



Mark Scheme (Results)

Summer 2025

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

Paper 01R: Microeconomics and
Business Economics

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General Marking Guidance

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

Question number	Which one of the following can represent a point on a production possibility curve (PPC)?	Mark
	Answer	
1(a)	AO1 1 mark The only correct answer is: D Production which is obtainable A is not correct because this cannot be determined on a PPC B is not correct because a PPC cannot show how production can be increased C is not correct because a PPC does not show revenue	(1)

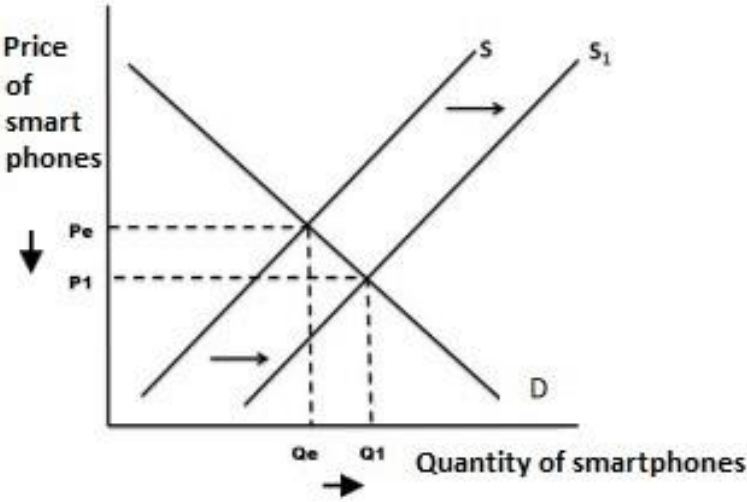
Question number	Which one of the following describes why the firm might do this?	Mark
	Answer	
1(b)	AO2 1 mark The only correct answer is: B Producers may complete charitable work A is not correct because producers would not make a profit C is not correct because it is not linked to consumer actions D is not correct because consumer behaviour is not described	(1)

Question number	What is meant by the term economies of scale?	Mark
	Answer	
1(c)	AO1 2 marks Award up to 2 marks for a correct definition Average costs of production fall (1) as the firm increases in size (1) Accept any other appropriate response	(2)

Question number	State one example of an item that can be classified as capital.	Mark
	Answer	
1(d)	AO1 1 mark Award 1 mark for a correct example • Machines • Computers • Factories • Vehicles Accept any other appropriate response	(1)

Question number	Define the term price-maker.	Mark
	Answer	
1(e)	AO1 1 mark Award 1 mark for a correct definition A firm is able to set the price charged in the whole market Accept any other appropriate response	(1)

Question number	Calculate, to two decimal places, the price elasticity of demand (PED) for a good if the price decreases by 4.7% and the quantity demanded increases by 1.8%. You are advised to show your working.	Mark
	Answer	
1(f)	AO2 2 marks Award 1 mark for showing correct calculation 1.8%/-4.7% (1) Award 1 mark for correct PED = -0.38 (1) Award 2 marks if PED is correctly calculated as -0.38 even if no calculations are shown Award 1 mark if PED is calculated as -0.38% with or without calculations shown Do not award marks for the formula	(2)

Question number	Using the diagram below, draw the likely effect on the market for smartphones following an increase in productivity. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(g)	AO2 3 marks Award 1 mark for a rightward shift of the supply curve, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question number	Explain one possible effect of this change in the pension age on the supply of labour. Answer	Mark
1(h)	AO2 3 marks Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context One effect would be an increase in the supply of labour (1) because fewer people would be able to afford to retire until they reached the retirement age (1) meaning more people up to the age of 64 would be available for work (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, analyse the impact of an increase in price on the quantity supplied of avocados.
	Indicative content
1(i)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • The diagram shows that the PES of avocados is inelastic • This means that the quantity of avocados supplied is not very responsive to an increase in price • The PES of avocados is inelastic because farmers cannot easily increase the production level even with an increase in price • Avocados take time to grow and are primary/agricultural products. The supply is dependent on factors such as weather/climate. It cannot therefore be easily increased, even if there is an increase in the price consumers are willing and able to pay • It is also not possible to store avocados for a long period because they are perishable and therefore stock cannot be used to increase the quantity of supply, this also makes the PES of avocados inelastic

