



Mark Scheme (Results)

January 2020

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 01R Microeconomics and Business
Economics

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- 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	
	C 0	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark	
	B \$4 500 profit	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks	
	Award 1 mark for reference to both the public and private sectors and 1 mark for reference to providing goods and services	
	The public and private sectors (1) provide goods and services between them (1)	
	Accept any other appropriate response	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark	
	Award 1 mark for correct example	
	Retailer/Banker/Teacher	
	Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark	
	Award 1 mark for a correct definition	
	A group with the authority to run a country or state	
	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 $12 \div 5$ (1)</p> <p>Award 1 mark for correct income elasticity of demand (YED) $= 2.4$ (1)</p> <p>Award 2 marks if YED is correctly calculated as 2.4, 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 supply, labelled Award 1 mark for lower equilibrium price, labelled 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 a relevant 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"> • One opportunity cost is the firm may not be able to employ additional staff (1) it cannot buy the computer system and employ additional staff (1) because it does not have enough 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"> • An oligopoly is a market that is dominated by a few large producers • 87% of Dubai's shopping malls are owned by just five firms, meaning that the market is dominated by a few large producers • The shopping malls are differentiated by a variety of features such as an indoor ski slope and an indoor aquarium. Differentiation is a feature of an oligopoly • By offering something different the shopping malls are able to use non price competition to attract a share of the tourism sector that visits one of the busiest shopping destinations in the world • Sales are predicted to reach \$71bn by 2021 making the owners of the shopping malls very dominant. This would create a barrier to entry, another feature of an oligopoly 	
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)	AO2 1 mark	
		(1)

Question number	Answer	Mark
2(b)	AO1 1 mark	
	D Use of expensive technology	(1)

Question number	Answer	Mark
2(c)	AO2 2 marks	
	<p>Award 1 mark for showing correct calculation $19 \div -10$ (1)</p> <p>Award 1 mark for correct price elasticity of demand (PED) $= -1.9$ (1)</p> <p>Award 1 mark if students show calculation and put 1.9 without the minus sign</p> <p>Award 2 marks if PED is correctly calculated as -1.9, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Question number	Answer	Mark
2(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for correct formula</p> <p>Private benefits + external benefits</p> <p>Accept any other appropriate response</p>	(1)

Question number	Answer	Mark
2(e)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for a correct definition</p> <p>The end user/a person who makes a purchase for their own use</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 reference to the factor and 1 mark for development of the factor</p> <ul style="list-style-type: none"> • The firm may be able to access more finance (1) therefore it can spend more on advertising (1) • The firm may wish to take over competitors (1) so it may gain more customers (1) <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 context</p> <ul style="list-style-type: none"> • One reason is that consumers may have habits that are hard to give up (1). Products containing sugar can be habit forming (1) and so consumers may find it difficult to stop eating sugar even though they know it is bad for their health (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"> • Negative externalities are spillover effects on third parties due to consumption/production • Over-harvesting sea cucumbers can prevent the marine animal from keeping the coral reef ecosystem healthy and so presents negative externalities • One method of government intervention to reduce negative externalities is the use of fines • In an attempt to reduce over-harvesting, the government fined the owner of Orient Seafood Production (OSP) \$1.5m for failing to report harvests of 113,400 kg of sea cucumber in a two-year period • This should stop OSP from over-harvesting again in the future • This would act as a deterrent to other firms that may be considering over-harvesting <p>AO4</p> <ul style="list-style-type: none"> • However, it costs money and takes time to police over-harvesting and impose fines on illegal activity • OSP had already harvested 113 400 kg in two years before being fined, this could already have caused a great deal of damage to the coral reef ecosystem • OSP has already made high profits from over-harvesting and so the fine may not be enough of a deterrent • There is a growing demand in China and sales of sea cucumber are profitable so firms may think it is worth risking being caught and being fined • Other methods of government intervention may be more effective

