

# INTERNATIONAL GCSE

## Economics (9-1)

### SAMPLE ASSESSMENT MATERIALS

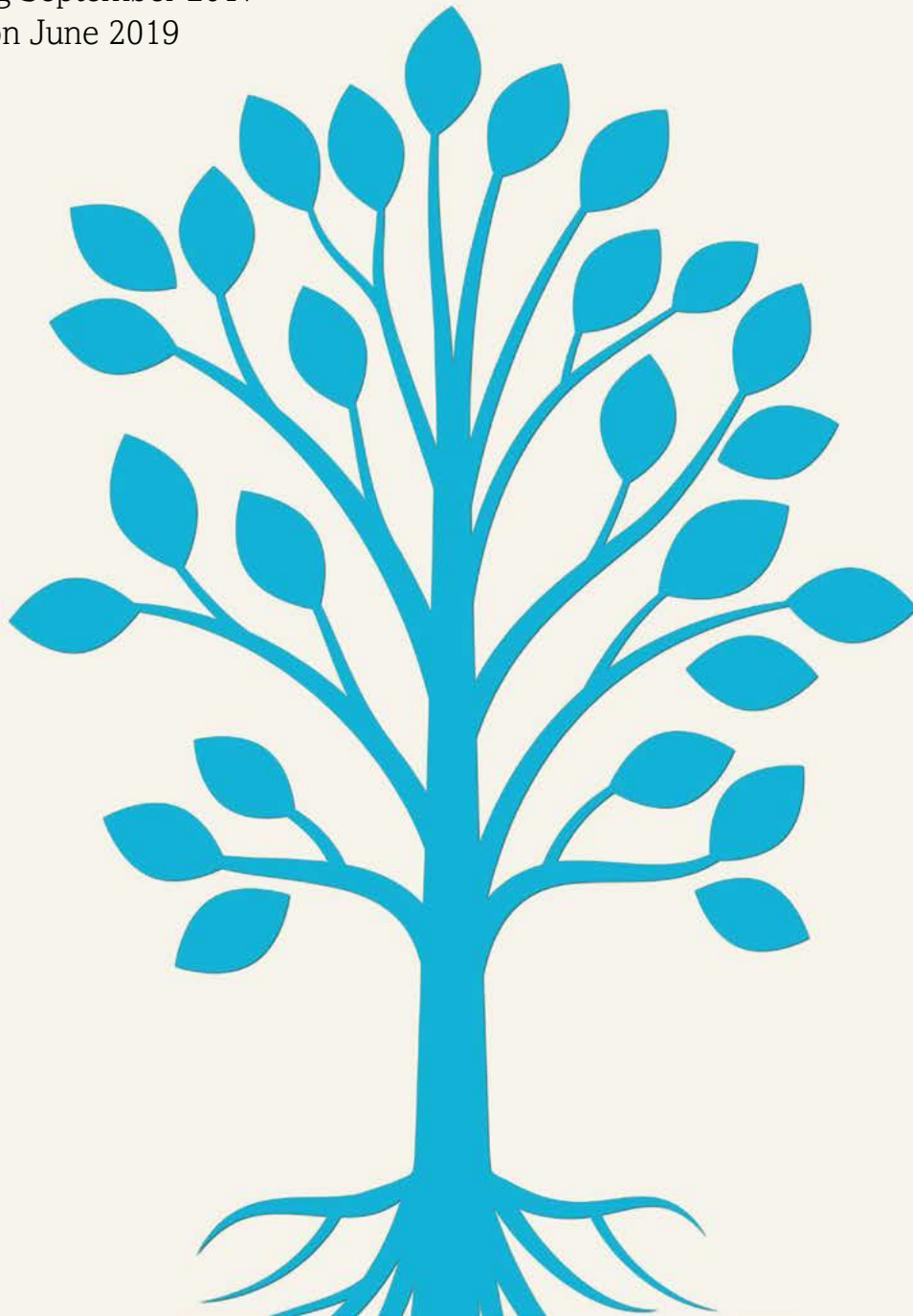
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Pearson Edexcel International GCSE in Economics (4EC1)

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For first teaching September 2017

First examination June 2019





# **INTERNATIONAL GCSE**

## **Economics**

### **SAMPLE ASSESSMENT MATERIALS**

Pearson Edexcel International GCSE in Economics (4EC1)

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### *Acknowledgements*

This specification has been produced by Pearson on the basis of consultation with teachers, examiners, consultants and other interested parties. Pearson would like to thank all those who contributed their time and expertise to the specification's development.

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# Introduction

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The Pearson Edexcel International GCSE (9-1) in Economics is designed for use in schools and colleges. It is part of a suite of International GCSE qualifications offered by Pearson.

These sample assessment materials have been developed to support this qualification and will be used as the benchmark to develop the assessment students will take.





## General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do, rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked **unless** the candidate has replaced it with an alternative response.

## Marking guidance for levels-based mark schemes

### How to award marks

The indicative content provides examples of how students will meet each skill assessed in the question. The levels descriptors and indicative content reflect the relative weighting of each skill within each mark band.

### Finding the right level

The first stage is to decide which level the answer should be placed in. To do this, use a 'best-fit' approach, deciding which level most closely describes the quality of the answer. Answers can display characteristics from more than one level, and where this happens markers must use the guidance below and their professional judgement to decide which level is most appropriate.

### Placing a mark within a level

After a level has been decided on, the next stage is to decide on the mark within the level. The instructions below tell you how to reward responses within a level. However, where a level has specific guidance about how to place an answer within a level, always follow that guidance. Statements relating to the treatment of students who do not fully meet the requirements of the question are also shown in the indicative content section of each levels based mark scheme. These statements should be considered alongside the levels descriptors.

Markers should be prepared to use the full range of marks available in a level and not restrict marks to the middle. Markers should start at the middle of the level (or the upper-middle mark if there is an even number of marks) and then move the mark up or down to find the best mark. To do this, they should take into account how far the answer meets the requirements of the level:

- if it meets the requirements fully, markers should be prepared to award full marks within the level. The top mark in the level is used for answers that are as good as can realistically be expected within that level
- if it only barely meets the requirements of the level, markers should consider awarding marks at the bottom of the level. The bottom mark in the level is used for answers that are the weakest that can be expected within that level
- the middle marks of the level are used for answers that have a reasonable match to the descriptor. This might represent a balance between some characteristics of the level that are fully met and others that are only barely met.

