GCE MARKING SCHEME

SUMMER 2025

ECONOMICS - UNIT 3
1520U30-1

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About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

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GCE A LEVEL ECONOMICS – UNIT 3

SUMMER 2025 MARK SCHEME

<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>1 (a)</td><td>The table below provides a firm's costs and revenues at different levels of daily output.
<table>
<tr><th>Daily output/ Quantity demanded</th><th>Average Revenue (AR)</th><th>Total Revenue (TR)</th><th>Marginal Revenue (MR)</th><th>Average Cost (AC)</th><th>Total Cost (MC)</th><th>Marginal Cost (MC)</th><th>Profit</th></tr>
<tr><td>1</td><td>£80</td><td>£80</td><td>£80</td><td>£50</td><td>£50</td><td>£50</td><td>£30</td></tr>
<tr><td>2</td><td>£74</td><td>£148</td><td>£68</td><td>£35</td><td>£70</td><td>£20</td><td>£78</td></tr>
<tr><td>3</td><td>£68</td><td>£204</td><td>£56</td><td>£28</td><td>£84</td><td>£14</td><td>£120</td></tr>
<tr><td>4</td><td>£62</td><td>£248</td><td>£44</td><td>£22</td><td>£88</td><td>£4</td><td>£160</td></tr>
<tr><td>5</td><td>£56</td><td>£280</td><td>£32</td><td>£20</td><td>£100</td><td>£12</td><td>£180</td></tr>
<tr><td>6</td><td>£50</td><td>£300</td><td>£20</td><td>£20</td><td>£120</td><td>£20</td><td>£180</td></tr>
<tr><td>7</td><td>£44</td><td>£308</td><td>£8</td><td>£22</td><td>£154</td><td>£34</td><td>£154</td></tr>
<tr><td>8</td><td>£38</td><td>£304</td><td>-£4</td><td>£24</td><td>£192</td><td>£38</td><td>£112</td></tr>
<tr><td>9</td><td>£32</td><td>£288</td><td>-£16</td><td>£26</td><td>£234</td><td>£42</td><td>£54</td></tr>
</table>
State the level of daily output at which the firm is:

(i) Allocatively efficient

Output 8

(ii) Productively efficient

Accept output 5, 5.5 and/or 6 as all show AC at its lowest</td><td>2
(2 x AO2)</td></tr>
<tr><td>(b)</td><td>Calculate the firm's total daily profit when producing a daily output of 6 units.

Total revenue at output 6 = AR X output = £300
Total costs at output 6 = AC X output = £120
Total profit = £300 - £120 = £180 (accept with or without a £ sign)

• Award one mark in total for the correct calculation of either total revenue or total costs. Accept with or without a £ sign.

Alternative method:

(AR – AC) x 6 = £30 x 6 = £180 (accept with or without a £ sign)

Award 2 marks for £180 without workings

• Award one mark in total for the correct calculation of profit per unit at output 6 = £30 (accept 30).</td><td>2
(2 x AO2)</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>(c)</td><td>The firm targets a daily output of 9 to maximise revenue. Explain, using relevant calculations, whether this is the correct level of output for this objective.

AO2
• Award two marks for the correct calculation of MR at output 9
• Award one mark for the correct calculation of TR at output 9
• Award one mark for the correct calculation of TR at output 6, 7 or 8

AO3
• Explanation that the correct decision would be output 6-8 and/or not output 9 evidenced by calculations. (1 mark).

Marker note: Candidates might provide calculations next to the table rather than in the answers space, which should be credited.</td><td>3
(2 x AO2
1 x AO3)</td></tr>
<tr><td>(d)</td><td>Outline the difference between accounting profit and economic profit.

<table>
<tr><th></th><th>AO1</th></tr>
<tr><td>Band 2</td><td>2 marks

Good understanding of the difference between accounting profit and economic profit.

Understanding of accounting profit and economic profit.</td></tr>
<tr><td>Band 1</td><td>1 mark

Limited understanding of the difference between accounting profit and economic profit.

Understanding of accounting profit or economic profit.

Superficial understanding of the difference between accounting profit and economic profit.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant knowledge</td></tr>
</table>

Indicative Content
• Accounting profit is a firm’s total revenue minus its total costs.
• Accounting profit is calculated by deducting actual/explicit costs incurred from its revenue.
• Accounting profits are shown on financial statements.
• Economic profit deducts the opportunity costs/implicit costs from the accounting profit.
• Accept examples of opportunity costs / implicit costs as understanding of economic profit.</td><td>2
(2 x AO1)</td></tr>
<tr><td></td><td>MAXIMUM MARKS FOR QUESTION 1:</td><td>9</td></tr>
</table>

