



# Mark Scheme (Results)

Summer 2025

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

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Summer 2025

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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 | Which <b>one</b> of the following explains the behaviour of these consumers?                                                                                                                                                                                                                                                                               | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                              |      |
| 1(a)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:<br/> <b>B</b> Consumers aim to maximise benefits</p> <p>A is not correct because firms often aim to maximise profit<br/> C is not correct because consumers are giving up the products<br/> D is not correct because these consumers would be calculating benefits</p> | (1)  |

| Question number | Which <b>one</b> of the following best describes the product?                                                                                                                                                                                                                                                                                    | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                    |      |
| 1(b)            | <p style="text-align: center;"><b>AO2 1 mark</b></p> <p>The only correct answer is:<br/> <b>D</b> An inferior good</p> <p>A is not correct because YED does not determine whether a good is a public good<br/> B is not correct because the YED would be positive<br/> C is not correct because the YED would be positive and greater than 1</p> | (1)  |

| Question number | What is meant by the term productivity?                                                                                                                                                                            | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                                                                                      |      |
| 1(c)            | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award up to 2 marks for a correct definition</p> <p>The amount of output produced <b>(1)</b> in relation to the resources used/time period <b>(1)</b></p> |      |

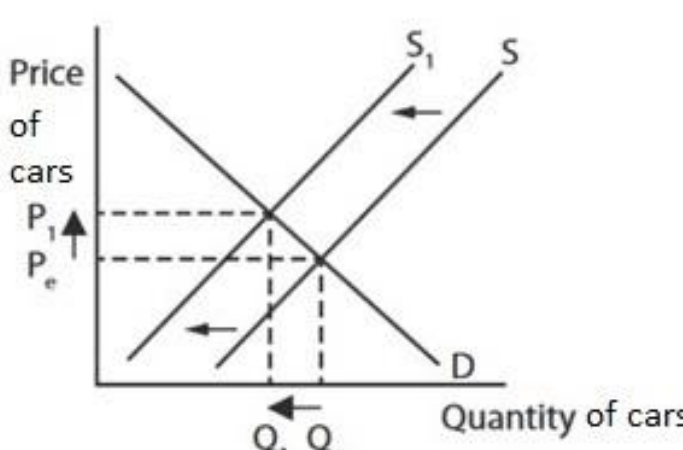
|  |                                       |            |
|--|---------------------------------------|------------|
|  | Accept any other appropriate response | <b>(2)</b> |
|--|---------------------------------------|------------|

| Question number | State the formula for social costs.                                                                                                                                             | Mark       |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                   |            |
| <b>1(d)</b>     | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award 1 mark for correct formula</p> <p>Private costs + external costs</p> <p>Accept any other appropriate response</p> | <b>(1)</b> |

| Question number | Define the term producer.                                                                                                                                                                                               | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                           |            |
| <b>1(e)</b>     | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award 1 mark for a correct definition</p> <p>A person/company/country that creates/makes goods and/or services</p> <p>Accept any other appropriate response</p> | <b>(1)</b> |

| Question number | Calculate the <b>total costs per month</b> for the firm. You are advised to show your working.                                                                                                                                                                                                                                                                                                                                                                                                | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |            |
| <b>1(f)</b>     | <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing correct calculation</p> <p>€37 000 + (€170 × 650) <b>(1)</b></p> <p>Award 1 mark for calculating correct total costs</p> <p>= €147 500 <b>(1)</b></p> <p>Award 2 marks if total costs per month are correctly calculated as €147 500 even if no calculations are shown</p> <p>Award 1 mark if the answer given is 147 500, with or without calculations shown</p> <p>Do not award marks for the formula</p> | <b>(2)</b> |



| Question number | <p>Using the diagram below, draw the likely effect on the market for cars following a rise in the costs of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.</p> <p><b>Answer</b></p>                                                                                                                                                   | Mark |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(g)            | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for a leftward shift of the supply curve, labelled<br/> Award 1 mark for a higher equilibrium price, labelled<br/> Award 1 mark for a lower equilibrium quantity, labelled</p>  <p style="text-align: right;"><b>(3)</b></p> |      |

