people will choose whether to download or buy a Blu-ray movie **(1)** • Option C: Bus travel and taxi travel are substitutes as people will choose whether to use the bus or taxi to travel to work **(1)** • Option D: Desktop computers and laptop computers are substitutes and will have a positive XED **(1)**	**(4)**

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Question Number	Answer	Mark
7	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Definition of producer surplus (the difference between price willing to sell for and price received) **(1)** • Lithium ion batteries are used in the production of cars so if its prices fall the costs of production for electric car firms will fall **(1)** • Lower costs will mean firms will supply more and Supply will shift to the right **(1)** (may be shown on diagram) • The price falls and quantity rises **(1)** (may be shown on diagram) • Producer surplus rises from P_eXY to new larger area P1RT (may be shown diagrammatically) **(1)**  **Rejection marks** **(Do not double award marks)** • Option A: costs would fall so supply rises pushing down prices **(1)** • Option B: costs would fall so supply rises pushing down prices and producer surplus would rise because the costs have fallen **(1)** • Option C: The producer surplus was P_eXY and this rises to P_1RT so it does not fall **(1)**	**(4)**

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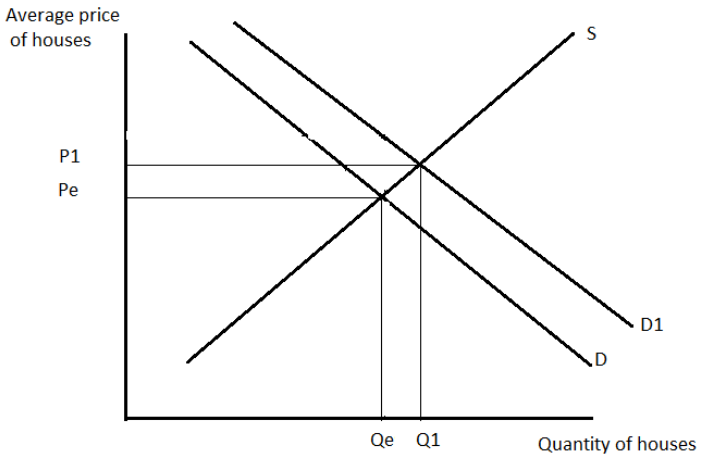
Question Number	Answer	Mark
8	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Definition or understanding of buffer stock- for example, an agency buys or adds to its stocks in times of a good harvest **and** sells from its stocks in times of a poor harvest/ buy and sells to keep between floor and ceiling **(1)** • Reasons for the scheme, e.g. to stabilise producer incomes / stabilise prices **(1)** • Definition of a surplus is where there is excess supply and the Qs > Qd **(1)** • This will result in a low price/ price below floor so to prevent this the government agency will purchase the surplus/ add to stockpile **(1)** • This reduction in supply will push the price up to the floor price **(1)** • Diagram showing surplus and used to show impact of the buffer stock **1+1** **Rejection marks** **(Do not double award marks)** • Option A: if stocks were released when there was a surplus there would be even more excess supply causing the price to fall further below the floor price **(1)** • Option B: the price cannot rise above the ceiling price, the idea is that it is always below it. **(1)** • Option D: the price of maize is only allowed to be above the floor price **(1)**	**(4)**

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Section B: Data response

NB: KAA marks relates to those awarded for AO1, AO2 and AO3

NB: Evaluation marks relates to those awarded for AO4

Question Number	Answer	Mark
9(a)	**Knowledge, application and analysis (up to 6 marks)** • Explicit reference to Figure 1 (e.g. average price now £264 889) or extract 1 (e.g. average house price in London £499 000) **(1)** • An increase in demand because of: ○ **Help to buy scheme**- only need 5% deposit **(1)** ○ **Unemployment fell** 132,000/ to 2.08million **(1)** ○ **Consumer confidence (1)** Diagrammatic analysis which shows: • a shift to the right of the demand curve **(1)** • original equilibrium price and quantity **(1)** • new equilibrium price and quantity **(1)**  	**(6)**

