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Mark Scheme (Results)

January 2023

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.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Question number	What is the name given to a firm that manufactures cars? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **B** A secondary sector firm A is not correct because a primary sector firm extracts natural resources C is not correct because a tertiary firm produces services D is not correct because this is the tertiary sector	**(1)**

Question number	What is the monthly labour productivity of the firm? **Answer**	Mark
1(b)	**AO2 1 mark** The only correct answer is: **B** 50 units A is not correct because this is 540 / 27,000 C is not correct because this is 540 + 27,000 D is not correct because this is 540 x 27,000	**(1)**

Question number	What is meant by the term division of labour? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to breaking production up and 1 mark for reference to employees are allocated only one task When a firm breaks up the production process **(1)** so that employees perform only one task **(1)** Accept any other appropriate response	**(2)**

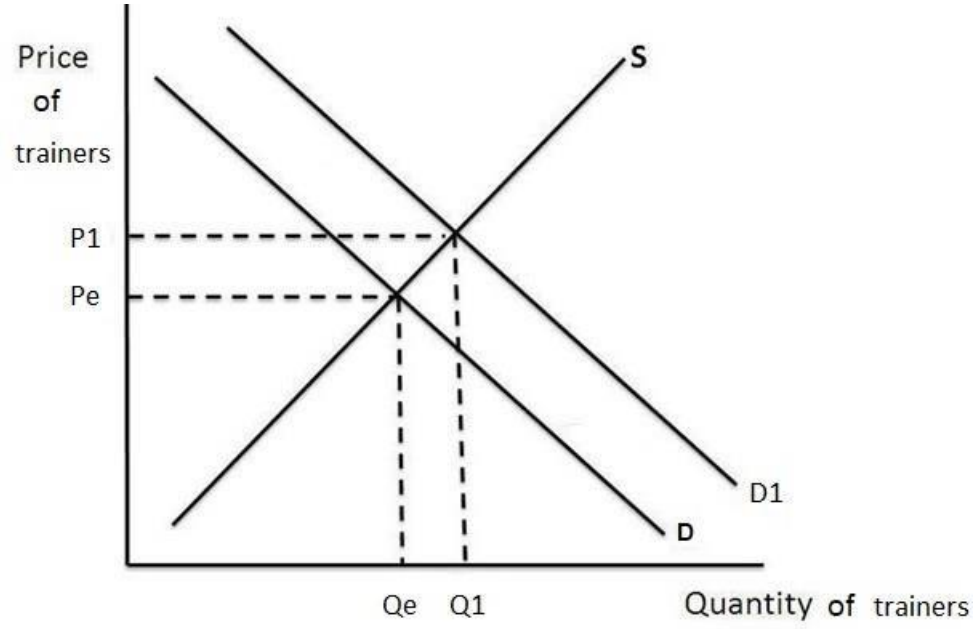
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Question number	State one factor of production. **Answer**	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct factor • Land/labour/capital/enterprise	**(1)**

Question number	Define the term public sector. **Answer**	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition Government provision of goods/services Accept any other appropriate response	**(1)**

Question number	Calculate, to two decimal places, the price elasticity of demand (PED) for Yusef's portraits. You are advised to show your working. **Answer**	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation 3.2% / -2.5% **(1)** Award 1 mark for correct PED = -1.28 **(1)** Award 2 marks if PED is correctly calculated as -1.28, 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 after a popular celebrity was seen wearing trainers. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

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Question number	Explain one reason why Spice Cottage may not aim to maximise its profit. **Answer**	Mark
1(h)	**AO2 3 marks** Award 1 mark for identifying a reason Award 1 mark for developing the response Award 1 mark for the response being in context • A business may have alternative business objectives, such as survival/growth **(1)** by selling at a lower price, Spice Cottage may not maximise revenue and therefore may not maximise profit either **(1)** the business may therefore attract more consumers due to the lower price, which will help the new firm to survive/grow **(1)** Accept any other appropriate response	**(3)**