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	
	A A higher retirement age	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark	
	D <u>Total costs</u> Output	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks	
	<p>Award 1 mark for clearly drawing an elastic demand curve Award 1 mark for showing smaller price change from P_1 to P_2 on the axis Award 1 mark for showing a greater change in the quantity Q_1 to Q_2 on the axis</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"> • Privatisation is the transfer of activities from the public sector to the private sector • The sale of previously government-owned assets can help the budget of a government • Almost €1bn revenue was raised by the Slovenian Government, meaning that it is able to add funding to the country's pension system, reducing the need to raise taxes • By selling government-owned assets the government may not have as much debt in the future and would therefore reduce interest payments on the national debt • This would allow the government to use any other revenue to support other elements of government spending, such as education or health care 	
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"> • Price elasticity of supply (PES) measures the responsiveness of supply to a change in price • A product has an elastic PES if the percentage change in supply is greater than the percentage change in price. The greater the difference, the more price elastic the supply of the product • Supply of cars does not depend on natural factors such as the weather whereas it does for organic strawberries, meaning it is easier to change supply of cars in response to a change in price • Organic strawberries are perishable and need time to grow but cars can be stored, meaning the supply of organic strawberries is less likely to change in response to a change in price compared to the supply of cars • Cars are more price elastic because unless you are operating at full capacity it is possible to work an extra shift and increase production <p>AO4</p> <ul style="list-style-type: none"> • However, it takes time and a large amount of technical equipment to build cars making it more difficult to change production to respond to a change in price • There is a high cost involved when producing cars so firms may not be able to afford to make them to store. This may make the supply of cars less price elastic • It may depend on the growing conditions in the Republic of Korea whether the farms can adjust growing in response to a change in price • There are 28,951 organic farms in the country which may collectively allow the farmers of organic strawberries to be more responsive to price changes • Supply of organic strawberries might be more price elastic in the short run but in the long run car manufacturers may be able to adjust production facilities to respond to changes in price more quickly

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 $€5.87 \times 175$ (1)</p> <p>Award 1 mark for calculating correct monthly gross income $= €1\,027.25$ (1)</p> <p>Award 1 mark if monthly gross income is calculated as 1 027.25 with or without calculation</p> <p>Award 2 marks if monthly gross income is accurately calculated as €1 027.25, even if no calculations are shown</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"> • Economies of scale occur when average costs fall as a firm expands • Internal economies of scale can be purchasing, marketing, technical, financial, managerial or risk bearing • By joining the Sky Team, Vietnam Airlines is able to operate as if it is a larger airline as the 19 airlines can share some of the costs • Vietnam Airlines could share marketing costs, such as advertising with some of the other airlines in the Sky Team to reduce its average costs • Vietnam Airlines may be able to offer more routes or make improvements to planes through cooperation with other member airlines such as KLM or China Airlines, therefore benefitting from technical economies of scale • This may mean Vietnam Airlines can attract more passengers and so its average costs are reduced as each flight is more likely to be full • This means Vietnam Airlines may be able to expand and benefit further from other economies of scale 	
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"> • 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 kneading the dough • This means the employees at the noodle-making factory can become more productive as they will be able to carry out each task quicker than if constantly changing between roles • The employees may also be 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 Wong’s factory to meet the demand of the 70% of noodle-based food stalls in Jenjarum, to whom it sells <p>AO4</p> <ul style="list-style-type: none"> • However, the noodle-making factory employees may find doing the same task, such as cutting noodles to various sizes, 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 noodle stalls in Jenjarum could occur and could lead to a loss of business for the factory • Improving the quality of labour by training employees to use noodle-making equipment could increase productivity more, as could investing in more advanced noodle-making machinery • It depends whether the noodle-making tasks require much training as they maybe more suited to the division of labour process • Wong could introduce rotation of tasks to reduce the monotony or use division of labour alongside other factors, such as more advanced machinery

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).