

Mark Scheme for June 2011

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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Question		Expected Answer	Mark	Rationale/Additional Guidance										
1	(a)	<p>Where do most of the UK's exports go?</p> <p>One mark for the correct identification: Europe</p>	[1]											
	(b)	<p>Where do the fewest imports come from?</p> <p>One mark for the correct identification: Australasia</p>	[1]	Allow Australia – annotate BOD and tick.										
	(c)	<p>Explain what is meant by an export.</p> <p>A good or service produced in the UK and sold to in a foreign country (1), the money enters the UK (1)</p> <p>One mark for a vague definition such as a good produced in the UK and sold abroad.</p>	[2]	<p>For two marks, the candidate has to clearly identify the direction money and goods/services are flowing e.g. money flowing to the exporting country.</p> <p>DO NOT award marks for examples.</p>										
	(d)	<p>Tick <u>two</u> statements, which correctly give an example of an import to the UK.</p> <p>One mark for each correct identification.</p> <table border="1" data-bbox="465 986 1106 1299"> <thead> <tr> <th>Statements</th> <th>Tick</th> </tr> </thead> <tbody> <tr> <td>Sony sells a Playstation 3 in the UK which is made in Japan.</td> <td>✓</td> </tr> <tr> <td>Speedo, a UK firm, sells swimming costumes in France.</td> <td></td> </tr> <tr> <td>Daniel goes on holiday to Disneyworld in America</td> <td>✓</td> </tr> <tr> <td>An exchange student from Germany comes to stay with Gemma</td> <td></td> </tr> </tbody> </table>	Statements	Tick	Sony sells a Playstation 3 in the UK which is made in Japan.	✓	Speedo, a UK firm, sells swimming costumes in France.		Daniel goes on holiday to Disneyworld in America	✓	An exchange student from Germany comes to stay with Gemma		[2]	If more than two boxes are ticked mark the first two ONLY .
Statements	Tick													
Sony sells a Playstation 3 in the UK which is made in Japan.	✓													
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Daniel goes on holiday to Disneyworld in America	✓													
An exchange student from Germany comes to stay with Gemma														
Question Total			[6]											

Question		Expected Answer	Mark	Rationale/Additional Guidance								
2	(a)	<p>Name two countries which are members of the European Union (EU).</p> <p>One mark for the correct identification of an EU country. Maximum of two marks. France, Germany, Spain etc. – any two countries from the Fig. 3 map.</p>	[2]									
	(b)	<p>Put a tick next to the country, which has the euro as its currency.</p> <table border="1" data-bbox="490 576 943 730"> <thead> <tr> <th>Country</th> <th>Tick</th> </tr> </thead> <tbody> <tr> <td>France</td> <td>✓</td> </tr> <tr> <td>Switzerland</td> <td></td> </tr> <tr> <td>UK</td> <td></td> </tr> </tbody> </table>	Country	Tick	France	✓	Switzerland		UK		[1]	
Country	Tick											
France	✓											
Switzerland												
UK												
	(c)	<p>Explain what is meant by the term 'free trade'.</p> <p>Trade between countries without protectionist policies (1), no tariffs and quotas (1) – two marks. Brief description such as trade between countries that has no added taxes – one mark.</p>	[2]	Accept 'no barriers/restriction to trade' as one mark.								

Question	Expected Answer	Mark	Rationale/Additional Guidance
(d)	<p>Should the UK continue to be a member of the EU? Give reasons for your answer.</p> <p>Indicative content: <u>Benefits</u> – free trade, more competition, higher economic growth, more choice. <u>Costs</u> – paying large sums of money into the EU budget but receiving less back, job losses, manufacturers may move to countries with cheaper factors of production.</p> <p>Level 4: 7-8 marks – Candidate evaluates the impact of the EU giving both costs and benefits on the UK.</p> <p>Level 3: 5-6 marks – Candidate analyses benefits or costs of the EU for the UK.</p> <p>Level 2: 3-4 marks – Candidate demonstrates an understanding of the costs and/or benefits of the EU in the context for the UK</p> <p>Level 1: 1-2 marks – Candidate demonstrates knowledge of costs and/or benefits of the EU.</p> <p>0 marks – No evidence submitted or response does not address the question.</p>	[8]	<p>Reward candidates who use the figures.</p> <p>For Level 4, both costs and benefits need to be analysed.</p> <p>Award Level 3 where one side of the argument has not been developed adequately.</p> <p>Must be related to the UK for Level 2 and above.</p>
Question Total		[13]	

