



Mark Scheme (Results)

January 2020

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.

Question number	Answer	Mark
1(a)	AO1 1 mark	
	D 0	(1)

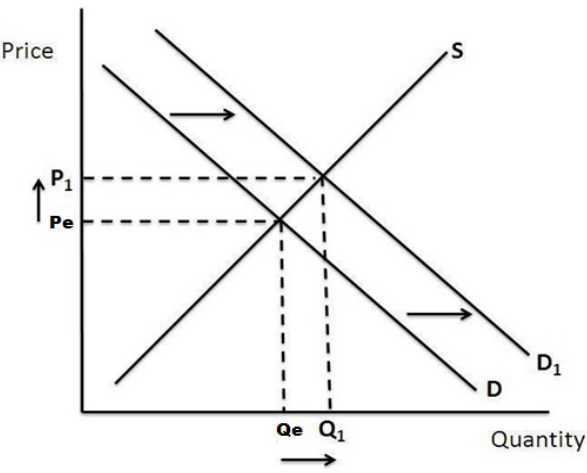
Question number	Answer	Mark
1(b)	AO2 1 mark	
	D \$750 000	(1)

Question number	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)	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark	
	Award 1 mark for correct example	
	Building construction/Car production/Shipbuilding	
	Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark	
	Award 1 mark for a correct definition	
	The people used in the production of goods and services	
	Accept any other appropriate response	(1)

Question number	Answer	Mark
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $10 \div 25$ (1)</p> <p>Award 1 mark for correct income elasticity of demand (YED). $= 0.4$ (1)</p> <p>Award 2 marks if YED is correctly calculated as 0.4, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Question number	Answer	Mark
1(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for rightward shift of demand, labelled</p> <p>Award 1 mark for higher equilibrium price, labelled</p> <p>Award 1 mark for higher equilibrium quantity, labelled</p> 	(3)

Question number	Answer	Mark
1(h)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying an opportunity cost Award 1 mark for developing the opportunity cost Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> • The opportunity cost is a new school the government cannot build (1) it cannot build the school and the hospital (1) because it does not have the resources/money to fund both (1) <p>Accept any other appropriate response</p>	(3)

Question number	Indicative content	
1(i)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • It is an economic assumption that firms will want to profit maximise • By matching fundraising of up to \$1 000 per employee, McAfee would reduce the profits it can make • It is possible McAfee will attract positive publicity due to its fundraising match programme • This means that consumers may be more likely to buy computer software security from McAfee rather than its competitors • Staff may also be motivated by the programme so staff turnover may reduce/productivity may increase • Therefore McAfee could still make larger profits than if it did not run the programme • McAfee already has a revenue of over \$2.5bn so may believe it can afford to be charitable 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).

Question number	Answer	Mark
2(a)	<p style="text-align: center;">AO2 1 mark</p> <p>A</p> <p>The graph shows a downward-sloping demand curve (D) and an upward-sloping supply curve (S). The equilibrium price is P_e and the equilibrium quantity is Q_e. A price floor is set at P_1, which is below P_e. At price P_1, the quantity demanded is Q_1 and the quantity supplied is Q_2. The difference between Q_1 and Q_2 represents a shortage. Two arrows point towards each other between Q_1 and Q_2 on the quantity axis, indicating the shortage.</p>	(1)

Question number	Answer	Mark
2(b)	<p style="text-align: center;">AO1 1 mark</p> <p>B A factor of production</p>	(1)

Question number	Answer	Mark
2(c)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for correct formula in words/as an equation</p> <p>Total revenue minus total costs</p>	(1)

Question number	Answer	Mark
2(d)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $36 \div 30$ (1)</p> <p>Award 1 mark for correct price elasticity of supply (PES) $= 1.2$ (1)</p> <p>Award 2 marks if PES is correctly calculated as 1.2, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Question number	Answer	Mark
2(e)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for reference to money used by a business</p> <p>Funding for a firm</p> <p>Accept any other appropriate response</p>	(1)

Question number	Answer	Mark
2(f)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for the type of business competition and 1 mark for development of the response</p> <p>The Irish Artisan Charcoal Company (IACC) is a monopoly (1) as there are no other firms producing charcoal in Ireland (1)</p> <p>Accept any other appropriate response</p>	(2)

Question number	Answer	Mark
2(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in the context</p> <ul style="list-style-type: none"> • One reason is that public goods are non-excludable (1) meaning that everyone walking/driving along the street would benefit from the lighting (1) whether or not they pay anything towards it through taxes (1) • One reason is that there is non-rivalry for public goods (1) meaning that one person walking/driving along the street is not preventing another person from benefitting from street lighting (1) whether or not they pay anything towards it through taxes (1) <p>Accept any other appropriate response</p>	(3)

Question number	Indicative content
2(h)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Small firms can offer a personal service so they can meet the needs of the customer more specifically than large firms • Wonderful Wax produces handmade candles and so the personal service offered maybe more likely to attract customers, bringing in more sales • The service offered by Elissa’s small firm could cater for a niche part of the market and so some customers may pay higher prices for the candles • By operating a small firm, Elissa is able to maintain control of her business and help the environment by producing candles made with soy wax and essential oils • Increasing production of the candles may mean they can no longer be handmade and Wonderful Wax may lose its identity <p>AO4</p> <ul style="list-style-type: none"> • However, small firms may struggle to meet demand and so may lose customers • Wonderful Wax could potentially sell many more environmentally-friendly candles through use of the production facilities on offer, thus further meeting Elissa’s original objective to help the environment • Unit costs of a small firm are likely to be higher as it cannot exploit economies of scale and therefore the profits might be lower • A large firm is more likely to be able to compete should other firms set up selling environmentally-friendly candles

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).

