



# Mark Scheme (Results)

Summer 2024

Pearson Edexcel International GCSE  
In Economics (4EC1) Paper 01  
Paper 1: 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 | Which <b>one</b> of the following values shows perfectly price elastic demand?                                                                                                                                                                                                                           | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                            |            |
| <b>1(a)</b>     | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:<br/> <b>D</b> Infinity</p> <p>A is not correct because this is unitary elasticity<br/> B is not correct because demand is price inelastic<br/> C is not correct because this is perfectly price inelastic demand</p> | <b>(1)</b> |

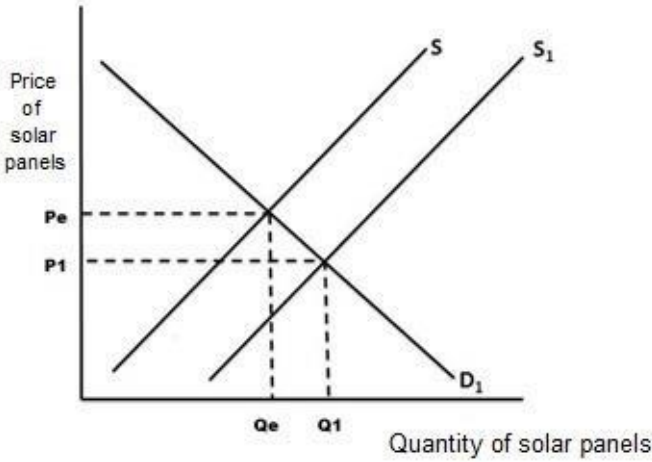
| Question number | A country has a minimum wage of €6.04 per hour. If a worker provides 35 hours of labour in a week, the lowest weekly wage the worker can earn is                                                                                                                                                                                                 | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                    |            |
| <b>1(b)</b>     | <p style="text-align: center;"><b>AO2 1 mark</b></p> <p>The only correct answer is:<br/> <b>C</b> €211.40</p> <p>A is not correct because this is only one hour of labour<br/> B is not correct because this is less than the minimum wage for a 35-hour week<br/> D is not correct because this is not the lowest amount that can be earned</p> | <b>(1)</b> |

| Question number | What is meant by the term mixed economy?                                                                                                                                                                                                                     | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                |            |
| <b>1(c)</b>     | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award up to 2 marks for a correct definition</p> <p>The state/public and private sectors <b>(1)</b> provide goods/services between them <b>(1)</b></p> <p>Accept any other appropriate response</p> | <b>(2)</b> |

| Question number | State <b>one</b> example of an occupation that is in the tertiary sector of an economy.<br><br><b>Answer</b>                                                                                                          | Mark |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(d)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award 1 mark for a correct example</p> <ul style="list-style-type: none"> <li>Teacher/Retailer/Banker</li> </ul> <p>Accept any other appropriate response</p> | (1)  |

| Question number | Define the term producer.<br><br><b>Answer</b>                                                                                                                                                                   | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(e)            | <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 makes/creates goods/services</p> <p>Accept any other appropriate response</p> | (1)  |

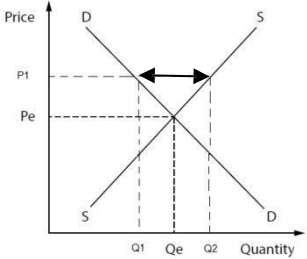
| Question number | Calculate, to two decimal places, the <b>income elasticity of demand (YED)</b> for a good if income increases by 7% and quantity demanded increases by 11%. You are advised to show your working.<br><br><b>Answer</b>                                                                                                                                                                              | Mark |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(f)            | <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing correct calculation<br/> <math>11\% \div 7\%</math> <b>(1)</b></p> <p>Award 1 mark for correct income elasticity of demand (YED)<br/> <math>= 1.57</math> <b>(1)</b></p> <p>Award 2 marks if YED is correctly calculated as 1.57, even if no calculations are shown</p> <p>Do not award marks for the formula</p> | (2)  |

| Question number | <p>Using the diagram below, draw the likely effects on the market for solar panels if the government removes an indirect tax on them. 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 rightward shift of supply, labelled<br/> Award 1 mark for a lower equilibrium price, labelled<br/> Award 1 mark for a higher equilibrium quantity, labelled</p>  <p style="text-align: right;"><b>(3)</b></p> |      |

