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Examiners' Report

June 2017

GCE Economics B 9EB0 02

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Introduction

This was the first sitting of the Economics B 9EB02 Advanced Paper 2: Competing in the global economy. The paper is split into three sections. Section A consists of three data extracts and then eight questions based upon these extracts. Section B consists of one data extract and one twenty mark essay question. Section C consists of two data extracts and one twenty mark question. Candidates have to answer all questions in the two hour time period.

There was a wide variation in performance on the paper, both within the Sections and across the paper as a whole. There were clearly many candidates who had thoroughly prepared for the examination by completing the sample assessment materials and engaging with the specific conceptual and theoretical demands of the specification. There were also those who relied far more on their everyday knowledge and received opinions to answer questions that demanded a good grasp of concepts and theories from within Economics and Business Studies. Overall, the former candidates performed far better than the latter on this paper.

Question 1 (a)

The paper begins with a straightforward calculation of the balance of trade in goods, with the data taken from Extract A. It is worth remembering that 20% of the marks for the paper derive from quantitative skills. For a description of these please refer to the 9EB0 specification. Although the calculation was a subtraction, producing a negative number, there were many basic errors. The most common error was to produce the balance of trade in goods and services. Another common error was to perform the incorrect calculation, producing a positive balance of trade in goods. There were also a fair number of candidates who failed to specify that the answer given was in millions of UK pounds. They were awarded three marks but did not produce the correct answer.

Here we have an accurate and efficient response to the item. The correct calculation is shown, with data taken from Extract A. The correct answer is also given in millions of pounds. Time saved on this question can be re-allocated to other items.

- 1 (a) Using the data from Extract A, calculate the balance of trade in goods for the UK in 2013. You are advised to show your working.

(4)

$$£306,810m - £417,006m =$$

$$-£110,196 \text{ million}$$



ResultsPlus Examiner Comments

Correct answer given using data from Extract A, negative number and in millions of UK pounds.



ResultsPlus Examiner Tip

Read the question carefully. In this case the balance of trade in goods was requested and no other calculation was required. If it is useful, highlight the key words in the question. It is easy to miss a crucial word or phrase in the pressure of an examination.

Question 1 (b)

This item was intended to test candidate understanding of economies of scale, the long-run impact of the increasing size of the cargo ships upon average costs for firms. It also tested the ability of the candidate to apply this understanding to the case study material. There was one knowledge/understanding mark for identifying a benefit, two application marks for reference to the context and one analysis mark for further development.

This response is typical, covering all of the marking points. The benefit is identified in the first sentence and then reference is made to the case study in the next two sentences. There is clear application here as the size of the ships, number of journeys and fuel use is all mentioned. The response then suggests how this may make the firm more profitable.

(b) Explain how exporters may benefit from economies of scale. (Extract C, Lines 6-7)

(4)

Economies of scale are when a firm's average costs decrease due to growth. Exporters are benefitting from this ship as its large capacity means ^{in one go} they are able to export in a greater quantity. This is beneficial as it reduces costs associated with shipping such as fuel. This is done as exporters ~~now~~ may only use 1 journey to complete their export instead of two journeys on smaller ships. This saving in fuel due to only needing one trip lowers costs for exporters which makes them more profitable.



ResultsPlus Examiner Comments

One knowledge/understanding mark for the first sentence. Then two application marks for the following three sentences. There is then analysis in the final sentence where the possible consequence for the firm is suggested.



ResultsPlus Examiner Tip

While there are no marks for definitions as such, it is important that accurate knowledge and understanding is there to support application and analysis. In this case, if a candidate did not understand economies of scale it is unlikely they would achieve more than one mark for this question.

Question 1 (c)

This question was intended to assess understanding of the characteristics of developed (mature) economies, specifically in the context of the UK balance of trade in services. The question indicated that data from Extract A had to be used in the response. The majority of candidates were able to refer to the surplus in service exports in their response. Few candidates actively used the data by, for example, calculating the size of the surplus. It was also expected that candidates would develop the response for the analysis mark, suggesting a reason for, or consequence of, this specialisation in services.

