

GCSE (9–1) Economics

J205/02 National and International Economics

Sample Question Paper Version 3.4

Date – Morning/Afternoon

Time allowed: 1 hour 30 minutes

You may use:

- a scientific or graphical calculator



* 0 0 0 0 0 0 *

First name

Last name

Centre number

Candidate number

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional space is required, use the lined page(s) at the end of this booklet.
The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document consists of **20** pages.

Section A

Answer **all** the questions in this section.

1 Which one of the following is **least** likely to be an economic policy objective for the government?

- A Boosting economic growth
- B Boosting employment
- C Encouraging imports
- D Stimulating exports

Your answer

[1]

2 When national output is falling

- A economic growth is negative
- B economic growth is strong
- C prices tend to increase rapidly
- D unemployment falls as well

Your answer

[1]

3

Year	2013	2014	2015	2016
Price index	100	106	120	122

Changes in the price index affect consumption and investment decisions. Which one of the following statements is true?

- A The economy experienced inflation in every year
- B The highest rate of inflation was in 2016
- C The lowest rate of inflation was in 2014
- D The price level was highest at the end of 2015

Your answer

[1]

4

	Country A	Country B	Country C
GDP (£)	1000	2000	5000
Number of inhabitants	100	100	1000

Policy makers and producers often decide about investments on the basis of GDP data. Which one of the following statements is correct?

- A Country A has the lowest output per capita
- B Country A has the same output per capita as country B
- C Country B has the highest output per capita
- D Country C has five times more output per capita than country A

Your answer

[1]

5 A change in income tax is an example of

- A fiscal policy
- B international trade policy
- C labour market policy
- D monetary policy

Your answer

[1]

6 Nazir has saved 10% of his income of £30 000 in 2015. He owns a house worth £200 000 and has no other income, assets or savings. His wealth at the end of 2015 is

- A £3 000
- B £30 000
- C £200 000
- D £203 000

Your answer

[1]

7 Inflation can be measured using the

- A consumer price index
- B customer price index
- C consumer price interest
- D customer price interest

Your answer

[1]

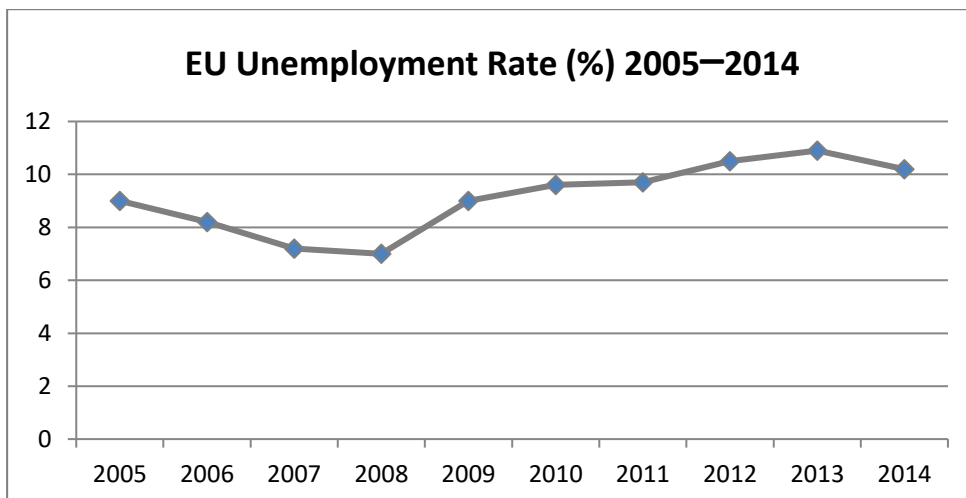
8 A nominal value is one which

- A has been adjusted for inflation
- B has been adjusted for taxation
- C has not been adjusted for inflation
- D has not been adjusted for taxation

Your answer

[1]

9



The graph shows that following the Financial Crisis in 2007/8 jobs were cut across the EU. According to the graph, the unemployment rate

- A peaked in 2009
- B rose most sharply between 2008 and 2009
- C was higher at the beginning of the period than at the end
- D was never less than 8%

Your answer

[1]

10 Which one of the following is **most** likely to reduce unemployment?

- A Increased government expenditure
- B Increased imports
- C Increased interest rates
- D Increased taxes

Your answer

[1]

11

Income (£ per year)	Total tax paid (£ per year)
10 000	1 000
20 000	3 000
30 000	10 000

The table provides information about a country's income tax system. Which tax system has the government decided to use?

