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Mark Scheme (Results)

January 2023

Pearson Edexcel International GCSE In Economics (4EC1) Paper 01R 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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:
    - (i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that the meaning is clear
    - (ii) select and use a form and style of writing appropriate to purpose and to complex subject matter
    - (iii) organise information clearly and coherently, using specialist vocabulary when appropriate

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Question number	Water is an example of which factor of production? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **A** Land B is not correct because labour is a human resource C is not correct because capital is a man-made resource D is not correct because enterprise is the element of risk	**(1)**

Question number	A firm has total costs of $700. It sells 300 items at a price of $20 each. What is the profit for the firm? **Answer**	Mark
1(b)	**AO2 1 mark** The only correct answer is: **A** $5 300 B is not correct because this is 300 x $20 C is not correct because this is ($700 x $20) - 300 D is not correct because this is $700 x $20	**(1)**

Question number	What is meant by the term supply? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to amount producers are willing and able to sell and 1 mark for reference to price The quantity of goods or services producers are willing and able to sell **(1)** at a given price/at a given time **(1)** Accept any other appropriate response	**(2)**

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Question number	State one type of an external economy of scale. **Answer**	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct type • Skilled labour/infrastructure/access to suppliers/similar businesses in area Accept any other appropriate response	**(1)**

Question number	Define the term unique product. **Answer**	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition A good/service for which there is no substitute Accept any other appropriate response	**(1)**

Question number	Calculate the price elasticity of supply (PES) for Connor's hair salon. You are advised to show your working. **Answer**	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation 2.6%/2% **(1)** Award 1 mark for correct PED = 1.3 **(1)** Award 2 marks if PES is correctly calculated as 1.3, even if no calculations are shown Do not award marks for a formula	**(2)**

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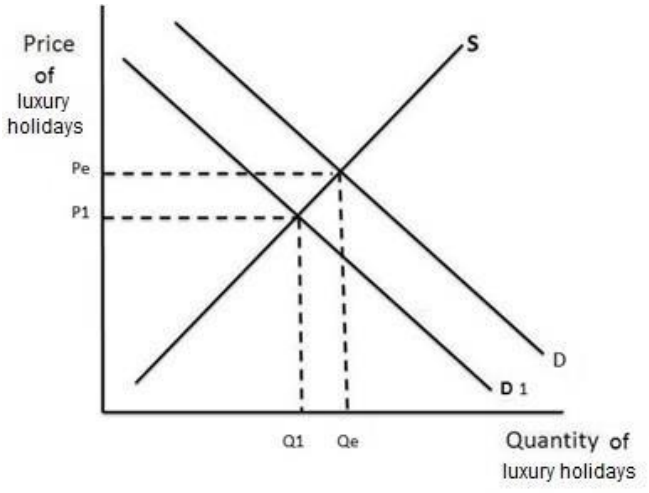
Question number	Using the diagram below, draw the likely effect on the market for luxury holidays after a fall in income. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for leftward shift of demand, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

Question number	Explain one possible disadvantage of privatisation for workers in the telecoms industry in Angola. **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 • Workers may be made redundant as a result of privatisation **(1)** because private firms are likely to want the telecoms industry to reduce costs **(1)** in order to increase efficiency **(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 the impact on the economy after a movement from A to B on the production possibility curve (PPC). **Indicative content**
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A PPC shows the combination of goods that can be produced with all available resources • The maximum productive potential of the economy can be seen at point A on the PPC, where if 350 million units of capital goods are produced, 160 million units of consumer goods can be produced • If the number of capital goods produced increases to 450 million units it is not possible to continue to produce 160 million units of consumer goods • The number of consumer goods produced must fall by 30 million units, to 130 million units. This is shown at point B. (There is an opportunity cost) • As the number of capital goods produced increases, there will be an increase in the productive capacity of the economy • Because the economy can now produce more, the PPC will shift outwards allowing an increase in the number of capital goods and consumer goods to be produced in the future • An outward shift of the PPC indicates positive economic growth of the economy

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 best describes the demand for the product? **Answer**	Mark
2(a)	**AO2 1 mark** The only correct answer is: **B** Luxury A is not correct because the percentage changes are not the same C is not correct because the percentage change in quantity is positive D is not correct because the percentage change in quantity is greater than the percentage change in income	**(1)**

Question number	Which one of the following is the formula for social benefits? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** Private benefits + external benefits A is not correct because it does not include any third-party effects B is not correct because it includes costs D is not correct because this is not the formula used to calculate social benefits	**(1)**