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Question	Mark Scheme	Total
2 (a)	**Using the production possibility frontier diagrams, complete the following opportunity cost ratios:** **(i) Calculate the opportunity cost ratio for Country A when producing 1 million bags of coffee.** **(ii) Calculate the opportunity cost ratio for Country B when producing 1 million bags of coffee.** Award *one mark* <u>for each</u> opportunity cost ratio calculated: (i) For country A: 1m coffee bags: 5m gold (kg) (ii) For country B: 1m coffee bags: 7m gold (kg)	**2** (2 x AO2)
(b)	**Using your answers to part (a) determine a suitable quantity of gold country B could exchange for 1 million bags of coffee from country A, describing how both countries gain from this trade.** Award <u>*one mark*</u> for identifying a suitable terms of trade that falls between answers to part (a): • Accept any TOT between: o 1m coffee bags: 5.01m kg of gold and 1m coffee bags: 6.99m kg gold. (1C: 5.01G) and (1C: 6.99G) o E.g., 1m coffee bags: 6m kg gold. (Accept 1:6) (Accept 1 coffee: 6 gold) o Accept answers that provide quantities that each country should trade with one another providing that it falls between the accepted TOT above. E.g. 5C for 30G which is the same as 1C:6G. This might be demonstrated within calculations, which should be awarded. Award <u>*one mark*</u> for a description of how country A will gain from the identified TOT: E.g., if the term of trade identified is 1m coffee bags to 6m kg gold (1C: 6G) • country A has a comparative advantage in coffee production and therefore should produce only coffee (as stated in the case). On their own they could produce 5m kg of gold at a sacrifice of 1m bags of coffee. With the TOT of 1C:6G, and by specialising in coffee alone, they can receive an additional 1m kg gold for their economy from country B with the same sacrifice in coffee. Award <u>*one mark*</u> for a description of how country B will gain from the identified TOT: E.g., if the term of trade identified is 1m coffee bags to 6m kg gold (1C: 6G) • Country B has a comparative advantage in gold production and therefore should produce only gold (as stated in the case). On their own would have to sacrifice 7m kg of gold when producing 1m bags of coffee. The TOT of 1C:6G allows country B to receive 1m bags of coffee for a smaller sacrifice of its own gold (6m kg gold instead of 7m kg gold without trade). • Accept answers that demonstrate gains to trade using <u>accurate calculations instead of descriptions</u> based upon their TOT identified. E.g.: • Before trade country A total combined output is 72 country B is 80 • Country A produces 24m coffee bags, Country B produces 140m kg gold. • Country A sells 11m coffee bags in return for 66m kg gold (TOT 1:6) • Country A total output is now 13m coffee and 66m kg gold (total now 79) • Country B total output is now 11m coffee and 74m kg gold (total now 85) **OFR applies to part (b) if calculations are incorrect in part (a)**	**3** (3 x AO2)

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>(c)</td><td>Discuss the view that the theory of comparative advantage is relevant in determining whether countries should specialise and trade.
<table>
<tr><th></th><th>AO3</th><th>AO4</th></tr>
<tr><td>Band 2</td><td>2-3 marks

Good one-sided analysis of the relevance of the theory of comparative advantage in determining whether countries should trade.

Clear and accurate chain of reasoning of the gains to countries when using the theory of comparative advantage.

Accurate numerical examples are not expected but could be used to support band 2 analysis.

Analysis is detailed with a developed chain of argument(s).</td><td>2-3 marks

Good well-balanced evaluation of the relevance of the theory of comparative advantage in determining whether countries should trade.

A well-developed counter argument(s).

Counter-argument is focused on the theory of comparative advantage and why it might not be relevant to countries in determining whether to specialise and trade.</td></tr>
<tr><td>Band 1</td><td>1 mark

Limited one-sided analysis of the relevance of the theory of comparative advantage in determining whether countries should trade.

Superficial analysis.

Reasons identified but not developed.</td><td>1 mark

Limited evaluation of the relevance of the theory of comparative advantage in determining whether countries should trade.

Candidates may recognise drawbacks of comparative advantage without development of points.

Counter-arguments are not directly linked to comparative advantage.</td></tr>
<tr><td>Band 0</td><td>0 mark

No relevant analysis</td><td>0 mark

No relevant evaluation</td></tr>
</table></td><td>6
(3 x AO3, 3 x AO4)</td></tr>
</table>

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Question	Mark Scheme	Total
	Indicative Content AO3 • Countries that specialise in the production of goods with lower opportunity costs and a beneficial TOT allows them to increase production levels and access more goods as opposed to trying to produce everything on their own. This can lead to higher output, national income, and a positive multiplier effect. Governments can gain higher tax revenue which can help improve public goods and services within the economy, raising overall development. • Advantages of specialisation for example, higher productivity, lower costs of production and lower global prices. • Although AO2 is not awarded in this question, accept any references to the data that forms arguments for AO3 and/or AO4. • Accept own numerical examples that show gains to countries by specialising and trading based on the theory of comparative advantage. • Accept any references to any TOT calculations made in part (a) or (b). OFR applies. AO4 Comparative advantage ignores: • Structural unemployment due to the loss of jobs in industries no longer being produced. • Protectionism – tariffs and quotas are not considered in the terms of trade which may eliminate gains to the terms of trade due to factors such as import tariffs. • Transportation costs and exchange rate fluctuations can eliminate gains to the TOT. • Issues surrounding interdependence. • Quality of goods may differ between countries. • Intra-industry trade: Due to differing consumer tastes many countries specialise in similar industries with differentiated products e.g., different types of coffee beans and gold variations. • Specialised good / service: LEDCs may focus on lower-value primary sector goods that are more volatile (Prebisch-Singer). • Any other relevant argument	
	MAXIMUM MARKS FOR QUESTION 2:	**11**

