



Subject Code: 07

Paper Code: 01

2026

MARK SCHEME

ECONOMICS SPECIMEN PAPER

Paper: 1 (Individual Economy)

Maximum Mark: 50

ANNOTATIONS

The following annotations are used in marking this paper and should be used by markers.

Annotation	Use or meaning
✓	Correct and relevant point made in answering the question.
X	Incorrect point or error made.
REP	Repeat
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure

Generic Marking Principles:

These generic marking principles must be followed by all markers when assessing candidates' responses. They should be used together with the specific details provided in the mark scheme or the generic level descriptors for each question. Every question paper and its corresponding mark scheme will also adhere to these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in accordance with:

- the specific content of the mark scheme or the generic level descriptions provided for the question,
- the specific skills identified in the mark scheme or descriptors, and
- the standard of performance expected from candidates, as exemplified through standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

- Only whole marks are to be awarded. No half marks or fractional marks should be given under any circumstances.

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded positively:

- Credit must be given for correct and valid responses, as outlined in the mark scheme.
- Where a candidate's response exceeds the expected content or extends beyond the syllabus in a relevant way, appropriate credit may be awarded, in consultation with the Chief Marker.
- Marks are awarded when the candidate demonstrates clear evidence of knowledge, understanding, or skill.
- Marks must not be deducted for incorrect answers, omissions, or irrelevant material.
- Spelling, punctuation, and grammar should only be considered if explicitly stated in the question's assessment criteria. However, responses must be sufficiently clear in meaning.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently across all scripts, including cases where candidates do not follow specific instructions or where generic level descriptions are applied. For example, if a candidate writes more answers than required or responds in the wrong format, the marker should still assess the response based on the marking scheme. If the marking scheme includes a penalty for not following instructions, it should be applied. If no penalty is mentioned, valid responses should still be credited. In the case of generic level descriptions such as "basic understanding" or "detailed explanation", all markers must interpret and apply these levels in the same way across all scripts. This helps ensure that every candidate is marked fairly and consistently.

GENERIC MARKING PRINCIPLE 5:

The full range of marks available in the mark scheme must be used where appropriate. However, the actual distribution of marks may depend on the quality of responses observed.

GENERIC MARKING PRINCIPLE 6:

Marks must be awarded strictly based on the criteria and expectations defined in the mark scheme. Judgments should not be influenced by grade thresholds, grade descriptions, or assumptions about overall candidate performance.

Point-Based Marking

Guidance

- DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term).
- DO credit alternative answers/examples which are not written in the mark scheme if they are correct.
- DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities.
- DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- DO NOT require spellings to be correct, unless this is part of the test. However, spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion).

Calculation

- The mark scheme will outline the steps for the most likely correct method(s), including the marks allocated for each step, the correct answer(s), and the marks awarded for the final answer.
- If working or explanation is required to obtain full credit, this will be clearly stated in both the question paper and the mark scheme. In all other cases, a correct final answer should receive full marks even if no supporting working is provided.
- If a candidate applies a valid method that is not specifically included in the mark scheme, equivalent marks should be awarded for achieving equivalent stages of the solution.
- Where a candidate uses an incorrect figure obtained from earlier working, the 'own figure rule' applies. Full marks may still be awarded provided the method used is correct and complete. Additional guidance or exceptions to this principle will be specified in the mark scheme where necessary.

Level Based Marking

Marking should be carried out positively, recognising and rewarding achievement wherever possible, while also ensuring clear differentiation across the full range of marks where appropriate. Examiners should review the candidate's response and determine which level descriptor provides the best fit. In practice, responses may not match a single level descriptor exactly, so professional judgement may be required when deciding between two or more levels. Once the best-fit level has been identified, the following guidance should be used to award a specific mark:

- Award the highest mark in the level if the candidate's work fully and convincingly satisfies the level descriptor.
- Award a mark in the middle of the range if the candidate's work adequately meets the level descriptor.
- Award the lowest mark in the level if the candidate's work only just meets the level descriptor.
- Level annotations such as L1, L2, etc. must be clearly indicated on the response at the point where the level has been achieved.

Assessment Objectives:

AO1: Knowledge and Understanding

- Recall and explain economic concepts, principles, laws, and theories.
- Demonstrate knowledge of microeconomics and macroeconomics.
- Show understanding of national economic systems, planning, and policies.
- Use correct economic terminology, diagrams, and formulae.

AO2: Application

- Apply economic concepts, theories, and models to real-life situations.
- Use economic tools to illustrate economic relationships.
- Interpret economic indicators and data.