| Question number | <p>Explain one possible opportunity cost for Casper of 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 opportunity cost<br/> Award 1 mark for developing the opportunity cost<br/> Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>One opportunity cost is Casper may not be able to buy a new phone <b>(1)</b> because he does not have enough money for both <b>(1)</b> so he has to sacrifice the next best alternative when using the money he has to buy the television <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 <b>two</b> possible factors influencing Anastasia's decision to open a second club.<br><br><b>Indicative content</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1(i)            | <p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Factors influencing the growth of firms include the desire to spread risk, to take over competitors, access to finance, economies of scale and government regulation</li> <li>• The martial arts club has been successful for a few years, meaning Anastasia may have access to finance</li> <li>• Therefore, she may have enough finance with which to open a second club in another district of Budapest</li> <li>• Although the club is successful in District 16, Anastasia may wish to spread the risk</li> <li>• In case demand changes at her existing club the revenue from the second club is able to support the running of the firm</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 diagrams shows excess supply?                                                                                                                                                                                                                                                                                                                              | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>Answer</b>   |                                                                                                                                                                                                                                                                                                                                                                                              |            |
| <b>2(a)</b>     | <p style="text-align: center;"><b>AO2 1 mark</b></p> <p>The only correct answer is:</p>  <p><b>C</b></p> <p>A is not correct because this shows excess demand<br/> B is not correct because this shows an increase in supply<br/> D is not correct because this shows a movement along the supply curve</p> | <b>(1)</b> |

| Question number | Which <b>one</b> of the following is a feature of a monopoly?                                                                                                                                                                                                                                                                                 | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>Answer</b>   |                                                                                                                                                                                                                                                                                                                                               |            |
| <b>2(b)</b>     | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:</p> <p><b>C</b> The firm is a price-maker</p> <p>A is not correct because there is only one firm<br/> B is not correct because there would only be one firm in a monopoly<br/> D is not correct because barriers to entry would be high in a monopoly</p> | <b>(1)</b> |



| Question number | Calculate the <b>percentage change in quantity demanded</b> for a product if the price elasticity of demand (PED) is -1.9 and the price falls by 10%. You are advised to show your working.                                                                                                                                                                                                                                                                                                                                                  | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |
| <b>2(c)</b>     | <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing the correct calculation<br/> <math>-10\% \times -1.9</math> <b>(1)</b></p> <p>Award 1 mark for correct change in quantity demanded<br/> <math>= 19\%</math> <b>(1)</b></p> <p>Award 2 marks if the change in quantity demanded is correctly calculated as 19%, even if no calculations are shown</p> <p>Award 1 mark if the change in quantity demanded is calculated as 19, even if no calculations are shown</p> <p>Do not award marks for a formula</p> | <b>(2)</b> |

| Question number | What is meant by the term social benefits?                                                                                                                                                                                 | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                              |            |
| <b>2(d)</b>     | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award up to 2 marks for a correct definition</p> <p>Private benefits <b>(1)</b> plus external benefits <b>(1)</b></p> <p>Accept any other appropriate response</p> | <b>(2)</b> |

| Question number | Describe <b>one</b> feature of an oligopoly.                                                                                                                                                                                                                                                                                                                                      | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                     |            |
| <b>2(e)</b>     | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award 1 mark for reference to the feature and 1 mark for development of the feature</p> <p>Barriers to entry <b>(1)</b> therefore fewer firms can enter the market <b>(1)</b></p> <p>OR</p> <p>Different products <b>(1)</b> to stand apart from competitors <b>(1)</b></p> <p>Accept any other appropriate response</p> | <b>(2)</b> |