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Question number	With reference to the data above and your knowledge of economics, analyse why this knowledge could be useful to a firm such as Megabus. **Indicative content**
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • These figures allow Megabus to calculate income elasticity of demand • Bus travel has an income elasticity of -15%/10% = -1.5 • The value of income elasticity is negative and therefore an inferior good • An inferior good is a product or service which has a decrease in quantity demand as incomes increase and increase in quantity demanded as incomes decrease (they have an inverse relationship) • Bus travel is income elastic because the percentage decrease in quantity demanded is greater than the percentage increase in income • This means that if passengers' incomes increase the demand for bus travel will fall but if incomes fall the demand for bus travel will rise • Awareness of this may allow Megabus to reduce/increase the services it offers in Canada, the US or the UK, depending on where incomes change • This could help to reduce costs if there is less demand for bus services • This can also help Megabus to plan employee requirements so it does not incur higher wage costs than necessary

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 options is the type of market shown in Figure 2? **Answer**	Mark
2(a)	**AO2 1 mark** The only correct answer is: **D** Oligopoly A is not correct because it does not show employment levels B is not correct because this is a sector not a market C is not correct because there is more than one firm	**(1)**

Question number	An increase in which one of the following is most likely to increase productivity? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** Irrigation A is not correct because this is likely to reduce productivity B is not correct because this increases time and costs D is not correct because this increases tasks for the firm to carry out	**(1)**

Question number	What is meant by the term barriers to entry? **Answer**	Mark
2(c)	**AO1 2 marks** Award 1 mark for reference to obstacles and 1 mark for reference to making it difficult for new firms to enter a market These are obstacles **(1)** that make it difficult for a new firm to enter a market **(1)** Accept any other appropriate response	**(2)**

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Question number	Calculate the total costs per month for the firm. You are advised to show your working. **Answer**	**Mark**
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation $57 000 + ($750 x 1820) **(1)** Award 1 mark for correct total costs = $1 422 000 **(1)** Award 2 marks if total costs per month are correctly calculated as $1 422 000, even if no calculations are shown Award 1 mark for 1 422 000, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Describe one disadvantage for a government of using subsidies. **Answer**	**Mark**
2(e)	**AO1 2 marks** Award 1 mark for reference to the disadvantage and 1 mark for development of the disadvantage • There may be an opportunity cost. **(1)** The money spent on the subsidy may be more effective if spent on other government projects **(1)** Accept any other appropriate response	**(2)**

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Question number	Explain one reason why Heather may have decided to keep her business small. **Answer**	Mark
2(f)	**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 • The size of the market. **(1)** There may already be a high number of restaurants in the area **(1)** meaning Heather does not want to try to compete with other restaurant chains **(1)** • Access to finance may be difficult for a small business **(1)** because banks/lenders may believe it is too much of a risk, **(1)** so Heather may not be able to afford to buy the new premises necessary to open another restaurant **(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 the extent to which a merger between CK Hutch and Indosat is likely to lead to economies of scale. **Indicative content**
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Economies of scale occur when average costs decrease as a firm expands • A merger between CK Hutch and Indosat would lead to a new, larger telecommunications firm • Larger firms can usually operate at a lower unit cost than smaller firms due to the ability to make bulk purchases, combine marketing expenses and share technology • The new firm is likely to attract more customers, requiring a need to purchase more equipment. This could be done at a lower price per unit • Advertising of both CK Hutch and Indosat could be combined, reducing the advertising costs • As both firms would have used research and development departments, a merger would allow these to combine to reduce costs • This means economies of scale are likely to be enjoyed if the firms merge **AO4** • Economies of scale do not always occur or give the expected results • This expansion could result in pushing the merged firm beyond the minimum efficient scale, leading to diseconomies of scale • Diseconomies occur when average costs increase as a firm expands • Communication problems may occur due to the increased number of employees • There may be more bureaucracy due to the increased size of the firm • A larger gap between the management and the employees may occur due to the higher number of employees which could lead to reduced control • As Indosat's +60 million customer base is growing, this could result in further diseconomies of scale

