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Cambridge International AS & A Level

ECONOMICS **9708/24**

Paper 2 AS Level Data Response and Essays **May/June 2025**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotation	Use
	Correct point
	Incorrect point
	Unclear response
	Key information missing from response
	Indicates knowledge and understanding of the concepts and issues relating to the question.
	Indicates where the answer has demonstrated analysis.
	Indicates appropriate reference to the information provided
	Expansion of point already made in response
	Indicates where the answer has demonstrated evaluation
	Indicates where the answer has demonstrated particularly strong/justified evaluation
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
	Used when the benefit of the doubt is given in order to reward a response.
	Used when the answer or parts of the answer do not answer the question asked.
	Indicates that the page or content has been seen by examiner, but no credit given.

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Annotation	Use
TV	Used when parts of the answer are considered to be too vague to be given credit.

Assessment objectives

AO1 Knowledge and understanding
- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis
- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
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.	**6–8**
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.	**3–5**
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.	**1–2**
0	No creditable response.	**0**

Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	**3–4**
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.	**1–2**
0	No creditable response.	**0**

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Using the data in Fig. 1.1, describe the trend shown in the annual rate of economic growth in Malaysia over the period January 2019 to January 2022.** • Overall, the rate of economic growth has fallen **(1)** • Overall, a fluctuating trend **(1)** • Up to January 2021 the growth rate fell and then became negative **(1)** • Whereas from July 2021 to January 2022 it became positive **(1)** **Guidance:** The trend in the period needs to be described, not every change.	**2**
1(b)	**Explain what is meant by 'real GDP'.** • GDP refers to the total value of goods and services produced in an economy. **(1)** • Real GDP is GDP corrected for / taking into account the effects of inflation / price changes. **(1)** • Real GDP is Nominal GDP – rate of inflation. **(2)** **Max 2 marks**	**2**
1(c)	**Consider the extent to which the potential advantages of subsidies given to firms by the Malaysian government outweigh their potential disadvantages.** • Advantages include the reduction in firms' costs of production, which may increase their competitiveness, leading to an increase in sales and AD, reducing unemployment as AS and AD both increase. It may also reduce prices for consumers, increasing consumer surplus. (MAX 2 marks) • Disadvantages include payments to firms may be used to boost profits and not reduce costs; payments will be expensive for the government and could contribute to a budget deficit, may lead to inefficiency, may lead to overseas retaliation. (MAX 2 marks) **Max 3 marks overall** **Up to 1 mark for valid evaluation:** • Relevant evaluation which considers the extent to which the potential advantages exceed the potential disadvantages of subsidies, in the context of Malaysia, for example, overall, the potential disadvantages are greater as subsidies are a significant expense for the Malaysian government.	**4**

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Question	Answer	Marks
1(d)	**Assess how far external factors were responsible for economic growth in Malaysia over the period January 2019 to January 2022.** **Up to 3 marks** for explanation / analysis of the extent that external factors were responsible For example**,** the increase in exports, reaching an all-time high in the last quarter of 2021 may lead to economic growth **(1)**, Malaysia will benefit from an increase in the price of oil and gas leading to economic growth **(1)**, it will also benefit from an overall growth in demand from its major trading partners / overall global economic activity **(1)** **Up to 3 marks** for explanation / analysis of the extent that internal factors were responsible. For example, the use of domestic subsidies may be causing the increase in exports **(1)**, the policies to make markets more flexible may be the cause **(1)**, the high level of FDI and domestic investment due to government policy may be the cause **(1)** **Max of 4 marks overall for analysis (max 3 if factors are not clearly differentiated between internal/external)** **Up to 2 marks for evaluation** of how far external policies were responsible for economic growth in Malaysia during the period, **<u>compared</u> to** internal factors. **Reserve 1 mark for a justified conclusion.**	**6**