- A Lower tax when income increases
- B The same tax for all incomes
- C A progressive income tax
- D A proportional income tax

Your answer

[1]

12 Which one of the following produces an externality?

- A A manufactured good
- B A tent
- C An imported good
- D Education

Your answer

[1]

13 Why can pollution be seen as an example of an externality?

- A Firms will disregard government controls
- B Pollution causes inflation
- C The firm's costs differ from the costs to society
- D The polluting firm's price will be too high

Your answer

[1]

14 A chemical firm is dumping toxic waste into a stream resulting in the death of fish at a fish farm. Which one of the following is the **most** appropriate government policy?

- A Do nothing
- B Subsidise the chemical firm
- C Tax the chemical firm
- D Tax the fish farm

Your answer

[1]

15 All other things being equal, what would increase the volume of imports?

- A A fall in interest rates
- B A fall in the price level
- C A new tax on imported goods
- D A rise in the exchange rate

Your answer

[1]

16 If a country has no international trade, which one of the following is always correct?

- A Exports are greater than imports
- B Imports are greater than exports
- C The government budget is balanced
- D There are no exports or imports

Your answer

[1]

17 One reason why countries engage in international trade is that

- A it reduces the budget deficit
- B some countries are worse off as a result
- C specialisation increases countries' standards of living
- D transport costs are high

Your answer

[1]

18 A government can prevent the country's exchange rate from rising by

- A buying its own currency
- B increasing interest rates
- C selling its own currency
- D selling its reserves of foreign currency

Your answer

[1]

19 If the Chinese government introduces a tax on imported cars, this may

- A decrease the price of cars in China
- B decrease the production of cars in China
- C increase the Chinese government's income
- D increase the quantity of car imports into China

Your answer

[1]

20 Member states of the EU agree to

- A only trade with each other
- B share a common income tax rate
- C share a common interest rate
- D trade with each other without trade barriers

Your answer

[1]

8
Section B

Answer **all** the questions in this section.

21

The UK steel industry supported 280,000 jobs in 1970. By the end of 2015 this had reduced to 30,000 jobs. Many of these jobs were in a Welsh town called Port Talbot.

The unemployment rate for Port Talbot was higher than the UK rate between 2013 and 2015.

	2013	2014	2015
Port Talbot unemployment rate (%)	8.9	6.9	6.9
UK unemployment rate (%)	7.5	6.2	5.3

At the start of 2016, it was announced that further jobs in the steel industry might be at risk due to the fall in demand for UK steel. This could have serious consequences for the people who live in the town.

Some economists have suggested that the government should use fiscal policy to reduce unemployment in places like Port Talbot.

Extract 1: Port Talbot

(a) Explain **two** possible economic reasons why there has been a fall in demand for UK steel.

.....

.....

.....

..... [2]

(b) Calculate the average unemployment rate for Port Talbot between 2013 and 2015. Round to one decimal. Show your working.

Answer: [2]

Tax on Tobacco

The following information relates to the year 2015:

- consumer spending on tobacco products in the UK amounted to an estimated £19 billion; around 90% of this on cigarettes
- tax revenue from tobacco amounted to £9.5 billion; £7.6 billion in excise duty and £1.9 billion in VAT
- the total tax on a packet of 20 cigarettes priced at £9.16 was £6.82
- a government spokesperson said that high taxes were needed to discourage smoking, which causes negative externalities.

Extract 2: Tax on Tobacco

(a) Explain how a rise in tax on tobacco could affect the price and sales of cigarettes.

