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Mark Scheme (Provisional)

Summer 2021

Pearson Edexcel International GCSE
In Economics (4EC1)
Paper 01 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.

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Question Number	Which **one** of the following does a point on a production possibility curve (PPC) represent? Answer	Mar
1(a)	**AO1 1 mark** The only correct answer is: **D** A given amount of resources being fully employed A is not correct because this cannot be determined on a PPC B is not correct because a PPC cannot show *how* production can increase C is not correct because a PPC does not show government revenue	**(1)**

Question Number	Which **one** of the following describes this economic assumption? Answer	Mark
1(b)	**AO2 1 mark** The only correct answer is: **A** Businesses aim to maximise their profit B is not correct because there is no indication of any charitable work taking place C is not correct because consumer behaviour is not described D is not correct because it is not linked to government actions	**(1)**

Question Number	What is meant by the term economies of scale? Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to reduced average cost and 1 mark for reference to increased output Average costs of production fall **(1)** as the level of output rises **(1)** Accept any other appropriate response	**(2)**

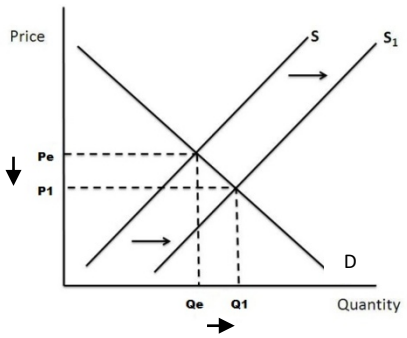
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Question Number	State **one** example of a factor of production that can be classified as land. Answer	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct example • Forest • Rainwater • Coal • Oil Accept any other appropriate response	**(1)**

Question Number	Define the term monopoly. Answer	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition One dominant seller in a market Accept any other appropriate response	**(1)**

Question Number	Calculate, to two decimal places, the **price elasticity of demand (PED)** for Alfie's dog-walking service. You are advised to show your working. Answer	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation -1.1/1.5 **(1)** Award 1 mark for correct PED = -0.73 **(1)** Award 2 marks if PED is correctly calculated as -0.73, even if no calculations are shown Do not award marks for a formula	**(2)**

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Question Number	Using the diagram below, draw the likely effects on the market for cars of the introduction of more effective technology in production. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mar
1(g)	**AO2 3 marks** Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	Explain **one** possible effect on the supply of labour of the school-leaving age being raised. Answer	Mark
1(h)	**AO2 3 marks** Award 1 mark for identifying an effect Award 1 mark for developing the response Award 1 mark for the response being in context • One effect would be a decrease in the supply of labour **(1)** because young people would not be able to be employed full-time until they reached the school-leaving age **(1)** which means only people over 18 in England could contribute to the supply of labour **(1)** Accept any other appropriate response	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, an why Bupa may have decided to operate in a wider range of markets. Indicative content
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • There are several factors that can affect the growth of firms. One of these is the desire to spread risks • By expanding its product range, Bupa can reduce the risk because it is trading in different markets • This means that if there is a problem in one market (such as health insurance) it has other areas in which it can continue to trade • Therefore the range of services, such as hospital and dental treatment, could help to finance the firm and allow it to continue to be successful, if there are problems in other markets • As Bupa operates in 190 countries, it is likely to encounter uncertainty in the different markets and therefore having a range of services means it is reducing the overall risk to the firm

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• 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	• 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	• 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).

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Question Number	Which **one** of the following products has a price inelastic demand? Answer	Mark
2(a)	**AO2 1 mark** The only correct answer is: **C** Y -0.5 A is not correct because it shows elastic demand B is not correct because this shows unitary elasticity D is not correct because the responsiveness is equal	**(1)**

Question Number	Which **one** of the following is the formula for calculating average cost? Answer	Mark
2(b)	**AO1 1 mark** The only correct answer is: Total cost **C** ---------- Quantity produced A is not correct because not only fixed cost is included B is not correct because revenue is not used in this calculation D is not correct because not only variable cost is included	**(1)**

Question Number	State **one** reason why governments intervene in the economy. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for a suitable reason • To correct market failure • Lack of competition • Lack of information Accept any other appropriate response	**(1)**

