



Economics

Time zone 0

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Grade boundaries

Higher level overall

Grade:	1	2	3	4	5	6	7
Mark range:	0-13	14-26	27-39	40-52	53-63	64-76	77-100

Standard level overall

Grade:	1	2	3	4	5	6	7
Mark range:	0-12	13-26	27-38	39-52	53-64	65-77	78-100

Higher level and Standard Level internal assessment

Grade:	1	2	3	4	5	6	7
Mark range:	0-6	7-12	13-20	21-26	27-31	32-37	38-45

Higher level paper one

Grade:	1	2	3	4	5	6	7
Mark range:	0-7	8-14	15-21	22-27	28-32	33-38	39-50

Standard level paper one

Grade:	1	2	3	4	5	6	7
Mark range:	0-6	7-13	14-19	20-25	26-31	32-37	38-50

Higher level paper two

Grade:	1	2	3	4	5	6	7
Mark range:	0-5	6-10	11-13	14-18	19-23	24-28	29-40

Standard level paper two

Grade:	1	2	3	4	5	6	7
Mark range:	0-5	6-10	11-14	15-20	21-25	26-31	32-40

Higher level paper three

Grade:	1	2	3	4	5	6	7
Mark range:	0-6	7-13	14-20	21-27	28-33	34-40	41-50

Higher level and standard level internal assessment

The range and suitability of the work submitted

The majority of candidates assessed had completed 3 commentaries and addressed 3 different syllabus areas using three different sources. The choice of articles was usually suitable, although it was a shame to see so few on economic development. Some candidates had produced their three commentaries in a very short period of time, which is not the intention of the IB and should be discouraged. Some candidates seemed to have searched for other articles related to the selected article to write their commentaries on and then used the extra information to write their analyses and evaluations, which again is not appropriate or the intention of the IB. Articles chosen should have enough content for a student to be able to write a commentary that addresses all the assessment criteria, especially an analysis and evaluation. There was a wide range of ability seen.

A few centres did not accurately complete the 3/CSE form. The maximum time lapse between the date the source article was published and the writing of the commentary is one year and this was sometimes not applied. Also the maximum word count is 750 words, although there is no minimum word count and some teachers are penalizing their students if the word count is less than 650 words, which is not appropriate. If a commentary is longer than 750 words the moderator will stop reading at 750 words so the student could lose marks from their analysis and evaluation.

Some centres did not adhere to the requirement that footnotes are only to be used for references, but not definitions. If they are used for the latter, then words are counted and this may make the commentary exceed the 750-word limit. Specific, textbook definitions are unnecessary but an understanding of terms must be shown.

Articles should be complete, not in sections, and if the articles are long, then the specific areas being written about in the commentary should be highlighted. If the articles are in a different language, full transcripts of the article should be provided.

A few centres had students only write commentaries based on articles about their own countries and this is not recommended as this is the International Baccalaureate so at least one article, if not all three selected should be about different countries.

Candidate performance against each criterion

Criterion A

Most candidates included at least one relevant diagram, although these were often not well explained. Too often diagrams had been copied from textbooks or websites and labelling of axes etc was generic. A few candidates had even pasted a photograph of a diagram taken from a textbook. Even though most were referenced it was hard to give full marks for such generic diagrams. It is preferable that candidates produce their own diagrams, either by hand or using computer skills. Neatly hand drawn diagrams are very much preferable to copied ones. Although this criterion does say 'diagrams' in the plural, students can gain full marks if they use only one diagram. However, where the article lends itself to more than one it is usually the case that students do not attain full marks for this criterion. Also graphs that have been adapted to the article using the correct product and actual prices (if known) are preferable to generic graphs. Sometimes incorrect currencies were used when prices were given. Some candidates excessively labelled the diagrams and extra words to those allowed has to be included in the word count. Some students referred to colours on the graphs but were seen as only black and white.

Criterion B

Correct terminology was used by the majority of candidates but was not always used appropriately throughout the whole commentary. There was sometimes incorrect terminology used too, such as devaluation instead of depreciation. Some students avidly defined every single term they used and referenced the definitions with footnotes which is unnecessary. If precise definitions are used they must be in quotation marks and referenced. Definitions must not be in footnotes, as they will be ignored. Some students gave a list of definitions of terms that they had used at the end of each commentary, which is inappropriate and unnecessary as this criterion's aim is an implication that the student understands the terms used. The majority of candidates did use appropriate terminology, so it was rare to see 0 marks awarded for this criterion and the majority did score well.

Criterion C

The application of relevant economic concepts usually was satisfactory but too often not throughout the whole commentary when students started to apply pure theory that was not relevant to the article. Links need to be made between the economic theories/concepts and the article itself. Some students wrote the commentaries using the correct economic theory but with little or no reference to the article. Some students had selected difficult articles where they really did not understand the theory present and therefore it was hard for them to score more than 1 mark for this criterion. Some articles chosen dealt with issues that are not in the IB syllabus and again, they did not score well. However, the majority of students did score quite well in this criterion.

Criterion D

Analyses were usually attempted and a range of marks was awarded but too often this was rather limited, especially for those candidates who described what was happening and wrote more of a précis than an analysis. The aim is for students to explain and develop the theories linked to the articles. Sometimes there was a description of the article, followed by a description of the relevant theory but the two were not linked together. Quite a large number of students just wrote about the theory, often giving advantages and disadvantages or alternatives to policies, seeing these as evaluation, that were irrelevant to the article. Many commentaries did have 'appropriate' analyses but were unable to achieve full marks in this criterion as they were not 'effective'.

Criterion E

It was very pleasing to see that most students did attempt to evaluate, although quite frequently this was irrelevant, incorrect or unsupported. Quite a few candidates had researched other related articles and used these for their analyses and evaluations but they could not achieve top marks in this criterion as the commentary must be written on the article selected. Extra material can only be used as a support, not as the basis of the evaluation. Some articles selected have already been analysed and evaluated, so the students are not actually synthesizing their own analysis and thus they could not attain top marks in this criterion. Many just described what was happening and thus the evaluation was seen to be limited. Too many students used their own opinions as an evaluation, but this was too often unsupported. Also, to attain top marks the student must consider counter-arguments if relevant and give a balanced evaluation.

