



## **Economics Questions By Topic:**

# **Business Objectives (3.2.1) Mark Scheme**

## **A-Level Edexcel Theme 3**

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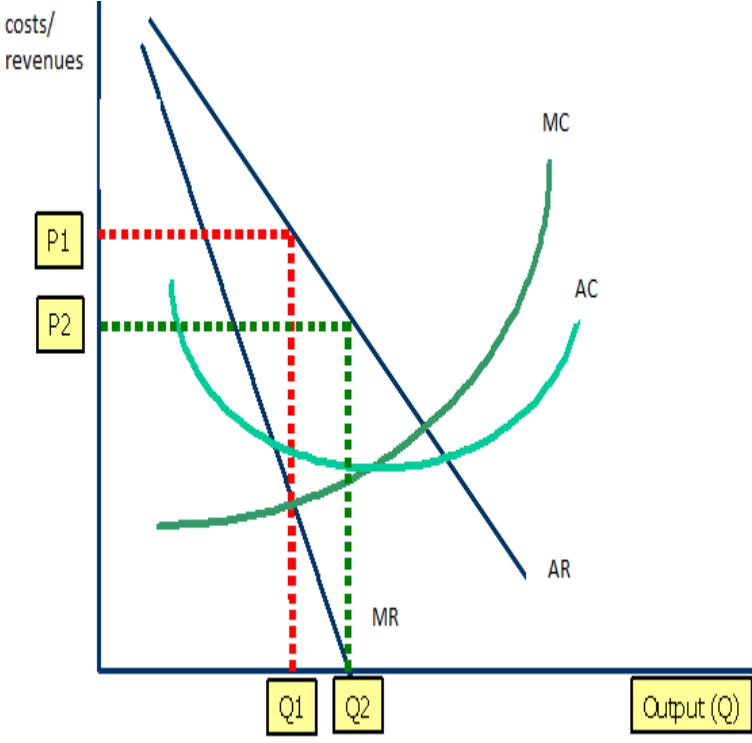
**SECTION A**

Question Number	Answer	Mark
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2</b></p> <p><b>Knowledge/Understanding: (up to 2 marks)</b>            1 mark for identifying each correct price/output level e.g.            Identify profit maximisation position: for example, where <math>MC=MR</math> or output level 25 or price £17 (1)</p> <p>Identify revenue maximisation position: for example, where <math>MR=0</math> or output level 36 or price £12 (1)</p> <p><b>Application: (up to 2 marks)</b>            Calculate total profit at profit maximisation position: for example, total revenue – total cost = total profit:  <math>£425 - £200 = \mathbf{£225}</math> (1)  <b>OR</b>  <math>£17-£8=£9, £9 \times £25 = £225</math> (1)  <b>OR</b>            Calculate total profit at revenue maximisation position:  <math>£432 - £324 = \mathbf{£108}</math> (1)  <b>OR</b>  <math>£12-£9=£3, £3 \times £36 = £108</math> (1)</p> <p><math>£108 - £225 = \mathbf{-£117}</math> or <math>\mathbf{£117}</math></p> <p><b>Award full 4 marks for -£117 or fall of £117 or £117</b></p>	<b>(4)</b>

Question Number	Answer	Mark
<b>1(b)</b>	<p><b>The only correct answer is B</b></p> <p><i>A is not correct because sales maximisation occurs when AC equals AR which is at an output higher than revenue maximisation</i></p> <p><i>C is not correct because AC is higher at sales maximisation output than revenue maximisation</i></p> <p><i>D is not correct because abnormal profit is removed and only normal profit is now made</i></p>	<b>(1)</b>

