www.dynamicpapers.com



Mark Scheme (Result)

October 2021

Pearson Edexcel International Advanced Subsidiary Level in Economics (WEC11)
Unit 1: Markets in action

www.dynamicpapers.com

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

October 2021
Publications Code WEC11_01_2110_MS
All the material in this publication is copyright
© Pearson Education Ltd 2020

www.dynamicpapers.com

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.

www.dynamicpapers.com

Section A

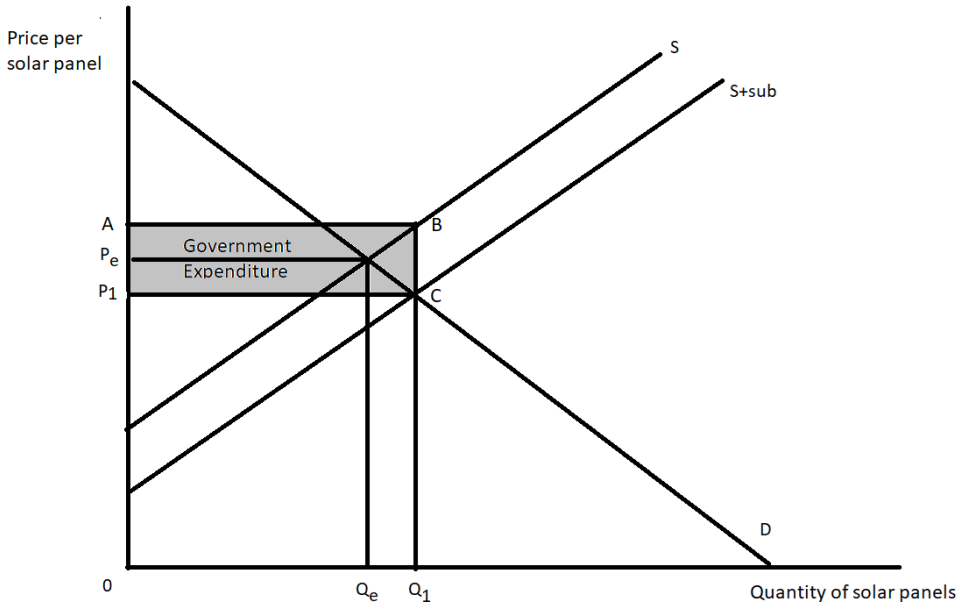
Question	Quantitative skills assessed	Answer	Mark
1	–	**The only correct answer is D**- To introduce a tradeable pollution permit scheme to reduce external costs **A** is not correct because rationing occurs without government intervention within the price mechanism **B** is not correct because indirect taxes would be used for goods with external costs **C** is not correct because subsidies would be paid to encourage external benefits	**(1)**
2		**The only correct answer is B**- Consumers aiming to maximise utility **A** is not correct because being valued by the original supplier would mean they would not change supplier **C** is not correct because being poor at computation would mean they cannot calculate the benefit from changing supplier and would not change **D** is not correct because changing supplier will save money that can be used to gain utility from purchasing other goods	**(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)**
4	**QS6**: Calculate total revenue **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A**- Total revenue will rise by €13 500 **B** is not correct because €58 500 is the total revenue after the price is reduced to €1.30 **C** is not correct because revenue will rise as demand is elastic in this section of the demand curve	**(1)**

www.dynamicpapers.com

		D is not correct because €45 000 is the total revenue before the price rise	
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C**- Excess demand will be equal to Q_0Q_2 **A** is not correct because quantity supplied contracts from Q_1 to Q_0 **B** is not correct because quantity supplied extends from Q_1 to Q_2 **D** is not correct because excess supply would occur if a minimum price was introduced	**(1)**
6	**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 B**- The demand for water will be most responsive to a change in the price of sugar-sweetened drinks **A** is not correct because coffee has the lowest cross elasticity of demand showing it will be least responsive **C** is not correct because an increase in the price of sugar sweetened drinks will lead to a less than proportionate increase in the demand for milk **D** is not correct because an increase in the price of sugar-sweetened drinks will lead to an increase in the demand for water, milk and coffee	**(1)**