Write your name here

Surname

Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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# Economics

Level 1/2

**Paper 1: Microeconomics and Business Economics**

Sample assessment material for first teaching  
September 2017

**Time: 1 hour 30 minutes**

Paper Reference

**4EC1/01**

**You do not need any other materials.**

Total Marks

## Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

## Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

## Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Answer ALL questions. Write your answers in the spaces provided.

- 1 (a) What is the name given to a firm that dominates a market? (1)

<input type="checkbox"/>	<b>A</b> A monopoly firm
<input type="checkbox"/>	<b>B</b> An oligopoly firm
<input type="checkbox"/>	<b>C</b> A primary sector firm
<input type="checkbox"/>	<b>D</b> A secondary sector firm

- (b) A firm has a variable cost of €25 and charges a price of €75 per item. It sells 30 000 items. What is the total revenue for the firm? (1)

<input type="checkbox"/>	<b>A</b> €400
<input type="checkbox"/>	<b>B</b> €30 075
<input type="checkbox"/>	<b>C</b> €750 000
<input type="checkbox"/>	<b>D</b> €2 250 000

- (c) What is meant by privatisation? (2)

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- (d) Define the term public sector. (1)

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- (e) Define the term profit. (1)

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A firm makes 1000 items. Its total revenue, total costs and total variable costs are given in Figure 1.

Quantity	Total revenue	Total fixed costs	Total variable costs
1000	£150 000	£45 000	£58 000

**Figure 1**

- (f) Using the data in Figure 1, calculate the profit earned by the firm when it makes 1000 items. You are advised to show your working.

(2)

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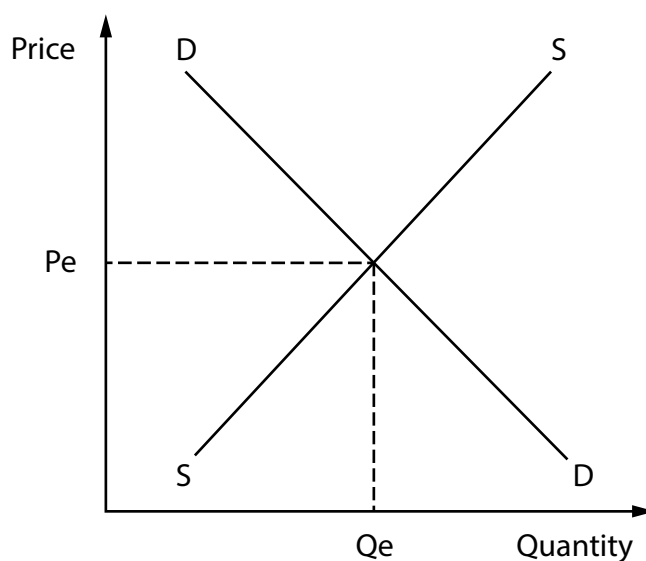
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- (g) Using the diagram below, draw the effects of the introduction of a subsidy paid to producers on equilibrium price and quantity. Label the new curve, the new equilibrium price and quantity.

(3)



**Figure 2**

Some farmers have seen the price they receive for their crop fall. This means the income they earn has fallen. To support farmers the government pays them a subsidy.

- (h) Explain **one** disadvantage of the government introducing subsidies to support farmers.

(3)

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The UK government has introduced an indirect tax on drinks that contain high levels of sugar. The tax should reduce the consumption of high sugar drinks. Some argue that brands like Coca-Cola® and Pepsi® have price inelastic demand because customers are loyal to these brands.

- (i) With reference to the data above and your knowledge of economics, analyse the impact of the introduction of an indirect tax on the consumption of Coca-Cola and Pepsi.

(6)

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**(Total for Question 1 = 20 marks)**

- 2 Young Tablet Covers is a firm based in Hong Kong. It produces colourful covers designed for children to protect their tablet computers. The quantity demanded and quantity supplied at different prices is shown in Figure 3.

Price in Hong Kong dollars (HKD)	Quantity demanded per week	Quantity supplied per week
100	900	400
110	750	500
120	600	600
130	450	700

**Figure 3**

- (a) With reference to the data in Figure 3, what is the equilibrium price of a tablet cover?

(1)

<input type="checkbox"/>	<b>A</b> 100 HKD
<input type="checkbox"/>	<b>B</b> 110 HKD
<input type="checkbox"/>	<b>C</b> 120 HKD
<input type="checkbox"/>	<b>D</b> 130 HKD

- (b) With reference to the data in Figure 3, what is the excess demand or supply when the price of a tablet cover is 100 HKD?

(1)

<input type="checkbox"/>	<b>A</b> The excess demand will be 250 tablet covers
<input type="checkbox"/>	<b>B</b> The excess demand will be 500 tablet covers
<input type="checkbox"/>	<b>C</b> The excess supply will be 250 tablet covers
<input type="checkbox"/>	<b>D</b> The excess supply will be 500 tablet covers



(c) (i) State the formula for price elasticity of demand.

(1)

(ii) Calculate the price elasticity of demand for a tablet cover when price increases by 10% and quantity demanded falls by 20%. You are advised to show your working.

(2)

(d) State **one** factor that will cause the demand curve to shift to the right.

(1)

Bespoke Bikes manufactures bicycles. Each worker produces bicycles from start to finish. Bespoke Bikes has decided to introduce a division of labour in the production of its bicycles.

(e) What is meant by the 'division of labour'?

(2)

(f) Explain **one** advantage of the division of labour for Bespoke Bikes.

(3)

Bangladesh increased the minimum wage for clothing workers by 77% to 5,300 taka (\$68) per month. The government in Bangladesh argued that the minimum wage would help workers earn enough money to meet their basic needs. The higher wage would encourage workers to be more productive. Businesses worry that the large increase in wages will mean that they cannot afford to employ as many staff. There are also concerns that higher wages will increase production costs.

