



Mark Scheme (Results)

November 2020

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 1R Microeconomics and Business
Economics

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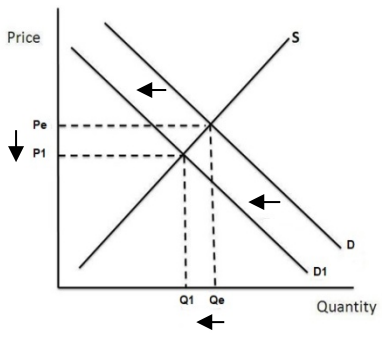
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General Marking Guidance

- 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 B Secondary	(1)

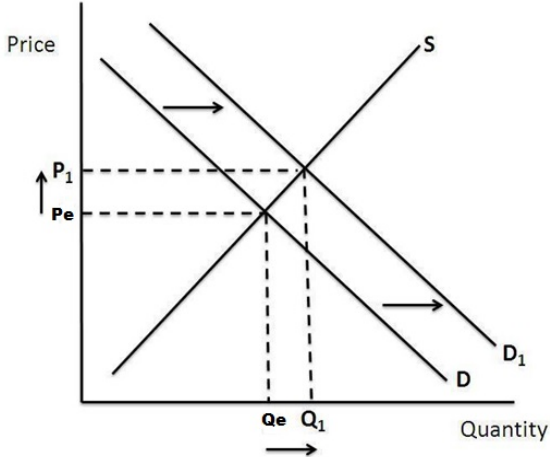
Question number	Answer	Mark
1(b)	AO2 1 mark C 	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to multiplying the price of each unit and 1 mark for reference to the number of units sold The amount of money a firm receives (1) from selling its output (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct cause Better technology/increased efficiency Accept any other appropriate response	(1)

Question number	Answer	Mark
1(e)	A01 1 mark Award 1 mark for a correct definition A benefit to a third party Accept any other appropriate response	(1)

Question number	Answer	Mark
1(f)	A02 2 marks Award 1 mark for showing correct calculation $6,000 - (1,200 + 1,450 + 1,625)$ (1) Award 1 mark for correct excess supply $= 1,725$ tour guides (1) Award 2 marks if excess supply is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
1(g)	A02 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	Answer	Mark
1(h)	A02 3 marks Award 1 mark for identifying a relevant advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context - One advantage of the takeover may be improved quality (1) because Connect Airways may make higher profits (1) so it may be able to finance more comfortable airline seats for its passengers (1) - One advantage may be economies of scale from the link with Virgin (1) because the new airline can buy fuel in bulk at a lower cost (1) passengers may then benefit from decreased prices (1) Accept any other appropriate response	(3)

Question number	Indicative content
1(i)	A02 (3 marks)/A03 (3 marks) A02 and A03 - The supply curve shows how much of a good that producers are willing and able to supply at different prices over time - Natural factors such as adverse weather could shift the supply curve inwards/to the left - Possible use of a diagram: - Adverse weather such as a typhoon can reduce supply because it can make it more difficult (destroying property, equipment washed away) to supply and more expensive (costing one restaurant owner between HK\$300 000 and HK\$400 000) - If it is more difficult and/or more expensive to supply (the quantity supplied is likely to shift from Q_e to Q_1 on the diagram) - This will therefore result in an increase in the price (from P_e to P_1) if demand stays the same

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).

Question number	Answer	Mark
2(a)	AO2 1 mark	
	D Most efficient	(1)

Question number	Answer	Mark
2(b)	AO1 1 mark	
	C Producer demand for labour to make goods	(1)

Question number	Answer	Mark
2(c)	A02 2 marks Award 1 mark for identifying the fixed costs 40 250 + 10 125 (1) Award 1 mark for calculating total fixed costs = 50 375 Rs (1) Award 2 marks if total fixed costs are correctly calculated as 50 375 Rs, even if no calculations are shown Award 1 mark if total fixed costs are correctly calculated as 50 375 even if no calculations are shown Do not award marks for a formula	(2)

Question number	Answer	Mark
2(d)	A01 2 marks Award 1 mark for reference to amount willing and able to be purchased and 1 mark for reference to price The quantity of goods/services consumers are willing and able to buy (1) at a given price (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(e)	A01 2 marks Award 1 mark for reference to the policy and 1 mark for development of the policy Taxation (1) to reduce the consumption of a demerit good that is over consumed (1) Accept any other appropriate response	(2)

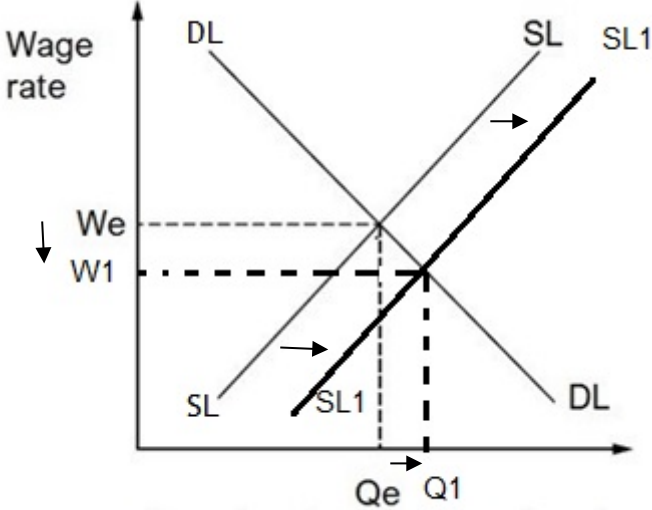
Question number	Answer	Mark
2(f)	A02 3 marks Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in the context Irrigation would help the crops to grow (1) meaning farmers could grow more crops using the existing resources available (1) increasing the output and leading to higher productivity (1) Accept any other appropriate response	(3)