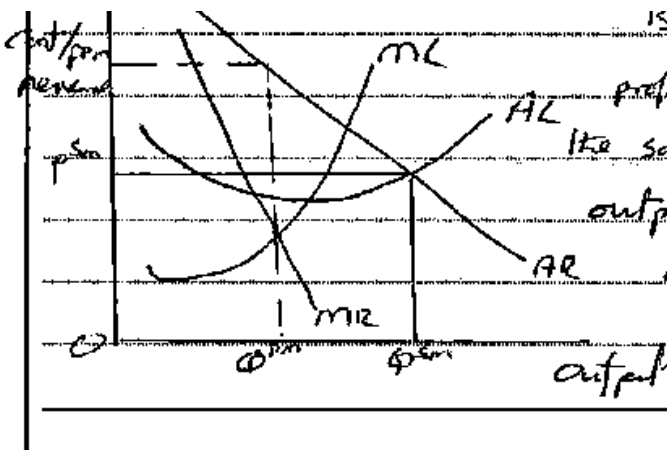
Question Number	Answer	Mark
<b>2</b>	C	<b>(1)</b>

Question Number	Answer	Mark																																																																																				
<b>3</b>	Key: D	<b>(1)</b>																																																																																				
	<p>Explanation: Profit maximisation is <math>MC=MR</math> (1) TR calculations correct (1) MR calculations correct (1) TC calculations correct (1) Total profit calculations correct (1) identification that £7 is the MC and MR at equilibrium (1)</p> <table border="1"> <thead> <tr> <th>Q</th> <th>P</th> <th>TR</th> <th>MR</th> <th>TC</th> <th>MC</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>20</td> <td>0</td> <td>-</td> <td>30</td> <td>-</td> </tr> <tr> <td>1</td> <td>18</td> <td>18</td> <td>18</td> <td>32</td> <td>2</td> </tr> <tr> <td>2</td> <td>16</td> <td>32</td> <td>14</td> <td>35</td> <td>3</td> </tr> <tr> <td>3</td> <td>14</td> <td>42</td> <td>10</td> <td>39</td> <td>4</td> </tr> <tr> <td>4</td> <td>12</td> <td>48</td> <td>6</td> <td>45</td> <td>6</td> </tr> <tr> <td>5</td> <td>10</td> <td>50</td> <td>2</td> <td>55</td> <td>10</td> </tr> </tbody> </table> <p>Note that answers could also show TR TC and Total Profit in the columns with TP replacing the MR column and therefore no need for <math>MC=MR</math>:</p> <table border="1"> <thead> <tr> <th>Q</th> <th>P</th> <th>TR</th> <th>Total Profit</th> <th>TC</th> <th>MC</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>20</td> <td>0</td> <td>-30</td> <td>30</td> <td>-</td> </tr> <tr> <td>1</td> <td>18</td> <td>18</td> <td>-14</td> <td>32</td> <td>2</td> </tr> <tr> <td>2</td> <td>16</td> <td>32</td> <td>-3</td> <td>35</td> <td>3</td> </tr> <tr> <td>3</td> <td>14</td> <td>42</td> <td>3</td> <td>39</td> <td>4</td> </tr> <tr> <td>4</td> <td>12</td> <td>48</td> <td>3</td> <td>45</td> <td>6</td> </tr> <tr> <td>5</td> <td>10</td> <td>50</td> <td>-1</td> <td>55</td> <td>10</td> </tr> </tbody> </table> <p>Note that the mark for filling the column is awarded as long as there is sufficient data for making an observation. For example the MC column can stop at 6 because this is where it equals MR.</p>	Q	P	TR	MR	TC	MC	0	20	0	-	30	-	1	18	18	18	32	2	2	16	32	14	35	3	3	14	42	10	39	4	4	12	48	6	45	6	5	10	50	2	55	10	Q	P	TR	Total Profit	TC	MC	0	20	0	-30	30	-	1	18	18	-14	32	2	2	16	32	-3	35	3	3	14	42	3	39	4	4	12	48	3	45	6	5	10	50	-1	55	10	<b>(3)</b>
Q	P	TR	MR	TC	MC																																																																																	
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Question Number	Answer	Mark
<b>4</b>	Key: B	<b>(1)</b>
	<p>Firm has monopoly power or is a price maker (1). Revenue maximising occurs at <math>MR=0</math> (1). A change to profit maximising means <math>MC=MR</math> (1) and <math>MC</math> is positive because there are at least some variable costs or <math>MC&gt;0</math> (1).</p> <p>Use of diagram to illustrate these points, up to 2 marks. <b>NB</b> diagram must include correct change in <math>P</math> and <math>Q</math> based on correct equilibria (1+1) e.g. where <math>P_1 Q_1</math> is profit max (1 mark) and <math>P_2 Q_2</math> is revenue max (1 mark):</p> 	<b>(3)</b>