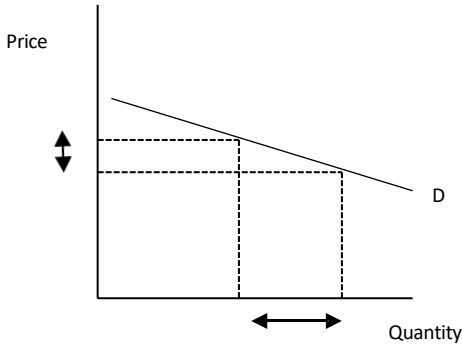
| Question number | Explain <b>one</b> reason why Mostafa may want to offer this discount rather than to maximise profit.<br><br><b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2(f)            | <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>Managers may have the objective of maximising sales <b>(1)</b>.<br/>Selling at a 10% discount means lower revenue per sale, so the shop may not maximise profit <b>(1)</b>, but it may result in higher/more sales due to the lower price <b>(1)</b></li> <li>Managers may have different objectives to owners <b>(1)</b> Mostafa may want to maximise sales because it affects his salary <b>(1)</b>.<br/>The more he sells the higher his salary will be <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 government regulation when dealing with externalities such as pollution.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2(g)            | <p style="text-align: center;"><b>A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</b></p> <p><b>A02 and A03</b></p> <ul style="list-style-type: none"> <li>• Negative externalities are spillover effects on third parties due to consumption/production</li> <li>• Pollution is an example of a negative externality because its effects are felt by those not producing or using the plastic bags</li> <li>• One method of government intervention to reduce negative externalities is the use of regulation</li> <li>• Regulation, such as the ban on single-use plastic bags, will limit the amount of pollution produced and reduce the externalities due to penalties if it is not followed</li> <li>• The ban in Kenya has led to a cleaner environment as the reduced consumption means the visual pollution and danger to livestock is less of a problem</li> <li>• Therefore, the regulation has been quite effective in reducing the negative externality</li> </ul> <p><b>A04</b></p> <ul style="list-style-type: none"> <li>• However, the regulation has not solved the problem of pollution in Kenya</li> <li>• It costs money and takes time to monitor any illegal activity, causing an opportunity cost</li> <li>• The effectiveness of the regulation depends on the level of enforcement by the government and cooperation from the public</li> <li>• There are likely to be other problems, aside from plastic bags causing pollution in Kenya, which may need to be addressed by other methods than regulation</li> <li>• Other methods of government intervention may be more effective, such as fines or taxation</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 | An increase in which <b>one</b> of the following is most likely to cause a decrease in the supply of labour?                                                                                                                                                                                                                                                 | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                |      |
| 3(a)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:<br/> <b>B</b> The school-leaving age</p> <p>A is not correct because this would increase the supply of labour<br/> C is not correct because this would mean more people were available to work<br/> D is not correct because this would affect the demand for labour</p> | (1)  |

| Question number | Which <b>one</b> of the following is the formula to calculate total revenue?                                                                                                                                                                                                                                                              | Mark |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                             |      |
| 3(b)            | <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>The only correct answer is:<br/> <b>A</b> Quantity sold x price</p> <p>B is not correct because this does not allow revenue to be calculated<br/> C is not correct because this does not account for units sold<br/> D is not correct because this does not calculate revenue</p> | (1)  |

| Question number | Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price.                                                                                                                                                                                                         | Mark |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                      |      |
| 3(c)            | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for drawing elastic demand curve, labelled<br/> Award 1 mark for showing smaller price change on the axis<br/> Award 1 mark for showing a greater change in the quantity on the axis</p>  | (3)  |

