



Mark Scheme (Results)

Summer 2019

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 01 Microeconomics and Business
Economics

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question number	Answer	Mark
1(a)	AO1 1 mark A Land	(1)

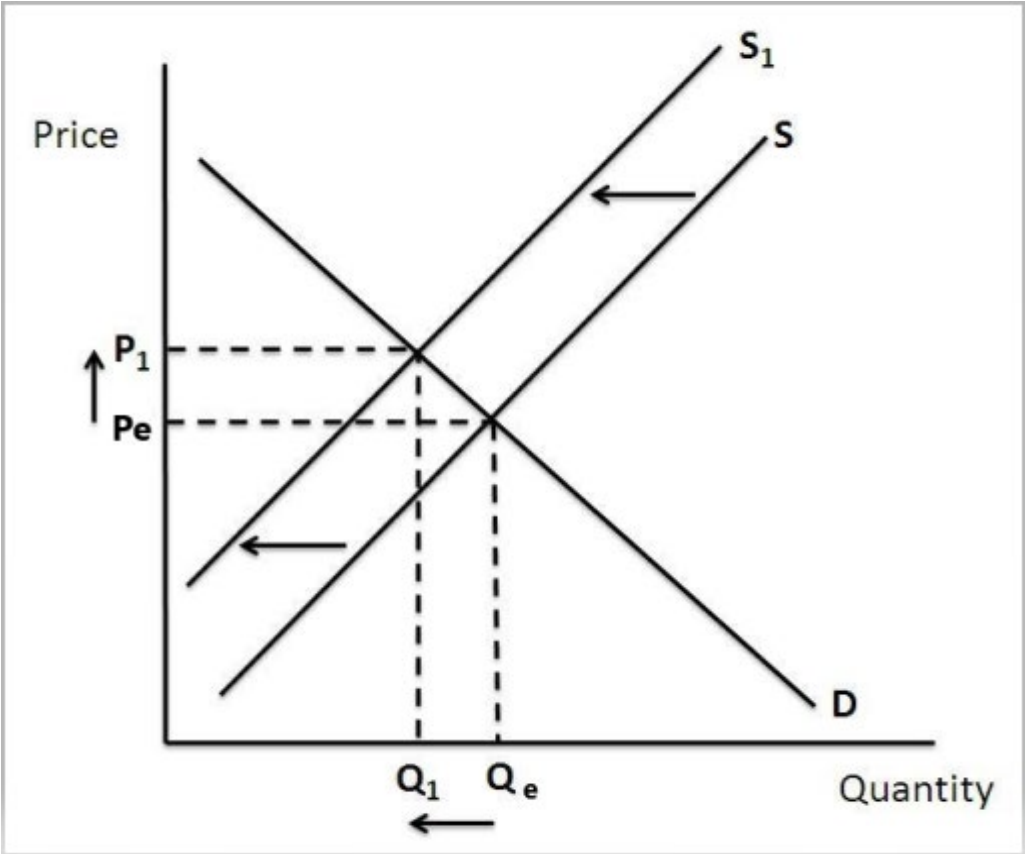
Question number	Answer	Mark
1(b)	AO2 1 mark A \$190 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to amount willing 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)	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark Award 1 mark for correct formula Private costs + external costs	(1)

Question number	Answer	Mark
1(e)	A01 1 mark Award 1 mark for reference to the relevant sector of the economy The provision of services in the economy	(1)

Question number	Answer	Mark
1(f)	A02 2 marks Award 1 mark for showing correct calculation $\\$12\,100 \div 2\,000$ (1) Award 1 mark for correct average cost per unit (AC) $= \\$6.05$ (1) Award 2 marks if average cost per unit is accurately calculated, even if no calculations are shown Award 1 mark if students show calculation and put 6.05 without the dollar sign Do not award marks for the formula	(2)

Question number	Answer	Mark
1(g)	AO2 3 marks Award 1 mark for leftward shift of supply, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled 	(3)

Question number	Answer	Mark
1(h)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in the context of music concerts One reason is that there are no substitutes (1) if they want to see the artist performing live (1) the consumer will have no choice but to pay a high amount (1) Accept any other appropriate response	(3)

Question number	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Inca Kola was a major competitor of Coca-Cola and the market leader • Coca-Cola had a slightly lower share of the market than Inca Kola, with 32.0% compared to 32.9% • Inca Kola was well established in Peru (since 1935) • Buying a share of the company was a way to benefit from the success rather than struggle to compete • The purchase meant Coca-Cola no longer needed to compete with Inca Kola for market share • Coca-Cola's purchase means they have much more control over the Peruvian fizzy soft drinks market • Coca-Cola also gets a share of Inca Kola's profits

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)	AO1 1 mark B What to produce	(1)

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

Question number	Answer	Mark
2(c)	AO2 2 marks Award 1 mark for showing correct calculation. -12 ÷ 15 (1) Award 1 mark for correct price elasticity of demand (PED). = -0.8 (1) Award 1 mark if students show calculation and put 0.8 without the minus sign Award 2 marks if PED is correctly calculated, even if no calculations are shown Do not award marks for the formula	(2)

Question number	Answer	Mark
2(d)	AO1 1 mark Award 1 mark for reference to an invention or new idea An idea which leads to a new product/process	(1)

Question number	Answer	Mark
2(e)	A01 1 mark Award 1 mark for one correct factor: • a decrease in advertising • a decrease in income • an adverse change in taste and fashion • a decrease in price of substitute goods • an increase in price of complementary goods • a decrease in population Accept any other appropriate response	(1)

