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Mark Scheme (Results)

Summer 2023

Pearson Edexcel International GCSE in Economics

(4EC1/01R)

Paper 1: 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	For which **one** of the following will demand increase when incomes decrease? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **B** Inferior good A is not correct because this is purchased by firms to produce other goods which should increase in demand as consumer incomes increase C is not correct because demand would increase as incomes increase D is not correct because as incomes increase, so would demand	**(1)**

Question number	Which **one** of the following equals $1 740? **Answer**	Mark
1(b)	**AO2 1 mark** The only correct answer is: **D** Total variable costs A is not correct because price cannot be calculated from the information B is not correct because there is not enough information to calculate revenue and therefore profit C is not correct because the quantity of units produced is needed to do this calculation	**(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 splitting up production and 1 mark for reference to tasks Breaking down the production process **(1)** into smaller tasks **(1)** Accept any other appropriate response	**(2)**

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Question number	State **one** reason why a supply curve will shift to the left. **Answer**	Mark
1(d)	**AO1 1 mark** Award 1 mark for correct reason • Rise in the cost of production • Rise in indirect taxes • Fall in subsidies • Natural factors/disasters Accept any other appropriate response	**(1)**

Question number	Define the term competition. **Answer**	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition Rivalry that exists between firms Accept any other appropriate response	**(1)**

Question number	Calculate the **total revenue** for the firm when its monthly sales are 250 units. You are advised to show your working. **Answer**	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation €75 x 250 **(1)** Award 1 mark for correct total revenue = €18 750 **(1)** Award 2 marks if total revenue is correctly calculated as €18 750, even if no calculations are shown Award 1 mark if the answer given is 18 750 with or without calculations shown Do not award marks for a formula	**(2)**

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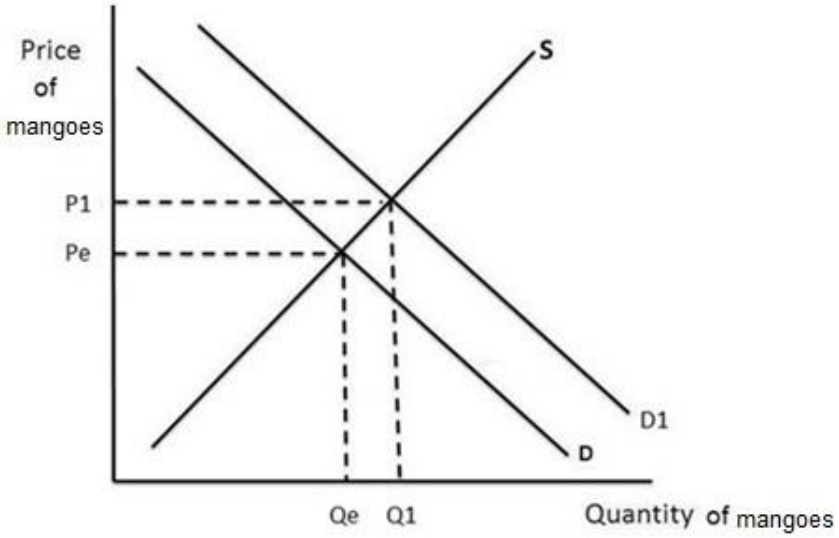
Question number	Using the diagram below, draw the likely effects on the market for mangoes after a study shows that eating them leads to an improvement in health. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	**Mark**
1(g)	**AO2 3 marks** Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question number	Explain **one** possible reason why Christine serves large-sized meals. **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 One reason is that Christine may prioritise caring for customer needs **(1)** because she has gained a positive reputation for serving large-sized meals **(1)** meaning, customers are more likely to remain loyal to her cafe **(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 w there has been this shift in employment in developed countries. **Indicative content**
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The tertiary sector involves the production of services in the economy • The secondary sector is the production of finished/semi-finished goods from raw materials • As costs of production for manufactured goods decreased in certain parts of the world, it became more difficult for firms in countries such as Germany, the UK and the US to compete • As a result, some firms may have had to cease trading or reduce the number of workers employed • The reduction in jobs in the secondary sector would discourage people from training to do manufacturing jobs • Instead, they are more likely to train in areas such as the tertiary sector, where there is an increasing demand for services, such as entertainment and restaurants due to rising incomes and therefore more employment opportunities in this sector

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 is the formula to calculate price elasticity of supply (PES)? **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **C** $\frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$ A is not correct because this is the formula for PED B is not correct because this does not relate to PES D is not correct because this formula is not used in economics	**(1)**