Question number	Indicative content
2(g)	A02 (3 marks)/A03 (3 marks)/A04 (3 marks) A02 and A03 • Business aims may include maximising profit, caring for customers, completing charitable work or maximising revenue/sales • When they set up the café, Jo and Fiona aimed to help young people in their local area and so making a profit was not their priority • Because there have been complaints about the length of time it takes customers to receive orders, the number of customers may fall • This may mean the sisters are unable to employ as many waiters and waitresses and even go out of business if they do not change the focus of their aims • In addition, the use of more experienced employees may lead to improved productivity and therefore profit could increase • By now focusing on increasing sales or making a profit, Jo and Fiona may be able to increase the number of customers visiting Lanterns which could help it stay in business A04 • However, some customers may visit the café because they like the sisters' aim of helping young people in the local area • Therefore if these waiters and waitresses are replaced with experienced employees, Lanterns may lose these customers, meaning the café is unable to stay in business • More experienced employees may demand higher wages and therefore increased costs. As a result this may not lead to increased profits • It may be more important to focus on caring for customers by spending longer training the inexperienced staff • This means Jo and Fiona would still employ young people from the local area but would also be trying to solve the problem of orders taking too long

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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).

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

Question number	Answer	Mark
3(b)	AO1 1 mark	
	D Price inelastic	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for rightward shift of labour supply, labelled Award 1 mark for lower equilibrium wage rate, labelled Award 1 mark for higher equilibrium quantity of workers employed, labelled  Quantity of workers employed	(3)

Question number	Indicative content
3(d)	A02 (3 marks)/A03 (3 marks) A02 and A03 • Collusion is where a firm in an oligopoly cooperates with its competitors • It is an anti-competitive practice because it makes firms such as those in the pharmaceutical industry, act like a monopoly • This means it is more difficult for new firms to enter the market and reduces the choice for consumers • This could make it more difficult for consumers to find cheaper medication or to have less choice of the firm they buy from • Collusion to fix prices could lead to the pharmaceutical firms receiving higher profits at the expense of the consumer • One such example of price fixing for prescribed medication was the consumer paying \$4.70 instead of just \$0.13 per tablet

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).

Question number	Indicative content
3(e)	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 • By providing funding for roads in Cambodia, repairs could be made to the > half of the 6,000 km of roads in need of maintenance • This could improve the safety standard of roads and lead to fewer accidents, meaning more people are available to work in the Cambodian economy • It could also allow construction of new roads that can cope with increased business in Cambodia • This would most likely create positive externalities for Cambodian businesses that could benefit from cheaper/quicker transportation of goods • This would mean business could continue to grow in Cambodia, providing more revenue for the government through taxes AO4 • However, the cost of improving the roads means less government revenue would be available for other things such as health and education • Therefore the Cambodian economy may not benefit as much from public sector investment to improve the roads as if the money was invested elsewhere • There is a high number of roads 'of poor quality' meaning it may take a long time for the Cambodian economy to benefit from the public sector investment • If the Cambodian economy continues to grow, further construction of roads may be needed and the public sector investment may not be able to keep up with the growth

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).

Question number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation 160 - 130 (1) Award 1 mark for calculating correct opportunity cost = 30 units of consumer goods (1) Award 2 marks if opportunity cost is correctly calculated as 30 units of consumer goods, even if no calculations are shown Award 1 mark if opportunity cost is calculated as 30, even if no calculations are shown Do not award marks for a formula	(2)

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Diseconomies of scale occur when a firm becomes too big and average costs rise • Types of diseconomies of scale are communication problems, bureaucracy, lack of control and the distance between managers and workers at the bottom of the organisation • As Ben's employer has grown over the last two years, it may have become more bureaucratic • As it takes a long time for decisions to be made and tasks to be completed, unit costs are likely to increase due to inefficiency of the London-based firm • Due to the increase in the number of employees, communication between employees like Ben and management may be more difficult • Ben feels his ideas are not listened to and is thinking about leaving the firm because he is frustrated. This would impose a cost on the firm which could lead to an increase in average costs, meaning it is experiencing diseconomies of scale

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).

Question number	Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 - Income elasticity of demand (YED) measures the responsiveness of quantity demanded to a change in income - Subscription to internet services can be classed as a luxury, meaning that income elasticity of demand is positive ($YED > 1$) and an increase in income would lead to a greater proportionate increase in the quantity demanded - This means that Amazon Prime Video would benefit from income increases in Japan as its 11.5% share would be of a larger market - By calculating YED, Amazon would be able to see the likely effect on demand following an increase in income and therefore whether its success would increase or decrease following the increase in income - Knowledge of YED would allow Amazon to adjust its marketing strategy and prices according to likely outcomes AO4 - However, YED is only an estimate and actual demand may not be the same as the calculations suggest - Amazon Prime Video has a number of competitors, such as dTV, that cost more to subscribe to than Amazon's 3 900 yen per year charge. This may mean that, even if more people subscribe to internet services following an increase in income, the increase may also encourage customers to move to a more expensive entertainment provider - The type of films and television shows available on Amazon Prime Video and its competitors, such as Hulu, may be more likely to affect its success - It only costs 3 900 yen for an annual subscription to Amazon Prime Video and therefore it may already be affordable to a high number of people, meaning an increase in income would have little effect - It may depend how much and/or how often income increases, as only a small increase may lead to different outcomes for Amazon compared to a larger increase - Price elasticity of demand (PED) may be more important - YED may be important for Amazon's success in Japan but may only be one of many factors that have an effect

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).