.....

.....

.....

..... [2]

(b) Using the information above, calculate the percentage of a packet of 20 cigarettes priced at £9.16 that accounts for tax. Show your working.

Answer: [2]

(ii) Explain the difference between direct and indirect taxation.

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..... [2]

(iii)* Evaluate costs and benefits of increasing taxation on tobacco products.

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23

UK balance of payments current account data for 2014	
Export of goods	£292 867m
Import of goods	£412 472m
Balance of trade in goods	-
Export of services	£214 856m
Import of services	£128 993m
Balance of trade in services	£85 863m
Balance of trade in goods and services	-

Extract 3: UK balance of payments

(a) Calculate the balance of trade in goods and services. Show your working.

Answer: [2]

(b) In 2014 the USA imported goods from the UK worth 54,692 million US Dollars, USD (\$). Calculate the value in pounds, GBP (£). The exchange rate was 1 GBP = 1.5586 USD. Round to two decimals.

Show your working.

Answer: [2]

(d) (i) State **two** ways of measuring how developed a country is.

- 1.....
- 2..... **[2]**

(ii) Explain what is meant by a rise in the exchange rate.

.....

.....

.....

..... **[2]**

Summary of updates

Date	Version	Details
January 2022	3.4	Updated copyright acknowledgements.

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Oxford Cambridge and RSA

...day June 20XX – Morning/Afternoon

GCSE (9–1) Economics

J205/02 National and International Economics

SAMPLE MARK SCHEME

Duration: 1 hour 30 minutes

MAXIMUM MARK 80

This document consists of 32 pages

PREPARATION FOR MARKING ON-SCREEN

1. Make sure that you have accessed and completed the relevant and training packages for on-screen marking: *scoris assessor Online Training* and the *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the Instructions for On-Screen Marking and the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to scoris and mark the **required number** of practice responses and the **required number** of standardisation responses.

Crossed Out Responses

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

1. Always check the additional pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen. The 'link page' check box should be used on scoris to link candidate responses in additional objects to the corresponding question number.
 - a. Where additional objects are present, all pages must contain an annotation, or scoris will not allow you to submit the script. Where no response is given by a candidate on a whole page the 'BP' annotation **must** be applied.
 - b. Where generic answer booklets are used, all pages must contain an annotation, or scoris will not allow you to submit the script. Where no response is given by a candidate on a whole page the 'BP' annotation **must** be applied.
 - c. Where structured answer booklets are used, the 'BP' annotation **must** be applied to all pages where no response is given by a candidate.
2. There is a NR (No Response) option. Award NR (No Response)
 - if there is nothing written at all in the answer space
 - OR if there is a comment which does not in anyway relate to the question (e.g. 'can't do', 'don't know')
 - OR if there is a mark (e.g. a dash, a question mark) which isn't an attempt at the questionNote: Award 0 marks - for an attempt that earns no credit (including copying out the question)
3. The scoris **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the scoris messaging system, or e-mail.

4. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Consistently meets the criteria for this level	At top of level

5. These are the annotations, (including abbreviations), including those used in scoris, which are used when marking. Please annotate **every** response, even if no credit is given. All non-levels Qs, the number of ticks must match the mark awarded. For levels Qs the highest level must be annotated e.g. L3. For answers given L4, also annotate where L3 is within that answer.

Use ticks on levels answers if this aids your marking. **The number of ticks must never exceed the number of marks awarded.**

Annotation	Meaning
TBC	TBC

Highlighting is also available to highlight any particular points on the script.

'BP' to be inserted on every blank page and 'SEEN' in every question space where NR is the mark.