(Source: adapted from 'Bangladesh poised to hike garment wages, but may not end strikes', by Shyamantha Asokan, October 2013 <http://www.reuters.com/article/us-bangladesh-garments-wage-idUSBRE99K02M20131021>)

(g) With reference to the data above and your knowledge of economics, assess the impact of an increase in the minimum wage for clothing workers in Bangladesh.

(9)

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**(Total for Question 2 = 20 marks)**

3 Customers are unlikely to move from one bank to another, even though they can get better savings rates at other banks.

(a) What is the most likely reason for customers not maximising their benefit by moving from one bank to another?

(1)

<input type="checkbox"/>	<b>A</b> Customers are always good at calculating the benefit from changing banks
<input type="checkbox"/>	<b>B</b> Customers have habits that are hard to stop
<input type="checkbox"/>	<b>C</b> Customers think saving is an inferior good
<input type="checkbox"/>	<b>D</b> Customers experience no opportunity costs

Figure 4 shows estimates of income elasticity of demand and price elasticity of demand for cigarettes in Argentina.

Elasticity	Cigarettes
Income elasticity of demand	+0.43
Price elasticity of demand	-0.31

(Source: <http://tobaccocontrol.bmj.com/content/early/2013/06/11/tobaccocontrol-2012-050711.abstract>)

**Figure 4**

(b) What does the data in Figure 4 show about cigarettes in Argentina?

(1)

<input type="checkbox"/>	<b>A</b> They are an inferior good and demand is price inelastic
<input type="checkbox"/>	<b>B</b> They are an inferior good and demand is price elastic
<input type="checkbox"/>	<b>C</b> They are a normal good and demand is price elastic
<input type="checkbox"/>	<b>D</b> They are a normal good and demand is price inelastic

An economy produces capital and consumer goods. This economy starts with unemployed resources at point X and then shifts to point Y where resources are fully employed.

- (c) In the box below, draw a production possibility curve (PPC) to show an economy moving from **point X** with unemployed resources to **point Y** where resources are fully employed.

(3)





- 4 Figure 5 shows employment in the tertiary sector in the USA in the years 1994, 2004 and 2014.

Year	Employment in tertiary sector (millions)
1994	92.3
2004	110.4
2014	128.1

(Source: <http://www.bls.gov/opub/ted/2005/dec/wk3/art01.txt>)

**Figure 5**

- (a) Calculate to one decimal place the percentage change in employment in the tertiary sector between 1994 and 2014 in the USA. You are advised to show your workings.

(2)



**External costs in T-shirt production**

According to the World Wildlife Fund (WWF), it takes 2700 litres of water to produce one T-shirt. Water is used not only to grow cotton but also to dye clothing. Cotton growers use pesticides and chemicals that pollute the water. The pesticides and chemicals that remain in the environment harm animals and plant life. The WWF has been working with governments to help reduce this pollution. It advises them to introduce more regulation and to fine companies that pollute. Clothing manufacturers argue that this will add to their costs and mean they will supply less. This may mean they employ fewer people and will help reduce water pollution as less clothing is being manufactured. Fines will punish those that pollute while also earning the government revenue it can use to clean up the pollution. The fines must also be large enough to persuade firms to stop polluting.

(b) With reference to the data above and your knowledge of economics, analyse the external costs that can occur in the production of T-shirts.

(6)

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(c) With reference to the information given in **'External costs in T-shirt production'** and your knowledge of economics, evaluate the impact of the government introducing regulation and fines to reduce the external costs of clothing production in its country.

(12)

Area with horizontal dotted lines for writing the answer.

**(Total for Question 4 = 20 marks)**

**TOTAL FOR PAPER = 80 MARKS**

## 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)	<b>AO1 1 mark</b>	
	A A monopoly firm	<b>(1)</b>

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

Question number	Answer	Mark
1(c)	<b>AO1 2 marks</b>	
	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).	<b>(2)</b>

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

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

Question number	Answer	Mark
1(f)	<p style="text-align: center;"><b>AO2 2 marks</b></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>	<b>(2)</b>

Question number	Answer	Mark
1(g)	<p style="text-align: center;"><b>AO2 3 marks</b></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>	<b>(3)</b>

Question number	Answer	Mark
1(h)	<p style="text-align: center;"><b>A02 3 marks</b></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"> <li>• 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).</li> <li>• 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).</li> </ul> <p>Accept any other appropriate responses.</p>	<b>(3)</b>

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

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	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	Answer	Mark
2(a)	<b>AO1 1 mark</b>  C 120 HKD	<b>(1)</b>

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

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

Question number	Answer	Mark
2(c)(ii)	<b>AO2 2 marks</b>  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.	<b>(2)</b>



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

Question number	Answer	Mark
2(e)	<p style="text-align: center;"><b>AO1 2 marks</b></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>	<b>(2)</b>

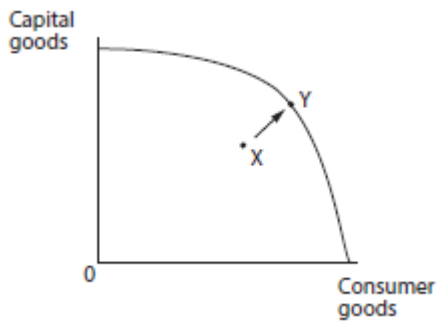
Question number	Answer	Mark
2(f)	<p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying an advantage of the division of labour, a further mark for developing the advantage and 1 mark for the response being in the context of bikes.</p> <ul style="list-style-type: none"> <li>• 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).</li> <li>• 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)</li> </ul> <p>Accept any other appropriate responses.</p>	<b>(3)</b>

Question number	Indicative content	
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>• 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.</li> <li>• 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.</li> <li>• 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).</li> </ul> <p><b>A04</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• 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.</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 (A02).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (A03).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (A04).</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 (A02).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (A03).</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 (A04).</li> </ul>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
<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	Answer	Mark
3(a)	<b>AO1 1 mark</b>	
	B Customers have habits that are hard to stop	<b>(1)</b>

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

Question number	Answer	Mark
3(c)	<b>AO2 3 marks</b>	
	<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>	<b>(3)</b>

