Paper 9708/12 AS Level Multiple Choice

Question Number	Кеу	Question Number	Key	Question Number	Key
1	С	11	В	21	С
2	С	12	D	22	С
3	В	13	С	23	D
4	Α	14	С	24	Α
5	Α	15	D	25	В
6	В	16	D	26	В
7	D	17	В	27	В
8	Α	18	В	28	D
9	D	19	D	29	В
10	Α	20	В	30	В

General comments

Questions 7 and **25** were answered successfully by more than 80 per cent of the candidates. However, **Questions 11** and **30** were answered correctly by less than one in five of the candidates. Candidates performed equally well across microeconomic and macroeconomic questions.

Comments on specific questions

Question 5 tested candidates about when division of labour would be most effective. Evidence would suggest that many candidates did not understand this term and, more importantly, when it would be used. Typically, it would be most effective when a firm is mass producing output, with minimal variety and a high degree of market predictability. Hence, Option **A** is the correct answer, although chosen by only a third of the candidates. Option **C** was equally popular, even though a market requiring a variety of goods would be best suited to less division of labour within a firm. Option **B** was also a popular answer, although this was very similar to Option **D** (which was not popular) and both would require multi-skilled labour. The concept of division of labour is about having highly specialised labour with a very narrow range of skills. This should not be confused with labour that may be expert, but have wide-ranging skills, which would enable handmade or custom-made products to be made, as well as being able to make a variety of products.

Question 11 was about the basic relationship between the value of price elasticity of demand and the gradient of the demand curve. If a decrease in demand results in the same proportional decrease in sales revenue, price must be fixed so the demand curve will be horizontal with an infinite price elasticity of demand. Less than one in five candidates correctly realised this and so chose option B. More than half of candidates chose option **C**, but a demand curve with a unitary price elasticity of demand would see no change in sales revenue as demand changes. Option **A** was also more popular than the correct answer.



However, this is describing a price inelastic demand curve which would have an inverse relationship between change in demand and sales revenue.

Question 30 was the least well answered of all the questions. Option **A** was selected by nearly threequarters of candidates. However, the suggested increase in domestic output of 15 million units is only the extra output in the domestic market **if** there is no supply from the world market. Because of the world supply, the equilibrium price is \$42 so that domestic supply will start at 20 million units, increasing to 45 million units after the export subsidy. This increase in domestic supply, with equilibrium demand unchanged at 60 million units, will see a decrease in imports from 40 million to 15 million units, so that option **B** is correct.



Paper 9708/22

AS Level Data Response and Essays

Key messages

- For **Question 1**, data response, one important change within the current syllabus is that 4– and 6–mark questions will contain a requirement for explained analysis and evaluation. Similarly, knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, within the context of the data itself.
- Part (a) of essay questions is now split on a 3, 3 2 basis. AO1 gains up to 3 marks, AO2 up to 3 marks and AO3 up to 2 marks. Candidates need to organise their answers based on this split and must be encouraged to apply all knowledge and understanding to the question that is set. Furthermore, all analysis should be relevant and fully explained to gain credit. Answers that simply state facts without any explanation are very unlikely to gain credit. Finally, evaluation must compare and contrast the preceding analysis and make a judgement to answer the question to be awarded marks.
- Whilst the use of accurate graphs, formulae and concepts is strongly encouraged and is indeed a very important part of answering most questions, it is important to note that without further explanation and analysis, such a focus alone will only be credited as AO1. Analysis is underpinned by such knowledge and understanding but to move into AO2 and AO3, it requires further elaboration and explanation/application.
- In part (b) of essay questions, answers which examine one side of the question only will be highly unlikely to gain more than mid-level 2 analysis and will not be awarded evaluation marks as they are unlikely to fully answer the question.
- Candidates therefore need to be fully prepared by centres to follow this approach to maximise their marks.
- Centres are further reminded that questions may be drawn from any part of the syllabus and therefore full coverage (including all new areas) of the syllabus is essential.

General comments

- Overall, a full range of marks was in evidence and there were a good number of high marks within the whole cohort.
- Equally, there was a significant minority of candidates who were underprepared for the examination and achieved very low marks despite, in some circumstances, writing a great deal.
- Rubric errors were rare, and most candidates answered the correct number of questions from the correct sections of the paper.
- For most candidates, time did not appear to be a problem and most appeared to finish with enough time. However, there is still a tendency to spend too much time on the 2–mark questions and also on detailed discussions within essays of information that is not relevant to the question.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by examiners.