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Question	Mark Scheme	Total
3 (a) (i)	**On Saturday 3rd August 2024 between 06.00 and 11.59 the ticket price was 14% higher than the price between 00.00 and 05.59 on the same day. To the nearest whole number calculate the price of this ticket.** £129 x 1.14 = £147 (accept £147.06) (accept with or without a £ sign) • 2 marks for correct answer, correctly rounded (with or without workings). • 1 mark for correct workings but with incorrectly rounded answer. • 1 mark for calculating 14% of £129 = £18.06 (accept 18.06)	**2** (2 x AO2)
(ii)	**Outline how Getlink might be using price discrimination.** AO1 • Award one mark for an accurate understanding of price discrimination or how it might be used. • Price discrimination is where a business sells the same product but at different prices to different customers. • Price discrimination might be used due to capacity surplus / shortages at different times. • Price discrimination might be used to take advantage of price elasticity of demand. • Degrees of price discrimination are not in the specification. However, if used accurately can be credited. • Knowledge might be implied within the application to the case study. AO2 • Award one mark for the correct application of price discrimination applied to the scenario. • Prices for tickets on the same train vary depending on whether tickets are bought in advance or on the same day. • Prices vary between peak and off-peak times as shown in the data. • Getlink charges more on Saturdays compared to the other days listed, and less during unsociable hours. • Reference to calculation from part i), the industry, or any other data available.	**2** (1 x AO1, 1 x AO2)

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>(b)</td><td>
Discuss whether it is only producers that benefit from price discrimination.
<table>
<tr><th></th><th>AO3</th><th>AO4</th></tr>
<tr><td>Band 2</td><td>2 marks
Good analysis of the reasons why only producers benefit from price discrimination.

Analysis is developed with a chain of argument.</td><td>2-3 marks
Good balanced evaluation to why other economic agents (such as consumers) also benefit from price discrimination.

A developed counter argument.</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited analysis of the reasons why only producers benefit from price discrimination.

Reason(s) identified but not developed.</td><td>1 mark
Limited evaluation to why other economic agents (such as consumers) also benefit from price discrimination.

Reason(s) identified but not developed.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant analysis</td><td>0 mark
No relevant evaluation</td></tr>
</table>
Indicative content

AO3
• Producers will benefit because their profit is higher on occasions when they charge more for the same product / service.
• Can take advantage of PED to maximise revenues at different times / to different groups of customers.
• Marginal revenue will be greater than marginal cost.
• Producers also benefit from spreading demand away from busier times where they may have capacity issues.
• Offering cheaper pre-book prices allow businesses to allocate resources correctly to its expected demand levels.

AO4
However,
• Consumers may benefit from lower prices on some occasions where AR may meet MC.
• The good / service becomes more accessible for lower-income groups.
• Consumers may experience higher satisfactions during busier periods due to other consumers switching to alternative times with lower prices.
• Higher profits may result in dynamic efficiencies that could benefit consumers in the long run from increased investment into the business.
• Employees workload may become more manageable if customers alter the times when they purchase, or book in advance so employee numbers can be matched to expected demand levels.
</td><td>5
(2 x AO3, 3 x AO4)</td></tr>
<tr><td></td><td>MAXIMUM MARKS FOR QUESTION 3:</td><td>9</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>4</td><td>With reference to the data, discuss the extent to which the changes to the UK's base interest rate have been effective in controlling the UK's inflation rate over the period shown.
<table>
<tr><th></th><th>AO2</th><th>AO3</th><th>AO4</th></tr>
<tr><td>Band 2</td><td>2 marks

Good use of the data.

Reference is made to both chart one and chart two.

Data is used to support economic understanding for both sides of the argument.</td><td>2 marks

Good one-sided analysis of how base interest rate changes have been effective in reducing UK inflation.

Analysis is detailed with a developed chain of argument.

The candidate demonstrates economic understanding to support the use of interest rates to reduce inflation.</td><td>2 marks

Good evaluation of the extent to which UK base interest rate changes have been effective in controlling UK inflation.

A well-developed counter argument(s)

The candidate demonstrates economic understanding to support why interest rates changes are not always effective in reducing inflation.</td></tr>
<tr><td>Band 1</td><td>1 mark

Limited use of the data.

Data is used from chart one or chart two.

Data is used to form one side of the argument.</td><td>1 mark

Limited one-sided analysis of how base interest rate changes have been effective in reducing UK inflation.

Analysis is superficial.</td><td>1 mark

Limited evaluation of the extent to which UK base interest rate changes have been effective in controlling UK inflation.

