



National
Qualifications
2022

2022 Economics

Higher

Finalised Marking Instructions

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General marking principles for Higher Economics

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (c) For **describe** questions, candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points; they do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- award **1 mark** for each accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

- (d) For **explain** questions, candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question:

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

- (e) For **discuss** questions, candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. They do not always need to give both sides of the debate in their response.

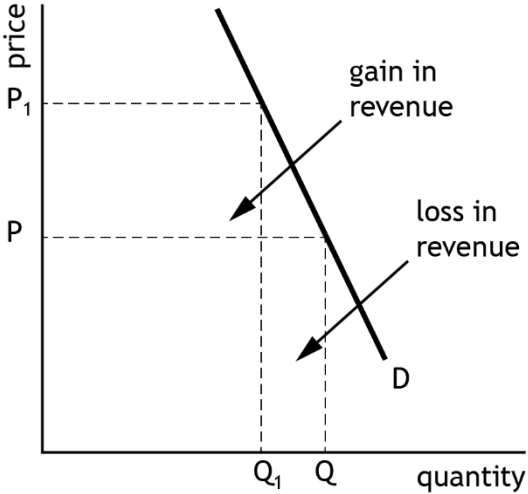
Up to the total mark allocation for this question:

- award **1 mark** for any accurate point of knowledge that is clearly relevant
- award a second mark for any other point that is developed from the point of knowledge.

Marking instructions for each question

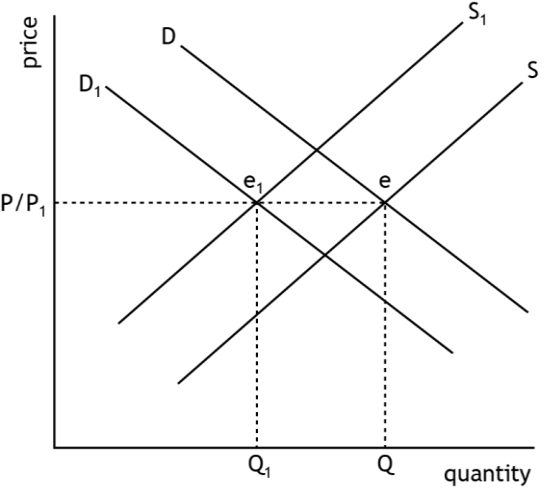
SECTION 1

Question		Expected response(s)	Max mark	Additional guidance
1.	(a)	<ul style="list-style-type: none"> • when the proportion of tax paid is higher the less income you earn/the proportion of taxation falls as income increases (1) • people on low incomes will be hit harder than others (DEV) (1) • regressive taxation is favoured by the wealthier (DEV) (1) • VAT/excise duty/fuel duty is an example of a regressive tax (DEV) (1) • ‘fat tax’/’sugar tax’ is an example of a regressive tax as it is the same rate for everyone (DEV) (1) • as lower income households may not be able to afford healthier choices, they will be hit even harder by the proposed tax (DEV) (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>No marks are awarded for merely identifying the fat tax/sugar tax as an example of a regressive tax as given in the stimulus material - must have some development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	 <p data-bbox="353 746 1249 850"> <ul style="list-style-type: none"> • fully labelled diagram (price, quantity, D, P and Q, P₁ and Q₁) (1) • inelastic demand curve (1) • clear identification/labelling of lost and gained revenue (1) </p>	3	Award 3 marks for the diagram.

