

Cambridge International AS & A Level

ECONOMICS**9708/24**

Paper 2 AS Level Data Response and Essays

May/June 2026**MARK SCHEME**Maximum Mark: 60

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

This document consists of **23** printed pages.

General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: - the specific content defined in the mark scheme - the specific skills defined in the mark scheme or in the level descriptions - the standard of response required as exemplified by the standardisation scripts.
2	Examiners must award whole marks (not half marks, or other fractions).
3	Examiners must award marks positively . This means that: - marks are not deducted for errors or omissions - marks are awarded for correct/valid answers as defined in the mark scheme and also for other valid answers which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate - the quality of spelling, punctuation and grammar are judged only when the mark scheme indicates that these features are specifically assessed in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must consistently apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the full range of marks defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and must not award marks with grade thresholds or grade descriptions in mind.

**Social Sciences-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.

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.

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.

Annotations

Annotation	Meaning
	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.

Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

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.

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)	‘Argentina’s currency, the peso, would be allowed to depreciate’. Describe the meaning of depreciation of a currency and state one consequence for Argentina’s exporters of a depreciation of the peso. • Depreciation refers to a decrease in the value of a currency / the peso, compared to other international currencies / international value of the currency / a fall in value of the exchange rate in a floating exchange rate system (1) • It would make Argentina’s exports cheaper (1) Guidance: do not accept simple references to a fall in the value of a currency or the fall in the value of a domestic currency / the Peso.	2
1(b)	Explain one likely effect of the increase in tariffs on the value of imports into Argentina. • It would increase the price of the imports (1) this will reduce the consumption/value of the imports (1)	2
1(c)	With the help of a diagram, explain the effect on the market for transport in Argentina of reducing the subsidy to transport providers and consider the possible impact of this on inflation in Argentina. For a clearly labelled and accurate diagram showing the impact on the transport market of a shift to the left of the supply curve and a resulting higher equilibrium price and lower equilibrium quantity (1) For an explanation that this will likely increase costs for transport providers (1) Leading to possible inflation in Argentina (1) For some evaluation as to whether this may lead to an increase in inflation MAX 1 mark For example, it may not lead to inflation as the cost push factor may be offset by the demand-pull factor reducing as G falls. It may depend on the weighting of transport in measuring inflation, e.g., if it is very low then the impact on inflation may be minor.	4

Question	Answer	Marks
1(d)	Assess whether the advantages of the removal of maximum prices would outweigh the disadvantages of their removal in Argentina. Up to 4 marks MAX for explanation/analysis: Up to 3 marks for an analysis of the advantages of removing maximum prices. For example: • This will lead to higher income for producers (1) • It should incentivise producers to produce more (1) • Which should reduce shortages and assorted problems e.g., illegal markets, queuing etc. (1) 1 mark per relevant explained point / up to 2 for a point developed through a chain of reasoning Up to 3 marks for an analysis of the disadvantages of removing maximum prices. For example: • Products become less affordable (1) • This might increase poverty / reduce living standards/ proportionately affect the less well-off more / increase income inequality (1) • It may lead to an increase in the rate of inflation (1) 1 mark per relevant explained point / up to 2 for a point developed through a chain of reasoning Up to 2 marks for relevant evaluation of both the advantages and disadvantages of removing maximum prices. Reserve 1 mark for a justified conclusion that is clearly in the context of Argentina.	6

Question	Answer	Marks
1(e)	Assess whether ‘improvements to the supply side of the economy’ of Argentina would benefit everybody in Argentina. Up to 4 marks MAX for explanation/analysis: Up to 3 marks for an analysis of how different groups may benefit. For example: • Improvements may allow markets to work more efficiently (1) therefore raising production (1) • Firms may become more competitive (1) therefore raising levels of GDP (1) • May improve skills e.g., through education and training leading to improved job prospects (1) • This may raise incomes (1) and therefore living standards (1) 1 mark per relevant explained point / up to 2 for a point developed through a chain of reasoning. Up to 3 marks for an analysis of how different groups may not benefit. For example: • Policies may lead to unemployment (1) e.g., as firms go out of business due to greater competition / labour market becomes less secure due to flexible markets (1), leading to a fall in living standards (1) • This may increase income inequality (1) with a disproportionate effect on low-income / low skilled employees (1) • It may lead to an increase in levels of taxation (1) reducing the disposable incomes of consumers / profits of firms (1) • They may lead to an increase in the budget deficit / reduce the ability of the government to spend on other areas e.g., merit goods (1) 1 mark per relevant explained point / up to 2 for a point developed through a chain of reasoning. Up to 2 marks for relevant evaluation of both sides of the question as to whether improvements in the supply side of the economy would benefit everybody in Argentina. Reserve 1 mark for a justified conclusion that is clearly in the context of Argentina.	6

