



Mark Scheme (Results)

Summer 2024

Pearson Edexcel International GCSE
In Economics (4EC1) Paper 01R
Paper 1: Microeconomics and Business
Economics

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question number	Which one of the following values shows perfectly price inelastic supply?	Mark
	Answer	
1(a)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: A 0</p> <p>B is not correct because this is price inelastic supply C is not correct because supply is unitary price elasticity D is not correct because this is price elastic supply</p>	(1)

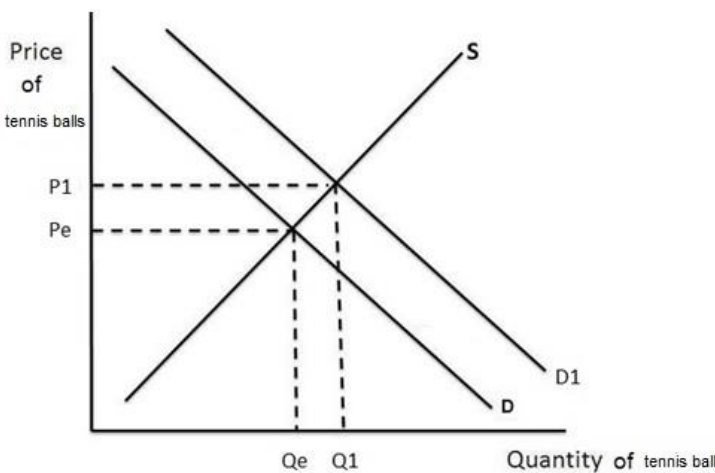
Question number	Which one of the following is the most likely type of government policy to produce this decrease in costs?	Mark
	Answer	
1(b)	<p style="text-align: center;">AO2 1 mark</p> <p>The only correct answer is: C Increased subsidy</p> <p>A is not correct because this would not lower total costs B is not correct because this would be more likely to increase total costs D is not correct because increased taxation would increase total costs</p>	(1)

Question number	What is meant by the term private sector?	Mark
	Answer	
1(c)	<p style="text-align: center;">AO1 2 marks</p> <p>Award up to 2 marks for a correct definition</p> <p>Firms owned by individuals or groups (1) that provide goods/ services (1)</p> <p>Accept any other appropriate response</p>	(2)

Question number	State one factor that may affect the supply of labour. Answer	Mark
1(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for correct factor</p> <ul style="list-style-type: none"> • Population • Migration • Retirement age • School-leaving age • Age distribution of population • Female participation • Skills and qualifications • Ability to move geographic locations • Ability to move to different types of employment <p>Accept any other appropriate response</p>	(1)

Question number	Define the term government. Answer	Mark
1(e)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for a correct definition</p> <ul style="list-style-type: none"> • A group with the authority to run a country/state <p>Accept any other appropriate response</p>	(1)

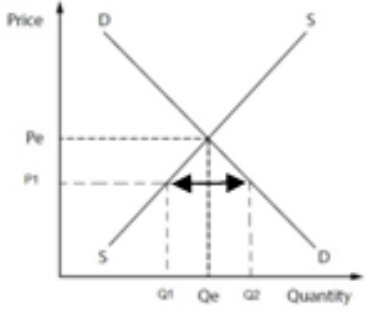
Question number	Calculate, to two decimal places, the income elasticity of demand (YED) for a good if income increases by 6.2% and quantity demanded increases by 1.7%. You are advised to show your working.	Mark
Answer		
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $1.7\% \div 6.2\%$ (1)</p> <p>Award 1 mark for correct income elasticity of demand (YED) $= 0.27$ (1)</p> <p>Award 2 marks if YED is correctly calculated as 0.27, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Question number	Using the diagram below, draw the likely effects on the market for tennis balls after a fall in the price of tennis rackets. Label the new curve, the new equilibrium price and the new equilibrium quantity.	Mark
Answer		
1(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for a rightward shift of demand, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled</p> 	(3)

Question number	Explain one possible opportunity cost for the firm of this decision. Answer	Mark
1(h)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant opportunity cost Award 1 mark for developing the opportunity cost Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> One opportunity cost is the firm may not be able to buy new machinery (1) because it does not have enough money to buy both (1) so it has to sacrifice the new machinery when buying the delivery vehicle (1) <p>Accept any other appropriate response</p>	(3)

Question number	With reference to the data above and your knowledge of economics, analyse a possible reason why Jags chose not to maximise profit.
	Indicative content
1(i)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • It is an economic assumption that firms will want to profit maximise • By offering a free lunch to children during the school holiday Jags will reduce the profit made by the café • Due to the rising cost of living, customers in the small town may be more likely to visit Jags' café to benefit from a free lunch • Therefore, having aims which prioritise caring for customers may be beneficial to the café's revenue as well • It is possible Jags will attract positive publicity for her café by offering the free meals and enhance her reputation