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • the under-provision/non-provision of public goods (ID) because firms are not able to charge and make profit from providing it/non-payers or “free riders” cannot be excluded from using the goods (EXP) (1) • the under-provision of merit goods (ID) because if left to free market, many people would not be able to access these services as they couldn’t afford it/society would not be able to benefit if these services weren’t available to all (EXP) (1) • monopoly/one firm may dominate a market (ID) which means reduced consumer choice/higher prices/poorer quality (EXP) (1) • negative externalities (ID) which are costs which private firms do not account for in production/the costs of spill-over effects imposed on a third party (EXP) (1) • positive externalities (ID) which benefit society and may be underprovided by the market (EXP) (1) • wealth/income inequality (ID) an inefficient allocation of resources due to wealthier people having access to more resources than others (EXP) (1) • lack of information (ID) where there is unequal knowledge between the producer and consumer of a product (EXP) (1) 	3	<p>Candidates must explain 3 types of market failure to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	<ul style="list-style-type: none"> • determining the price/promotion of alcohol (1) • awarding of rail passenger franchises (1) • making budgetary decisions on health (1), such as having no prescription charges (DEV) (1) • making budgetary decisions on education (1), such as having no tuition fees for further education (DEV) (1) • the ability to build up a budget surplus (1) to a limit of £125m (DEV) (1) • limited resource borrowing (1) of up to £600 million each year/ £1.75 billion overall (DEV) (1) • capital borrowing powers up to 15% of overall borrowing cap (1) equivalent to £450 million a year/£3 billion in total (DEV) (1) • some aspects of social security/make budgetary decisions on welfare (1) - responsibility for 11 benefits/including disability living allowance/personal independence payments/carers' allowances/subsidising bedroom tax (1) • full economic decision making on agriculture, forestry & fisheries (1) • full economic decision making on tourism (1) • full economic decision making on economic development (1) • full economic decision making on social housing policy (1) • policy making on environmental issues (1) including environmental protection/climate change/pollution matters/waste management/water supplies (DEV) (1) 	3	<p>Candidates must describe at least 2 economic powers to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development, including exemplification.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	 <ul style="list-style-type: none"> • correctly labelled diagram (axes, D, S, P, Q) (1) • D_1 - demand curve shifting to the left (reduced unhealthy food advertising) (1) • S_1 - supply curve shifting to the left (tax on production of unhealthy food) (1) • new equilibrium quantity indicated (either P_1 and Q_1, or e_1) (1) 	4	<p>Award 4 marks for the diagram.</p> <p>Accept a rise or fall in price, depending on the angle of the demand and supply curves and on how far apart the candidate draws the shifts in demand and supply.</p>

Question		Expected response(s)	Max mark	Additional guidance
2.	(a)	<ul style="list-style-type: none"> • when a decrease in demand/spending leads to a proportionately greater decrease in National Income (1) • spending is related to income so when less is spent, less is received in income (1). This is because a reduction in spending by one group (C+I+G) would mean a greater reduction in income (Y) for others (DEV) (1) • credit example linked to case study - if a car factory closes, fall in demand/spending will have a negative knock-on effect on local shops, pubs, restaurants etc (DEV) (1) • can be caused by a reduction in injections/increase in withdrawals (accept example of injection/withdrawal) (1) • can be calculated by the formula is $1/1-MPC$ or $1/MPS$ (1) • credit numerical example - for example if MPC is 0.75 then multiplier will be 4/if Investment reduces by £2 bn then National Income decreases by £8 bn (DEV) (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>