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Question	Answer	Marks
1(e)	**Assess the possible consequences of a falling rate of unemployment for Malaysia.** **Up to 3 marks** for explanation / analysis of the possible positive consequences of a falling rate of unemployment for Malaysia. For example, these may include an increase in overall income levels **(1)** which may also improve the overall standard of living for the Malaysian population **(1)**. This may also increase government tax revenues / reduce spending on welfare benefits **(1)** which may in turn be spent on improving infrastructure and spending on merit goods such as education and healthcare **(1)** Falling unemployment may also lead to an increase in overall output **(1)** which may lead to an increase in export opportunities **(1)** and increased investment by firms **(1)** **Up to 3 marks** for explanation / analysis of the possible negative consequences of a falling rate of unemployment for Malaysia. For example, due to rising aggregate demand **(1)** this may lead to demand pull inflation if aggregate supply cannot keep up **(1)**. As wages rise and resources become scarce **(1)** this may lead to cost push inflation **(1)**. It may also lead to a decline in labour productivity **(1)** Rising incomes may also lead to rising demand for imports **(1), which** may lead to a current account deficit **(1)**. **Max of 4 marks overall for analysis (Note: accept any reasonable generic suggestions as detailed knowledge of the Malaysian economy is not required)** **Up to 2 marks for evaluation** of the possible positive **and** negative consequences of a falling rate of unemployment on Malaysia based on the preceding analysis. **Reserve 1 mark for a justified conclusion.**	**6**

Question	Answer	Marks
2(a)	**With the help of a formula, explain the meaning of price elasticity of demand and consider the significance to a firm of having price elastic or price inelastic demand for its product.** 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)** • It measures the responsiveness of changes in demand to changes in price **(1)** • Correct formula **(1)** • Meaning of price elastic **and** price inelastic in terms of the percentage / proportionate response of changes in demand to changes in price **(1)** **AO2 Analysis (max 3 marks)** • Analysis of the impact of rising **OR** falling prices on the demand for a firm's products when PED is inelastic **(1)** • Analysis of the impact of rising **OR** falling prices on the demand for a firm's products when PED is elastic **(1)** • Analysis of the effect of **both** rising **and** falling prices on the demand for a firm's products when PED is **both** elastic **and** inelastic **(3).** **AO3 Evaluation (max 2 marks)** That offers a valid judgement on the importance of the distinction between price elastic and price inelastic demand for determining the impact of price changes on the sales of a firm's products. 1 mark for assessing what a firm should do to influence demand/spending when demand is elastic. 1 mark for assessing what a firm should do to influence demand/spending when demand is inelastic.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	**Assess whether governments should always support the provision of merit goods in markets such as those for education or health care.** 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** • An understanding of what is meant by merit goods • An understanding of the reasons why governments should support the provision of merit goods, including: • The perceived benefits of merit goods and their underconsumption due to information failure / price etc., meaning that governments should support their provision e.g., through direct provision, subsidies, the provision of information etc. • **HOWEVER,** the reasons why governments should not always support the provision of merit goods include: • Government inefficiency, the opportunity cost of not spending money on alternative projects, the lack of government funding to finance this provision leading to a possible budget deficit. • Information failure may still exist. • Private provision may be possible and more efficient**.** **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 benefits/drawbacks etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

Question	Answer	Marks
2(b)	**AO3 Evaluation** That clearly assesses whether governments should always support the provision of merit goods such as education and health care by considering the advantages **and** disadvantages of doing so and reaches a valid conclusion. **one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**With the help of a diagram, explain the impact of introducing an effective minimum price of a product <u>and</u> consider the effect on the consumer surplus for that product.** 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 an accurately drawn supply and demand diagram **(1)** • Showing a minimum price above the equilibrium and the resultant increase in supply and fall in demand **(1)** • An explanation that this will lead to supply exceeding demand leading to a surplus in the market **(1)** **Max 3 marks** **AO2 Analysis (max 3 marks)** • An explanation of what is meant by consumer surplus **(1)** • Use of the diagram to clearly show **the fall** in consumer surplus **(1)** • An explanation to clearly explain why consumer surplus will fall **(1)** **Max 3 marks** **AO3 Evaluation (max 2 marks)** That clearly considers the overall effect on consumer surplus of introducing a minimum price (it will fall) but the extent of the fall will be affected e.g., by PED. **Reserve 1 mark for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess whether a minimum wage policy is the best way to redistribute income in an economy.** 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** • An understanding of what is meant by a minimum wage policy • An explanation of the benefits of using a minimum wage policy to **redistribute income**. These may include: • It may raise the relative wages of the lower paid, provides an incentive to enter the labour market, and may redistribute profits from employers to workers. • An explanation of the possible disadvantages of using a minimum wage policy to redistribute income. These may include: • It may lead to inflation so low-income earners may not benefit, it may cause unemployment, higher paid workers may be able to maintain differentials so income is not redistributed, it may not be enforced. • The policy MUST be compared to at least one other policy to redistribute income, for example the use of transfer payments, progressive income, inheritance and capital taxes and / or state provision of essential goods and services. The advantages and disadvantages of the chosen alternative/s must be analysed. **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.	**12**