Question	Answer	Marks
EITHER		
2(a)	Explain the factors affecting the cross elasticity of demand (XED) for a product and consider how useful XED is likely to be to the firm making this 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) • A definition and / or an accurate formula for XED (1) • An understanding that XED is affected by / measures whether the two goods are complements or substitutes. A positive value means the goods are substitutes and a negative value means they are complements (1) • The size of the value determines the closeness of the relationship i.e., the higher the value, the closer the relationship (1) AO2 Analysis (max 3 marks) • For example, if the products are substitutes then e.g., a firm might lower the price of its product to compete against a competitor / raise price if a competitor raises their prices etc. (1) • For example, if the products are complements, if the price of a complement rises then a firm might increase its own prices to raise revenue or reduce the price to encourage consumption of both (1) • The usefulness will depend on e.g., the quality of the available data, the closeness of the relationship between products / whether a single firm produces the substitute or complementary products etc. (1) AO3 Evaluation (max 2 marks) Offers a valid judgement on how useful XED is likely to be to a firm (1) Note: the second mark is reserved for a justified conclusion.	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	Assess whether price elasticity of demand (PED) or income elasticity of demand (YED) is likely to be of greater importance to a firm during a period of negative economic growth. 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 the meaning and formula of PED. • An understanding of the meaning and formula of YED. • An analysis of how each of these concepts can be applied to a firm during a period of negative economic growth. This may include: • An understanding that demand may fall for most goods as income may fall so PED may be useful to calculate the impact on demand and sales if the negative economic growth is caused by rising prices. • This is likely to make PED more elastic. • Firms may use this information to calculate possible changes in sales when deciding to change prices. • However, YED may be of greater importance • Incomes may well be falling during a period of negative economic growth and so a firm will want to be producing or stocking goods that are relatively income inelastic. • Normal goods are characterised by a positive YED and inferior goods by a negative YED; during a period of negative economic growth, there is likely to be a move away from normal goods towards inferior goods. • This may also include an assessment of weaknesses regarding the calculation of both measurements. Award any valid responses 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 /arguments etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation That considers whether PED or YED is likely to be of greater importance to a firm during a period of negative economic growth and arrives at a reasoned and justified conclusion.	12

Question	Answer	Marks
2(b)	A one-sided response cannot gain any marks for evaluation.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	Explain the three functions of price in resource allocation and consider whether market price always avoids over-consumption of a 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) Knowledge and understanding of the three functions of price in resource allocation: • Who should receive the goods /rationing (1) • What should be produced /signaling preferences (1) • How should the goods be produced/ incentivising (1) AO2 Analysis (max 3 marks) For analysis of: • How the price mechanism allocates products (1) • What is meant by equilibrium (1) • Why some goods e.g., demerit goods may be overconsumed (1) AO3 Evaluation (max 2 marks) Offers a valid judgement as to whether market price always avoids over-consumption of a product (1) to reach a conclusion. (1)	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	Assess whether mixed economies should consist of a relatively large or a relatively small state sector. 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 The advantages and disadvantages of a relatively large state sector might include: • Economies of scale leading to lower costs of production. • Less duplication of resources. • Greater account taken of negative and positive externalities • Reduction of monopoly power by private firms. • Strategic reason, e.g. state control of a large part of defence industry. • The benefits on the economy of the private (non-state) sector are minimized which can lead to less efficient allocation of resources. The advantages and disadvantages of a relatively small state sector might include: • Allow for more incentive to innovate. • Allow for more competitive pressure. • Better decision making that is less influenced by political reasons. • Reduces public spending and possibly taxation. • Helps to contribute to an enterprise culture. • The drawbacks to the economy of the private (non-state) sector are greater which can lead to less efficient allocation of resources. Knowledge of free-market and planned economic systems is not required for this question. 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 /arguments 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
3(b)	AO3 Evaluation Consideration of the relative advantages and disadvantages of each approach to arrive at a reasoned and justified conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	Explain what is meant by the circular flow of income in a closed economy with a government sector and consider the impact of a move from a closed economy to an open economy on this circular flow. 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) - The circular flow of income shows expenditure on goods flowing towards firms from households and income flowing from firms towards households (1) - Money leaves the circular flow through leakages and enters the circular flow through injections (1) - In a closed economy there is no international trade and injections consist of $I + G$ and leakages consist of $S + T$ (1) A correctly drawn and accurate diagram can gain all three marks but is not necessary. AO2 Analysis (max 3 marks) - A move from a closed economy to an open economy will introduce international trade and bring in expenditure on exports and imports (1) - Exports will represent injections (money going into the circular flow) and imports will represent leakages (money leaving the circular flow) (1) - The overall impact on the economy will depend on the value of exports and imports. E.g., if X is greater than M then the economy may grow and vice versa (1) AO3 Evaluation (max 2 marks) Offers a valid judgement on the extent of the impact on an economy of a move from a closed economy to an open economy on this circular flow (1) to reach a conclusion. (1)	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3