Question number	Indicative content	
3(d)	<b>A02 (3 marks)/A03 (3 marks)</b>	
	<p><b>A02 and A03</b></p> <ul style="list-style-type: none"> <li>• Human capital is the level of skill, experience and knowledge of the workforce.</li> <li>• The government in Ghana has additional funds available due to tax revenues earned from oil.</li> <li>• More spending on education will mean more years of schooling/better quality schooling.</li> <li>• This is useful given that Ghana has fewer years of schooling compared to developed countries.</li> <li>• More spending on training will mean employees will understand how to do their job better.</li> <li>• Individuals will develop better skills.</li> <li>• Literacy skills will be better, meaning that workers will be able to read instructions.</li> <li>• This will make workers more productive in the workforce, meaning that the quality of labour will be higher.</li> <li>• The Ghanaian government may come up with better ideas to make the business more productive.</li> <li>• This will mean the Ghanaian government has less money left for other activities.</li> <li>• This is an opportunity cost.</li> <li>• Healthcare may not get as much funding.</li> <li>• Workers may be less healthy.</li> <li>• The human capital and the quality of labour may worsen.</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>• The 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	Indicative content
3(e)	<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>• When Fiat joined with Chrysler, the joint output was higher.</li> <li>• By making more cars the company would order more parts.</li> <li>• This meant it could bulk buy, helping it achieve discounts and better terms.</li> <li>• As both businesses would have a research and development team developing new cars, information could be combined. Fewer researchers would save money.</li> <li>• As a larger business, Fiat Chrysler would be seen by banks as lower risk.</li> <li>• Therefore banks would lend money at lower interest rates, lowering the cost of the business.</li> </ul> <p><b>A04</b></p> <ul style="list-style-type: none"> <li>• Diseconomies of scale occur when average costs rise as business output grows.</li> <li>• Communication problems emerge as there are more staff to communicate with.</li> <li>• One part of the business is Italian and the other English so language problems may emerge.</li> <li>• Cultural differences may exist between the two businesses causing potential conflict.</li> <li>• A larger business may require more paperwork to help make decisions and this may make the business bureaucratic.</li> <li>• Operating a business across two continents may mean the Chief Executive lacks control.</li> <li>• The distance between top management and the workers at bottom of the organisation may be large.</li> <li>• Average costs would rise as the business grows.</li> </ul>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	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	Answer	Mark
4(a)	<p style="text-align: center;"><b>A02 2 marks</b></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><math>128.1 - 92.3 = 35.8</math> (1) <math>35.8 \div 92.3 \times 100 = 38.8\%</math> (1)</p> <p>Award 2 marks if percentage change is accurately calculated even if the percentage sign is not written down.</p>	<b>(2)</b>

Question number	Indicative content	
4(b)	<b>A02 (3 marks)/A03 (3 marks)</b>	
	<b>A02 and A03</b>	
	<ul style="list-style-type: none"> <li>• External costs are the negative impacts on third parties.</li> <li>• The production of T-shirts uses 2700 litres of water.</li> <li>• This water is not available for human consumption.</li> <li>• Use of pesticides and chemicals in dyeing and treating T-shirts pollutes water.</li> <li>• This is harmful to animals and plant life.</li> <li>• Farmers with livestock may be negatively affected as their animals may be poisoned.</li> <li>• Farmers may be affected as crops may get affected by polluted water.</li> <li>• This may reduce the income that farmers can earn.</li> <li>• Fisherman may be affected if fish get poisoned by chemicals.</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 (A02).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (A03).</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 (A02).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (A03).</li> </ul>



Level	Mark	Descriptor
Level 3	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	Indicative content
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>• Regulation.</li> <li>• Rules and limits on what firms can do.</li> <li>• This will add to the costs of the clothing manufacturers.</li> <li>• This will reduce supply.</li> <li>• A lower supply will cause demand to contract.</li> <li>• A lower supply will cause the price to rise.</li> <li>• A lower supply will reduce the quantity consumed.</li> <li>• This will help to reduce water pollution as less clothing is being manufactured.</li> <li>• Fines are charged for those firms that pollute or break regulations.</li> <li>• This will earn revenue for the government.</li> <li>• This revenue can be used to compensate those that are affected by water pollution.</li> <li>• Clothing manufacturers have an incentive to switch to organic farming/use less fertiliser.</li> <li>• Less fertiliser reduces the quantity of pollution and chemicals/water use.</li> <li>• It reduces external costs.</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• One disadvantage is that the clothing industry would make less profit.</li> <li>• Also it may have to cut costs.</li> <li>• It may do this by employing fewer people.</li> <li>• This may lead to unemployment.</li> <li>• Any gains the government might get in revenue from the fines may be lost as they have to support the unemployed.</li> <li>• The impact of the fines might be small if the fine is only small.</li> <li>• The impact of the fines might be limited (as people may still buy as they will always need clothes regardless of price).</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>

Write your name here

Surname

Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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# Economics

Level 1/2

**Paper 2: Macroeconomics and the Global Economy**

Sample assessment material for first teaching  
September 2017

**Time: 1 hour 30 minutes**

Paper Reference

**4EC1/02**

**You do not need any other materials.**

Total Marks

## Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

## Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

## Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Pearson

**Answer ALL questions. Write your answers in the spaces provided.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

1 (a) What type of unemployment is caused by a recession? (1)

- A Cyclical
- B Structural
- C Voluntary
- D Seasonal

(b) What is progressive taxation? (1)

- A Everyone pays the same proportion of their income in tax
- B Richer people pay a higher proportion of their income in tax
- C Poorer people pay a higher proportion of their income in tax
- D Pensioners pay a higher proportion of their income in tax

(c) What is meant by inflation? (2)

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(d) Describe **one** impact of inflation on a firm.

(2)

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(e) Calculate the price in euros of goods priced at £12 when the exchange rate is £1 = €1.30. You are advised to show your working.

