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AQA AS ECONOMICS: QUESTIONS BY TOPIC

The International Economy

AQA AS Economics 7135 — Topic 4.2.6

16 questions · 155 marks · Mark schemes included

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 info@guidemygrades.com

 Piccadilly Business Centre, Unit C, Aldow Enterprise Park
Blackett Street, Manchester, M12 6AE

HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest mark tariff to the highest within each one.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme.

Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

QUESTION	SOURCE	MARKS	PAGE
4.2.6.1 GLOBALISATION		7 Qs · 24 marks	3
1. Q09	AS Paper 2, Section A (MCQ) June 2017	1	4
2. Q07	AS Paper 2, Section A (MCQ) June 2018	1	5
3. Q05	AS Paper 2, Section A (MCQ) June 2023	1	6
4. Q27	AS Paper 2, Context 2 June 2019	3	7
5. Q29	AS Paper 2, Context 2 June 2017	4	8
6. Q24	AS Paper 2, Context 1 November 2020	4	9
7. Q31	AS Paper 2, Context 2 June 2018	10	10
4.2.6.2 TRADE		1 Qs · 25 marks	14
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9. Q27	AS Paper 2, Context 2 June 2017	3	26
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14. Q26	AS Paper 2, Context 1 November 2020	25	50
4.2.6.4 EXCHANGE RATE SYSTEMS		1 Qs · 10 marks	60
15. Q31	AS Paper 2, Context 2 November 2020	10	61
4.2.6.5 ECONOMIC GROWTH AND DEVELOPMENT		1 Qs · 10 marks	65
16. Q31	AS Paper 2, Context 2 June 2017	10	66



QUESTIONS

16 questions · 155 marks · 5 sub-topics



SUB-TOPIC 4.2.6.1

GLOBALISATION

Sub-topic 4.2.6.1 · 7 questions · 24 marks · lowest tariff first



7

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0 9

Which one of the following represents investment expenditure?

A A firm spends £7m on new computer software

☐

B A government spends £10m more on nurses wages

☐

C A household puts £10 000 into an interest paying account

☐

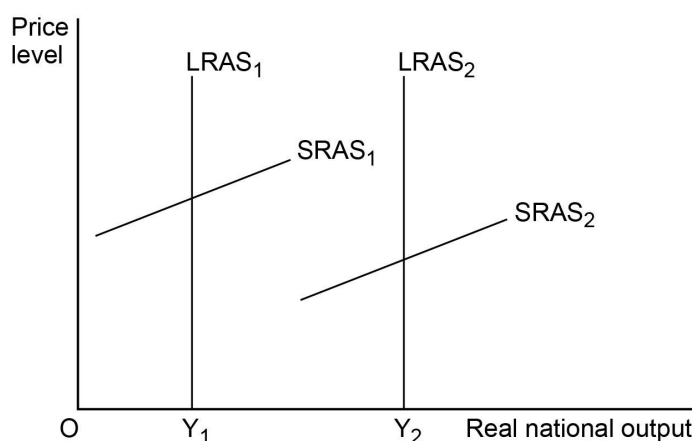
D An individual spends £28 000 buying company shares

☐

[1 mark]

1 0

The diagram below shows the initial short run aggregate supply curve ($SRAS_1$) and long run aggregate supply curve ($LRAS_1$) for an economy. $SRAS_2$ and $LRAS_2$ are the new positions of the two aggregate supply curves.



The most likely combination of causes of the shifts in the short run and long run aggregate supply curves is

A a fall in indirect tax and a fall in skill levels.

☐

B a fall in money wages and a rise in immigration.

☐

C a fall in productivity and a rise in emigration.

☐

D an increase in oil prices and more investment in renewable energy.