Levels of response / Level descriptors	Knowledge and understanding	Application	Analysis	Evaluation
Good	Good knowledge and understanding of the theory stated or referred to in the question. All of the terms/theoretical concepts are explicitly or implicitly understood.	Good application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.	Good analysis of the effect of xxxx. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.	Good evaluation with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.
Reasonable	Reasonable knowledge and understanding of the theory stated or referred to in the question. Most of the terms/theoretical concepts are explicitly or implicitly understood.	Reasonable application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.	Reasonable analysis of the effect on xxxx. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.	Reasonable evaluation of xxx considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.
Limited	Limited knowledge and understanding of the theory stated or referred to in the question. Some of the terms/theoretical concepts are explicitly or implicitly understood.	Limited application of knowledge to a given scenario. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.	Limited analysis of the effect on xxxx. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.	Limited evaluation of xxx that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.

Section A

Question	Key	AO	Quantitative skills
1	C	AO1 1a	
2	A	AO1 1b	
3	A	AO2	✓
4	C	AO2	✓
5	A	AO1 1a	
6	D	AO2	✓
7	A	AO1 1a	
8	C	AO1 1a	
9	B	AO2	✓
10	A	AO1 1b	
11	C	AO2	✓
12	D	AO1 1b	
13	C	AO1 1b	
14	C	AO2	
15	D	AO2	
16	D	AO1 1a	
17	C	AO1 1b	
18	C	AO1 1b	
19	C	AO2	
20	D	AO1 1a	

Section B

Question		Indicative content	Marks	Guidance
21	(a)	<p>Explain two possible economic reasons why there has been a fall in demand for UK steel.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Fall in demand for the products that it produces • Competition from cheaper imports • Increase in demand for substitutes • Decrease in demand for compliments • Loss of markets abroad (ie fall in exports) • Perception of poor quality UK steel. 	<p>2 AO2</p>	<p>1 mark for each valid answer up to a maximum of 2 marks.</p> <p>Any other reasonable answer to be credited.</p>
	(b)	<p>Calculate the average unemployment rate for Port Talbot between 2013 and 2015. Round to one decimal. Show your working.</p> <p>8.9% + 6.9% + 6.9% = 22.7%</p> <p>22.7% / 3 = 7.6%</p>	<p>2 AO2</p>	<p>1 mark for correct working.</p> <p>1 mark for correct answer.</p> <p>Correct answer on its own is worth 2 marks.</p>
	(c)	<p>Analyse the likely effects of job losses on the town of Port Talbot.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • The incomes of local businesses will fall (e.g. shops, pubs). • This in turn may lead to further unemployment • There are even less incomes and spending in the community and the area become 'depressed' • There may be external migration • Property prices are likely to fall 	<p>1 AO1a</p> <p>2 AO2</p> <p>3 AO3a</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p>Level 3 (5-6 marks)</p> <p>(AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p>Reasonable knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Reasonable application of knowledge of the scenario of Port</p>

Question	Indicative content	Marks	Guidance
	<ul style="list-style-type: none"> • Social problems may be more likely (e.g. increased crime rates. • There may be lower investment by firms in the town • Lower local tax revenues may reduce local government spending on services • There may be benefits such as less negative externalities, e.g. congestion, pollution. 		<p>Talbot. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p>Good analysis of the likely effects of job losses in Port Talbot. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p>Reasonable knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge of the scenario of Port Talbot. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Reasonable analysis of the likely effects of job losses in Port Talbot. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p>Reasonable knowledge and understanding. Some of the</p>

Question	Indicative content	Marks	Guidance
			<p>terms/theoretical concepts are explicitly or implicitly understood.</p> <p>No application of knowledge knowledge of the scenario of Port Talbot. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of the likely effects of job losses in Port Talbot. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><u>0 marks</u></p> <p>No response or no response worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
(d) (i)	<p>State two types of unemployment.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • cyclical • frictional • seasonal • structural. 	<p>2 AO1a</p>	<p>1 mark for each correct answer to a maximum of 2 marks.</p> <p>Any other reasonable answer to be credited.</p>
(ii)	<p>Explain what is meant by fiscal policy.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Government revenue through taxation • Government spending 	<p>2 AO1b</p>	<p>1 mark for government revenue through taxation.</p> <p>1 mark for government spending.</p>