Question number	A court in China ordered a firm to pay 10 000 Yuan because it polluted a local river. This is an example of which **one** of the following? **Answer**	Mark
2(b)	**AO2 1 mark** The only correct answer is: **A** A fine B is not correct because this would give a firm permission to do something C is not correct because this would encourage production due to reducing cost D is not correct because this is added to production costs or sale price	**(1)**

Question number	State **one** example of an external benefit. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for an example of an external benefit • Education • Healthcare • Vaccinations Accept any other appropriate response	**(1)**

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	Calculate, to two decimal places, the **price elasticity of demand (PED)** for Sathvinder's cleaning service. You are advised to show your working. **Answer**	**Mark**
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation 1.9%/-1.2% **(1)** Award 1 mark for correct PED = -1.58 **(1)** Award 2 marks if PED is correctly calculated as -1.58, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Define the term entrepreneur. **Answer**	**Mark**
2(e)	**AO1 1 mark** Award 1 mark for a correct definition An individual who organises the factors of production Accept any other appropriate response	**(1)**

Question number	Describe **one** reason why water is a factor of production. **Answer**	**Mark**
2(f)	**AO1 2 marks** Award 1 mark for reference to the reason and 1 mark for development of the reason Water is a natural resource that can be used by firms in production **(1)** therefore water is classed as land **(1)** Accept any other appropriate response.	**(2)**

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Question number	Explain **one** effect on the supply of rice following a change in its equilibrium price. **Answer**	Mark
2(g)	**AO2 3 marks** Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context • A price increase would increase the quantity supplied **(1)**. An increase from $2.20 to $2.30 results in a higher quantity **(1)** because producers would increase profits **(1)** • A price decrease would decrease the quantity supplied **(1)**. A decrease by $0.10 results in a lower quantity **(1)** leading to a movement along the supply curve **(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 of the public sector providing outdoor areas or parks. **Indicative content**
2(h)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • The public sector is a part of the economy which is owned by the government and which operates in the public interest • It places dependence on the state for production of goods and services and places a high degree of importance on the state controlling this production • The state plays a key role in the provision of key public services such as; education, healthcare, social care and infrastructure • Amongst the aims of this sector are reducing social costs and increasing social benefits • If the public sector is responsible for the creation and maintenance of outdoor areas or parks, the space would be available to everyone, providing a social benefit • This could improve the health of anyone who uses these areas, meaning that there is less need for healthcare and so less public spending would be required in this area, reducing social costs **AO4** • If the public sector uses its finances to create/maintain parks it means less government revenue would be available for other things such as health and education • There is a cost in creating and maintaining the parks which must be funded by the government • The opportunity cost of providing more land for parks is the potential loss of housing and infrastructure • If parks provided by the government become too busy to be enjoyed or to provide suitable opportunities for people's health to benefit, it may be necessary for private sector funding to help provide outdoor areas or parks • This is likely to involve charging for access which would restrict availability for all and associated health benefits

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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	A minimum wage is a type of **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **D** government intervention A is not correct because a minimum wage is not a resource used to produce goods and services B is not correct because these are things expected to be true although there is no definite proof C is not correct because a minimum wage does not have reduced average costs due to expansion	**(1)**

Question number	Which **one** of the following is likely to lead to an increase in the productivity of capital? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** An increase in technological advances A is not correct because this would lead to a decrease in productivity B is not correct because this may hinder use of capital D is not correct because this is not related to productivity	**(1)**

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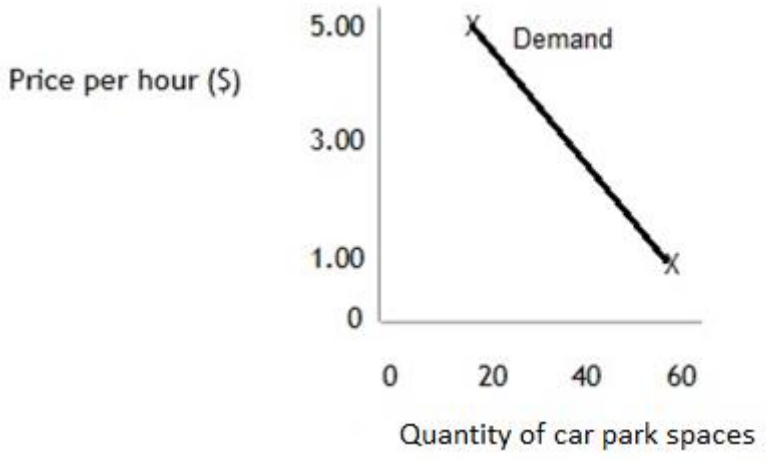
Question number	Using the information in Figure 3, draw and label the demand curve for car park spaces on the diagram below. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for a downward sloping demand curve, labelled Award 1 mark for plotting $5.00 at a quantity of 20 on the demand curve Award 1 mark for plotting $1.00 at a quantity of 60 on the demand curve  	**(3)**