Question number	Answer	Mark
3(a)	AO1 1 mark	
	B Skilled labour	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark	
	C Large firms dominate the market	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks	
	<p>Award 1 mark for correctly labelling the axes Award 1 mark for drawing PPC1 closer to the axes than PPC2 Award 1 mark for drawing PPC2 showing positive economic growth from PPC1</p> <div style="text-align: center;"> </div>	(3)

Question number	Indicative content	
3(d)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • The demand for labour is likely to be affected by the wage rate, derived demand, productivity and the availability of substitutes • Machines provide a substitute for labour in many jobs and this factor is increasing • Google has developed an automated assistant meaning jobs currently performed by labour in call centres may also be replaced by machines • If machines can do the job more efficiently and/or cheaper then firms are likely to want to switch to machines, reducing the demand for labour • The more technology advances, the more substitutes there will be for labour and so the demand for labour is likely to continue to decrease 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).

Question number	Indicative content
3(e)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Externalities are the spillover effects of consumption or production • Negative externalities occur when a cost is imposed on a third party by those organising or paying to attend fireworks displays • Some former military personnel experience negative externalities because they suffer from being reminded about experiences as a result of the loud noises even though they are not choosing to be consumers of the fireworks • This means the fireworks are providing a negative externality/external cost to these former military personnel as well as to animals that are frightened by the 'bang', 'pop' and 'whizz' sounds • As firework displays may take place for many reasons, private and public events and to celebrate religious occasions, the negative externality may be experienced at many times of year <p>AO4</p> <ul style="list-style-type: none"> • However, people who see and hear fireworks without paying to attend a display or intentionally being a consumer, may be experiencing external benefits • Positive externalities occur when a benefit is enjoyed by a third party • People away from the fireworks display may enjoy watching the colourful sparks in the sky but not the 'bang', 'pop' and 'whizz' noises • It is possible that a third party may experience both positive and negative externalities at different times • It may depend how long the fireworks last, the time of day they are displayed or how close they are to the third party

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).

Question number	Answer	Mark
4(a)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $€3\,600 \div €40$ (1)</p> <p>Award 1 mark for correct quantity = 90 cakes/units (1)</p> <p>Award 2 marks if quantity is accurately calculated as 90 cakes/units, even if no calculations are shown</p> <p>Award 1 mark if quantity is calculated as 90 with or without workings</p> <p>Do not award marks for the formula</p>	(2)

Question number	Indicative content	
4(b)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • A takeover involves one firm buying control of another firm and is a form of external growth • Governments may want to control takeovers because if a firm such as Vodafone pays \$21.8bn for Liberty Global it is likely to form a dominant company • If Vodafone grows larger due to the takeover it may have too much power in the cable TV market and therefore competition may be restricted • Restricted competition is bad for the market as it could lead to higher prices for consumers of cable TV and to reduced service • The building of a nationwide fibre-optic network may be delayed as a result of the takeover, meaning delays to improving the service offered • If Liberty Global remains as a separate company there is more competition available to challenge Vodafone and offer a better/more varied service to consumers 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).

Question number	Indicative content
4(c)	<p style="text-align: center;">AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Price elasticity of demand (PED) measures the responsiveness of quantity demanded to a change in price • After VAT in South Africa increased by 1% in 2018, many goods and services were more expensive, meaning that demand for goods with elastic demand (PED >1) would have fallen by a larger percentage than the increase in price • As consumer spending and business confidence fell, it is likely many goods on which VAT is imposed, will have an elastic demand. Therefore, the South African Government would receive less revenue from these goods following the increase in VAT • By calculating PED, the government would be able to see the likely effect on demand following further VAT increases and therefore whether its revenue would increase or decrease following the rise <p>AO4</p> <ul style="list-style-type: none"> • However, PED is only an estimate and actual demand may not be the same as the calculations suggest • There may have been other factors affecting consumer spending and business confidence and so a further rise in VAT may not have the same effect as in 2018 • Goods and services such as fruit and vegetables may have an inelastic PED (<1) but as these are considered to be necessities, the South African Government has made them exempt from VAT anyway • PED would need to be calculated for many different products to allow an accurate prediction of the effect on government revenue • It may depend how much the government proposes increasing VAT by, as another 1% rise will lead to different revenue outcomes for them compared to a larger increase • PED may help the government decide whether to increase VAT again, but it may be better if used alongside other analysis of potential outcomes

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).