Comments on specific questions

Section A

Question 1

(a) This question proved to be at least partially accessible to most candidates. Many were able to accurately calculate the percentage change, although there is still a significant minority who cannot



make this relatively simple calculation. However, most who failed to gain full marks did so because they did not recognise this was an increase and so only gained a maximum of 1.

- (b) Candidates demonstrated a solid understanding of cross-price elasticity of demand as a relevant measurement for analysing the relationship between sunflower oil and olive oil as substitutes. While some deviated by wrongly discussing price elasticity of demand thus gaining 0, many effectively highlighted the positive coefficient, signifying that the demand for sunflower oil would rise in response to an increase in the price of olive oil.
- (c) While many candidates successfully depicted a leftward shift in the supply curve with corresponding changes in equilibrium price and quantity, some overlooked key aspects such as the original and new consumer surplus, leading to incomplete diagrams. Others attempted to analyse consumer surplus changes without an appropriate supply shift, demonstrating a gap in understanding. Despite these issues, many candidates excelled in their analysis by accurately noting that the increased price would diminish the gap between consumer valuation and market price, while also addressing the implications of price elasticity of demand (PED) for olive oil, showing a solid grasp of the economic concepts involved.
- (d) The first of the two six-mark questions required candidates to explain how increasing stocks would typically lead to a fall in price or a rise in the quantity traded, awarding up to 4 marks for a thorough explanation and analysis, with an additional 2 marks for balanced evaluation. Candidates needed to explore both sides of the argument, addressing scenarios where prices may not fall or quantities may not rise, to fully access the marks. While many candidates demonstrated a better understanding of the factors affecting stock storage and quality preservation, a common shortfall was seen in the evaluation marks, as many answers lacked a concluding judgment and instead reiterated previous points.
- (e) This second 6-mark question produced the full range of responses. The question required candidates to analyse the impact of a declining US dollar on the price of imported olive oil, particularly focusing on its implications for the value of imports from the EU. Strong responses effectively linked currency fluctuations to import costs while also considering factors like demand elasticity and alternative sourcing. However, some candidates veered off topic, discussing broader trade balance issues instead. Additionally, while many responses achieved high marks for explanation and analysis, they often lacked a concluding evaluative judgment, which could have strengthened their overall arguments.

Section B

Question 2

- (a) This was the least popular option of the two microeconomics questions. A significant majority of candidates were able to construct an accurate PPC diagram, providing an accurate explanation of both scarcity and how infinite wants alongside finite resources resulted in choices having to be made. When analysing whether each choice has an equal opportunity cost, most candidates recognised the relevance of the shape of the production possibility curve, with the strongest candidates explaining that the quality of factors of production would affect the extent of the trade-off. Unfortunately, only a small minority of candidates offered a balanced judgement of the question and missed the opportunity to access the two available marks.
- (b) In the second part of the question, candidates were required to assess whether the allocation of resources by the free market is always desirable for an economy. Many candidates were able to demonstrate a good understanding of this economic system and wrote at length about consumer sovereignty as being a strength of the system versus the non-provision of public goods. The strongest responses went onto compare such outcomes with a mixed economy within the evaluation. Many candidates, however. provided little, if any, evaluation. It needs to be remembered that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3) which is 33 per cent of the total marks allocated.



Question 3

- (a) Many candidates correctly identified the characteristics of private and public goods, noting that private goods are rivalrous and excludable, while public goods are non-rivalrous and non-excludable. However, a significant number failed to define each term separately, which led to a lack of clarity in their explanations. It is essential for candidates to explicitly articulate that 'a public good is non-rivalrous because...' and 'is non-excludable because...' rather than blending the two attributes or simply stating that they are non-rivalrous/non excludable etc. Otherwise, no marks can be awarded for AO1. The strongest responses successfully separated these definitions and effectively applied the concepts to a public beach, concluding that it may be more accurately described as a quasi-public good due to certain limitations on access, usage and being chargeable.
- (b) The responses to this question indicated a solid grasp of how producer subsidies would lower production costs and facilitate reduced selling prices for merit goods, though stronger answers connected this to information failure, highlighting that consumer awareness of benefits is crucial for increased consumption. While many candidates proposed at least one valid alternative method to boost merit good consumption, a notable number incorrectly suggested that taxing demerit goods would inherently lead to greater consumption of merit goods assuming, incorrectly, that they are substitute goods. It is important for candidates to ensure that their evaluations remain relevant to the question at hand rather than diverging into broader concerns related to subsidies.