AO3: Analysis

- Analyse economic relationships using theories, laws, and models.
- Examine the causes and consequences of economic problems and policy decisions.
- Break down economic issues logically, showing clear chains of reasoning supported by diagrams and evidence.

AO4: Evaluation

- Evaluate the effectiveness and limitations of economic policies.
- Assess trade-offs between growth, equity, efficiency, and sustainability.
- Make reasoned judgements on government intervention and market outcomes.
- Compare advantages and disadvantages of structures, policies, and global relations.
- Draw balanced and well-supported conclusions on economic strategy

SECTION A (15 Marks)

Question I	Answer	Marks	AOs
1.	A	1	AO1
2.	C	1	AO1
3.	B	1	AO2
4.	A	1	AO2
5.	D	1	AO1
6.	A	1	AO2
7.	C	1	AO2
8.	D	1	AO1
9.	D	1	AO1
10.	D	1	AO1
11.	B	1	AO2
12.	A	1	AO2
13.	C	1	AO2
14.	C	1	AO2
15.	A	1	AO1

SECTION B (15 Marks)

Question II

[15]

Q. part	Answer	Marks	Additional Guidance
1.	State the meaning of division of labour, as used by the furniture firm. Indicative Content 1 mark for each valid point identified (Max 2) AO1: Knowledge and Understanding • The production process is divided into separate tasks. (1) • Workers specialise in performing a particular task. (1)	2	• Award 1 mark for each distinct point. • Accept other valid answers with the same meaning.
2.	Describe how workers specialising in tasks such as cutting, assembling, and finishing can increase the firm's productivity Indicative Content (Max of 3 marks) AO1: Knowledge and Understanding (1) • Specialisation occurs when workers concentrate on performing a specific task or stage of production. (1) • Increased productivity means producing more output from the same number of inputs, or producing the same output using fewer inputs. (1)	3	• Accept other valid answers

	AO2: Application (2) 2 marks: Developed application/explanation 1 mark: Limited application Developed Application (Max 2) - Workers become more skilled and efficient at their specific tasks through repetition, enabling the firm to produce more furniture in a given period. (2) - Specialising in tasks such as cutting, assembling, and finishing reduces the time spent switching between tasks, allowing workers to increase output. (2) Limited Application (1) - Workers become more skilled at their specific tasks. (1) - Workers can complete tasks more quickly. (1) - More furniture can be produced in a given period. (1)		
3.	Explain how the use of machinery by the furniture firm may affect its production costs. Indicative Content (Max 4) AO1: Knowledge and Understanding (1 mark) including Machinery is equipment used in production to make goods more efficiently and increase the firm's productive capacity.	4	

AO2: Application (1 mark) including:

- The furniture firm can use machinery to cut, shape, and assemble furniture more quickly and accurately

AO3: Analysis (2 marks) including:

Developed Analysis (2 marks)

- The use of machinery can reduce production costs by increasing productivity and reducing the amount of labour required per unit of furniture. Although the firm may incur high initial costs for purchasing, maintaining and operating the machinery, these costs can be spread over a larger output, reducing the average cost per unit in the long run.

Partial Analysis (1 mark)

- The use of machinery can increase productivity, allowing the furniture firm to produce more furniture with the same amount of labour, which may reduce the cost per unit.

4.

Evaluate how workers specialising in particular tasks may affect employment opportunities in Bhutan.

Level	AO1 Knowledge and Understanding 1 mark	AO2 Application 1 mark	AO3 Analysis 2 marks	AO4 Evaluation 2 marks
2			2 marks Developed analysis showing clear cause-and-effect relationships between worker specialisation and employment opportunities in Bhutan.	2 marks Developed evaluation with a justified judgement in the Bhutanese context.
1	1 mark Developed knowledge of specialisation and employment.	1 mark Developed application to Bhutan	1 mark Some analysis with partial explanation of cause-and-effect relationships.	1 mark A judgement is made with some attempt at justification.
0	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.

6

- Accept other valid answers

Indicative Content:

AO1 Knowledge and Understanding (Max 1) including:

- Specialisation occurs when workers concentrate on performing a particular task or developing specific skills.
- Employment opportunities refer to the availability of jobs for people who are willing and able to work.

AO2 Application (Max 1) including:

- In Bhutan, workers may specialise in areas such as tourism, construction, agriculture, manufacturing, ICT and financial services.
- Firms may require workers with specific skills and qualifications for specialised occupations.