If numerical data is provided and referenced in the question, then it is a good idea to use this data in a calculation of some kind in the response. The following example does this well, calculating the surplus from the data provided. There is also some good development of the explanation here and it is specific to the UK context.

(c) Using data from Extract A, explain **one** reason why the UK economy can be described as developed.

(4)

Extract A shows that the UK has a balance of trade in goods deficit of £110,196 and a balance of trade in services surplus of £78,096. This shows that the UK economy has to import more goods than it makes to export meaning that the UK does not specialise in manufacturing goods. Instead the UK can be seen to specialise in services as they are a net exporter of services. This shows they are a developed economy because they have moved production from the primary sector of agriculture and the secondary sector of manufacturing and into the service sector ie tertiary sector of the economy that requires development and large skills and training in the workforce to specialise eg. financial sector.



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Examiner Comments

Two application marks for the calculation of the trade surplus in services and comparison to the deficit in goods. One knowledge/understanding mark for identifying that the UK specialises in the service sector. One analysis mark for a development of the explanation with a reason for and consequence of this specialisation.



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Examiner Tip

Use previous papers and the sample assessment materials to become familiar with how marks are awarded on these points-based questions. Use this familiarity to inform the written response so that all marking points are covered. If a question asks you to use data from an Extract, make sure that you use it.

Question 1 (d)

This question was intended to assess understanding of market research in the context of the frozen yoghurt from Angelberry. A surprising number of responses seemed to confuse market research with research and development (R&D), often making this explicit in the first sentence by discussing the benefits of R&D. Extract B makes a number of references to the lessons learned in the study of the USA market, as well as stating that it is important to choose the right market and know how to sell in that market.

There were six marks available here, two for knowledge/understanding of why market research might be important. Two application marks for development in the context of the frozen yoghurt market. Two analysis marks for reasons, causes and consequences of this market research. Common mistakes here were for candidates to produce generic responses with no reference to the context. In some cases, a generic discussion of the benefits of primary and secondary research was presented without any reference to the case study.

(d) Analyse why the owners of *AngelBerry* advise that it is 'essential to carry out thorough research before you start exporting'.

(6)

The owners advise that it is essential to carry out thorough research before you start exporting because it is vital that you understand the economy you will be exporting to. For example they may export to an ~~the~~ economy where they have certain dietary requirements, there for their product may move a loss because they may not eat dairy products. This would be a loss to the business ~~the~~ money a big decision in not looking into research before. Another reason may be ~~the~~ geographical benefits. Like in the extract if they export to more countries where they can sell ice cream all year round then it ~~is~~ would be more beneficial to the company as they will be making more money rather than exporting to a country where the business will only be sold when the weather is hot once a year.



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Examiner Comments

This is a good response covering all marking points. The response identifies why market research is required. There is good reference to the specific context and the demands of the frozen yoghurt market. There is a good understanding of the reasons for and consequences of conducting market research. The crucial observation to emerge out of the case study being that Angelberry are seeking markets where demand is not seasonal.



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Examiner Tip

For six mark questions it is a good idea to plan a response, perhaps just with single words. Think about how the marks can be achieved and what is required before starting to write the response. This helps to make sure that the question set is being answered.

Question 1 (e)

This question was not generally done very well and suggested a gap in knowledge and understanding of basic macroeconomics. Responses ranged from those where no diagram was produced, a normal supply and demand diagram presented, to accurate AD/AS diagrams well explained and used in evaluation. The question asks about increasing 'net exports' and the impact on 'the UK economy'. It does not ask about the demand for specific goods or services. When AD/AS diagrams are drawn, it is important that they are labelled accurately or else they do not really represent the economy as a whole. The Y axis, for example, should show 'the average price level' and the x axis 'real GDP'.

The response presented here achieved full marks and does so because it answers the question, using an appropriate, accurate diagram. There is a discussion of the likely economic impact and the response is not one-sided. It demonstrates an awareness of competing arguments.

(e) Using a suitable diagram, discuss the likely impact of increasing net exports on the UK economy.