(2)

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- (f) Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of a good. Label the new curve, the new equilibrium price and quantity. (3)

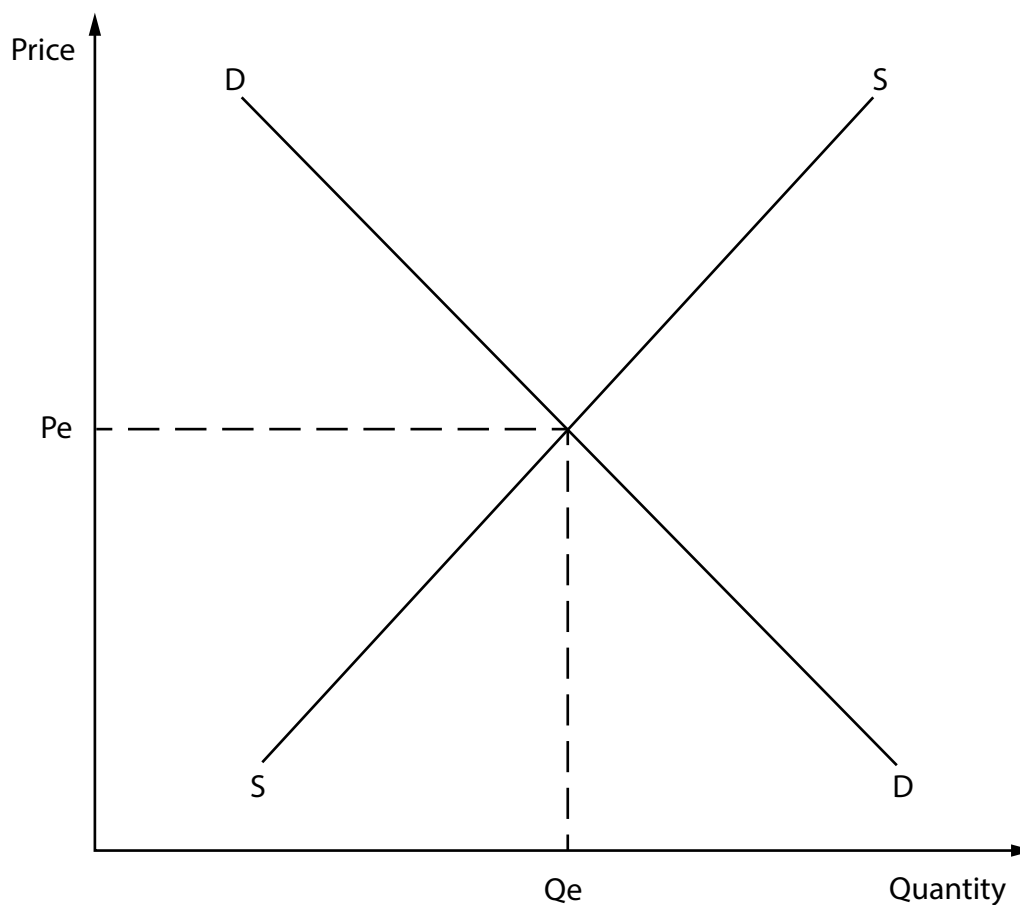


Figure 1

In 2015 Vietnam's economic growth was 6.68%.

- (g) Explain **one** disadvantage of economic growth. (3)

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(h) Analyse how a government might use fiscal policy to stimulate economic growth.

(6)

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**(Total for Question 1 = 20 marks)**

2 (a) What does CPI stand for?

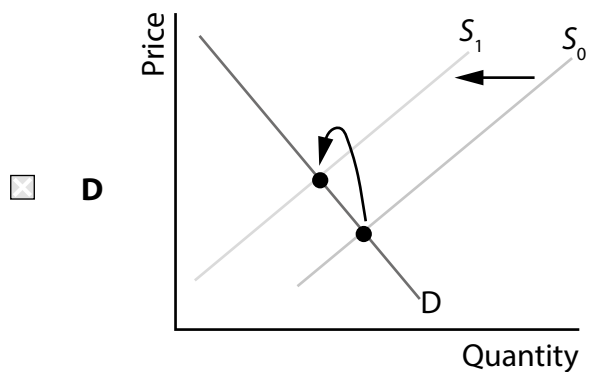
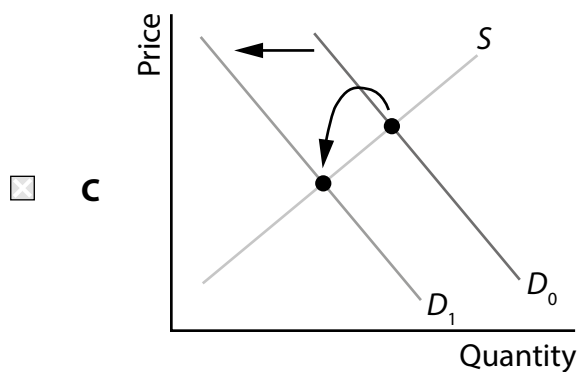
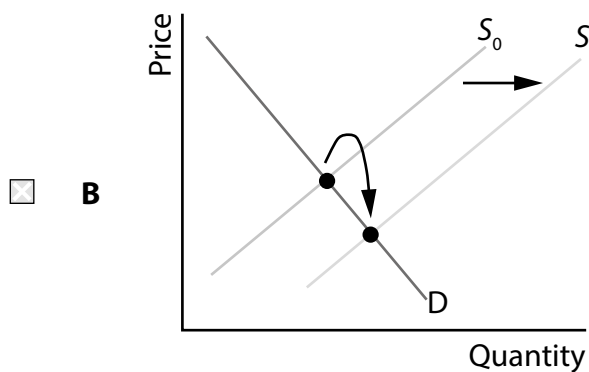
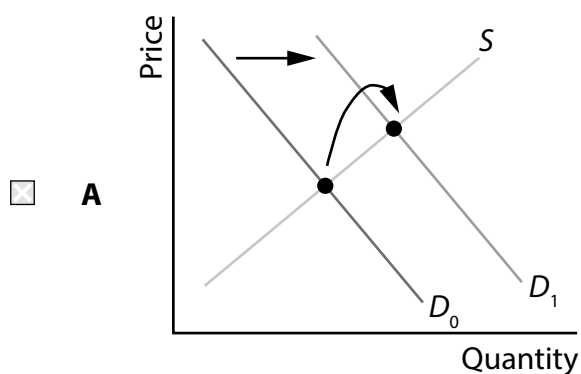
(1)

- A** Changing prices index
- B** Consumer price indicator
- C** Consumer price index
- D** Changing prices indicator.