AO3 Analysis (Max 2)

Developed Analysis (2 marks)

- Worker specialisation can increase demand for people with specific skills. As firms expand and require specialised workers, this can create new employment opportunities in Bhutan.
- Specialisation can allow workers to develop expertise in particular occupations, improving their employability and enabling them to access more specialised jobs.
- However, workers who lack the skills required for specialised occupations may find it difficult to obtain employment. This can increase structural unemployment if workers' skills do not match the requirements of available jobs.

- Greater specialisation may also encourage firms to introduce technology for routine tasks. This could reduce demand for some workers while increasing demand for workers with technical skills.
- Specialisation may reduce workers' flexibility because they become skilled in only one task. This can make it difficult for the firm to reallocate workers when production requirements change.

Partial Analysis (1 mark)

- Specialisation can create employment opportunities for workers with the skills.

AO4 Evaluation (Max 2)

Developed Evaluation (2 marks)

- The impact on employment opportunities in Bhutan is likely to depend on the availability of education and skills training. If workers can acquire the skills demanded by firms, specialisation can create more employment opportunities. However, workers who cannot adapt to changing skill requirements may face difficulty finding jobs.
- Overall, worker specialisation is likely to increase employment opportunities in Bhutan if economic growth creates demand for specialised workers and appropriate training is available. However, it may reduce opportunities for low-skilled workers where technology replaces routine jobs.

Partial Evaluation (1 mark)

- Specialisation is likely to increase employment opportunities for workers with appropriate skills, but may reduce opportunities for workers whose skills do not match employers' requirements.

SECTION C (20 Marks)

Question III

[10]

Q. Part	Answer	Marks	Additional Guidance
1.	Analyse the likely changes in the wage rate and employment resulting from the expected increase in demand for graphic designers Indicative Content (Max 4) AO1 Knowledge and Understanding (Max 1) including: - An increase in demand for labour causes the labour demand curve to shift to the right, increasing the equilibrium wage rate and quantity of labour employed, other factor remaining Constant. AO2 Application (Max 1) including: - In the labour market for graphic designers, the equilibrium wage rate is W and the equilibrium quantity of labour is Q, where $DL = SL$. - The increase in demand for graphic designers would shift the labour demand curve rightward, resulting in a higher equilibrium wage rate and a higher level of employment.	4	<i>An accurately drawn and labelled diagram can support the analysis.</i> Note: A correctly drawn diagram should support the written analysis; a diagram alone should not receive the full 2 AO3 marks.

AO3 Analysis (2 marks) including:

Developed Analysis (2 marks)

- The increase in demand for graphic designers shifts the labour demand curve to the right. At the existing wage rate W , there will be excess demand for graphic designers, putting upward pressure on the wage rate.
- The wage rate therefore rises, encouraging more people to supply their labour as graphic designers. The new equilibrium would occur at a higher wage rate and a higher quantity of labour employed.

Partial Analysis (1 mark)

- An increase in demand for graphic designers will increase the equilibrium wage rate and the quantity of labour employed.

2.

Evaluate the extent to which the supply of suitably skilled graphic designers could respond to the increase in demand shown in Figure above

Level	A01 Knowledge and Understanding 1 mark	A02 Application 1 mark	A03 Analysis 2 marks	A04 Evaluation 2 marks
2			2 marks Developed analysis showing clear cause-and-effect relationships between the supply of suitably skilled graphic designers and the increase in demand.	2 marks Developed evaluation with a justified judgement on the extent to which labour supply can respond to the increase in demand.
1	1 mark Developed knowledge of labour supply and factors affecting its responsiveness.	1 mark Developed application to graphic designers and the labour market shown in the figure.	1 mark Some analysis with partial explanation of cause-and-effect relationship	1 mark A judgement is made with some attempt at justification.
0	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.

6

- Accept other valid answers

Indicative Content:

AO1 Knowledge and Understanding (Max 1) including:

- Labour supply refers to the quantity of labour workers are willing and able to offer at different wage rates.
- The supply of skilled labour may be less responsive in the short run because workers require education, training and experience to acquire specialised skills.

AO2 Application (Max 1) including:

- The increase in demand is for graphic designers, who require specific skills such as graphic design software, digital design and creative skills.
- Existing graphic designers may increase the hours they work, while new workers may need training before entering the occupation.

AO3 Analysis (Max 2)

Developed Analysis (2 marks)

- In the short run, the supply of suitably skilled graphic designers may respond slowly because acquiring the required qualifications, technical skills and experience takes time. This means that the increase in demand may initially create a shortage of skilled graphic designers.
- The higher wage rate shown in the figure may encourage existing graphic designers to work more hours and attract some workers into the occupation.