☐

[1 mark]



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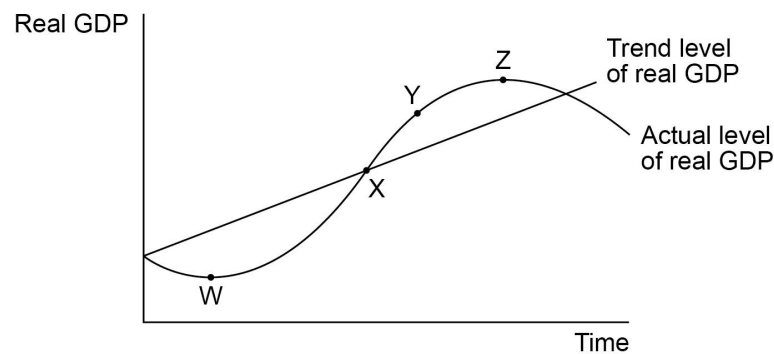
IB/G/Jun17/7135/2

5

0 7

The diagram below shows an economic cycle and the trend level of real GDP. Which point represents the economy producing at its normal capacity level of output?

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A Point W

☐

B Point X

☐

C Point Y

☐

D Point Z

☐

[1 mark]

0 8

Which one of the following is the best definition of a household's total saving?

A An injection into the circular flow of income

☐

B Contributions to a pension fund for retirement

☐

C Money placed in bank and building society accounts

☐

D That part of disposable income not spent on consumption

☐

[1 mark]

Turn over for the next question

Turn over ►



IB/M/Jun18/7135/2

5

0 5 Which one of the following is a direct tax?

[1 mark]

A Corporation tax

☐

B Fuel tax

☐

C Import tax

☐

D Vehicle tax

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0 6 Table 2 shows the components of a country's national income in 2021.

Table 2

	£bn
Consumer expenditure	22
Investment	10
Government expenditure	8
Exports	11
Imports	9

It can be concluded from the data in Table 2 that aggregate supply in 2021 must have been

[1 mark]

A £21bn.

☐

B £40bn.

☐

C £42bn.

☐

D £60bn.

☐

Turn over ►



IB/M/Jun23/7135/2

23

Do **NOT** answer Context 2 if you have answered Context 1.

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OR

Context 2

Total for this context: 50 marks

UK EXPORTS

Use the insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7 Define 'disinflation' **Extract F** (line 12).

[3 marks]

2 8 Use **Extract D** to calculate the UK's **mean** trade balance with the selected non-EU countries in 2016.

[4 marks]

Turn over ►



IB/M/Jun19/7135/2

23

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2	9
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Use **Extract D** to identify **two** significant points of comparison between the balance of trade in goods and the balance of trade in services over the period shown.

[4 marks]

