Examiners' Report
Principal Examiner Feedback

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General comments

The performance on the multiple choice section was slightly below the performance in the last two series. There was a larger number of students only selecting a key and not attempting to explain their answers than seen previously. However, overall students performed similarly to previous January series on the data response questions.

In the supported multiple choice section students were typically able to achieve marks for either definitions/ explanations or identifying the correct key with some explanation. There were more occasions this series where students were unable to access marks as it was more common for no attempt at explanation to be offered.

On the data response section question 9 was more popular than question 10. Students attempting question 10 outperformed those attempting question 9.

Diagrammatic analysis on the work from the better students was accurate and was integrated with their written analysis. They would not only draw the diagram accurately but write about what they learn from it in their written explanation. This enabled them to consistently achieve within the top level. This was particularly true for those drawing externality diagrams. Key to achieve level 3 was the explicit inclusion of the market equilibrium and social optimum and the welfare loss area. It was impressive the number that used their diagrams to explain the impact in their written analysis. On the questions linked to policy, subsidy and tax diagrams when drawn performed better when they made reference to the incidence, tax revenue or consumer and producer surplus.

There were a significant number of superior responses which achieved very high marks, particularly in the supported choice section of the paper and the 6 and 4 mark questions on the data response. A greater number of students also performed well on the 10 and 14 mark questions as more developed their analysis points and offered developed evaluation.

Most students were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation.

It was more common this series to see unfinished or brief responses as student preparation for the exams and time management was less good. It is important that students practise the unit 1 papers under timed conditions to strengthen exam skills. The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and also on how to improve further.

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Supported Multiple Choice

Most students were able to access marks on each question in this section of the paper. The mean score for the supported multiple choice questions was marginally below the previous January series. Those students achieving the top grade were able to use relevant diagrams to support their answers and the written responses were able to define effectively and explain the correct key.

The key way all students at every grade were able to access marks was being able to define the main concept in the question.
Those that went on to apply appropriate economic theory and analysis (usually awarded up to 2 marks) were those able to achieve the higher grades.

It is possible to achieve the full 3 explanation marks even when an incorrect option is selected. It was very rare this season to find a box not complete and very rare was the letter in the box different to the answer being justified.

Some students gained marks by using the rejection technique. Up to 3 marks are available for successfully eliminating 3 incorrect options (provided that three separate reasons are offered). To achieve rejection marks it requires students to explicitly state the option key being rejected and then to offer an appropriate explanation as to why it is wrong. Thankfully it is now rare for students to not to identify the incorrect option key. A significant number were using the rejection mark to achieve their last mark on these questions. When rejecting it is important that students explain why it is not the correct answer.

The mark scheme offers guidance on how to reject incorrect options. Note it is perfectly acceptable to use a combination of techniques for securing the 3 explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

Section B: data response questions

The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is vital that students make evaluative comments when required by the question. The 14 mark question comprises 6 evaluation marks and a 10 mark question comprises 4 evaluation marks. To achieve the higher levels they will need to not only identify evaluative points but develop them to explain their point. To reach level 3 these points must be less generic and more in the context of the question. There was a significant improvement in the numbers evaluating with both development and context.

Approximately 2/3rds of students selected question 9 and 1/3rd completed question 10. Students performed marginally better on question 10 than question 9. Question 9 related to the markets for wheat, cereals and livestock. Question 10 related to tourism.

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Specific comments

Question 1

Students performed better on this supported multiple choice question than any other. Most were able to identify the correct key in that most electricity came from non-renewable resources in 2015. Most then defined both renewable and non-renewable accurately although only one mark was awarded for such definitions. Identifying relevant examples was also commonly attempted although again one mark only was awarded for this, so giving example of renewable and non-renewable still only achieved one mark. To achieve the final mark most calculated the total value for the renewable or non-renewable to show non-renewable was higher. A common rejection mark was to reject C or D by explaining that for each the amount used from that resource had increased. However many added the values for each increase in resource together. This does not show anything and was not rewarded. To improve students need to remember to use data explicitly in calculating which is larger to be able to prove an answer correct or incorrect.