Question number	Answer	Mark
5	<p><b>Correct option B (1mark)</b></p> <p>Definition profit satisficing (making enough profit to keep shareholders happy/sufficient/just enough/target/fixed amount) (1)</p> <p>Reasoning, e.g. they may have other objectives (1)</p> <p>It may mean long run profit maximisation (1)</p> <p>Reason why this occurs e.g. divorce of ownership from control, principal agent problem (1)</p> <p>Diagram to illustrate minimum profit as range of output levels (1)</p> <p>Application – people may be shareholders for other reasons than profit e.g. winning matches, attendance at matches, brand development (1 + 1)</p> <p>Example of knock out:  It's not C as profit maximising is where <math>MC=MR</math>  It's not A as low dividends are likely to make share prices fall (or other logical reasons why share prices change)</p>	(4)

Question Number	Answer	Mark																																										
6	<p data-bbox="363 230 794 264"><b>Correct Option D (1 mark)</b></p> <table border="1" data-bbox="363 297 1297 633"> <thead> <tr> <th data-bbox="371 309 475 398">Output per week</th> <th data-bbox="483 309 635 398">Total revenue (£millions)</th> <th data-bbox="643 309 794 398">Average revenue (£millions)</th> <th data-bbox="802 309 954 398">Total cost (£millions)</th> <th data-bbox="962 309 1114 398">Average cost (£millions)</th> <th data-bbox="1121 309 1273 398">Marginal cost (£millions)</th> </tr> </thead> <tbody> <tr> <td data-bbox="371 409 475 443">0</td> <td data-bbox="483 409 635 443">0</td> <td data-bbox="643 409 794 443">-</td> <td data-bbox="802 409 954 443">10</td> <td data-bbox="962 409 1114 443">-</td> <td data-bbox="1121 409 1273 443">-</td> </tr> <tr> <td data-bbox="371 454 475 488">1</td> <td data-bbox="483 454 635 488">40</td> <td data-bbox="643 454 794 488">40</td> <td data-bbox="802 454 954 488">25</td> <td data-bbox="962 454 1114 488">25</td> <td data-bbox="1121 454 1273 488">15</td> </tr> <tr> <td data-bbox="371 499 475 533">2</td> <td data-bbox="483 499 635 533">60</td> <td data-bbox="643 499 794 533">30</td> <td data-bbox="802 499 954 533">34</td> <td data-bbox="962 499 1114 533">17</td> <td data-bbox="1121 499 1273 533">9</td> </tr> <tr> <td data-bbox="371 544 475 577">3</td> <td data-bbox="483 544 635 577">78</td> <td data-bbox="643 544 794 577">26</td> <td data-bbox="802 544 954 577">52</td> <td data-bbox="962 544 1114 577">17.3</td> <td data-bbox="1121 544 1273 577">18</td> </tr> <tr> <td data-bbox="371 589 475 622">4</td> <td data-bbox="483 589 635 622">96</td> <td data-bbox="643 589 794 622">24</td> <td data-bbox="802 589 954 622">96</td> <td data-bbox="962 589 