Question	Answer	Marks
4(b)	Assess the extent to which the shape of the long run aggregate supply (LRAS) curve affects the ability of a government to use fiscal policy to achieve price stability. 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 • Of what is meant by fiscal policy • Of the shape of the Keynesian LRAS / the vertical LRAS curves • Analysis of how an increase/ fall in demand due to fiscal policy will affect price stability will be determined by the position of the economy on the Keynesian LRAS / vertical LRAS curves • For example, if the LRAS is horizontal, fiscal policy can be used to increase AD and output without any changes to the price level which may lead to price stability. • If the LRAS is upward sloping, fiscal policy can be used to increase output, but this is increasingly changing / increasing the price level and this will have an impact on price stability. • If the LRAS is vertical and fiscal policy will only increase the price level and this will have an impact on the price level. • The impact will vary depending on whether the economy has been experiencing inflation or deflation. • However, this depends on: • For example, the amount of spare capacity, confidence levels within the economy, time lags At least 2 ‘shapes’ of the LRAS curve must be analysed to get into L3 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 /arguments etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation • Consideration of the extent to which the long run aggregate supply (LRAS) curve affects the ability of a government to use fiscal policy to achieve price stability to reach a conclusion. Accept all valid responses.	12

Question	Answer	Marks
4(b)	A one-sided response cannot gain any marks for evaluation	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	Explain three potential benefits of specialisation and free trade and consider whether consumers always benefit from specialisation and free trade. 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) The benefits of specialisation and free trade include an identification plus some explanation of: • An increase in (world) output (1) • More efficient use of resources (1) • Lower costs of production (1) AO2 Analysis (max 3 marks) Analysis of the possible advantages to consumers e.g.: (Up to 2 marks) • Lower prices • More choice Analysis of the possible disadvantages to consumers e.g.: (Up to 2 marks) • Supply may be dominated by monopolies increasing prices • Vulnerability to supply shocks increasing prices • Unemployment affecting Consumers' spending power AO3 Evaluation (max 2 marks) Offers a valid judgement on whether consumers always benefit from specialisation and free trade (1) to reach a conclusion. (1) Do not credit discussion of specialisation/division of labour	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	Assess whether a surplus in the current account of the balance of payments of an economy is always an advantage for this 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 The potential advantages of a surplus in the current account: • It increases a country's net assets. • A relatively high level of exports could lead to an increase in employment in the export sector. • Lower import spending could also lead to higher employment in the domestic sector of an economy. • It contributes positively to a country's reserves. • Possible increase in GDP / employment The potential disadvantages of a surplus in the current account: • It could put upwards pressure on the currency and such an appreciation would make exports more expensive and imports less expensive. • If the surplus has been caused by a fall in import spending, it could be indicative of a recession. • Risk of demand-pull inflation • It can be controversial if the surplus is caused by an undervalued exchange rate. 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 / arguments etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation • Consideration of whether a surplus in the current account of the balance of payments of an economy is always an advantage for this economy to reach a justified conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation	12

Question	Answer	Marks
5(b)	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4