www.dynamicpapers.com

Section B

Question	China aims to increase electricity generation from renewable resources. China's Government has introduced a subsidy for solar panel manufacturers. Draw a diagram to illustrate the impact of the introduction of a subsidy on the market for solar panels. Show the new equilibrium price and quantity and the area of government expenditure on the subsidy in your diagram. **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** • Original supply and demand with equilibrium price and quantity **(1)** **Application** Up to 3 marks for the following information included on diagram: • Shifting supply to the right **(1)** • The new equilibrium quantity and price **(1)** • The area of government expenditure on the subsidy is P_1ABC **(1)**  The supply curve may be pivoted or shifted	**(4)**

www.dynamicpapers.com

Question	With reference to the table, explain the difference between 'capital goods' and 'consumer goods'. **Answer**	Mark
8	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **Knowledge** 1 mark for defining 'capital goods' • Capital goods are man-made aids to production/goods used in the production of other goods/examples such as machinery/tools, buildings **(1)** 1 mark for defining 'consumer goods' • Consumer goods sold to individuals to satisfy their wants and needs **(1)** **Application** 1 mark for applying explicitly to the data in the table linked to capital goods e.g.: • Sales of capital goods declined 6.5% in April compared to March/ sales of capital goods grew 2.3% in May 2020 compared to April 2020 **(1)** 1 mark for applying to the data in the table linked to consumer goods e.g.: • Sales of consumer goods declined 14.7% in April compared to March/ sales of capital goods grew 17.7% in May 2020 compared to April 2020 **(1)**	**(4)**

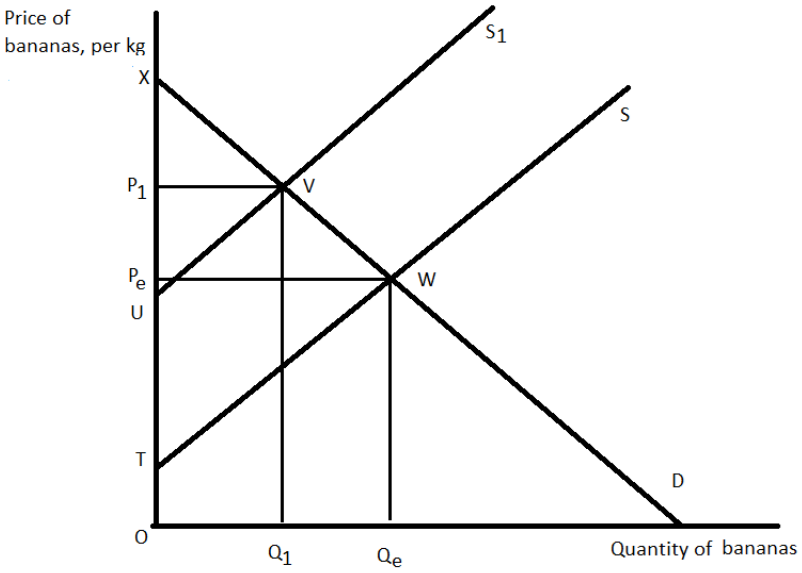
www.dynamicpapers.com

Question	Most of the Netherlands is below sea level and is therefore liable to flooding. The Dutch Government spends €1 billion per year on flood defences. Explain **one** reason for the provision of this public good by the Dutch Government. **Answer**	Mark
9	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge 1, Application 1, Analysis 2** **Knowledge** 1 mark for definition of public goods e.g.: • Public goods are non-excludable and non-rival **(1)** **Application** 1 mark for applying to the stem, e.g.: • The Dutch Government spends €1 billion per year on flood defences **(1)** **Analysis** Up to 2 marks for explaining one reason e.g.: • Due to the free rider problem **(1)** consumers would use the flood defences without paying **(1)** • Not being able to generate revenue from providing flood defences **(1)** means it is unlikely firms will generate profit from providing the goods **(1)** • Due to non-excludability people can benefit from flood defences **(1)** without paying for their provision or upkeep **(1)** • Due to non-rivalry one person benefiting does not reduce the protection for others **(1)** so if one person was to put flood defences in place all locals would benefit without paying **(1)** • Flood defences would not be provided by the private sector **(1)** as the private sector has no profit incentive to provide flood defences **(1)**	**(4)**