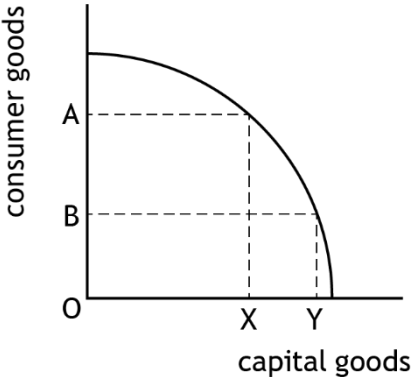
Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> • invest in better transport links/infrastructure (ID) meaning unemployed can access jobs in further away locations (EXP) (1) • more job centres (ID) make unemployed more aware of vacancies (EXP) (1) • strategies to help make rented accommodation more readily available and affordable/increase the supply of affordable social housing (ID) which increases geographical mobility (EXP) (1) • more “back to work schemes” (ID) giving unemployed advice, help with CVs, coaching in employability skills (EXP) (1) • increasing training opportunities (ID) making the workforce more flexible and therefore employable (EXP) (1) • providing subsidies/grants to firms (ID) meaning that firms may need more workers (EXP) (1) • reducing trade union power (ID) could lead to employers being able to afford to take on more workers (EXP) (1) • a reduction in corporation tax (ID) would increase potential for future investment which may allow firms to take on more workers (EXP) (1) • deregulation (ID) allows new entrants to a market, necessitating recruitment (EXP) (1) for example bus deregulation (DEV) (1) 	4	<p>Candidates must explain at least 2 policies to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 3 marks for any one policy.</p> <p>DNA any reference to unemployment benefits.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • increases the deficit on the UK's Balance of Payments/worsens the UK's Balance of Payments/worsens the Current Account in the Balance of Payments (1) • car exports from the UK would reduce/car imports would increase (DEV) (1) • decrease the exports/increase the imports in the Trade in Goods (DEV) (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(d)	<ul style="list-style-type: none"> • local firms may struggle, as are faced with increased competition (1) • opportunity cost of government grants (1) • increased pollution from factories etc (1) • depletion of non-renewable resources (1) • no long-term commitment, leave when resources are depleted (DEV) (1) • negative multiplier effect when it leaves (DEV) (1) • profits do not remain in the host country – they are repatriated (1) • creates reliance on foreign firms (which may lack loyalty) for investment (1) • 'screwdriver' economy may be created where job creation is centred in the low skilled/low paid assembly area (1) • MNC brings in its own management team (1) 	4	<p>Candidates must describe 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Credit an example linked to a disadvantage.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(e)	<ul style="list-style-type: none"> • a quota limits the amount of a product that is allowed into the country (1) • a subsidy provides domestic firms with funds from the government (1) • an embargo bans particular products or products from a particular country (1) • strict regulation/safety standards set a legal minimum standard of product safety (1) • soft loans provide cheap finance to foreign buyers to boost domestic exports (1) • government contracts are awarded to domestic firms (1) 	3	<p>Candidates must describe at least 2 trade barriers to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Credit an example linked to a trade barrier.</p>

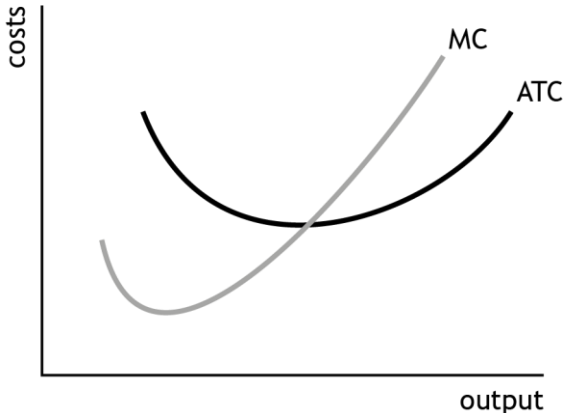
SECTION 2

Question		Expected response(s)			Max mark	Additional guidance																
3.	(a)	<table border="1"> <thead> <tr> <th>Economic Good</th> <th rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">whereas</th> <th>Free Good</th> <th></th> </tr> </thead> <tbody> <tr> <td>needs the use of scarce resources to produce it</td> <td>is abundantly supplied</td> <td>(1)</td> </tr> <tr> <td>creation has an opportunity cost</td> <td>creation does not deplete scarce resources</td> <td>(1)</td> </tr> <tr> <td>carries a price</td> <td>does not command a price</td> <td>(1)</td> </tr> <tr> <td>for example car</td> <td>for example air</td> <td>(1)</td> </tr> </tbody> </table>	Economic Good	whereas	Free Good		needs the use of scarce resources to produce it	is abundantly supplied	(1)	creation has an opportunity cost	creation does not deplete scarce resources	(1)	carries a price	does not command a price	(1)	for example car	for example air	(1)			3	<p>Candidates must give at least 2 distinctions and 1 pair of examples to gain full marks.</p> <p>Award 1 mark for each valid distinction.</p> <p>Award a maximum 1 mark for examples.</p>
Economic Good	whereas	Free Good																				
needs the use of scarce resources to produce it		is abundantly supplied	(1)																			
creation has an opportunity cost		creation does not deplete scarce resources	(1)																			
carries a price		does not command a price	(1)																			
for example car		for example air	(1)																			

