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Pearson Edexcel

Mark Scheme (Results)

November 2021

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

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Question number	Answer	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** They may complete charitable work A is not correct because this would maximise their profit B is not correct because this may help to maximise their profit C is not correct because this alone does not determine profitability	**(1)**

Question number	Answer	Mark
1(b)	**AO2 1 mark** The only correct answer is: **B** A normal good A is not correct because it has nothing to do with YED C is not correct because the YED will be greater than 1 D is not correct because the YED will be negative	**(1)**

Question number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to the amount of output and 1 mark for reference to the input The amount of output produced **(1)** in relation to the resources used **(1)** Accept any other appropriate response	**(2)**

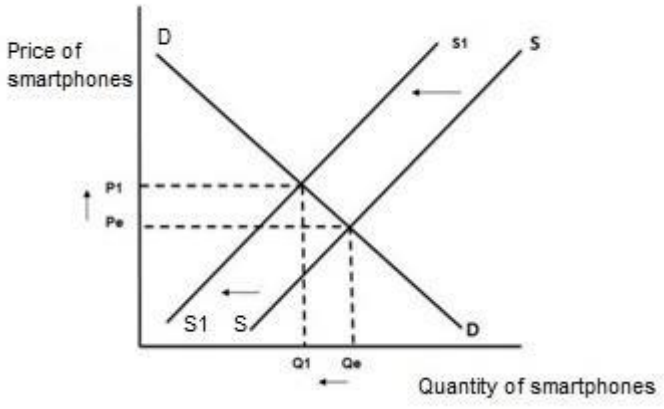
Question number	Answer	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct formula Private costs + external costs	**(1)**

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Question number	Answer	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition A person/company/country that supplies goods and services Accept any other appropriate response	**(1)**

Question number	Answer	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation 50 000 + (250 x 750) **(1)** Award 1 mark for correct total costs = $237 500 **(1)** Award 2 marks if total costs per month are correctly calculated as $237 500, even if no calculations are shown Award 1 mark if the answer given is 237 500, with or without calculations 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 ● To protect consumer interests **(1)** because firms may charge higher than the 0.8% daily cap **(1)** causing financial harm to consumers **(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** ● Economies of scale result in falling average costs due to expansion ● Technical economies of scale occur when larger firms can make better use of machinery than smaller ones ● As Cutting Edge attracted more customers, it received more work that may require use of a powerful saw ● This means it was cost-effective to purchase the equipment because the resource could be used a lot more than when Cutting Edge was only asked to cut through a small number of trees ● This is because the price of the powerful saw can be spread between more gardening jobs

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: **B** X A is not correct because there will be no unemployed resources C is not correct because it is not achievable D is not correct because all resources will be fully employed	**(1)**

Question number	Answer	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** employee rights A is not correct because consumers are not members of the union B is not correct because this is not the responsibility of a trade union D is not correct because trade unions are independent of the government	**(1)**

Question number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for a correct reason ● Size of market ● Nature of market (niche) ● Lack of finance ● Aims of the entrepreneur 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 2.7/4.9 **(1)** Award 1 mark for correct PES = 0.55 **(1)** Award 2 marks if PES is correctly calculated as 0.55, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Answer	Mark
2(e)	**AO1 1 mark** Award 1 mark for reference to a firm setting the market price A dominant firm sets the price in the market 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 A computer can be used to help make goods and services **(1)** therefore a computer is capital **(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 factor Award 1 mark for developing the response Award 1 mark for the response being in context ● Access to finance. **(1)** Abi would need to obtain more money to be able to move to larger premises. **(1)** She may not have enough/be able to borrow enough finance to fund the expansion **(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** ● Negative externalities are spillover effects on third parties due to consumption/production ● Pollution is an example of a negative externality because it is created by high volumes of traffic and has an external cost to people in Jakarta ● One method of government intervention to reduce negative externalities is the use of regulation ● These regulations will limit the amount of pollution produced and reduce the externalities ● The Indonesian Government introduced the traffic-free regulation in an attempt to reduce pollution levels in Jakarta because less traffic should lead to less fumes being emitted into the environment ● The regulation covers over 8 km of Jakarta's streets on a Sunday, meaning a section of the city is not subjected to the negative externality of traffic fumes during this time ● In 2016 air-quality had improved by 65% since the regulations were introduced, meaning the regulations have been quite effective in reducing the negative externality **AO4** ● However, there is no guarantee that the reduced pollution level is a direct result of the traffic-free regulation ● Other measures may be in place such as the taxation on fuel ● The effectiveness of the regulations depends on the level of enforcement from the government and cooperation from the public ● The number of vehicles registered in the area is increasing, meaning that pollution is also likely to increase again ● There are likely to be other factors causing pollution in the city, such as from factories