Question number	Answer	Mark
2(f)	A01 2 marks Award 1 mark for reference to the advantage and 1 mark for development of the advantage • The large number of vehicles competing means there is a lot of choice (1) therefore it is easier for passengers to hire an auto rickshaw (1) Accept any other appropriate response	(2)

Question number	Answer	Mark
2(g)	A02 3 marks Award 1 mark for identifying a relevant reason for the difference in price Award 1 mark for developing the reason Award 1 mark for the response being in the context of transport in Dhaka • One reason is that there are likely to be fewer vehicles competing outside the city centre (1) because most of the 17 million people live in the city centre (1) and so there is less potential business for the drivers (1) Accept any other appropriate response	(3)

Question number	Indicative content
2(h)	A02 (3 marks)/A03 (3 marks)/A04 (3 marks) A02 and A03 - Without the changes in technology, more parking spaces are demanded than supplied and demand is increasing - The introduction of Automated Parking Systems (APS) increases the supply of spaces and so should shift the supply curve to the right - Changes in technology allow the gap between demand and supply to be reduced. - The change in supply will also affect the equilibrium price, making parking cheaper and more available - Thus reducing the shortage of car parking spaces - Possible use of diagram A04 - The increase in the number of vehicles may be faster than the increase in the supply of car parking spaces meaning there is still a shortage - There is already such a large excess in demand that the introduction of APS will not make much difference - It is likely to take time from the initial decision to having the APS in place, meaning the supply curve may not shift straight away - Some motorists do not like change or worry the technology will fail and may be averse to the idea of automated parking, therefore not use the APS

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
3(a)	AO1 1 mark D An inferior good	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark B An increase in bureaucracy	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for drawing equilibrium wage rate, labelled Award 1 mark for new quantity demanded, labelled Award 1 mark for new quantity supplied, labelled	(3)

Question number	Indicative content
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • There may not be enough people in Canada undertaking the required training to gain the specialist skills and qualifications required • This may be because it takes too long or costs too much for the training • Canada is a very big country and so it may be difficult for the specialist workers to move from their geographic locations • There may have been a faster increase in demand for the specialist skills such as computer engineers and web designers, than the supply of them • Wages and rewards for the computer engineers/web designers may be higher in other countries, encouraging workers to leave Canada

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 • Skills could be gained through education in schools and colleges leading to qualifications in technical areas relevant to business • Skills can also be gained through work place training by employers • Through education and training, workers will be more skilled and may therefore be more productive. This could lead to an increase in international competitiveness • Workers may be more motivated as a result of the training, leading to greater job satisfaction, lower labour turnover and improved productivity • Through improved human capital the quality of labour is greater and productivity can be increased. This could mean income per capita increases AO4 • However, the cost to the firm of staff training/the Canadian Government of providing education may be too great compared to investing in technological advances • The firm may be reluctant to invest in human capital if it pays to train workers but they then leave for alternative employment. • Increasing technological developments may be more financially viable. • To be effective the quality of the training needs to be of a high enough standard to meet the requirements of the work place • It takes a long time for the benefits of education to lead to increased productivity. This could explain why Canada's labour productivity growth took time to become the 3rd most productive of the leading economies • It depends on the nature of the industry, some industries are better suited to having highly skilled workers e.g. service industries • Whereas some industries suit increased automation and use of technological advances rather than investing in human capital

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 quantity demanded is 20 and quantity supplied is 50 and 1 mark for correct calculation of excess supply $50 - 20 \text{ (1)} = 30 \text{ (1)}$ Award 2 marks if excess supply is correctly calculated, even if no lines are shown on diagram or calculation shown	(2)

Question number	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Collusion between firms reduces competition and means firms cooperate with one another instead • Cooperation between firms often means they agree to fix prices and therefore restrict competition • Consumers would therefore pay higher prices for laptops and games consoles • If firms make more profit as a result, it will be harder for new firms to enter the market, making competition in the industry even less likely • Online electrical equipment firms may collude by restricting availability • This means they may only make a limited quantity of electrical items available, encouraging consumers to make more hasty purchasing decisions at higher prices

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)	A02 (4 marks)/A03 (4 marks)/A04 (4 marks) A02 and A03 • An oligopolistic market is one where there are a few dominant firms, such as Albert Heijn, Super Unie and Jumbo (which have 83.5% of the market between them) • Due to brand names and advertising, set up costs are likely to be high, therefore creating barriers to entry for any new firms trying to compete • High profits may be enjoyed by the dominant firms such as Albert Heijn, Super Unie and Jumbo because of these barriers to entry • The dominant firms can benefit from economies of scale because they are large scale producers. As output rises, average costs decrease, further increasing profits (and dominance) • Small firms can still compete and survive by specialising and/or catering for niche markets, which are not served by the dominant firms A04 • However the supermarkets may have to compete via non price competition such as advertising, loyalty schemes, customer service and longer opening hours as they are likely to want to avoid price wars, which can be expensive • As the providers are interdependent, if one heavily invests in a major advertising campaign, it is likely to have an impact on the others' market share • The market is constantly changing and so dominance may only continue if the firms continue to develop new ways of attracting custom • Successful small firms run the risk of being taken over or crowded out by dominant supermarkets • It may depend upon how market trends change with regards to use of technology and online grocery shopping. • If the supermarkets in the oligopoly cannot keep up, they may lose dominance or be pushed from the market altogether

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

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