Question		Expected Answer	Mark	Rationale/Additional Guidance
3	(a)	<p>Describe the changes in the pound to euro exchange rate between November 2008 and January 2009.</p> <p>The value of the pound fell (1) sharply (1) from £1=1.25 euros to £1=1.04 euros (1) downward trend with fluctuations (1) became weaker/depreciated (1) to the lowest point (1).</p> <p>Trawl through the data = maximum of two marks.</p> <p>Maximum of three marks.</p>	[3]	<p>Allow slight variation in exchange rate values (1.28-1.25 to 1.03-1.05).</p> <p>No additional marks for the actual change in exchange rate e.g. change of 22 cents, but can give one mark if no mention of actual rates.</p> <p>Candidates must demonstrate that change is over the entire period rather than by month/quarter for all three marks.</p> <p>Maximum of three ticks.</p>
	(b)	<p>State <u>two</u> factors that may cause the demand for pounds sterling to fall.</p> <p>One mark for each correct factor identified. Maximum of two marks.</p> <ul style="list-style-type: none"> • Interest rates fall • Fall in the demand for UK exports • Reduced competitiveness of UK exports (rise in the price of goods & services) • High(er) inflation • Future expectations are poor • Rise in demand for imports in the UK • Speculation • Low(er) foreign direct investment 	[2]	<p>Use factors from the list only.</p> <p>Must say reason and direction (otherwise annotate with TV).</p> <p>Must be about pound (£), not euro (€).</p> <p>Where two examples of exports falling are given, only award one mark.</p>

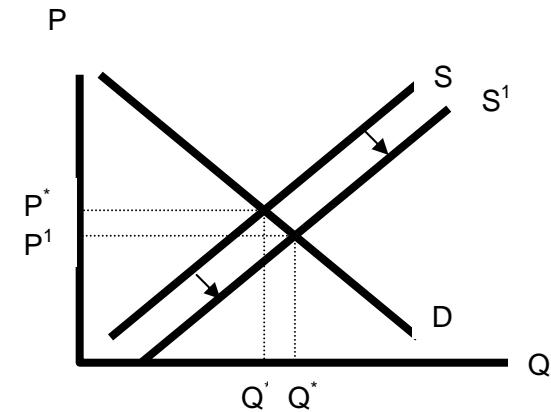
Question	Expected Answer	Mark	Rationale/Additional Guidance
(c)	<p>Explain how changes in the pound to the euro exchange rate might affect the UK's current account on the balance of payments.</p> <p>Indicative content: A weaker pound will make exports cheaper and therefore more competitive abroad. It will also make imports more expensive. Demand for exports should rise and imports fall therefore improving the current account.</p> <p>Level 3: 5-6 marks – Candidate analyses the impact of how a fall in the value of the pound would affect the current account.</p> <p>Level 2: 3-4 marks – Candidate demonstrates an understanding of how a fall in the value of the pound would affect the current account.</p> <p>Level 1: 1-2 marks – Candidate demonstrates knowledge of how a change in the value of the pound would affect the current account.</p> <p>0 marks – No evidence submitted or response does not address the question.</p>	[6]	<p>For Level 3, must relate to current account.</p> <p>For Level 2 and above, candidates must refer to the trends in the abstract</p> <p>If candidates say that the pound has appreciated, but then logically developed their argument, Level 1 can be awarded; however, if they identify a specific time scale and exchange rate, then higher levels may be accessed.</p> <p>If candidates write about appreciation and depreciation, i.e. vice versa, then can only reach Level 1.</p>
Question Total		[11]	

Question	Expected Answer	Mark	Rationale/Additional Guidance										
4 (a)	<p>Which <u>two</u> newspaper headlines suggest that international trade is benefiting the UK? Place a tick against the correct headlines.</p> <p>One mark for each correct identification. Maximum of two marks. A and C.</p> <table border="1" data-bbox="560 478 1025 805"> <thead> <tr> <th>Headline</th> <th>Tick</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>✓</td> </tr> <tr> <td>B</td> <td></td> </tr> <tr> <td>C</td> <td>✓</td> </tr> <tr> <td>D</td> <td></td> </tr> </tbody> </table>	Headline	Tick	A	✓	B		C	✓	D		[2]	If more than two boxes are ticked mark the first two ONLY .
Headline	Tick												
A	✓												
B													
C	✓												
D													
(b)	<p>The newspaper headline D states “UK trade deficit worsens again”. Explain what is meant by the term ‘trade deficit’.</p> <p>The value (1) of imports are greater than exports (1) for a country. Brief description such as imports are greater than exports = one mark.</p>	[2]	Value not volume. Cannot have value mark if candidate has not stated exports are less than imports.										

