# Sample Assessment Material

### Component 2

This resource supplements mark schemes for our new GCSE (9-1) in Economics. To ease marking, the rationale for the answers to the 20 MCQs in each component is produced not within the mark scheme. This separate guide is produced to aid teaching and learning and to help understand why a particular answers is not correct.

| **Question** | **Key** | **Rationale** | **AO** | **Quantitative skills** |
| --- | --- | --- | --- | --- |
| **1** | **C** | A Incorrect. Boosting economic growth is usually a high priority.  B Incorrect. Boosting employment is usually a high priority.  **C Correct**  D Incorrect. Most governments have schemes to boost exports. | **AO1** |  |
| **2** | **A** | **A Correct**  B Incorrect. Economic growth is negative.  C Incorrect. This usually causes prices to stabilise or fall.  D Incorrect. Unemployment rises in a recession. | **AO1** |  |
| **3** | **A** | **A Correct**  B Incorrect. The highest rate of inflation was in year three.  C Incorrect. Year two had a higher rate of inflation than year four.  D Incorrect. The price level rose further from year three to year four | **AO2** | **✓** |

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| --- | --- | --- | --- | --- |
| **4** | **C** | A Incorrect. Country C has the lowest output per capita.  B Incorrect. Output per capita in country A is lower than in country B.  **C Correct**  D Incorrect. Country C has a lower output per capita than Country A. | **AO2** | **✓** |
| **5** | **A** | **A Correct**  B Incorrect. Taxing is an example of fiscal policy rather than international trade policy.  C Incorrect. Taxing is an example of fiscal policy rather than labour market policy.  D Incorrect. Taxing is an example of fiscal policy rather than monetary policy. | **AO1** |  |
| **6** | **D** | A Incorrect. This does not include the value of his house.  B Incorrect. This is his income.  C Incorrect. This does not include his savings.  **D Correct** | **AO2** | **✓** |
| **7** | **A** | **A Correct**  B Incorrect. Consumer not customer.  C Incorrect. Index not interest.  D Incorrect. Consumer not customer and index not interest. | **AO1** |  |
| **8** | **C** | A Incorrect. Confusion with ‘real values’  B Incorrect. Nominal values have nothing to do with taxation.  **C Correct**  D Incorrect. Nominal values have nothing to do with taxation. | **AO1** |  |

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| --- | --- | --- | --- | --- |
| **9** | **B** | A Incorrect. It rose steeply between 2008 and 2009 but 2009 was not the year with highest unemployment  **B Correct**  C Incorrect. Unemployment was higher in 2014 at over 10% compared to 9 % in 2005.  D Incorrect. Although it was greater than 8 % for much of the period, it fell below that level on one occasion. | **AO2** | **✓** |
| **10** | **A** | **A Correct**  B Incorrect. More imports will lead to less domestic demand and so increase unemployment.  C Incorrect. This policy reduces domestic demand and so increases unemployment  D Incorrect. This will reduce demand and so increase unemployment. | **AO1** |  |
| **11** | **C** | A Incorrect. Income tax increases with income.  B Incorrect. Nothing suggests that such a tax system creates inflation.  **C Correct**  D Incorrect. The tax system is not proportional as a greater % is paid as income increases. | **AO2** | **✓** |
| **12** | **D** | A Incorrect. Some may well have externalities but not manufactured goods as a class of output.  B Incorrect. This is a private good with no particular externality.  C Incorrect. Some may well have externalities but not as a class of goods.  **D Correct** | **AO1** |  |
| **13** | **C** | A Incorrect. Firms may disregard government controls but this does not make pollution a case of market failure.  B Incorrect. Pollution does not directly cause inflation.  **C Correct**  D Incorrect. The polluting firm’s price will most likely be too low. | **AO1** |  |
| **14** | **C** | A Incorrect. The best policy is to tax the creator of the externality and subsidise those affected by it.  B Incorrect. The best policy is to tax the creator of the externality and subsidise those affected by it.  **C Correct**  D Incorrect. The fish farm is not the creator of the externality. | **AO2** |  |
| **15** | **D** | A Incorrect. There is no direct link between interest rates and imports.  B Incorrect. This causes some domestic consumers to switch from imported goods to domestically produced goods.  C Incorrect. This raises import prices and causes some domestic consumers to switch from imported goods to domestically produced goods.  **D Correct** | **AO2** |  |
| **16** | **D** | A Incorrect. There are no exports at all.  B Incorrect. There are no imports at all.  C Incorrect. The government budget is not directly affected by international trade.  **D Correct** | **AO1** |  |
| **17** | **C** | A Incorrect. Trade does not have a direct effect on the budget.  B Incorrect. Countries trade because it benefits all countries engaged in it.  **C Correct**  D Incorrect. This discourages international trade. | **AO1** |  |
| **18** | **C** | A Incorrect. This increases demand for its currency and so pushes the currency value upwards.  B Incorrect. This increases demand for its currency, exerting an upwards pressure on its price.  **C Correct**  D Incorrect. This increases demand for its currency and so pushes its value upwards. | **AO1** |  |

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| **19** | **C** | A Incorrect. It will raise it.  B Incorrect. By raising the foreign price it encourages domestic production.  **C Correct**  D Incorrect. The rise in price of the good in China discourages imports. | **AO2** |  |
| **20** | **D** | A Incorrect. EU member states may trade with any country.  B Incorrect. EU member states do not share a common income tax rate.  C Incorrect. EU member states do not share a common interest rate.  **D Correct** | **AO1** |  |

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