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Which one of the following diagrams shows excess demand?	Mark
	Answer	
2(a)	<p style="text-align: center;">AO2 1 mark</p> <p>The only correct answer is:</p> <p>A</p>  <p>B is not correct because this shows a movement along the demand curve C is not correct because this shows excess supply D is not correct because this shows a decrease in demand</p>	(1)

Question number	Which one of the following is a feature of an oligopoly?	Mark
	Answer	
2(b)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is:</p> <p>C Different products are sold</p> <p>A is not correct because there are a few large firms in the market B is not correct because firms often collude D is not correct because there are some barriers to entry</p>	(1)

Question number	Calculate the percentage change in quantity supplied for a product if the price elasticity of supply (PES) is 1.5 and the price increases by 12%. You are advised to show your working. Answer	Mark
2(c)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing the correct calculation $1.5 \times 12\%$ (1)</p> <p>OR</p> <p>$\frac{X\%}{12\%} = 1.5$ (1)</p> <p>Award 1 mark for correct change in quantity supplied $= 18\%$ (1)</p> <p>Award 2 marks if the percentage change in quantity supplied is correctly calculated as 18%, even if no calculations are shown</p> <p>Award 1 mark if the percentage change in quantity supplied is calculated as 18, even if no calculations are shown</p> <p>Do not award marks for a formula</p>	(2)

Question number	What is meant by the term social costs? Answer	Mark
2(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award up to 2 marks for correct definition</p> <p>Private costs (1) plus external costs (1)</p> <p>Accept any other appropriate response</p>	(2)

Question number	Describe one reason why innovation may be more likely to occur in a monopoly.	Mark
	Answer	
2(e)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to the feature and 1 mark for development of the feature</p> <p>Monopoly may be a price-maker (1) allowing higher profits which can be used to develop new products/services (1)</p> <p>Accept any other appropriate response</p>	(2)

Question number	Explain one reason why Sajad may decide to expand his business.	Mark
	Answer	
2(f)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> Economies of scale may be gained (1) due to spreading marketing costs across the business (1) because Sajad could advertise both shops for the same cost as just one (1) The desire to spread risk (1) may mean Sajad is more confident of maintaining a successful business (1) because even if sales decrease at one shop, he has the other to fall back on (1) <p>Accept any other appropriate response</p>	(3)

Question number	<p>With reference to the data above and your knowledge of economics, assess the likely benefits of increasing the minimum wage for employees and firms in the Netherlands.</p> <p>Indicative content</p>
<p>2(g)</p>	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • The minimum wage is the lowest amount that a firm is legally allowed to pay its employees • The minimum wage in the Netherlands increased to €1 934.40 per month at the start of 2023 • This means that the incomes of employees earning the minimum wage increased by 10.15% each month, giving them more disposable income • Therefore, employees may be able to enjoy a better standard of living due to the wage increase • It may mean employees are more motivated and therefore, lead to higher levels of productivity, meaning firms could increase output • This increase in productivity/output may allow firms to offset the higher wage costs <p>AO4</p> <ul style="list-style-type: none"> • However, if firms cannot afford to pay the higher wage costs because the economy is still weak, they may not be able to employ as many people and this may increase unemployment • Possible use of a diagram: <div data-bbox="730 1263 1166 1525" data-label="Figure"> </div> • If unemployment increases there may be even less spending in the economy, meaning further revenue decreases for firms • This may be more likely at a time when spending in the economy may be reduced due to the high inflation rate of 17% seen in 2022, leading to lower revenues for firms • Employees may not enjoy a higher standard of living, even with the wage increase, due to the high rate of inflation of over 17%

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Which one of the following is an example of a job in the primary sector of the economy?	Mark
	Answer	
3(a)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: A Farmer</p> <p>B is not correct because this is secondary C is not correct because this is tertiary D is not correct because this is the tertiary sector</p>	(1)

Question number	Total revenue can be defined as the quantity of goods sold	Mark
	Answer	
3(b)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: C multiplied by the price</p> <p>A is not correct because this does not allow total revenue to be calculated B is not correct because this does not define total revenue D is not correct because this does not calculate revenue</p>	(1)

Question number	Using the diagram below, draw a diagram to show a demand curve that has price inelastic demand. Label the curve and show the impact on both axes from a change in price.	Mark
	Answer	
3(c)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for drawing inelastic demand curve, labelled Award 1 mark for showing greater price change on the axis Award 1 mark for showing a smaller change in the quantity on the axis</p> <div style="text-align: center;"> </div>	(3)

