

Question 3 (Answer: D)

- The PPC is concave to the origin because resources are not equally suited to both goods.
- As more of one good is produced, increasingly unsuitable resources have to be switched to it.
- So the opportunity cost of each extra unit rises, which is what makes the curve bow outwards.

Question 10 (Answer: D)

- Direct provision means the government supplies the good or service itself.
- A subsidy, a tax or a regulation all work *through* the market instead.
- So look for the case where the state is the producer, not the one adjusting private incentives.

Question 5 (Answer: B)

- Movements *along* a PPC show a reallocation between the two goods, at an opportunity cost.
- A shift of the whole curve shows a change in total productive capacity.
- A point inside the curve shows unemployed or inefficiently used resources.

Question 5 (Answer: B)

- Both goods need labour, so more of one means less of the other – movement along the curve.
- A shift of the whole PPC needs more resources or better technology.
- So decide whether the change described alters the *trade-off* or the *total capacity*.

3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.
0	No creditable response.

Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2 4(b) and 5(b)**.

Level	Description
2	- Provides a justified conclusion or judgement that addresses the specific requirements of the question. - Makes developed, reasoned and well-supported evaluative comment(s).
1	- Provides a vague or general conclusion or judgement in relation to the question. - Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

Question	Answer
1(c)	Consider whether a buffer stock system controlled by the government of Ivory Coast would be likely to prevent fluctuations in the price of cocoa beans. - A buffer stock system combines both maximum price and minimum price controls / is designed to minimise price fluctuations / price falls (1) - If the price falls below a certain fixed point / minimum price the government will purchase and store cocoa beans therefore reducing supply/controlling demand to raise the price of cocoa beans (1). If the price rises beyond a certain point / maximum price, this buffer stock is released thus increasing supply and reducing the price of cocoa beans (1). Guidance - A response that only refers to governments buying stocks of cocoa beans in times of a surplus and selling them in times of a shortage to minimise price fluctuations is worth 1 additional mark maximum for analysis. Reserve 1 mark for valid evaluation e.g., - Cocoa beans may be difficult/expensive to store / perishable/ may be an illegal market set up so it may not prevent fluctuations in the price of cocoa beans / the government do not have the budget to buy any surplus. (1) Guidance - The eval mark can be awarded even without any analysis marks being given PROVIDED there is a reasonable understanding that a buffer stock scheme only works when stocks can be held/released.

Question	Answer
1(d)	Assess the extent to which the use of a minimum pricing policy would be the best way to ensure 'cocoa bean farmers get paid a living wage'. Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy would be the best way to ensure cocoa bean farmers get paid a living wage e.g.: • It ensures that farmers receive a guaranteed price above the equilibrium market price enabling them to receive a higher income • It encourages farmers to maintain / increase production as there is more financial security again leading to a living wage • It reduces the instability caused by fluctuations in the global price of cocoa beans leading to a more stable income for farmers. Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy may not be the best way to ensure cocoa bean farmers get paid a living wage e.g.: • It may not be set at an appropriate level / may not be enforceable e.g., due to the costs of enforcement • It may lead to a surplus due to increased supply and reduced demand for e.g. chocolate products meaning this surplus may fail to be sold • Budget constraints for the government may make it impossible for them to buy the surplus and this makes the scheme collapse • May make farmers complacent therefore failing to invest and in the LR incomes fall. Guidance: • Allow any reasonable point for either perspective, BUT it must be linked how it affects farmer's incomes. • Candidates may choose to compare the advantages and disadvantages of an alternative method e.g., transfer payments / subsidies to farmers. Provided this is clear that a comparison to a minimum pricing policy has been attempted, this approach can also gain full marks. • Do not allow answers that refer to minimum wages as the policy or as an alternative. Note: 4 marks maximum for analysis • Evaluation that clearly assesses both sides (1) and comes to a justified conclusion whether it is the best way (1).

Question	Answer
1(e)	Assess the advantages and disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans. Up to 3 marks for an explanation / analysis of the advantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.: • It allows producers to benefit from comparative advantage and become even more efficient, which will reduce costs and prices further and increase output • It allows producers to further benefit from the increasing worldwide demand for cocoa beans and increase sales • This can encourage / lead to economic growth as exports increase. Up to 3 marks for an explanation / analysis of the disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.: • Dependence on cocoa beans may make the economy vulnerable to global reductions in demand / crop failures • It may mean less land is available for other essential food crops leading to an overreliance on imports • A lack of diversification may hinder economic growth and also make the economy more at risk of external shocks • It may exhaust the supply of cocoa beans and other natural resources leading to unemployment in Ivory Coast. Note: 4 marks maximum for analysis • Evaluation that clearly assesses both sides (1) and comes to a justified conclusion. (1)