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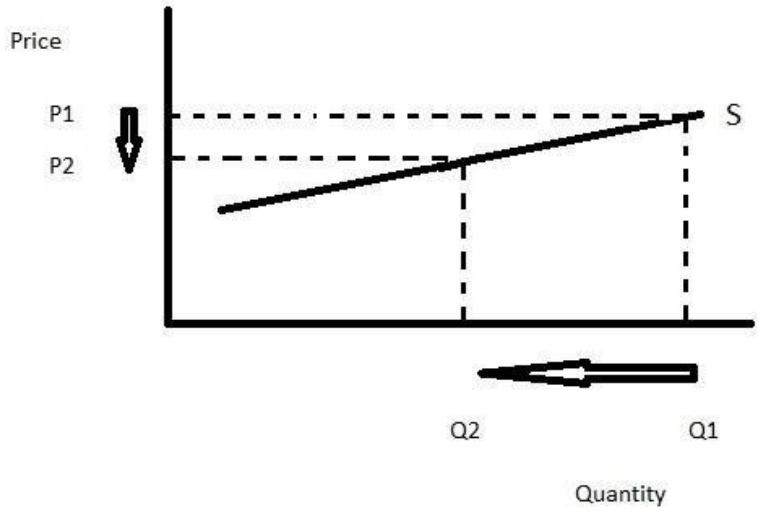
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation 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	Which one of the following could be described as an economic need? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** Shelter A is not correct because this is an economic want B is not correct because this is a luxury D is not correct because this is not required to sustain life	**(1)**

Question number	Which one of the following is an example of an external benefit? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **A** Education B is not correct because this is an external cost C is not correct because this is regarded as a disadvantage D is not correct because it has a negative impact on the future	**(1)**

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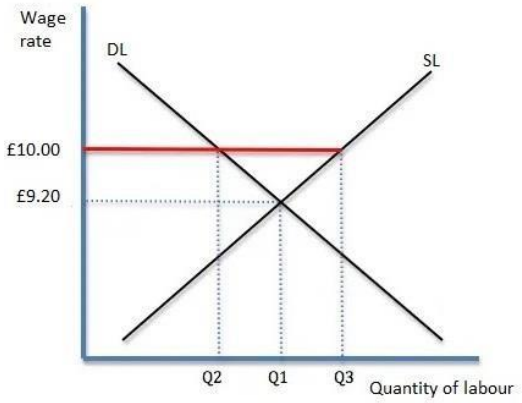
Question number	Draw a supply curve on the diagram below that has price elastic supply (PES). Label the impact of a price change from P1 to P2 and its impact on quantity from Q1 to Q2 . **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for drawing elastic supply curve, labelled Award 1 mark for showing smaller price change from P_1 to P_2 on the axis Award 1 mark for showing a greater change in the quantity Q_1 to Q_2 on the axis  	**(3)**

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Question number	With reference to the data above and your knowledge of economics, analyse why the UK Government might provide flood defences. **Indicative content**
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Without the government intervention of the flood defence system, the River Calder flooding may continue, causing firms to shut down, residents to lose their homes and an increase in damaged infrastructure • The UK Government made the £32m investment in a flood defence scheme because residents, businesses and infrastructure in Calderdale had repeatedly suffered from flood damage • The UK Government is likely to provide goods and services that the private sector would be unwilling to provide because of the lack of profit • Flood defences in Calderdale are an example of market failure because the private sector is unlikely to provide resources needed to manage the problem in sufficient quantities • Flood defences are an example of public goods that are provided by the government and have characteristics of being non-rivalry and non-excludable • Failure to provide flood defences would increase the need for individuals and firms to rely on the UK Government financially