Question	Indicative content	Marks	Guidance
	<ul style="list-style-type: none"> Used to influence the economy. 		
(iii)*	<p>Evaluate costs and benefits of fiscal policy as a means of achieving lower unemployment.</p> <p>Benefits may include:</p> <ul style="list-style-type: none"> Increased government expenditure creates jobs (e.g. spending more on education may provide more teaching jobs and incomes) Lower taxation increases the amount of money people can spend (e.g. if income tax is lowered, workers can consume more) Higher income leads to a rise in demand in the economy Firms increase output and may employ more workers to meet this demand These new workers in turn have more to spend Fiscal policy may benefit members of low income groups. It may also have supply-side benefits (e.g. if taxes are reduced this gives greater incentives to work or invest). <p>Costs may include:</p> <ul style="list-style-type: none"> The government has to borrow to finance its spending and there is a cost in terms of interest which has to be paid It may lead to a budget deficit, which may mean higher taxes later If the policy increases demand it may also increase inflation, if general prices rise rather than output Inflation is more likely the nearer the economy gets to full employment The policy may also raise the demand for imports and increase 	<p>1 AO2</p> <p>2 AO3a</p> <p>3 AO3b</p>	<p>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</p> <p>Level 3 (5-6 marks)</p> <p>(AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p> <p>Good application of knowledge to the scenario of fiscal policy. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Reasonable analysis costs and benefits of fiscal policy. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Good evaluation with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p>Level 2 (3-4 marks)</p> <p>(AO2 – 1 mark, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p>Good application of knowledge to the scenario of fiscal policy.</p>

Question	Indicative content	Marks	Guidance
	<p>the current account deficit.</p> <p>Evaluation may include:</p> <ul style="list-style-type: none"> • Effect of fiscal policy depends on other economic variables, such as growth, inflation, etc • Short, medium and long term effects are different • Depends on the type of unemployment • The overall effect is difficult to discern, i.e. whether costs or benefits are larger • Difficult to isolate the effects of fiscal policies from the effects of other policies or economic issues • Reliable data to prove effectiveness also difficult to obtain. 		<p>The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Limited analysis of the costs and benefits of fiscal policy. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Reasonable evaluation of costs and benefits of fiscal policy to achieve lower unemployment, considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p>No application knowledge costs and benefits of fiscal policy to achieve lower unemployment. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of analysis of the costs and benefits of fiscal policy. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Limited evaluation of the costs and benefits to Rwanda of</p>

Question	Indicative content	Marks	Guidance
			<p>specialisation that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><u>0 marks</u></p> <p>No response or no response worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>

Question		Indicative content	Marks	Guidance
22	(a)	<p>Explain how a rise in tax on tobacco could affect the price and sales of cigarettes.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Price of cigarettes would rise • Sales of cigarettes would fall. <p>Alternatively:</p> <ul style="list-style-type: none"> • No change in price or sales if firm absorbs the increase in tax without increasing price • If PED is perfectly inelastic, sales of cigarettes remain unchanged. 	<p>2 AO2</p>	<p>1 mark for each correct answer up to a maximum of 2 marks.</p> <p>Any other reasonable answer to be credited.</p>
	(b)	<p>Using the information above, calculate the percentage of a packet of 20 cigarettes priced at £9.16 that accounts for tax. Show your working.</p> <p>$\frac{100\%}{£9.16} \times £6.82 = 74.45\%$</p>	<p>2 AO2</p>	<p>1 mark for correct working.</p> <p>1 mark for correct answer.</p> <p>Correct answer on its own is worth 2 marks.</p>
	(c)	<p>Analyse why smoking may cause negative externalities.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Negative externalities are adverse effects on third parties • When people smoke, they impose costs on others • These are either the negative health effects a result of passive smoking • Or the costs of treating smoking-related illnesses that are not borne by the smoker (e.g. cost to the NHS) • The smokers do not take these costs into account when deciding whether to smoke. 	<p>1 AO1a</p> <p>2 AO2</p> <p>3 AO3a</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p>Level 3 (5-6 marks)</p> <p>(AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p>Reasonable knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Reasonable application of to the negative externalities of smoking. The terms/theoretical concepts are</p>