Question number	What is meant by the term trade union? **Answer**	Mark
2(c)	**AO1 2 marks** Award 1 mark for reference to an organisation for employees and 1 mark for reference to protecting the interests of members An organisation for employees **(1)** that aims to protect the interests of its members **(1)** Accept any other appropriate response	**(2)**

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Question number	Calculate the average cost per unit (AC) for the firm when it makes 3,000 units. You are advised to show your working. **Answer**	Mark
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation ($6 200 + $3 550) / 3,000 **(1)** Award 1 mark for correct average cost per unit (AC) = $3.25 **(1)** Award 2 marks if average costs per unit is correctly calculated as $3.25, even if no calculations are shown Award 1 mark for 3.25, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Describe one way that high start-up costs can be a barrier to entry. **Answer**	Mark
2(e)	**AO1 2 marks** Award 1 mark for reference to the way and 1 mark for development of the way • If a large amount of money is needed to set up a business **(1)** many potential competitors will not be able to raise/borrow such a large amount **(1)** Accept any other appropriate response	**(2)**

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Question number	Explain one disadvantage of this type of market structure for UK consumers. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the response Award 1 mark for the response being in context • Firms in an oligopoly may collude with one another **(1)** Therefore, the supermarkets may fix prices for groceries **(1)** meaning consumers would have to pay higher prices **(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 benefits for Foxconn Technology of using division of labour. **Indicative content**
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Division of labour involves breaking down the production process into smaller tasks • Each worker specialises in only one task, such as handling the phone screen, checking the phone works and packaging the phone ready to ship to the customer • By specialising, efficiency is improved because workers can conduct tasks quicker and with more accuracy • This leads to an increase in productivity and lower costs of production for Foxconn Technology • Workers do not need to waste time moving between tasks and so greater efficiencies are created, again lowering production costs **AO4** • However, tasks such as checking the iPhone works is likely to be repetitive and could be very boring for the worker, meaning they may become poorly motivated • Therefore, mistakes may be made leading to the need for part of the production process to be repeated, reducing productivity • This could therefore increase the cost of production and reduce the profit made by Foxconn Technology • Problems may occur if one part of the production process fails. For example, if a broken phone screen is found, the phone cannot progress to the stage where it is packed to ship to the customer • This may be more likely due to the number of tasks that production is divided into with 270,000 workers • Specialisation may cause problems if a worker is absent and no one is able to take their place due to a lack of the specialist skill

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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 is the definition of a merger? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **A** The joining together of two firms B is not correct because this is privatisation C is not correct because this means one firm ceases to exist D is not correct because a merger reduces competition in the market	**(1)**

Question number	Which one of the following is a reason why a government would introduce a minimum wage? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** To close the income gap between the rich and the poor A is not correct because if wages increase fewer benefits would need to be paid B is not correct because higher wages may increase motivation D is not correct because this would increase their costs and reduce their profits	**(1)**

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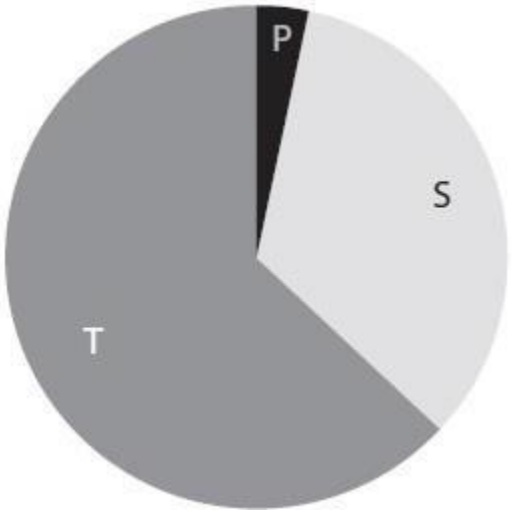
Question number	On the blank pie chart below, draw and label the likely approximate size of employment in the primary (P), secondary (S) and tertiary (T) sectors for a developed country, such as Japan. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for the Tertiary sector (T) being the biggest **(1)** Award 1 mark for the Secondary sector (S) being the second biggest **(1)** Award 1 mark for the Primary sector (P) being the smallest **(1)**  	**(3)**

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Question number	With reference to the data above and your knowledge of economics, analyse the possible external costs that may occur during the building of the residential tower. **Indicative content**
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • External costs are negative impacts on third parties • Local people and workers in the city's business district could suffer from negative externalities as a result of the tower being built • Negative externalities include noise pollution, air pollution, congestion and overcrowding • Building the tower is likely to be noisy, create dust and require an excess of vehicles in the area • This means that building the tower is likely to lead to negative externalities • Neither the producers nor the consumers would be the ones suffering from the pollution and congestion