www.dynamicpapers.com

Question	*Ceteris paribus,* calculate the price elasticity of supply for coffee beans. Show your workings. **Answer**	Mark
10	**Knowledge 1, Application 3** 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/the formula for price elasticity of supply % change in quantity supplied % change in price **Application** Up to 3 marks for calculations: • Change in quantity supplied ÷ original quantity supplied x100 -1.6 ÷ 169 x 100 = -0.9467% **(1)** • Change in price ÷ original price x100 -0.34 ÷ 1.36 x 100 = -25% **(1)** % change in quantity supplied % change in price • -0.9467 ÷ -25 = 0.04 **(1)** **NB: if correct answer (e.g. 0.04/0.038/0.0379/0.037868/ 0.0378698225) is given, award full marks regardless of working.** **NB: other appropriate working is rewarded**	**(4)**

www.dynamicpapers.com

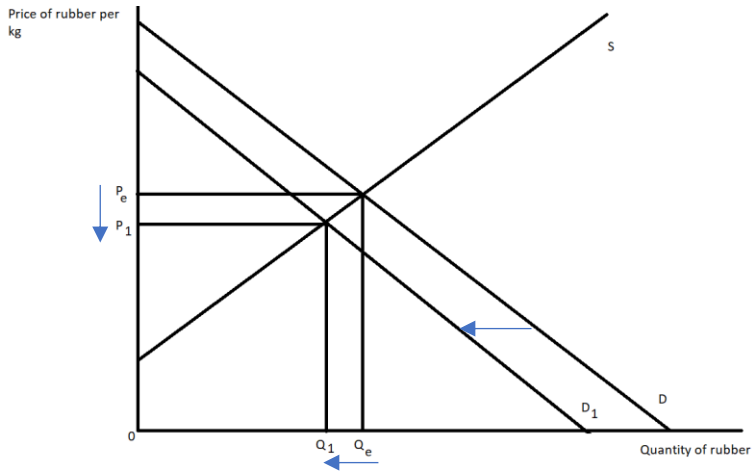
Question	Between January 2020 and May 2020 the price of bananas charged by retailers in the USA increased from $1.17 to $1.30 per kg. This was mainly caused by increased costs of transportation from banana growers to markets in North America. Explain the likely impact of this change in price on consumer surplus. Illustrate your answer with a diagram. **Answer**	**Mark**
11	**Knowledge 1, Application 1, Analysis 2** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **Knowledge** 1 mark for defining consumer surplus • Consumer surplus is the difference between the price which consumers are willing to pay and the market price/gap between the equilibrium price and the demand curve **(1)** **Application** 1 mark for the following diagram, showing the correct shift in supply  **Analysis** Up to 2 marks for likely impact on consumer surplus • Consumer surplus is originally P_eWX **(1)** • Consumer surplus decreases **(1)** to P_1VX **(1)** • Consumer surplus decreases **(1)** by P_eP_1VW **(1)**	**(4)**

www.dynamicpapers.com

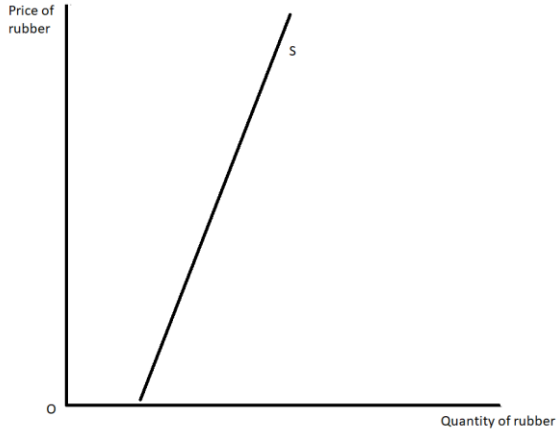
Section C

Question	Define the term 'complementary goods' (Extract A, line 8). **Answer**	**Mark**
12 (a)	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge 2** Up to 2 marks for defining 'complementary goods', e.g.: • Goods that are used/consumed together/in joint demand **(1)** • Negative XED/XED value below 0 **(1)** • When the price of one increases the demand for the other decreases **or** when the price of one decreases the demand for the other increases **(1)** • Only accept explicit reference to Extract A: Tyres and cars are complementary goods **(1)**	**(2)**