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Question Number		Mark
9(b)		**(14)**
Knowledge, application and analysis – indicative content		
	• Price rises were due to demand rising so there is more demand for the houses it builds • (reward showing increased demand on supply and demand diagram) • the average price of a Redrow property increased 19% to £269 000 • This helped the house builder earn record profits of £133m in 2014, a 91% increase on 2013. • Producer surplus can be invested in new developments allowing for expansion • increase its workforce by 20% creating 230 jobs recruiting surveyors, planners and marketing experts. • With shortage and higher demand for labour more training needed. (Many will use this as evaluation.) • Due to derived demand it will demand more labour • Wages may rise • More specialists allows it to benefit from economies of scale • Rising house prices may cause costs to rise if interest rates rise or suppliers push up their prices as demand for their products rises • Competitors enter market attracted to profits	

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Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the impact of rising prices due to rising demand on a house builder. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the impact of rising prices on house builders in the context of the housing market. This may be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the impact of rising prices on house builders in the context of the housing market. This may be supported by an accurately labelled diagram which is explained and applied effectively. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation – indicative content		
	• PES inelastic house builders struggled to meet demand as there was a shortage of bricks and bricklayers • PED if elastic demand price rises see TR fall. • worried about a long-term skills shortage it faces which will make it difficult to increase output • demand for housing may not be in new builds • Magnitude of price rises – significant 19% • Time period: takes time to increase number of builds although profits increased this year • may be temporary / demand could fall • House price rises may make property unaffordable • House price rises may rise to rapidly putting people off purchasing causing the housing market to stall. • Variation across the country some house builders in some reasons have much lower or higher prices e.g. London £499 000 versus Wales £166 966	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

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Question Number		Mark
9(c)		**(10)**
Knowledge, application and analysis – indicative content		
	• Geographical mobility- is how easy it is to move between different geographical locations • Examples from data- London house prices highest- £499 000 compared to £137 160 in Northern Ireland • Someone living in Northern Ireland selling their property on average will find properties are much more expensive in London - 3.63 time more expensive • Makes it very difficult to move to London from such regions • Less people likely to move to London due to the costs of housing • London rises 19.3% much higher than average 10.2%- London less affordable to those in other regions	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of the effect of price differences in housing on geographical mobility.
2	3-4	Understanding of the effect of price differences in housing on geographical mobility.
3	5-6	Clear understanding of the effect of price differences in housing on geographical mobility with appropriate application to context.

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Evaluation – indicative content		
	• People commute to London for work so mobility may not be such an issue • Help to Buy will reduce the problem as 5% deposit is more achievable/ subsidies could help • Magnitude- 19% change in London much larger than average 10.2% increase • Time lag- short term little impact as it take time to adjust, long term larger impact as consumers adjust to price differentials • Road networks may improve mobility • Importance of other factors affecting mobility- cost of travelling/ family ties • House building may improve mobility • Easier to move to areas with lower prices- more affordable	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

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Question Number	Answer	Mark
9(d)	**Knowledge, application and analysis (4 marks)** • Definition of a normative statement:(one that is based on a value judgement/ subjective approach/ cannot be tested as true or false/ non-scientific approach to Economics **(1)** • Example of normative statement: the government should ensure schools are promoting "fulfilling careers" in the construction industry / expansion may have also created up to 1150 jobs. **(1)** • Definition of a positive statement: (one that is based on fact/ objective approach/ can be tested as true or false / value free/ Scientific approach to Economics **(1)** • Example of positive statement **(1)** o average price of a Redrow property increased 19% to £269,000. o homebuilder earn record profits of £133m in 2014, a 91% increase on 2013. o This led Redrow to increase its workforce by 20% creating 230 jobs recruiting surveyors, planners and marketing experts. o The company's expansion created 1 150 jobs at its suppliers and contractors	**(4)**