A counter argument is considered but not developed.</td></tr>
<tr><td>Band 0</td><td>0 mark

No relevant application</td><td>0 mark

No relevant analysis</td><td>0 mark

No relevant evaluation</td></tr>
</table></td><td>6
(2 x AO2, 2 x AO3, 2 x AO4)</td></tr>
</table>

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Question	Mark Scheme	Total
	Indicative content (AO2) Data trends: • Interest rates have increasingly risen over the period shown from 0.5% to over 5%. At the same time inflation has also risen from just under 1% in January 2021 to over 11% towards the end of 2022. During 2023 inflation fell to below 5% by November 2023. • In 2023 it appears that higher interest rates were effective in lowering inflation. • During 2021 and 2022 increasing interest rates were not effective in reducing inflation. AO3 • As interest rates rise, borrowing becomes less attractive and saving become more attractive. This results in fewer injections into the circular flow, reducing AD and actual economic growth. As AD falls the price level also falls, reducing demand-pull inflation. • A rise in interest rates will reduce inflationary expectations among economic agents. AO4 • During 2021 and 2022 increasing interest rates were not effective in reducing inflation. This can be down to a number of factors: • Inflation over the period is driven by cost-push factors (Russia-Ukraine) and the rise in energy, which is having a knock-on effect on all industries such as food. • AD is meeting LRAS at the lower perfectly elastic part according to Keynesian economics and therefore demand side policies to reduce inflation are less effective. • Interest rate changes are not significant enough to affect the economy. • There is often a time lag for policies to work. • The Bank of England acted too late and should have raised interest rates earlier. • **Reversible answer** **Markers note**: Band 2 AO3 and AO4 is awarded when economic theory is used to support why higher interest rates may and may not have worked e.g., linking to demand-pull / cost-push.	
	MAXIMUM MARKS FOR QUESTION 4:	**6**

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>5</td><td>

With reference to the housing market, describe one cause and one consequence of asset bubbles.

<table>
<tr><th></th><th>AO1</th><th>AO2</th></tr>
<tr><td>Band 2</td><td>2-3 marks
Good understanding of both a cause and a consequence of asset bubbles.
Both the cause and consequence are described (3 marks).
A cause and a consequence are both identified but only one is described (2 marks).</td><td>2 marks
Good application of both a cause and a consequence to the housing market.
Variety of data is used to describe a cause and consequence of asset bubbles.</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited understanding of a cause and a consequence of asset bubbles.
Either a cause or a consequence is identified and/or described.
There is understanding of either a cause or a consequence.</td><td>1 mark
Limited application of a cause and/or a consequence to the housing market.
Either a cause or consequence is applied to the housing market.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant knowledge.</td><td>0 mark
No relevant application.</td></tr>
</table>

Indicative content

Possible cause:

- Most house purchases are bought using a mortgage / people with mortgages make up 60% of house sales in 2023 (AO2). Interest rates have been low for a number of years, with greater access to credit. This may have attracted excess buyers into the market increasing asset prices (AO1).
- Herding behaviour occurs when people follow the trends of others which pushes up demand and increases asset value (AO1). In the UK, a home-owner culture has developed which has increased demand for houses at a faster rate than supply (AO2).
  House prices generally rise, with 2023 prices falling at their fastest rate in 12 years (AO2). This suggests greater confidence in the housing market prior to 2023 which would have made buyers more confident in a housing investment asset purchase, increase the asset price (AO1).

Possible consequence:

- The £7,500 annual fall in July 2023 (AO2), may result in people having negative equity, and defaulting on their mortgages (AO1) causing the asset bubble to burst further as supply starts to rise faster than demand (AO1).
- £7 500 is a large fall in asset value (AO2). A negative change in this asset price will result in greater risks to banks due to lower collateral levels, who may cut back on their future lending. This may lower AD (AO1). Banks may require financial supported from the central bank / government (AO1).
- Rising interest rates (AO2) may knock the confidence out of many homeowners, who may cut back spending on other areas to afford the repayments (AO1).
- Accept any relevant argument and own knowledge of the UK housing market.

Markers note: A candidate can achieve both AO2 marks if they use their own knowledge of the housing market E.g. financial crisis 08/09

</td><td>5
(3 x AO1
2 x AO2)</td></tr>
<tr><td></td><td>MAXIMUM MARKS FOR QUESTION 5</td><td>5</td></tr>
</table>