1114 622">24</td> <td data-bbox="1121 589 1273 622">44</td> </tr> <tr> <td data-bbox="371 633 475 667">5</td> <td data-bbox="483 633 635 667">105</td> <td data-bbox="643 633 794 667">21</td> <td data-bbox="802 633 954 667">150</td> <td data-bbox="962 633 1114 667">30</td> <td data-bbox="1121 633 1273 667">54</td> </tr> </tbody> </table> <p data-bbox="363 678 1273 745">Definition sales maximisation <math>AC=AR</math> or <math>TC=TR</math>; <b>or</b> selling as much as you can without making a loss (1)</p> <p data-bbox="363 757 1217 824">Identification that at sales maximisation there are normal profits or no supernormal profits/loss (1)</p> <p data-bbox="363 835 1209 925">Filling in columns with correct AR, TC, AC, TR-TC or total profit (1 mark for each correct column up to 4 units is sufficient): (1 + 1 + 1)</p> <p data-bbox="363 969 794 1003">Diagram showing <math>AC=AR</math> (1)</p> <p data-bbox="363 1014 1193 1037">Output is at £96 million TR/TC <b>or</b> £24 million AR/AC (1)</p>	Output per week	Total revenue (£millions)	Average revenue (£millions)	Total cost (£millions)	Average cost (£millions)	Marginal cost (£millions)	0	0	-	10	-	-	1	40	40	25	25	15	2	60	30	34	17	9	3	78	26	52	17.3	18	4	96	24	96	24	44	5	105	21	150	30	54	(4)
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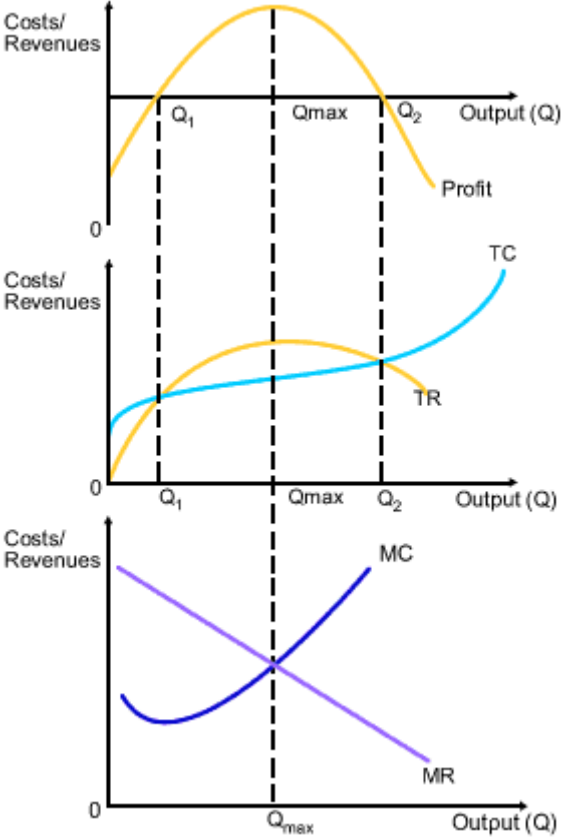
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7	<p>D</p> <p>Definition of <i>monopoly power</i> (not monopoly alone): firm has power to set prices or output/ firm is a price setter or price maker (1);</p> <p>Explanation of sales max: selling as much as possible without making a loss (1); where <math>AR = AC</math> (1); or maximising sales subject to the <i>constraint</i> of making <math>AR=AC</math> (normal profit) (1);</p> <p>Explanation: explanation of normal profit, e.g. just enough profit to keep resources/firms in their current use (1); market share increased at expense of competitors (1); a lower price means that more is demanded (1);</p> <p>Reasons for this objective: to remove competition (1); limit pricing (1); long run profit maximisation by removing competition or gaining loyalty (1);</p> <p>Diagram showing fall in price and/or higher output (1) at <math>AC=AR</math> (award <math>AC=AR</math> point only if not defined or otherwise used in answer) (1);</p>  <p>Examples of knock-out mark:  It is not A because the firm is cutting prices to prevent new firms entering, so it is sacrificing short term profits for long term benefits  It is not C because this option ignores costs, but costs must be taken into account for normal profit <math>AR=AC</math>.</p>	(4)