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Question number	With reference to the data above and your knowledge of economics, analyse w economy might have moved from PPF_1 to PPF_2. **Indicative content**
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The PPF shows the combinations of goods which can be produced with all available resources • A decrease in the ability to produce both capital and consumer goods is shown in Figure 4 due to the inward shift of the PPF • Negative economic growth would allow this to happen as it is possible there will have been a depletion of resources over time/a scarcity of resources (where an economy runs out of oil or coal) • It could also occur if skilled workers are attracted to opportunities in other countries • With the decrease in resources and/or emigration of skilled labour, it would be possible for production of both capital and consumer goods to decrease without an increase in the other

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	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 whether WarnerMedia merging with Discovery is likely to benefit from economies of scale. **Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 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 subscribers will be 59 million, meaning that the unit costs are reduced because costs are spread over a larger number of customers • By bringing together technology from both WarnerMedia and Discovery, broadcasting would be more efficient • This means that Warner Bros. Discovery would be making better use of resources, leading to lower (long-term) average costs (technical economies) • Managerial economies may be present as specialist managers of the numerous channels, such as CNN news channel, could oversee the whole network, rather than having separate people in charge of each one • (Long-run) average costs could also be reduced as Warner Bros. Discovery could be advertised as one, therefore spreading the marketing costs and allowing marketing economies to take place • As the company is so large, with a value of $150bn, financial economies are likely because it would be able to get access to money at lower interest rates than a smaller firm **AO4** • However, some employees may be unhappy as a result of the merger, meaning they may not work as efficiently and diseconomies of scale may occur • Some employees may even leave if they are not able to adapt to any changes brought about due to the merger. This is likely to increase (long-run) average costs if Warner Bros. Discovery 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 broadcaster relies on technology being used effectively, this may lead to diseconomies of scale • The media company may have already reached the most efficient output and the lowest point on the (long-run) average cost curve • It will take time for the technology to be successfully implemented and so economies of scale may not occur for several years

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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	Calculate the **excess supply** of meals if the quantity supplied during these three days totalled 261. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing correct calculation 261 - (58 + 64 + 79) **(1)** Award 1 mark for correct excess supply = 60 **(1)** Award 2 marks if excess supply is correctly calculated as 60 even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	With reference to the data above and your knowledge of economics, analyse the benefits of this type of market structure for airline passengers. **Indicative content**
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • An oligopoly is a market dominated by a few large firms • Airline passengers will have a choice over which airline they fly with because the firms in the oligopoly will be competing with one another to gain market share over their competitors • This means airlines such as Emirates may launch new routes or offer flights to different locations in order to attract more customers • Customers may also be offered lower prices and better quality of service • This is as a result of possible price wars between the airlines and/or non-price competition where the passenger's enjoyment of the flight is the focus of the airline when trying to increase custom

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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 extent to which derived demand affects the demand for labour. **Indicative content**
(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 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 (derived demand), productivity and availability of substitutes, such as machines • The greater the demand for a good or service, the greater the demand for labour is likely to be • This means that more security staff are likely to be demanded to control spectators at sporting events or at music festivals because there is a greater demand from fans to watch the event • As there is a greater demand for food from those celebrating special holidays, more supermarket staff are likely to be demanded to sell goods to these customers at certain times of the year • Similarly, if there is less demand for a service, such as at a football stadium when no matches are being played, there will be less demand for labour, such as security staff • As a result, the demand for labour is affected considerably by derived demand **AO4** • However, even with an increase in demand for some goods and services, machinery may be substituted to meet the additional demand • This means that the demand for labour would not always increase due to derived demand • It is also possible that employees may be more productive under certain circumstances, meaning they can meet additional demand for goods and services without there being an actual increase in the demand for labour • At the same time, high levels of productivity may mean the firm requires fewer workers as costs can be reduced. This would again have a significant effect on the demand for labour • The advancement of technology has seen labour being replaced by machines in many industries, such as hospitality and customer services, as well as manufacturing • Although, the demand for labour is likely to increasingly be affected by the availability of substitutes. E.g. the availability of substitutes would be limited for security at music festivals and sporting events • The significance of derived demand may depend on the industry, as some work may be conducted by machines instead • It may also depend on the extent to which labour is needed to develop, build and maintain machines that have been used as substitutes for labour because this could reduce the effect this factor has on the demand for labour

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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).