Question	Expected Answer	Mark	Rationale/Additional Guidance
(c)	<p>International trade benefits everyone. Do you agree? Give reasons for your answer.</p> <p>Indicative content: <u>Benefits:</u> more choice, more jobs created, lower prices, more innovation, countries specialise in what they are best at, prevents monopolies, increase world output. <u>Costs:</u> smaller countries may lose out, the environment may lose out due to increased transportation, job losses.</p> <p>Level 4: 7-8 marks – Candidate evaluates the impact of international trade to countries giving costs and benefits.</p> <p>Level 3: 5-6 marks – Candidate analyses benefits or costs of international trade to countries.</p> <p>Level 2: 3-4 marks – Candidate demonstrates an understanding of the costs and/or benefits of international trade to countries.</p> <p>Level 1: 1-2 marks – Candidate demonstrates knowledge of international trade.</p> <p>0 marks – No evidence submitted or response does not address the question.</p>	[8]	<p>Reward use of information from case study.</p> <p>For Level 4, both costs and benefits need to be analysed.</p> <p>Award Level 3 for explaining a cost/benefit. Award Level 3 where one side of the argument has not been developed adequately.</p> <p>Award Level 2 for stating a cost/benefit.</p>
Question Total		[12]	

Question		Expected Answer	Mark	Rationale/Additional Guidance										
5	(a)	<p>Tick <u>two</u> correct statements about the WTO.</p> <table border="1"> <thead> <tr> <th>Statements</th> <th>Tick</th> </tr> </thead> <tbody> <tr> <td>The WTO removes all tariffs and quotas from international trade</td> <td></td> </tr> <tr> <td>The WTO sells goods and services to individual countries</td> <td></td> </tr> <tr> <td>The WTO creates trade agreements between countries</td> <td>✓</td> </tr> <tr> <td>The WTO helps settle trade disputes between countries</td> <td>✓</td> </tr> </tbody> </table>	Statements	Tick	The WTO removes all tariffs and quotas from international trade		The WTO sells goods and services to individual countries		The WTO creates trade agreements between countries	✓	The WTO helps settle trade disputes between countries	✓	[2]	<p>If more than two boxes are ticked mark the first two ONLY.</p>
Statements	Tick													
The WTO removes all tariffs and quotas from international trade														
The WTO sells goods and services to individual countries														
The WTO creates trade agreements between countries	✓													
The WTO helps settle trade disputes between countries	✓													
	(b)	<p>Explain what is meant by the term 'subsidy'.</p> <p>A subsidy is a payment to a firm by the government (1), plus one of the following:</p> <ul style="list-style-type: none"> • to increase production (1) • help reduce price (1) • help reduce costs (1) • to produce in an environmentally friendly way (1) • locate to an area of high unemployment (1). <p>Not all parts need to be included.</p>	[2]	<p>To get one mark, money from government to the firm (must contain both). The second mark must come from the list opposite.</p> <p>However candidates may get one mark by stating a reason only.</p> <p>No marks for examples.</p>										

Question	Expected Answer	Mark	Rationale/Additional Guidance
(c)	<p>With the aid of a demand and supply diagram, explain how a subsidy from the US government to US cotton growers would help make US cotton growers more competitive and undercut foreign competitors.</p> <p>Supply shifts to the right/quantity of supply increases (1) which lowers price (1). This makes US cotton growers prices more competitive/cheaper (1) than other countries (1). Because they are likely to be lower than their competitors. Up to four marks explaining one diagram.</p> <p>Diagram – four marks. US cotton growers. Correct axes label (p and q) – one mark. Original equilibrium – one mark. Supply curve shifted to the right – one mark. New equilibrium price and quantity labelled – one mark.</p> <p>Candidate may also draw a demand and supply diagram for the foreign competitors to show the difference. Reward if diagram is correctly labelled (three marks). Explanation comparing the two diagrams = up to three marks.</p>	[8]	<p>Maximum four marks for diagram and four marks for the explanation. No mark for costs reduced. No mark for ‘undercut competitors’ (direct quote from question), without adequate explanation.</p> <p>For equilibrium point both price and quantity must be indicated and labelled.</p>
Question Total		[12]	



