

AS
Economics

7135/1

Report on the examination

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Section A - Multiple Choice

General Comments

The mean facility for the multiple-choice questions was 66%. Questions 2, 14, and 18 proved to be relatively easy with a facility of over 85%. The most challenging questions, with a facility of less than 35%, were questions 10 and 13.

Question 10

A similar number of students selected responses A and C. Those who incorrectly selected A, calculated the market share in 2023 of the original 3 largest firms but in 2023, Firm 3 dropped out of the three-firm concentration ratio and was replaced by Firm 4.

Question 13

Just under half the students opted for response C and only a third opted for the correct response D. The toy manufacturer is able to produce fewer trains but more buses on production possibility boundary YY compared to XX. Hence, the diagram shows that the toy manufacturer has become more efficient at producing buses and less efficient at producing trains. This can be explained by an increase in productivity in the manufacture of buses and a fall in productivity in the manufacture of trains. It does not show how many resources are allocated to the production of either buses or trains.

Section B – Context questions

General Comments

Around 48% of students chose Context 1 (Flood defences) and around 52% of students chose Context 2 (Coffee). Students performed similarly on both contexts. Both contexts proved to be accessible for the students sitting this exam.

Questions 24 and 30 testing the use of diagrams was similar for both contexts. The calculations were equally challenging with students being required to tackle multi-step calculations to gain full marks.

Across the paper, those students who presented diagrams accurately and were able to use them effectively usually did well. Credit was given for fully labelled diagrams, accurate illustrations and the application of diagrams to longer mark questions. A noteworthy number of students lost marks when they missed units or decimals in calculation questions, as well as mislabelling diagrams.

A number of students made extensive use of diagrams in their answers. However, some diagrams were not explicitly used or were inaccurate or not labelled correctly; students should be aware that credit is not given for an inaccurate diagram. Where appropriate, the use of suitable, fully labelled, diagrams should be encouraged. However, they should only include a diagram when it is relevant to the question and adds value to the response.

Selective use of the extracts should also be encouraged. The extracts are there to help the student respond to the questions and can be used to help support judgements. When answering the last part of each context, the quality of the evaluation is a key determinant of the mark awarded.

Good quality evaluation requires that judgements are supported by sound analysis and/or evidence. The evidence used to support judgements may be qualitative or quantitative. Some evidence is included in the extracts, but it must be used appropriately. Combining evidence from different extracts is one way of strengthening the quality of evaluation. Sound fully developed analysis should be an essential element of students' responses to the last two parts of each context question. In the final question, good analysis is the foundation for good evaluation; they go together. Students should be encouraged to allocate their timing appropriately across all questions and leave sufficient time for a supported final judgement in the 25 mark extended-response question.

As always, in the very best answers, students demonstrated their evaluation skills throughout the 25 mark extended-response questions. Good answers included judgements on the significance and importance of arguments as they progressed through their answer, before coming to a supported final judgement. Level 5 responses included evaluation that was supported by sound theoretical analysis and by the use of data from the extracts.

Question 21

Many students were able to provide a full and precise definition of opportunity cost. Those that lost marks did not appreciate the idea of the next best alternative being foregone.

Question 22

Some students would have benefited from reading the question more carefully, as a number of students did the calculation correctly but did not give their answer to one decimal place.

Question 23

The important principle for this question is that students need to identify and clearly state two significant points of comparison between the amount of spending on flood defences paid for by the local government levy, and the amount from other sources. The significant point of comparison must be supported by accurate use of the data.

Many students achieve full marks by comparing the regions where the levy was the highest compared to the region where the amount from other sources was the highest, and the regions in which each were at their lowest. Some students compared the highest and lowest point together as a comparison. This is not a significant comparison. However, they were awarded 1 mark for identifying a significant feature of one data series.

Question 24

Most students were able to produce a basic supply and demand diagram, scoring at least one mark for the setting up the diagram correctly.

A significant number of students did not achieve full marks due to errors such as missing labels and/or shifting the demand curve as well as the supply curve. Around 40% of students scored full marks by presenting a well-illustrated, fully labelled diagram that shifted the supply curve to the right.

Question 25

This question was marked using a level of response mark scheme that assesses knowledge and understanding, application and analysis. When awarding the mark, a judgement is made regarding the overall quality of the response.

