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Mark Scheme (Results)

Summer 2022

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

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: **A** Division of labour B is not correct because this is creating products from new ideas C is not correct because this is using more labour during production than capital D is not correct because this relates to the rate of production due to given resources	**(1)**

Question number	Answer	Mark
1(b)	**AO2 1 mark** The only correct answer is: **D** Total revenue A is not correct because this is $10 B is not correct because only variable costs are shown, not fixed costs C is not correct because this would be total revenue – total costs	**(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 decreased income Goods for which demand will increase **(1)** as incomes decrease **(1)** **OR** Goods for which demand will decrease **(1)** as incomes increase **(1)** Accept any other appropriate response	**(2)**

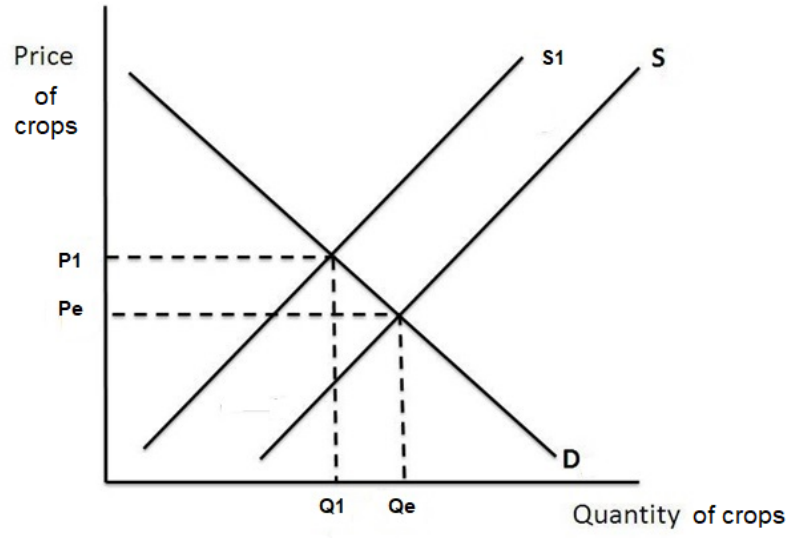
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Question number	Answer	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct reason • Negative advertising • Fall in income • Negative fashion/taste change • Fall in price of substitute goods • Rise in price of complementary goods • Decrease in the population Accept any other appropriate response	**(1)**

Question number	Answer	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition Converting resources into goods or services Accept any other appropriate response	**(1)**

	Answer	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation -2.1%/1.6% **(1)** Award 1 mark for correct PED = -1.31 **(1)** Award 2 marks if PED is correctly calculated as -1.31, even if no calculations are shown Do not award marks for a formula	**(2)**

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

Question number	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 • As China has become more developed, demand for services has increased **(1)** because people demand more of things like education and health care as the economy grows **(1)** therefore employment is likely to transfer from the primary sector towards the tertiary sector **(1)** Accept any other appropriate response	**(3)**

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Question number	Indicative content
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • It is an economic assumption that businesses aim to maximise profits • It may take time to find suitable ways of reducing the overall amount of plastic used by 100,000 tonnes, which is likely to result in higher costs • By reducing the amount of non-recyclable plastic packaging it uses, Unilever is likely to incur higher costs as it uses the more expensive recyclable plastic • Unilever may need to source alternative suppliers to replace the remaining 600,000 tonnes of plastic packaging • This means that Unilever will not maximise profits

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)	**AO1 1 mark** The only correct answer is: **C** Increase in female participation A is not correct because this would lead to a decrease in the supply of labour B is not correct because this would lead to a decrease in the supply of labour D is not correct because this would lead to a decrease in the supply of labour	**(1)**

Question number	Answer	Mark
2(b)	**AO2 1 mark** The only correct answer is: **C** Niche A is not correct because this is where there is one dominant seller in the market B is not correct because this relates to the demand and supply of labour D is not correct because this does not relate to manufacturing to customer requirements	**(1)**

