



Mark Scheme (Results)

Summer 2024

Pearson Edexcel International GCSE

In Economics (4WEC1) Paper 01R

Unit 1: Microeconomics and Business Economics

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Summer 2024

Question Paper Log Number P80212A

Publications Code 4WEC1_01R_2406_MS

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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)

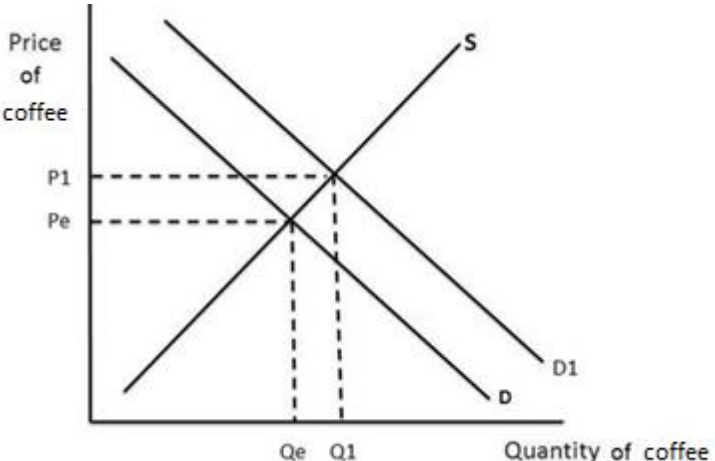
Question number	Which one of the following is the most likely type of government policy to produce this decrease in costs?	Mark
	Answer	
1(b)	<p style="text-align: center;">AO2 1 mark</p> <p>The only correct answer is: C Increased subsidy</p> <p>A is not correct because this would not lower total costs 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 type of external economy of scale.	Mark
	Answer	
1(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for correct type</p> <ul style="list-style-type: none"> • Skilled labour • Infrastructure • Access to suppliers • Similar businesses in area <p>Accept any other appropriate response</p>	(1)

Question number	Define the term government.	Mark
	Answer	
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)

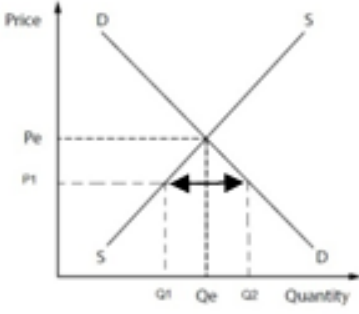
Question number	Calculate, to two decimal places, the income elasticity of demand (YED) for a good if income increases by 6.2% and quantity demanded increases by 1.7%. You are advised to show your working.	Mark
	Answer	
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct 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 of a successful advertising campaign on the market for coffee. 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 the demand curve, 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.	Mark
	Answer	
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? Answer	Mark
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? Answer	Mark
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 the price of a product if the price elasticity of supply (PES) is 1.5 and the quantity supplied increased by 9%. You are advised to show your working.	Mark
	Answer	
2(c)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing the correct calculation</p> $\frac{9\%}{1.5} \text{ (1)}$ <p>OR</p> $\frac{9\%}{X\%} = 1.5 \text{ (1)}$ <p>Award 1 mark for correct percentage change in price = 6% (1)</p> <p>Award 2 marks if the percentage change in price is correctly calculated as 6%, even if no calculations are shown</p> <p>Award 1 mark if the percentage change in price is calculated as 6, 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?	Mark
	Answer	
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. Answer	Mark
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)

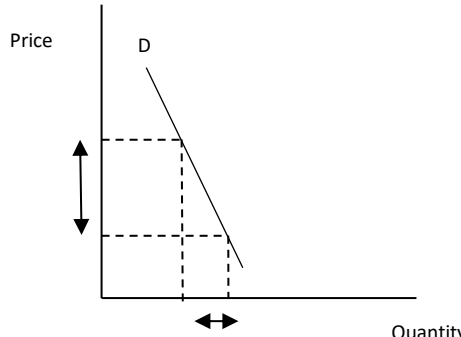
Question number	Explain one reason why Sajad may decide to expand his business. Answer	Mark
2(f)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context</p> <ul style="list-style-type: 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>
2(g)	<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="778 1263 1219 1525" data-label="Figure"> <p>The diagram illustrates the labor market equilibrium. The vertical axis represents the 'Wage rate' and the horizontal axis represents the 'Quantity of workers employed'. An upward-sloping line is labeled 'Supply of labour' and a downward-sloping line is labeled 'Demand for labour'. They intersect at equilibrium point E, corresponding to wage rate W_e and quantity Q_e. A higher wage rate W_1 is shown above W_e. At W_1, the quantity demanded is Q_d (on the demand curve) and the quantity supplied is Q_s (on the supply curve). Since $Q_d < Q_s$, there is a shortage of labor, which would lead to unemployment if the wage is fixed at W_1.</p> </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> 	(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

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, 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	<p>Calculate the total variable costs of this order for the firm. You are advised to show your working.</p> <p>Answer</p>	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 an increase in the use of irrigation may have affected the productivity of the Feltz Farm during the summer of 2023.
	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"> • Irrigation is a method used to redirect water from natural sources to land in need of more water to aid the growth of crops • Productivity is the amount of output that can be produced with a given amount of resources • By increasing the use of irrigation, Ken Feltz can make more efficient use of the land to grow crops and on which the 700 cows can graze • Therefore, output on the 3 km² of land can be increased, meaning the Feltz Farm can produce more dairy products to sell in its farm shop • This improvement in productivity may allow the farm to invest in further measures, therefore becoming even more productive in the future

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 whether an increase in the number of people with higher levels of qualifications will always lead to an increase in the supply of labour in a country.</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"> • The supply of labour is the number of people willing and able to work • It can be affected by many factors, including skills and qualifications • The study shows that the number of people with higher qualifications has increased at all levels • Those with level 4 or above qualifications have increased the most of any group and now make up about 35% of the population • This is an increase of about 8% on 2011, meaning that more of the population should have the ability to perform more jobs in the workplace • As wages are often higher for those able to offer qualifications in the workplace, there is more of an incentive to both study for qualifications and to work • This means that the supply of labour will normally increase if there is an increase in the number of people qualified to work in an industry <p>AO4</p> <ul style="list-style-type: none"> • However, if the higher levels of qualifications lead to employment in other countries, there will not be an increase in the supply of labour in a country • If the increase in wages means a worker can afford to work fewer hours, the supply of labour hours may not increase • Working conditions may also affect the supply of labour because of the number of workers willing or not to enter an occupation • It may also depend on the type of qualification, as some will be more transferable than others • The higher levels of qualifications may only enable people to work in specific industries (teaching for example), rather than being qualified to work in any occupation • This is because more qualifications may be needed so that the worker can move to work in different types of employment • Therefore, it may depend on the industry as to whether the supply of labour will always increase

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).

