Mark Scheme (Results)

January 2012

International GCSE Economics (4EC0)
Paper 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.

Question Number	Answer	Mark
1(a)(i)	$700 or 700	**(1)**

Question Number	Answer	Mark
1(a)(ii)	B (Excess supply) (1 mark)	**(1)**

Question Number	Answer	Mark
1(a)(iii)	Definition: Responsiveness of quantity demanded to a change in price (2 marks) Also accept equation (2 marks) Vague definitions or where definition correct but candidate also gives incorrect formula or vice versa, 1 mark. Vague definitions or imperfect formula, 1 mark.	**(2)**

Question Number	Answer	Mark
1(a)(iv)	A (elastic) (1 mark)	**(1)**

Question Number	Answer	Mark
1(a)(v)	1 mark for statement “increase price decrease total revenue”. 2 marks for data: 2 marks for correct data: $800 x 30,000 units = $24,000,000 $900 x 20,000 units = $18,000,000 If candidates use 200 and 300 units then only 1 mark for data. Or If e of d is greater than 1 therefore elastic = 1 mark Calculation: % change in quantity demanded = 33.3% % change in price = 12.5% . Some attempt to show calculation = 1 mark E of d = 2.7 (1 mark)	**(3)**

Question Number	Answer	Mark
1(a)(vi)	A second hand motorbike. (1 mark)	**(1)**

Question Number	Answer	Mark
1(b)(i)	1 mark for shift to left of supply curve 1 mark for new price and new quantity	**(2)**

Question Number	Answer	Mark
1(b)(ii)	Factor identified, 1 mark e.g. falling costs, increasing incomes Explanation, 1 mark e.g. reference to increase/decrease in supply or demand. Or explanation of factor e.g. wages rise (1 mark) so costs of production rise so prices rise (1 mark)	**(2)**

Question Number	Answer	Mark
1(c)(i)	1 mark for policy/law imposed by government 1 mark for "above market equilibrium wage" or for reference to wages of the poor being increased.	**(2)**

Question Number	Answer	Mark
1(c)(ii)	Each benefit of minimum wage rate 1 mark (max 2) Development up to 2 marks. e.g. it will increase standard of living (1 mark) as people have more money to spend (1 mark). Each reason why "only small number benefit"/some people won't benefit, 1 mark (max 2) Development up to 2 marks. e.g. only the lowest paid workers will benefit (1 mark) as those above minimum wage will not (1 mark). 3 marks for one sided response 3 marks for diagram if accurate and relevant and shows MWR above market wage and unemployment 4 marks for Diagram + basic explanation 4 marks for both sides of argument 5 marks for good balanced argument. Award 6th mark for further development e.g. workers above minimum wage may ask for higher wages to maintain differentials.	**(6)**

Question Number	Answer	Mark
1(d)(i)	Definition: division of labour is the breaking down of a job into smaller tasks (2 marks). Example 1 mark.	**(3)**

Question Number	Answer	Mark
1(d)(ii)	Each advantage identified, 1 mark (up to 2) Development up to 2 marks. e.g. Division of labour will increase productivity (also accept production) (1 mark) as workers will become more efficient (1 mark) Each disadvantage identified, 1 mark (up to 2). Development up to 2 marks. e.g. if workers are bored with doing the same thing over and over (1 mark) then industrial action might mean all production stops (1 mark). Must have both sides of argument for 4 marks. Award 5th and 6th marks for evaluation/reasoned judgement e.g. The firm may increase profits as productivity increases but industrial action may have long term effects on the firm as they may lose customers. It should try to keep workers interested in their job.	**(6)**

Question Number	Answer	Mark
2(a)(i)	Definition: organises factors of production (1 mark). 1 mark for take risk or receive profits or bear losses of business.	**(2)**

Question Number	Answer	Mark
2(a)(ii)	1. Petrol = Variable cost (1 mark) 2. Car insurance = Fixed cost (1 mark) 3. Shampoo = Variable cost (1 mark)	**(3)**

Question Number	Answer	Mark
2(a)(iii)	Total costs = $450 (fixed costs) + $150 (variable costs) = $600 1 mark for correct formula or figures 1 mark for correct answer.	**(2)**

Question Number	Answer	Mark
2(a)(iv)	1 mark for total costs = $610 1 mark for formula/figures for profit i.e. $1200 - $610 1 mark for correct answer = $590	**(3)**