Comparison 1

Extra space

Comparison 2

Extra space

Turn over for the next question**Turn over ►**

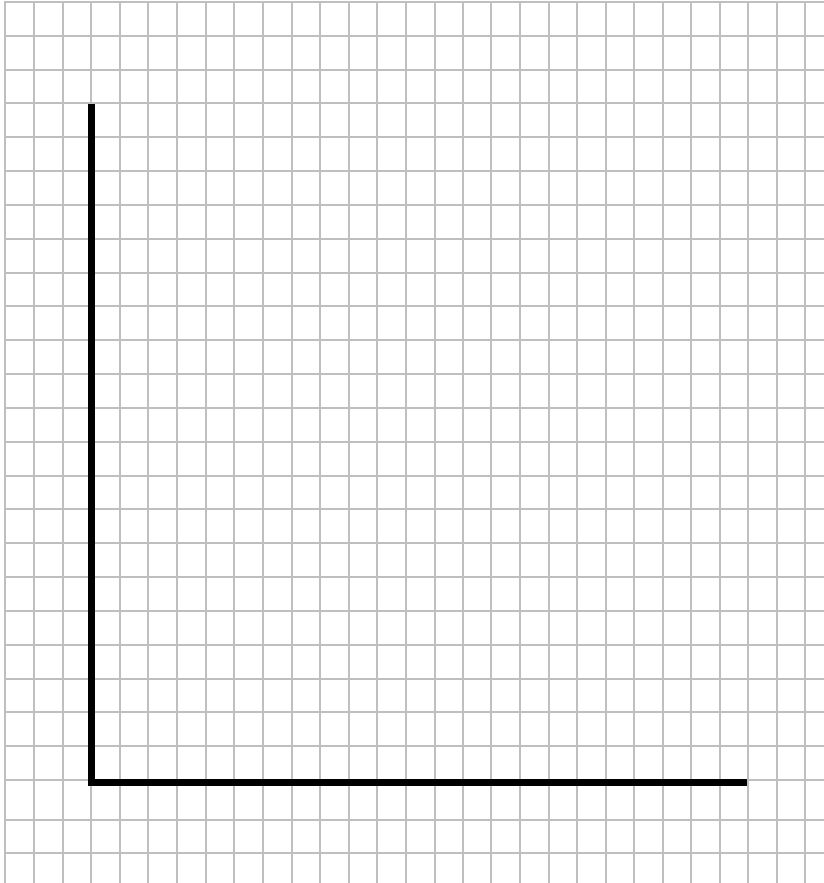
IB/G/Jun17/7135/2

15

2 4

Extract B (lines 9–11) states: ‘Taking into account pubs, restaurants and other shops, a further 4042 premises became empty, increasing spare capacity in the economy.’

Draw a production possibility curve diagram for an economy producing capital goods and consumer goods to show an **increase** in spare capacity in the economy.

[4 marks]

Turn over for the next question

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IB/M/Jun20/7135/2

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IB/M/Jun18/7135/2

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SUB-TOPIC 4.2.6.2

TRADE

Sub-topic 4.2.6.2 · 1 question · 25 marks · lowest tariff first



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Extract F (lines 16-17) states ‘there is much to be done if the UK is to pay its way with the rest of the world.’

Use the extracts and your knowledge of economics to assess the policies that could be used to reduce the UK's balance of trade deficit.

[25 marks]

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16

29

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Extra space



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18

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SUB-TOPIC 4.2.6.3

THE BALANCE OF PAYMENTS

Sub-topic 4.2.6.3 · 6 questions · 86 marks · lowest tariff first



22

Do not write
outside the
boxDo **NOT** answer Context 2 if you have answered Context 1.**OR****Context 2****Total for this Context: 50 marks****UK WAGES AND COMPETITIVENESS**

Use the insert provided to study **questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7

Define the term 'deficit on the balance of trade in goods and services' **Extract E** (line 14).

[3 marks]

Extra space

2 8

Use **Extract E** to calculate, to **two** decimal places, the percentage change in the median real wage between 2004 and 2015.

[4 marks]



IB/G/Jun17/7135/2

24

Do **NOT** answer Context 2 if you have answered Context 1.Do not write
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box

OR

Context 2

Total for this context: 50 marks

INTERNATIONAL TRADE

Use the Insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7 Define 'economic recovery' **Extract E** (line 17).

[3 marks]

2 8 In the year to July 2020, the deficit in the balance of trade in goods was £105 billion. Calculate the value of imports of goods for the year to July 2020, using the information in **Extract E** (lines 12–15) to help you.

[4 marks]



IB/M/Jun23/7135/2

29

Use **Extract D** to identify **two** significant features of the balance of trade in goods and services over the period shown.

[4 marks]

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Feature 1 _____

Extra space _____

Feature 2 _____

Extra space _____

Turn over for the next question

Turn over ►



3	2
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Extract E (lines 17–19) states: ‘...it is important that the increase in exports seen towards the end of 2017 is sustained. It is needed to reduce the trade deficit and have other positive impacts on the economy.’

Use the extracts and your knowledge of economics to discuss the significance of an increase in exports for the performance of the UK economy.