Section C

Question 4

- (a) This was the least popular option of macroeconomics essays but nonetheless produced the full range of responses. The best responses provided an accurate definition/formula before explaining how rising export prices and/or falling import prices would improve living standards as the revenue gained from the sale of one unit of export would enable relatively more units of imports. Moreover, many responses also acknowledged potential adverse effects, such as potential unemployment rises and trade deficits, prompting a balanced assessment of whether improved terms of trade truly benefit an economy in the long run. However, it is still very evident that a significant number of candidates still confuse terms of trade with balance of trade and, despite knowing the formula, proceed to discuss the value rather than the prices of exports and imports. Such answers can only gain 1 mark maximum and only if the formula is correct.
- (b) The responses varied widely, with many candidates effectively addressing the benefits of free trade like economic growth and reduced unemployment, while also acknowledging its drawbacks, such as reliance on foreign markets and structural unemployment. Weaker answers often lacked analytical depth, leaning towards opinions without strong justification. Although some candidates successfully explored key evaluative components like factor endowments and resource depletion risks, these insights tended to be sporadic, with numerous responses repeating earlier points rather than building a cohesive argument.

Question 5

- (a) This was the most popular of the macroeconomic questions and tended to provide the highest marks of any of the questions from *Sections B* and *C*. Most candidates were able to demonstrate their understanding of the relationship between government spending, tax reductions, and aggregate demand, with many successfully utilising AS/AD diagrams to support their points. However, a recurring issue was the inadequate labelling of diagrams, which negatively impacted some candidates' scores, indicating a need for enhanced focus on diagram accuracy in exam preparation. Despite this, many candidates excelled in their evaluative conclusions, thoughtfully acknowledging that reducing income tax rates may not necessarily boost consumption, particularly for individuals who do not pay income tax or are experiencing job insecurity.
- (b) In assessing the effectiveness of supply-side policies in reducing inflation, the best responses highlighted the mechanisms through which these policies might enhance productivity and increase aggregate supply, thereby potentially lowering price levels. Candidates achieving a Level 3 mark effectively contrasted these policies with fiscal and monetary measures, emphasising the importance of managing demand-side factors contributing to inflation. The strongest responses went on to conclude that the 'best' policy would ultimately depend on the specific type of inflation being experienced and the financial position of the government.



Paper 9708/32 A Level Multiple Choice

Question Number	Кеу	Question Number	Key	Question Number	Key
1	В	11	В	21	Α
2	D	12	Α	22	D
3	D	13	Α	23	Α
4	В	14	Α	24	В
5	Α	15	С	25	D
6	С	16	С	26	В
7	В	17	Α	27	С
8	D	18	С	28	С
9	Α	19	Α	29	D
10	В	20	Α	30	С

General comments

Questions 2, **8**, **9** and **30** were answered successfully by more than 80 per cent of the candidates. However, **Questions 4**, **19** and **29** were answered correctly by less than one in five of the candidates. Candidates performed significantly better on the microeconomic questions compared to the macroeconomic ones.

Comments on specific questions

Question 4 required candidates to identify the change in total revenue, on a diagram, due to a firm's objective moving from profit maximisation to revenue maximisation. This required candidates to be able to identify on the MR curve where each objective occurs. Profit maximisation will occur where MC=MR and revenue maximisation occurs where MR=0. As any rightward movement along MR will lead to additional total revenue, this change in objective will see total revenue increase by an area equal to Y, so that option **B** is correct. However, more than three-quarters of the candidates chose options **C** or **D**. Both options included area Z, although this area represents part of the increase in total costs due to the change in objective. This means that option **C** (areas Y + Z) represents the increase in total cost (rather than total revenue) and option **D** (only area Z) is the fall in profit. This suggests that these candidates did not understand the basic relationship between marginal revenue and total revenue or confused total revenue with profit.

Question 19 was the least well answered of all the questions. The diagram showed a traditional consumption function in a basic closed economy (no government or trade). Equilibrium will occur where C+I crosses the 45° line. The diagram states that C = 100 + 0.8Y, so if full employment national income (Y) occurs at \$800 m, C must be \$740 m so that C + I = \$840 m. This means planned expenditure is \$40 m above what is needed for full employment equilibrium, so that option **A** is the correct answer. However, options **B** and **C** were the most popular. These candidates may have ignored the value of 100 in the



consumption function, so that C works out as \$640 m giving a (deflationary) gap of \$16 0m (option B) or \$260 m (option C) if the value of I is incorporated.

Question 29 tested candidates' knowledge about the role of the World Bank and IMF. Option **D** was the correct answer, although the least popular one chosen by candidates. The IMF operates at a macroeconomic policy level in countries so would not be providing monetary assistance to build infrastructure. The other three options were each chosen by about a quarter of the candidates. However, in each case, the role is performed by both the World Bank and the IMF. Candidates need to have a better knowledge of this part of the syllabus.



