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Mark Scheme (Results)

November 2023

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

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- 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	A trade union is an organisation that aims to improve **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** working conditions A is not correct because trade unions do not focus on the objectives of firms B is not correct because the government does not receive revenue due to trade union actions C is not correct because the environment is not a focus of trade union activity	**(1)**

Question number	Figure 1 below shows a change in demand for tickets to a sporting event. Which **one** of the following statements is true? **Answer**	Mark
1(b)	**AO2 1 mark** The only correct answer is: **C** An increase in demand is shown by a shift to the right A is not correct because when the price falls, the quantity demanded rises B is not correct because the demand curve slopes downwards from left to right D is not correct because a decrease in demand is shown by a shift to the left	**(1)**

Question number	What is meant by the term economies of scale? **Answer**	Mark
1(c)	**AO1 2 marks** Award up to 2 marks for a correct definition Falling average costs **(1)** due to expansion of the firm **(1)** Accept any other appropriate response	**(2)**

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Question number	State **one** main feature of an oligopoly. **Answer**	Mark
1(d)	**AO1 1 mark** Award 1 mark for a correct feature • Few firms • Large firms dominate • Different products • Barriers to entry • Collusion • Price competition • Non-price competition Accept any other appropriate response	**(1)**

Question number	Define the term excess supply **Answer**	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition • Where supply is greater than demand Accept any other appropriate response	**(1)**

Question number	Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm. You are advised to show your working. **Answer**	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation 4.3%/3.7% **(1)** Award 1 mark for correct price elasticity of supply = 1.16 **(1)** Award 2 marks if price elasticity of supply is correctly calculated as 1.16, even if no calculations are shown Do not award marks for a formula	**(2)**

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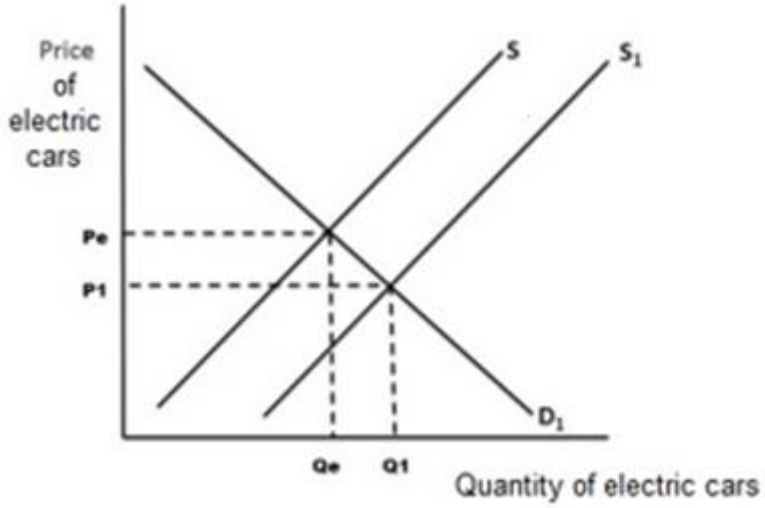
Question number	Using the diagram below, draw the likely effects on the market for electric cars following the introduction of a subsidy on electric cars. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	**Mark**
1(g)	**AO2 3 marks** Award 1 mark for a rightward shift of the supply curve, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  	**(3)**

Question number	Explain **one** possible advantage of privatisation for consumers in Brazil. **Answer**	**Mark**
1(h)	**AO2 3 marks** Award 1 mark for identifying an advantage Award 1 mark for developing the response Award 1 mark for the response being in context • Consumers may benefit from lower prices **(1)** because a private firm is likely to want to be efficient **(1)** so it will aim to produce food at its lowest possible cost **(1)** • Better quality may be available to consumers **(1)** because private firms will aim to make a profit **(1)** meaning they need to retain customers by providing quality food products **(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 how market failure is likely to occur at the TSFG venue. **Indicative content**
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Market failure exists where resources are not allocated efficiently • Examples of market failure include externalities, missing markets, lack of information, factor immobility and lack of competition • There is a lack of competition selling food and drinks at the TSFG, meaning customers have limited choice of where to buy refreshments inside the grounds • This means higher prices can be charged because customers cannot get refreshments anywhere else • As people spend several hours at the venue, they are likely to need something to eat and/or drink during their visit • Therefore, the high prices and reduced choice leads to an inefficient allocation of resources

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	A firm employing 135 workers has a total output of 33,750 units each month. What is the monthly labour productivity of the firm? **Answer**	Mark
2(a)	**AO2 1 mark** The only correct answer is: **C** 250 units A is not correct because labour productivity is measured in units B is not correct because this would be a multiplication instead of a division calculation and the wrong units are used D is not correct because this would be a multiplication instead of a division calculation	**(1)**