| Question number | <p>Explain <b>one</b> reason why the CMA may have made this decision.</p> <p><b>Answer</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                              | Mark |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(h)            | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying a relevant reason<br/> Award 1 mark for developing the reason<br/> Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>In order to prevent monopoly power <b>(1)</b> and so promote competition <b>(1)</b> as a firm with over 60% of the market may be less likely to innovate <b>(1)</b></li> </ul> <p>Accept any other appropriate response</p> <p style="text-align: right;"><b>(3)</b></p> |      |

| Question number | With reference to the data above and your knowledge of economics, analyse how an increase in demand for furniture made of wood may affect the demand for woodcutters.<br><br><b>Indicative content</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1(i)            | <p style="text-align: center;"><b>A02 (3 marks)/A03 (3 marks)</b></p> <p><b>A02 and A03</b></p> <ul style="list-style-type: none"> <li>• When an industry needs labour to create a good/service, the demand for labour is a derived demand</li> <li>• This is because the good/service cannot be produced without labour</li> <li>• Therefore, woodcutters are needed to cut the wood with which to make the furniture (the final product)</li> <li>• An increase in demand for furniture made of wood by 5% is likely to lead to an increase in the demand for woodcutters</li> <li>• This is because the greater the demand for a good or service, the greater the demand for labour is likely to be</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1–2  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>                         |
| <b>Level 2</b> | 3–4  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>                   |
| <b>Level 3</b> | 5–6  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul> |

| Question number | Which <b>one</b> of the following options shows unobtainable production?<br><br><b>Answer</b>                                                                                                                                                                                                                           | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2(a)            | <p style="text-align: center;"><b>AO2 1 mark</b></p> <p>The only correct answer is:</p> <p><b>C</b>     Y</p> <p>A is not correct because production is possible using all resources<br/> B is not correct because some resources are unemployed<br/> D is not correct because all resources will be fully employed</p> | <b>(1)</b> |

| Question number | Which <b>one</b> of the following is a factor that may affect the supply of labour?<br><br><b>Answer</b>                                                                                                                                                                                                                                                                                 | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2(b)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:</p> <p><b>A</b> Age distribution of population</p> <p>B is not correct because the supply of labour is not affected by economies of scale<br/> C is not correct because this may affect the demand for labour<br/> D is not correct because these will not cause changes in the supply of labour</p> | <b>(1)</b> |

| Question number | Calculate, to two decimal places the <b>price elasticity of supply (PES)</b> for the firm. You are advised to show your working.                                                                                                                                                                                                                                                                                                             | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                |            |
| 2(c)            | <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing the correct calculation<br/>5.4%/7.8% <b>(1)</b></p> <p>Award 1 mark for calculating the correct PES<br/>= 0.69 <b>(1)</b></p> <p>Award 2 marks if PES is correctly calculated as 0.69, even if no calculations are shown</p> <p>Award 1 mark if the answer given is 0.69%, with or without calculations shown</p> <p>Do not award marks for a formula</p> | <b>(2)</b> |

| Question number | What is meant by the term innovation?                                                                                                                                                                                                                                                                                                                                                                                       | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                               |            |
| 2(d)            | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award up to 2 marks for a correct definition</p> <p>The commercial exploitation <b>(1)</b> of a new invention <b>(1)</b></p> <p><b>OR</b></p> <p>Innovation is the process of improving/creating new products/ services/production methods <b>(1)</b> to increase efficiency/in the production process <b>(1)</b></p> <p>Accept any other appropriate response</p> | <b>(2)</b> |

| Question number | Describe <b>one</b> reason why a car mechanic is a factor of production.                                                                       | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                  |      |
| 2(e)            | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award 1 mark for reference to the reason and 1 mark for development of the reason</p> |      |

|  |                                                                                                                                                    |            |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|  | A car mechanic provides the service of repairing vehicles/machinery for use in production <b>(1)</b> therefore a car mechanic is labour <b>(1)</b> | <b>(2)</b> |
|  | Accept any other appropriate response                                                                                                              |            |

| Question number | Explain <b>one</b> possible disadvantage of this privatisation for other broadcasters in Argentina.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |            |
| <b>2(f)</b>     | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying a relevant disadvantage<br/> Award 1 mark for developing the disadvantage<br/> Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>The newly privatised Radio Nacional will be under pressure to make a profit <b>(1)</b> meaning there would be more incentive to meet the needs of listeners of Radio Nacional. <b>(1)</b> This would increase competition for other broadcasters <b>(1)</b></li> </ul> <p>Accept any other appropriate response</p> | <b>(3)</b> |