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Question Number	Calculate the **profit or loss** for the firm for each pair of shoes. You are advised to show your working. Answer	Mar
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation $89 - ($17 + $35) **(1)** Award 1 mark for correct profit = $37 **(1)** Award 2 marks if profit is correctly calculated as $37, even if no calculations are shown Award 1 mark if the answer given is 37 with or without calculations shown Do not award marks for a formula	**(2)**

Question Number	Define the term fine. Answer	Mark
2(e)	**AO1 1 mark** Award 1 mark for a correct definition A financial penalty Accept any other appropriate response	**(1)**

Question Number	Describe **one** benefit to consumers of privatisation. Answer	Mark
2(f)	**AO1 2 marks** Award 1 mark for reference to the benefit and 1 mark for development of the benefit Firms are likely to offer lower prices **(1)** because they are trying to attract custom away from competitors **(1)** Accept any other appropriate response	**(2)**

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Question Number	Explain **one** reason why Microsoft might have patents on its designs. Answer	Mar
2(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is that it would prevent competitors copying the designs **(1)** meaning Microsoft could charge higher prices to help recover the cost of research and development **(1)** needed to create the new computer software **(1)** Accept any other appropriate response	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, assess whether a firm, such as a fast food restaurant, always benefits from using division of labour. Indicative content
2(h)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Division of labour is where the production process is split into small tasks • It means that each worker can specialise on a single part of the production process, such as chopping lettuce to put in burgers or peeling potatoes to make the fries • This means they can become more skilled at that particular task and removes the need to move around the kitchen as much • Employees are therefore much faster, increasing efficiency and reducing cost per unit for firms • Employees may also enjoy their job more because they are better at it, making them more motivated and increasing productivity • Therefore customers at the fast food restaurants can be served more quickly, in-keeping with the concept of 'fast food' and leading to higher profits for the firm **AO4** • However, employees may find repeating the same task boring, especially if it is something straightforward such as frying burgers • Therefore they may actually become demotivated instead and this could increase staff turnover • This could lead to a decrease in productivity and/or higher costs for the restaurant if it needs to replace employees • Mistakes or slow production at one stage (such as chopping lettuce) may hold up a later stage and therefore customers would still need to wait for their orders

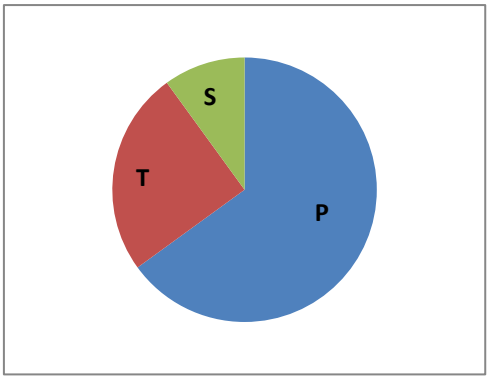
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	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and 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	• 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	• 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).

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Question Number	Which **one** of the following factors may cause a shift of the demand curve? Answer	
3(a)	**AO1 1 mark** The only correct answer is: **B** Demographic changes A is not correct because this would affect the supply curve C is not correct because this would affect the costs of production D is not correct because this would cause a movement along	**(1)**

Question Number	Which **one** of the following is an example of an external cost? Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **B** Litter A is not correct because this is an external benefit C is not correct because it is a private cost D is not correct because it is not an external cost	**(1)**

Question Number	On the blank pie chart below, draw and label the appropriate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a developing economy such as Haiti. Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for the Primary sector (P) being the biggest **(1)** Award 1 mark for the Primary sector (P) being greater than 50% **(1)** Award 1 mark for the remaining smaller portion being divided between the Tertiary (T) and the Secondary (S) sectors **(1)**  	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, an how market forces can remove excess supply. Indicative content
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Excess supply is where supply is greater than demand and there are unsold products in the market • Market forces refer to supply and demand, as well as how they determine the allocation of scarce resources and price • Where there is excess supply at 10 000 Kip, price will fall as a result of supply being greater than demand • Therefore, at 10 000 Kip, eight LOCA drivers wanted to offer journeys but only four passengers wanted to buy • If drivers lowered their price to 8 000 Kip the excess supply would be removed • Demand rises as the price falls, until the equilibrium price of 8 000 Kip and the equilibrium quantity of six journeys is reached

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• 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	• 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	• 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).