[25 marks]

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[illegible]

IB/M/Jun19/7135/2

30

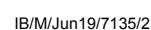
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50



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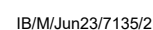
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[25 marks]

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IB/M/Jun23/7135/2

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50



IB/M/Jun23/7135/2

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ANSWER IN THE SPACES PROVIDED

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IB/M/Jun23/7135/2

2 3 6 A 7 1 3 5 / 2
IB/M/Jun23/7135/2

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51

20

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IB/M/Jun20/7135/2

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53

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50



IB/M/Jun20/7135/2

23

Do **NOT** answer Context 2 if you have answered Context 1.Do not write
outside the
box**OR****Context 2****Total for this context: 50 marks****CONFLICTING ECONOMIC OBJECTIVES**

Use the insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 | 7Define 'growing budget deficit' in **Extract F** (lines 15–16).**[3 marks]**

2 | 8

Use **Extract E** to calculate, to **two** decimal places, the ratio of cars produced in the UK for export markets to each car produced for the home market, for the year ended December 2018.

[4 marks]

Turn over ►

IB/M/Jun20/7135/2

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SUB-TOPIC 4.2.6.4

EXCHANGE RATE SYSTEMS

Sub-topic 4.2.6.4 · 1 question · 10 marks · lowest tariff first



3	1
---	---

Extract E (lines 9–10) states: ‘Inevitably, the volume of exports will fall, and it is highly likely that the trade deficit will increase further.’

Explain **two** factors that could cause a fall in the volume of UK exports.

[10 marks]

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IB/M/Jun20/7135/2

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62

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SUB-TOPIC 4.2.6.5

ECONOMIC GROWTH AND DEVELOPMENT

Sub-topic 4.2.6.5 · 1 question · 10 marks · lowest tariff first



25

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3	1
---	---

Extract F (lines 7–8) states ‘productivity remains a key issue in improving competitiveness and aiding the recovery of the economy.’

Explain **two** factors that may have contributed to low productivity in the UK.

[10 marks]

[illegible]

Extra space



Turn over ►

IB/G/Jun17/7135/2

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[illegible]

67

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MARK SCHEMES

official mark schemes



MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	B	11	D
2	B	12	D
3	D	13	A
4	B	14	B
5	B	15	B
6	C	16	C
7	D	17	B
8	D	18	D
9	A	19	D
10	B	20	C

	<u>Total</u>
A	2
B	8
C	3
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

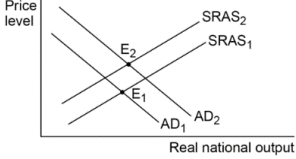
1	D	11	B
2	B	12	C
3	C	13	A
4	A	14	C
5	C	15	B
6	B	16	C
7	B	17	B
8	D	18	B
9	D	19	C
10	B	20	B

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	B (Exports)	11	A (cut government borrowing.)
2	C (Resources are fully employed)	12	B (Real national income increased)
3	D (The value of money rose between 2008 and 2011.)	13	C (government.)
4	C 	14	B (Government grants for firms with growth potential)
5	A (Corporation tax)	15	C (Rising, Absent, Increasing)
6	C (£42bn.)	16	A (A decrease in employment)
7	A (Firms' capacity utilisation)	17	D (positive supply-side shock.)
8	D (Increased expenditure on training and an investment subsidy)	18	C (An increase in the budget surplus and a switch from spending on pensions to spending on new airports)
9	C (the pattern of economic activity has changed.)	19	C (Productivity rising faster than money wages)
10	A (W)	20	A (inflation in other countries.)

Totals

A 6
B 3
C 8
D 3

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

Context 2 UK EXPORTS

Total for this context: 50 marks

2 7 Define 'disinflation' *Extract F (line 12)*.**[3 marks]**

Level of response	Response	Max 3 marks
3	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
1	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

- a fall in the rate of inflation
- when the price level is rising more slowly

Examples of a definition worth 2 marks:

- when inflation changes from 3% to 2.7%

Examples of a definition worth 1 mark:

- when the price level rises slowly
- a slow rate of inflation

Examples of a definition worth 0 marks:

- when the price level falls
- slow growth in the rate of inflation
- if inflation grew by 3% last year and 2.7% this year

MAXIMUM FOR QUESTION 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

2 9 Use **Extract D** to identify **two** significant points of comparison between the balance of trade in goods and the balance of trade in services over the period shown.

