

Mark Scheme

Sample assessment materials
for first teaching September
2017

International GCSE in Economics
(4EC1/01)

Paper 1: Microeconomics and
Business Economics

Question number	Answer	Mark
1(a)	AO1 1 mark	
	A A monopoly firm	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark	
	D €2 250 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks	
	Award 1 mark for reference to moving from the public sector and 1 mark for reference to transfer of ownership to the private sector.	
	The government sells an organisation in the public sector (1) to the private sector (1).	(2)

Question number	Answer	Mark
1(d)	AO1 1 mark	
	Award 1 mark for reference to government provides or pays for goods or service.	
	<ul style="list-style-type: none"> • Where the government provides goods or services. 	
	OR	
	<ul style="list-style-type: none"> • Where the government funds the provision of goods and services. 	(1)

Question number	Answer	Mark
1(e)	AO1 1 mark	
	Award 1 mark for reference to revenue being greater than costs.	
	Profit is where total revenue is greater than total costs.	(1)

Question number	Answer	Mark
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for calculating the total costs and 1 mark for calculating the total profit.</p> <p>45 000 + 58 000 = £103 000 (total costs) (1) 150 000 - 103 000 = £47 000 (total profit) (1)</p> <p>Award 1 mark if only the correct formula is shown: Profit = TR - (TFC + TVC) or TR - TC</p> <p>Award 2 marks if total profit is accurately calculated, even if total costs not explicitly calculated.</p>	(2)

Question number	Answer	Mark
1(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for rightward shift of supply labelled. Award 1 mark for lower equilibrium price labelled. Award 1 mark for higher equilibrium quantity labelled.</p>	(3)

Question number	Answer	Mark
1(h)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for identifying a relevant disadvantage and a further mark for developing the disadvantage. Award 1 mark for the response being in the context of farming.</p> <ul style="list-style-type: none"> • One problem is that the government will experience an opportunity cost (1) as they will not be able to spend the money on other areas of the economy, such as healthcare and education (1), as the money will have been directed to supporting the income of farmers (1). • Farmers may become complacent (1) as they will receive the money from the government regardless (1), and may not see the need to cut costs through using more efficient farming methods (1). <p>Accept any other appropriate responses.</p>	(3)

Question number	Indicative content
1(i)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • Indirect tax – a charge on expenditure/paid to government through a third party. • This will reduce the supply of both drinks. • The price of these drinks will increase. • This will reduce the quantity of the drinks consumed. • Despite lower consumption, the inelastic demand means government tax revenue earned will rise. • Increased tax revenue can be used to support the treatment of obesity/campaigns for information. • Coca-Cola and Pepsi have brand loyalty. • People may be addicted to these brands of drink. • When the price for these products goes up, the response in reduced quantity will be smaller. • Therefore the sugar tax on these products will not reduce consumption by much. • Students should be rewarded for drawing diagrams to show the impact of indirect taxation.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Answer	Mark
2(a)	AO1 1 mark C 120 HKD	(1)

Question number	Answer	Mark
2(b)	AO2 1 mark B The excess demand will be 500 tablet covers	(1)

Question number	Answer	Mark
2(c)(i)	AO1 1 mark Award 1 mark for correct formula in words/as an equation. % change in quantity demanded ÷ % change in price	(1)

Question number	Answer	Mark
2(c)(ii)	AO2 2 marks Award 1 mark for showing correct calculation. Award 1 mark for correct price elasticity of demand (PED). $-20 \div 10 (1) = -2 (1)$ Award 2 marks if PED is correctly calculated, even if no calculations are shown. Award 2 marks if students show calculation and put 2 without the minus sign. Award 1 mark if students do not show calculation but identify that it is price elastic. Do not award marks for the formula.	(2)

Question number	Answer	Mark
2(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for one correct factor:</p> <ul style="list-style-type: none"> • increased advertising • increased income • change in fashion and tastes in favour of product • increased price of other substitute goods • decreased price of other complementary goods • increased population size • increased immigration. <p>Accept any other appropriate responses.</p>	(1)

Question number	Answer	Mark
2(e)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to breaking up production and award 1 mark for reference to workers specialising in one task.</p> <p>Division of labour occurs where a firm breaks up the production process (1) and each worker specialises in one task (1).</p>	(2)

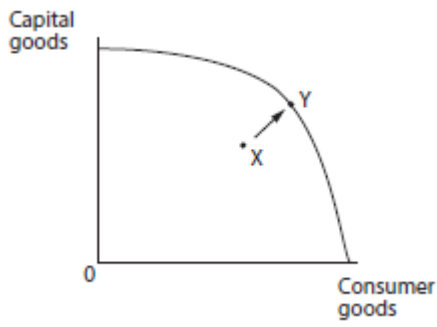
Question number	Answer	Mark
2(f)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying an advantage of the division of labour, a further mark for developing the advantage and 1 mark for the response being in the context of bikes.</p> <ul style="list-style-type: none"> • Less time is wasted (1) as workers will not keep having to change tools to do each task (1), whereas before they needed to change from one tool to another (1). • Workers specialising in one task become better at that task (1), making them more productive (1) and helping to lower the average costs of producing each bike. (1) <p>Accept any other appropriate responses.</p>	(3)

Question number	Indicative content	
2(g)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> The minimum wage will help employees meet their basic needs, as they will be able to earn enough to buy the clothes, food and shelter they need. This will improve their quality of life, being less likely to get ill as they are able to buy the food they need to survive. More pay for workers means they will be more motivated and their productivity is likely to rise, helping to cut average costs for the business (own knowledge). <p>A04</p> <ul style="list-style-type: none"> However, higher wages will be a problem for business owners as production costs will rise and they may not be able to employ as many people, which could cause increased unemployment for clothing workers in Bangladesh. <p>OR</p> <ul style="list-style-type: none"> However, the minimum wage could have a big impact on the price of goods, as wage increases will be large (77%), which could lead to unemployment as demand for the goods fall. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (A02). Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (A03). Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (A04).
Level 2	4–6	<ul style="list-style-type: none"> Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (A02). Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (A03). Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (A04).