Question number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for correct formula in words/as an equation $\frac{\text{\% change in quantity supplied}}{\text{\% change in price}}$	**(1)**

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Question number	Answer	Mark
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation $12 000 + $115 000 (1) Award 1 mark for correct total variable costs = $127 000 (1) Award 2 marks if total variable costs are correctly calculated as $127 000, even if no calculations are shown Award 1 mark if the answer given is 127 000 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 Lowest legal amount paid to employees 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 There are finite/limited resources **(1)** therefore demand for resources is greater than the supply of them **(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 decrease would increase quantity demanded **(1)**. A decrease from $2.32 to $2.22 results in more units **(1)** because it becomes more competitive compared to substitutes **(1)** • A price increase would decrease quantity demanded **(1)**. An increase from $2.32 to $2.42 results in fewer units **(1)** because there would be a movement along the demand 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** • An oligopoly is where there are a few dominant firms, such as Vodacom, Airtel and Tigo (which have 86% of the market between them) • As a result of their dominance, these firms may be able to benefit from economies of scale and therefore enjoy lower average costs. They may pass these lower costs on to consumers in the form of lower prices • Firms like Vodacom may also be able to afford to use profits for research and development (R&D) which may lead to a better quality telecoms services for consumers • The firms in the telecoms oligopoly may try to compete in price wars and keeping prices low would benefit the consumer • They may also offer additional services to consumers who have subscribed to their networks in an attempt to gain market share from competitors **AO4** • However, if the telecoms firms have high costs due to competing via non-price competition such as advertising, they may not be able to offer low prices to consumers • Such costs may also lead to fewer firms in the market. For example Smart Telecoms had to leave the market because it could not compete with the larger firms • This would mean there are fewer firms left to compete for market share and therefore there would be less choice available for consumers • Even the successful small firms run the risk of being taken over or crowded out by dominant telecoms providers. This may be the case with the merger between Tigo and Zantel • This may increase the barriers to entry as it will be difficult for new firms to enter the market to compete with the successful, dominant firms, meaning even less choice for consumers • The firms in the oligopoly may collude in order to restrict choice and/or price competition, again causing a disadvantage to consumers

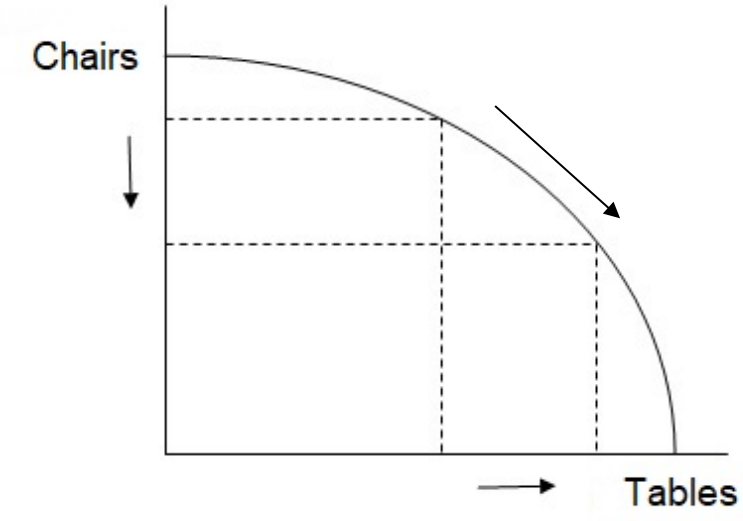
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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will 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: **B** government intervention A is not correct because a pollution permit is not a resource used to produce goods and services C is not correct because a pollution permit does not have reduced average costs due to expansion D is not correct because these are things expected to be true although there is no definite proof	**(1)**

Question number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **A** Increase in the use of fertiliser B is not correct because this would lead to a decrease in productivity C is not correct because this is not related to the productivity D is not correct because this would lead to a decrease in productivity	**(1)**