Question	Expected response(s)	Max mark	Additional guidance
(b)	 <p>Diagram:</p> <ul style="list-style-type: none"> • diagram showing suitable axis labels and PPC (1) • opportunity cost clearly indicated by using letters/numbers and dotted lines (1) <p>Explanation:</p> <ul style="list-style-type: none"> • opportunity cost arises because as production of one good rises (ID) quantities of the alternative of the good are sacrificed (EXP) (1) • credit example from diagram - as consumer goods fall from A to B the opportunity cost is XY capital goods (1) • points on the diagram (for example letters/numbers) demonstrate that producing more of one good (ID) requires producing less of another (EXP) (1) 	3	<p>Award a maximum of 2 marks for the diagram.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award a maximum of 2 marks for the explanation.</p>

Question		Expected response(s)	Max mark	Additional guidance
(c)	(i)	<p>Description:</p> <ul style="list-style-type: none"> joint demand is when the demand for one good/service is directly related to the demand for another (1) demand for two or more goods is interdependent/complementary (1) <p>Example:</p> <ul style="list-style-type: none"> for example, smartphones and apps (1) 	2	<p>Award 1 mark for a valid description.</p> <p>Award 1 mark for an example.</p>
	(ii)	<p>Description:</p> <ul style="list-style-type: none"> joint supply is when a process results in more than one output (1) an increase in the supply of one product leads to an increase in supply of another product/a by-product (1) <p>Example:</p> <ul style="list-style-type: none"> sheep can produce meat/wool/sheepskin (1) 	2	<p>Award 1 mark for a valid description.</p> <p>Award 1 mark for an example.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<ul style="list-style-type: none"> speculation (ID) is when consumers purchase more of a good when its price rises because they expect it to rise further in the future (EXP) (1) for example houses/shares/euros (DEV) (1) ostentatious/Veblen goods (ID) involve consumers purchasing more of a good because it is well-known/expensive, to “show off” (EXP) (1) for example Rolex watch (DEV) (1) Giffen goods (ID) involves low-income consumers purchasing more basic food products as prices increase, because they cannot afford to purchase anything else (EXP) (1) for example rice/potatoes (DEV) (1) if the quality of a good does not easily have an identified/perceived link between price and quality (ID), high price may be used as a measure of high quality, causing an increase in demand (EXP) (1) for example expensive shampoo such as Aussie (DEV) (1) 	5	<p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Award a maximum of 1 mark for examples per accurate reason.</p> <p>Award a maximum of 1 mark for any fully labelled diagram (P, Q and D) where this is used to exemplify the explanation.</p> <p>Maximum 4 marks if no examples given.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	 <p>Diagram</p> <ul style="list-style-type: none"> • accurately labelled axes (1) • correctly shaped and labelled average total cost curve (1) • correctly shaped and labelled marginal cost curve (1) • correctly positioned MC curve cutting the ATC curve at its lowest point (1) <p>Description</p> <ul style="list-style-type: none"> • when $MC < ATC$, ATC falls (1) • when $MC > ATC$, ATC rises (1) • if the marginal unit is below the average, it will pull the average down (and vice versa) (1) • credit example - if the marginal (next) person to enter a room is taller than the average height, average height increases, however if they are smaller than the average height, average height decreases (DEV) (1) • when $MC = ATC$, ATC is at the optimum point of production (1) • the optimum point of production is the most technically efficient point of production (1) • MC can be rising but ATC still falling if $MC < ATC$ (1) 	5	<p>Maximum 4 marks for diagram. Maximum 4 marks for descriptions.</p> <p>Award 1 mark for each valid description.</p> <p>Maximum 1 mark for a numerical example.</p> <p>For horizontal axis label accept Output or Product. For vertical axis label only accept Cost(s). For Average Total Cost curve label accept AC or ATC.</p>