The United States provides a subsidy to American cotton producers.

(b) Which one of the following diagrams shows the market for American cotton following the introduction of the subsidy?

(1)





(c) State **one** cause of globalisation.

(1)

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(d) What is meant by monetary policy?

(2)

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In 2016, Brazil complained to the World Trade Organization (WTO) about Thailand's use of sugar subsidies.

(e) Explain one role of the WTO.

(3)

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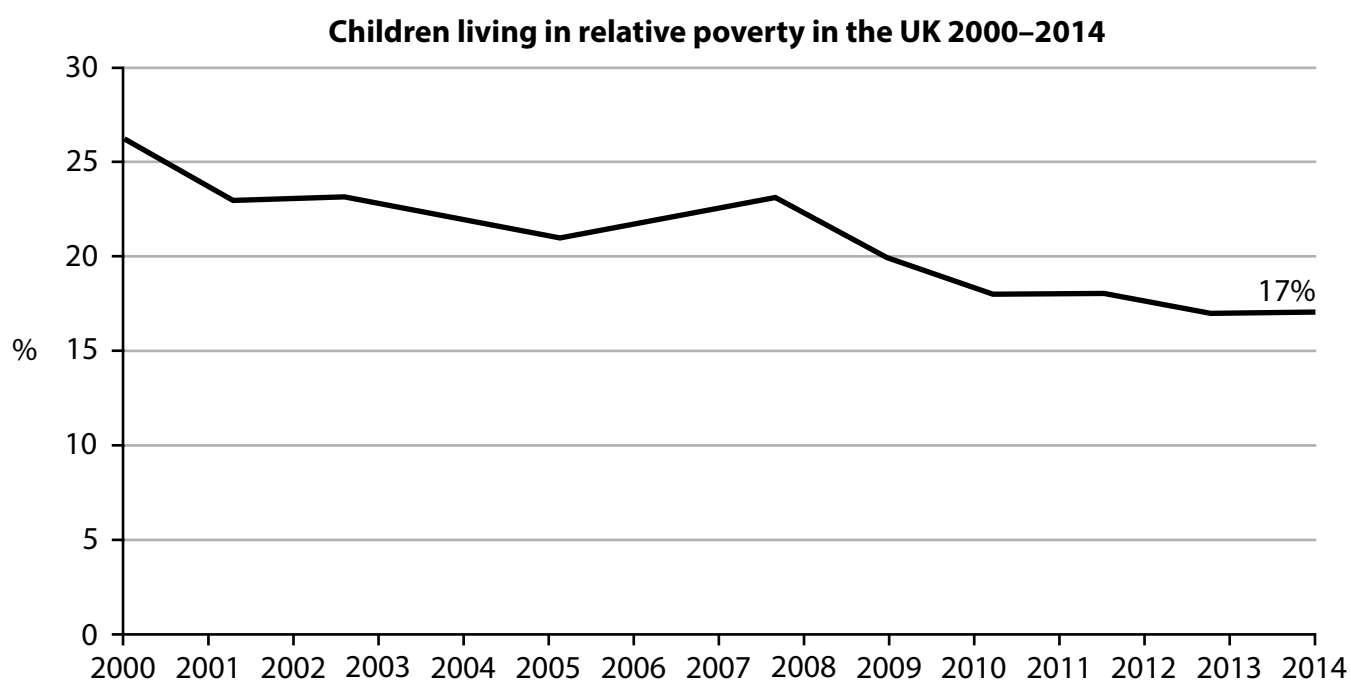
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Malawi is a developing country that relies heavily on the export of agricultural commodities, the most important of which is tobacco.

- (f) Explain one way in which the pattern of trade might be different for a developed country than for a developing country.

(3)



(Source: Office for National Statistics)

**Figure 2**

In the UK, relative poverty is defined as living in households where the income is below 60% of the UK average. In July 2015, the UK government announced that the number of UK children classed as living in relative poverty remained at 2.3 million or 17%. Almost one in six children in the UK remained in relative poverty from 2011–2014. In 2016, the United Nations criticised the UK for lagging behind the developed world in dealing with child poverty.

(g) Assess one policy that the UK government could use to reduce the level of relative poverty.

(9)

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**(Total for Question 2 = 20 marks)**

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3 (a) What is a fiscal deficit?

(1)

- A** Imports are greater than exports
- B** Government revenue is greater than government expenditure
- C** Government expenditure is greater than government revenue
- D** Exports are greater than imports

(b) What is a period of strong economic growth called?

(1)

- A** Recession
- B** Downturn
- C** Recovery
- D** Boom

(c) Explain the different impact on exports of a revaluation and devaluation of a currency.

(3)

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In 2015, the UK pound (£) appreciated against the euro (€), reaching a high of £1 = €1.44.

(d) Analyse the impact this appreciation may have had on the UK's current account of the balance of payments.

(6)

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**% Unemployment rate by region in Spain**



**Figure 3**

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**4** Figure 4 shows the change in gross domestic product (GDP) per capita for Sri Lanka.

	<b>2014</b>	<b>2015</b>
<b>GDP per capita US\$</b>	2004	2135

**Figure 4**

(a) Calculate to one decimal place the percentage increase in GDP per capita between 2014 and 2015. You are advised to show your working.

(2)

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Sri Lanka’s average tariff is 6.3%. However, agricultural imports have higher tariffs. Dairy products, meat products, fruit and vegetables have a 30% tariff.

(b) Analyse why Sri Lanka might impose higher tariffs on agricultural imports.

(6)

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Sri Lanka signed agreements for foreign direct investment (FDI) worth \$1.6bn in 2015, up from 2014's total of \$1.5bn. New projects include a \$26.5m assembly plant from Volkswagen and a \$100m investment in the sugar industry by companies from Singapore. Other multinationals already operating in Sri Lanka include Unilever®, Nestlé®, Holcim®, Coca-Cola® and Reckitt Benckiser®.

(c) Evaluate the impact that FDI might have on a developing economy such as Sri Lanka.

(12)

A series of horizontal dotted lines for writing the answer to question (c).