Question 2

In the stem to the question is made it clear that they spent half of their time working on each type of jewellery. It was extremely rare to see anyone actually calculate how many units of each piece of jewellery they would therefore produce. It was also rare for students to identify how much would be produced if they did specialise. There was one mark for definitions of either production possibility frontier or specialisation. Most attempted the latter. Many attempted both although only one was rewarded. It was common for students to be able to identify that Fabio should specialise in gold necklaces and Grace gold rings. Very impressive were those that calculated the opportunity costs to determine which each would specialise in. However, the biggest way to improve performance on the question would be to use calculations. A very common error was to say that Grace could produce 30 gold rings and 30 gold necklaces and making 60 possible which is of course wrong and shows a misconception that teachers need to address with students. When rejecting answers some evidence needs to be offered to support the assertion it is not enough to just say D is incorrect because output will increase and not decrease without explaining why.

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Question 3

The question tested students understanding of the difference between an ad valorem and specific tax. Nearly all identified that an indirect tax would cause the leftwards shift of the supply curve but the majority incorrectly identified B as the correct answer. A 14.5% tax should have been the clue that this was ad valorem and for correctly identifying this a mark was awarded. Better responses explained that such tax would cause the supply curve to pivot rather than having a parallel shift. Most were able to correctly define indirect tax. One way to achieve a mark was to annotate the appropriate diagram. Many annotated B which was the wrong diagram. Rejection marks need to explain not only that it is incorrect but why. For example to reject C they needed to explain that the tax adds to costs of production whereas the diagram indicates that costs have fallen perhaps through allocation of a subsidy. Similarly in rejecting D it is important to explain why supply and not demand shifts. For example the indirect tax adds to costs so affects the firms supply curve or that demand does not shift but contracts as supply falls.

Question 4

In previous series questions looking at why customers will not switch despite better deals elsewhere students have struggled. On this occasion the performance was marginally better. Many were able to identify D as the correct answer. Most defined rational or irrational behaviour accurately. Better responses made the link between 31% not being able to tell whether another supplier was cheaper with showing that they find it difficult to calculate the benefits which makes them poor at computation. Students to reject C really needed to make the connection as to why energy supply is not a public good, for example why it is excludable or rival.

Question 5

Students were questioned on functions of the price mechanism and tended to perform well. The most common score was 3 out of 4. Typically they identified the correct key D in that the price mechanism rations resources by allowing the price to rise when the supply falls. Many then defined the free market economy and price mechanism, note that only one mark was available for definitions. Better responses drew the diagram showing the correct shift in supply and change in equilibrium price which achieved two marks. It was also common for students to explain that the higher price leads to the product being rationed as it is less affordable. Many also rejected A in terms of the fact a price falls creates less profit incentive and therefore production will fall.

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Question 6

The question explored what change would make both consumer and producer surplus to rise. The correct answer C was identified by most who appreciated that the increase in supply caused by increased productivity would cause the required change. Many defined both consumer and producer surplus but only one mark was awarded for the definitions. The diagram was only awarded one mark if students shifted supply right and the new equilibrium was marked. Marks were then often awarded for the correct annotation of the consumer and producer surplus before and after the change. In rejection once again key was the need to make the link to how the change affects consumer and producer surplus.

Question 7

There was some confusion with this question on buffer stock. Many incorrectly identified that the government would buy and spend money. Of course when the price is above the ceiling price buying maize will push the price even higher, The correct answer was therefore than they would earn revenue as they would sell from their stocks and D is the correct answer. Buffer stock was either explained or reasons for it outlined. Most make reference to reducing price fluctuations. It is worth remembering that the price given to the farmers for the maize cannot be above the maximum price.

Question 8

This question tested students understanding of government failure. The correct answer was lifted directly from the specification but it was an aspect that students really struggled with leading to this being the question student performed least well on. Many defined mixed economy accurately. It is important that they do not just say it is where you have a free market economy and command economy as this is not precise enough. It is better to refer to the price mechanism and government allocating resources. Government failure was well defined with reference to the government intervention leading to a net welfare loss. Definitions were awarded a maximum of one mark. Many just repeated the stem in trying to explain it.

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Question 9(a)

A familiar question to students. Where it says illustrate your answer with a diagram it is important to include one. Most students now do and were able to draw the correct shift in supply to the right. It is important to draw both the original equilibrium and final equilibrium. There were normally 3 marks available for the diagram although some secured a 4th as they correctly annotated the precise price increase on the diagram. Where they did not do this they did present the original and final price. Two marks were available for reasons.