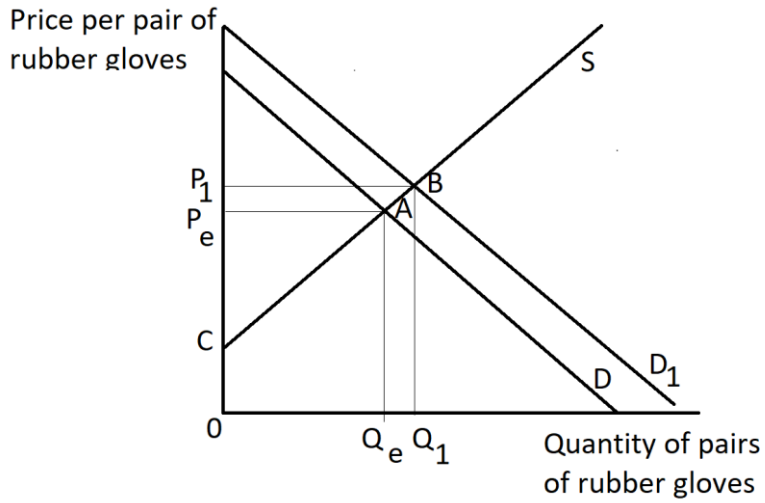
www.dynamicpapers.com

Question	With reference to Figure 1 and Extract A, analyse why 'between January and May 2020 the price of rubber fell from $1.67 to $1.35 per kg'. Illustrate your answer with a supply and demand diagram. **Answer**	Mark
12 (b)	**Knowledge 2, Application 2, 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** Up to 2 marks for the diagram showing: • Original supply, demand and equilibrium **(1)** • Final equilibrium showing lower price **(1)** **Analysis** Up to 2 marks for analysis with linked development. The price of rubber fell because e.g.: • Decreased demand for rubber tyres **(1)** • In Europe/North America/South America/as the car usage fell **(1)** • Temporary closures of car factories **(1)** • Less demand for tyres as less cars are made **(1)** • Large impact as tyre production uses 75% of the world's natural rubber **(1)** • Cars and tyres are complementary goods **(1)** when the demand for cars/tyres fell the demand for tyres/rubber falls also **(1)** **Application** 1 mark for reference to Figure 1/ Extract A: • Price decreased by 19.2%/by $0.32 per kg **(1)** Up to 2 marks for diagram: • Leftwards shift in demand **(1)** • Reduction in equilibrium quantity **(1)**  	**(6)**

www.dynamicpapers.com

Question	With reference to the first paragraph of Extract B, explain what is meant by 'the supply of rubber is price inelastic' **Answer**	Mark
12 (c)	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 2 marks for understanding of price inelastic supply • Price inelastic supply is where a change in price results in a less than proportionate change in quantity supplied **(1)** • Where PES is between 0 and 1 **(1)** • Supply cannot respond quickly to a change in price **(1)** • Diagram to show (perfectly or relatively) price inelastic supply **(1)**  **Application** Up to 2 marks for application: • Trees only grow where there is heavy rainfall **(1)** • Trees only grow with temperatures between 20-35°C **(1)** • Thailand, Indonesia, China, West Africa supply 85% of the market **(1)** • 6 years before rubber trees produce a crop **(1)**	**(4)**

www.dynamicpapers.com

Question	Examine the effect on producer surplus of the change in market conditions for rubber gloves as described in Extract C. Include a diagram in your answer. **Answer**	Mark
12(d)	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge** 1 mark for definition of producer surplus Producer surplus is the difference between the price firms are willing to sell at and the market price **(1)** 1 mark for original supply and demand and equilibrium **(1)** **Application** • Rapidly rising demand for rubber gloves/increased number of sales to healthcare sector/366% increase in profits in Q2 at Top Glove **(1)** • Diagram showing demand shifting right **(1)** **Analysis** • Original producer surplus ACP_e **(1)** and New producer surplus BCP_1 **(1)** **OR** • Producer surplus increases **(1)** by ABP_1P_e **(1)**  **Evaluation** Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.: • Magnitude of change in producer surplus significant **(1)** as indicated by 366% increase in profits for Top Glove **(1)**	**(8)**