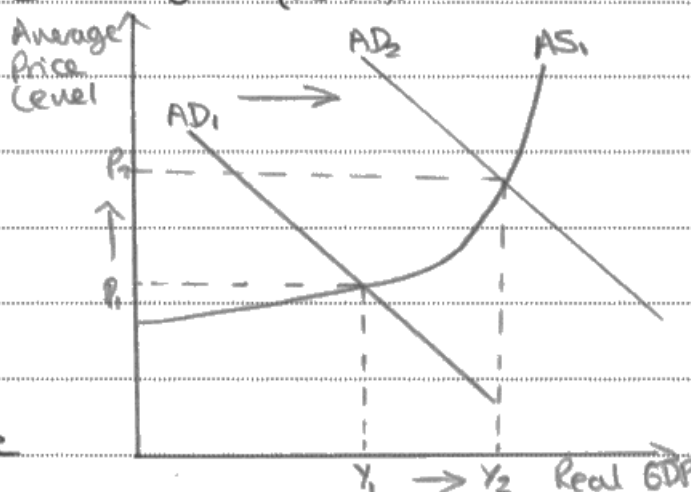
(8)

Net Exports is the Total Exports of an ~~country~~ ^{economy} in one year minus the total Imports of an economy in one year.

Net Exports ($xc-m$) is a component of Aggregate Demand

where Aggregate Demand = $C + I + G + (xc-m)$.

The UK runs a surplus of Exports ~~in~~ ⁱⁿ services of "£ 78,096,000,000" per year (Extract C).



One advantage of rising Net Exports is a rise in Aggregate

Demand as Net exports, as mentioned earlier, leads to an increase in Aggregate Demand as shown on the diagram as a shift in AD from AD_1 to AD_2 . This should lead to higher real GDP (Y_1 to Y_2).

However depending on the relative Negative output gap and spare capacity in the economy, may lead to demand-pull inflation, as shown as ~~an~~ ^{an} increase in the Average Price level from P_1 to P_2 . This

could result in increased income inequality as inflation has regressive effects in that it impacts lower earners more than it impacts higher earners.

On the other hand another benefit of exports is that it is an injection into the circular flow of income with Keynesian fiscal multiplier effects. In that a small increase in export earnings can lead to a several times larger increase in ~~the~~ Aggregate Demand ^{through higher consumption} ~~and~~ investment due to higher incomes and profits respectively. However on the other hand the lag times for this to occur are ~~large~~ long.



ResultsPlus Examiner Comments

Accurate knowledge and understanding demonstrated by the diagram and associated explanation. This is supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. There is also a balanced awareness of competing arguments with a particular focus on the increase in the average price level.



ResultsPlus Examiner Tip

Practice drawing AD/AS to represent changes in one or more of the components of AD. Also, practice explaining what the diagram shows in terms of inflation and growth.

Question 1 (f)

This question was intended to test understanding of developing economies and emerging markets for goods and services, in the context of the frozen yoghurt market. What was surprising was that while many responses discussed the possible benefits of low costs, not as many talked about rising incomes and the likely YED for frozen yoghurt. Many responses took a generalised approach to answering this question and the (hot) weather appeared many times, as did references to lower labour costs. Common errors were to focus on the impacts upon the developing economies themselves and rather than Angelberry. Indeed, some candidates seemed to have totally misread the question and considered developed rather than developing economies.

There were very few full mark responses to this question as, while there was often accurate knowledge and understanding, supported by the use of relevant evidence there was rarely a balanced awareness of the validity and significance of competing arguments. The response included here is fairly typical of a low Level 4 response.