This was effectively done by most with students making reference to good harvests in three of the world's largest growers, Russia, Canada and the USA with the second mark often being picked up for making reference to extensive planting and good weather. It was far rarer for students to refer to the USA's winter wheat harvest being 21% up from 2015.

Question 9(b)

The question was a challenge for many. Most accessed a mark for defining price elasticity of supply. Others defined price elastic or price inelastic. The maximum awarded here for definitions was one. The question explicitly asks for students to make reference to the extract so the evidence used needs to be taken from the extract. Many did not do this or only used one piece of evidence.

The article states that farmers 'were running out of room to store the crop'- which means there are large amounts of stock in storage to be able to respond to changes in price making it elastic. A further mark was available for stating that 'it takes about 6 months for wheat to grow'- if price rose it will take time to grow so could be inelastic. Another mark was awarded for the fact that there are two wheat harvests a year - so making supply more price elastic. Some students effectively argued alternative points. For example stating that 6 months to grow shows they can grow more than one crop a year and can respond relatively quickly so it could be seen as more elastic. Key is the explanation as to why it is elastic or inelastic. Still some students explore this question focused on price elasticity of demand and are unable to access marks.

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Question 9(c)

There were some very effective responses to this question which asked students to evaluate the impact of the fall in the price of wheat on the manufacturers of breakfast cereals. Whilst a diagram was not requested the best responses did provide one. Most explicitly made reference to data in terms of the wheat price change. They then linked the decrease in the price of wheat to how this affects the production costs of cereal manufacturers. Next most understood that the supply of breakfast cereals rises and better students made reference to the extension of demand. Students then used their diagram or explained the likely impact on producer surplus or profits.

It was less likely for students to make reference to cereal producers being more able to lower price or that cereal producers may substitute to wheat from other more expensive grains. Some of the responses able to reach to level 3 went on to consider wider impacts such as how employment within breakfast cereal manufacturing may increase and how investment may increase as the industry becomes more profitable. Better work was also more likely to consider that new entrants may be attracted by additional profits.

It was pleasing that Figure 1 was well used in evaluation and that it was not just highlighted but students explained how grain only makes up 3% of the cost of cereal and that other costs were more significant.

It was rare that students would look at how heavy advertising and branding meant breakfast cereal manufacturers find the demand for cereals is relatively inelastic- so firms are not likely to lower price as likely response is reduced total revenue. This was only a response seen amongst students achieving the higher grades.

Many made reference to it depending on the relative price of different grains. A common response was that not all breakfast cereals contain wheat. Another point made was that prices may well increase depending on the supply in future years.

Question 9(d)

This 14 mark question saw students perform less well than they did on Q9(c). Students were asked to draw an externalities diagram. Those that did accurately including the market equilibrium, social optimum and welfare loss and making reference to points form their diagram in the written analysis were often able to access the top level. There were a number of examples of external costs in the extract that were only identified and identification means they could only access level 1. Key was the need to explain how the eternal costs affected third parties. Students rarely considered the benefits of livestock production in terms of added value, increased supply and lower prices. Most evaluation offered looked at issues around magnitude, time lags and the difficultly in measuring and quantifying external costs.

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Question 9(e)

The question needed students to consider two policies that could reduce external costs. It was pleasing that most did look at only two policies and tried to consider how the policy would be able to reduce external costs. The better responses included a diagram to show how it reduced consumption. Most common was to consider how indirect taxes could be used, others looked at subsidising grain production and the other area was to look at how minimum pricing could be used. Many of the better responses looked at how one government may find it difficult to enforce the policy and how one country alone may find it difficult to tackle externalities due to the international nature of the externalities. Other common responses looked at the size of the tax, magnitude and opportunity costs.

Question 10(a)

The most common mark on this question was 5 although the average mark was lower than for Q9(a). The most common mark missed was for defining income elasticity of demand. Otherwise most were able to gain marks for using the data to identify it as income elastic, a luxury good or a normal good. One mark was typically achieved for reference to the YED or Ireland's income growth. Many offered both but only one mark was available. Many correctly drew the diagram with the correct shift in demand and both the original and final equilibrium.