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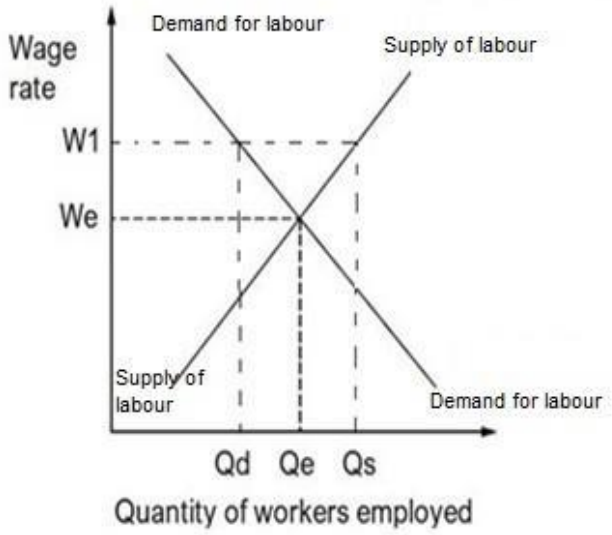
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	● Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). ● Information presented will lack selectivity and organisation. Interpretation 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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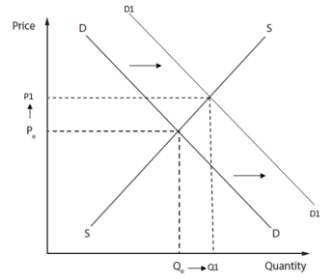
Question number	Answer	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** Lack of information A is not correct because this will fill skills shortages B is not correct because this will lead to greater efficiency D is not correct because this improves productivity	**(1)**

Question number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** Sales assistant A is not correct because this role is in the primary sector B is not correct because this role is in the secondary sector C is not correct because this role produces primary products	**(1)**

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Question number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for drawing new wage rate, labelled Award 1 mark for new quantity demanded, labelled Award 1 mark for new quantity supplied, labelled  	**(3)**

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Question number	Indicative content
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** ● A demand curve shows how much of a good will be purchased at different prices ● Advertising is one of the factors likely to shift a demand curve to the right (increase in quantity demanded) ● Possible use of a diagram:  ● Worldwide advertising during a popular event, such as an international cricket match, may encourage consumers to purchase Pepsi due to greater awareness and brand loyalty, therefore increasing the quantity demanded ● The quantity of Pepsi demanded is likely to have increased as a result of the advertising (from Q_e to Q_1) because consumers of soft drinks may be influenced by the adverts and make an association between Pepsi and the cricket

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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
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** ● The supply of labour is the amount of time a worker is willing and able to work at a given wage rate, over a given period of time ● By increasing the retirement age people will have to work longer before they can receive a state pension ● In Singapore, 62-, 63- and 64-year-olds will need to continue to work after the change to the age of retirement comes into effect ● This means that there will be an increase in the supply of labour ● As there are more people living to 80+, this will mean the increase in the retirement age will be effective in increasing the supply of labour **AO4** ● However, a higher retirement age may not be the most effective method of increasing the labour supply in the manufacturing sector, which is significant in Singapore ● This is because this sector may require younger employees to carry out the roles required within the industry ● Other factors such as lowering the school-leaving age, migration or female participation may be more effective ● Increasing skills and qualifications of employees may also be more effective, especially if the financial services industry continues to grow in Singapore ● This is because the nature of the industry means being skilled in financial services may lead to employees who are able to supply a greater amount of labour than older employees

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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 $\frac{87\,100 - 80\,750}{80\,750} \times 100$ **OR** $\frac{6\,350}{80\,750} \times 100$ **(1)** Award 1 mark for correct percentage change = 7.86% **(1)** Award 2 marks if percentage change is accurately calculated as 7.86%, even if no calculations are shown Award 1 mark if the answer given is 7.86 with or without calculations shown Do not award marks for a formula	**(2)**

Question number	Indicative content
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** ● An oligopoly is a market that is dominated by a few large firms ● There are a few large trekking firms and a few smaller ones ● Differentiation is a feature of an oligopoly ● The small trekking firms differentiate by offering different routes and guide skills such as speaking different languages ● By offering something different the small trekking firms are able to use non-price competition to attract a share of the tourists who wish to trek in Nepal ● Barriers to entry are a feature of an oligopoly ● Permits are required by trekking firms but are expensive and this is a possible barrier to entry for new firms

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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** ● Privatisation involves the sale of state-owned resources to the private sector ● The Indian Government wants to sell the airline Air India to private investors ● This means that the airline would no longer be controlled by the government and would be more likely to pursue different objectives, such as making a profit ● It may mean Air India would be more likely to reverse the current loss and to be able to pay for its fuel ● Private investors may bring increased investment to the airline, meaning it is able to offer increased flights to destinations in countries in Africa and the rest of Asia ● This would increase Air India's competitiveness with other airlines already flying to a higher number of destinations ● Therefore, this would complement a new objective to make a profit ● This is more likely to be achievable as the new owner(s) may have more experience and skills in managing an airline than the government **AO4** ● However, the Indian Government has reduced the debt faced by Air India in the past and therefore could leave the airline struggling to meet its costs without assistance from the state ● There is already a lot of competition from other airlines meaning the changes may not lead to benefits for Air India; it may be out of the airline's control ● As oil companies have struggled to receive payment for fuel in the past, they may be reluctant to supply the firm, even with new owners ● This could mean that Air India needs to prioritise different objectives before looking to make a profit and/or establish new routes ● It may depend on the level of investment from the new private owner(s) as well as their personal objectives ● In the short term it may be more difficult for Air India to make a profit but this may be easier in the long term if the private owner(s) can use their skills and experience to the benefit of the airline

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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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