Criterion F

The majority of candidates did meet the rubric requirements, but some did exceed the word limit of 750 words and actually stated the word count as being over this. It is actually not required to state the word count, although highly recommended. Some students stated they were addressing a section of the syllabus that was incorrect. Again, some used the same media source twice, a few had selected articles older than one year when they wrote the commentary and finally several centres did not include the articles themselves, but just references to them and this of course loses 1 mark for this criterion. These are all areas addressed by this criterion and there is very little excuse not to adhere to these rubric requirements that do not address economic skills. Occasionally articles chosen were not suitable, such as blogs and again a mark can be lost for this.

Recommendations and guidance for the teaching of future candidates

For the teaching of future candidates, I recommend that the students take at least 6-9 months to complete the portfolio of 3 commentaries, if not longer. The Internal Assessment is an integral part of the IB course and should not be seen as a set of assignments to complete at the end, which it was by some candidates. I would recommend that each assignment should be completed when different sections of the syllabus are being taught, so they may do one or two commentaries in year 1 and the remainder in year 2. I would also recommend encouraging students to find articles on economic development and select articles about different countries other than their own.

Candidates should be discouraged from looking for other sources to add on to the information already provided in their selected article. If they select appropriate articles, of a length that gives them enough to write about, there should be no need for extra information.

Teachers are to guide students but not to choose articles for them to write their commentaries on. It was noticed in some centres that the sample of students had all written their three commentaries on very similar topics. Teachers may give one written feedback only on the first submission and the second submission must be final. It is recommended that these are referred to as submissions rather than 'drafts' as this word may seem rather carefree.

It is recommended that students download and save articles directly with the source visible as honesty is sometimes compromised if sources are just named. Also, the details of the sources in each file should match with the details given on the 3/CSE form, including the order in which each commentary is uploaded. Highlighting of the areas of long articles being commented on is recommended too.

Students should be informed that there is no need to fully define every economic term used but just use, apply and explain it appropriately.

Teachers should make brief comments as to why they awarded marks. When teachers write no comments about why marks have been awarded, the moderator sometimes is unsure as to why marks have been or not been given, particularly for criterion F. These comments should not be addressed to the student or just comments about the student's ability but purely as to why marks have been awarded.

It was obvious sometimes that the teacher had not checked the article and commentary submitted at all, such as when an electricity tariff being raised was seen as a trade tariff. It is the role of the teacher to check the article and the first submitted commentary.

Referencing of the article itself should be on the 3/CSE and it is very helpful, as mentioned above, if the article is directly taken from the website, not a copy and pasted one or a Microsoft word document. Candidates MUST include the full article with the commentary even if only a section of the article is being used for the commentary. Diagrams need to be presented appropriately, carefully labelled as to the content of the article and be dynamic and not generic.

Further comments

It was very pleasing to see that the majority of centres did upload both the commentaries and the articles, as in the last few examination sessions quite a few centres did not upload the articles used by the students for the internal assessment (IA), but just gave the URL link. This is not acceptable without a penalty for the student as examiners have been instructed by the IB not to search for the article but mark the commentary without and hopefully the title of the article will give them a hint as to the content. 1 mark is deducted from Criterion F and then the other criteria are unlikely to be awarded top marks because they have no knowledge of the relevance of the commentary to the article.

The order of the three commentaries was sometimes uploaded in a different order to the 3/CSE form and the order in which marks awarded by the teachers were given. This makes it difficult for the moderator to match the marks given by the teacher for each commentary. It would be a good idea for students to label each commentary with a number that matches the 3/CSE to help solve this problem.

Some centres still included individual and summary cover sheets, which is not necessary. The 3/CSE form has replaced these and sometimes it was incorrectly filled in. Some centres also exposed the name of the student and the school name which should not happen as examiners are supposed to mark 'blind'. The full URL of the chosen articles should be stated on the 3/CSE form also and some centres did not do this.

Quite a few teachers did not give any reasons/comments as to why they awarded marks. Sometimes the comments were very short and did not assist the moderator in any way as to why marks had been given, but also some wrote excessively long comments and these are unnecessary. There were noticeable signs that many centres do now apply the assessment criteria appropriately, but there are still quite a few centres where this is not the case and the marks awarded by the teacher were too harsh or, more generally, too generous. The majority of candidates had written three commentaries and adhered to most of the rubric requirements. However, there were a few schools that were very generous and had not fully applied these, such as articles being older than one year when the commentary was written and a student using the same source more than once.

Higher level paper one

General comments

In Section A, question 1 was slightly more popular than question 2. In Section B, the great majority of the candidates preferred question 3. Question 4 appeared to pose the greatest challenge to the candidates who selected it and was rather unpopular among candidates.

The areas of the programme and examination which appeared difficult for the candidates

Many candidates who selected question 3 could not really explain how the Keynesian multiplier works and either skipped the details in their explanations or made up theories that plausibly explained why an increase in investment would boost significantly aggregate demand but were far off the mark with regard to the multiplier effect.

Many of the candidates who selected question 4 struggled to define the term “national income statistics” and very often just made up a definition that seemed plausible but was far away from the specific meaning used in the IB syllabus.

The areas of the programme and examination in which candidates appeared well prepared

The candidates appeared better-prepared for the microeconomic section of the paper. The supply and demand model, the kinked-demand curve model, and the joint profit maximization model were generally well explained and illustrated with appropriate diagrams. A number of candidates were also able to support their answers with game theory, which was very impressive.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

- (a) The great majority of the candidates succeeded in correctly illustrating the shift in demand and the resulting higher equilibrium price and higher equilibrium quantity. However, only in the better answers the link between the excess demand at the initial equilibrium price and the increase in quantity supplied was explained. It seems that the majority of the candidates could not explain effectively how the excess demand causes the adjustment to new market equilibrium. The resource aspect of this question was often overlooked – while many candidates explained that the quantity supplied would increase, they didn't proceed further to link the increased quantity supplied with the reallocation of resources (factors of production) such as land, labour and capital towards the production of the good or services whose demand had increased. There were some candidates who confused a change in quantity supplied with a change in supply.
- (b) The great majority of the candidates correctly explained how advertising would affect demand and illustrated the effect on demand with an appropriate shift of the demand curve. Good examples of merit goods and good evaluation of advertising as well as alternative government policies were often provided. The positive externalities aspect of the question was completely ignored in some of the lower-achieving diagrams. The positive externalities aspect was also ignored in the corresponding explanations.