Question Number	Answer	Mark
8	<p>A</p> <p>Definition of marginal revenue (1);</p> <p>Diagram marks or equivalent verbal analysis: annotation of diagram or separate diagram showing parabola shaped TR (1); MR crossing horizontal axis where TR reaches the maximum (1) or at output 500 (or close) (1); relationship between AR(=D) and MR, e.g. if the demand curve is downward sloping the MR curve will be below it and steeper (1); relationship between MR and TR, e.g. if <math>MR &gt; 0</math> then TR is rising (1); relationship between AR and/or MR and price elasticity of demand (PED) e.g. if PED is elastic MR is positive (1); if PED is inelastic MR will be negative (1);</p> <p>Application mark: revenue rising from £2400 at output 400 to £2500 at output 500 (1); £5 is revenue maximising (1)</p> <p>Example of knock out mark: it is not E because there is no consideration of any costs.</p> <p>Example of knock out mark: it is not B because there is no indication that the firm is operating at 500 units.</p>	(4)

Question Number	Answer	Mark
9	<p><b>C</b></p> <p>Definition/identification mark: revenue maximisation: <math>MR=0</math> is revenue maximisation or verbal identification that the firm cannot make any more money (1)</p> <p>Annotation of diagram <b>or</b> as written analysis: Total revenue is 0KHZ/shading of this area (1) with output at 0Z (1).</p> <p>Diagram: parabola shaped TR, upside-down U (1) and if this is connected to <math>MR=0</math> or Z on the question (1)</p> <p>Application: There will be empty spaces in the car park (1) but if car park is full total revenue is lower (1).</p> <p>Further explanation marks: use of marginal analysis, e.g. if prices were cut total revenue would fall, and if prices were raised total revenue would fall (1)</p> <p>If calculation is shown, to scale, then award for total revenue, output and knockout marks, as appropriate (up to 3 marks).</p> <p>Example of elimination mark: Knock out of B as this is sales maximisation (1)</p> <p>Knock out of A as this would mean there is no revenue (1)</p>	(4)

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<b>10</b>	<p><b>C</b></p> <p>Definition of profit maximisation, e.g. <math>MC=MR</math> (1 mark)</p> <p>Calculation of Total Revenue (TR) column (1 mark)</p> <p>Calculation of Marginal Revenue (MR) column (1 mark)</p> <p>Calculation of Total Costs (TC) column (1 mark)</p> <p>Calculation of Total Profits column (1 mark)</p> <p>Firm is price maker, or downward sloping demand curve (1 mark)</p> <p>Application mark: <math>MC=MR</math> when they are both £6</p> <p>Allow answers to be written between cells rather than in cells (technically correct, which makes output 2.5 profit max) (1 mark for correct inference of output 2.5 or 3)</p>	<b>(4)</b>																																																	
	<table border="1"> <thead> <tr> <th>Quantity</th> <th>Price (£)</th> <th>Total Revenue (TR)</th> <th>Marginal revenue (MR)</th> <th>Total costs (£)</th> <th>Marginal costs (MC)</th> <th>Total Profit (TR-TC)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>11</td> <td>0</td> <td>-</td> <td>5</td> <td>-</td> <td>-5</td> </tr> <tr> <td>1</td> <td>10</td> <td>10</td> <td>10</td> <td>9</td> <td>4</td> <td>1</td> </tr> <tr> <td>2</td> <td>9</td> <td>18</td> <td>8</td> <td>14</td> <td>5</td> <td>4</td> </tr> <tr> <td>3</td> <td>8</td> <td>24</td> <td>6</td> <td>20</td> <td>6</td> <td>4</td> </tr> <tr> <td>4</td> <td>7</td> <td>28</td> <td>4</td> <td>28</td> <td>8</td> <td>0</td> </tr> <tr> <td>5</td> <td>6</td> <td>30</td> <td>2</td> <td>38</td> <td>10</td> <td>-8</td> </tr> </tbody> </table>	Quantity	Price (£)	Total Revenue (TR)	Marginal revenue (MR)	Total costs (£)	Marginal costs (MC)	Total Profit (TR-TC)	0	11	0	-	5	-	-5	1	10	10	10	9	4	1	2	9	18	8	14	5	4	3	8	24	6	20	6	4	4	7	28	4	28	8	0	5	6	30	2	38	10	-8	
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11	<p>E</p> <p>Definition of marginal profit e.g. the increase in profit when one more unit is sold or the difference between MR and MC or <math>MR - MC = 0</math> (1) with <math>MC = MR</math> (verbally or as diagram)(1) and marginal analysis of this point with diagram showing TR and TC (1) with the greatest positive difference (1) marginal analysis showing what happens before and after <math>MC = MR</math> (1 + 1)</p> <p>Diagram (up to three marks) might include elements of the following: Vertical line connects profit maximisation with <math>MC = MR</math> (1) Gradient of total profit curve is zero where marginal profit is zero (1)</p>  <p>Allow elements of this diagram (you are unlikely to see all of this), or other versions showing the difference between MC and MR as marginal profit, or shading area of total profit.</p>	(4)