Question number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for drawing a production possibility frontier (PPF) with correctly labelled axes **(1)** Award 1 mark for showing a decrease in chairs on the PPF **(1)** Award 1 mark for showing an increase in tables on the PPF **(1)**  	**(3)**

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Question number	Indicative content
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • External benefits are positive spillover effects from the production or consumption of a good/service which allow third parties to benefit • Vaccinations such as the MMR would provide an external benefit to people who do not receive the vaccination because there is less chance of contracting measles, mumps or rubella • This is because if more people are vaccinated with MMR, there is less chance of them passing on the diseases • Therefore there would be fewer people in England with measles, mumps or rubella, even if they did not receive the vaccination themselves • The NHS would prefer more children to have the vaccination because it would reduce the spread of disease • A healthier workforce would lead to higher levels of 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** • The quantity of workers whom producers are willing and able to employ is known as the demand for labour • It can be affected by demand for the product, productivity and availability of substitutes, such as machines • This means that the advancement of technology in the retail sector has seen labour being replaced by machines • Therefore, fewer employees would be needed in shops such as those in town centres, especially as at least 10% of shops have been vacant for the last five years • As a result, the demand for labour is likely to be reduced by the availability of substitutes **AO4** • However, labour is still needed to develop, build and maintain the machines • As the percentage of online sales is now above 20% of total retail sales, more employees will be needed to meet this online demand, including warehouse operatives and postal workers to deliver retail orders • Therefore, although certain types of labour may reduce (such as shop workers), other types may increase (such as software developers) • As a result, the demand for labour will not always be reduced due to the availability of substitutes

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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 (4,200 + 6,000 + 3,250) - 9,600 **(1)** Award 1 mark for correct excess demand = 3,850 tickets **(1)** Award 2 marks if excess demand is correctly calculated as 3,850 tickets 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** • In the public sector, the government provides goods and services in the economy • It places dependence on the state for production of goods and services whereas the majority of goods and services in the private sector are provided by private firms • The public sector in Cuba places a high degree of importance on the state controlling production, playing a key role in the provision of key public services such as; education, healthcare, social care and infrastructure • Many jobs are guaranteed by the state as shown by the 75% directly employed by the state • It is easier to provide much needed public goods • It is more able to monitor and control externalities

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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** • Economies of scale are falling average costs (in the long-run) due to expansion • Diseconomies of scale are rising average costs (in the long-run) because a firm grows too large • The combined number of consumers using the messaging apps is over 2.6 billion meaning that the costs are reduced because they are spread over a large number of users • By allowing messages to be sent between Instagram, WhatsApp and Facebook Messenger, less software would be needed • This means that the combined apps would be making better use of essential resources, leading to lower (long-term) average costs (technical economies) • Managerial economies may be present as specialist managers could oversee the whole messaging service, rather than having separate people in charge of each app • (Long-run) average costs could also be reduced as all three apps could be advertised together, therefore spreading the marketing costs and allowing marketing economies to take place • As the group of apps is so large, financial economies are likely because it would be able to get access to money more cheaply than a smaller firm **AO4** • However, some employees are unhappy because Mark Zuckerberg has changed his plans since acquiring Instagram and WhatsApp, meaning they may not work as efficiently and diseconomies of scale may occur • The founders of Instagram and WhatsApp have already left and other employees may do the same if they do not understand the changes. This is likely to increase (long-run) average costs if Facebook needs to recruit new employees • Communication problems and a lack of control may be caused by having such a large firm trying to integrate resources. As the messaging services rely on technology being used effectively, this may lead to diseconomies of scale • As the combined number of users is already more than 2.6 billion, the apps may have already reached the most efficient point and the lowest (long-run) average cost • It will take time for the technology to be successfully implemented and so economies of scale may not occur for several years • If problems occur whilst combining the services, consumers may become frustrated and move to a competitor • It may depend on the outcome of combining the services whether economies or diseconomies of scale occur

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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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