Question 2

- (a) The diagrams and the explanation of the kinked demand curve model of oligopoly were usually well developed. However, the market price and quantity were not identified correctly in all the diagrams. The shape of the marginal revenue curve did not always correspond to shape of the respective demand curve. The highest-achieving answers clearly linked the different slopes of the demand curve to different price elasticities of demand and to the strategic behaviour (interdependence) of the firms in the oligopolistic market.
- (b) The main problem for some candidates was the lack of understanding of the specific demands of this question item. A number of candidates overlapped the answer to this question item with the answer to question part (a). The highest-achieving responses were able to explain and evaluate both open/formal and tacit/informal collusion as well as non-price competition and to provide suitable examples. There were a number of exemplary cases where game theory was used very effectively to illustrate strategic interdependence and the options available to oligopolies.

Question 3

- (a) Too many candidates failed to provide (correct) details about the workings of the Keynesian multiplier and some of them confused the multiplier effect with the effects of increased investment on the economy in general. Even the candidates who showed greater understanding of the process often failed to provide the (correct) formula for the multiplier. The highest-achieving candidates were able to use the formula for the multiplier and provide a numerical example to explain the impact of the multiplier on aggregate demand through successive rounds of spending and consumption.
- (b) The majority of the candidates demonstrated good understanding of supply-side policies and unemployment, but many candidates failed to focus on the specific demands of the question. Some of the lower-achieving answers explained and evaluated supply-side policies in general and ignored the specific policies that can be used to address labour markets and unemployment. A number of candidates outlined briefly some supply-side policies and then proceeded with getting into the details of alternative policies (such as expansionary monetary and fiscal policy) and their effect on unemployment. The highest-achieving responses were able to clearly distinguish between market-based and interventionist supply-side policies and discuss the effectiveness of each policy for reducing specific types of unemployment.

Question 4

- (a) The great majority of candidates were able to provide valid points but did not consider both the short-term aspects (the impact on aggregate demand) and the long-term aspects (the impact on long-run aggregate supply/potential output) of the question in their answers. A common mistake was to confuse the effect of the increase in the number of skilled people on employment with the effect of the increase in the number of skilled people on unemployment. Some candidates correctly noted that unemployment is likely to increase (especially in the short run), but then incorrectly concluded that the increased number of skilled people of working age entering a country would slow down economic growth and even cause a recession.
- (b) There were some excellent answers with great use of examples and strong discussion, but a number of candidates were seemingly not aware of the specific meaning of the term 'national income statistics' even though the IB syllabus lists a range of national income statistics in the sub-topic about the measures of economic activity. The vague understanding of the key term in this question item caused a number of vague and confused answers which could not meet the specific requirements of the question.

Recommendations and guidance for the teaching of future candidates

Candidates should not avoid any topics when preparing for the examination. All areas of the syllabus are likely to be examined.

Candidates should carefully consider the specific requirements of each question item before they proceed with providing the answer. In part (b) questions, candidates should write evaluative answers that focus on the specific policies mentioned in the question item rather than on relevant alternative policies.

A number of students mix macroeconomic and microeconomic concepts together in the diagrams they draw. For example, they use labels for an AD/AS diagram on the axes, but the labels on the curves and the explanation correspond to a labour market diagram. Teachers should work with students to ensure that they are able to integrate the diagram in the answer and apply it effectively to illustrate the theory and to support the analysis.

Candidates should be encouraged to regularly read appropriate news media and use the research on the internal assessment portfolio to enhance their capacity to integrate reference to real-world examples in their answers. Just mentioning the name of the company or a country without further detail is not sufficient for high marks. Candidates should refrain from making up real-world examples. It is very easy for the examiners to countercheck suspicious examples.

Standard level paper one

General comments

The areas of the programme and examination which appeared difficult for the candidates

Equity, which was covered in question 3(b), is a topic candidates appear to find quite challenging. Equity and equality are closely related and clearly distinguishing between the two did not prove that easy for students. Candidates also found it quite difficult to make the link between policies to achieve greater equity and economic efficiency. Question 4(a) covered leakages and some candidates were confused with the impact leakages have on the circular flow of income.

In terms of approach to the examination a consistent weakness is the use of examples to illustrate the points made in an answer. This is particularly true in macroeconomic questions in Section B. Not using examples is one of the reasons students do not access the highest marks even if their theory is very strong.

The areas of the programme and examination in which candidates appeared well prepared

There were some very strong answers in Section A. Students produced some very clear, accurate responses on the price mechanism and on merit goods. There were also pleasing responses to the taxation question with clear graphical analysis as support. Students are also better at using examples in the microeconomic section of the paper.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

(a) Students were generally good at answering this question in terms of the operation of the price mechanism. There were good examples of how changes in demand and supply lead to market changes in price and quantity. The weakness in a number of candidates' answers was the 'allocation of resources' element of the question where students did not clearly explain how resources move between markets through the price mechanism.

(b) There were some very good answers to this question with students explaining how the market failure associated with merit goods can be addressed by advertising. Effective cost/benefit diagrams were used along with appropriate examples from markets such as healthcare and education. The highest-achieving responses evaluated the advertising policy by covering issues such as cost and effectiveness and then moved on to consider alternative policies such as subsidies and state provision.

Question 2

(a) It was pleasing to see so many clear, well explained and illustrated answers to this question. The highest-achieving responses covered the reasons for indirect taxation such as negative production externalities, demerit goods and raising revenue. It was good to see students using effective examples and clear diagrams to support their answers.

(b) One challenge for students was moving their answer clearly on from part (a) and evaluating the impact on consumers and producers. For consumers, indirect taxation means paying higher prices and seeing the consumer surplus reduced. This could be evaluated by discussing how consumers might, for example, benefit from reducing their consumption of demerit goods because of indirect taxation. For producers, taxation is a problem because it reduces producer surplus but some firms might benefit if funds raised through taxation could be used to fund changes in production techniques in, for example, the energy market.

Question 3

(a) The answers to this question were generally good. Students explained how a recession affects an economy and used relevant AD/AS analysis to illustrate this. Whilst many students explained in their answers to consider the impact of a recession on poverty it would have been better to see some answers develop the impact on absolute poverty further. This is where effective examples would have been really useful such as the impact of recessions on poverty in developing countries.

(b) This question proved to be quite challenging for students. The highest-achieving answers were very clear on the difference between equity and equality and the policies that can be used to promote equity. Many students focused on policies such as progressive taxation, state funded education and healthcare, and price controls. Effective responses moved on to consider the impact of these policies on economic efficiency. Many identified the inefficiencies that result from, for example, maximum prices in terms of productive and allocative efficiency. The very best responses evaluated this by considering the strengths of, for example, progressive taxation in the way it can incentivise workers on lower incomes.