Question Number	Answer	Mark
12	<p>C</p> <p>Identification of revenue maximisation as <math>MR=0</math> or diagram showing MR crossing horizontal axis (1 mark)</p> <p>Diagram showing TR max at <math>MR = 0</math> (1 mark)</p> <p>The flowers are going to be discarded the cost is effectively zero (1 mark)</p> <p>The firm makes as much money as possible ignoring the costs since the costs are no longer recoverable (1 mark)</p> <p>If flowers are sold there is additional revenue or if flowers are not sold revenue from them is zero (1 mark)</p> <p>Therefore by selling flowers that would otherwise be discarded, profits are made or losses reduced. (1 mark)</p> <p>Demand is relatively elastic (1 mark)</p> <p>Reference to second-degree price discrimination is allowed (but not required for this specification) (1 mark)</p> <p>It will cost money to dispose of wasted stock (1 mark)</p> <p>Alternative approach: the firm is profit maximising (1 mark), but <math>MC = 0</math> (1 mark), and if <math>MC = MR</math> then <math>MR = 0</math> (1 mark).</p>	(4)

Question Number	Answer	Mark
13	<p><b>E</b></p> <ul style="list-style-type: none"> <li>• Definition of satisficing, e.g. satisfying or sufficing different stakeholders, making just enough profit to survive, making enough profits to keep shareholders happy, firms have multiple and possibly conflicting interests (1 mark)</li> <li>• Identify stakeholder and/or an objective (1 mark)</li> <li>• Reason for stakeholder's objectives e.g. shareholder wants to maximise profits because their dividends depend of them (1 mark)</li> <li>• Diagrammatic analysis: costs/revenue diagram showing at least two objectives of firms, or profit diagram showing a satisficing range of profit (1 mark)</li> </ul>	(4)

Question Number	Answer	Mark
14	<p><b>C</b></p> <ul style="list-style-type: none"> <li>• Definition: sales maximisation is at output at which <math>AR = AC</math> which may be in diagrammatic form (1 mark)</li> <li>• Diagram showing outputs or prices for equilibria (1 mark)</li> <li>• Explanation that under sales maximisation lower prices or profits will deter new entrants or increase market share of the existing firm (1 mark)</li> <li>• Normal profits only will be earned (1 mark)</li> <li>• Accept analysis of limit pricing (1 mark)</li> <li>• Long run analysis e.g. sales max might equal long run profit max (1 mark)</li> </ul>	(4)

**END OF SECTION A**

**SECTION B**

Question Number	Indicative content		Mark
<b>15</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 2</b></p> <p style="text-align: center;"><b>Case for principal agent problem being significant.</b></p> <p>Conflict of interest between the principal (shareholder) and the agent (CEOs/directors/managers) creates problems for Thomas Cook:</p> <ul style="list-style-type: none"> <li>• Moral hazard – no consequences for the failings of management results in high-risk behaviour</li> <li>• Chief Executive incentivised by £500 000 bonus and £8.5 million salary possibly linked to sales or market share rather than the long-term profitability of Thomas Cook</li> <li>• To increase sales or market share the Chief Executive may have focussed on mergers with other Travel businesses, price wars with competitors or investing in buying new hotels and planes rather than keeping costs low and paying off debts</li> <li>• Chief Executive may have prioritised a greener image by reducing emissions or better pay to avoid pilots striking and sought to satisfy shareholders instead reducing the long-term profitability of Thomas Cook</li> </ul>		<b>(6)</b>
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.	
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.	
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.	

