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CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 AS Level Data Response and Essays **October/November 2025**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point
	Incorrect point
	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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Assessment objectives

AO1 Knowledge and understanding
- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis
- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	No creditable response.	0

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Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

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Section A

Question	Answer	Marks
	Follow the point-based marking guidance at the top of this mark scheme.	
1(a)(i)	**Identify one possible reason for the value of price elasticity of demand (PED) for chocolate.** • The value shows that PED is relatively inelastic and a reason may be the addictive nature of chocolate, the relatively low price in relation to income, few substitutes etc. • For a recognition that it is inelastic plus identification of a reason **(1)**	**1**
1(a)(ii)	**Calculate the percentage change in the value of global sales of chocolate between 2017 and 2026, as shown in Table 1.1.** • If the answer given as 58.8, 58.82 or 59 (with or without the % sign) award 1 mark. If the answer is shown as a negative figure e.g., -59(%) or the calculation is incorrect, 0 marks	**1**
1(b)	**With the help of a demand and supply diagram, demonstrate why cocoa bean prices have continued to fall in 2023.** • For an accurately drawn and labelled supply and demand diagram **(1)** that shows supply shifting to the right **or** further to the right than demand and showing the resulting decrease in price which can be shown by an arrow or P1 and P2 or an accompanying explanation **(1)** **Guidance: a diagram alone with the appropriate annotation is enough for the 2 marks.**	**2**

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Question	Answer	Marks
1(c)	**Consider whether a buffer stock system controlled by the government of Ivory Coast would be likely to prevent fluctuations in the price of cocoa beans.** • A buffer stock system combines both maximum price and minimum price controls / is designed to **minimise** price fluctuations / price falls **(1)** • If the price falls below a certain fixed point / minimum price the government will purchase and store cocoa beans therefore reducing supply/controlling demand to raise the price of cocoa beans **(1).** If the price rises beyond a certain point / maximum price, this buffer stock is released thus increasing supply and reducing the price of cocoa beans **(1).** **Guidance** • A response that **only** refers to governments buying stocks of cocoa beans in times of a surplus and selling them in times of a shortage to **minimise price fluctuations** is worth 1 additional mark maximum for analysis. **Reserve 1 mark for valid evaluation e.g.,** • Cocoa beans may be difficult/expensive to store / perishable/ may be an illegal market set up so it may not prevent fluctuations in the price of cocoa beans / the government do not have the budget to buy any surplus. **(1)** **Guidance** • The eval mark can be awarded even without any analysis marks being given **PROVIDED** there is a reasonable understanding that a buffer stock scheme only works when stocks can be held/released.	**4**

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Question	Answer	Marks
1(d)	**Assess the extent to which the use of a minimum pricing policy would be the best way to ensure 'cocoa bean farmers get paid a living wage'.** **Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy would be the best way to ensure cocoa bean farmers get paid a living wage e.g.:** • It ensures that farmers receive a guaranteed price above the equilibrium market price enabling them to receive a higher income • It encourages farmers to maintain / increase production as there is more financial security again leading to a living wage • It reduces the instability caused by fluctuations in the global price of cocoa beans leading to a more stable income for farmers. **Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy may not be the best way to ensure cocoa bean farmers get paid a living wage e.g.:** • It may not be set at an appropriate level / may not be enforceable e.g., due to the costs of enforcement • It may lead to a surplus due to increased supply and reduced demand for e.g. chocolate products meaning this surplus may fail to be sold • Budget constraints for the government may make it impossible for them to buy the surplus and this makes the scheme collapse • May make farmers complacent therefore failing to invest and in the LR incomes fall. **Guidance:** • Allow any reasonable point for either perspective, BUT it must be linked how it affects farmer's incomes. • Candidates may choose to compare the advantages and disadvantages of an alternative method e.g., transfer payments / subsidies to farmers. Provided this is clear that **a comparison to a minimum pricing policy** has been attempted, this approach can also gain full marks. • Do not allow answers that refer to minimum wages as the policy or as an alternative. **Note: 4 marks maximum for analysis** • Evaluation that clearly assesses **both** sides **(1)** and comes to a justified conclusion whether it is the best way **(1).**	**6**

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Question	Answer	Marks
1(e)	**Assess the advantages and disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans.** **Up to 3 marks for an explanation / analysis of the advantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.:** • It allows producers to benefit from comparative advantage and become even more efficient, which will reduce costs and prices further and increase output • It allows producers to further benefit from the increasing worldwide demand for cocoa beans and increase sales • This can encourage / lead to economic growth as exports increase. **Up to 3 marks for an explanation / analysis of the disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.:** • Dependence on cocoa beans may make the economy vulnerable to global reductions in demand / crop failures • It may mean less land is available for other essential food crops leading to an overreliance on imports • A lack of diversification may hinder economic growth and also make the economy more at risk of external shocks • It may exhaust the supply of cocoa beans and other natural resources leading to unemployment in Ivory Coast. **Note: 4 marks maximum for analysis** • Evaluation that clearly assesses **both** sides **(1)** and comes to a justified conclusion. **(1)**	**6**