Question 4

(a) This was another question that proved quite challenging for students. This model needs to be explained with a level of precision and any errors are clearly shown up. Quite a few candidates drew poor circular flow diagrams and got injections and leakages mixed up. This may be because this area of the syllabus is not examined as frequently as others. The highest-achieving answers had clear, well labelled circular flow diagrams and precisely explained how an increase, for example, in saving reduces the size of the circular flow of income.

(b) There were a mixed range of answers to this question. There was a tendency for lower-achieving responses to be rather vague and imprecise. The strongest responses clearly set out how real GNI per capita can be used to compare living standards in material terms by, for example, explaining how a high GNI figure leads to higher household incomes which facilitates higher material living standards. This can then be used to compare living standards between countries. The highest-achieving responses evaluated this by considering the problems of using GNI data to compare living standards by, for example, looking at exchange rate issues, the nature of output and non-monetary factors that affect living standards.

Recommendations and guidance for the teaching of future candidates

Here are some important things students need to focus on in future sessions:

- Using precise definitions from the examination question to start answers.
- Drawing clear, accurate diagrams that support the theory used in an answer. It is important to use a ruler and make the diagrams big enough to support the answer. It is also really important to refer the diagram within the text of an answer.
- When theory is being used in an answer it must be accurately explained using precise economic terminology.
- The use of examples is crucial when illustrating an examination answer. Students need to develop their examples and make them as real as possible.
- To access the highest marks in part (b) students must evaluate the point they make by, for example, considering the weaknesses of an argument or the short- and long-term consequences of an issue. It is important so see evaluative comments made throughout an answer as well as in the conclusion.

Higher level paper two

General comments

The areas of the programme and examination which appeared difficult for the candidates

Some aspects of international economics, theory of the firm and development economics posed difficulties to candidates. Few candidates had a clear understanding of the terms of trade and were therefore unable to apply the concept to a specific scenario, in this case to the current account on the balance of payments. Similarly, regarding Q3(c) few candidates were able to explain why revenue maximization occurs where $MR=0$.

In parts 3(d) and 4(d) candidates had difficulty in applying economic concepts / theory to economic development.

In part (d) candidates generally found it difficult to focus on the question set, too often relying excessively on the content of the extract with limited added value. More detail will be given on individual questions.

The areas of the programme and examination in which candidates appeared well prepared

In general candidates appear to have a good grasp of macroeconomic concepts and an ability to convert this understanding into constructing accurate diagrams coupled with appropriate explanations.

For the majority of candidates, the constructing of diagrams showed a distinct improvement in all areas of the syllabus. It was pleasing to note that both understanding and application of externality concepts is of a high standard.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

(a)(i) Most candidates recognised the significance of a common currency.

(ii) Generally well answered.

(b) Generally this question was poorly answered. Only a minority of candidates clearly understood the meaning of 'terms of trade'. The term was often incorrectly defined (many using an incorrect formula where price was omitted). Few recognised that a fall in the price of oil would worsen the terms of trade and fewer still identified the significance of the PED of oil in determining the impact of worsening of the terms of trade on the current account on the balance of payments.

(c) There were some excellent answers with candidates demonstrating a clear understanding of economies of scale and an ability to apply the concept in the context of South Sudan joining a common market. Weaknesses included labelling errors on diagrams *eg* price on the vertical axes and labelling the curve as AC instead of LRAC. Also, some candidates did not use the diagram effectively.

(d) There were a wide range of answers in terms of the quality of understanding, application and analysis / evaluation. A large number of candidates did not effectively address the question set. Students tended to use generic arguments and economic theory and missed key opportunities to develop their ideas in the context of South Sudan.

More successful candidates introduced concepts such as trade creation and trade diversion and used the content of the extract to support their arguments. However, many students simply paraphrased the extract with a minimum of analysis or development and thus offered little in the way of added value. While use of the text is a requirement to reach L3, use of the text without appropriate development is insufficient to attract many marks. Also reasoned judgements are required based on the evidence provided. Simply identifying or even analysing advantages and disadvantages is insufficient to achieve L3.

Question 2

(a)(i) Generally very well answered. There were some imprecise and inaccurate responses *eg* "Inflation is an increase in the price of goods and services in an economy".

(ii) Again, generally well answered.

(b) There were some very good responses to this question. Most candidates constructed an accurate diagram showing an increase in the demand for the naira. However, some candidates inaccurately shifted the supply curve to the left. They appeared not to recognise that selling foreign currencies to purchase the naira must mean that the demand for the naira increases resulting in an increase in the value of the currency.

(c) The majority of candidates understood the meaning of the phrase "tighten monetary policy" although a minority of candidates confused monetary and fiscal policy. Generally, diagrams were accurate although the usual labelling errors were evident *eg* 'Price' instead of 'Price Level' on the vertical axis. Explanations were generally sound although a significant number failed to explain why the AD curve shifted to the left *ie* a fall in consumption and/or investment. Also, some candidates failed to identify why a tight monetary policy might be harmful to the economy.

(d) While there were some sound answers to this question too many candidates seemed to want to answer their own question rather than the one set. Thus, some candidates spent much of their answer explaining the arguments for and against a fixed exchange rate system rather than focusing on the impact of a shift from a fixed to a managed exchange rate system in Nigeria. Too often answers were generic and lacking in context. Thus, while the pros and cons of a fixed exchange rate system are relevant, the focus of the question should have been on the switch to a managed float.

Question 3

(a)(i) Most students showed an understanding of the concept of a poverty trap although some were too vague in their explanation.

(ii) Generally well answered.

(b) Generally well answered. Most candidates produced accurate diagrams but still a significant minority incorrectly labelled the curves either by mixing up MSC/MSB/MPC or by incorrectly labelling the curves S and D. There were various approaches candidates could take to obtain the explanation marks. The most common approach was to explain / identify that an increase in demand for solar panels would lead to a decrease in demand for kerosene lamps (an inferior substitute). This explanation could be developed with the use of an appropriate externalities diagram. Clearly this is an area of the syllabus generally well understood by candidates.

(c) This question was poorly answered in part. Most candidates recognised that revenue would be maximized where $MR=0$ and most were able to indicate this on a diagram. However, the reasoning as to why revenue is maximized where $MR=0$ was not understood by the majority of candidates. Lower-achieving responses tended to focus on profit maximization.

