

INTERNATIONAL AS ECONOMICS

EC01

Unit 1 The Operation of Markets, Market Failure and the Role of
Government

Mark scheme

January 2026

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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International AS Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

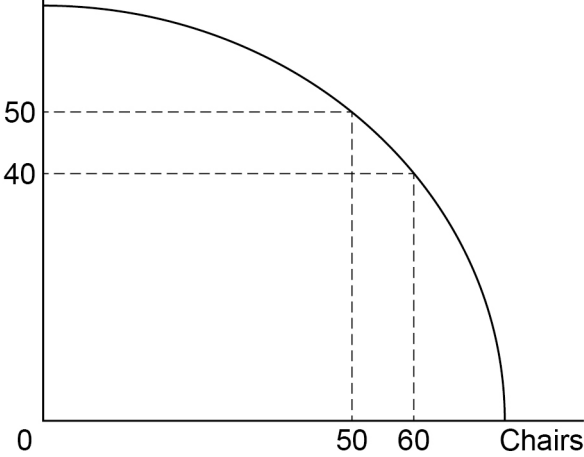
Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 15 marks

Question	Part	Marking guidance	Total marks
01		The central purpose of economic activity is to Answer: D (satisfy needs and wants.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
02		<p>Tables</p>  <p>50 40</p> <p>0 50 60 Chairs</p> <p>What is the opportunity cost if the output of chairs increases from 60 to 70?</p> <p>Answer: D (More than 10 tables)</p>	1 AO2 = 1

Question	Part	Marking guidance	Total marks
03		Which one of the following is most likely to be a characteristic of a concentrated market? Answer: B (Firms find it difficult to enter the market.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
04		Which one of the following is most likely to cause the demand for oil to decrease? Answer: A (A decrease in consumer wealth)	1 AO1 = 1

Question	Part	Marking guidance	Total marks															
05		<table><tr><th>Price of shirt (\$)</th><th>Demand for shirts (per month)</th><th>Supply of shirts (per month)</th></tr><tr><td>10</td><td>2000</td><td>0</td></tr><tr><td>15</td><td>1500</td><td>500</td></tr><tr><td>20</td><td>1000</td><td>1000</td></tr><tr><td>25</td><td>500</td><td>1500</td></tr></table> <p>After a successful advertising campaign, demand increases by 1000 at each price. Due to higher indirect taxes, supply reduces by 20% at each price.</p> <p>Which one of the following is correct?</p> <p>There will be</p> <p>Answer: B (an increase in excess demand of 110% at \$15.)</p>	Price of shirt (\$)	Demand for shirts (per month)	Supply of shirts (per month)	10	2000	0	15	1500	500	20	1000	1000	25	500	1500	1 AO3 = 1
Price of shirt (\$)	Demand for shirts (per month)	Supply of shirts (per month)																
10	2000	0																
15	1500	500																
20	1000	1000																
25	500	1500																

Question	Part	Marking guidance	Total marks
06		<p>Which one of the following is an example of a positive statement?</p> <p>Answer: C (Subsidies to firms will result in an increase in average costs.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
07		<p>All other things being equal, if labour productivity increases by 50% what is the most likely outcome?</p> <p>Answer: D (Revenue increases by less than 50%.)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
08		<p>Which one of the following is the best example of a public good?</p> <p>Answer: D (Street lighting)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
09		<p>A firm wants to increase its total revenue. Which one of the following combinations would result in higher total revenue for the firm?</p> <p>Answer: C (–0.5, increase)</p>	<p>1</p> <p>AO2 = 1</p>