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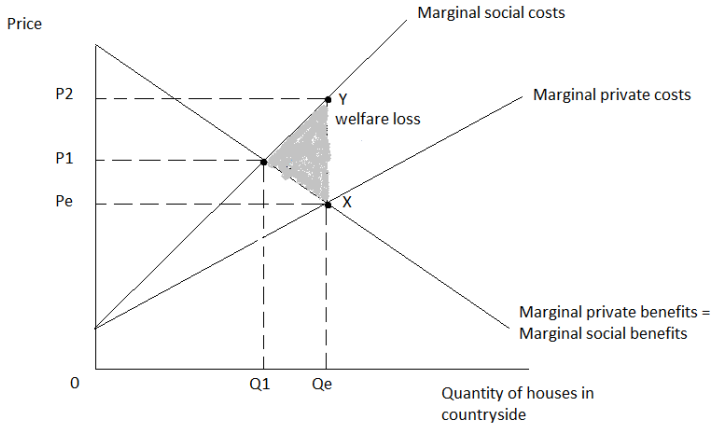
Question Number	Answer	Mark
9(e)		**(14)**
Knowledge, application and analysis – indicative content		
	Negative impacts • Nearly 30 000 homes have been built in valuable areas of countryside despite local opposition. • Local regions were rejecting applications to build homes but in 72% of cases these decision were overturned by the Government. • This led to almost 27 000 homes being given planning permission against local authority wishes. • External costs- third parties affected with additional costs • This house building has led to loss of valuable farmland- meaning famers lose out on productive land and food output may fall affecting consumers • natural habitats for animals- meaning those wanting to see wildlife will be negatively affected • increased traffic flows on roads that used to be quiet- mean more time wasted in queues and damage to road. • Market failure- overproduction Positive impacts • However these developments have increased the supply of housing • helping to reduce pressure on prices which would have increased by more than 10.2% without this. • London with little spare space saw rises of 19.2%, other areas more modest perhaps due to using countryside	

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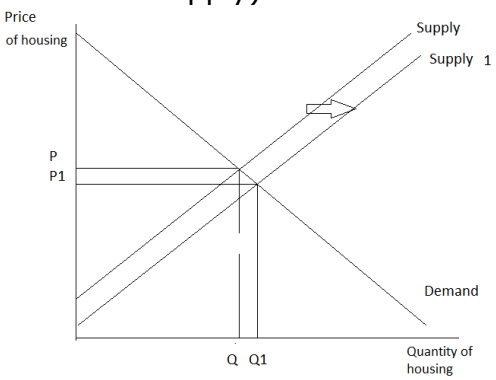
- Reduced overcrowding in city centres- which should help reduce congestion and poor living conditions/ poverty
- Some of this land may have been unproductive land

Diagrams to illustrate negative externalities

Analysis of the difference between the market equilibrium and social optimum, size of external costs identified, welfare loss triangle explicitly identified.



Or increased supply in countryside (this may be drawn with increased demand and show price rising overall but not as much as it would without increased supply)



Some may offer positive externalities diagram linked to reduced pressure on overcrowding in city centres.

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Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of increased supply of housing in countryside. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of increased supply of housing in countryside and linked to external costs. This may be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of increased supply of housing in countryside and external costs. This may be supported by an accurately labelled diagram which is explained and applied effectively. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.
Evaluation – indicative content		
	• Brownfield sites may be better • Magnitude- huge numbers 27000 without government agreement • Time lag- may take time before the pressures on the countryside are realised • Measurement problem- hard to measure the problems or benefits caused • Government failure- causing protests, going against locals • Government intervene- permits/ tax/ regulation • Short term negative impacts may be reduced over time	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

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Question Number	Answer	Mark
10(a)	**Knowledge, application and analysis (up to 4 marks)** • Explicit reference to Figure 2 (e.g. 2002= 25 000 000 to 2013= 29 000 000) **(1)** **Any two points accepted** • An increase in demand/ registered users because of ○ Cost of car transport index increased e.g. from 160 in 2002 to 225 in 2013 / increased by approximately 65 **(1)** ○ Cost of rail / cost of bus travel index increased e.g. from 200 in 2002 to over 350 in 2013 / increased by approximately 150 **(1)** ○ Car transport index rising slower than retail price index whereas bus and coach / rail index are well above the retail price index **(1)** ○ Relative cost of car has not risen as much as it has for substitutes **(1)** ○ Now costs less/cheaper to use cars rather than using rail or coach / more expensive to use public transport than cars **(1)** ○ People have substituted for cars from the increasingly expensive rail and bus travel **(1)**	**(4)**

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Question Number	Answer	Mark
10(b)	**Knowledge, application and analysis (Up to 6 marks):** • Definition of normal goods - YED is positive/ where income rises quantity demanded rises **(1)** • Definition of inferior goods - YED is negative/ where income rises quantity demanded falls **(1)** • Incomes risen e.g. £431.20 to £517.50 **(1)** % change in income 517.50-431.20= 86.30 o +86.30/431.20x 100= +20.01 **(1)** **Accept calculations for any other year** • Surface rail risen from e.g. 141 to 166 **(1)** % change in demand 166-141= 25 o +25/141 x100= +17.73 **(1)** **Accept calculations for any other year** • +17.73/ +20.01= +0.88 **(1)** **Accept calculations for any other year** • Income elasticity of demand is positive so rail travel is a normal good/ positive relationship between income and rail travel so normal good **(1)** • Diagram for normal good showing relationship between income and quantity**(1)**	**(6)**