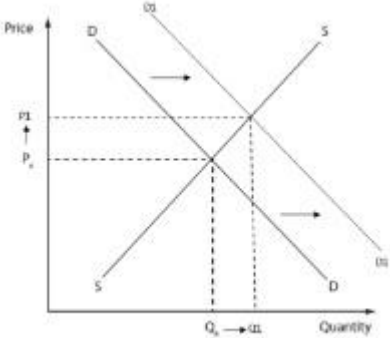
| Question number | <p>With reference to the data above and your knowledge of economics, assess the effectiveness of trade unions in increasing pay and improving working conditions for their members.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2(g)            | <p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Trade unions can help raise wages and improve working conditions for workers by putting pressure on employers during negotiations</li> <li>• Mine workers have already been helped by the GMWU, in obtaining an increase in the monthly minimum wage to \$500</li> <li>• A higher rate of pay may lead to increased productivity from more motivated workers, making employers more likely to accede to the union's demands</li> <li>• The union has been supporting workers for 80 years and has over 16,000 members, meaning it could have a lot of influence on employers</li> <li>• This longevity and the ongoing pressure of GMWU on employers to improve health and safety, shows the union has been reasonably effective so far</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, the need for further talks to protect mine workers' jobs shows GMWU membership may only be partially effective</li> <li>• Workers may not think it worth paying a membership fee to a trade union if it is unable to guarantee secure jobs</li> <li>• When wage rates increase, employers may not be able to afford to employ the same quantity of workers, thus meaning mine workers' jobs are at risk</li> <li>• Improving health and safety is likely to incur higher costs for mining firms</li> <li>• This means that the effectiveness of trade unions may depend on whether firms can pass on these increased costs through increased prices, such as when demand for products from mines is falling</li> <li>• The alternative may be reduced profit margins for the mining firms, meaning they would be less likely to agree to pay increases</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Level 1</b> | 1–3  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).</li> </ul>                                                |
| <b>Level 2</b> | 4–6  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).</li> </ul>                      |
| <b>Level 3</b> | 7–9  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).</li> </ul> |

| Question number | <p>A free rider can be defined as an individual who does which <b>one</b> of the following?</p> <p><b>Answer</b></p>                                                                                                                                                                                                                                            | Mark |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 3(a)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:<br/> <b>B</b> Enjoys the benefit of a good but does not pay for it</p> <p>A is not correct because a free rider does not pay for the good<br/> C is not correct because a free rider does neither of these<br/> D is not correct because a free rider does use the good</p> | (1)  |

| Question number | <p>Which <b>one</b> of the following is an example of an occupation in the tertiary sector?</p> <p><b>Answer</b></p>                                                                                                                                                                                                             | Mark |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 3(b)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:<br/> <b>C</b> Hotel receptionist</p> <p>A is not correct because this role is in the secondary sector<br/> B is not correct because this role is in the primary sector<br/> D is not correct because this role produces primary products</p> | (1)  |