Question number	Which **one** of the following is a possible cause of positive economic growth? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **D** Increasing technological advancements A is not correct because this would reduce demand for goods and services, therefore reducing economic growth B is not correct because this would be more likely to reduce economic growth C is not correct because increasing unemployment would lead to fewer resources being utilised	**(1)**

Question number	What is meant by the term opportunity cost? **Answer**	Mark
2(c)	**AO1 2 marks** Award up to 2 marks for a correct definition The cost of the next best alternative **(1)** given up (when making a choice) **(1)** Accept any other appropriate response	**(2)**

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Question number	Calculate the **total fixed costs** for the firm in March. You are advised to show your working. **Answer**	**Mark**
2(d)	**AO2 2 marks** Award 1 mark for showing correct calculation 20 250 + 5 125 **(1)** Award 1 mark for calculating correct total fixed costs = 25 375 Tk **(1)** Award 2 marks if total fixed costs are correctly calculated as 25 375 Tk, even if no calculations are shown Award 1 mark if total fixed costs are calculated as 25 375, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	Describe **one** reason why an entrepreneur is a factor of production. **Answer**	**Mark**
2(e)	**AO1 2 marks** Award 1 mark for reference to the reason and 1 mark for development of the reason • An entrepreneur comes up with a business idea/takes a risk **(1)** therefore it is classed as enterprise **(1)** • An entrepreneur manages the other factors of production **(1)** in order to make goods/services **(1)** Accept any other appropriate response	**(2)**

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Question number	Explain **one** advantage for firms of an increase in the retirement age. **Answer**	**Mark**
2(f)	**AO2 3 marks** Award 1 mark for identifying a relevant advantage Award 1 mark for developing the advantage Award 1 mark for the advantage being in context • Firms will be able to retain their skilled workers **(1)** because workers will not be able to access their pension until the age of at least 57 **(1)** reducing the cost of recruitment and training **(1)** • Supply of labour may increase **(1)** because people may need to continue working for another two years **(1)** thus reducing the price of labour/wage rate for firms 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 likely effectiveness of the tourist tax in dealing with negative externalities, such as overcrowding. **Indicative content**
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Negative externalities are spillover effects on third parties due to consumption/production • Overcrowding in Venice may cause pollution, litter and congestion issues for residents and other visitors • One method of government intervention to reduce negative externalities is the use of taxation • A tourist tax is a compulsory financial charge made by the government on individuals • A tourist tax would make it more expensive to visit Venice • Therefore, it is likely to reduce the number of tourists in Venice from the estimated 24 million who visit each year • The higher the tourist tax, the fewer tourists there are likely to be, meaning at its highest charge of €10, the reduction should be greatest • As a result, the negative externality, such as overcrowding, may be reduced **AO4** • However, as Venice is so popular, some tourists may decide it is worth paying the tourist tax • This may especially be the case at the lower rates of tourist tax, where a tourist may not consider €3 unaffordable compared to the price of their trip • It takes time to collect the tourist tax, meaning there may be more congestion when people arrive in Venice • Even a reduction in numbers may not be enough to deal with the externalities caused by the high number of visitors each year • Those visitors who are prepared to pay the tourist tax will be generating revenue for the city which may be used to help combat the externalities in other ways • Other methods of government intervention may be more effective

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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 a reason why a firm may decide to stay small? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **B** To sell a niche product A is not correct because bureaucracy should be reduced C is not correct because risk cannot easily be spread D is not correct because there is less chance of taking over competitors	**(1)**

Question number	The introduction of a minimum wage above the equilibrium wage in a labour market, is most likely to: **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** decrease quantity of labour demanded and increase the wage rate A is not correct because employers are less likely to demand labour and the wage rate will be higher than the equilibrium B is not correct because employers are less likely to demand labour C is not correct because the wage rate will be higher than the equilibrium	**(1)**

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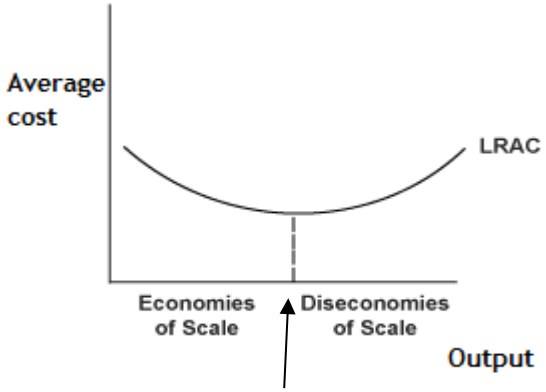
Question number	On the diagram below, draw and label economies of scale, diseconomies of scale and the point at which the firm is most efficient. **Answer**	**Mark**
3(c)	**AO2 3 marks** Award 1 mark for economies of scale labelled Award 1 mark for diseconomies of scale labelled Award 1 mark for point at which firm is most efficient labelled  Most efficient point	**(3)**