Question		Expected response(s)	Max mark	Additional guidance
4.	(a)	<ul style="list-style-type: none"> • low and stable rate of inflation/inflation at target of 2% CPI/between 1% and 3% CPI (1) • positive/sustainable economic growth (1) • low rate of unemployment/below 4%/full employment/NAIRU (1) • keeping the balance of payments in balance/surplus (1) 	2	<p>Candidates must describe 2 aims to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(b)	<ul style="list-style-type: none"> • complete the Living Costs and Food Survey/complete a survey to find out what average families buy (1) • create a basket of goods based on the results of the survey (1) • items in the basket are updated annually (1) • the costs of housing are not included in the basket (1) • give a weight to each item in the basket based on importance/proportion of household spending (1) • gather prices from retailers around the country (1) • check prices from last time/base year (1) • calculate percentage change in prices (1) • add up all the percentage changes and calculate an average change, which is inflation (1) 	4	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Maximum 1 mark available for exemplification.</p> <p>Responses should be in a logical sequence.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>Individuals</p> <ul style="list-style-type: none"> • consumers will gain a higher return on savings (ID) therefore they are encouraged to save more (EXP) (1) • mortgages will become more expensive (ID) which will reduce consumers' ability to consume other things (EXP) (1) • personal loans will become more expensive (ID) so individuals defer spending on 'high ticket' items (EXP) (1) • consumers less likely to use credit card/HP (ID) as spending is more expensive (EXP) (1) <p>Firms</p> <ul style="list-style-type: none"> • borrowing will be more expensive for firms (ID) therefore they are discouraged from borrowing (EXP) (1). This may lead to a reduction in investment (DEV) (1) • increased supplier costs may be passed on which may mean a rise in the costs of production/higher prices (ID) which leads to a decrease in the demand for their products/lower sales and profits (EXP) (1). This could lead to job cuts (DEV) (1) 	5	<p>Candidates must explain the impact on both individuals and firms to gain full marks.</p> <p>Maximum 4 marks if only individuals or firms.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<p>Costs</p> <ul style="list-style-type: none"> • if AD increases faster than AS then demand-pull inflation may occur (1) • increased AD may lead to increased imports (1) and a resultant is increased deficit on the current account (DEV) (1) • cost-push inflation may arise as firms increase output and import more raw materials (1) • increased production may lead to increased social costs such as congestion and pollution (1) • scarce/non-renewable resources are used up (1) • increased growth does not necessarily increase standards of living for all - income inequality may result (1) <p>Benefits</p> <ul style="list-style-type: none"> • increased production leads to greater levels of employment (1) • increased employment leads to higher standards of living (DEV) (1) • increased employment leads to increased tax revenue for the government (DEV) (1) • economic growth encourages foreign direct investment (1) • economic growth can lead to reduced public sector/government borrowing (1) which can reduce the national debt (DEV) (1) • improved national credit rating (1) • can lead to increased exports (1) which can improve the balance of payments deficit (DEV) (1) • economic growth increases confidence which encourages enterprise (1) 	6	<p>Candidates must discuss at least one cost and one benefit to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(e)	<ul style="list-style-type: none"> • compare figures against other countries (1) • compare figures against previous years (1) • calculate the country's rate of economic growth (1) • evaluate/compare living standards in a country (1) by dividing the NI by head of population (1) (DEV) • compare performance in different sectors of the economy (1) • evaluate success/failure of economic policies (1) • identify areas where government assistance may be required (1) • calculate the amount of contributions required, for example to IMF (1) 	3	<p>Candidates must describe at least 2 uses to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
5.	(a)	(i) <ul style="list-style-type: none"> • decrease in demand for the pound/increase in supply of pound (1) • decrease in foreign direct investment (1) • decrease in hot money inflows/interest rates (1) • decrease in tourism/an event cancelled for example due to Covid19 (1) • increase in the rate of UK inflation (1) • decrease in competitiveness of UK exports (1) • speculation that the exchange rate will fall further (1) • government intervention by purchasing/selling pounds (1) this might be done in order to stabilise exchange rate to protect the exchange rate from an external shock (DEV) (1) • political/external events such as Brexit creating instability (1) 	4	<p>Candidates must describe at least 2 factors to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<ul style="list-style-type: none"> • UK exports will appear relatively cheap (ID) which will increase the quantity sold (EXP) (1) therefore UK firms will find the value of their profits have increased (DEV) (1) • UK firms should see a rise in domestic/sales demands (ID) as foreign goods become more expensive for UK citizens/UK goods become more competitive in the domestic market (EXP) (1) • UK firms who earn profits abroad (ID) will find the value of their profits have increased (EXP) (1) • foreign investors will find it cheaper to invest in UK firms (ID) which may help them expand (EXP) (1) • foreign tourists will gain more £s for their currency (ID) so UK firms in particular sectors such as tourism and transport may see a boost to business (EXP) (1) 	3	<p>Candidates must explain at least 2 advantages to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Watch for repetition.</p>
	(b)	<ul style="list-style-type: none"> • inflows of capital spending by foreign firms (1) • takeovers of domestic businesses by foreign-owned businesses/ investors (FDI) (1) • inflows of money from overseas into government bonds, property (1) • inflows of “hot money” into a country’s banking system seeking the highest rate of return (1) • portfolio and other investments, for example purchase and sale of shares (1) • changes in the Reserve Account (1) • the balancing item which allows for errors and omissions (1) 	2	Award 1 mark for each valid description.