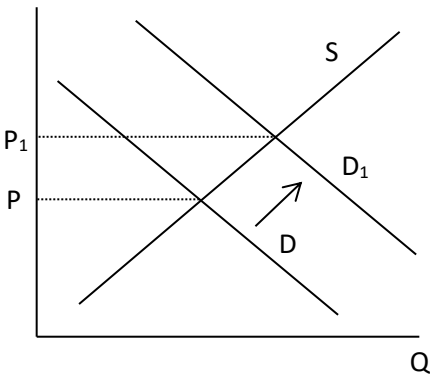
Question	Indicative content	Marks	Guidance
			<p>used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p>Good analysis of why smoking causes negative externalities. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p>Reasonable knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge to the negative externalities of smoking. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Reasonable analysis of why smoking causes negative externalities. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p>Reasonable knowledge and understanding. Some of the</p>

Question	Indicative content	Marks	Guidance
			<p>terms/theoretical concepts are explicitly or implicitly understood.</p> <p>No application of knowledge to the negative externalities of smoking. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of why smoking causes negative externalities. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
(d) (i)	<p>State two areas of government spending in the economy.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Social protection • Education • Health • Defence. 	<p>2 AO1a</p>	<p>1 mark for each valid answer up to a maximum of 2 marks.</p> <p>Any other reasonable answer to be credited.</p>
(ii)	<p>Explain the difference between direct and indirect taxation.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Direct taxation Occurs when the person/organisation who is liable for the tax must pay it (e.g. income tax) • Indirect taxation Occurs when the tax is paid by another person/organisation to the person/organisation who is liable (e.g. 	<p>2 AO1b</p>	<p>1 mark for correctly identifying a characteristic of either direct or indirect taxation.</p> <p>2 marks for correct identification of the difference between direct and indirect taxation.</p>

Question	Indicative content	Marks	Guidance
	VAT).		
(iii)*	<p>Evaluate costs and benefits of increasing taxation on tobacco products.</p> <p>Costs may include:</p> <ul style="list-style-type: none"> • Higher prices can cause affect low income smokers relatively more as the tax takes a larger % of their income • This may increases inequalities of income • It may be ineffective in its aim of reducing consumption as the demand for tobacco is price inelastic, so demand falls at a lesser rate than price rises • There will be some fall in sales and so this may have a knock-on effect with the loss of jobs in the tobacco industry. <p>Benefits may include:</p> <ul style="list-style-type: none"> • Extra revenue for government, particularly as demand is price inelastic • This revenue can be used to treat some of the harm done by smoking (e.g. spending on the NHS) • There will be some reduction in smoking (even though demand is inelastic), so some reduction in negative externalities which is the aim of the tax rise • There will be less spending required to combat the negative externalities (e.g. less NHS costs for lung cancer treatment). <p>Evaluation may include:</p> <ul style="list-style-type: none"> • The effect of increasing taxation may depend on other economic variables, for example economic growth • If smokers are better off, because the economy is growing and 	<p>1</p> <p>AO2</p> <p>2</p> <p>AO3a</p> <p>4</p> <p>AO3b</p>	<p>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</p> <p>Level 3 (5-6 marks)</p> <p>(AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p> <p>Good application of knowledge of the costs and benefits of increasing taxation. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Reasonable analysis of the effect on of the costs and benefits of increasing taxation . There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Good evaluation of the costs and benefits of increasing taxation on tobacco products with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p>

Question	Indicative content	Marks	Guidance
	<p>less people are unemployed or more people get pay rises, this could offset the effect of the taxation</p> <ul style="list-style-type: none"> Other measures might be more or just as effective, such as increasing information about the harmful effects of smoking or advice on how to quit. 		<p><u>Level 2 (3-4 marks)</u></p> <p>(AO2 – 1 mark, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p>Good application of knowledge of the costs and benefits of increasing taxation. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Limited analysis of the effect on of the costs and benefits of increasing taxation. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Reasonable evaluation of the costs and benefits of increasing taxation on tobacco products considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p>No application knowledge of the effect on of the costs and benefits of increasing taxation. There is an attempt to</p>