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Question number	With reference to the data above and your knowledge of economics, analyse why education in Japan may be an external benefit. **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 • Education, such as the system provided in Japan would provide an external benefit to people who do not receive the education themselves • This is because students may do socially useful or highly skilled jobs in the future • Therefore, productivity will be higher and so will the standard of living for society, in a country such as Japan • As a result, future generations may benefit from the consumption of education by others, even if they did not receive (a high standard of) education themselves

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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 the benefits to Simona of making these changes. **Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Business aims may include maximising profit, caring for customers, completing charitable work or maximising sales/revenue • Simona prioritises caring for her customers by charging low prices and being flexible with appointment times • This flexibility has led to problems with provision of hairdressing services due to delays and issues getting an appointment • Therefore, demand has reduced and revenue has fallen • This means that Simona has been unable to meet the loan repayments to her bank and may risk her hairdressing business failing • As a result, it may be a good idea to make these changes in order to increase revenue for the hairdressing business • This may help with financial difficulties as well as reduce the late/cancelled appointments **AO4** • However, some customers may visit the hairdressers due to the low prices • The customers may also welcome the flexibility of the services offered, encouraging them to return and giving Simona's business a good reputation • This may mean a price increase and/or fee for late arrivals/cancellations could reduce custom • Therefore, making these changes may lead to further financial problems rather than resolving them • It may be more important to focus on caring for customers by managing appointment times more carefully • As a result, Simona may be able to continue to prioritise caring for customers but at the same time solve some of her financial issues

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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, to two decimal places, the **percentage change in profit** for the firm between 2020 and 2022. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing correct calculation $\frac{\$22\,950 - \$20\,250}{\$20\,250} \times 100$ **OR** $\frac{\$\ 2\,700}{\$\ 20\,250} \times 100$ **(1)** Award 1 mark for correct percentage change = 13.33% **(1)** Award 2 marks if percentage change is correctly calculated as 13.33%, even if no calculations are shown Award 1 mark if percentage change is calculated as 13.33, 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 why price elasticity of demand (PED) may be relatively inelastic at Marina Café. **Indicative content**
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Price elasticity of demand (PED) is the responsiveness of demand to a change in price • Inelastic demand means a rise in price will lead to a smaller percentage change in the quantity demanded • PED is likely to be more inelastic at Marina Café because it is situated in a popular location, with sea and mountain views • This means that the degree of necessity is likely to be higher for customers wishing to enjoy the scenery at the same time as their drinks • Therefore, Marina Café has few substitutes because not many of the cafés will have the additional benefit of this location • In addition, the price of a coffee is a small percentage of income, meaning customers will be less likely to reduce their demand due to a rise in price • As a result, customers may be prepared to pay €1.20 more at Marina Café than at alternatives, or even pay more if the price was increased further

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 introducing division of labour is the best way for Raphael to increase productivity in his pastry-making factory. **Indicative content**
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Division of labour means dividing the production process into different stages where each worker specialises in one task • Productivity is the amount of output that can be produced in a period of time, with a given quantity of resources • Division of labour leads to less time being wasted as workers will not have to switch between different parts of production such as mixing ingredients and shaping the dough • This means the employees at the pastry-making factory can become more productive as they are able to develop skills in the task they perform, becoming more specialised • This may be particularly important in order for Raphael's factory to meet demand from the restaurants and street vendors in Madrid, to whom it sells • It can be easier to integrate machinery into the production process as the tasks are broken down into different stages **AO4** • However, the pastry-making factory employees may find doing the same task, such as combining the cooled mixture with egg, very boring and monotonous • This could mean they lose concentration and may make mistakes, leading to a lower rate of productivity • Therefore, a delay in supplying the pastry for churros to restaurants and street vendors in Madrid could occur and lead to a loss of business for the factory • This is especially likely as the restaurants are busy and may be unable to meet their own customer's demand for churros without the pastry • Improving the quality of labour by training employees to use pastry-making equipment could increase productivity more, as could investing in more advanced facilities with which to bake • It depends whether the pastry-making tasks require much training as they maybe more suited to the division of labour process • Raphael could introduce rotation of tasks to reduce the monotony or use division of labour alongside other factors, such as advanced baking facilities

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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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