Question			Expected Answer	Mark	Rationale/Additional Guidance
6	(a)	(i)	Which of the BRIC countries had the highest economic growth rate in 2008? China (1 mark)	[1]	
		(ii)	Calculate the average growth rate for the BRIC countries in 2008. Show your working. 6.7% (three marks). Accept 6.8, 6.775, 6.77, 6.78.	[3]	No percentage sign = two marks max. Incorrect answer but correct working = one mark.

Question	Expected Answer	Mark	Rationale/Additional Guidance
(b)	<p>Brazil, Russia, India and China are predicted to become major world economies. Do you agree? Give reasons for your answer.</p> <p>Indicative content: <u>Likely to become a major world economy</u> – high economic growth, high unemployment may lead to lower wage costs, large percentage of world land coverage, large population, high GDP. <u>Unlikely to become a major world economy</u> – high inflation causing high price of their exports, high unemployment may lead to deskilling.</p> <p>Level 4: 8-10 marks – Candidate evaluates the impact whether the BRIC nations are likely to become a major world economy giving reasons why this may happen and reasons for it not happening.</p> <p>Level 3: 5-7 marks – Candidate analyses the reasons why BRIC nations are likely or unlikely to become a major world economy.</p> <p>Level 2: 3-4 marks – Candidate demonstrates an understanding of relevant factors from the case study that would lead to an economy being a major world economy.</p> <p>Level 1: 1-2 marks - Candidate demonstrates knowledge of relevant factors that would lead to an economy being a major world economy.</p> <p>0 marks – No evidence submitted or response does not address the question.</p>	[10]	<p>For Level 4 both costs and benefits need to be analysed. Conclusion with judgement required for 10 marks, but giving judgement does not equate to 10 marks.</p> <p>Award Level 3 where one side of the argument has not been developed adequately.</p> <p>For Level 2 or above, candidates must use information from the case study.</p> <p>Once elements of the case study have been used, additional marks may be rewarded i.e. go beyond Level 1.</p>
Question Total		[14]	

Question	Expected Answer	Mark	Rationale/Additional Guidance
7	<p>Using the information in the case study and your own knowledge of economics, discuss to what extent the growth of China and India will benefit the UK economy through international trade.</p> <p>Indicative content: <u>Benefit</u> – larger market (40% of worlds population), cheaper goods and wages are lower, more choice - Fig. 7, a low percentage of trade with this area of the globe at present so new markets to explore, headlines A and C show benefits. <u>Cost</u> – headlines B and D suggest problems, increased unemployment, possibility of more trade barriers, rising costs of raw materials due to increased demand.</p> <p>Level 4: 10-12 marks – Candidate evaluates the benefits and costs of the growth of China and India for the UK with a conclusion reached – complex issues are discussed with clear reference to data. Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs are consistently relevant, and have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar. Candidate has been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with reference to the question.</p> <p>Level 3: 7-9 marks – Candidate analyses costs and/or benefits of the growth of China and India for the UK economy. Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure</p>	[12]	<p>For Level 4, both costs and benefits need to be analysed.</p> <p>Conclusion with judgement required for 12 marks, but giving judgement does not equate to 12 marks.</p> <p>Award Level 3 where one side of the argument has not been developed adequately</p>

Question	Expected Answer	Mark	Rationale/Additional Guidance
	<p>meaning. Knowledge and understanding has been demonstrated and applied/understood.</p> <p>Level 2: 4-6 marks – Candidate demonstrates an understanding of how China and India growing will affect the UK economy – simple ideas are expressed in an appropriate way. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. A basic knowledge and understanding has been demonstrated.</p> <p>Level 1: 1-3 marks – Candidate demonstrates knowledge of the costs and/or benefits of trading with a growing economy. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>		<p>Award Level 2 and above for response related to China/India/growing economies.</p> <p>Award Level 1 where very general international trade costs/benefits are given.</p> <p>Any points relating costs/benefits to China/India rather than the UK can only be awarded Level 1.</p>
	Question Total	[12]	
	Paper Total	[80]	

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