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# Mark Scheme (Results)

# Summer 2015

## IGCSE Economics (4EC0/01)

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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.

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| Question Number | Answer | Mark |
|---|---|---|
| **1ai** | 5 euros | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1aii** | As price rises total amount spent/total revenue on cards falls (2 marks)<br><br>Calculation of total revenue, e.g.<br><br>(5 x 200 = 1000) – (6 x 150 = 900) (1 mark) = 100 (1 mark)<br><br>Explanation or definition of PED without reference to total amount spent (TR) (1 mark)<br><br>Use of data to calculate PED (no reference to TR) (1 mark)<br><br>**NB:** Do not allow profit has fallen. | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1aiii** | Identification (1 + 1), explanation (1 + 1)<br><br>Each factor identified, 1 mark e.g. incomes, population, advertising, tastes and fashions, price of substitutes<br><br>Development e.g. incomes (1 mark) increase therefore demand increases (1 mark); population increase/rise in birth rate (1 mark), increases demand (1 mark) | **(4)** |

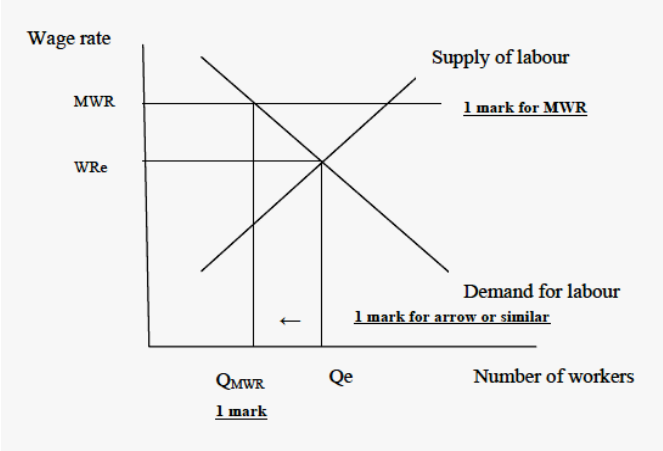
| Question Number | Answer | Mark |
|---|---|---|
| **1aiv** | Definition: the responsiveness of quantity supplied to a change in price (2 marks)<br><br>Accept formula for 2 marks: $\frac{\%\text{ change in quantity supplied}}{\%\text{ change in price}}$<br><br>Vague/limited definitions, 1 mark e.g. definition of elastic or inelastic supply. | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1av** | C | **(1)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **1avi** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br><br>Cards being more elastic<br>• Non-perishable<br>• Can be stored<br>• Simple manufacture<br>• Low entry barriers<br><br>Flowers being less elastic<br>• Perishable<br>• Expensive to store<br>• Need time to grow<br>• Dependent on natural factors, e.g. weather, pests<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br><br>Cards being inelastic<br>• Limited by capacity<br>• Limited by availability of factors of production<br><br>Flowers being elastic<br>• Technology leading to shorter growing period<br>• Technology leading to ability to storage e.g. cold storage<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. cards might be more inelastic in the short run (1 mark) because of capacity constraints (1 mark), flowers more elastic in the long run (1 mark) because of growing technology (1 mark) | **(6)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **1bi** | 1 mark for minimum wage rate above equilibrium<br>1 mark for indication of new demand for workers 1 mark for indication of fall in employment<br><br><br><br><br>**NB:** if supply or demand curve shift award zero marks | **(3)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **1bii** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• Reduction in poverty/improve standard of living<br>• Increase in incentive to work<br>• Benefits disadvantaged groups e.g. women<br>• May increase productivity from motivational boost<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Increase in unemployment<br>• Increase costs for firms<br>• Increase inflationary pressure<br>• Reduction in international competitiveness<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. depends on whether firms absorb increase cost or lay off workers; depends on the level of the national minimum wage | **(6)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1ci** | workers | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1cii** | employers | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1ciii** | percentage | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2ai** | Developed country = UK (1 mark)<br><br>Data reference (1 mark)<br><br>Explanation e.g. UK tertiary sector has high percentage of GDP (1 mark) whereas the primary sector is highest in Sierra Leone (1 mark) | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2aii** | Example (1 mark), e.g. farmer/farming, miner/mining, lumberjack/forestry, fisherman/fishing | **(1)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **2bi** | Toiletries in the room (soap, shampoo) = Variable (1 mark) Wages of the full time member of staff = Fixed (1 mark) Laundry (clean towels and bedding) = Variable (1 mark) Bank loan repayments = Fixed (1 mark) | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2bii** | The wages do not vary with output/number of guests (2 marks)<br><br>e.g. need to pay same amount each week (1 mark) regardless of number of guests (1 mark)<br><br>**NB:** Do not award if candidates states fixed cost because they are full time. | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2biii** | $\frac{\text{Total costs}}{\text{Output}}$ | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2biv** | Identification (1 mark), development (1 mark)<br><br>Marketing economy identified, 1 mark e.g. advertising, bulk buying, fleet of delivery vehicles<br><br>Explanation developed in context of the example, 1 mark, e.g. as firms buy more raw materials so they get a discount | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2bv** | Identification (1 mark), development (1 mark)<br><br>Technical economy identified, 1 mark e.g. division of labour/specialisation, machines, CAD/CAM, automation<br><br>Explanation, 1 mark, e.g. division of labour leads to increased productivity. | **(2)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **2bvi** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• Lower prices<br>• Increase in quality<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Less choice/standardised product<br>• Could mean smaller firms go out of business/reduced competition, therefore price could rise<br>• Increase in bureaucracy<br>• Diseconomy of scale<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. depends on whether the firm decides to pass on the cost saving to consumers | **(6)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **2ci** | Identification (1 mark), development (1 mark)<br><br>Non-financial scheme identified, 1 mark e.g. business advice, improvements in infrastructure, improvements in communication e.g. broadband, competition policy to lower barriers to entry, deregulation, education and training<br><br>Development, 1 mark e.g. firms may need to know about how to set up a business and employment law<br><br>**NB:** Do not award rent-free land. Development mark cannot be awarded if the scheme identified is linked to a cost saving | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2cii** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• Encourages innovation<br>• Small firms may grow<br>• Encourages employment<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Small firms rely on support and may be inefficient<br>• Other methods might be better e.g. anti-competitive laws<br>• Successful small firms may be taken over by large firms<br>• Market may already be dominated by large firms<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. prioritisation of factor (more effective to limit power of big firms than promote small firms) | **(6)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3ai** | Souvenir model of the Eiffel Tower = visible (1 mark)<br>Hotel room = invisible (1 mark)<br>Cost of taxi from airport to hotel = invisible (1 mark) | **(3)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **3aii** | Value (accept money spent) of imports exceeds the value (accept money received) of exports (2 marks)<br><br>**NB:** if stated imports greater than exports award one mark only | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3aiii** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• More money leaving country than coming in<br>• Current account deficit has to be financed<br>• Increase in unemployment as demand for domestic goods falls<br>• Could reduce business confidence and therefore reduce investment<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Depends on cause of deficit e.g. consumer or capital goods<br>• Depends on size of deficit relative to GDP<br>• Depends on timescale<br>• Could self correct via exchange rate movements<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. if importing capital goods this may lead to a rise in exports in the future and economic growth | **(6)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **3aiv** | Method identified, 1 mark. Development 1 mark.<br><br>Method e.g. advice to exporters, less red tape, easier/cheaper finance for exporting firms, subsidies or grant, depreciation of currency<br><br>Development e.g. advice to exporters (1 mark) about selling overseas (1 mark) | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3bi** | Fiscal Policy | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3bii** | Each item identified, 1 mark e.g. education/schools, health/hospitals, defence, infrastructure/roads, benefits/pensions, public services and government employees, grants or subsidies. | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3biii** | Definition (1 + 1), example (1 + 1)<br><br>Direct tax is a tax on income/wealth/profits<br>Example: income tax/inheritance tax/corporate tax<br><br>Indirect tax is a tax on expenditure/spending<br>Example: VAT, purchase tax, fuel tax, customs duties/tariffs | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3ci** | Identification of type of pollution (up to 2 marks), explanation (up to 2 marks)<br><br>Types of pollution, e.g. air, noise, congestion, CO2 emissions, global warming, carbon monoxide<br><br>Explanation, e.g. growth in private use of cars due to increased standard of living, increase use of lorries due to better road systems, more goods imported.