- (f) Assess the merits of AngelBerry's decision to focus upon developing economies for its growth. ^{increasing sales} ^{more westernised} ^{cheaper labour}
^{increasing income} ^{depends on appropriate} ^{FDI} (10)
^{superior/normal goods}

AngelBerry is planning on moving into developing economies in ~~the~~ the UAE, Asia and South Africa (which is more of an emerging economy). These economies typically have rising incomes as ~~there~~ they are trading more, exploiting comparative advantages and are having increasing investments pushed into their economies. This means that they are becoming new mass markets for firms such as AngelBerry who sell a normal good (the demand for the good increases as incomes increase) and so AngelBerry ~~will~~ may have a large and growing new customer base with increasing purchasing power parity. This is good because they can ^{potentially} increase their sales and revenue. However the ~~the~~ level of success would depend on whether ~~the~~ Frozen yoghurt is appropriate in the economy. Some developing economies in Asia are wanting more Western goods and therefore frozen yoghurt ~~may~~ may do well in those places however in other developing economies where standards of

living are low and all the population needs is basic necessities. Angel Berry wouldn't choose these economies as they will most likely do research into the most profitable economies. Furthermore Angel Berry could benefit from ~~an~~ offshoring in developing economies as well, ~~the~~ having the production close to the retail stores would mean low ~~the~~ distribution costs and also in many developing economies the wages are low especially for unskilled work (factory workers). Angel Berry may still have to invest in training certain employees in the economies that they chose to move into ~~as it~~ or they will have to make sure beforehand that there are people with the relevant skills ready to be recruited, i.e. sales skills and customer service. Angel Berry will gain from moving into developing economies but only provided that there are the necessary skills, workers, infrastructure and consumers willing to buy the frozen yogurt. ~~The~~ Each economy must be treated with ~~a~~ geocentric approach.



ResultsPlus Examiner Comments

Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen with reference to the UAE. There are some logical, coherent chains of reasoning, showing a reasonable understanding of the question. Arguments are developed and there is some effort to evaluate these arguments.



ResultsPlus Examiner Tip

With these Levelled questions, it is a good idea to read through your response and try and decide if the examiner could determine the question set from reading the essay. If this is not the case, then it is unlikely that the question has been fully answered. The 'assess' command word requires a full and balanced awareness of the validity and significance of competing arguments.

Question 1 (g)

This question was intended to test understanding of the likely impact of capital investment on a local economy. Again, there were lots of opportunities to gain high Level 3 marks here, provided the answer focused on the local economy rather than the national economy. As with many of the longer levels based questions, there was a tendency to make unsupported assertions or offer lots of unexplained points, rather than following through coherent chains of reasoning which led to many Level 3 or even Level 2 scores. Quality of arguments rather than quantity is far more important with these questions. There was a common tendency to focus on the national economy, and quite a few responses seemed to focus on the impact on the firm(s) and their competitiveness without making the necessary link to the local economy.

The response included here is an example of a low Level 4 response and does make a reasonable effort to answer the question.

(g) Part of the £3.4m investment in the Teesside deep-water quay was provided by the UK Government.

Assess the likely impact of the investment on the local economy.

(12)

By investing £3.4m into a deep-water quay that allows for much larger vessels, the local economy could be benefitted. The investment could create a multiplier effect on businesses and consumers around the area. This is because suppliers for the vessel company may decide to move closer also. This creates a supply chain, which generates more revenue in the area as well as increasing employment. This allows the local economy to prosper as people are spending more and the council has more money to spend through reduction of unemployment benefits. This should outweigh the £3.4m cost making it beneficial.

On top of this it may increase Foreign Direct Investment. With the new facilities, Teesside may be more

attractable for companies from abroad. This investment again creates more jobs and better infrastructure however to counter, the profits made do not go into the UK economy as foreign investors take the money home instead.

Another limitation that could be bad for the local economy is the environmental effect of the vessels and the effect on other industries, for example the large vessels may be very noisy. This lowers demand for houses in the area and house prices fall which is bad for the local economy. On top of this the vessels could lead to more pollution, water and air. This could cause problems with fishing industries for example which may affect the local economy negatively.

Overall I feel that the investment would be beneficial to the local economy, mainly due to the multiplier effect and how it would create jobs however I feel it would only just outweigh the negative effects to the local economy.



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Examiner Comments

There is accurate knowledge and understanding, supported by use of relevant evidence which is well chosen. There are logical, coherent chains of reasoning, showing good understanding of the question. Arguments are developed and some are evaluated. There is an awareness of the validity and significance of competing arguments.