| Question number | Using the diagram below, draw the effect of a minimum wage ( $W_1$ ) that has been set above the equilibrium wage ( $W_e$ ). Label the new quantity of labour demanded and the new quantity of labour supplied.<br><br>Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 3(c)            | <p><b>A02 3 marks</b></p> <p>Award 1 mark for drawing the new wage rate, labelled<br/>Award 1 mark for the new quantity of labour demanded, labelled<br/>Award 1 mark for the new quantity of labour supplied, labelled</p> <p>The diagram is a coordinate plane with 'Wage rate' on the vertical axis and 'Quantity of workers' on the horizontal axis. A downward-sloping line is labeled 'Demand for labour' and an upward-sloping line is labeled 'Supply of labour'. They intersect at an equilibrium point. Dashed lines from this intersection point lead to <math>W_e</math> on the vertical axis and <math>Q_e</math> on the horizontal axis. A horizontal dashed line is drawn at a higher wage rate, <math>W_1</math>. This line intersects the 'Demand for labour' curve at a point corresponding to <math>Q_d</math> on the horizontal axis, and the 'Supply of labour' curve at a point corresponding to <math>Q_s</math> on the horizontal axis. The labels <math>Q_d</math>, <math>Q_e</math>, and <math>Q_s</math> are marked on the horizontal axis in that order from left to right. The labels 'Supply of labour' and 'Demand for labour' are also placed near their respective curves.</p> | (3)  |

|                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question number | With reference to the data above and your knowledge of economics, analyse how the demand curve for Tennis TV subscriptions might have been affected by Amazon Prime ending its streaming service.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                 | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3(d)            | <div><p><b>AO2 (3 marks)/AO3 (3 marks)</b></p><p><b>AO2 and AO3</b></p><ul style="list-style-type: none"><li>• A demand curve shows how much of a good will be purchased at different prices</li><li>• An increase in the price of substitute goods is one of the factors likely to shift a demand curve to the right</li><li>• Possible use of a diagram:</li></ul><ul style="list-style-type: none"><li>• The end of Amazon Prime’s streaming service, means the only substitute is the higher priced service from Sky and it may encourage more customers to demand Tennis TV subscriptions instead, therefore increasing demand</li><li>• The quantity of Tennis TV subscriptions demanded is likely to have increased (from <math>Q_e</math> to <math>Q_1</math>) as a result of the higher priced substitute because customers of tennis subscriptions are likely to want to maximise their benefit by receiving more for their money</li><li>• Tennis TV may therefore have increased the price of its subscriptions (from <math>P_e</math> to <math>P_1</math>) as a result of the increase in demand</li></ul></div> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1–2  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>                         |
| <b>Level 2</b> | 3–4  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>                   |
| <b>Level 3</b> | 5–6  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul> |

| Question number | <p>With reference to the data above and your knowledge of economics, assess the effectiveness of subsidies in dealing with externalities, such as road congestion.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3(e)            | <p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Congestion is an example of a negative externality because it is created by high volumes of traffic and has an external cost, such as pollution, for the people of Sri Lanka</li> <li>• One method of government intervention to reduce negative externalities is to offer subsidies to producers of services, such as SLR providing rail travel</li> <li>• These subsidies will encourage the provision of cheaper and more comfortable rail travel, thus attracting passengers onto the trains and away from the busy roads</li> <li>• The Sri Lankan Government offers these subsidies in an attempt to reduce congestion and therefore reduce the negative externalities to the public in Sri Lanka</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, there is no guarantee that the cheaper rail travel will attract people onto the trains, as the existing railway tracks need upgrading and the trains can be overcrowded</li> <li>• This means that rail travel may be uncomfortable, limiting the demand from passengers even with cheaper ticket prices</li> <li>• As SLR has made a loss of Rs 331bn over the last 10 years, the Sri Lankan Government may need to provide a larger subsidy to cover this loss, as well as paying for the upgrade of the rail service</li> <li>• Other policies may be more effective, such as taxation of vehicles on the road</li> <li>• There may be an opportunity cost of providing the subsidies, such as reduced revenue to cover education and/or health care</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Level 1</b> | 1–3  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).</li> </ul>                                                |
| <b>Level 2</b> | 4–6  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).</li> </ul>                      |
| <b>Level 3</b> | 7–9  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).</li> </ul> |

| Question number | Calculate, to two decimal places, the <b>percentage change in profit</b> for the firm between 2021 and 2023. You are advised to show your working.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |            |
| 4(a)            | <p style="text-align: center;"><b>A02 2 marks</b></p> <p>Award 1 mark for showing correct calculation</p> $\frac{\$214\,100 - \$211\,600}{\$211\,600} \times 100 \quad \mathbf{(1)}$ <p><b>OR</b></p> $\frac{\$2\,500}{\$211\,600} \times 100 \quad \mathbf{(1)}$ <p>Award 1 mark for correctly calculating the percentage change</p> <p>= 1.18% <b>(1)</b></p> <p>Award 2 marks if the percentage change in profit is correctly calculated as 1.18% even if no calculations are shown</p> <p>Award 1 mark if the percentage change in profit is calculated as 1.18 with or without calculations shown</p> <p>Do not award marks for the formula</p> | <b>(2)</b> |