Paper 9708/42

A Level Data Response and Essays

General comments

Overall performance this year remained very similar to that of March 2024. Responses to **Question 1** varied from poor in relation to **Question 1(b)** to very good in relation to **Question 1(c)**. **Question 1(a)** and **Question 1(d)** covered a much wider range of responses and thus worked well as performance discriminators. A similar outcome occurred regarding responses to questions in both *Section B* and *Section C*. For example, while many responses to **Question 2** were very good, the opposite applied in relation to **Question 3**. In *Section C* **Question 4** was dealt with extremely effectively, while those who did choose **Question 5** – there were few who did this – frequently failed to gain a high mark.

One important explanation for the marks disparity between **Question 1(b)** and **Question 1(c)**, and **Question 2** and **Question 3** was due the failure on the part of some candidates to read the question carefully and reflect upon this before 'putting pen to paper'. This failure has been 'flagged up' many times in Principal Examiner reports and it must be noted that it continues to occur to a significant extent. An explanation of this type of failure will be provided below when responses to each question are analysed separately.

Comments on specific questions

Section A

- (a) Marks varied considerably across what was, admittedly a narrow range of zero to two marks. Very good responses which gained both marks, were able to explain that the optimum population would occur when GDP per capita was at its highest AND that this was based on an assumption of a given amount of resources/state of technology. Those who failed to add the latter point, gained only one mark. Weaker responses did not refer to either point outlined above but merely substituted alternative words for 'optimum'. For example, 'the best level of population' or the 'ideal level of population'. Responses of this nature gained no marks.
- (b) There were two parts to this question. Neither part was dealt with appropriately. The first part required candidates to comment on how China's population <u>structure</u> changed between 1970 and 1920. The key word, highlighted, is 'structure'. The majority of responses did not appear to recognise the importance of this part of the question. Instead of discussing changes in 'structure', most candidates simply described absolute changes in the level of population. Whereas changes in structure required references to a changing birth rate, an ageing population and an increasing dependency ration. Very few responses gained all three marks for this part of the question very carefully before attempting an answer. The remaining two marks required candidates to comment on what was happening to population growth, based on Figure 1.1. Most responses simply stated that the level of population was declining, therefore Figure 1.1 did support the statement that 'its population is decreasing. Whereas the better candidates, who gained two marks, were able to explain that based on the graph, we could only conclude that the <u>rate of growth was falling</u> but nevertheless the overall level was still rising.
- (c) A significant number of candidates were able to gain full marks for this question. Again, there were two parts to this question. Each question could gain three marks. Each question required careful observation of the text to comment to analyse how changes in China's population would affect GDP. It was necessary to identify first the impact of smaller numbers of young people and second, the increase in relative numbers of older people. One mark was awarded in each case for each identification. Two further marks were available for expanding, in each case, how these changes would



impact on China's GDP. To gain full marks, it was essential to comment on the final impact on GDP. The majority of responses were able to do this.

(d) This question referred specifically to the effects on the economy of the population policies <u>suggested</u> <u>by China's government</u>. The last part of the latter sentence is underlined to illustrate that responses needed to focus on China's population policies **not** suggestions coming from outside China that referred to the need to raise the retirement age. More than 90 per cent of candidates discussed the effects of a decision to raise the retirement age. This was not China's policy therefore no marks were gained for this discussion. It was expected that candidates would refer to both the 'one-child policy' and the 'two child policy'. Three marks were available in relation to each policy. One mark was available for a conclusion. Very few candidates attempted to provide a conclusion. Once again, this failure to read the text carefully is illustrated by non-relevant comment based on 'other policy suggestions' rather than, as the question stated, comment based on policies suggested by China's government.

Section B

Question 2

Many candidates produced some very detailed analysis of how Oligopolies operate with particular emphasis upon pricing policies. Very good responses were able to clearly outline the market characteristics, of a typical Oligopoly and, and more importantly, link this structure to show how prices in this type of market might be determined. The really good responses were able to draw an accurate, clearly labelled kinked demand curve and use this diagram to explain why price leadership might often take place in such circumstances. In addition, better responses identified the relationship between the kinked demand curve and price rigidity and, again, link this to an explanation of price determination. Although some candidates referred to the significance of Game Theory, in many instances there remained a failure to link this to the decision of some firms to collude to maintain super normal profits in the long run. The highest marks for analysis were gained by those who combined the above with some reference to non-price competition and/or the use of limit pricing. Although it was pleasing to note that many candidates appeared to have been well prepared to answer a question based on this part of the syllabus, only a relatively small proportion of responses gained high evaluative comment marks. Apart from some cursory comments relating to a possible break down of collusion, few candidates were able to progress beyond this. For example by references to the possibility of alternative policies to profit maximisation such as break-even, or perhaps some reference to the high costs sometimes associated with non-price competition.