Question Number	Indicative content		Mark
<b>15</b> continued	<p style="text-align: center;"><b>Evaluation 4</b></p> <p style="text-align: center;"><b>Case against ‘principal agent problem’</b></p> <ul style="list-style-type: none"> <li>• Employee share-ownership schemes address the problem. £4m of the CEO’s £8.5m earning is in shares – so as an employee he is motivated by profit maximisation, bringing him in-line with shareholders. His shares are now worthless</li> <li>• CEO worked “exhaustively” to rescue Thomas Cook and create a long-term strategy. By owning planes and hotels they would have assets and not borrow to rent. In the long-run Thomas Cook could have moved its sales more on-line</li> <li>• Shareholders have lost capital value but the CEO has lost his job, earnings and his reputation</li> <li>• Shareholders can hold the CEO accountable at their AGM, reject pay and bonus awards and place the CEO on a short-term contract to avoid the long-term contract short-term gain problem</li> <li>• Other factors that caused closure – fuel prices, competition.</li> </ul>		<b>(4)</b>
Level	Mark	Descriptor	
	0	No evaluative comments.	
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.	
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.	

**END OF SECTION B**



**SECTION C**

Question Number	Indicative content	Mark
<b>16</b>	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8</b></p> <ul style="list-style-type: none"> <li>• Explanation of revenue maximisation (for example, output position where <math>MR=0</math>) and profit maximisation (for example, output position where <math>MR=MC</math>).</li> <li>• Diagrammatic analysis may be offered depicting the two business objectives.</li> </ul> <p><b>NB revenue maximisation discussion may be considered as KAA and profit maximisation as EV or vice-versa. Mark the best approach as KAA and the other as EV.</b></p> <p>Revenue maximisation:</p> <ul style="list-style-type: none"> <li>• This could be more appropriate in large firms with a separation of ownership from control e.g. supermarkets / oligopoly.</li> <li>• Directors may have salaries linked to revenue growth rather than profits.</li> <li>• Directors may seek greater security through larger market share rather than higher profits.</li> <li>• Revenue maximisation may be less likely to draw attention of competition authorities, as price and profits will be lower.</li> <li>• Accept a game theory approach if relevant.</li> <li>• Short term need for cash e.g. to avoid bankruptcy or fund attractive new opportunities</li> </ul> <p><b>NB for a Level 4 response, candidates must refer to a specific INDUSTRY in their answer.</b></p> <p><b>Evaluation 9</b> Profit maximisation can be used as a counter argument to points above:</p> <ul style="list-style-type: none"> <li>• Profit maximisation could be more appropriate in smaller firms where there is no separation of ownership from control e.g. small independent grocery stores / monopolistic competition.</li> <li>• Profit maximisation could be more appropriate in a monopoly market with high entry barriers so little possibility of competition.</li> <li>• Rational business owners are expected to seek to maximise profits. Role of shareholders in expecting high share prices and dividend.</li> </ul> <p><b>Other points include</b></p> <ul style="list-style-type: none"> <li>• Depends on the type of industry e.g. hairdressing or banking may have different goals.</li> <li>• A contestable market may influence the objectives.</li> <li>• Business owners and directors are not always rational.</li> <li>• Conflicting objectives by different pressure groups within firms may lead to a compromise objective such as profit satisfying.</li> </ul>	<b>(25)</b>

	<ul style="list-style-type: none"> <li>• Difficulty in firms achieving revenue maximisation or profit maximisation in terms of calculating marginal revenues and marginal costs from production.</li> <li>• Revenue maximisation and profit maximisation may require frequent price changes which may lead to falling customer demand.</li> <li>• Lack of continuity in small businesses means profit maximisation may not be sustained even if a business objective.</li> </ul>	
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<b>Knowledge, application and analysis</b>		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

<b>Evaluation</b>		
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

**END OF SECTION C**