Level	Mark	Descriptor
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Answer	Mark
3(a)	AO1 1 mark	
	B Customers have habits that are hard to stop	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark	
	D They are a normal good and demand is price inelastic	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks	
	<p>Award 1 mark for drawing a production possibility curve (PPC) with correctly labelled axes.</p> <p>Award 1 mark for drawing point X below PPC.</p> <p>Award 1 mark for drawing point Y on the PPC.</p> <div style="text-align: center;">  </div> <p>Consumer and capital goods may be on opposite axes.</p>	(3)

Question number	Indicative content	
3(d)	A02 (3 marks)/A03 (3 marks)	
	<p>A02 and A03</p> <ul style="list-style-type: none"> • Human capital is the level of skill, experience and knowledge of the workforce. • The government in Ghana has additional funds available due to tax revenues earned from oil. • More spending on education will mean more years of schooling/better quality schooling. • This is useful given that Ghana has fewer years of schooling compared to developed countries. • More spending on training will mean employees will understand how to do their job better. • Individuals will develop better skills. • Literacy skills will be better, meaning that workers will be able to read instructions. • This will make workers more productive in the workforce, meaning that the quality of labour will be higher. • The Ghanaian government may come up with better ideas to make the business more productive. • This will mean the Ghanaian government has less money left for other activities. • This is an opportunity cost. • Healthcare may not get as much funding. • Workers may be less healthy. • The human capital and the quality of labour may worsen. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • The information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Indicative content
3(e)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • When Fiat joined with Chrysler, the joint output was higher. • By making more cars the company would order more parts. • This meant it could bulk buy, helping it achieve discounts and better terms. • As both businesses would have a research and development team developing new cars, information could be combined. Fewer researchers would save money. • As a larger business, Fiat Chrysler would be seen by banks as lower risk. • Therefore banks would lend money at lower interest rates, lowering the cost of the business. <p>A04</p> <ul style="list-style-type: none"> • Diseconomies of scale occur when average costs rise as business output grows. • Communication problems emerge as there are more staff to communicate with. • One part of the business is Italian and the other English so language problems may emerge. • Cultural differences may exist between the two businesses causing potential conflict. • A larger business may require more paperwork to help make decisions and this may make the business bureaucratic. • Operating a business across two continents may mean the Chief Executive lacks control. • The distance between top management and the workers at bottom of the organisation may be large. • Average costs would rise as the business grows.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Answer	Mark
4(a)	<p style="text-align: center;">A02 2 marks</p> <p>Award 1 mark for calculating the difference in employment between 1994 and 2014. Award 1 mark for calculating the percentage change between 1994 and 2014.</p> <p>$128.1 - 92.3 = 35.8$ (1) $35.8 \div 92.3 \times 100 = 38.8\%$ (1)</p> <p>Award 2 marks if percentage change is accurately calculated even if the percentage sign is not written down.</p>	(2)

Question number	Indicative content	
4(b)	A02 (3 marks)/A03 (3 marks)	
	A02 and A03	
	<ul style="list-style-type: none"> • External costs are the negative impacts on third parties. • The production of T-shirts uses 2700 litres of water. • This water is not available for human consumption. • Use of pesticides and chemicals in dyeing and treating T-shirts pollutes water. • This is harmful to animals and plant life. • Farmers with livestock may be negatively affected as their animals may be poisoned. • Farmers may be affected as crops may get affected by polluted water. • This may reduce the income that farmers can earn. • Fisherman may be affected if fish get poisoned by chemicals. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (A02). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (A03).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (A02). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (A03).

Level	Mark	Descriptor
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Indicative content
4(c)	<p style="text-align: center;">AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Regulation. • Rules and limits on what firms can do. • This will add to the costs of the clothing manufacturers. • This will reduce supply. • A lower supply will cause demand to contract. • A lower supply will cause the price to rise. • A lower supply will reduce the quantity consumed. • This will help to reduce water pollution as less clothing is being manufactured. • Fines are charged for those firms that pollute or break regulations. • This will earn revenue for the government. • This revenue can be used to compensate those that are affected by water pollution. • Clothing manufacturers have an incentive to switch to organic farming/use less fertiliser. • Less fertiliser reduces the quantity of pollution and chemicals/water use. • It reduces external costs. <p>AO4</p> <ul style="list-style-type: none"> • One disadvantage is that the clothing industry would make less profit. • Also it may have to cut costs. • It may do this by employing fewer people. • This may lead to unemployment. • Any gains the government might get in revenue from the fines may be lost as they have to support the unemployed. • The impact of the fines might be small if the fine is only small. • The impact of the fines might be limited (as people may still buy as they will always need clothes regardless of price).

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).