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(Total for Question 4 = 20 marks)

**TOTAL FOR PAPER = 80 MARKS**

## Mark Scheme

Sample assessment materials  
for first teaching September  
2017

International GCSE in Economics  
(4EC1/02)

Paper 2: Macroeconomics and  
the Global Economy

Question number	Answer	Mark
1(a)	<b>AO1 1 mark</b>	
	A Cyclical	<b>(1)</b>

Question number	Answer	Mark
1(b)	<b>AO2 1 mark</b>	
	B Richer people pay a higher proportion of their income in tax	<b>(1)</b>

Question number	Answer	Mark
1(c)	<b>AO1 2 marks</b>	
	Award 1 mark for reference to rise in general price level and 1 mark for reference to time period.	
	A sustained increase in the general price level of goods and services in an economy (1) over a period of time (1).	<b>(2)</b>

Question number	Answer	Mark
1(d)	<b>AO1 2 marks</b>	
	Award 1 mark for reference to the impact and 1 mark for development of the impact.	
	Increase in cost of supplies (1) reduces profitability (1).	<b>(2)</b>

Question number	Answer	Mark
1(e)	<b>AO2 2 marks</b>	
	Award 1 mark for showing the calculation and 1 mark for the correct answer.	
	$12 \times \text{€}1.30 (1) = \text{€}15.60 (1)$	
	Award 2 marks if the correct answer is shown, with euro symbol, even if no calculations are shown.	
	Award 1 mark if correct answer is shown, but with no euro symbol, even if no calculations are shown.	<b>(2)</b>

Question number	Answer	Mark
1(f)	<p style="text-align: center;"><b>A02 3 marks</b></p> <p>Award 1 mark for leftward shift of supply labelled. Award 1 mark for higher equilibrium price labelled. Award 1 mark for lower equilibrium quantity labelled.</p>	<b>(3)</b>

Question number	Answer	Mark
1(g)	<p style="text-align: center;"><b>A02 3 marks</b></p> <p>Award 1 mark for identifying a relevant disadvantage and 2 marks for developing the explanation.</p> <ul style="list-style-type: none"> <li>• One problem is that of environmental damage (1). As GDP increases, so does the demand for cars and transport (1). Increased car use causes air and noise pollution, with external costs (1).</li> <li>• One problem is that of unsustainable growth (1). Economic growth means increased output of goods and services (1). This may mean using non-renewable resources such as oil and metals, which is unsustainable (1).</li> </ul> <p>Accept any other appropriate responses.</p>	<b>(3)</b>

Question number	Indicative content	
1(h)	<b>AO2 (3 marks)/AO3 (3 marks)</b>	
	<b>AO2 and AO3</b>	
	<ul style="list-style-type: none"> <li>• Fiscal policy is the use of government spending and taxation to affect the economy.</li> <li>• Increased government spending and/or reduced taxation should cause the economy to expand.</li> <li>• Increased government spending may create jobs and income, e.g. more road building means more people needed to build the roads and supply the materials.</li> <li>• Reduced taxes mean more income left over to spend.</li> <li>• Both will increase demand in the economy.</li> <li>• More demand will mean that more needs to be produced to meet that demand.</li> <li>• Increased production means more goods and services being produced therefore GDP increases.</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	Answer	Mark
2(a)	<b>AO1 1 mark</b>	
	C Consumer price index	<b>(1)</b>

Question number	Answer	Mark
2(b)	<b>AO2 1 mark</b>	
	B	<b>(1)</b>

Question number	Answer	Mark
2(c)	<b>AO1 1 mark</b>	
	Award 1 mark for <b>one</b> correct cause.	
	<ul style="list-style-type: none"> <li>• Improved communications.</li> <li>• Improved transport.</li> <li>• The internet.</li> </ul>	
	Accept any other appropriate responses.	<b>(1)</b>

Question number	Answer	Mark
2(d)	<b>AO1 2 marks</b>	
	Award 1 mark for reference to nature of policy and 1 mark for reference to aim of policy.	
	Using interest rates (1) to influence the level of overall demand in the economy (1).	<b>(2)</b>

Question number	Answer	Mark
2(e)	<b>AO2 3 marks</b>	
	Award 1 mark for identifying a role of the WTO and 2 marks for developing the explanation.	
	<ul style="list-style-type: none"> <li>• To settle trade disputes (1). When a problem arises between two countries such as Brazil and Thailand over sugar subsidies, the WTO organises meetings (1) by bringing the two sides together and acting as mediator to help find a solution (1).</li> <li>• To encourage free trade (1). It holds 'rounds' of negotiation to bring countries together to increase free trade (1). It persuades countries to reduce/abolish tariffs and other barriers to trade (1).</li> </ul>	<b>(3)</b>

Question number	Answer	Mark
2(f)	<p style="text-align: center;"><b>A02 3 marks</b></p> <p>Award 1 mark for identifying a difference between the patterns of trade and 2 marks for developing the explanation.</p> <p>One difference is the size of the primary sector and reliance on primary products (1). Developed countries have exhausted many raw materials and moved away from agriculture so need to import these commodities (1). However, the secondary and tertiary sectors are more developed and they export goods and services to developing countries (1).</p> <p>Accept any other appropriate responses.</p>	<b>(3)</b>

Question number	Indicative content
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>• The government could invest more in education and training.</li> <li>• If people are better educated they are more likely to find employment or a better paid job.</li> <li>• This will improve their level of disposable income.</li> <li>• This should move them out of relative poverty.</li> <li>• More training will help people to acquire new skills and make them more employable.</li> <li>• These measures should lift some people out of relative poverty.</li> </ul> <p><b>A04</b></p> <ul style="list-style-type: none"> <li>• Investing in a better educational system and more training schemes will be expensive.</li> <li>• This may not be possible in times of austerity.</li> <li>• Such schemes are long-term in nature and may take some time before they work.</li> <li>• Figure 2 would suggest that existing education and training reforms appear to be having little impact.</li> <li>• Not all of those living in relative poverty may want to undertake further training/employment.</li> <li>• Much will depend upon the amount the government invests and the effectiveness of further changes to education and training.</li> </ul> <p>Accept any relevant government policy, e.g. government expenditure on financial benefits, increasing the minimum wage rate, decreasing taxation for poorer families or improving educational opportunities.</p>