[4 marks]

Award up to 2 marks for each significant point of comparison made.

Response	Max 2 marks
Identifies a significant point of comparison. Makes accurate use of the data to support the comparison identified. Unit of measurement given accurately.	2 marks
Identifies a significant point of comparison but only one piece of data is given when two are needed and/or no unit of measurement is given and/or the unit of measurement is inaccurate and/or the wrong date is given. OR Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	1 marks

If a candidate identifies more than 2 significant points of comparison, reward the best two.

Significant points include:

- the largest deficit on the balance of trade in goods was in December 2014 at £13.5bn whilst the largest surplus on balance of trade in services was in Nov and/or Dec 2014 at £8bn
- the smallest deficit on the balance of trade in goods was in June 2015 at £8.3bn whilst the smallest surplus on the balance of trade in services was in January 2014 at £6.2bn
- the largest deficit on the balance of trade in goods was in December 2014 at £13.5bn whilst the smallest surplus on balance of trade in services was in January 2014 at £6.2bn
- the balance of trade in goods had a range of £5.1bn whilst the range for the balance of trade in services was lower at £1.8bn
- the balance of trade in goods was always in deficit whilst the balance of trade in services was always in surplus. The smallest deficit for trade in goods was £8.3bn in June 2015 whereas the smallest surplus for trade in services was £6.2bn in Dec 2015
- the balance of trade in goods fluctuates more than the balance of trade in services. The biggest change in the balance of trade in goods was between June 2015 and July 2015 with an increase in the deficit of almost £4bn whilst for the balance of trade in services the biggest change was between March 2014 and April 2014 when the surplus rose by just over £0.4bn
- the surplus on the balance of trade in services is higher at the end of the period (£7.5bn) than at the start of the period (£6.2bn) (ie it improves) whereas the deficit on the trade in goods is higher at the end of the period (£11.0bn) than at the start of the period (£10.2bn) (ie it deteriorates)

Notes: Allow a margin of ± £0.5bn

- £13.5bn (Dec 2014) can be accepted as the largest deficit, the lowest balance or the highest balance (of trade in goods)

- £8.3bn (Jun 2015) can be accepted as the smallest deficit, the highest balance or the lowest balance (of trade in goods)

Minus sign must be given when referring to the balance (of trade in goods), but not if they state it is a deficit (on trade in goods)

MAXIMUM FOR QUESTION 29: 4 MARKS

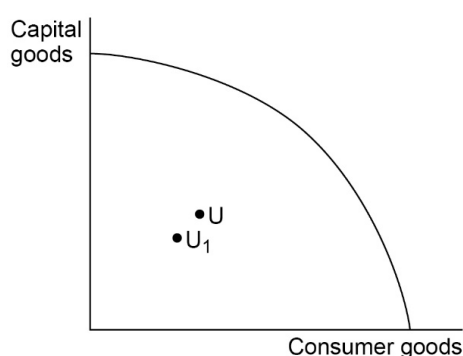
MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

2 4 **Extract B** (lines 9–11) states: 'Taking into account pubs, restaurants and other shops, a further 4042 premises became empty, increasing spare capacity in the economy.'

Draw a production possibility curve diagram for an economy producing capital goods and consumer goods to show an **increase** in spare capacity in the economy.

[4 marks]

The correct diagram involves a curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with an initial point on or within the curve, and a second point, further away from the curve, to show an increase in spare capacity. Both points should be appropriately labelled.