(d) This question was, in the main, poorly answered. Relatively few candidates had a real understanding of 'appropriate technology' with the consequence that many answers were unbalanced. In terms of access to credit too many candidates relied on the content of the text too closely with limited developments to the points made. As with many development questions many candidates failed to focus on economic development. Too often students produced vague statements such as "leading to growth and therefore economic development". This is not sufficient. The effects on economic development needs to be specifically analysed and evaluated. This was a major weakness in many of the answers.

Question 4

(a)(i) Many definitions were too imprecise to warrant 2 marks. Phrases such as 'building of physical capital' or simply giving a list of infrastructure projects is insufficient for 2 or in some cases 1 mark.

(a)(ii) There were many good answers although a significant minority failed to offer a complete definition.

(b) This question was generally well answered. Most diagrams were accurate and well-constructed although careless labelling cost some candidates marks. Less successful candidates tended to draw inaccurate diagrams showing a shift along the PPC rather than an outward shift of the curve. The explanation of the diagram was again generally well answered. The two salient points *ie* increasing potential output and improving the quantity and quality of factors of production were evident in many answers, although not all.

(c) This was generally well answered. Candidates generally had a sound understanding of externality issues. If there were errors it was usually by mislabelling diagrams or because of an incomplete explanation where a minority of candidates failed to explain how the development of the copper mine might lead to market failure.

(d) As with Q3(d) many candidates failed to focus on economic development. In many cases candidates had a good knowledge and understanding of foreign direct investment and the higher-achieving responses attempted to link this to economic development. However, many candidates lost focus and relied on explaining the impact of FDI on economic growth with only passing reference to development. This meant that there was limited scope for appropriate analysis and even less for effective evaluation.

Recommendations and guidance for the teaching of future candidates

Part (a) questions:

Candidates should be encouraged to have a precise and accurate knowledge of all appropriate definitions. Definitions should use economic terminology and not rely on vague generalisations. This would ensure not only that they do not lose unnecessary marks but also save precious time to devote on other parts of the examination.

Candidates should avoid including unnecessary detail in defining terms. Too many candidates produced extensive definitions. For example, in defining devaluation some candidates included a detailed description of fixed exchange rates. While this will not lose marks, valuable time will be wasted. Quite often the 2 marks were achieved in the first two lines of a ten-line answer.

Candidates should quickly re-read their definitions. This year some very good candidates lost unnecessary marks on part (a) questions as a result of omitting a simple but key component of a definition

Part (b)/(c) questions:

As stated in the past it is essential that candidates take care with labelling diagrams. Too often very good candidates lose unnecessary marks as a result of careless labelling. This is particularly frustrating when it is clear in the accompanying explanation that a candidate does realise what is required. It is well understood that candidates are under great examination pressure, but they should be encouraged to automatically give diagrams a second look before moving on to the explanation.

In explaining the question it is good practice for candidates to base their explanation on the required diagram. In integrating diagrams and explanations candidates will be more likely to produce relevant and focused answers.

Part (d) questions:

It is essential that students are made aware that simply paraphrasing sections of the extract or including numerous quotes without analysis or development will attract few marks. Candidates should be encouraged to focus on the question set and avoid the temptation of including economic theory and concepts, with which they are familiar, but which have only peripheral relevance to the question set. While it is a requirement that candidates use the content of the extract this use must be appropriate and focused. For example, if a question requires a focus on economic development (as in 3(d) and 4(d)), a detailed explanation of economic growth without a direct link to development is most likely not to answer the question.

The failure of many candidates to offer effective evaluation is the most common reason why they fail to reach L3. Too often candidates produce a detailed explanation of arguments for and against a particular issue with any evaluative comment left to the final conclusion. Too often this is a summary of what has already been stated. This is not effective evaluation. Rather than leaving evaluation to the final conclusion candidates could be encouraged to analyse and evaluate each major issue individually in the main body of the essay.

Standard level paper two

General comments

This subject report, used in conjunction with the markscheme, is designed to help teachers prepare their candidates for future examinations by clarifying the expectations of the examining team. Since the markscheme outlines the most appropriate responses, this report focuses on the more common errors made by candidates. General comments about examination-writing techniques are similar, if not exactly the same as in previous reports.

The areas of the programme and examination which appeared difficult for the candidates

The performance of candidates seemed to be slightly better in Section A (International Economics) than Section B (Development Economics). In particular, some candidates had difficulties to link the answers in part (d) to the concept of economic development. Some even discussed economic growth more than economic development without establishing the relationship between growth and development. A minority of candidates were also careless in the labelling of the diagrams, leading to the loss of marks.

This will be further addressed in the context of individual questions.

The areas of the programme and examination in which candidates appeared well prepared

There was a clear preference for Q1 in section A and a slight preference for Q4 in Section B. The majority of answers reflected a sound understanding of the concepts tested. The candidates were quite comfortable with concepts from Units 1-3 in particular. Moreover, the diagrams drawn in part (b) and (c) questions were properly referenced and explained, especially for those which showed a degree of similarity to past IB papers.

This will be addressed in the context of individual questions.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

Question 1 was a lot more popular than question 2. Answers to most of the sub-questions reflected sound economic analysis and application, especially for (d) where most candidates displayed a good understanding of the general theory on protectionism.

(a)(i) Generally good definitions were offered with most candidates reaching L2. Those who were awarded L1 often had not specified that the fall in exchange rate was the result of changes in market forces (or that it was occurring under a floating exchange rate system). This omission meant that the simple mention of a 'fall in exchange rate' could refer to both a depreciation or a devaluation. In general, if a definition can apply to two concepts then it is a vague definition.

(ii) This question has surfaced many times in past papers and it was answered well by the majority of candidates. Some suggested the current account only includes the balance of imports-exports of goods and services and as such could not get L2 without the four components listed.

(b) The majority of responses reflected a good understanding of the workings of exchange rate mechanisms. Most candidates were able to receive full marks and drew properly labelled diagrams. Some marks were lost due to poor labelling of the axes and in particular the vertical axis. Although most realized that the supply curve shifts right, several did not explain why in terms of the need to sell rand and buy a foreign currency.

A common error was to look at it from the wrong perspective. Some drew an increase in demand for the US dollar when the question asked for the impact on "the value of the South African rand". While there is merit in looking at the impact on other currencies, this does not address the question directly and emphasizes the need for educators to teach their students to answer questions in a precise and focused manner.