<br><br>**NB:** Also accept development of problems of pollution from cars and lorries e.g. health issues, time lost due to traffic jams, damage to ozone layer. Credit arguments against cars and lorries being the major sources of pollution e.g. more fuel-efficient, emit fewer toxic substances. | **(4)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **3cii** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• Increases price (1 mark), reduces demand (1 mark) and switch to cleaner alternative e.g. walk (1 mark)<br>• Award use of diagram (up to 2 marks)<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Inelastic demand<br>• Other methods might be more effective, e.g. CO2 emission regulation, congestion charge in cities, banning cars from city centres and other similar schemes<br>• Encouraging use of alternative methods of cleaner transport<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. prioritisation of factors, if no availability of substitute then price elasticity of demand will be inelastic and taxation will be ineffective in reducing number of car journeys, depends on the size of the tax increase | **(6)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **4ai** | Definition: an enterprise/company/firm (1 mark) operating in several countries (1 mark).<br><br>**NB:** No mark for stating multinational but accept MNC. | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4aii** | Identification (1 +1), development (1 + 1)<br><br>Identified, 1 mark e.g. larger market, growing market, low costs, cheap labour, foothold in Africa, access to raw materials, home market already saturated, get round trade controls, take advantage of economies of scale<br><br>Development, 1 mark. Foothold in South Africa could lead to expansion into other African countries | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4aiii** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• Creates jobs<br>• Technology transfer<br>• Increases exports<br>• Increase tax revenue<br>• Increase human capital<br>• Consumer enjoy lower prices/more choice<br>• Inward FDI is a source of economic growth<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Exploit labour, e.g. low wages, long hours<br>• Exploit and exhaust natural resources<br>• Profit repatriated<br>• Domestic firms forced out of business<br>• Tax avoidance by MNCs<br>• Less competition<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. prioritisation of factors, inward FDI, creates jobs, reduces poverty which aids economic development, depends on government regulation of MNCs | **(6)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4bi** | Euro | **(1)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **4bii** | In 2013 one pound could be exchanged for fewer euros than in 2012 (1 mark). In 2012 £1 = 1.21 euros (accept range of 1.20 - 1.23 euros) (1 mark). In 2013 £1 = 1.19 euros (accept range of 1.19 - 1.17 euros) (1 mark)<br><br>And/or<br><br>In 2013 one pound could be exchanged for more Australian Dollars than in 2012 (1 mark). In 2012 £1 = 1.55 AUD (accept range of 1.49 - 1.56 AUD) (1 mark). In 2013 £1 = 1.59 AUD (accept range of 1.57 - 1.60 AUD) (1 mark)<br><br>NB: Cap data marks at 1 mark if wrong currency symbols used | **(3)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **4biii** | If interest rates rise<br>• More attractive to save in country/inflow of hot money (1 mark)<br>• Increase demand for currency (1 mark)<br>• Exchange currency (1 mark)<br>• Exchange rate appreciates (1 mark)<br>• Diagram (up to 2 marks)<br><br>OR<br><br>If interest rates fall<br>• Less attractive to save in country/outflow of hot money (1 mark)<br>• Increase in supply of currency (1 mark). Accept fall in demand for currency leads to depreciation<br>• Exchange currency (1 mark)<br>• Exchange rate depreciates (1 mark)<br>• Diagram (up to 2 marks)<br><br>**NB:** cap at 1 mark if chain of causation not explained, e.g. interest rates are high so exchange rate increases (1 mark) | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4biv** | Identified, 1 mark, development 3 marks<br><br>Identified, 1 mark e.g. demand for imports, demand for exports, speculation, FDI flows, confidence in economy factors (safe haven)<br><br>Development, 3 marks e.g. if demand for imports rises (1 mark) then the home country will demand more foreign currency (1 mark). It will exchange its currency and so the supply of its currency increases (1 mark) and the exchange rate falls<br><br>Credit diagrams showing exchange rate changes (up to 2 marks)<br><br>**NB**: Do not accept interest rates | **(4)** |

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| Question Number | Answer | Mark |
|---|---|---|
| **4bv** | Arguments supporting the statement (1 mark) with development (up to 2 marks)<br>• Makes exports cheaper<br>• Imports more expensive<br>• Improves current account of balance of payments<br>• Improves international competitiveness<br>• Export led growth creates employment<br><br>Arguments not supporting the statement (1 mark) with development (up to 2 marks)<br>• Can lead to inflation e.g. cost push inflation from importing raw materials e.g. oil<br>• Depends on state of global economy e.g. global recession and low demand for exports<br>• Depends on demand for and types of exports<br>• Consumer choice falls because imports are more expensive<br><br>Further guidance<br>• Maximum for one sided argument (3 marks)<br>• Maximum for both sides (4 marks)<br>• Need reasoned conclusion/judgment (5 – 6 marks) e.g. exports may not be price sensitive so a fall in relative price may not lead to increase in demand<br><br>**NB:** award use of price elasticity of demand as either arguments not supporting the statement or judgment (up to 2 marks) | **(6)** |

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