<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	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	Answer	Mark
3(a)	<b>AO1 1 mark</b>	
	C Government expenditure is greater than government revenue	<b>(1)</b>

Question number	Answer	Mark
3(b)	<b>AO1 1 mark</b>	
	D Boom	<b>(1)</b>

Question number	Answer	Mark
3(c)	<b>AO2 3 marks</b>	
	<p>Award 1 mark for explaining revaluation, award a further mark for explaining devaluation and 1 mark for developing the different impact.</p> <p>Revaluation is when a government increases the value of its currency against a range of other currencies (1). Devaluation is when a government decreases the value of its currency against a range of other currencies (1). With revaluation exports become less competitive, with devaluation they become more competitive (1).</p>	<b>(3)</b>

Question number	Indicative content
3(d)	<b>AO2 (3 marks)/AO3 (3 marks)</b>
	<p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Appreciation of the pound means that more euros can be obtained for the same number of pounds.</li> <li>• UK exports will become more expensive as foreign buyers in France or Germany have to give up more euros to buy the same number of pounds.</li> <li>• Fewer UK exports will be demanded as price increases.</li> <li>• UK imports will become cheaper as the pound now buys more euros.</li> <li>• More imports, such as BMW cars and French perfumes, will be demanded as price falls.</li> <li>• The current account shows the value of all imports and exports over a period of time.</li> <li>• The result will be a worsening of the current account on the balance of payments as exports decline and imports rise.</li> </ul>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	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	Indicative content
3(e)	<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>• Supply-side policy is any policy aimed at improving the ability of an economy to produce goods and services.</li> <li>• Supply-side policies try to reduce unemployment by improving the skills and ability of the workforce.</li> <li>• Improving training and education will help unemployed workers find new jobs.</li> <li>• This might be particularly effective in reducing the number of 15–24 year olds who are unemployed.</li> <li>• Supply-side policies try to bring work to areas of high unemployment.</li> <li>• This might include tax concessions, government grants to assist with training and location costs, low interest finance and free advice.</li> <li>• Spain has high variations in regional unemployment rates – between less than 18% and over 30%.</li> <li>• This might suggest that regional unemployment is structural in nature.</li> <li>• Supply-side policies like these can be very effective in tackling structural unemployment.</li> <li>• Policies targeted at the areas of highest unemployment may well succeed in reducing those rates.</li> </ul> <p><b>A04</b></p> <ul style="list-style-type: none"> <li>• Supply side policies tend to be long-term in nature and may not improve unemployment rates for some time.</li> <li>• Spain’s unemployment may not be structural.</li> <li>• Even the least affected area still has high unemployment (13.8%).</li> <li>• This suggests that unemployment may be cyclical, in which case supply-side policies are unlikely to be effective.</li> <li>• It will be more effective to use fiscal and monetary policy to increase demand.</li> <li>• However, it may be that the unemployment is caused by both cyclical and structural factors.</li> <li>• In which case a combination of policies may be more effective.</li> </ul>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	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>• The 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	Answer	Mark
4(a)	<p style="text-align: center;"><b>A02 2 marks</b></p> <p>Award 1 mark for calculating the difference in GDP per capita between 2014 and 2015. Award 1 mark for calculating the percentage change between 2014 and 2015.</p> <p><math>2135 - 2004 = 131</math> (1) <math>131 \div 2004 \times 100 = 6.5\%</math> (1)</p> <p>Award 2 marks if percentage change is accurately calculated.</p>	<b>(2)</b>

Question number	Indicative content
4(b)	<p style="text-align: center;"><b>A02 (3 marks)/A03 (3 marks)</b></p> <p><b>A02 and A03</b></p> <ul style="list-style-type: none"> <li>• Tariffs are taxes placed on imports.</li> <li>• They increase the price of the imports.</li> <li>• Sri Lanka may have placed high tariffs of 30% on agricultural imports for several reasons: <ul style="list-style-type: none"> <li>○ to protect its own farmers from cheaper competition</li> <li>○ if imports are more expensive, Sri Lankan consumers will buy local produce and preserve the livelihood of Sri Lankan farmers</li> <li>○ this keeps people employed and prevents the problem of rising unemployment in the primary sector</li> <li>○ it may also be to raise revenue.</li> </ul> </li> <li>• Sri Lanka is a developing economy and may lack sufficient government revenue to fund areas such as education and healthcare.</li> <li>• High tariffs mean increased tax revenue, which enables the government to spend more in these areas and aid Sri Lanka's economic development.</li> </ul>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	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	Indicative content
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>• FDI – investment in one country that is made by a business, organisation or a government from another country.</li> <li>• FDI flows have both direct and indirect benefits: <ul style="list-style-type: none"> <li>○ the initial investment creates employment. Buildings and equipment may be needed. Once operations commence, a workforce will be needed</li> <li>○ local businesses may be involved in supplying or servicing the multinational corporation (MNC), seeing an increase in business and therefore taking on more workers</li> <li>○ those with new employment will spend some of their income with local businesses. This increases demand and, in turn, creates more jobs. There is a positive local multiplier effect</li> <li>○ GDP is likely to increase and Sri Lanka will develop economically</li> <li>○ MNCs may train up the local workforce who may acquire useful skills. MNCs often bring new technologies, techniques and methods. New work practices and technology help the host country to become more competitive and grow</li> <li>○ increased employment and wages should lead to an increased tax base and government revenue. Exports may increase improving the balance of payments</li> <li>○ Corporate Social Responsibility (CSR) policies can greatly benefit the local communities and environment.</li> </ul> </li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, wages can be low and working conditions may be poor.</li> <li>• MNCs may not train local workers to a high level. Research and development facilities may be kept in the home country, with little opportunity for skills or technology.</li> <li>• Local businesses suffer at the hands of the MNCs who take away their market share/customers.</li> <li>• MNCs can cause great damage to the environment by their processes and the transportation of their products. This damage can be short or long term and is usually unsustainable.</li> <li>• Profits may be sent home and taxation can be reduced or avoided.</li> <li>• MNCs may move from one country to the next, taking whatever incentives are on offer, before moving on to the next and newest low-cost location, leaving behind unemployed workers and a weakened economy.</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 and 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>

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