(c) This was generally a well answered question, though some neglected to explain why the supply curve shifts right in terms of lowered costs of production. A few candidates provided too much detail about the welfare effects, which was not required by the question. Quite a few candidates complicated the question by using an international trade diagram instead, but their responses usually reflected this and were thus rewarded accordingly.

(d) This question was reasonably well answered, but often in a rather generic manner. Most candidates drew a tariff diagram and went through the 'standard' response with respect to the impacts on domestic production, imports, the price, etc. The diagram was generally well explained but lacked application to the text. It was not uncommon for answers to cite the infant industry argument, which was clearly not relevant in this case. Such answers reflect economic analysis but limited application to the text and would generally remain in level 2.

The highest-achieving responses applied the economic analysis to the text. For example, some candidates explained (with or without reference to an international trade diagram) that the tariff would increase the price of corn and commented that this would do little to increase domestic production as supply is likely very inelastic especially in times of drought. The most thoughtful answers considered the long-term implications of increased trade protection.

Question 2

Question 2 was clearly avoided by most candidates. Even those who chose this question seemed to struggle with the transition in exchange rate system in 2(d). Almost all candidates got at least a level 1 mark on both definitions in the part (a) questions.

(a)(i) The concept of inflation is often tested and hence most candidates anticipated this question and were rewarded accordingly. The answers that were capped to level 1 missed the idea of a 'sustained' increase.

(ii) Some candidates did not specify that a devaluation is (different from a depreciation in the sense that it is) the result of intervention by the central bank (or takes place in a fixed exchange rate system) and hence could only receive a level 1 mark.

(b) Most candidates could illustrate the diagram correctly and explain that the foreign reserves would be used to buy the naira and this would shift the demand curve to the right. A few seemed to have no knowledge of what foreign reserves are and some did not label the vertical axis appropriately.

(c) The majority of candidates achieved full level marks on this question. Some did not explain sufficiently that higher interest rates (or a higher cost of living) would reduce consumption and/or investment. A minority of candidates didn't seem to understand that a "tight monetary policy" referred to a "contractionary monetary policy".

(d) Many answers only considered the effects of the change on the exchange rate. While the overvaluation of the currency was a relevant point for discussion, the answer should not be limited to the arguments for and against a depreciation. The best answers considered the effects of the change in exchange rate regime on foreign reserves, predictability, inward FDI flows, and the autonomy of fiscal/monetary policy.

Lower achieving responses tended to give the definitions of the two exchange rate systems and repeated what was in the text with no/limited explanation or evaluation.

Question 3

Question 3 was a little less popular than the other Unit 4 question but most responses displayed a good understanding of the concepts covered in parts (a), (b) and (c). While some struggled with part (d), most candidates could show some understanding of the concept of economic development.

(a)(i) Most candidates were able to show their understanding of entrepreneurship but many did not manage to give two meaningful points to reach level 2.

(ii) On the other hand, almost all candidates provided the standard definition of economic growth.

(b) Most candidates recognized that there was a negative externality from production and could draw an appropriate diagram. Many had difficulties to get 2 marks on the explanation though. Generally, most market failure questions require candidates to emphasize the misallocation of resources and this should be taught in class. Candidates were also expected to address the impact on third parties – at least one precise example, such as soil erosion should be given.

(c) The majority of candidates achieved full L2. The only recurring issue was the lack of support for the increase in production possibilities. To analyse the increase in potential output properly, it is important to use the fact that a change in quantity and/or quality of resources causes the shift of the PPC. Alternatively, candidates could justify potential growth through a general increase in productivity.

(d) Higher-achieving responses could clearly link the domestic factors to economic development – for example, explaining how microcredit schemes could break the poverty trap. In particular, to achieve a level 3 mark, candidates should critically evaluate the contribution of those factors to economic development, for example, by stating that microcredit schemes may reinforce overreliance on the primary sector.

Unfortunately, many answers lacked depth and remained at a low level because they merely described the outcomes, mostly repeating the text or without establishing a link to economic development. It is critical that IB educators remind their students that section B is on economic development and as such, section (d) should be answered with the concept in mind.

Question 4

Question 4 responses also reflected good answers on (a), (b) and (c) and while it was the more popular section B question, many candidates struggled with the last question part.

(a)(i) This question was answered well by the majority of candidates. Some still list old indicators such as literacy rate but there were fewer of such answers than in past sessions. Some candidates simply stated 'health' and 'education' and hence did not even reach level 1.

(a)(ii) This was another well-attempted definition.

(b) As for question 3(c), the main reason candidates were not awarded a full level 2 was the lack of support for the fall in production possibilities.

(c) This was a generally well-answered question. Most candidates used the alternative answer of a fall in AD due to imports becoming relatively more attractive than domestically produced goods. While this answer is theoretically sound, candidates should identify oil as a common factor of production for most industries. Examiners have noticed that candidates tend to approach inflation-related questions from the point of view of a change in aggregate demand. Students should be reminded that inflation can be both demand-pull and cost-push in nature.

(d) The candidates who had the most difficulties with this question were those who did not read the question carefully enough and wrote on the policies which Burundi may use to achieve economic growth and development. Many only addressed the challenges to economic growth or did not distinguish between growth and development in their answers.

The analysis needed to identify challenges from the text and explain how those challenges inhibit growth and/or development. This was often not done, particularly for “widespread poverty” and “subsistence agriculture”.

Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous examiner reports at both standard and higher level. However, since the structure of the questions and the expectations have not changed, the advice remains largely the same.

While the main focus of this paper is on International and Development Economics, it is essential that teachers and candidates are aware that questions on this paper may come from every area of the syllabus.

Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates to develop this important skill, candidates might be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic terms in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.

In part (a) questions, students should be encouraged to write no more than two sentences.

Most part (b) and (c) questions require the use of standard diagrams from the syllabus. Candidates would thus benefit if they compiled a glossary of all the diagrams. Where a diagram is used in parts (b) or (c), candidates should be sure to use/explain the diagram by making references to it in the response. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q_1 to q_2) or (AD_1 to AD_2) in their written work.

Diagrams should not be placed at the end of the examination. They should be drawn exactly where the accompanying explanation is written.

Candidates should take about a third of a page to draw their diagrams and should use a ruler to make sure that it is done neatly so that the information is clear.

It is the policy that candidates are not allowed to use coloured pens/pencils on their examinations. Therefore, there should not be references to different coloured lines in the diagram, as these will not show up on the scanned examinations. However, they should be sure to use arrows to indicate the direction of change of any variables.