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	Which one of the following products has a price elastic demand? Answer	Mark
2(a)	AO2 1 mark The only correct answer is: A W -1.5 B is not correct because this shows unitary elasticity C is not correct because it shows inelastic demand D is not correct because it is perfectly inelastic	(1)

Question number	Which one of the following is the formula for calculating average cost? Answer	Mark
2(b)	AO1 1 mark The only correct answer is: A Total cost ÷ quantity produced B is not correct because only fixed cost is included C is not correct because only variable cost is included D is not correct because revenue is not used in this calculation	(1)

Question number	Calculate the profit or loss for the firm for each calculator. You are advised to show your working. Answer	Mark
2(c)	AO2 2 marks Award 1 mark for showing the correct calculation \$12.50 - (\$3.25 + \$4.58) (1) Award 1 mark for calculating correct profit = \$4.67 (1) Award 2 marks if profit is correctly calculated as \$4.67, even if no calculations are shown Award 1 mark if the answer given is 4.67 with or without calculations shown Do not award marks for a formula	(2)

Question number	What is meant by the term patent?	Mark
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	Answer	
2(d)	AO1 2 marks Award up to 2 marks for a correct definition A licence to be the only producer (1) of a newly designed product (1) Accept any other appropriate response	(2)

Question number	Describe one advantage to a firm of being privatised.	Mark
	Answer	
2(e)	AO1 2 marks Award 1 mark for reference to the advantage and 1 mark for development of the advantage The firm is able to set its own objectives (1) as it takes control over its own actions (1) Accept any other appropriate response	(2)

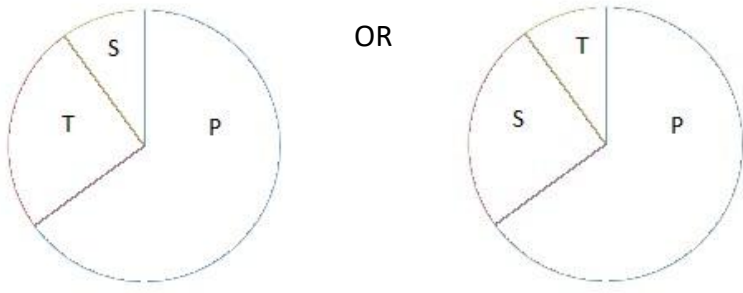
Question number	Explain one reason why the US Government may use fines to reduce the negative externalities caused by motorists who drive through a red traffic light.	Mark
	Answer	
2(f)	AO2 3 marks Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context - It may encourage the driver to stop. (1) As driving through a red traffic light may cause accidents, (1) fines are likely to reduce the number of accidents (1) - It may reduce accidents (1) because the driver does not want to be fined, (1) so they are less likely to drive through a red light (1) Accept any other appropriate response	(3)

Question number	With reference to the data above and your knowledge of economics, assess whether a car manufacturer always benefits from using division of labour.
	Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • By using division of labour each worker at the car manufacturing firm can specialise on a single part of the production process, such as inspection or testing • This means they can become more skilled at that particular task and removes the need to move around the factory as much • Employees are therefore much faster, increasing efficiency and reducing cost per unit for firms • Therefore, car dealers buying the vehicles and their customers can be sold the cars more quickly and/or at lower prices, potentially leading to higher revenue for the car manufacturing firm AO4 • However, employees may find repeating the same task boring, especially if it is something straightforward such as welding a specific component • Therefore, they may actually become demotivated instead and this could increase staff turnover • This could lead to a decrease in productivity and/or higher costs for the car manufacturer if it needs to replace employees • Mistakes or slow production at one stage (such as painting) may hold up a later stage and therefore customers would still need to wait for their car orders

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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	Which one of the following could cause a shift in the demand curve for a product?	Mark
	Answer	
3(a)	AO1 1 mark The only correct answer is: C Price of substitute goods A is not correct because this would affect the costs of production B is not correct because this would not shift the demand curve D is not correct because this would affect the supply curve	(1)

Question number	Which one of the following is an example of an external cost?	Mark
	Answer	
3(b)	AO1 1 mark The only correct answer is: A Litter B is not correct because this is a private cost C is not correct because this is not an external cost D is not correct because this is an external benefit	(1)

Question number	On the blank pie chart below, draw and label the appropriate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a developing country such as Nepal.	Mark
	Answer	
3(c)	AO2 3 marks Award 1 mark for the primary sector (P) being the biggest (1) Award 1 mark for the primary sector (P) being greater than or equal to 50% (1) Award 1 mark for the remaining portion being divided between the tertiary (T) and the secondary (S) sector (1) 	(3)

