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Pearson Edexcel

Mark Scheme (Results)

Summer 2022

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

Paper1: 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	Answer	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** Enterprise A is not correct because it is not a resource used in production B is not correct because it is not used to produce goods/services D is not correct because it is consumed by diners	**(1)**

Question number	Answer	Mark
1(b)	**AO2 1 mark** The only correct answer is: **D** $3 200 000 A is not correct because this is $160 x $120 B is not correct because this is 20 000 + $160 C is not correct because 20 000 x $120	**(1)**

Question number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to an increase in demand and 1 mark for reference to increased income Goods for which demand will increase **(1)** as incomes increase **(1)** **OR** Goods for which demand will decrease **(1)** as incomes decrease **(1)** Accept any other appropriate response	**(2)**

Question number	Answer	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct formula • Private benefits + external benefits	**(1)**

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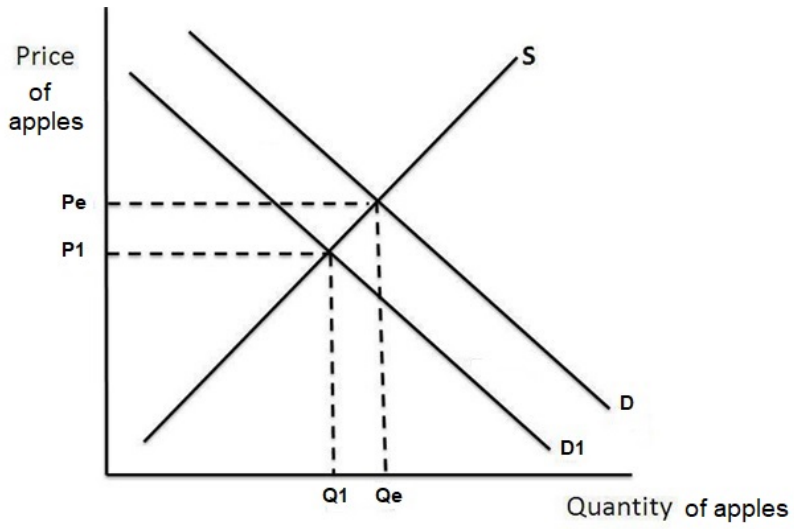
Question number	Answer	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition A specialised market for a particular product Accept any other appropriate response	**(1)**

	Answer	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation 4.7%/5.4% **(1)** Award 1 mark for correct PES = 0.87 **(1)** Award 2 marks if PES is correctly calculated as 0.87, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for leftward shift of demand, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

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Question number	Answer	Mark
1(h)	**AO2 3 marks** Award 1 mark for identifying a disadvantage Award 1 mark for developing the response Award 1 mark for the response being in context • Employees may find the work boring/monotonous **(1)** because they spend the whole day sealing boxes for the orders **(1)** and they are repeatedly doing the same task **(1)** Accept any other appropriate response	**(3)**

Question number	Indicative content
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Government regulation is put in place to reduce the external costs of production and consumption • Consumers are more likely to return plastic bottles because of the scheme, so they are able to get their €0.25 back • This is likely to reduce litter and the negative impact on the environment, therefore reducing negative externalities • The scheme is also cheaper for the government, meaning more funding could be available to benefit the environment • The 98.5% return rate shows the regulation is very successful and likely to reduce negative externalities significantly • More awareness of the problems caused by plastic bottles could be gained through adoption of the scheme, leading to better prevention of other plastic waste being discarded • This can have further long-term benefits for the environment

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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	Answer	Mark
2(a)	**AO2 1 mark** The only correct answer is: **A** W -1.5 B is not correct because this is unitary elasticity C is not correct because this is price inelastic D is not correct because the responsiveness is equal	**(1)**

Question number	Answer	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** External economies of scale A is not correct because this is when an individual firm benefits from falling average costs C is not correct because this results from higher average costs D is not correct because this is a type of internal economies of scale	**(1)**

Question number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for a suitable disadvantage • Reduced profit • Higher (advertising) costs • Need to reduce prices Accept any other appropriate response	**(1)**

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Question number	Answer	Mark
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation $75 000 + ($525 x 1350) **(1)** Award 1 mark for correct total costs = $783 750 **(1)** Award 2 marks if total costs per month are correctly calculated as $783 750, even if no calculations are shown Award 1 mark for 783 750, with or without calculations shown Do not award marks for a formula	**(2)**

Question number	Answer	Mark
2(e)	**AO1 1 mark** Award 1 mark for a correct definition • One firm buying out another firm • Obtaining control of a firm by buying over 50% of its shares Accept any other appropriate response	**(1)**

Question number	Answer	Mark
2(f)	**AO1 2 marks** Award 1 mark for reference to the reason and 1 mark for development of the reason • They may develop buying habits **(1)** to stay loyal to a particular brand they enjoy **(1)** • They may copy the behaviour of others **(1)** in order to fit in with others in a group **(1)** Accept any other appropriate response	**(2)**

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Question number	Answer	Mark
2(g)	**AO2 3 marks** Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context • A price increase would increase the quantity supplied **(1)**. An increase from $4.50 to $5.00 results in more units **(1)** because producers would increase profits **(1)** • A price decrease would decrease the quantity supplied **(1).** A decrease from $4.50 to $4.00 results in fewer units **(1)** leading to a movement along the supply curve **(1)** Accept any other appropriate response	**(3)**