Response	Max 4 marks
Accurately drawn production possibility curve with an initial point on or within the curve, and a second point further away from the curve to show an increase in spare capacity.	4 marks
Accurately drawn production possibility curve with an initial point on or within the curve, and a second point further away from the curve to show an increase in spare capacity with a least one axis or other label missing or inappropriate.	3 marks
Accurately drawn production possibility curve with an initial point on or within the curve, and appropriate axis and other labels, but no, or an incorrectly positioned, second point to show an increase in spare capacity.	2 marks
Accurately drawn production possibility curve with an initial point on or within the curve, with at least one axis or other label missing or inappropriate, and no, or an incorrectly positioned, second point to show an increase in spare capacity. OR Accurately drawn production possibility curve with appropriately labelled axes.	1 mark

Notes: a title is not required.

Coordinates and grid lines leading to the x and y axis are not required.

MAXIMUM FOR QUESTION 24: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

31 *Extract E (lines 18–19) states ‘the 2017 Budget Report stated the intention to reduce the rate of corporation tax further to 17% by 2020.’*

Explain how a reduction in corporation tax on firms’ profits might lead to supply-side improvements in the economy.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	- is well organised and develops one or more of the key issues that are relevant to each of the two factors - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - may include a relevant diagram to support their explanation.	8 – 10 marks
2	- includes one or more issues that are relevant to the question - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present - includes reasonable application of relevant economic principles and/or data to the question - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram to support their explanation.	4 – 7 marks
1	- is very brief and/or lacks coherence - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1 – 3 marks

Relevant issues include:

- what is meant by supply-side policies/improvements
- what is meant by corporation tax
- how reductions in corporation tax create incentives to expand/invest
- how investment in capital leads to supply-side improvements such as increases in efficiency/productivity
- how investment in human capital/labour improves the quality of labour
- the impact on economic growth/long run aggregate supply/the productive capacity of the economy/non-inflationary growth.

MAXIMUM FOR QUESTION 31: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

3 2 **Extract F** (lines 16-17) states ‘there is much to be done if the UK is to pay its way with the rest of the world.’

Use the extracts and your knowledge of economics to assess the policies that could be used to reduce the UK's balance of trade deficit.

[25 marks]

Areas for discussion include:

- explanation of the term balance of trade deficit
- recent UK experience in relation to the balance of trade
- factors that affect the balance of trade with particular reference to the UK
- exchange rate policy and how it affects the balance of trade
- demand-side policies and how they affect the balance of trade
- supply-side policies and how they can affect the balance of trade
- promoting and developing trade links with other countries
- the significance of the BREXIT vote & subsequent developments
- some may consider tariffs, quotas, export subsidies and other protectionist measures (BUT not expected since it is not part of the AS Specification)
- factors that determine the effectiveness of the various policies, e.g. elasticities
- the likely short-run and long-run effectiveness of the various measures
- the impact of the different measures on other policy objectives, e.g. reducing AD to reduce imports is likely to reduce growth and increase unemployment
- the most appropriate policy depends on the current state of the economy, e.g. reducing AD may be better than generating a fall in the exchange rate if the economy is experiencing high inflation
- the link between the cause of the deficit and the most appropriate policy response

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

Context 2 UK Wages and Competitiveness**Total for this Context: 50 marks**

2 7 Define the term 'deficit on the balance of trade in goods and services' **Extract E** (line 14).
[3 marks]

Level of response	Response	Max 3 marks
3	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
1	Some fragmented points are made.	1 mark

Examples of acceptable definitions, worth 3 marks:

- the value of exports of goods and services is less than the value of imports of goods and services
- the amount spent on our exports of goods and services is less than the amount we spend on importing goods and services

Example of a definition worth 2 marks:

- the value of imports is greater than the value of exports
- the amount/quantity of exports of goods and services is less than the amount/quantity of goods and services imported

Example of a definition worth 1 mark:

- the amount of imports are greater than the amount of exports
- imports are greater than exports
- the difference between the value of exports of goods and services and the value of imports of goods and services

MAXIMUM FOR QUESTION 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

2 8

*In the year to July 2020, the deficit in the balance of trade in goods was £105 billion.
Calculate the value of imports of goods for the year to July 2020, using the information in
Extract E (lines 12–15) to help you.*

[4 marks]