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Section B

Question	Mark Scheme	Total
6 (a) (i)	**Using figure 1, calculate and interpret the percentage change in the trade in goods balance for Wales between 2021 and 2022.** 1 mark for calculating the trade in goods balance for both years. 1 additional mark for calculating the percentage change over the two years. • Trade balance in 2021: £15.2bn – £16.1bn = -0.9bn (accept 'deficit') • Trade balance in 2022: £20.5bn - £24.1bn = -3.6bn (accept 'deficit') • Percentage change = change / original x 100 = -2.7bn / 0.9bn x 100 = -300% (accept 300%) • The deficit in the trade in goods has worsened/increased/changed by 300% (accept 300% with or without the minus figure for both marks) • Award one mark in total if candidates calculate **and** interpret the percentage change in exports over the two years against the percentage change in imports over the two years: • Percentage change in exports = (20.5-15.2) / 15.2 x 100 = 34.87% • Percetage change in imports = (24.1-16.1) / 16.1 x 100 = 49.69% • The trade in goods balance has worsened as imports have increased by a larger percentage. • Imports have increased by 14.82% more than exports. • Note: for the mark there must be an interpretation of the calculations. The calculation alone is not enough for one mark with this approach. • Award one mark in total if candidates calculate **and** interpret the percentage change of imports to exports in 2021 against 2022: • 2021 = (16.1 - 15.2) / 15.2 x 100 = 5.92% (-5.92%) • 2022 = (24.1-20.5) / 20.5 x 100 = 17.56% (-17.56%) • The trade balance has worsened as imports have risen by a greater percentage compared to exports over the two years • Imports have risen by (17.56% – 5.92%) = 11.64% more compared to exports in 2022 against 2021 (accept -11.64% for one mark). • Note: for the mark there must be an interpretation of the calculations. The calculation alone is not enough for one mark for this approach.	**2** (2 x AO2)

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>(ii)</td><td>
Explain two possible reasons for Wales' worsening trade in goods balance in recent years.
<table>
<tr><th></th><th>AO1</th><th>AO2</th><th>AO3</th></tr>
<tr><td>Band 2</td><td>2 marks
Good understanding of causes of a deficit in the trade in goods.

Two reasons for a deficit in the trade in goods are identified.</td><td>2 marks
Good use of the case study or application of real-world examples to Wales in recent years.

Both reasons are applied to Wales.</td><td>2 marks
Good analysis of both reasons identified.

The candidate explains why both reasons will cause either M to be high and/or X to be low in the goods balance.

Both reasons are directly linked to a goods balance deficit.</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited understanding of causes of a deficit in the trade in goods.

One reason for a deficit in the trade in goods is identified.</td><td>1 mark
Limited use of the case study or application of real-world examples to Wales in recent years.

One reason is applied to Wales.</td><td>1 mark
Limited analysis of both reasons identified.

The candidate explains why at least one reasons will cause either M to be high and/or X to be low in the goods balance.

Analysis is superficial and may not link back to the goods deficit (X / M),</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant application</td><td>0 mark
No relevant application</td><td>0 mark
No relevant analysis</td></tr>
</table>
Indicative content:

Industry structure (AO1). Over time the Welsh economy has switched from primary to secondary and tertiary industries (AO2). Figure 2 also demonstrates this, with a number of industries which are employing fewer people in Wales (AO2), suggesting a greater need to import if production levels are lower within Wales (AO3).
Lack of competitiveness (AO1). The data suggests that some industries in Wales are struggling due to higher inflation (AO2), causing export prices to rise and possibly become uncompetitive, reducing exports (AO3).
Lack of government support (AO1). The data suggests that the Welsh government is supporting industries but providing fewer funds than what is required compared to European rivals (AO2). This will reduce the export competitiveness of Wales's goods thus increasing the deficit (AO3).
Protectionism (AO1). Since leaving the EU there are tariffs on many of Wales's goods. Extract 3 suggests this. (AO2). Making Welsh good less competitive, reducing exports in the European market (AO3).
Stronger currency (AO1) due to rising interest rates (stated in extract 2) (AO2), makes imports cheaper and exports less price competitive (AO3).
Accept arguments relating to covid-19 / Russia-Ukraine war / own current knowledge of the Welsh economy in recent years as application (AO2).

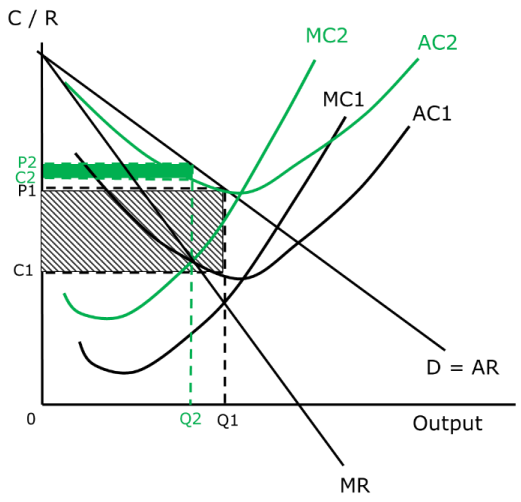
Any other relevant argument(s)
</td><td>6
(2 x AO1, 2 x AO2, 2 x AO3)</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>7</td><td>
With reference to lines 17-19 and the use of an appropriate cost and revenue diagram, describe why Tata Steel experienced a fall in profits between March 2022 and March 2023.
<table>
<tr><th></th><th>AO1</th><th>AO2</th></tr>
<tr><td>Band 2</td><td>2 marks
Good understanding.
Award 2 marks for a correct diagram with no major errors or two separate diagrams, one showing profit, the other showing reduced profits / loss.
• An upward shift in AC only
• An upward shift in both AC and MC</td><td>2 marks
Good application describing how both AC and MC shifts upwards using the data.