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Question Number	Answer	Mark
10(c)		**(14)**
Knowledge, application and analysis – indicative content		
	Reduces negative externalities caused by road traffic: • Road accidents kill 1.2m people every year • Road transport is the main source of air pollutants such as nitrogen oxide and carbon monoxide • It contributes to noise and global air pollution, and it leads to congestion • More rail travel should reduce road-traffic externalities; less government expenditure and intervention in correcting externalities • According to Swiss Economists an increase in rail service frequency by 10% reduces road accidents by 4.6%, nitrogen monoxide by 3.8%, nitrogen dioxide by 1.7% and infant mortality rates fall by 4.6%. • Definition of external costs - where third parties are negatively affected • Welfare loss will be reduced • Additional passengers on train add little to fuel consumption and pollution • Electrified trains may use less fuel than road transport • Diagram may be offered to show external costs/ benefits • Impact on consumers, e.g. less car insurance and fuel costs/ increases consumer surplus • More revenue for rail companies who can use money to invest in improving quality and hire workers/ producer surplus rises with rising demand for rail transport • Negative impact on car manufacturers, e.g. loss of revenue and could lay off staff • Negative impact on consumers, e.g. less car travel means insurance companies charge a higher price for insurance to those still using cars • Quality of roads would fall if government decided to spend less on road transport/ waste of road space and taxpayers money **Positives economic effects may be offered as KAA and negative effects as evaluation. Candidates may offer reverse arguments.**	

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Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the effect of an increase in use of rail
2	4-6	Understanding of the effect of an increase in use of rail with some application to context. This may be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the effect of an increase in use of rail with appropriate application to context. There may be an accurately labelled diagram which is explained and applied effectively to the context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

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Evaluation – indicative content		
	• Magnitude- Quantity risen 17.73% - so a significant impact on reducing external costs • Time lag- may take time for the reductions in external costs to be seen • Rail travel can still be polluting depending on the trains used/ overcrowding on trains/ other pressures on rail services • Number of cars is still rising in UK- reference to Figure 2 • Government faces pressure as it incurs cost of subsidising the rail transport/ burden on the taxpayers if taxes are raised to pay for subsidies as they receive less tax revenue from fuel • Difficult to quantify and give a monetary value to external costs/benefits	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

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Question Number	Answer	Mark
10(d)		**(10)**
Knowledge, application and analysis – indicative content		
	• Market failure- where the market leads to an inefficient allocation of resources • Imperfect information- some people do not have perfect information about the market / asymmetric information – one party has more knowledge than the other / information gaps – where there is missing information • Drivers do not know the true cost of making a claim • "Uninsured drivers can amass big debts if involved in a crash, and this can have life-changing consequences." • One uninsured driver was facing a $41,000 repair bill after crashing in to the back of an insured person's car- people do not appreciate the size of these costs • Not knowing the true costs of being uninsured leads to under consumption and therefore many that are not insured. • This under consumption shows the market is not working efficiently	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of imperfect market information
2	3-4	Understanding of the effect of imperfect information with application to context.
3	5-6	Clear understanding of the effect of imperfect information with application to context.

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Evaluation – indicative content		
	These reasons may be offered as KAA or Ev – there is no market failure because: • Main reasons drivers go uninsured was the cost, • a belief the car wasn't worth insuring, • the driver not being eligible for cover. • One reason so many are uninsured is that they are not able to gain insurance, for instance because they are convicted drink drivers. • People have the information but are risk loving and willing to take the risk • There may be different levels of asymmetric information	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