Diagrams should be made appropriate to the question and/or the market in the question.

Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents students from achieving full marks.

Candidates must be taught to carefully identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram. IB educators should encourage their students to read questions very carefully, identifying the key words, such as “challenges” or “US corn market” or “AD/AS diagram”.

Candidates could be advised to re-read a question once they have finished writing their answer. This can serve as a self-check to make sure that the question is actually answered. In many cases, candidates come very close, but do not actually answer the question set and they would easily get the full marks if they added just one line to present a clear answer to the actual question.

Candidates must be reminded that to achieve top marks in part (d) questions, they must make reference to the text. Encourage candidates to use quotation marks or make references to the paragraphs or texts.

Part (d) answers also require candidates to apply and develop the economic theory that is relevant to the text. It is not enough to simply mention the relevant theory; answers which reach the top level are those where candidates clearly demonstrated knowledge and application of that theory. Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text. One of the best ways to develop economic theory is to use and illustrate an economic model. Wherever possible, diagrams should be used in part (d) responses. If candidates have drawn a diagram in part (b) or (c) that is relevant, candidates may refer back to the diagram.

Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...'. Each of the command terms has an explanation of the depth required in the response given by the IB in the syllabus guide and candidates and teachers need to be aware of these.

Theory provided in part (d) questions must be directly linked to the text provided to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to fully 'engage' with the text, in order to be able to **apply** the theory.

Examiners are concerned at the extent to which candidates are uncritically paraphrasing/repeating the texts in their part (d) answers. Candidates should be encouraged to think critically about the information in the text.

Higher level paper three

General comments

Although many candidates were able to perform quantitative techniques successfully, some areas, such as the calculation of a change in producer surplus, remain a struggle. Many candidates continue to find some difficulty in deciding the degree of detail required when answering questions, often stating points when the command term is “explain”. It is refreshing to see that most candidates avoided writing very long answers outside the boxes.

Quantitative analysis relating to Section 1.5, The Theory of the Firm was performed well in this examination, although conceptual understanding of the theory remains a challenge, suggesting that this area of theory is learned rather than understood by some candidates. Candidates also find difficulty in analysing the theory in a given context, such as question 1(f), relating to monopolistic competition.

Understanding of macroeconomic theory was generally sound, with a high degree of accuracy achieved in quantitative techniques. Stronger candidates achieved high marks, whereas others demonstrated some weakness in analysis of the circular flow diagram.

As in previous sessions, quantitative techniques in international economics remain a challenge for many candidates, particularly the calculation of producer surplus following the imposition of protectionist measures.

Despite the comments and guidance provided in several previous examiner reports, a significant number of candidates were penalized for incorrect rounding and omission of appropriate units and negative signs.

The areas of the programme and examination which appeared difficult for the candidates

Section One – microeconomics

Conceptual understanding was quite weak. It was common for candidates to write about economies of scale when requested to relate the response to the short run. Candidates also confused revenue with output, referring to changes in revenue in order to explain changes in costs.

Understanding of a firm’s decision to produce in the short run was weak. There was significant confusion between the shut-down price and the break-even price, with a minority of candidates providing a clear explanation of the significance, in the short run, of covering variable costs as a basis for the decision.

Although candidates recognized that the existence of many firms producing homogeneous goods would lead to firms needing to accept the market price, few were able to explain that if an individual firm raised price then its sales would fall to zero, according to the model.

Many candidates did not grasp that if firms in a perfectly competitive market begin to differentiate their products, then the market structure changes to that of monopolistic competition.

Section Two – macroeconomics

Calculation of real data, given nominal data and a price deflator, continues to be a challenge in lower-achieving responses.

Many candidates were unable to indicate that the financial flow from firms to households is income, rather than merely wages. A significant number of candidates could not specify the four factor payments.

Although candidates could explain and exemplify leakages from the circular flow, few could define the term correctly

As in previous sessions, some candidates treat equity and equality as identical concepts.

Section 3 – international economics

Calculation of changes in producer surplus and consumer surplus following the granting of a subsidy.

The areas of the programme and examination in which candidates appeared well prepared

Section One – microeconomics

- The identification of data from graphs
- The relationship between variables such as average and total costs
- Application of the profit-maximization rule
- Calculation of initial consumer and producer surplus

Section Two – macroeconomics

- Calculation of GDP using the expenditure method
- Calculation of average tax rates
- Construction and labelling of a Lorenz curve
- Analysis of a change in income tax in relation to equity and efficiency

Section Three – international economics

- Graphical analysis of a subsidy
- Reasons for granting a subsidy
- Functions of the World Trade Organization
- Benefits of trade liberalization

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

(a)(i) Generally well-answered, although some lower-achieving responses incorrectly multiplied total costs by the quantity produced before dividing by quantity to derive the average.

(ii) As with part (i), mostly well-answered with some basic errors in evidence.

(b)(i) Well-answered.

(ii) Well-answered.

(iii) Many candidates used long-run analysis when required to focus on the short run. It was common for responses to refer to efficiency, economies of scale, changes in revenue or reductions in output. Candidates were expected to refer to changes in marginal product in order to explain the tendency for marginal costs to increase at some point. Understanding was generally extremely weak.

(c)(i) Very well-answered – although lower-achieving responses attempted to draw a downward-sloping curve, while a small minority neglected to label the curve.

(ii) The majority of candidates were able to apply the profit-maximization rule.

(iii) Generally well-answered, although several candidates subtracted average variable costs from average revenue. It was very common for candidates to neglect to specify that economic losses were made, rather than profits.

(d) Understanding of the decision to produce in the short run was generally weak. Candidates should be aware that if price equals or exceeds average variable costs, it is in the firm's interests to remain in production. Several candidates attempted to exemplify their explanation, but generally did so with a lack of precision.

It was common for students to write that a firm should continue to produce provided that fixed costs can be covered. Some referred to the difference between explicit and implicit costs as the basis for the decision.

(e) Few students realised that firms are price takers because raising the price would lead to zero revenue.

(f) Many candidates did not recognize the context given in this question. They did not grasp that if firms in a perfectly competitive market begin to differentiate their products, then the market structure changes to that of monopolistic competition. Many candidates argued that firms would experience a shift of their demand curve to the right.