Question number	With reference to the data above and your knowledge of economics, analyse how market forces should remove excess demand. Indicative content
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • When excess demand occurs, there are not enough tickets available in the market • As not enough tickets are supplied at 1 500 krona, price will rise as a result of demand being greater than supply • Therefore, at 1 500 krona, 8,000 tickets would be demanded but only a maximum of 6,000 tickets would be available at an event • If the price increased to 2 000 krona, the excess demand would be removed • Demand falls as the price increases, until the equilibrium price of 2 000 krona and the equilibrium of 6,000 tickets is reached

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	With reference to the data above and your knowledge of economics, assess the benefits to Indonesia of the government increasing its healthcare spending. Indicative content
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Healthcare is an external benefit because it has a positive spillover effect • This means that the people who receive healthcare in Indonesia can provide a benefit to third parties • This is because when people are healthy, they would be more likely to be able to perform their jobs and carry out activities in the economy, which can be beneficial to the wider society • Therefore, firms are also more likely to be able to produce the standard/quality of goods and services demanded by people in Indonesia • Economic growth has therefore increased, as shown by the better-than-expected rise, thus benefitting the people of Indonesia AO4 • However, there could be an opportunity cost. The money spent on healthcare could be used for other needs such as education • It will take time for the benefits of healthcare to be enjoyed by others in the country because people may not be able to return to work immediately, nor be guaranteed to be productive • People may not stay in Indonesia, meaning the benefits are enjoyed elsewhere and the cost is not offset by future social benefits • It is sometimes difficult to quantify and to give a monetary value to external benefits • It depends on other factors whether people maintain/gain employment in jobs which can benefit society

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	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Calculate, to two decimal places, the percentage change in the population of Finland between 2021 and 2023. You are advised to show your working. Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing correct calculation $\frac{5,601,185 - 5,541,075}{5,541,075} \times 100 \quad (1)$ OR $\frac{60,110}{5,541,075} \times 100 \quad (1)$ Award 1 mark for correct percentage change = 1.08% (1) Award 2 marks if percentage change is correctly calculated as 1.08%, even if no calculations are shown Award 1 mark if the answer given is 1.08 with or without calculations shown Do not award marks for the formula	(2)

Question number	With reference to the data above and your knowledge of economics, analyse why Air Asia may benefit from spreading its risk across a wider range of markets.
	Indicative content
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • One factor that can affect the growth of firms is the desire to spread risks • By expanding its product range, Air Asia can reduce the risk because it is trading in different markets (risk-bearing economies of scale) • This means that if there is a problem in one market (such as travel insurance) it has other areas in which it can continue to trade • Therefore, the range of services, such as airport transfers and holiday packages, could help to finance the firm and allow it to continue to be successful, if there are problems in other markets • As Air Asia operates internationally, it is likely to encounter uncertainty in the different markets and therefore having a range of services means it is reducing the overall risk to the firm

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	With reference to the data above and your knowledge of economics, evaluate whether an increase in the minimum wage would benefit everyone in an economy such as Latvia. Indicative content
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • The minimum wage in Latvia rose from €620 to €700 per month in 2024, meaning that the increased income of employees should lead to a better standard of living • It may mean that employees are more motivated and could therefore lead to higher levels of productivity and so increased output for the firm • This increase in productivity could allow firms to offset the increase in wage costs • Employees could have more disposable incomes and be able to spend more in the economy, allowing the revenue of firms to increase • The rise in incomes would also lead to more tax being paid and so a greater revenue for the Latvian Government • This could be used to further benefit the economy in Latvia AO4 • However, if firms cannot afford the increase in wage costs, they may not be able to employ as many people and this may increase unemployment • Possible use of a diagram: • If unemployment increases, there may be less spending in the economy and less tax revenue for the government • This could mean that not only the firms directly affected by the minimum wage increase are worse off but also other firms and their employees if there is less demand for goods and services • As the percentage of the population being paid the minimum wage had fallen to 16%, the lowest in five years, it may not increase costs as much for firms in Latvia as it may have done when more people were paid the minimum wage, as the firms may already be paying employees more than €700/month

	• It may depend on price elasticity of demand for the goods sold, whether firms can increase prices and/or whether an increase in productivity results • In the short term it may be more difficult for firms to cover higher wage costs but this may be easier in the long term if the economy has been boosted by the overall effects of the increase
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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).

