

# Commentary on candidate evidence

The candidate evidence has achieved the following marks for each question.

## Candidate 1

### Section 1

#### Question 1(a)

**Describe what is meant by the following terms:**

**national debt (line 1)**

The answer was awarded **1 mark** (out of 1) for this question for:

- a correct description of national debt

#### Question 1(b)

**Describe what is meant by the following terms:**

**the Budget (line 16)**

The answer was awarded **1 mark** (out of 1) for this question for:

- a correct description of the budget

#### Question 2

**Discuss the possible economic implications of rising national debt.**

The answer was awarded **5 marks** (out of 5) for this question for:

- increasing government borrowing costs
- increased future debt burden
- the opportunity cost for public spending
- an example of public spending
- the need to increase government bond return rates

No mark was awarded for the fourth paragraph because the candidate did not stipulate whether government bonds were bought by foreign investors.

No mark was awarded for the last paragraph because the candidate has been awarded a mark for a point on the rate of return on government bonds, and this development incorrectly brings in monetary policy impacts.

### Question 3

**Describe the possible impacts of an ageing population on an economy.**

The answer was awarded **5 marks** (out of 5) for this question for:

- lower output
- a higher dependency ratio and burden on current taxpayers
- increasing spending on state pensions
- an increase in the budget deficit
- increased spending on NHS

A further 4 marks for increased retirement savings; lower demand leading to a negative multiplier; increasing technology/AI; and increasing long term productivity would have been awarded had the candidate not already reached full marks for this question.

## Question 4

**Discuss the economic implications of a ban on the sale of new petrol and diesel cars on the UK economy.**

The answer was awarded **1 mark** (out of 5) for this question for:

- lower consumer choice

For all other points, the candidate has incorrectly conflated the ban of new petrol and diesel cars with total car sales for the bulk of their answer.

## Question 5

**Discuss the possible advantages and disadvantages of foreign direct investment on the UK economy.**

The answer was awarded **6 marks** (out of 6) for this question for:

- increased expertise leading to increased productivity
- increased productivity leading to increased economic growth
- increased jobs leading to lower unemployment
- less long-term thinking by foreign firms
- profit repatriation to home countries
- excessive competition for domestic firms

No mark was awarded between the 3rd and the 4th marks because FDI does not automatically reduce a current account deficit, and government tax revenue in this case would be corporation tax, not necessarily income tax and VAT, which is straying away from directly answering the questions.

## Question 6

### Describe key features of Capital Gains Tax (CGT).

The answer was awarded **3 marks** (out of 3) for this question for:

- a correct description of CGT
- the current rates of CGT
- CGT being payable on non-primary residences

A further mark for stocks and shares ISAs being exempt from CGT would have been awarded had the candidate not already reached full marks for this question.

## Question 7

### Describe the arguments for and against Inheritance Tax in the UK.

The answer was awarded **4 marks** (out of 4) for this question for:

- raises tax revenue for government
- extra revenue can be used for improving public services
- reducing wealth inequality
- double taxation payable (as income has been previously taxed)

A further mark for wealthy people avoiding paying tax would have been awarded had the candidate not already reached full marks for this question.

No mark was awarded for the last paragraph because the candidate is discussing the debate around the threshold point of inheritance tax, which is not what the question is asking.

The candidate achieved a total of **26 marks** out of 30 for section 1 (questions 1-7)

## Section 2

### Question 8(a)

**Explain, using a diagram, why a firm in monopolistic competition can only make normal profits in the long run.**

The answer was awarded **6 marks** (out of 6) for this question for:

- diagram - fully labelled
- diagram - profit maximising output
- diagram - tangential curve
- can make abnormal profit in short term
- attracts new entrants to market
- low barriers to entry

A further 2 marks for decreasing supply; eradicating abnormal profits would have been awarded had the candidate not already reached full marks for this question.

### Question 8(b)

**Describe the measures that the UK uses to prevent firms in imperfectly competitive markets from abusing their dominant market position.**

The answer was awarded **6 marks** (out of 6) for this question for:

- investigating mergers
- preventing mergers against the public interest
- conducting studies to identify problems
- making firms address problems
- investigating breaches of Competition Act
- fine firms for breaches of Competition Act

A further mark for bringing criminal proceedings would have been awarded had the candidate not already reached full marks for this question.

### Question 8(c)(i)

**Explain, with the aid of a diagram, why 'renewable energy generation' may result in positive production externalities.**

The answer was awarded **7 marks** (out of 7) for this question for:

- diagram – MPC above MSC
- diagram – equilibrium points
- diagram – potential welfare gain
- positive impacts on third parties
- MSC lower than MPC
- renewable energy is under-produced
- loss in welfare gain

### Question 8(c)(ii)

**Evaluate possible economic measures which could be taken to reduce climate change.**

The answer was awarded **5 marks** (out of 6) for this question for:

- carbon tax – to disincentivise emissions
- carbon tax – difficult to accurately measure emissions
- carbon trading – to disincentivise emissions and encourage selling of permits
- carbon trading – reduce the cap over time
- carbon trading – problems with implementation across multiple countries

The candidate achieved a total of **24 marks** out of 25 for section 2 (question 8).