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • low national income/GDP per capita (1) • dependence on a limited range of products for export revenues (1) • primary industry dependence/farming output is a significant proportion of GDP (1) • poor infrastructure (1) • low levels of investment (1) • poor educational attainment (1) • low productivity (1) • high mortality rates/childhood mortality rates/low life expectancy/high birth rate (1) • high unemployment (1) 	4	<p>Candidates must describe at least 2 characteristics to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<ul style="list-style-type: none"> • food aid (ID) allows workers to be nourished/productive (EXP) (1) • capital/equipment (ID) enables improved productivity and output (EXP) (1) • Project Aid (funding to support particular projects) (ID) supports growth/improvements to infrastructure in the long run (EXP) (1) better infrastructure will attract more investment/create better opportunities for growth (DEV) (1) • knowledge transfer/training (ID) gives technical and managerial know-how to improve efficiency (EXP) (1) • free trade agreements (ID) to make their products relatively less expensive/more competitive (EXP) (1) • soft loans/loans (lower than normal rates of interest) (ID) allow the purchase of capital equipment (EXP) (1) • debt relief/a country's debt could be written off (ID) freeing the country from repayments (EXP) (1). This allows financial resources to be re-directed towards expanding output (DEV) (1) • medical aid (ID) reduces illness/days lost/improves productive potential (EXP) (1) • tied aid (ID) allows access to capital equipment although it may be tied to buying it from the donor country (EXP) (1). This equipment can help it to produce more efficiently/increasing output (DEV) (1) 	4	<p>Candidates must explain at least 2 ways to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(e)	<ul style="list-style-type: none"> • significant and growing markets (ID) from which demand/profits can be generated (EXP) (1) particular industries for example luxury products such as whisky may experience high sales (DEV) (1) • access to cheaper land/labour/materials (ID) reducing production costs for UK firms (EXP) (1) • competitively priced manufactured goods may be exported from them (ID) which will generate increased competition for UK firms (EXP) (1). This will reduce UK income/profits (DEV) (1) and inability to compete may drive UK firms out of business (DEV) (1) • increasing global demand for natural resources (ID) will increase production costs (EXP) (1) • some of the emerging nations are less regulated (ID) which can cause them to be unstable and therefore risky to trade with (EXP) (1) 	3	<p>Candidates must explain at least 2 impacts to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

[END OF MARKING INSTRUCTIONS]