Question 3

This guestion referred specifically to the consequences of imposing an effective minimum wage on the employment level and the wage level in a monopsony labour market. It was vitally important that candidates took clear note of the highlighted three words. These words were meant to provide important signals to guide candidates where to base their main focus when answering this question. There were two issues in particular that were essential to ensure that responses remained relevant throughout. Unfortunately, a significant proportion of responses failed to recognise both of these essential points. First, it should have been noted that this was a microeconomic question requiring a microeconomic response. Some answers discussed macroeconomic issues in depth but gained no marks. For example, references to the impact of the imposition of a minimum wage on a monopsony firm on inflation was entirely non-relevant therefore gained no marks. Second and perhaps to an even greater extent, the overwhelming majority of candidates provided a diagram that did not relate specifically to a monopsonistic firm. Diagrams relating to a perfectly competitive labour market were provided instead and this invariably led to weak analysis and incorrect predictions in relation to the impact of a minimum wage on employment. Better responses were able to draw an accurate monopsony diagram and then proceed to discuss the potential impact of a minimum wage by careful reference to their diagram. Marks were gained for providing evaluative comment referring to relative elasticities of demand for and supply of labour plus in some instances, the ease with which capital could be substituted for labour. Although many of these comments were not fully developed. Thus, far too many candidates failed to gain a mark beyond level 1 for this question.



Section C

Question 4

Approximately 90 per cent of learners chose to answer this question. A very high proportion of responses gained a high mark for the knowledge, understanding and analysis part of the paper. It was clear that learners had been well prepared to answer a question based on this part of the syllabus. It was pleasing to note that the analysis provided in the overwhelming majority of responses was so comprehensive. Good answers incorporated Keynesian expenditure approach, along with references to monetarist alternatives based on contractionary money supply, raising interest rates and devaluation of the currency. Generally, the responses which gained higher marks, were able to provide some excellent supporting diagrams which were relevant and labelled accurately. Weaker responses provided micro diagrams instead of required AS/AD diagram and this prevented high marks being gained. It is important to note that if a question specifically asks for a diagram, then a correct diagram is essential to gain a level 3 mark. Candidates found it easier to provide evaluative comment relating to monetarist demand side policies rather than any alternative Keynesian demand side policies. Some very good evaluation was provided in relation to the policy based on a re-valuation of the currency. Clear understanding of the Marshall-Lerner condition, combined with the use of the reverse J curve analysis frequently produced very high marks for evaluative comment.

Evaluation relating to Keynesian demand side polices frequently tended to be less fully developed. Often, brief one sentence statements were provided instead of any detailed developed comment. This approach usually confined many learners to a level 1 evaluation mark and made level 2 evaluation marks relatively rare. Attempts to provide a conclusion were generally very good. A significant number of candidates did attempt to draw upon the preceding analysis to assess the effectiveness of each type of policy approach. This was rewarded accordingly.

Question 5

Very few candidates chose to answer this question. The question worked well as a discriminator. Responses varied across a wide mark range. To gain a level 3 mark for knowledge, application and analysis, it was necessary for responses to refer to at least two alternative expenditure switching policies and to support this analysis with a relevant, clearly labelled diagram. Although many candidates were able to identify and discuss at least two policy options, a significantly large proportion of responses failed to incorporate a relevant diagram. It was expected that the majority of responses would provide a clearly labelled diagram which could then be used to analyse the impact of the use of tariffs. Many answers did refer to tariffs but failed to provide a relevant diagram. This was somewhat disappointing given such diagrams are always part of mainstream textbook's use of the tariff to illustrate an expenditure switching policy. Some very good responses considered the use of a formal devaluation and proceeded to gain high marks for adding evaluative comment based on the use of the J curve diagram. Weaker responses simply referred to the issue of retaliation associated with the use of tariffs but did not develop this beyond a basic comment. Opportunities to gain additional marks for evaluative comment identifying and discussing welfare loss associated with the use of tariffs were almost universally missed. Marks were gained for reference to the use of supply side policies but it was expected that responses distinguish between policies which might have a short run impact and those which were only likely to work in the long run. Most conclusions needed more development as well as avoiding a basic summary of the preceding discussion.