| Question number | With reference to the data above and your knowledge of economics, analyse the possible advantages for Coca-Cola of using division of labour at the factory.<br><br><b>Indicative content</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3(d)            | <p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Division of labour involves breaking down the production process into smaller tasks</li> <li>• Each worker specialises in only one task, such as filling bottles, sealing with caps or adding labels</li> <li>• By specialising, efficiency is improved because workers can carry out these tasks more quickly, allowing more than one million drinks to be bottled each day</li> <li>• This leads to an increase in productivity and lower average costs of production of drinks such as Fanta and Sprite</li> <li>• The 1,000 workers do not need to waste time moving across the 65,000m<sup>2</sup> site between tasks and so greater efficiencies are created, again lowering average production costs</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, assess whether supply is likely to be more price elastic for textiles than for agricultural products.</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>• Price elasticity of supply (PES) measures the responsiveness of supply to a change in price</li> <li>• PES is affected by how quickly and easily supply can change when price changes</li> <li>• A product has an elastic PES if the percentage change in supply is greater than the percentage change in price. The greater the difference, the more price elastic the supply of the product</li> <li>• Supply of textiles does not depend on natural factors like the weather whereas it does for agricultural products, meaning it is easier to change supply of textiles in response to a change in price</li> <li>• Agricultural products, such as fruit, are perishable as well as needing time to grow but textiles can be stored, meaning the supply of agricultural products is less likely to change in response to a change in price compared to the supply of textiles</li> <li>• Supply of textiles is more price elastic because, unless you are operating at full capacity it is possible to work an extra shift and increase production</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, if operating at full capacity, it takes time and a range of machinery to produce textiles, making it more difficult to change production to respond to a change in price</li> <li>• The cost involved when producing textiles means firms may not be able to afford to produce them to store. This may make the supply of textiles less price elastic</li> <li>• It may depend on the growing conditions in Bangladesh whether the farmers can adjust growing in response to a change in price</li> <li>• Supply of agricultural products might be more price inelastic in the short run but in the long run producers may be able to adjust techniques to respond to changes in price more quickly</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 the <b>daily total costs</b> of transporting the goods to the customer. You are advised to show your working.                                                                                                                                                                                                                                                                                                                                                                                                                | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                 | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |            |
| 4(a)            | <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing correct calculation<br/>\$90 + \$20 + (65 x \$0.25)</p> <p>OR</p> <p>\$90 + \$20 + \$16.25     <b>(1)</b></p> <p>Award 1 mark for calculating correct total costs<br/>= \$126.25 <b>(1)</b></p> <p>Award 2 marks if total costs are correctly calculated as \$126.25, even if no calculations are shown</p> <p>Award 1 mark if total costs are calculated as 126.25, even if no calculations are 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 how internal economies of scale may lead to benefits for MAS Supermarkets.<br><br><b>Indicative content</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4(b)            | <p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Internal economies of scale, such as purchasing, marketing, technical, financial, managerial or risk bearing, occur when average costs fall as a firm expands</li> <li>• MAS Supermarkets has a large number of shops across Cyprus, meaning the marketing costs can be shared by multiple shops</li> <li>• MAS Supermarkets may benefit from purchasing economies of scale, by buying inventory in large quantities to obtain discounts</li> <li>• By reducing its average costs, MAS Supermarkets may be able to pass on cost-savings to its customers, allowing it to achieve the aim of offering low prices</li> <li>• MAS Supermarkets may be able to open more stores or make improvements to existing ones due to success with offering quality, service and low prices</li> <li>• This may mean it is able to benefit further from other economies of scale</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 whether consumers are likely to benefit from the privatisation of Lagos Airport.</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>• Privatisation involves the sale of state-owned resources to the private sector</li> <li>• The Nigerian Government wants to sell Lagos airport (and three other main airports in Nigeria) to private investors</li> <li>• This means that the airport would no longer be controlled by the government and its owners would be more likely to pursue different objectives, such as making a profit (and making back the investment from buying the airport)</li> <li>• As a result, the prices may rise for consumers</li> <li>• The previous focus on safety and improving airport facilities may reduce, in order to cut costs for the new owners, especially as the Nigerian Government had used subsidies to help pay for these</li> <li>• Therefore, consumers may see an increase in problems with use of the airport and may face more risk of accidents at the airport</li> <li>• This issue may be more likely due to the resistance to the privatisation previously faced from trade unions, indicating the workers at the airport may be unhappy</li> <li>• Therefore, service may be affected leaving consumers unhappy with conditions at the airport</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, the focus of the new owners may not change as improving safety and airport facilities to meet customer needs may be seen as ways to attract more demand and therefore increase revenue</li> <li>• In order to make a profit, greater efficiency is likely to be a focus for owners of Lagos Airport, meaning the delivery of services may be better, not worse</li> <li>• Lagos Airport is the busiest in Nigeria, with potential for increased growth in both passenger and industrial use, meaning the new owners may be able to utilise higher revenues to maintain and increase customer satisfaction</li> <li>• This may complement, rather than replace the objective of making a profit</li> <li>• This is more likely to be achievable if the new owners have more experience and skills in managing an airport than the Nigerian Government</li> <li>• It may depend on the level of investment from the private owners as well as their objectives</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>                              |