ResultsPlus
Examiner Tip

As stated previously, it is worth highlighting or underlining key words in the question. It is also worthwhile creating a brief plan for the essay before starting to write the response.

Question 1 (h)

With this question, most responses correctly identified what fiscal policy is. It was surprising that there were a large number of responses where it was asserted that lowering income tax would mean fewer imports would be purchased and consumers turn to UK goods at a higher price. Tariffs (and quotas) came up rather a lot, given the specific demands of the question. Better answers focused on contractionary fiscal policy and it was more likely that coherent chain of reasoning would be present. Some candidates had clearly revised monetary and supply-side policies and either stated that fiscal policy would not work and therefore these other policies should be used. This did not really answer the question and such responses were unlikely to achieve much beyond Level 2.

The response included here is a typical example of a high Level 3 response and is fairly representative of a large number of essays.

(h) Assess the likely effectiveness of using fiscal policy to ^{more exports} reduce the deficit in the ^{reduce} imports UK balance of trade in goods. (12)

Fiscal Policy is when aggregate demand is influenced through the use of taxation and government expenditure. By changes in taxation, the UK government may improve the balance of payments in a number of ways. One of these could be to offer domestic industries tax breaks or lower taxes in order to decrease costs. This means that domestic firms could use these tax savings in order to pass on lower costs to the consumers, making domestically produced goods cheaper and therefore more competitive than imports. This will reduce imports and help reduce the current account deficit. However, it is likely that this will only reduce the deficit to a certain extent. Despite cheaper domestic products, it is likely that the amount of imports will stay high due to extremely cheap production costs abroad. Even with tax savings, it is unlikely that UK suppliers will be able to produce goods more cheaply than foreign exporters, for example

from China. Therefore, for this method to effectively reduce the deficit it may be important to combine it with other policies, such as increasing tariffs on imported goods. Alternatively, the government could increase expenditure in an attempt to reduce the deficit in balance of trade. By spending more money on the UK economy, by investing in domestic industries and businesses, the UK government could stimulate higher levels of demand and revenue within the economy. This would make domestically produced goods more competitive both in global markets and within the UK. This is likely to reduce the deficit as imports decrease due to people buying more products produced in the UK as well as increasing exports due to more competitive UK produce globally. In conclusion, fiscal policy would be effective in reducing the deficit in the balance of trade but would be more effective to a higher extent if combined in a policy package alongside exchange rate policies.



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Examiner Comments

There is some accurate knowledge and understanding, supported by use of relevant evidence. There are some clear chains of reasoning, with arguments that are quite well developed. There is an awareness of the significance of competing arguments, although this lacks balance. For Level 4 to have been awarded, there would have needed to be evidence of an awareness of the validity of the competing arguments.



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Examiner Tip

Candidates are advised to study macroeconomic data and read around analysis of such data. When you go shopping, look at the goods you buy and find out where they have been made. Become aware of the supply chain for the goods you buy.

Question 2

There were some very good Level 4 responses to this question that really did address the key issues, which was pleasing. Some responses just went through the data and remained purely descriptive, and thus did not really answer the question. Quite a few candidates seemed to be unaware that per capita did mean that the size of population had been taken into account which led to some incorrect conclusions about the worth of the figure when comparing UK and China, for example. Another common error was on the GINI figure which was occasionally misunderstood and incorrectly applied. Nevertheless, there were a large number of Level 3 and some Level 4 responses, using data correctly and providing some valid arguments.

The response here is very strong and was awarded mid-Level 4.

- 2 Using Extract D, evaluate the effectiveness of GDP per capita in comparing living standards between countries.