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Section B

Question	Answer	Marks
EITHER		
2(a)	**With the help of a diagram, explain the difference between producer surplus and consumer surplus and consider the extent to which producers always gain when the price of a product increases due to higher costs of production.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For an fully accurately drawn diagram that clearly shows the area of consumer surplus below the demand curve and producer surplus above the supply curve **(1)** and that clearly explains that consumer surplus represents the difference between what a consumer is prepared to pay for a product and its market price **(1)** and that producer surplus represents the difference between what a producer is willing to accept and what is actually paid **(1)**. **AO2 Analysis (max 3 marks)** For a correct diagram showing the effect of the higher cost of production on the price of the product **(1)** and explains the impact on the producer in terms of an increase /fall in revenue if the PED is inelastic **(1)** or elastic **(1).** The impact may also depend on whether PES is elastic / inelastic affecting the producer's ability to respond to the price increase **(1)** **Guidance:** The same diagram can be used for both Knowledge and Understanding and analysis. **AO3 Evaluation (max 2 marks)** The extent to which producers will always gain will depend on the value of PED **(1)** the value of PES **(1)** leading to a reasoned conclusion **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess the view that a business should be more concerned about the income elasticity of demand for its product than its cross elasticity of demand when incomes are falling.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Analysis of the advantages and disadvantages of using income elasticity of demand. For example, it lets the business know whether it produces inferior or normal goods and therefore what to produce more of when incomes are falling but businesses may not be so flexible. Alternatively, the predictions may be incorrect or the same measurement may not be applicable to all households. • Analysis of the advantages and disadvantages of using cross elasticity of demand. For example, for substitutes, it allows businesses to track the actions of competitors when incomes are falling. For complements, businesses can try to ensure they are aware of the impact on their own products depending on the impact on the complement. However, data may be out of date and make it unreliable. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **Guidance:** Answers that do not refer to falling incomes cannot gain more than a mid-Level 2 mark. **AO3 Evaluation** That clearly analyses both sides of the question and comes to a valid conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**

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Question	Answer	Marks
2(b)	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**With the help of a diagram, explain the difference between a movement along a production possibility curve (PPC) and a shift of this curve and consider whether a decision to produce more of one product will always incur an equal opportunity cost**. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For a fully accurately labelled diagram showing 2 products (not X and Y, P and Q etc.) **(1)** and an explanation that a movement means a decision to produce more of one product than another **(1)** and an explanation that a shift means that more (or less) of **both** products can be produced due to a change in productive capacity **(1).** Also accept a diagram showing an accurate shift in the PPC along with an explanation that this results from increased/decreased resources in the economy **(1).** **AO2 Analysis (max 3 marks)** For analysis that clearly explains what is meant by opportunity cost **(1)** and fully explains what is meant by increasing opportunity cost in terms of rate of which one product is given up for another product **(1)** and by a constant opportunity cost in terms of the rate of which one product is given up for another product **(1)** **AO3 Evaluation (max 2 marks)** For evaluation that explains that whether the opportunity cost is equal will depend on the ease of transferring production resources from one product to another **(1)** and reaches a justified conclusion **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess the extent to which it is always necessary to increase the size of the labour factor of production in order to cause an outward shift of the production possibility curve.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** Responses should be aware that the question is focused on factors of production that cause an outward shift of the PPC i.e., an overall increase in potential output. Points to consider in the discussion may include: - • the ease of increasing the labour force through e.g., increasing the retirement age, attracting more people into the labour force etc. • the quality of the labour force including the importance of education and training • the importance of at least one other factor of production e.g., enterprise, capital and /or land The analysis should focus on the necessity of increasing the size of the labour force to increase potential output and compare this with the advantages and disadvantages of increasing at least one other factor of production. **For example:** • An increase in the size of the labour force provides more workers therefore increasing the number of goods and services that can be produced • This will increase total output if other factors of production are maintained • This will lead to an increase in economic growth and an outward shift in the production possibility curve **However:** • An increase in the labour force may not be possible • Other factors of production may be more important, for example, enterprise, capital and /or land • It may be more advantageous to develop the productivity of the existing labour force through training, better technology etc. • This depends however on the receptiveness of the workforce along with the availability of enterprise skills, capital and land. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question.	**12**