Question number	With reference to the data above and your knowledge of economics, analyse the possible advantages of privatisation for TAP Air. Indicative content
3(d)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Privatisation is the act of selling a firm controlled by the government to private investors • TAP Air may benefit from investment in the airline from private investors wanting to put a structure in place capable of maximising profit • This means that there may be more money available to allow the airline to become more established and increase sales of flights to passengers, possibly expanding further than the operations in Portugal • In addition, an objective of profit maximisation may enable efficiency to improve within the airline and lower costs • Greater efficiency may also be enjoyed through less bureaucracy and political interference from the Portuguese Government, especially if the new owners are more experienced in operating an airline

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	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	<p>With reference to the data above and your knowledge of economics, assess whether an increase in the price of Prime Hydration is always likely to lead to an increase in total revenue for retailers.</p> <p>Indicative content</p>
3(e)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Price elasticity of demand (PED) measures the responsiveness of demand to a change in price • A product has an inelastic PED if the percentage change in demand is less than the percentage change in price. The greater the difference, the more price inelastic the demand for the product • At its launch, Prime Hydration was very popular, especially with teenagers, in part due to the association with celebrities KSI and Logan Paul • These factors are likely to lead to an inelastic PED, especially due to the lack of substitutes and relatively low proportion of income spent on the drink • When there is a price increase, for example from £1.99 to £8.25 (315% increase), a product with an inelastic PED is likely to lead to a higher total revenue • This is due to demand falling by a lower percentage than the increase in price • Therefore, retailers selling Prime Hydration at increased prices are likely to receive more in total revenue <p>AO4</p> <ul style="list-style-type: none"> • However, if availability is not guaranteed, products cannot be sold and revenue cannot be gained • Over time demand is likely to become more price elastic • This may be due to consumers finding alternative products, supply increasing or because the drink may go out of fashion and/or the YouTube celebrities may no longer be as popular • It may depend on how much the price increases because demand is based on a consumer's ability and willingness to buy the drink • Therefore, if the price was increased too much, some consumers would no longer be able to afford to buy the drink and some would no longer be willing, as other products would be more of a necessity • As a result, an increase in price of Prime Hydration may only lead to an increase in total revenue in the short term

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Calculate the total variable costs of this order for the firm. You are advised to show your working. Answer	Mark
4(a)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation \$0.45 x 19 (1)</p> <p>Award 1 mark for calculating correct total variable costs = \$8.55 (1)</p> <p>Award 2 marks if total variable costs are correctly calculated as \$8.55, even if no calculations are shown</p> <p>Award 1 mark if total variable costs are calculated as 8.55, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Question number	With reference to the data above and your knowledge of economics, analyse how the impact of external economies of scale on construction firms in India.
	Indicative content
4(b)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> Construction firms in India, not just those along the new route between Hyderabad and Karnataka may benefit from infrastructure developments leading to external economies of scale External economies of scale occur when (long run) average costs decrease as the whole industry grows They can occur due to access to suppliers and skilled labour for many firms in the same industry The modernisation of the infrastructure of the Indian rail network and the introduction of the new rail line will allow raw materials such as iron ore and steel to be transported more easily across the country This will mean that construction firms in India may benefit from cheaper costs of transportation As a result, their overall costs are likely to decrease at the same time as production can increase owing to the greater accessibility of raw materials and other goods

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	<p>With reference to the data above and your knowledge of economics, evaluate the extent to which these government programmes may affect farming productivity in a country such as Egypt.</p> <p>Indicative content</p>
4(c)	<p style="text-align: center;">AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Productivity is the amount of output that can be produced with a given amount of resources • Government programmes affecting land as a resource include drainage, irrigation, use of fertiliser and reclamation • By increasing use of reclamation, it is possible to create new land where crops can grow, from previously infertile areas such as riverbeds and drained wetlands • As a result, farmers have access to more efficient land resources on which to grow crops such as wheat • Therefore, output can be increased, meaning that productivity for farmers in Egypt can be improved • This improvement in productivity may allow farmers to invest further in measures such as irrigation (redirecting water from natural sources to land in need of more water to be productive) • Therefore, becoming even more productive in the future <p>AO4</p> <ul style="list-style-type: none"> • However, in order for such programmes to work, farmers need access to areas such as former riverbeds as well as drainage equipment. This may be too expensive for many farmers • It may take time for reclamation and irrigation to be effective, making it more difficult for wheat farmers to afford the necessary equipment, even with the raised price for wheat paid by the Egyptian Government • Not all farmers are likely to be in favour of such programmes, especially if farming methods have been more traditional in their region • This may make them averse to guidance on the use of irrigation and some may take time to adjust to the methods available • As some fertilisers can harm wildlife, the environment and even people, it may not be straightforward to introduce such programmes and/or may require legal controls to be adhered to • Therefore, the effect of land resource programmes on productivity may be reduced

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	<ul style="list-style-type: none"> • Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	<ul style="list-style-type: none"> • Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