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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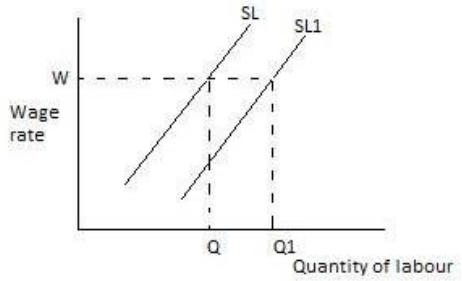
Question number	With reference to the data above and your knowledge of economics, assess the benefits to Dubai of employing such a high proportion of migrant labour. **Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Migration occurs when a person moves to live in a foreign country • There will be an increase the supply of labour, which shifts the labour supply curve to the right, when there is an increase in the number of workers entering a country and available for employment • Possible use of a diagram  • This could increase in the number of workers employed in a city such as Dubai and will reduce labour shortages in particular sectors • The fact that 2 million migrants (80% of the population) live in Dubai, providing services such as construction, highlights the large contribution migration makes towards the supply of labour in the city • This should help Dubai's economy to be more productive and expand **AO4** • However, the majority of immigrants work in construction, cleaning and care services • This means there may not be a large increase in the supply of labour in other sectors of the economy • The migrant workers may not have the right skills to fill all labour shortages • The supply of labour may only be short-term if migrants return to their home countries after a short period of time. This may make migration less effective as a way to increase the supply of labour • Increasing the retirement age, reducing the school-leaving age or making it easier for females to participate in the workforce may be more effective ways to increase the supply of labour • This is because these methods may make it more effective to keep a long-term supply of labour as well as to recruit workers into jobs in other sectors of the economy than those such as construction, cleaning and care services

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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 the total revenue for the product that has a price elasticity of demand (PED) which is inelastic. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for selecting product X **(1)** Award 1 mark for correct total revenue $3 000 x 50 = $150 000 **(1)** Award 2 marks if total revenue is accurately calculated as $150 000, even if no calculations are shown Award 1 mark if the answer given is 150 000, 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 the reasons why consumers may not maximise their benefit when consuming sugary drinks. **Indicative content**
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Consumers are not always very good at calculating what is/is not good for them • An increase in adverts has put pressure on consumers to purchase unhealthy products, such as sugary drinks • It is unlikely that consumers would have the full information about the negative effects of the sugar in drinks, such as Coca Cola and Fanta, from the adverts and so would be unlikely to be able to maximise their benefit • It can be difficult to change habits, such as enjoying the taste of the soft drinks and so consumers may still be prepared to pay the additional 0.50 zloty ($0.11) cost/litre • This is especially true if the price of the drinks is only a small amount of the consumer's income • Changing the habit of consuming sugary drinks may be even more difficult if this is different to the actions of friends • This is because, as consumers see others consuming sugary drinks, they may copy this behaviour

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 whether the family should expand the business rather than keeping it small. **Indicative content**
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Expanding a business means serving a higher number of customers, to potentially increase profits • Becoming a larger firm may mean NT Massage is able to make higher profits because it can charge higher prices to the tourists and business people in the new shops • It may have a large increase in customer numbers because there would be shops in busier areas of Hong Kong, this would lead to an increase in revenue and therefore, possibly profits • By having a chain of shops, advertising at hotels and targeting the 7.5 million population of Hong Kong as well as tourists/business people, NT Massage would be spreading its risks, rather than just relying on the original location and local residents • Due to its success as a small business, NT Massage may have more access to finance to be able to grow the firm • It may be possible for NT Massage to benefit from economies of scale, such as being able to spread advertising costs **AO4** • However, NT Massage currently offers a very traditional service which may be negatively affected if the firm expands • The long-standing customers may not like changes being made to the firm, especially if they value the traditional approach • It may experience diseconomies of scale such as difficulty in coordinating and controlling the firm in more than one location, especially if Mei and her family are only used to having one shop • There would be a lot of competition located near to the proposed new locations, meaning that it would be more difficult to attract custom • It would require time and money to grow the firm, meaning that it may be a long time before any profit is made • Raising finance may be difficult for a small business such as NT massage • This could cause further problems for the existing business • Therefore, it may depend on the strength of existing competitors, the ability of NT Massage to advertise successfully and the volume of tourism/business from which to attract potential custom

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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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