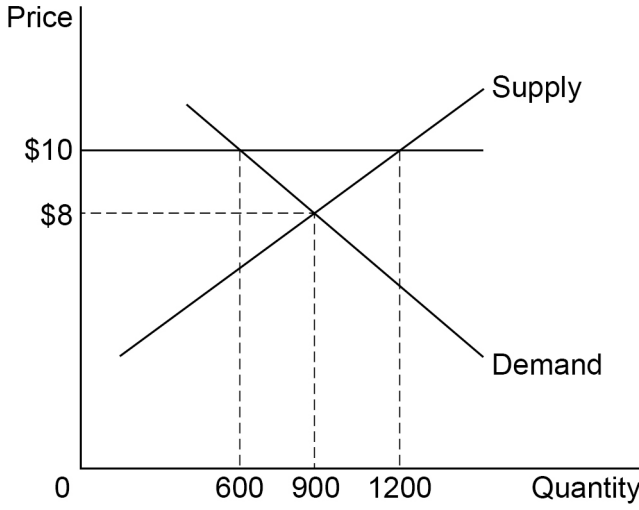
Question	Part	Marking guidance	Total marks
10		<p>To one decimal place, how much tax is paid by the producer as a percentage of the new price?</p> <p>Answer: A (4.3%)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
11		<p>Mario opens a small café in a large town where there are many similar businesses. What is likely to be his most important objective in the first year of the business?</p> <p>Answer: A (To be in business at the end of the year)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
12		<p>Price</p> <p>Which one of the following is the socially optimum price and quantity?</p> <p>Answer: B (P_2, Q_m)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
13		<p>A firm is experiencing diseconomies of scale. It decreases its output to reduce its diseconomies of scale.</p> <p>Which of the following is correct?</p> <p>Answer: A (Average cost decreases and total cost decreases)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks												
14		<table><tr><td>House</td><td>€500 000</td></tr><tr><td>Money in bank</td><td>€70 500</td></tr><tr><td>Wage</td><td>€37 000</td></tr><tr><td>Car</td><td>€23 000</td></tr><tr><td>Interest on savings</td><td>€10 500</td></tr><tr><td>Shares in a business</td><td>€5 000</td></tr></table> <p>According to Table 2, what is their total wealth?</p> <p>Answer: C (€598 500)</p>	House	€500 000	Money in bank	€70 500	Wage	€37 000	Car	€23 000	Interest on savings	€10 500	Shares in a business	€5 000	<p>1</p> <p>AO2 = 1</p>
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Money in bank	€70 500														
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Car	€23 000														
Interest on savings	€10 500														
Shares in a business	€5 000														

Question	Part	Marking guidance	Total marks
15		 <p>The government introduces a maximum price for electricity of \$10 per unit. The most likely effect of the maximum price in the market is</p> <p>Answer: D (no change in quantity.)</p>	<p>1</p> <p>AO2 = 1</p>

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define 'monopoly power' (Extract B, line 12).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> the ability of a firm to influence price and output where a firm can increase price without losing all its buyers to its competitors. <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> when monopolies can change price and output where a firm has some degree of product differentiation where a firm is a price maker. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> when a firm controls supply in a market when a firm has a large market share. 	<p>3</p> <p>AO1 = 3</p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define 'fixed costs' (Extract B, line 15).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • (short run) costs that do not change with output • total costs minus variable costs. <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • costs that do not change • overhead costs • costs of fixed factors of production. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • costs that must be paid all the time • rent, advertising (accept other relevant examples but not security equipment). 	<p>3</p> <p>AO1 = 3</p>

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks						
17	1	<p>Use Extract A to calculate the mean annual consumption of olive oil for the period 2018/2019 to 2023/2024.</p> <p>Give your answer to the nearest thousand tonnes.</p> <p>Calculation:</p> <p>3093 + 3269 + 3177 + 3329 + 2834 + 2699 = 18 401</p> <p>$\frac{18401}{6} = 3066.83$</p> <p>Answer: 3067 thousand tonnes (or 3 067 000 tonnes)</p> <table><tr><th>Response</th><th>Max 2 marks</th></tr><tr><td>For the correct answer: 3067 thousand tonnes (with or without working shown)</td><td>2 marks</td></tr><tr><td>For the correct method, to the nearest thousand tonnes but the wrong answer OR For the correct answer but not rounded to the nearest thousand: eg 3066.83 thousand tonnes OR For the correct answer rounded the wrong way: 3066 thousand tonnes OR For the correct answer but with missing/incorrect units: eg 3067</td><td>1 mark</td></tr></table>	Response	Max 2 marks	For the correct answer: 3067 thousand tonnes (with or without working shown)	2 marks	For the correct method, to the nearest thousand tonnes but the wrong answer OR For the correct answer but not rounded to the nearest thousand: eg 3066.83 thousand tonnes OR For the correct answer rounded the wrong way: 3066 thousand tonnes OR For the correct answer but with missing/incorrect units: eg 3067	1 mark	<p>2</p> <p>AO1 = 1 AO2 = 1</p>
Response	Max 2 marks								
For the correct answer: 3067 thousand tonnes (with or without working shown)	2 marks								
For the correct method, to the nearest thousand tonnes but the wrong answer OR For the correct answer but not rounded to the nearest thousand: eg 3066.83 thousand tonnes OR For the correct answer rounded the wrong way: 3066 thousand tonnes OR For the correct answer but with missing/incorrect units: eg 3067	1 mark								