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Question Number	With reference to the data above and your knowledge of economics, as the benefits to Norway of the government funding all education. Indicative content
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Private benefits + external benefits = social benefits • Education is an external benefit because it has a positive spillover effect • This means that the students who gain education at universities in Norway can benefit third parties in the future • This is because the students can obtain more highly skilled jobs as a result of the education, which can be beneficial to the wider society • As a result, the standard of living in a country, such as Norway, may be better and productivity may be higher • Unemployment may therefore be reduced, as shown by the low rate in Norway, meaning there would be fewer costs to the government, and so it may be cheaper to pay for the education instead of welfare benefits **AO4** • There could be an opportunity cost. The money spent on education could be used for other needs such as healthcare • It will take time for the benefits of education to be enjoyed by others in the country • The students may not stay in Norway, meaning the benefits are enjoyed elsewhere and the cost is not offset by future social benefits • It is sometimes difficult to quantify and to give a monetary value to external benefits • It depends on other factors whether students become employed in successful jobs which can benefit society

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• 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	• 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	• 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).

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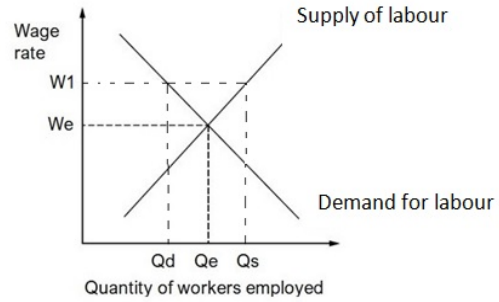
Question Number	Calculate, to two decimal places, **the percentage change in the population** in Austria between 2000 and 2018. You are advised to show your working. Answer	M
4(a)	**AO2 2 marks** Award 1 mark for showing correct calculation 8,891,388 – 8,069,276 = 822,112 **(1)** Award 1 mark for correct percentage change $\frac{822,112}{8,069,276}$ x 100 = 10.19% **(1)** Award 2 marks if percentage change is accurately calculated as 10.19%, even if no calculations are shown Award 1 mark if the answer given is 10.19 with or without calculations shown Do not award marks for a formula	**(2)**

Question Number	With reference to the data above and your knowledge of economics, analyse how the quantity supplied of bananas might be affected by an increase in price. Indicative content
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The diagram shows that the PES of bananas is inelastic • This means that the quantity of bananas supplied is not very responsive to a change in price • The PES of bananas is inelastic because farmers cannot easily increase the production level even with a change in price • Bananas take time to grow and are primary/agricultural products. The supply is therefore dependent on factors such as the weather/climate. It cannot therefore be easily increased, even if there is an increase in the price consumers are willing and able to pay • It is also not possible to store bananas for a long period because they are perishable and therefore stock cannot be used to increase the quantity of supply, this also makes the PES of bananas inelastic

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• 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	• 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	• 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).

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Question Number	With reference to the data above and your knowledge of economics, evalua hether an increase in the minimum wage would benefit an economy such as Spain. Indicative content
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • The minimum wage is the lowest amount that a firm is legally allowed to pay its employees • The minimum wage in Spain rose from €735.90 to €900 per month in 2019 • This means that the income of employees would increase significantly and should lead to a better standard of living • It may mean employees are more motivated and could therefore lead to higher levels of productivity and so increased output for the firm • This increase in productivity may allow firms to offset the increase in wage costs • Employees would have more disposable income and so be able to spend more in the economy, allowing the revenue of firms to increase • The rise in incomes would also lead to more tax being paid and so greater revenue for the government • This could be used as part of a wider plan to help 'make Spain great again' **AO4** • However, if firms cannot afford the increase in wage costs, they may not be able to employ as many people and this may increase unemployment • Possible use of a diagram:  • If unemployment increases there may be less spending in the economy and less tax revenue for the government • This could mean that not only the firms directly affected by the minimum wage increase are worse off, but also other firms and their employees if there is less demand for goods and services • It may depend on elasticity of demand for goods sold, whether firms can increase prices and/or whether an increase in productivity results • It may depend on the number of low paid workers affected by the minimum wage increase and/ or the size of the increase in minimum wage • As there has only been a small increase in the minimum wage in each of the previous nine years [from €633.30 to €735.90 (16.2%) in total] firms may not be able to afford a larger increase • In the short term it may be more difficult for firms to cover the higher wage costs but this may be easier in the long term if the economy has been boosted by the overall effects of the increase

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• 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	• 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	• 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).

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