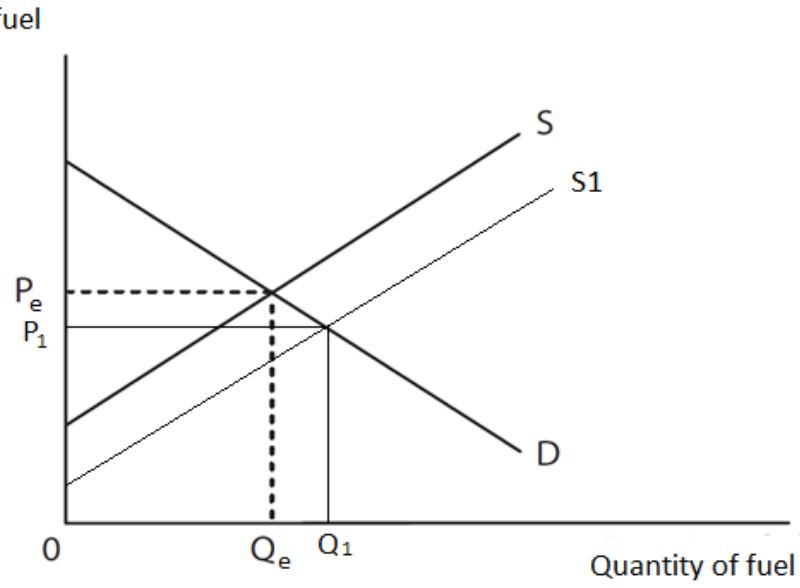
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Question Number	Answer	Mark
10(e)		**(14)**
Knowledge, application and analysis – indicative content		

- Definition of indirect tax- a payment to discourage the production or consumption of a good/ fuel OR a tax on the expenditure of goods and services
- Reference to data: E.g. 58.7% indirect tax in UK versus 12% USA and 0% China.
- This indirect tax increases costs for business making them supply less/ high prices and lower quantities
- High taxes are affecting businesses as diesel is used in the majority of commercial vehicles. This means it costs more to transport products and adds to the prices charged in stores.

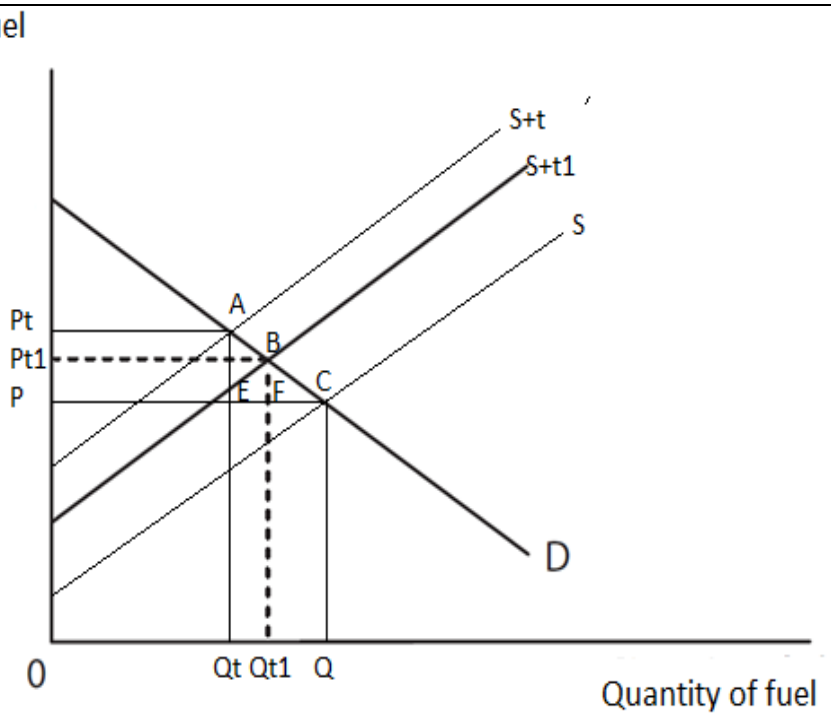
Reducing indirect tax will

- increase supply of fuel / fall in price of fuel – this may be shown diagrammatically
- Increase in quantity of fuel
- Increase in producer surplus - this may be shown diagrammatically
- Substitution from smaller to larger engine cars/vans etc.
- Government gets less tax revenue that will restrict its spending on cleaning up the environment (negative externalities from pollution) and compensating victims of pollution



Candidates may also offer a diagram showing the original and the new lower tax

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Original tax revenue PPtAE and New tax revenue PPT1BF

Arguments must discuss micro concepts

To achieve level 3 they must consider the impact on both UK businesses or the UK Government

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of indirect tax. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of indirect tax, with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of indirect tax with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

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Evaluation – indicative content		
	• Demand for fuel may be inelastic meaning little effect on quantity • Magnitude of tax for large engines- may have a significant effect • Magnitude of the reduction in indirect diesel fuel tax • Time lag- before the tax reduction is introduced • Suppliers of fuel may keep prices high and absorb tax cuts in their profits • SR/LR: it will take time before negative effects on the environment • Reduced smuggling and government failure	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

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