Question	Part	Marking guidance	Total marks								
17	2	<p>Use Extract A and Extract C (lines 17–18) to calculate the cross elasticity of demand for sunflower oil with respect to the change in the price of olive oil between 2021/2022 and 2022/2023.</p> <p>Give your answer to two decimal places.</p> <p>Equation: $\frac{\text{percentage change in QD of sunflower oil}}{\text{percentage change in price of olive oil}}$</p> <p>Calculation:</p> $\frac{20.52\text{m} - 17.88\text{m}}{17.88\text{m}} \times 100 = 14.765\%$ $\frac{\$6727 - \$4217}{\$4217} \times 100 = 59.521\%$ <p>Cross elasticity of demand: $\frac{14.765}{59.521} = 0.248 = 0.25$ (2dp)</p> <table><tr><th>Response</th><th>Max 4 marks</th></tr><tr><td>For the correct answer: 0.25</td><td>4 marks</td></tr><tr><td>For the correct answer but not rounded to 2dp: eg 0.248 OR For the correct answer rounded the wrong way: 0.24 OR For the correct value but with incorrect/added units or the wrong sign: eg –0.25 or 0.25%</td><td>3 marks</td></tr><tr><td>For the correct method but the wrong answer OR For correctly calculating the percentage change in quantity demanded of sunflower oil <u>and</u> percentage change in price of olive oil: 14.765% <u>and</u> 59.521% OR For the correct answer but with two errors from ‘rounded the wrong way’, ‘with incorrect/added units’ and ‘the wrong sign’: eg –0.24</td><td>2 marks</td></tr></table>	Response	Max 4 marks	For the correct answer: 0.25	4 marks	For the correct answer but not rounded to 2dp: eg 0.248 OR For the correct answer rounded the wrong way: 0.24 OR For the correct value but with incorrect/added units or the wrong sign: eg –0.25 or 0.25%	3 marks	For the correct method but the wrong answer OR For correctly calculating the percentage change in quantity demanded of sunflower oil <u>and</u> percentage change in price of olive oil: 14.765% <u>and</u> 59.521% OR For the correct answer but with two errors from ‘rounded the wrong way’, ‘with incorrect/added units’ and ‘the wrong sign’: eg –0.24	2 marks	4 AO1 = 1 AO2 = 3
Response	Max 4 marks										
For the correct answer: 0.25	4 marks										
For the correct answer but not rounded to 2dp: eg 0.248 OR For the correct answer rounded the wrong way: 0.24 OR For the correct value but with incorrect/added units or the wrong sign: eg –0.25 or 0.25%	3 marks										
For the correct method but the wrong answer OR For correctly calculating the percentage change in quantity demanded of sunflower oil <u>and</u> percentage change in price of olive oil: 14.765% <u>and</u> 59.521% OR For the correct answer but with two errors from ‘rounded the wrong way’, ‘with incorrect/added units’ and ‘the wrong sign’: eg –0.24	2 marks										

		<p>For the correct answer for the % change in quantity demanded of sunflower oil <u>or</u> the % change in price of olive oil (with or without units or sign): 14.765% <u>or</u> 59.52%</p> <p>OR</p> <p>Correct use of % changes in upside down formula, with answer to 2dp: 4.03</p> <p>OR</p> <p>For the correct equation for XED: % change in QD of sunflower oil ÷ % change in P of olive oil (or equivalent)</p>	1 mark	
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MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	1	<p>Extract A shows average prices and world consumption of olive oil between 2018/2019 and 2023/2024.</p> <p>Explain how changes in the price of olive oil affect the consumption of olive oil.</p>	<p>6</p> <p>AO1 = 2 AO2 = 2 AO3 = 2</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles to support the response. Includes well-focused analysis with a clear, logical chain of reasoning.
2	3–4	<ul style="list-style-type: none"> Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places.
1	1–2	<ul style="list-style-type: none"> Shows limited knowledge and understanding of relevant economic terminology, concepts and principles. Includes limited application of relevant economic principles to the question. May include some limited analysis but the analysis lacks focus and/or becomes confused.
	0	No creditworthy material

Indicative content:

- understanding of consumption and link to demand
- understanding that a higher price will result in a reduction in quantity demanded, and vice versa
- understanding that demand is determined by the willingness and ability to buy olive oil
- explanation of how willingness is determined by satisfaction/utility gained from the consumption of olive oil
- recognition of how different consumers may have differing levels of satisfaction gained from the consumption of olive oil, and how this affects the price that they are willing to pay
- explanation of how different consumers will have differing levels of income, and how this affects the price they are willing and able to pay
- significance of PED.