Question	Indicative content	Marks	Guidance
			<p>use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of the effect on of the costs and benefits of increasing taxation. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Limited evaluation of the effect on of the costs and benefits of increasing taxation that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>

Question	Indicative content	Marks	Guidance
23	<p>(a) Calculate the balance of trade in goods and services. Show your working.</p> <p>-£119605m + £85863m</p> <p>=-£33742m.</p>	2 AO2	<p>1 mark for correct working.</p> <p>1 mark for correct answer.</p> <p>Correct answer on its own is worth 2 marks.</p>
	<p>(b) In 2014 the USA imported goods from the UK worth 54,692 million US Dollars, USD (\$). Calculate the value in pounds, GBP (£). The exchange rate was 1 GBP = 1.5586 USD. Round to two decimals.</p> <p>\$54,692 million / 1.5586 = £35,090.47million</p>	2 AO2	<p>1 mark for correct working.</p> <p>1 mark for correct answer.</p> <p>Correct answer on its own is worth 2 marks.</p>
	<p>(c) With the aid of a diagram, analyse how an increase in demand for the pound (£) would affect its exchange rate.</p>  <p>Answers may include:</p> <ul style="list-style-type: none"> The exchange rate is the price of a currency Increase in demand for the pound (£), for example due to more exports paid in pound (£), shifts the demand curve D upwards to D₁ 	1 AO1a 2 AO2 3 AO3a	<p>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</p> <p>Level 3 (5-6 marks)</p> <p>(AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p>Reasonable knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Reasonable application of knowledge to how an increase in demand for the pound could affect its exchange rate. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p>Good analysis of the likely impact of an increase in demand for the pound on the exchange rate. There is correct analysis in the form of developed links. These links are developed through a</p>

Question	Indicative content	Marks	Guidance
	<ul style="list-style-type: none"> • This increases the equilibrium price P to P_1 • This means that the pound (£) is more expensive and more foreign currency is needed to buy the same amount of pounds (£) than before. 		<p>chain of reasoning which addresses the question. The diagram(s) are predominantly correct and linked to the analysis.</p> <p>For a partially correct diagram award a maximum of 5 marks.</p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p>Reasonable knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge to how an increase in demand for the pound could affect its exchange rate. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Reasonable analysis of the effect of an increase in demand for the pound on the exchange rate. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The diagram, if present, may be imperfectly labelled or not linked to the analysis.</p> <p>If no diagram is present, award a maximum of 4 marks.</p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p>Reasonable knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.</p>

Question	Indicative content	Marks	Guidance
			<p>No application of knowledge to the likely impact in the rate of interest. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of the effect of an increase in demand for the pound on the exchange rate. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>If only a diagram is present, with no attempt to analyse the effects, award a maximum of 2 marks.</p> <p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
(d) (i)	<p>State two ways of measuring how developed a country is.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • GDP (per capita) • Life expectancy • Access to health care • Access to technology • Access to education. 	<p>2 AO1a</p>	<p>1 mark for each correct answer up to a maximum of 2 marks.</p> <p>Any other reasonable answer to be credited.</p>
(ii)	<p>Explain what is meant by a rise in the exchange rate.</p>	<p>2</p>	<p>1 mark for understanding that more foreign currency can be</p>

