Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- money that is taken out of the circular flow rather than passed on as spending (saving, taxation or imports) (2 for a clear definition; 1 for a partial idea)

2.2

- investment; government spending; exports (1 + 1 + 1)

2.3

- when total injections equal total leakages (1)

3.1 C

- Saving is a leakage (withdrawal) from the flow

3.2

- *[6]* AO1 1 + AO3 up to 5 — when injections exceed leakages, more money enters the flow than leaves
- firms receive more spending
- they produce more and pay more income
- national income rises until leakages rise to match injections

3.3

- *[6]* AO1 1 + AO2/AO3 up to 5 — exports are an injection, so more money enters the flow
- foreign buyers' spending raises firms' revenue
- firms produce more and pay more income to households
- national income rises (a multiplier effect may amplify this)