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Question	Answer	Marks
3(b)	**AO3 Evaluation** That clearly assesses the advantages and disadvantages of using a minimum wage policy to redistribute income in an economy **and** compares this to the advantages and disadvantages of using at least one other government policy and reaches a valid conclusion as to whether minimum wage policy is the best way to redistribute income in an economy. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	**Explain why expenditure on education and training is a supply-side policy <u>and</u> consider why its impact on the general price level may differ between the short run and the long run.** 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)** • Supply side policy consists of government policy tools designed to increase aggregate supply **(1)** • The effect is to shift the aggregate supply curve to the right **(1)** • Government spending on education and training should increase worker skills and productivity and therefore increase a country's productive capacity and therefore increase AS / shift the LRAS curve to the right **(1)** **AO2 Analysis (max 3 marks)** • In the short run, increased government expenditure will increase the level of AD which may lead to an increase in inflation and the general price level. **(up to 2 marks)** • In the long run, increased expenditure on education and training should increase productivity and productive capacity and the shift in LRAS should lower the general price level. **(up to 2 marks)** **AO3 Evaluation (max 2 marks)** • That offers an overall assessment as to whether expenditure on education and training will have a different impact on the price level in the long run compared to the short run. • **For example,** if the expenditure is ineffective and does not have the intended impact on productive capacity and productivity, this may simply increase the general price level. • **For example,** time-lags mean short-run impact is minimal as the policy will only take effect in the long-run. **Reserve 1 mark for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether the consequences of inflation in an economy are always negative.** 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** • An understanding of inflation • Explanation of possible **negative** consequences of inflation in an economy, for example, the uncompetitiveness of exports leading to a worsening of the current account of the balance of payments, shoe leather costs arising from searching for better returns, menu costs arising from continually changing prices, planning difficulties arising from the uncertainty caused by inflation and a redistribution of income, e.g. those on fixed incomes will lose out. • Explanation of possible **positive** consequences of inflation in an economy, such as an increase in borrowing arising from debt being less in real terms, an increase in the profits of firms, possibly leading to more workers being employed, and an increase in the value of assets, such as property **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. **AO3 Evaluation** That clearly assesses whether the consequences of inflation are always negative by considering both the negative and positive consequences and reaches a valid conclusion as to whether the consequences are always negative. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**With the help of a formula, explain the causes of an improvement in the terms of trade in an economy <u>and</u> consider whether such an improvement can ever be harmful to an economy.** 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 an accurate formula i.e., index of export prices / index of import prices **(1)** • An improvement is when the value / ratio increases **(1)** • An improvement is when export prices rise and / or import prices fall **(1)** **AO2 Analysis (max 3 marks)** For example: • An improvement in the terms of trade may be seen to be beneficial as more imports can be purchased from the same volume of imports (1) • However, an increase in export prices may lead to fewer exports in the long run (1) • Which may lead to a current account deficit which may be considered harmful (1) **AO3 Evaluation (max 2 marks)** That offers an overall assessment as to whether an improvement in the terms of trade can ever be harmful to an economy. **Reserve 1 mark for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess whether the depreciation of an exchange rate is always beneficial to an economy.** 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** • An understanding of what is meant by a depreciation of the exchange rate • Explanation of the potential **advantages** of the depreciation of an exchange rate: It can lead to an increase in a country's exports because the prices of these products are less than they were previously; this can help to reduce a current account deficit on an economy's balance of payments; an increase in exports can stimulate an increase in aggregate demand (AD). • Explanation of the potential **disadvantages** of the depreciation of an exchange rate: It will have the effect of making imports more expensive, both of finished products and of raw materials; if raw materials are more expensive, this will increase the cost of production of domestic firms, and this could bring about cost-push inflation. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and / 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.	**12**

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Question	Answer	Marks
5(b)	**AO3 Evaluation (max 4 marks)** That offers an overall assessment as to whether a depreciation in the exchange rate is always beneficial to an economy by assessing both the advantages and disadvantages of the depreciation and also considering the significance of PED values for both exports and imports and reaches a valid conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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