Two marks can be gained even if there are errors in the diagram, providing both AC and MC is referred to.</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited understanding.
Award 1 mark for a mostly accurate diagram, but has a significant error (e.g., output not at MC=MR after the change).

Award 1 mark if the diagram shows a fall in demand only (AR & MR)</td><td>1 mark
Limited application describing how AC and/or MC shifts upwards using the data.

Limited application describing how AR/MR falls.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant knowledge</td><td>0 mark
No relevant application.</td></tr>
</table>
Indicative content:


Tata cited factors such as higher inflation, energy costs and interest rates. To achieve both marks for AO2 these factors need to be well linked to a rise in both MC and AC that led to a fall in profits for Tata Steel.

e.g., a rise in inflation will increase the cost of raw materials required to produce steel. Higher energy bills will impact the cost of producing each unit
</td><td>4
(2 x AO1, 2 x AO2)</td></tr>
</table>

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Question	Mark Scheme	Total
	of steel. Variable costs will rise, which will increase the marginal costs of producing extra units of steel, impacting MC and AC. Higher interest rates may increase fixed costs and AC due to the possibility of higher loan repayments that may be required to help decarbonise its operations. Answers that describe the factors in the case generically to costs, not differentiating between MC or AC, or consider MC or AC alone, this gains one AO2 mark. Candidates may link higher interest rates to a fall in demand for steel shifting AR and MR to the left. If candidates show and describe a fall in demand only (AR & MR) with no changes to costs, this is awarded as a band 1 response for AO1 and AO2.	

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>8</td><td>Discuss whether the government financial support for ‘green’ technology will lead to a positive impact on economic development in Wales.
<table>
<tr><th></th><th>AO2</th><th>AO3</th><th>AO4</th></tr>
<tr><td>Band 3</td><td>3 marks
Excellent application to the context of government financial support offered for green technology in Wales

Data is used to support both sides of the argument.</td><td>3 marks
Excellent one-sided analysis of the impact of government financial support on economic development in Wales.

Analysis is detailed with a developed chain of argument(s).

Clear reference to economic development.</td><td>4 marks
Excellent justification of the overall impact of government financial support on economic development in Wales.

Answers within this band are likely to have a judgement that weighs up both sides of the arguments.</td></tr>
<tr><td>Band 2</td><td>2 marks
Good application to the context of government financial support offered for green technology in Wales

Imbalanced use of data to support arguments.</td><td>2 marks
Good one-sided analysis of the impact of government financial support on economic development in Wales.

Some reference to economic development.</td><td>2-3 marks
Good, well-balanced evaluation of the impact of government financial support on economic development in Wales.
A well-developed counter argument(s)
Top band 2 responses will have clear references to economic development.
Low band 2 responses may have some reference to economic development.</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited application to the context of government financial support offered for green technology in Wales</td><td>1 mark
Limited one-sided analysis of the impact of government financial support on economic development in Wales.
Superficial analysis.
Limited/no reference to economic development.</td><td>1 mark
Limited evaluation of the impact of government financial support on economic development in Wales.
Candidates may recognise counter arguments without development.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant application</td><td>0 mark
No relevant analysis</td><td>0 mark
No relevant evaluation</td></tr>
</table></td><td>10
(3 x AO2, 3 x AO3, 4 x AO4)</td></tr>
</table>

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Question	Mark Scheme	Total
	Indicative content: Economic development is broadly the improvement in the quality of lives / living standards of citizens. It can be measured using national income indicators, the HDI index as well as several other ways. AO3: To achieve band 2+ candidates are required to link their arguments to the possible impact on economic development for example on income and/or other development indicators such as health. This is also required to achieve top band 2 for AO4. To achieve band 3 there should be detailed and specific references to economic development such as different development indicators throughout the response. Government financial support in 'green' technology refers to the government support offered to Tata Steel. However, green technology and green investment is mentioned in multiple extracts, any of which can be used to form arguments. **Argument for positive impacts may include:** • Iron and Steel was Wales 4th most valuable export in 2022, contributing £1.3bn to the Welsh Economy. The green investment will modernise the industry allowing Wales to improve its global competitiveness through challenge times and meeting global emission targets. This investment may bring future growth into Wales, creating a positive multiplier effect, protect jobs, as well as increasing tax revenues to support public services such as healthcare, and education (which can be linked to national income / HDI). • Without the support, Tata's biggest plant may be forced to close, impacting thousands of jobs, structural unemployment, and income levels in South Wales. • Residents around the plant will benefit from greener air, improving air quality and therefore health. • The financial support could help turnaround the increased deficit in the trade in goods for Wales, if it helps provide a competitive advantage in green technologies for Wales, aiding export growth, GPD and national income. • Freeport investments aim to exploit renewable energy opportunities and help contribute to net-zero ambitions. Tata Steel also suggested that this would unleash green industrial potential. Together, with the government support to Tata could complement each other to support greater economic growth and job opportunities in Wales. As Freeports are in different parts of the country, citizens across Wales could benefit rather than just those in the south. They could benefit through future job opportunities and new green industries that may emerge. • Figures 2 and 3 suggests that manufacturing is very important in terms of total jobs to Wales. This suggests that any government support in green technologies in this industry could impact a significant number of businesses and jobs within Wales, which might be directly or indirectly linked to the steel industry.	