Question 10(b)

Students did better on this part than the corresponding 4 marker in question 9. Most spent a lot of time defining PED, price elastic and price inelastic but only one mark was available for definitions. Data was used more effectively with reference to the PED in Spain and Ireland being identified as elastic and in France, Germany, the Netherlands and USA as inelastic. Key through was the need for explicit data of the elasticity to be able to access full marks.

Question 10(c)

Like Q9(d) this question explored external costs. However, performance on this question was better than on Q9(d). This was mainly due to students offering better explanation as to how the external costs in the extract affect the third parties. Students who drew a diagram were often able to achieve well. It was not a requirement but did enhance the quality of the analysis when explicit reference was made to it. Again the main evaluation points offered included the magnitude and measurement issues as well the benefits of the tourism.

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Question 10(d)

This question was similar to Q9(e) but again students on average performed better. Most referred to a tourist tax and subsiding eco-tourism. Again the inclusion of relevant diagrams helped with developing of the analysis. There was some strong evaluation offered and this was normally well developed and in context. For example, tax was often linked to high income tourists from abroad not responding as the tax would need to be higher.

Question 10(e)

The final part of question 10 looked at the impact of the introduction of a minimum wage for hotel workers in Los Angeles. Most did include a diagram. In previous series this would have seen many drawing a diagram which shows the introduction of the minimum wage. However, this series the vast majority drew the correct diagram showing an increase in the minimum wage. Explicit use of the data was common with many drawing this on their diagram. Many used the data effectively for example making reference to Holiday Inn, Los Angeles and to the rising price of restaurant food. Evaluation was strong here as they made reference to context and developed their points. For example, many made reference to how the minimum wage meant workers could give up second jobs for leisure and family time. They also made reference to the fact that hotels are still investing in Los Angeles suggesting they are less likely to lay off workers.

Paper summary

Based on their performance on this paper, students are offered the following advice:

Section A: supported multiple choice

- Define accurately the key economic term(s) used in each question.
- You will often find definitions alone are awarded one mark and only occasionally two marks. Students should not spend too much time defining only.
- Be prepared to annotate the diagrams presented in the questions, for example on question 3 one mark was awarded for correctly annotating the equilibrium price and quantity.
- When diagrams are provided avoid wasting time by redrawing the diagram from scratch.
- Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text. On question 6 the correct shift and original and new equilibrium were needed to access one mark.
- Always refer to the information provided, for example calculate the amount of resources that are non-renewable in question 1.
- Make sure 'value is added' to answers which use the rejection method. Do not simply state that a particular option is incorrect without explaining why this is the case.

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- The production possibility frontiers in question 2 caused some confusion with too many identifying that Grace can produce 60 as she can produce 30 of both gold rings and gold necklaces. This is clearly not the case and shows a miscomprehension.
- Students were often unable to recognise that the imposition of a 14.5% indirect tax meant it was ad valorem. Others could identify this as ad valorem but did not realise that this pivots.
- With buffer stock it is important that students know that when price goes above the ceiling that the government sells so earns revenue and when the price goes below the floor they will buy so spending money.
- The example of government failure listed is clearly identified in the specification. It is important that students can identify these examples as government failure and explain how the government is failing.

Section B: data response

- Focus on developing economic analysis in the high mark base questions. Quite often students moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in 14 mark questions. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.
- Where students are asked to refer to a concept in a question it is important they do not just define it but attempt to use it to analyse and evaluate.
- Where diagrams are requested these should be drawn as they will be well rewarded- do be careful with the accuracy of these.
- Where diagrams are not requested but it helps with your analysis then they should be encouraged.
- Students need to consider the mark allocations where 14 marks are available 6 marks will be for evaluation and students should be encouraged to develop at least 2 and possibly 3 evaluation points. Similarly a 10 marker will require 2 evaluation points for 4 marks.
- When being asked to explain which elasticity a product is it is important to use the data to direct your answer. For example in Q9(b), you needed to make reference to influences on the price elasticity of supply such as, large quantities of stocks in storage. It is important though to explicitly identify the elasticity this indicates.
- Having identified externalities from extracts it is important to explain how they affect the third party.
- For the minimum wage which looks at an increase in the minimum wage to achieve level 3 the diagram must clearly show the minimum wage rising.

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