Question	Indicative content	Marks	Guidance
	<p>Answers may include:</p> <ul style="list-style-type: none"> • More foreign currency can be bought • With one unit of the home currency. 	AO1b	<p>bought without reference to the home currency.</p> <p>1 mark for understanding that the home currency is worth more without reference to a foreign currency.</p> <p>Allow 1 mark for understanding of the exchange rate.</p>
(iii)*	<p>Evaluate whether a rise in the exchange rate would benefit the economy of a developed country. Use the information given in Extract 3 on page 14 and your own knowledge.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • An increase in the exchange rate would cause the price of imports to fall (e.g. if £1 starts at \$1.20 and rises to \$1.50, a US good sold at \$120 was previously sold at £100 in the UK but is now sold at £80) • This is good for consumers in the UK who now have greater purchasing power • This is a disadvantage for UK producers as they now compete with cheaper imports • UK producers may lose sales which may force them to make workers redundant • The price of exports would rise and so become less competitive in foreign markets • The UK exporters may lose sales which may force them to make workers redundant • The economy has become less competitive, so it is losing sales at home and abroad. As demand falls, output falls • Inflation is less likely as the cost of imported materials falls and the demand for home-produced goods falls. 	<p>1 AO2 2 AO3a 4 AO3b</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p>Level 3 (5-6 marks)</p> <p>(AO2 – 1 mark, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p> <p>Good application of knowledge of whether a rise in exchange rates would benefit the economy of a developed country. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Reasonable analysis of whether a rise in exchange rates would benefit the economy of a developed country.. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Good evaluation of whether a rise in exchange rates would benefit the economy of a developed country. with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.</p>

Question	Indicative content	Marks	Guidance
	<p>Evaluation may include:</p> <ul style="list-style-type: none"> • The effect of a rise in the exchange rate may depend on other economic variables, for example inflation • It depends on the size of the rise, a small rise will have little impact • It depends on the longevity of the rise, if it is short-lived, the effects will be minimal • The value of other currencies of important trading partners may be different and the rise only in relation of the pound to the dollar for example. 		<p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO2 – 1 mark, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p>Good application of knowledge of whether a rise in exchange rates would benefit the economy of a developed country. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Limited analysis of whether a rise in exchange rates would benefit the economy of a developed country. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Reasonable evaluation of whether a rise in exchange rates would benefit the economy of a developed country, considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><u>Level 1 (1-2 marks)</u></p>

Question	Indicative content	Marks	Guidance
			<p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p>No application knowledge of whether a rise in exchange rates would benefit the economy of a developed country. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of whether a rise in exchange rates would benefit the economy of a developed country. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Limited evaluation of importance of whether a rise in exchange rates would benefit the economy of a developed country. that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>

AO grids

Q21 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative Skills
(a)			2				
(b)			2				✓
(c)	1		2	3			
(d) (i)	2						
(d) (ii)		2					
(d) (iii)			1	2	3		
Total:	3	2	7	5	3	20	

Q22 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative Skills
(a)			2				
(b)			2				✓
(c)	1		2	3			
(d) (i)	2						
(d) (ii)		2					
(d) (iii)			1	2	3		
Total:	3	2	7	5	3	20	

Q23 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative Skills
(a)			2				✓
(b)			2				✓
(c)	1		2	3			
(d) (i)	2						
(d) (ii)		2					
(d) (iii)			1	2	3		
Total:	3	2	7	5	3	20	
Section B total:	9	6	21	15	9	60	

J205/02 Assessment Objective (AO) grid

Question	AO1	AO2	AO3	Total	Quantitative skills
Section A					
Questions 1–20	12	8		20	5
Section A sub-total	12	8		20	5
Section B					
21a		2			
21b		2			2
21c	1	2	3		
21d (i)	2				
21d (ii)	2				
21d (iii)		1	5		
22a		2			
22b		2			2
22c	1	2	3		
22d (i)	2				
22d (ii)	2				
22d (iii)		1	5		
23a		2			2
23b		2			2
23c	1	2	3		
23d (i)	2				
23d (ii)	2				
23d (iii)		1	5		
Section B sub-total	15	21	24		8
Total	28	28	24	80	13

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Summary of Updates

Date	Version	Change
January 2019	3.3	Amended Questions 21(b), 22(b) and 23(a) in the SAM Question Paper from 'You must show your working', to 'Show your working' and increased the marks from one to two.