(20)

GDP per capita ~~is~~ calculates the average amount of income that a person ^{earns} earned in a specific country. According to extract D, the UK has the highest income ^{at \$41,776} while India has the lowest at \$1455. The benefit of using GDP per capita as a measure of living standards is that it gives an idea of the total amount that each person should earn. The higher the GDP per capita, the ^{better} the living in the country should be. ~~Therefore~~ According to the extract, ^{it seems the} that higher the GDP per capita of a country, the higher the HDI. Human Development Index is ^{calculated} consists of using the average years of schooling, the life expectancy rate and GDP per capita. ~~which implies that~~ Being that there is a positive correlation between the GDP per capita and the HDI that should

mean that the HDI is an effective way of comparing living standards between countries. Also, it uses the same measure to calculate each country's GDP per capita so it can be a good to make comparisons.

However, a problem of using GDP per capita is that it does not account for the hidden economy in each country which involves ~~jobs like~~ fraud, prostitution and so on. Moreover, it doesn't take into account the level of inequality in each economy so the GDP per capita might be high but majority of the income might be going to the richest 10% in that country.

~~As for~~ Taking a look at the ranking for the HDI values, ^{comparing China} ~~over~~ ~~concerns~~ and India.

HDI values, it is evident that despite just a \$536 difference in HDI values, there is still a major gap between both economies on the ranking table which shows that GDP per capita doesn't give sufficient information about each country. Moreover, GDP per capita doesn't take into account the amount that each different currency in each country can buy, as a result, it doesn't state what \$6991 ~~in~~ China can buy in China and \$1455 can

buy in India. ^{UPPY} In different economies/
countries, there are different tax and benefits
system which could contribute to standards of
living which GDP per capita doesn't account for.
More evidence that the GDP per capita doesn't
tell us the full story is seen when comparing

the GINI coefficient of India at (0.33)
and the Brazil at (0.54). This shows that
even though the GDP per capita shows that the
Brazil has a generally higher GDP per capita than
India, there is ~~more~~ ^{less} inequality in India.

Standards of living generally include the
well being of the people and GDP per capita
doesn't give any information about the
quality of housing.

In conclusion, the GDP per capita is

(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

an easy way to compare the standards of
living in various countries. It is easier
to use than other measures of measuring
standards of living. However, it lacks
so much information which is vital to
understanding the differences of standards
of living in different countries.



ResultsPlus Examiner Comments

There is accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument. There are quite well developed and logical chains of reasoning, showing a good grasp of the specific demands of the question. Arguments are generally fully developed and evaluated. There is also an awareness of the validity and significance of competing arguments, balanced comparisons, judgements and a conclusion.



ResultsPlus Examiner Tip

Make sure that you use as much of the data provided as is possible and relevant. In this case, there were three indicators provided and to achieve a high Level, it was expected that responses would make comparisons between all three of the indicators rather than just one or two.

Question 3

The final question was not answered as well as the previous one. Often responses to this question were confused and did not really use the case study material effectively. Virtually all responses focused on Marine Harvest and many seemed to misunderstand the Extracts. For example, one response talked about 'Norway moving to Scotland'. There were many theoretical, generic answers looking at the impact of tariffs, quotas and embargoes on Marine Harvest, usually qualified by the assertion that they operate in 22 countries so would not really be affected. Many responses also focused on countries rather than MNCs and many seemed responses seemed to miss the point of the question which was about the impact of trade restriction upon MNCs.

The response here is typical of a high Level 3 response. There were very few Level 4 responses to this question.

- 3 Evaluate the likely impact of trade restrictions upon multinational firms, such as *Marine Harvest*.

(20)

- Less competitive
- Unemployment
- Reduced profits
- Inelastic response
- size - 22
- new markets.

A multinational firm is one with business operations in more than one country. These firms are, intrinsically, ~~more~~ acceptable to trade restrictions internationally, as in the case of Marine Harvest. One possible impact of the Chinese ban on Norwegian salmon for Marine Harvest is the possibility of profits falling, leading to unemployment and potential closure. In 2014, salmon sales to China were over 6000 tonnes, suggesting the demand of the Chinese economy was integral to the profits of Marine Harvest. Of course, China is one of the world's largest economies, and many firms who operate their core

rewarded with generous profits. Marine Harvest provide 400 jobs, and may have no choice but to reduce this figure if the trade restrictions imposed by china have a negative effect.