(g) The majority of candidates recognized the opportunity for price discrimination, but a significant proportion of the cohort struggled to explain with precision by referring to the differing elasticities and the effect on revenue which would result from a change in price. Many neglected to explain a condition, while others focused entirely on explaining the concept of price discrimination without referring to price in the different markets and the effect on revenue. A surprising number of responses mixed the two markets, writing that demand among urban customers is price elastic. It was also quite common for candidates to explain why price should be increased for urban consumers, but not to perform a similar analysis for rural consumers.

Question 2

(a)(i) Very well-answered – the vast majority of candidates recognised the term and defined accurately.

(ii) Generally well-answered, with some careless errors. A small minority calculated consumer surplus only.

(b)(i) Most students were able to achieve 2 marks here. Lower-achieving responses tended to draw a new supply curve which would result in a new equilibrium of \$8.

(ii) Well-answered.

(iii) Although the majority of candidates were able to calculate the initial producer surplus, the lower-achieving responses reflected poor understanding of the effects of a subsidy *ie* that producers receive the market price plus the subsidy per unit produced. Some candidates did not provide units.

(iv) Responses were generally stronger than for part (iii) as candidates could identify the new market price and quantity, and thus the new consumer surplus.

(c) Although the majority of candidates were able to state reasons for granting a subsidy, many struggled to provide valid explanations. Candidates needed to consider why a government might wish to increase farmers' revenue or output, which is not a valid reason in itself. They should have mentioned that farmers' incomes were too low or unstable, or that there might have been a strategic reason.

(d) Well-answered, although some candidates confused the WTO with the IMF and World Bank.

(e)(i) Very well-answered.

(ii) Lower-achieving responses were not able to identify the quantity of cotton produced domestically and hence could not calculate accurately.

(iii) There were many excellent responses, focusing on the idea that domestic firms would be forced to become more efficient, but that some may be forced out of business. Lower-achieving responses focused on the cotton industry only or focused on membership of the WTO without referring to the broader issue of trade liberalization. Some appeared to suggest that firms in San Marcus were unable to export before joining the WTO, rather than becoming more price-competitive in the markets of other WTO members.

Question 3

(a) Although lower-achieving responses included some of the irrelevant items, and a significant number did not include the correct units, this question was mostly answered correctly.

(b) Generally well-answered. Lower-achieving responses attempted to subtract the negative net factor income, hence adding 111 to the GDP.

(c) Generally well-answered, although a surprising number of candidates simply subtracted the 2015 index number from the 2016 number.

(d) Although similar calculations have often appeared in previous examinations, a significant proportion of candidates could not perform the calculation. It was common for candidates to multiply 4814 by 105.11 rather than dividing.

(e)(i) A common response was “wages”, whereas the reward to labour is only one of the four factor payments

(ii) Very well-answered, except for those who provided an answer of “net exports”.

(f) Higher-achieving responses provided precise, accurate answers. However, many included terms such as investment and capital.

(g) The concept of a leakage as “money leaving the circular flow” was widely understood, and most candidates specified one or more of saving, taxation and imports as leakages. However, precise definitions were rare: the idea of domestic income not spent on domestic output was required.

(h) Although the question was generally answered correctly, there were significant errors: some candidates subtracted leakages from injections; others subtracted imports from exports; others equated income with a budget surplus.

(i) Although the majority of candidates focused on the impact of increased taxation on aggregate demand, and provided clear, accurate responses, there were other approaches. Some suggested a decrease in short run aggregate supply, but without specifying that this would be caused if the increase in taxation must be indirect tax. Hence, they were not awarded full marks. Others focused on the impact on the incentive to work, arguing that increased taxation would decrease the incentive to work and hence increase unemployment. However, this would also reduce the number of people able and willing to work, and so was not rewarded. Diagrams were generally clear, accurate and well-explained.

- (j) Most candidates were able to calculate the tax paid correctly, although there were many careless errors. A significant number of candidates provided the correct figure for tax to be paid but did not then calculate the average tax rate.
- (k) The Lorenz curve was drawn accurately by most candidates, with some careless errors and several responses with axes not labelled.
- (l) The majority of responses indicated a good understanding of the effect of a cut in the top rate of direct tax on income equality, and the resultant impact on equity, although it was common for candidates to conflate the two concepts. Some provided an alternative view: that it is inequitable to increase direct tax as workers deserve to enjoy the benefits of their labour. The majority of students indicated that the incentive to work might decrease, thus creating inefficiency, but without explaining this.

Recommendations and guidance for the teaching of future candidates

It remains the case that many candidates “state” factors when required to explain them, while others write very long responses where the command term indicates a brief answer is sufficient. Teachers should show their students past papers and markschemes in order to assist them in understanding how different command terms should be addressed

Students should be provided with regular opportunities to discuss the significance of concepts, relationships and conditions encountered during the course. They should examine why relationships and conditions hold and how concepts may be applied. When analysing change, it is important to understand why a curve might shift rather than simply knowing that it does. In the study of a Group 3 subject, students should focus on the reasons for economic decision making by individuals and groups. For HP3 there may be a temptation to focus solely on knowledge, understanding and skills, but this is neither appropriate nor sufficient.

Candidates should be reminded to show units and round correctly. It would be helpful if teachers could insist on rounding to 2dp throughout the course, not just in assessment activities. Units are not required for intermediate workings but must be accurate for final answers.

Although there is no requirement for rounding at any particular stage in a calculation, students should be aware that rounding at intermediate stages may produce a different answer from that derived from a final rounding only. Examiners take into account different approaches to rounding, but students may find it more efficient to round at the final stage only.

Candidates should be reminded to take care when performing calculations. When attempting to determine a change, the initial figure should be subtracted from the final figure. If the answer is negative, then this should be shown clearly by a negative sign or reference to a decrease.

For questions relating to section 1.5, the Theory of the Firm, it is clear that many candidates are proficient in explaining what happens or what is predicted in a variety of situations without being able to explain the reason. Evidence of this was seen in question one, where the majority of students could explain that the tendency of marginal costs is to fall and then increase but could not explain why. Candidates should be encouraged to think and analyse critically in the study of all topics.

Candidates should be reminded that GDP is a measure of output: transfer payments do not correspond to real output, nor does taxation, so these should not be included in a calculation of GDP.

Students should be advised that when added curves and labels to diagrams, they should ensure that these are clearly visible and prominent, so the scanned versions will be clear to examiners. The use of a pencil or coloured pen (apart from dark blue/black) may not achieve this. Examination papers are scanned in black and white, so students should not use colour and then refer to the colour in their answers.