Calculation:

$$£321.6\text{bn} - M = -£105\text{bn}$$

$$M = 321.6\text{bn} + 105\text{bn} = £426.6\text{bn}$$

Response	Max 4 marks
For the correct answer: £426.6bn	4 marks
For the correct answer without £: 426.6bn OR For the correct answer without bn: £426.6 OR For an answer with units, £ and bn, rounded: £427bn or £426bn	3 marks
For an answer without units, £ and bn: 426.6 OR For an answer without units, £ OR bn, rounded: £426/7 or 426/7bn	2 marks
For identifying the correct method for the calculation but the wrong answer is given	1 mark

MAXIMUM FOR QUESTION 28: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

2 9

Use **Extract D** to identify **two** significant features of the balance of trade in goods and services over the period shown.

[4 marks]

Award up to 2 marks for **each** significant feature identified.

Response	Max 4 marks
Identifies a significant feature Makes accurate use of the data to support the feature identified Unit of measurement given accurately	2 marks
Identifies a significant feature but only one piece of data is given when two are needed and/or no unit of measurement is given and/or the unit of measurement is inaccurate and/or the wrong date is given	1 mark

If a student identifies more than 2 significant features, reward the best two.

Significant points include:

- over the period there was an improving trend in the trade balance. In November 2017 there was a deficit of £2900m and by October 2020 it had reduced to £1800m
- prior to June 2019 the trade balance was always in deficit, such as £7900m in February 2019, however, since then, the trade balance fluctuated between deficits and surpluses, for example, there was a surplus of £7100m in May 2020
- the largest trade deficit occurred in February 2019 with a value of £7900m
- the largest trade surplus occurred in May 2020 with a value of £7100m
- the trade balance fluctuated throughout the period, with a range of £15000m, from a deficit of £7900m to a surplus of £7100m
- the sharpest improvement in the trade balance occurred between March and April 2020, when it moved from a deficit of £3300m to a surplus of £5700m, a change of £9000m
- the sharpest deterioration in the trade balance occurred between January and February 2020, when it fell from a surplus of £4100m to a deficit of £300m, a change of £4400m
- the smallest trade deficit occurred in February 2018 with a value of £500m
- the smallest trade surplus occurred in July 2019 with a value of £1000m

Note: the figures in the graph are taken from actual data, allow a tolerance of +/- £300m

Allow a deficit to be expressed as a negative number (i.e. -£7900m)

Students need to refer to a deficit or surplus for the feature to be significant and gain 2 marks

If students refer to lowest/highest balance in trade in goods and service or just lowest/highest amount with correct data (including date and units), and don't mention deficit or surplus award 1 mark

MAXIMUM FOR QUESTION 29: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

3 2 **Extract E** (lines 17–19) states ‘...it is important that the increase in exports seen towards the end of 2017 is sustained. It is needed to reduce the trade deficit and have other positive impacts on the economy.’

Use the extracts and your knowledge of economics to discuss the significance of an increase in exports for the performance of the UK economy.

[25 marks]

Areas for discussion include:

- meaning of exports/performance of the UK economy/macroeconomic objectives
- impact of an increase in exports on AD
- impact of an increase in exports on the balance of trade/balance of payments on current account
- consideration of an increase in imports
- impact of an increase in exports on employment/unemployment
- impact of an increase in exports on inflation
- impact of an increase in exports on short-run and long-run economic growth
- importance of investment
- impact of accelerator/multiplier effects
- importance of seeking out and trading in wider markets
- importance of productivity/efficiency gains
- importance of consumption
- importance of complementary government policies
- importance of supply-side policies and/or improvements
- consideration of the exchange rate
- consideration of cost-push pressures/tightening of monetary policy
- consideration of changes in the rest of the world
- an overall assessment of the significance of an increase in exports.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

3 2 ***Extract F** (lines 6–7) states: ‘However, there is a great deal that can be done to improve the balance of trade in goods and services.’*

Use the extracts and your knowledge of economics to evaluate policies that may be used to achieve a sustained improvement in the UK’s balance of trade in goods and services.