However, whether or not the restrictions on the chinese market would significantly affect marine harvest is debatable. Multinational firms often have operations in numerous countries (marine harvest operates in 22), and therefore restrictions from one country are unlikely to have a massive effect on the firms profits and employees. What would be more significant is a restriction from a customs ~~or~~ ^{or} monetary union such as the EU which would block off multiple countries, and therefore have a more profound effect on the multinational firm.

Equally, as the global economy develops, it has become increasingly easy to enter new markets. Marine Harvest, although unable to trade in china, can instead target alternative emerging markets worldwide, meaning any losses to profit will theoretically be compensated for. Inevitably, this is dependent on consumer tastes and more significantly, countries political allegiance with china. *

To conclude, although trading restrictions can negatively affect multinational firms, the significance of this is dependent on the size of the firm and the goods or products. For marine harvest, ~~the~~ it is

evidence that despite China's ban on salmon, the company can still survive through the international market, suggesting the impact of trade restrictions in this case is minimal.

The impact of trading restrictions also depends on what form they take; in the case of China and Norwegian salmon, a ban has been implemented. This is likely to have more effect than, for example, a tariff, which does not necessarily prevent trade if demand for the good is price inelastic ($PE_D < 1$).



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Examiner Comments

There is accurate knowledge and understanding, supported by use of some relevant evidence. There are developed chains of reasoning, showing some understanding of connections between causes and consequences. Arguments are developed and partially evaluated. An awareness of the significance of competing arguments is present although this does lack balance. A conclusion is attempted but does not really show awareness of the significance and validity of competing arguments.



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Examiner Tip

Think about how to write a balanced conclusion. Base a conclusion upon your previous analysis and evaluation. There may not be a single, 'correct' final conclusion. Perhaps more data may be needed or the time period in question may be too short. In any case, do not conclude an essay with simple, unsupported assertions. Read essays published in magazines and journals and take note of how conclusions are constructed in such articles.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice::

- Candidates need to learn basic definitions and techniques. A good example of this is the use of an aggregate demand and aggregate supply diagrams to analyse a context. A successful response to item 1(e) on this paper, for example, required both an understanding of the components of aggregate demand, as well as an ability to represent diagrammatically the impact of changes in one of the components of aggregate demand upon the macro economy. A surprising number of candidates did not seem to understand aggregate demand and aggregate supply and even more appeared not to have learned how to draw and label an accurate aggregate supply and demand diagram.
- It is important that candidates are familiar with the command words for the Advanced Level papers. If the question asks for the use of a specific data item, or extract, then this must be used in the response. Item 1(c), for example, asked candidates to use data from Extract A. There were many generic responses to this question which made no reference to Extract A and therefore achieved, at best, two marks out of a possible four. If a question asks the candidate to 'discuss', 'assess' or 'evaluate', then an awareness of competing arguments must be demonstrated for higher levels to be attained. Alternatively, if the command words 'explain' or 'analyse' are used then a coherent chain of reasoning is expected but not an awareness of competing arguments.
- Where possible, candidates are encouraged to use the data provided in their responses. In the case of the essay questions, these can be supported by candidates' own examples arising from their study of the subject over the previous two years. However, if a question asks for a response relating to a specific firm, then it is expected that the answer will do just this. Item 1(f), for example, asked about Angelberry's decision to focus upon developing economies. This therefore required a discussion of the frozen yoghurt firm and not the car industry, or even the burger industry. If other examples are used to illustrate a point then the links to the question must be made explicit.
- Where a calculation is required, always show your working out. This can then mean that marks are awarded for the process even if the incorrect final answer is given. Also remember that the negative value of numbers can sometimes be very important in Economics.
- The space provided in the examination booklet is intended to guide candidates as to the suggested length of the response, given the number of marks allocated to the question. There were many examples of candidates having to leave a twelve mark or, in some cases, a twenty mark question blank because they had clearly run out of time. As a general rule, given the reading time required, it is probably best to think of the examination as requiring 'a mark a minute' over the two hours.

Grade Boundaries

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