Question Number	Answer	Mark
2(b)(i)	Each method identified, 1 mark. Explanation 1 mark 2 + 2 marks e.g. cheap loans (1 mark) as individuals don't have much finance.(1 mark). Advice and support (1 mark). Individuals may not know about rules and regulations about businesses (1 mark) Reduced taxes on small firms e.g. profits tax, business rates, grants.	**(4)**

Question Number	Answer	Mark
2(b)(ii)	Each advantage identified 1 mark (up to 2) Development up to 2 marks. Each disadvantage identified, 1 mark (up to 2). Development up to 2 marks. Advantages: e.g. Increases competition in the economy (1 mark). This can lead to a fall in prices (1 mark) and more variety for consumers (1 mark). Disadvantages: e.g. opportunity cost argument, 1 mark– money could be spent elsewhere in economy e.g. education 1 mark. Incentives to existing firms to grow larger may be more advantageous as they may become more efficient and take advantages of economies of scale. Must have both sides of argument for 4 marks. Award 5th and 6th marks for evaluation/reasoned judgement. E.g. All private firms start off small. When they grow they will provide more jobs and exports for the country as well as adding to economic growth. Therefore they are always an advantage to an economy.	**(6)**

Question Number	Answer	Mark
2(c)(i)	Definition: transfer of public sector firms to the private sector (2 marks). Vague definitions, 1 mark e.g. selling off state firms.	**(2)**

Question Number	Answer	Mark
2(c)(ii)	Reason identified, 1 mark. Development, 1 mark. e.g. profit seeking so may increase prices. Monopoly power so may increase prices. Reduce non profit making services so consumers suffer.	**(2)**

Question Number	Answer	Mark
2(c)(iii)	Each cost identified, 1 mark (up to 2) Development up to 2 marks. Each benefit identified, 1 mark (up to 2). Development up to 2 marks. Benefits e.g. When the government privatises a firm it gains a great deal of revenue (1 mark) which it can use to improve the country/economy (1 mark). e.g. An increase in competition (1 mark) may increase efficiency and productivity (1 mark) leading to economic growth (1 mark). Privatised firms may be bought by foreigners (1 mark) so profits are sent abroad (1 mark). Must have both sides of argument for 4 marks. Award 5th and 6th marks for evaluation/reasoned judgement. e.g. Firms usually become more efficient when privatised. If this leads to economic growth then the benefits will undoubtedly outweigh the costs for the government and the country.	**(6)**

Question Number	Answer	Mark
3(a)(i)	Prices rise (1 mark) 2nd mark for general level of prices or over a period of time, or sustained increase. Value of money falling (2 marks).	**(2)**

Question Number	Answer	Mark
3(a)(ii)	Prices rose, 1 mark. Reference to data or inflation rate 1 mark e.g. The price rise in 2008 (about 23%) was higher than in 2009 (6.5%), 1 mark.	**(2)**

Question Number	Answer	Mark
3(a)(iii)	"an increase" 1 mark	**(1)**

Question Number	Answer	Mark
3(a)(iv)	"cost-push" 1 mark	**(1)**

Question Number	Answer	Mark
3(a)(v)	Function identified, 1 mark. Do not accept characteristics of money.	**(1)**

Question Number	Answer	Mark
3(a)(vi)	Effect identified, 1 mark. Development, 1 mark. e.g. Function in (a)(v) = means of exchange. Money would lose its value so people wouldn't accept it in payment for goods and services (1 mark) so they would revert to barter (1 mark).	**(2)**

Question Number	Answer	Mark
3(b)(i)	Balance of payments worsened/deficit grew, 1 mark. Reference to data, 1 mark e.g. in 2007 it was -7bn, in 2008 it was -10.5bn. Accept approximate figures.	**(2)**

Question Number	Answer	Mark
3(b)(ii)	1 mark for example of visible e.g. car, coffee.	**(1)**

Question Number	Answer	Mark
3(b)(iii)	1 mark for example of invisible e.g. banking, transport.	**(1)**

Question Number	Answer	Mark
3(b)(iv)	Explanation of effect of inflation on exports up to 2 marks. Explanation of effect of inflation on imports up to 2 marks. e.g. As prices rise due to inflation domestic goods and services become more expensive (1 mark) so other countries won't buy them. Exports fall (1 mark). Imports on the other hand appear cheaper (1 mark) than domestic goods so imports rise (1 mark). Up to 2 marks for reasons why inflation may not worsen balance of payments. E.g. elasticity of imports and exports, rate of inflation in other countries.	**(6)**