[25 marks]

Areas for discussion include:

- the balance of trade in goods and services, balance of payments on current account
- UK economy/macroeconomic performance
- the impact of supply-side policy, such as industrial policy, reduction in corporation tax, spending on education and training
- the impact of policies to reduce aggregate demand (monetary and fiscal) on the balance of trade in goods and services
- impact of policies that reduce the exchange rate on the balance of trade in goods and services
- discussion of the most effective policy
- the drawbacks of supply-side policy, such as the budget position/time lags
- the drawbacks of policies to reduce aggregate demand, such as increasing unemployment
- the drawbacks of policies to reduce the exchange rate, such as increasing inflation
- discussion of factors that might affect which policy/combination of policies is most appropriate, such as the extent of spare capacity in the economy
- short-run versus long-run impact
- overall assessment of policies that may be used to achieve a sustained improvement in the UK’s balance of trade in goods and services.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate’s response to the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

2 6**Extract C** (line 1) states: 'So, is the changing retail industry and the decline in the high street bad news for the economy?'

Use the extracts and your knowledge of economics to assess whether the changes taking place in the retail industry are likely to cause lasting damage to UK macroeconomic performance.

[25 marks]**Areas for discussion include:**

- the retail industry
- the measurement of UK macroeconomic performance
- why and how the changes in the retail industry might affect AD
- why and how the changes in the retail industry might affect the supply-side performance of the economy
- the components of AD: consumption, investment, government spending, international trade
- impact on unemployment/employment
- impact on inflation
- impact on economic growth
- impact on the balance of payments on current account
- consideration of the extent of the changes in the retail industry
- consideration of creation of economic activity in other areas of the economy
- the role of investment and economic activity
- the role of government and economic activity
- multiplier/accelerator effects
- consideration of the success of macroeconomic policy – fiscal, monetary and supply-side
- consideration of the economic cycle
- the importance of confidence/uncertainty
- the importance of external influences
- consideration of 'lasting' damage – short term versus long term.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

3 1 **Extract E** (lines 9–10) states: ‘Inevitably, the volume of exports will fall, and it is highly likely that the trade deficit will increase further.’

Explain **two** factors that could cause a fall in the volume of UK exports.

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 3	- identifies two valid factors - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - may include a relevant diagram to support their explanation.	8–10 marks
Level 2	- identifies at least one valid factor - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present - includes reasonable application of relevant economic principles and/or data to the question - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram to support their explanation.	4–7 marks
Level 1	- identifies at least one valid factor - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1–3 marks

Relevant issues include:

- meaning of exports/volume of exports
- closure of UK manufacturing firms
- gloomy expectations/slowdown/recession overseas
- appreciation in the sterling exchange rate
- fall in UK labour/capital productivity
- higher UK inflation compared with abroad
- lower investment/R & D/lower quality
- protectionism/lack of trade agreements

MAXIMUM FOR QUESTION 31: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

3 1 *Extract F (lines 7–8) states ‘productivity remains a key issue in improving competitiveness and aiding the recovery of the economy.’*

Explain two factors that may have contributed to low productivity in the UK.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	- is well organised and develops one or more of the key issues that are relevant to each of the two factors - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - may include a relevant diagram to support their explanation.	8 – 10 marks
2	- includes one or more issues that are relevant to the question - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present - includes reasonable application of relevant economic principles and/or data to the question - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram to support their explanation.	4 – 7 marks
1	- is very brief and/or lacks coherence - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1 – 3 marks

Relevant issues include:

- explaining what is meant by productivity
- invention, innovation, technological change, R&D and productivity
- inadequate investment in the capital stock
- government investment, or lack of, in infrastructure – transport, internet etc
- education – changes to examinations, attainment levels etc
- training and its impact on productivity
- flexible labour markets, part-time, temporary workers and the possible impact on productivity
- labour hoarding during recession

MAXIMUM FOR QUESTION 31: 10 MARKS