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Question	Mark Scheme	Total
	Arguments against may include • Job loses: The steel union is concerned about job losses as a direct result of the government support package impacting employment, and therefore income levels in the area. This can further be linked to structural unemployment and issues surrounding the consequences of this on living standards in parts of Wales. • Government budget: Will the support package move funds away from other public goods or services? The impact on government debt and possible cuts to other areas may impact health, education and infrastructure, which can be linked to Wales's HDI index and other development measures. • Is the support package enough to save the company and industry? Compared to governments abroad and Tata's claims, the financial support offered may not be enough to save the industry and protect the remaining jobs. • In figure 2, job growth in Wales is focused on finance and services rather than manufacturing. This suggests that the future for Wales economic development in terms of jobs might move away from manufacturing. Further evidenced by the job losses caused through the green technology investment at Tata Steel. **Possible evaluative justifications may consider:** • The net impact on jobs: Despite job loses, the support package may help ensure the industry remains in Wales and remain globally competitive. Therefore, despite the thousands of job losses, it might be more detrimental for the economy and economic development without the support package as even more jobs could be lost. • Whether the government financial support offered is enough to keep Tata Steel operational. • How competitive the industry will become after the government financial support package. Comparing the support offered in Wales to firms in Europe. **Reversable answer for band 2 marks (AO3/AO4)** Accept other relevant arguments	

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>9</td><td>
Using Extract 3, discuss the factors that may determine whether the introduction of freeports will be beneficial for the Welsh economy.
<table>
<tr><th></th><th>AO2</th><th>AO3</th><th>AO4</th></tr>
<tr><td>Band 3</td><td></td><td></td><td>4 marks
Excellent evaluation of the factors determining the impact of freeports on the Welsh Economy.

Answers within this band are likely to have a judgement that weighs up both sides of the arguments.

There is clear reference to the Welsh Economy.</td></tr>
<tr><td>Band 2</td><td>2 marks

Good application of at least two factors to extract 3</td><td>2 marks
Good one-sided analysis of the factors and how they could determine whether freeports will be successful for the Welsh economy.

Analysis is detailed with a developed chain of reasoning.</td><td>2-3 marks
Good evaluation of the factors determining the impact of freeports on the Welsh Economy.</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited application of at least one factor to extract 3.

At least one reference is made to extract 3.</td><td>1 mark
Limited one-sided analysis of the factor(s) and how they could determine whether freeports will be successful for the Welsh economy.

Analysis is superficial.</td><td>1 mark
Limited evaluation of the factors determining the impact of freeports on the Welsh Economy.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant application</td><td>0 mark
No relevant analysis</td><td>0 mark
No relevant evaluation</td></tr>
</table>
</td><td>8
(2 x AO2, 2 x AO3, 4 x AO4)</td></tr>
</table>

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Question	Mark Scheme	Total
	Indicative content: Possible factors may include: • The number of jobs that are created: Extract three suggests 20,000 jobs will be created by 2030, however critics argue that it would simply encourage businesses to move from outside to inside the freeport. This will also determine the extent to which young people still have to leave their communities for work. • Whether the Welsh government adopts England policies on lower business rates and lower national insurance for new staff or encourage investment into the freeport. However, it may lead to a reduction in tax revenue if existing businesses are re-locating within the country. • Whether the benefits of investment and job growth reach other areas of Wales in an extended supply chain as the freeports are concentrated in two main areas. However, they are located on different sides of the country, rather than being concentrated in either the south or north. • The amount of import tax savings experienced by firms. This will determine firms' overall competitiveness internationally. • Whether the £26m funding covers the full amount of the investment, or whether the Welsh government is also required to put forwarded investment into the freeport and take money away from other areas. • Whether the benefits of the freeport attracts investment and in particular "green industries" which is central to the reason why the freeports are being created. • Whether Tata Steel is still operational in the future. Tata appears to be a key business that would benefit from the Port Talbot – Milford Haven. • BREXIT and future UK trade agreements may change import tariffs / protectionism which may affect the success of freeports. • The type of good. Some goods have import taxes but not all, so not all businesses in the areas would benefit. Possible comments to form an overall weighted judgement for AO4 band 3: • Short versus long-term: Gains may only be experienced in the long-term due to the initial government investment, firms' investment, job creation and international competitiveness. • It depends upon the amount of cost-savings freeports bring. • It depends upon the level of new job creation versus redeployment of businesses moving its resources to the freeport. • It depends on government policy for the freeports and policy regarding future trade agreements / deals. **Reversable answer for band 2 marks (AO3/AO4)** Accept other relevant arguments <u>Markers note:</u> Factors might be implied rather than explicitly stated. <u>Markers note:</u> Answers that focus on the advantages and disadvantages of freeports to Wales are not answering the question (NAQ) and a maximum of band 1 marks can be awarded as the factors might be explained inadvertently.	