www.dynamicpapers.com

	• This may only be a temporary issue **(1)** as demand from healthcare may decrease **(1)** • Increased production may also increase costs **(1)** and it depends on the size of this increase compared to the size of the increase in demand **(1)**	

Question	With reference to Extract B, discuss the external costs associated with tyre production and consumption. **Indicative content**	
12(e)	**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. **Quantitative skills assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • External costs – negative impacts on third parties/ the cost incurred by an individual, firm or community as a result of an economic transaction which they are not directly involved in / where MSC > MPC or MPB > MSB External costs of production • Costs to third parties associated with the production of rubber- tyres use 75% of world's supply • Deforestation (3 million hectares) in Mekong region causes a loss of natural habitats for animals, loss of biodiversity, future medicines • Reward external costs of production diagram External costs of consumption • Costs to third parties associated with consumption of tyres emitted 1 000 times more particles than from exhaust fumes. • Increased risk of lung cancer/Cardiovascular diseases affecting the heart and causing strokes- cost to healthcare/loss of workforce • Tyres contain chemicals and heavy metals that are released into the environment over time causing cancer and genetic mutations-costs to clean up If tyre production or consumption is omitted limit to Level 2	
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.

www.dynamicpapers.com

Level 2	4–6	Displays elements of 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. 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 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant 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 (6 marks) – indicative content • Magnitude: the size of the impact of tyres is significant with so many cars on the roads • Measurement of the impact of tyres may be difficult • Innovations in tyre technology may reduce impact in future • Research was based on testing one fully loaded car and one type of road surface. Emissions from tyres could be much lower or higher depending on the car-load or road surface- question reliability of test on tyres • Environmental impacts reduced thanks to tyre recycling- reduced the number of used tyres left in the environment. One billion used tyres down to 60 million • Tyres now recycled to produce fuel which produced 25% more energy than coal • The ash from the tyres is less polluting than burning coal	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

www.dynamicpapers.com

Section D

Question	In 2018 the Government of Uganda introduced an indirect tax on mobile internet usage. The aim was to raise tax revenue. Consumers had to pay 200 shillings per day to use services including Facebook, Twitter and Instagram. In the six months that followed the introduction of the tax, mobile internet usage decreased from 47.4% to 35% of the population. Evaluate the likely microeconomic effects of the introduction of this indirect tax. **Indicative content**
13	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **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** • Define indirect tax- expenditure tax • Specific tax as it is 200 shillings per day/supply shifts and does not pivot Possible impacts of indirect tax: • Increases costs to firms • Decreases supply/shifts left • Quantity consumed falls- significant fall in internet usage • Mobile internet usage decreased from 47.4% to 35% of the population • Price increases • Consumer surplus falls • Producer surplus falls/lower profits for Facebook/Twitter/Instagram • Consumer/producer incidence of the tax • Increases tax revenue for the government- 200 shillings per day per person • Tax revenue can be used to support/subsidise Ugandan companies • Reduce the willingness of firms to set up or operate in Uganda • Job losses likely within Facebook/Twitter/Instagram/mobile companies • Government can target the tax revenue to improve infrastructure • External benefits- may impact productivity positively • External costs- may reduce reward from advertising as fewer people will see advertising if consumption of mobile data falls Possible government failures: • Information gaps- where the government lacks perfect information and sets the wrong level of taxation • Lack of incentives- where the policy fails to create the incentives for firms and consumers to change their behaviour appropriately- tax may be too low • Unintended consequences- where a policy leads to an outcome that was not anticipated, this could include stopping people from accessing information/ communicating • Excessive administrative costs- where the costs to administer the tax is greater than any benefit of the government intervention