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Question number	Indicative content
2(h)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • 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 • Normally, the supply of labour will increase if there is an increase in the number of people qualified to work in that industry • There has been an increase in the number of graduates with degrees in science, maths and modern languages • By having a degree in these subjects, graduates are more likely to be attracted into the teaching profession by the bonus payment of £9 000 • Therefore, having a degree in science, maths or modern languages would lead to an incentive of higher wages, meaning that the supply of teachers should increase with an increase in skills and qualifications **AO4** • However, it may depend on other factors such as working conditions in teaching because long hours, bureaucracy and student behaviour may deter those with skills and qualifications to teach • If the skills and qualifications can be used by other occupations, graduates may move to alternative types of employment and will not increase the supply of teachers • The bonus is only available to teachers with degrees in maths, science and modern languages and so those qualified in other subjects may find it more beneficial to work in other types of employment • Therefore, an increase in skills and qualifications may not always lead to an increase in the supply of teachers

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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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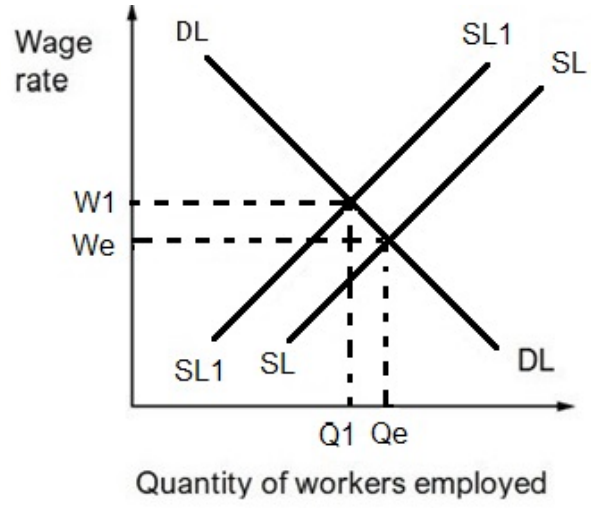
Question number	Answer	Mark
3(a)	**AO1 1 mark** The only correct answer is: **D** Privatisation A is not correct because this is the creation of new land from drained wetlands B is not correct because this is the creation of a new product from an idea C is not correct because this is where an enterprise previously part of the private sector is taken into state ownership	**(1)**

Question number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **B** Farmer A is not correct because it is a service C is not correct because it is not production involving extraction of raw materials from the earth D is not correct because it in the tertiary sector	**(1)**

Question number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for leftward shift of labour supply, labelled Award 1 mark for higher equilibrium wage rate, labelled Award 1 mark for lower equilibrium quantity of workers employed, labelled  	**(3)**

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Question number	Indicative content
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The PPF shows the combinations of goods which can be produced with all available resources • An increase in the ability to produce both capital and consumer goods is shown due to the outward shift of the PPF • Economic growth would allow this to happen as there is likely to be an increase in economic resources and improvements in technology over time • With the increase in resources and efficiency, it would be possible to increase production of both capital and consumer goods without the sacrifice of the other • This means that more agricultural goods and copper could be produced and more construction could take place, without the need to shift resources to alternative production

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	Indicative content
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • External costs are negative spillover effects of consumption or production • Brick production creates an external cost because it affects third parties in a negative way • This is because it emits smoke and dust into the air which is then breathed in by people in Bangladesh • Demand for bricks is increasing, causing an increase in air pollution • The health of children and the elderly can be affected by this pollution but they are not involved in the production of bricks • Government may have to increase spending on health provision • Brick production contributes considerably to Bangladesh's severe air pollution problem, creating an external cost **AO4** • However, many people in Bangladesh will be customers of the construction industry and the bricks produced • Therefore, these people are not necessarily third parties and so costs of producing bricks may not be external costs (they create private benefits too) • It is sometimes difficult to quantify the external costs and so impossible to know whether the elderly or those with a heart condition have been negatively affected by the costs of producing bricks • Over one million people are employed in the brick production industry in Bangladesh • Therefore, it could be argued the extent to which the costs of producing bricks in Bangladesh are external, is limited

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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	Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing correct calculation 408 - (98 + 114 + 107) **(1)** Award 1 mark for correct excess supply = 89 seats **(1)** Award 2 marks if excess supply is correctly calculated as 89 seats even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Indicative content
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The free rider problem is when a person enjoys the benefit of a good without paying for it • Street lighting is an example of a public good and it is provided by the government • It is non-excludable, meaning no one can be excluded from its consumption if they had not paid, there would be no reason for private individuals to pay for the street lighting • Consumption of street lighting by one person will not reduce the amount available for others; it has non-rivalry • Therefore, public goods, such as street lighting lead to the free rider problem because they would not be paid for by private individuals and as a result are paid by the government

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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	Indicative content
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • A monopoly is a market structure with one dominant seller in the market • KCOM is the only telecoms provider serving Kingston upon Hull, making it a monopoly • As it has no competition, broadband consumers have no choice but to use KCOM's service • This means KCOM can be a price maker for its broadband packages. It is expensive and costs more than anywhere else in England • There is restricted choice in the market, such as areas where fibre optic packages are not available and there are low download limits. This is because there is only one supplier • It may be that KCOM does not have any incentive to spend money on product innovation and some areas do not have access to fibre optics where the broadband is much faster • KCOM may be inefficient because it does not need to keep its costs low in order to compete with other firms **AO4** • However, due to its dominance of the telecoms market in Kingston upon Hull, KCOM may be able to take advantage of economies of scale • This means that the firm may have low (long-run) average costs as a result of purchasing or technical economies of scale • Therefore it is possible that KCOM could decide to pass the lower costs on to the consumer in the form of lower prices • KCOM may also be more efficient because it is not duplicating resources used by competitors • This may have helped KCOM to provide fast fibre optic broadband speeds in some areas of up to 250Mb • KCOM may also be able to innovate due to its lower (long-run) average costs, meaning it may be able to provide high quality television packages when it makes them available • It may depend on the objectives of the monopoly owners whether the firm passes any of its benefits on to the consumer

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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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