	However, if training takes a long time, the increase in labour supply may be limited in the short run. • In the long run, the supply of graphic designers may respond more fully as individuals receive education and training and move into the occupation. Partial Analysis (1 mark) • The supply of graphic designers may increase when higher wages encourage more people to enter the occupation. AO4 Evaluation (Max 2) including: Developed Evaluation (2 marks) • The extent of the response depends on the time period and availability of suitable training. In the short run, labour supply is likely to be relatively unresponsive because workers cannot immediately acquire the necessary skills. In the long run, supply is likely to become more responsive as training increases the number of suitably skilled workers. • Overall, the supply of graphic designers is likely to respond only to a limited extent in the short run but more significantly in the long run, provided there are sufficient education and training opportunities and the higher wage rate is maintained. Partial Evaluation (1 mark) • Labour supply is likely to respond more in the long run because workers have more time to acquire the skills needed to become graphic designers.		
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Question IV

[10]

Que Part	Answer	Marks	Additional Guidance
1.	Analyse how scarcity of resources and alternative uses of land, as stated in the stimulus, create a need for choice. Indicative Content (Max 4) AO1 Knowledge and Understanding (Max 1) including: - Scarcity occurs because resources are limited while human wants and needs are unlimited. - Alternative uses mean that a scarce resource can be used for different purposes. AO2 Application (Max 1) including: - In Bhutan, land is scarce and can be used for farming, housing, roads, or other purposes. - The government has limited land and funds, so using them for a new hospital means they cannot be used for other projects such as schools, roads or recreational facilities. AO3 Analysis (Max 2) including: Developed Analysis (2 marks) - since resources are scarce, they cannot be used for all possible purposes at the same time. If the government uses land and funds to build a new hospital, fewer resources remain available for schools, roads or recreational facilities. - The government must choose how to allocate its limited resources among competing uses. Choosing one use means giving up the opportunity to use those resources for another purpose, creating an opportunity cost. Partial Analysis (1 mark) - Scarce land has alternative uses, so the government must choose which use will provide the greatest benefit.	4	Accept other valid answers

2.

Evaluate how effective resource allocation can improve the well-being of individuals and communities in Bhutan

Level	AO1 Knowledge and Understanding 1 mark	AO2 Application 1 mark	A03 Analysis 2 marks	A04 Evaluation 2 marks
2			2 marks Developed analysis showing clear cause-and-effect relationships between effective resource allocation and the well-being of individuals and communities.	2 marks Developed evaluation with a well-supported judgement. Relevant conditions or limitations are considered, such as resource availability, differing community needs or alternative uses of resources.
1	1 mark Developed knowledge of resource allocation and well-being.	1 mark Developed application to individuals and communities in Bhutan.	1 mark Some analysis with a partial explanation of cause-and-effect relationships.	1 mark A simple judgement or conclusion is made with some supporting reason.
0	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.

6

- Accept other valid answers

	Indicative Content: AO1 Knowledge and Understanding (Max 1) including: • Resource allocation is the process of deciding how resources are distributed among alternative uses. • Well-being refers to the quality of life and overall welfare of individuals and communities. AO2 Application (Max 1) including: • In Bhutan, scarce resources such as land, labour and government funds can be allocated to healthcare, education, roads, housing and other community services. • For example, allocating land and government funds to a new hospital can improve access to healthcare for individuals and communities. AO3 Analysis (Max 2) including: Developed Analysis (2 marks) • Allocating scarce resources to essential services such as healthcare and education can improve access to these services. Better healthcare can improve people's health, while education can develop skills and employment opportunities, improving overall well-being. • Allocating resources to roads and transport infrastructure can improve connectivity between communities, making it easier for people to access schools, hospitals and markets. This can improve living standards.		
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	• However, allocating resources to one use means fewer resources are available for alternative uses. For example, allocating more government funds to a hospital may leave fewer funds available for schools or roads. Partial Analysis (1 mark) • Allocating resources to healthcare and education can improve access to essential services and increase well-being. AO4 Evaluation (Max 2) including: Developed Evaluation (2 marks) • Effective resource allocation can significantly improve well-being if scarce resources are directed towards essential services and communities with the greatest needs. However, the extent of the improvement depends on the resources available and the benefits that could have been gained from alternative uses. Limited Evaluation (1 mark) • Overall, effective resource allocation can improve well-being because resources can be directed towards important services such as healthcare and education. 0 marks • No judgement or conclusion.		
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