Question	Answer
2(b)	Assess the view that a business should be more concerned about the income elasticity of demand for its product than its cross elasticity of demand when incomes are falling. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. Indicative content Responses may include: AO1 Knowledge and understanding and AO2 Analysis • Analysis of the advantages and disadvantages of using income elasticity of demand. For example, it lets the business know whether it produces inferior or normal goods and therefore what to produce more of when incomes are falling but businesses may not be so flexible. Alternatively, the predictions may be incorrect or the same measurement may not be applicable to all households. • Analysis of the advantages and disadvantages of using cross elasticity of demand. For example, for substitutes, it allows businesses to track the actions of competitors when incomes are falling. For complements, businesses can try to ensure they are aware of the impact on their own products depending on the impact on the complement. However, data may be out of date and make it unreliable. Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. Level 2 responses may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. Guidance: Answers that do not refer to falling incomes cannot gain more than a mid-Level 2 mark. AO3 Evaluation That clearly analyses both sides of the question and comes to a valid conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation.

Question	Answer
2(b)	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

3(a)	With the help of a diagram, explain the difference between a movement along a production possibility curve (PPC) and a shift of this curve and consider whether a decision to produce more of one product will always incur an equal opportunity cost. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. AO1 Knowledge and Understanding (max 3 marks) For a fully accurately labelled diagram showing 2 products (not X and Y, P and Q etc.) (1) and an explanation that a movement means a decision to produce more of one product than another (1) and an explanation that a shift means that more (or less) of both products can be produced due to a change in productive capacity (1). Also accept a diagram showing an accurate shift in the PPC along with an explanation that this results from increased/decreased resources in the economy (1). AO2 Analysis (max 3 marks) For analysis that clearly explains what is meant by opportunity cost (1) and fully explains what is meant by increasing opportunity cost in terms of rate of which one product is given up for another product (1) and by a constant opportunity cost in terms of the rate of which one product is given up for another product (1) AO3 Evaluation (max 2 marks) For evaluation that explains that whether the opportunity cost is equal will depend on the ease of transferring production resources from one product to another (1) and reaches a justified conclusion (1) <table><tr><td>AO1 Knowledge and understanding</td></tr><tr><td>AO2 Analysis</td></tr><tr><td>AO3 Evaluation</td></tr></table>	AO1 Knowledge and understanding	AO2 Analysis	AO3 Evaluation
AO1 Knowledge and understanding				
AO2 Analysis				
AO3 Evaluation				

3(b)	Assess the extent to which it is always necessary to increase the size of the labour factor of production in order to cause an outward shift of the production possibility curve. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. Indicative content Responses may include: AO1 Knowledge and understanding and AO2 Analysis Responses should be aware that the question is focused on factors of production that cause an outward shift of the PPC i.e., an overall increase in potential output. Points to consider in the discussion may include: - - the ease of increasing the labour force through e.g., increasing the retirement age, attracting more people into the labour force etc. - the quality of the labour force including the importance of education and training - the importance of at least one other factor of production e.g., enterprise, capital and /or land The analysis should focus on the necessity of increasing the size of the labour force to increase potential output and compare this with the advantages and disadvantages of increasing at least one other factor of production. For example: - An increase in the size of the labour force provides more workers therefore increasing the number of goods and services that can be produced - This will increase total output if other factors of production are maintained - This will lead to an increase in economic growth and an outward shift in the production possibility curve However: - An increase in the labour force may not be possible - Other factors of production may be more important, for example, enterprise, capital and /or land - It may be more advantageous to develop the productivity of the existing labour force through training, better technology etc. - This depends however on the receptiveness of the workforce along with the availability of enterprise skills, capital and land. Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. Level 2 responses may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question.
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3(b)	Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation That clearly analyses both sides of the question and comes to a valid conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Question 2 (Answer: C)

- Compare the two countries' opportunity cost ratios, which are the slopes of their curves.
- The country with the flatter curve gives up less of the other good to make one more unit.
- So read off each intercept and calculate the trade-off for each country before comparing.

Question 5 (Answer: D)

- An outward shift of the whole PPC means more of *both* goods can be produced.
- That needs more resources or better technology.
- A decrease in resources, or simply moving along the existing curve, could not cause it.

Question 3 (Answer: D)

- A production possibility curve shows the maximum combinations obtainable from the available resources.
- Compare the two intercepts: if only one of them moves outwards, only that good's productivity has risen.
- A shift outwards along one axis alone means the improvement is specific to that good, not a general rise in resources.