



Economics Questions By Topic:

The Financial Sector (4.4) Mark Scheme

A-Level Edexcel Theme 4

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SECTION A

Question Number	Answer	Mark
1(a)	Knowledge 2 Knowledge/understanding: 1 mark for identifying a role; 1 mark for linked development, e.g. <ul style="list-style-type: none"> • to mobilise savings (1) for lending to businesses and individuals to invest or consume (1) • to facilitate the exchange of goods and services (1) by providing a flat currency (1) • to provide forward markets in currencies and commodities (1) to reduce risk (1) • to provide a market for equities (1) to facilitate raising of finances by businesses (1). 	(2)

Question Number	Answer	Mark
1(b)	Knowledge 2 Knowledge/understanding: 1 mark for identifying one reason; 1 mark for linked development, e.g. <ul style="list-style-type: none"> • to stimulate growth (1) by increasing money supply (1) • to increase bank liquidity (1) so they would be more willing to lend (1) • interest rates were already very low (1) so limited scope for further reductions (1) • prevent deflation (1) by increase in money supply (1) 	(2)

Question Number	Answer	Mark
1(c)	C	(1)

END OF SECTION A

SECTION B

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 1</p> <p>Knowledge/Understanding: (1+1 or 2) marks Explanation of forward markets in currencies, e.g.</p> <ul style="list-style-type: none"> • Firms buy their currency in advance (1) • Firms agree a fixed price (1) for purchase of foreign currency in the future (1) <p>Application: (1+1) marks Reference to Extract A, e.g.</p> <ul style="list-style-type: none"> • Currency 'has a big impact' on their business • Buying currency as soon as a large order is confirmed • 'The pound's post-Brexit referendum depreciation' <p>Other application e.g. use of Figure 1. NB at least one piece of data must come from Extract A for the full 2 Ap marks.</p> <p>Analysis: (1) mark Linked development, e.g.</p> <ul style="list-style-type: none"> • Enables firms to reduce risk/uncertainty • Firms can be certain about the cost of their imports in pounds 	(5)

Question Number	Indicative content		Mark
2(b)	<p align="center">Knowledge 3, Application 3, Analysis 3</p> <p>Arguments that providing support to banks is the best policy:</p> <ul style="list-style-type: none"> • Economy is dependent on financial system working smoothly • People could have lost their savings if banks had been allowed to fail, leading to massive drop in confidence • Potential for risk of depression had government not intervened • Government has recouped much of the money invested into bailing out the banks anyway- Government 'recovered every penny of its investment in Lloyds' <p>NB Discussion of other policies, e.g. central bank regulation, can also be awarded as KAA</p> <p>NB Candidates may argue that providing support to banks is not the best policy as KAA and the opposite as evaluation</p>		(9)
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.	
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.	
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.	

Question Number	Indicative content		Mark
2(b) continued	<p style="text-align: center;">Evaluation 6</p> <p>Arguments that providing support to banks is not the best policy:</p> <ul style="list-style-type: none"> • Huge expenditure for government that, for example in the case of the UK, already has a significant national debt- £65bn bailout of RBS and LBG. Will have to be repaid by future generations of taxpayers. • Moral hazard: will encourage reckless behaviour from the banks in the future, expecting a bailout again • Government looking unlikely to recoup losses from RBS for some time (in contrast to Lloyds) • Other policies, e.g. expansionary fiscal policy, may have been more effective <p>NB Candidates may argue that providing support to banks is not the best policy as KAA and the opposite as evaluation</p>		(6)
Level	Mark	Descriptor	
	0	No evaluative comments.	
Level 1	1-2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.	
Level 2	3-4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.	
Level 3	5-6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.	

Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge 3, Application 3, Analysis 3</p> <p>The role of the financial sector in the growth and development in developing countries includes:</p> <ul style="list-style-type: none"> • facilitating saving so banks have more funds for lending, facilitating investment and therefore growth • promoting lending to enable more investment in the economy • exchanging currencies- enabling firms to imports parts and materials- often more cheaply- and also enabling them to export - helping to increase size of their market • providing a market for equities • Harrod-Domar model • Microfinance • Central banks/international organisations <p>NB For a Level 3 response candidates must refer specifically to growth/development in a developing country/countries/regions</p>	(9)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4-6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7-9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
3 continued	Evaluation 6	
	<ul style="list-style-type: none"> • Clear rule of law required for financial sector to develop • Risk of corruption • Risk of market failure in financial markets • Lack of financial literacy in developing countries may limit potential • Other factors may play a larger role, e.g. healthcare, infrastructure, education 	(6)

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Answer	Mark
4	<p>Key issues:</p> <ul style="list-style-type: none"> • Recession deeper than many had predicted and affecting most countries, leading to huge decline in demand for exports and imports • Greater integration of world economy • Trade finance has dried up following the banking crisis • Global supply chains • Recession leading to an increase in protectionism • Firms had large inventories (stocks) <p>Evaluation might include:</p> <ul style="list-style-type: none"> • Prioritization • Downturn must be seen in perspective: it followed years of growth in world trade • Detailed consideration of implications of offshoring and outsourcing <p>(Synoptic element: analysis of recession from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p> <p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economics vocabulary appropriately • To use grammar, spelling and punctuation appropriately 	(12)
Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 reason; 2 for application (1 example of a specific country/region from own knowledge or data ref of % decline in world trade lines 13-14)
Level 2	4-7	1 mark for identification; 2 for application; 4 for analysis e.g. of impact of depth of recession
Level 3	8-12	1 mark for identification; 2 for application; 4 for analysis of at least 2 reasons e.g. of impact of depth of recession; 5 marks for any 2 evaluative points (2 + 3; or 3 + 2)

END OF SECTION B