www.dynamicpapers.com

	When government failures is presented as microeconomic effects it should be rewarded as KAA but may alternatively be rewarded when offered as evaluation Positive effects may be offered as KAA and negative effects as Evaluation or vice versa Candidates should be rewarded for illustrating impacts using a diagram.	
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 Evaluation linked to stem • Measurement problem- difficult to measure the right level - 200 shillings may too high or low • Magnitude- sizeable tax so likely to have a large impact on reducing consumption- significant change • 200 shillings may not be a significant tax as a proportion of a persons income in Uganda • Might disadvantage certain groups with higher income groups finding it affordable but poorer groups struggling, some business people may have costs covered by employer	

www.dynamicpapers.com

	• Government revenue may be misused/misdirected • Impact on business costs reduces profits and tax paid to government • Impact on Facebook/Twitter/Instagram may not be significant if Ugandan market is relatively small • Impact depends on the elasticity of demand – if inelastic little change in mobile usage • No data provided on the minutes of mobile internet usage to see the true impact • Black market may emerge where people access mobile data illegally

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.

www.dynamicpapers.com

Question	In 2019, in Sweden, on average: • households saved 16.5% of their incomes • households borrowed 189% of their incomes • a consumer made 349 debit card payments With reference to the information above and your own knowledge, evaluate the role of financial markets in an economy. **Indicative content**
14	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **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** • Define financial markets- any market where financial products are traded • Roles of financial products include o To facilitate saving- 16.5% of income saved by households ▪ So that consumers can save for future purchases of consumer goods/luxury goods/expensive goods/save for emergencies ▪ So that producers can save for future purchases/capital goods/save for when they have cash flow problems ▪ So financial providers have funds to be able to lend to consumers and firms ▪ Without the financial sector providing funds to businesses they will struggle to buy capital goods to improve the business/households will spend a long time saving to be able to make large purchases such as housing/cars o To make funds available to businesses ▪ Enabling businesses to fund investment in capital goods to make them more productive o To make funds available to individuals - households borrow 189% of their income ▪ Enabling consumers to improve their living standards by being able to consume more consumer goods ▪ Enabling consumers to consume now and to then pay back in future o To facilitate the exchange of goods and services- 349 debit card payments per year ▪ Reducing the need for firms to hold large quantities of cash- which is expensive to handle for businesses ▪ Enabling purchases to be made online without the need for cash to be transferred ▪ Making it easier for consumers and producers to trade with each other quickly

www.dynamicpapers.com

		▪ Without the financial sector facilitating the exchange of goods and services consumers will need to use cash, this is difficult for online purchases and larger purchases/costs businesses to hold money o To provide forward markets in commodities and currencies ▪ This helps firms to buy products today at an agreed future price ▪ This helps make buying products from abroad/ commodities more predictable ▪ By agreeing the exchange using a forward market ensures that adverse movements in the exchange rate do not affect the business ▪ Without forward markets orders of commodities would be made and the price paid could vary significantly making it difficult to plan for both producer and consumer o To provide a market for equities ▪ Enables consumers to buy equities/shares in firms- to later earn a dividend each year ▪ Enables firms to raise finance by selling shares which helps businesses to expand/spend on capital goods ▪ Enables individuals to invest in businesses to earn dividends and to buy and sell shares to make profits ▪ Without providing a market for equities businesses would struggle to find the funds to expand
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.

www.dynamicpapers.com

		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 • With low interest rates the reward from savings will be minimal and few will save • Market bubbles e.g. businesses and households may borrow too much causing asset prices to rise significantly • Over lending by financial institutions may mean that businesses and households are not able to repay loans • During economic crises businesses/households may not always be able to repay • Moral hazard: financial providers may offer high risk loans which are unlikely to be paid back • Banks may stop lending if they are worried about bad debts • Financial providers often charge to facilitate the exchange of goods and services which increases costs of doing business • Forwards markets in commodities and currencies may see you agree a price but you end up paying more than you would had you paid the market price on the future date • Stock markets can be highly volatile such that firms can have share prices fall leading to losses • There are no guarantees that dividends will be paid for example when firms make losses or invest	
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.