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Question	Answer	Marks
3(b)	**Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** That clearly analyses both sides of the question and comes to a valid conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Section C

Question	Answer	Marks
EITHER		
4(a)	**Explain three components of the current account of the balance of payments and consider the extent to which a depreciation in the exchange rate will always lead to a surplus on the current account.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** Knowledge and basic understanding of 3 components of the current account. The component **must** be identified by name together with a brief explanation by name i.e., 3 from • Trade in goods – the **value** of physical goods e.g., computers • Trade in services – the **value** of invisible goods e.g., insurance/tourism • Primary income – e.g., the dividend income earned from **overseas** investments • Secondary income – e.g., the income from **overseas** aid or worker remittances sent back to their own country. **(3 × 1)** **AO2 Analysis (max 3 marks)** A depreciation in the exchange rate will make exports appear cheaper and/or imports more expensive **(1),** this should increase export revenue and/or reduce import expenditure and lead to a surplus **(1).** Also other components of the current account may influence whether the current account goes into surplus or not **(1). N.B. if the impact of other sections of the current account are not considered, maximum mark of 2.** **AO3 Evaluation (max 2 marks)** Of an overall assessment of the extent to which a depreciation in the exchange rate will always lead to a surplus on the current account – for example, reference may be made to the relevance of PED values and also the value of other sections of the current account. **Reserve 1 mark for a valid conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**Assess the extent to which the use of supply-side policy would be the best way to reduce a deficit on the current account of the balance of payments.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** An analysis of the advantages and disadvantages of using supply-side policy to reduce a deficit e.g., • It is likely to be more effective in the long run and less costly to the economy. • it may reduce the possibility of retaliation by other countries BUT • it will have an opportunity cost and is not likely to be a short-term solution. Examples of supply side policy may include: • Investment in education and training to improve worker productivity and entrepreneurship which may reduce costs and lead to increased competitiveness of domestic goods, therefore increasing exports and reducing imports • Export subsidies and subsidies for domestic industries competing against imported goods • Policies to reduce red tape and bureaucracy to encourage competition to reduce costs • Investment in infrastructure to reduce costs of production **However:** • They take time and can be costly, which is unlikely to reduce a deficit in the short term • Other policies such as contractionary fiscal and monetary policy may work more quickly together with protectionist policies e.g., tariffs and currency depreciation. These policies should be analysed in terms of their strengths and weaknesses in reducing a current account deficit. **Guidance:** Answers that do not refer to the policies in terms of reducing a current account deficit cannot gain more than a mid-Level 2 mark. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

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Question	Answer	Marks
4(b)	**AO3 Evaluation** That clearly analyses both sides of the question and comes to a valid conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
	OR	
5(a)	**With the help of an AD /AS diagram, explain why two components of AD may increase and consider the extent to which an increase in AD will always lead to inflation.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** An accurately labelled AD/AS diagram e.g., axes labelled price level and GDP showing an increase in AD and the increase in the price level **(1)** plus two components from consumption, investment, government spending and net exports and briefly explain **why** each may increase **(2 x1)** **AO2 Analysis (max 3 marks)** A rise in AD will lead to possible **demand-pull** inflation **(1).** However, the extent to which this may occur depends on the position of AD in relation to AS **(1)**. It also depends on the supply side effect of the increase in AD e.g., government spending on subsidies may increase LRAS and therefore minimise any inflationary pressure **(1).** **AO3 Evaluation (max 2 marks)** For an overall assessment of the possible impacts which may result in inflation or not. **Reserve 1 mark for a valid conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess the view that the effects of a high rate of inflation are always more damaging for consumers than for firms.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** For consumers problems include: • A loss of purchasing power that particularly affects fixed income earners and those with weak wage bargaining power • Fiscal drag pulling individuals into higher tax brackets • Shoe leather costs • A loss of consumer confidence particularly at a time of high rates of inflation leading to an increased use of alternative methods of payment **However** • Consumers with debts gain as the value of their debts is eroded with inflation • Consumers with assets gain e.g., house owners For firms problems include: • A loss of sales domestically and overseas due to higher prices / loss of competitiveness • Menu costs • Increased costs of production due to raw material costs and wages rising. • At a time of high inflation, this will lead to a loss of confidence and lower investment • Inflationary noise leading to poor decision making **However** • If it is demand led and sales increase, then firms will make increased profits. • If the price level is rising at a faster rate than production costs then profits will rise. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question.	**12**

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Question	Answer	Marks
5(b)	**Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **Guidance:** Answers that refer to a moderate or low rate of inflation cannot gain more than mid-level 2 mark. **AO3 Evaluation** That clearly considers and compares both sides of the analysis and reaches a justified conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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