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<table>
<tr><th>Question</th><th>Mark Scheme</th><th>Total</th></tr>
<tr><td>10</td><td>With reference to figures 2 and 3, and other relevant information, to what extent does the growing UK financial sector benefit the Welsh economy?
<table>
<tr><th></th><th>AO2</th><th>AO3</th><th>AO4</th></tr>
<tr><td>Band 3</td><td>3 marks
Excellent application to figure 2, figure 3 and other relevant information to form arguments.

Data is used throughout to support both sides of the argument.</td><td>3 marks
Excellent one-sided analysis of the impact of the growing UK financial sector on the Welsh economy.

Analysis is detailed with a developed chain of argument(s).

Clear reference to the impact on the Welsh economy.</td><td>4 marks
Excellent evaluation of the impact of the growing UK financial sector on the Welsh economy.

Answers within this band are likely to have a judgement that weighs up both sides of the arguments.</td></tr>
<tr><td>Band 2</td><td>2 marks
Good application to the data, to form arguments.

Points are developed from two of the following three areas of the case:
figure 2,
figure 3,
other relevant information.</td><td>2 marks
Good one-sided analysis of the impact of the growing UK financial sector on the Welsh economy.

There is some reference to the impact on the Welsh economy.</td><td>2-3 marks
Good evaluation of the impact of the growing UK financial sector on the Welsh economy.

A well-developed counter argument(s).</td></tr>
<tr><td>Band 1</td><td>1 mark
Limited application to the data.

Limited use of either the data, figure 2 or figure 3.</td><td>1 mark
Limited analysis of the impact of the growing UK financial sector to Wales.

Superficial analysis.

There is no/limited reference to the Welsh economy.</td><td>1 mark
Limited evaluation of the impact of the growing UK financial sector to Wales.

Candidates may recognise benefits and drawbacks without development.

There is no/limited reference to the Welsh economy.</td></tr>
<tr><td>Band 0</td><td>0 mark
No relevant application</td><td>0 mark
No relevant analysis</td><td>0 mark
No relevant evaluation</td></tr>
</table></td><td>10
(3 x AO2, 3 x AO3, 4 x AO4)</td></tr>
</table>

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Question	Mark Scheme	Total
	Indicative content: Data (other relevant information): • Outside of London, Wales has the biggest output growth in financial services and contributes £4.7bn to the economy. This suggests that Wales is benefiting more from the growth of this industry compared to most other areas of the UK. Boosting jobs (currently 55,000), national income, consumer spending, investment, and government tax revenue which can be redistributed to all areas of Wales to support regional issues across Wales. o However, most jobs are centralised in Cardiff and Swansea. This suggests that the "Welsh economy" benefit is questionable as the effects might be seen in some areas only. This can increase inequalities between these cities and other areas of Wales unless revenues achieved are redistributed by the government to other areas of Wales. • The data also states that the manufacturing sector in Wales employs around 140,000 people, which is 2.5x the size of the financial sector in terms of jobs. So, the real benefit of the growing financial sector may not be as significant as other sectors currently in Wales. Furthermore, the freeport investment will bring in 20,000 jobs (just under half of the total employed in finance in Wales) and Tata steel alone employed 4,000 people, which was just over 7% of the total number of finance jobs in Wales. This data suggests that the overall benefit is still marginal compared to other industries. o However, growth in finance appears to be bigger than other areas and over the longer-term will be more significant. • 7% of total Welsh economic output from financial services could be considered significant or insignificant for Wales. • 4.4% of total Welsh employment from finance, insurance and related services could be seen as significant or insignificant. Figure 2: • The biggest growth in jobs in Wales over the period shown is in finance and insurance suggesting that the sector is having the most significant impact on job growth within Wales. o However, as stated in the data these jobs are concentrated in Cardiff and Swansea. Areas of Wales that rely upon jobs in figure 2 that has seen negative growth could increase inequalities between areas of Wales. Figure 3: • The total number of jobs in Wales based around financial / insurance activities is fewer than 50,000 people, (and 55,000 with related professional services) which compared to other sectors such as Health (over 200,000 jobs) is insignificant. o However, as stated in figure 2 it's the largest growing sector of paid jobs in Wales suggesting that the gap is closing and will become more significant in the future / longer term. Possible evaluative comments for weighted judgements for band 3 AO4: • It is clearly good news regarding the growth of the financial sector in Wales when compared to all other areas except London. However, currently it is still a small sector for jobs, and is concentrated in a few areas within the country questioning its current "real" economic impact. • It depends on the future growth forecasts and if growth occurs in more areas of Wales from the financial or related sectors. • It depends on how the Welsh government plans to help support other areas of Wales not benefitting directly from the growth of the financial sector. **Reversable answer for band 2 marks (AO3/AO4)** Accept other relevant arguments	

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