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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, assess the impact of trade union activity on Morrisons and its employees. **Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • A trade union is an organisation which represents the employees in an industry • It aims to protect workers' rights, increase wages, provide legal assistance, put pressure on governments to legislate in favour of employees and improve working conditions • Trade union, Usdaw negotiated an hourly wage increase for the 110,000 workers at Morrisons supermarkets of nearly 9% • An increase in the wage rate may lead to inefficiency and unemployment • This is because the wage increase at the supermarket will mean higher costs for the firm. It may therefore, try to reduce costs by employing fewer workers • Possible use of a diagram  **AO4** • However, the wage rate increase of at least £0.80 per hour may increase productivity • This means Morrisons may be able to maintain the number of workers it employs because, increased productivity would not result in higher costs due to the wage increase • As Morrisons is a leading supermarket, it may be able to pass some of the higher wage rate costs on to consumers in the form of increased prices • This may depend whether the products sold are price inelastic in demand

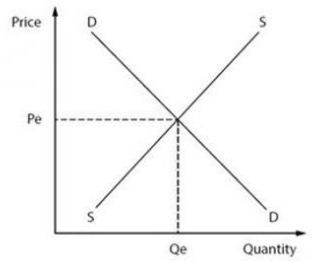
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Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation 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	When the current level of output is 250 units of consumer goods, calculate the opportunity cost of producing an additional 40 units of consumer goods. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing correct calculation 500 - 400 **(1)** Award 1 mark for calculating correct opportunity cost = 100 units of capital goods **(1)** Award 2 marks if opportunity cost is correctly calculated as 100 units of capital goods, even if no calculations are shown Award 1 mark if the answer given is 100, even if no calculations are shown Do not award marks for a formula	**(2)**

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Question number	With reference to the data above and your knowledge of economics, analyse how the equilibrium price of tagines sold to tourists is determined. **Indicative content**
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Equilibrium price is the price at which the quantity supplied equals the quantity demanded • Possible use of a diagram, explained  The diagram shows the equilibrium price (P_e) at the point where the quantity supplied is equal to the quantity demanded (Q_e) • The increase in popularity of tagines bought by tourists means there is an increased demand at the markets visited by tourists, this would shift demand to the right • Therefore, producers are likely to be attracted to those markets in order to sell the tagines to tourists because the increase in demand would lead to them being able to charge a higher price • As the higher price attracts more producers, supply will increase until the point where an equilibrium is reached • At this point, the equilibrium price for tagines sold to tourists will be reached because it is the price where supply is equal to demand

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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, evaluate the likely impact of competition on restaurant customers in Dahab. **Indicative content**
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Competition is where sellers aim to increase sales and profits by attracting customers from rivals in the market • There are many restaurants in Dahab. They are likely to have to keep prices low in order to remain competitive • This is beneficial to customers as they will be able to dine in a restaurant without the need to spend a lot of money • Customers are likely to benefit from good service and quality meals as the restaurant owners need to retain high levels of customer service to keep the custom • A variety of meals, discounts and live entertainment are offered as the restaurants aim to compete with their rivals • This gives customers more choice of what to eat as well as where to eat as the restaurants try to compete on other factors than price **AO4** • However, as the restaurants are less profitable, they may not be able to focus on improving ingredients • This means that some restaurants may not provide quality meals as they focus on trying to reduce costs to make more profit instead • Some restaurants may not be able to stay in business if they cannot bring in enough revenue to cover their costs • This may mean customers lose out on visiting their favourite restaurants, being able to select certain types of food or enjoying the live entertainment • In spite of the drawbacks, a number of new visitors are frequently likely to visit Dahab, meaning the restaurants may benefit from this new custom and be able to use profits to focus on improving meals for future customers • Therefore, there are likely to be a number of both positive and negative impacts for customers of restaurants in Dahab

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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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