Question Number	Answer	Mark
3(c)(i)	B Monetary Policy	**(1)**

Question Number	Answer	Mark
3(c)(ii)	Each reason identified, 1 mark. Development, 1 mark. 2 x 2 marks e.g. Savings might increase (1 mark) so consumer demand will fall (1 mark). Loans are more expensive (1 mark) so people will not borrow money so demand will fall (1 mark)	**(4)**

Question Number	Answer	Mark
3(c)(iii)	Definition or examples of supply side policy up to 2 marks. E.g. Supply side policies aim to improve the working of the markets so that supply increases (2 marks) or supply side policies include education and training and privatisation (2 marks) Explanation of how it/they work up to 2 marks. Through improving occupational mobility of labour (education and training) unemployed workers can find new jobs (2 marks). Limitations of supply side policy up to 2 marks e.g. some supply side policies e.g. privatisation may lead to more unemployment as private firms invest in more machinery (2 marks). Education and training take time so there may be no change in the short run (2 marks). Also accept "no evidence to suggest supply side policies work".	**(6)**

Question Number	Answer	Mark
4(a)(i)	A Globalisation (1 mark)	**(1)**

Question Number	Answer	Mark
4(a)(ii)	Each advantage identified, 1 mark. e.g. increased size of market (1 mark), cheaper imports, more variety.	**(2)**

Question Number	Answer	Mark
4(a)(iii)	Each disadvantage identified, 1 mark. Explanation 1 mark. e.g. cheap imports might lead to domestic firms closing down (1 mark) and this would lead to unemployment (1 mark). If imports increase (1 mark) then it might worsen the balance of payments (1 mark)	**(4)**

Question Number	Answer	Mark
4(a)(iv)	A Foreign Direct Investment (1 mark)	**(1)**

Question Number	Answer	Mark
4(a)(v)	Each reason identified, 1 mark. Explanation 1 mark. 2 x 2 marks e.g. the market for cars in China is growing so Ford can make more profits. China is now a member of a free trade area so Fords can export from China to other member countries without tariff barriers.	**(4)**

Question Number	Answer	Mark
4(a)(vi)	Each reason supporting statement that a multinational improves standard of living 1 mark (up to 2). Development up to 2 marks Each reason against statement that a multinational improves standard of living 1 mark (up to 2). Development up to 2 marks If multinationals provide employment (1 mark) for previously unemployed workers then they will have more to spend(1 mark). The multinational may employ the workers in poor conditions (1 mark) or for long hours so their health may suffer (1 mark). Must have both sides of argument for 4 marks. Award 5th and 6th marks for evaluation/reasoned judgement. Employment by multinationals will increase people's incomes but in some cases the government should ensure that the multinational obeys employment laws so that the workers' overall standards of living can be increased.	**(6)**

Question Number	Answer	Mark
4(b)(i)	Subsidies: money given to firms by government (1 mark) which reduces their costs of production (1 mark).	**(2)**

Question Number	Answer	Mark
4(b)(ii)	Dumping: A firm exports goods below their cost of production (2 marks). Vague definitions 1 mark e.g. exports at a low price, cheap, below market price.	**(2)**

Question Number	Answer	Mark
4(b)(iii)	Each benefit identified 1 mark (up to 2). Development up to 2 marks Each disadvantage identified 1 mark (up to 2). Development up to 2 marks e.g. tariffs will reduce the demand for imports (1 mark) and this will increase the demand for domestic goods (1 mark). A developed country imports raw materials (1 mark) so firms in the developed country will face increased costs (1 mark). Must have both sides of argument for 4 marks. Award 5th and 6th marks for evaluation/reasoned judgement. e.g. If tariffs lead to inflation rather than increased sales for domestic industries then they will be a great disadvantage to the developed country. e.g. accept winners (protected industries) and losers (consumers) judgement for up to 2 marks.	**(6)**

Question Number	Answer	Mark
4(b)(iv)	Method identified 1 mark. Explanation 1 mark. Quotas limit the amount of imports into the country. Exchange control limits the amount of foreign currency so that people can't import goods.	**(2)**

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