Note: Some students may support their answer with a diagram(s) but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	2	<p>To what extent do the data suggest that changes in the price of olive oil affect the consumption of olive oil?</p> <p>Use the data in Extract A to support your answer.</p>	<p>6</p> <p>AO2 = 1 AO3 = 1 AO4 = 4</p>

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which changes in the price of olive oil affect the consumption of olive oil. Includes a supported overall judgement concerning the extent to which changes in the price of olive oil affect the consumption of olive oil.
2	3–4	<ul style="list-style-type: none"> Includes limited evidence that indicates the extent to which changes in the price of olive oil affect the consumption of olive oil. Attempts a judgement concerning the extent to which changes in the price of olive oil affect the consumption of olive oil.
1	1–2	<ul style="list-style-type: none"> Includes evidence that does not clearly indicate the extent to which changes in the price of olive oil affect the consumption of olive oil. May include an unsupported judgement concerning the extent to which changes in the price of olive oil affect the consumption of olive oil.
	0	No creditworthy material

Indicative content:

- in 2019/20, olive oil prices fell by \$476 per tonne (14%), whereas consumption rose by 176 thousand tonnes (6%), suggesting an inverse relationship
- in 2020/2021, olive oil prices rose by \$769 per tonne (27%), whereas consumption fell by 92 thousand tonnes (3%), suggesting an inverse relationship
- in 2022/2023, olive oil prices rose by \$2510 per tonne (60%) and consumption was estimated to fall by 495 thousand tonnes (15%), suggesting an inverse relationship
- in 2023/2024, olive oil prices rose again by \$2573 per tonne (38%) and consumption was estimated to fall by 135 thousand tonnes (5%), also suggesting an inverse relationship
- between the beginning and the end of the period, olive oil prices rose by \$5966 per tonne (179%), whereas consumption was estimated to fall by 394 thousand tonnes (13%), supporting an inverse relationship
- the only exception to the inverse relationship was in 2021/2022, when olive oil prices rose by \$590 per tonne (16%), and consumption also rose by 152 thousand tonnes (5%), suggesting a direct relationship
- in every year, the percentage change in price is greater than the percentage change in consumption suggesting that there are other factors that affect consumption
- other factors affecting consumption include the price and availability of substitutes such as sunflower oil and palm oil, income, tastes, changes in demand for different uses, etc
- the data for 2022/2023 and 2023/2024 are both estimates so may not be reliable
- the likely conclusion is that changes in the price of olive oil have an inverse relationship with the consumption of olive oil but the relationship does not apply for every time period.

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

Question	Part	Marking guidance	Total marks
19		<p>Extract B (lines 5–6) states: ‘Another use of olive oil is as a raw material in the production of some beauty products and medicines.’</p> <p>With the help of a diagram, explain how an increase in demand for beauty products that use olive oil may affect the market for medicines that use olive oil.</p>	<p>9</p> <p>AO1 = 2 AO2 = 4 AO3 = 3</p>

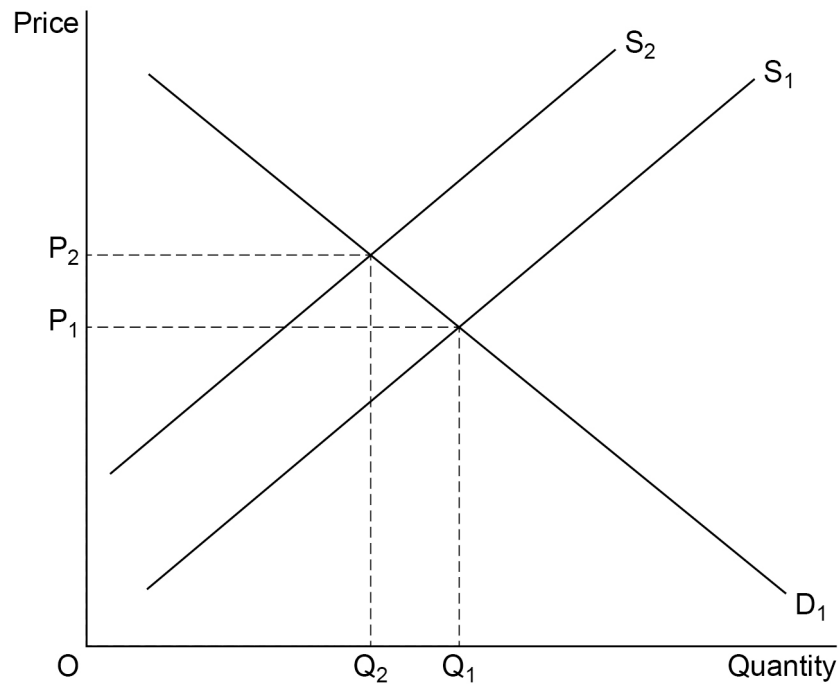
Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	7–9	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.
2	4–6	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles and/or data to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–3	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.
	0	No creditworthy material

Indicative content:

The expected diagram shows the market supply and demand for medicines that use olive oil, with a shift to the left of the supply curve. This shows an increase in market price (P_1 to P_2) and a reduction in market quantity (Q_1 to Q_2).