Many students were able to identify relevant reasons for an increase in house prices, but a significant number did not adequately develop their answers, resulting in mid-level 2 responses. Good application was demonstrated by drawing on information provided in the extracts. The most able students went on to develop analysis which blended sound economic reasoning and the given context.

Students who were able to identify two valid reasons, use a relevant diagram and include focused, logical chains of reasoning were rewarded with a high mark. It was not necessary to include a diagram to achieve full marks for this question, but students should appreciate that, where appropriate, the use of a diagram can be useful in supporting their analysis. Many students included a relevant diagram and used it to support their analysis of the impact of their chosen factors on the price of housing. Students were usually better at explaining the reasons for an increase in demand for houses rather than factors that result in a lack of supply of housing. The best students linked their analysis to the workings of the price mechanism.

Question 26

This question produced a wide range of responses and there were some very accomplished and thoughtful answers, however fewer than 5% of students produced a Level 5 response. The mean score for this question was 11.63, around 3 marks lower than the equivalent question in Context 2.

The best answers started by setting the scene, highlighting the issues surrounding the nature of public goods and the free rider problem. More able students focused on the precise demands of the question, to consider whether the government should be solely responsible for paying for flood defences

Too many students did not make any use of the extracts, despite the extracts offering a number of useful points which could have been developed. For example, how Network Rail and landowners could all be affected by flooding and so had a vested interest in ensuring that there was at least some private sector capital expenditure on flood defences.

Some students did not leave enough time to provide a decent response to this question. Many students understood the market failure issues but then struggled to apply them to UK flood defences. Diagrams and associated explanations, when provided, were not always applied effectively to the context. Evaluation was often generic and fairly superficial.

Question 27

Only a minority of students did not score any marks for this question. Just over a third of the students scored full marks by offering a full and precise definition. Where marks were dropped, this often because students did not mention a specific time period, for example, per week, per day or per hour.

Question 28

Many students were awarded full marks for this question. The most common error was when the units were missing or incorrect.

Question 29

The most common response was to highlight in the first significant point of comparison the highest forecast price of coffee against the highest actual price, followed by their second significant point comparing the lowest forecast price of coffee against the lowest actual price of coffee.

Weaker students did not include the relevant units of measurement when quoting the data, omitting that coffee prices were measured in \$ per kg. Accurate units of measurement are needed when using the data to support the comparison.

Question 30

Just over a quarter of students achieved full marks for their answer to this question. Most students were able to complete a basic diagram but many struggled to show the change in revenue before and after the price rise. Approximately half the students scored 2 marks or fewer. Many did not understand that changes in price are represented by a movement along the demand curve, rather than a shift.

Question 31

As with the corresponding Question 25, this question was marked using a level of response mark scheme that assesses knowledge and understanding, application and analysis. When awarding the mark, a judgement is made regarding the overall quality of the response.

Many students recognised that coffee capsules and coffee machines are in joint demand, and that an increase in the price of coffee capsule prices would be likely to reduce the quantity demanded of coffee machines. However, a significant number did not adequately develop their responses.

The better students explained the significance of the cross elasticity of demand between these products. Good response also explained the significance of the price elasticity of demand for coffee, often stating that its habit-forming nature meant that demand was likely to be inelastic with respect to a change in price. Then going on to explain that, in reality, the impact on the coffee machine market may be fairly small, with diagrams reflecting an inelastic demand curve.

Question 32

This question was answered to a higher standard than the equivalent Question 26 in Context 1 although diagrams were not always used well. There were some strong answers with around 10% of students producing a Level 5 response.

This question provided students with the opportunity to evaluate the case for government intervention in a range of coffee markets, such as coffee producing countries, the global coffee market, coffee shops, and the markets for coffee machines and capsules. As a result, students could have analysed how both negative externalities in production and negative externalities in consumption are sources of market failure in various coffee markets and provide an argument for government intervention.

Pros and cons such as opportunity cost and the risk of government failure were often mentioned but were not always applied effectively to the context. Students who were able to develop such issues and apply them to the markets for coffee gained were well rewarded. Good students made effective use of the extracts. The best students looked at negative externalities in production linking to, for example, deforestation and child labour. They also discussed negative externalities in consumption, such as disposing of single use plastic coffee cups. The very best students considered the magnitude of the issues using information in the extracts about the amount of coffee consumed. Whilst this was not an expectation, it did add weight to the focused evaluation of some students.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.