| Question number | With reference to the data above and your knowledge of economics, analyse why the market for petrol in Uganda could be described as an oligopoly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4(b)            | <p style="text-align: center;"><b>A02 (3 marks)/A03 (3 marks)</b></p> <p><b>A02 and A03</b></p> <ul style="list-style-type: none"> <li>• There are five firms dominating the market for petrol in Uganda</li> <li>• Having a distinctive logo and colours for the brand of petrol allows the offering to customers to be different from competitors</li> <li>• The petrol companies compete through non-price competition, for example excellent customer service is offered by Vivo Energy whereas Total Energies aims to improve its impact on the environment</li> <li>• As a result of having something different about the product, such as Stabex International may be able to keep customers coming back to buy petrol from its pumps, rather than going to competitors such as Nile Energy or Hass Petroleum</li> <li>• Barriers to entry due to very high start-up costs mean it is unlikely new firms will be easily able to enter the market for petrol in Uganda, again showing features of an oligopoly</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1–2  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>                         |
| <b>Level 2</b> | 3–4  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>                   |
| <b>Level 3</b> | 5–6  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul> |

| Question number | <p>With reference to the data above and your knowledge of economics, evaluate the likely benefits to Řešení of expanding the firm to Prague.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4(c)            | <p style="text-align: center;"><b>AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Expanding a business means serving a higher number of customers, to potentially increase profits</li> <li>• Becoming a larger firm may mean Řešení is able to make higher profits because it can charge higher prices to the businesses in Prague</li> <li>• It may have a large increase in customer numbers because there are 8.5% more businesses in Prague than Brno, meaning a larger potential client base</li> <li>• Attracting some of these customers would increase revenue and therefore, potentially increase profit as well</li> <li>• By operating more than one office, Řešení would be spreading its risks, rather than just relying on the original location and businesses in Brno</li> <li>• Due to its earlier success, Řešení may have more access to finance to be able to expand the firm</li> <li>• It may be possible for Řešení to benefit from economies of scale, such as being able to spread advertising costs over a larger number of services</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, the small team of accountants in Řešení is already very busy so may be unable to offer the same quality service in Prague as well</li> <li>• Therefore, Daniella may need to employ more accountants to meet the needs of new customers in Prague, meaning additional expense for the firm</li> <li>• It may require some of the accountants in Brno to travel to Prague to help Řešení achieve an excellent reputation there too</li> <li>• As a result, some employees may be demotivated if they do not like the changes and requirement to travel, which could reduce the quality of service to existing customers in Brno</li> <li>• This could cause diseconomies of scale due to reduced productivity or if Daniella has difficulty coordinating/controlling the firm in more than one location, especially as it would be over 200 km apart</li> <li>• Thus, average costs may increase due to less productive workers and/or revenue to decrease due to dissatisfied customers/damaged reputation</li> <li>• There would be more competition located in Prague, meaning it may be difficult to attract custom in spite of the higher number of businesses located there</li> <li>• It would take time and money to open the new office and raising finance may be difficult as Řešení is only a small firm, meaning that making a profit may take a long time</li> </ul> |

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|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"> <li>Therefore, it may depend on the strength of existing competitors and the ability of Řešení to manage the expansion</li> </ul> |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Level 1</b> | 1–4  | <ul style="list-style-type: none"> <li>Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>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).</li> <li>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).</li> </ul>                                                              |
| <b>Level 2</b> | 5–8  | <ul style="list-style-type: none"> <li>Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>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).</li> <li>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).</li> </ul> |
| <b>Level 3</b> | 9–12 | <ul style="list-style-type: none"> <li>Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>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).</li> <li>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).</li> </ul>                              |