Students may also include a diagram showing the market supply and demand for beauty products, showing a shift to the right of the demand curve, however this is not required.



Relevant issues include:

- identification and meaning of olive oil as a good in composite demand, with beauty products and medicines being two of its uses
- how an increase in demand for beauty products will increase the demand for olive oil
- how as more olive oil is used to make beauty products, this reduces the supply of olive oil for other uses such as medicine
- explanation of how the increased demand for olive oil and/or reduced supply will increase its price/cost
- explanation of how the higher costs of production for firms that produce medicines will reduce quantity supplied at each price/shift supply to the left
- explanation of how the reduced supply will raise the price and reduce the quantity sold of medicines
- significance of PED and PES.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p>Extract B (line 19) states: 'Any changes in costs or revenue will affect the profits of these firms.'</p> <p>Analyse the factors that may affect the profits of firms selling olive oil.</p>	<p>12</p> <p>AO1 = 3 AO2 = 4 AO3 = 5</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. May include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles and/or data to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–4	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

- the meanings of profits, costs and revenue
- understanding that, other things being equal, profits will fall if revenue falls and/or costs rise and vice versa
- the difference between fixed costs and variable costs
- the difference between total profit (total revenue – total costs) and profit per unit (average revenue – average cost)
- analysis of how an increase in revenue might offset some or all of the increase in costs, resulting in either a small or no reduction in total profit, or increased profit if revenue increases more than the costs

- analysis of how variable costs will increase if olive yields are low due to poor growing conditions (**Extract B**), reducing overall profits
- analysis of how fixed costs increase due to expenditure on security equipment eg cages, storage with locks, cameras, security tags/alarms
- analysis of how an increase in costs may mean firms increase prices, which could increase revenue, assuming the demand for olive oil/olive oil-based products is price inelastic
- use of **Extract A** to support an explanation that the demand for olive oil might be price inelastic
- recognition that if firms have monopoly power or work together (**Extract B**), they may be able to increase prices, revenue and profits
- other factors that could affect revenue, eg advertising and marketing activities, competitor actions
- other factors that could affect costs, eg economies of scale, diseconomies of scale and indirect taxation.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p>Extract C (line 1) states: ‘Some economists think governments should intervene if olive oil prices increase significantly.’</p> <p>Use the extracts and your knowledge of economics to assess whether governments should intervene in the market for olive oil.</p>	<p>20</p> <p>AO1 = 3 AO2 = 4 AO3 = 5 AO4 = 8</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	13–16	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	9–12	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	5–8	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.

1	1–4	A very weak response that: <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes application to the given context which is, at best, very weak includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- how markets and prices allocate resources
- the meaning of market failure
- the purpose of government intervention
- analysis of methods of government intervention, eg subsidies, buffer stock scheme, tax, regulation, etc
- analysis and evaluation of the arguments for government intervention:
 - consumption of olive oil has positive consumption externalities through health benefits (**Extract B**)
 - olive oil production is a large employer in certain countries ie Spain, which could affect employment and therefore incomes/standards of living for those employed in the sector (**Extract B**)
 - negative production externalities eg impact on water and soil leading to longer term impacts on olive production (**Extract B**)
 - environmental cost of transportation to different countries
 - environmental cost of disposal of packaging
- analysis and evaluation of the arguments against government intervention:
 - substitutes such as sunflower and palm oil could be used, meaning firms and consumers will simply switch to these instead without the need for government intervention if market failure is insignificant (**Extract C**)
 - market forces allocating resources efficiently
 - if the negative and positive externalities offset each other, output may be close to the social optimum
 - cost and opportunity cost
 - risk of government failure, eg unintended consequences
- evaluation of the impact if another country intervenes in a different way depending on whether they rely on olive oil production or consumption
- an overall judgement on whether governments should intervene in the market for olive oil.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02		1			1
03	1				1
04	1				1
05			1		1
06	1				1
07			1		1
08	1				1
09		1			1
10			1		1
11	1				1
12			1		1
13		1			1
14		1			1
15		1			1
Section B					
16.1	3				3
16.2	3				3
17.1	1	1			2
17.2	1	3			4
18.1	2	2	2		6
18.2		1	1	4	6
19	2	4	3		9
20	3	4	5		12
21	3	4	5	8	20
Unit total	24	24	20	12	80