

Mark Scheme (Results)

Summer 2024

Pearson Edexcel GCE A Level

In Economics A (9EC0)

Paper 01 Market and Business Behaviour

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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.

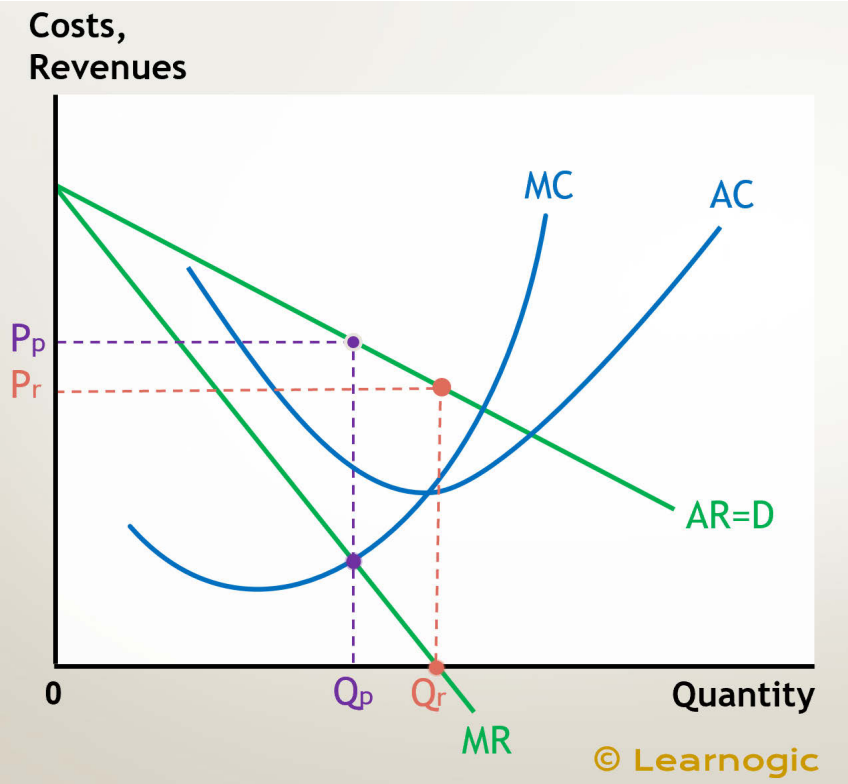
Question Number	Answer	Mark
1(a)	**Knowledge 2 Application 1 Analysis 1** **Knowledge/Analysis: Up to 3 marks for one reason e.g.** • Price elasticity of demand measures the responsiveness of demand to a proportionate change in price/formula (1) • Closeness of substitutes (1) young people have greater availability of substitutes – bus, walk, cycle/closer substitutes/adults bus dependent (1) • Proportion of income spent (1) greater proportion for younger people spent on bus travel (1) • Degree of necessity (1) adults getting to work may be more important than students getting to classes on time (1) **Application: 1 mark for reference to data e.g.** • Adult PED is -0.4, student PED is -0.7 (1) • Calculation e.g. 10% increase in price leads to a 7% decrease in demand for student tickets (1) • PED for young people is relatively less price inelastic (1) • PED for adults is relatively more price inelastic (1)	**(4)**

	N.B. Could be illustrated using a demand curve and may be awarded as application or analysis	

Question Number	Answer	Mark
1(b)	**The only correct answer is B** ***A*** *is not correct because 0.4/4.8 is an incorrect use of the formula* ***C*** *is not correct because the wrong PED has been selected,* *4.8x0.7* ***D*** *is not correct because 4.8/0.4 is an incorrect use of the formula*	**(1)**

Question Number	Answer	Mark
2(a)	**Knowledge 2 Application 1 Analysis 1** **Knowledge and Analysis: Up to 3 marks for one reason e.g.** • Price elasticity of supply measures the responsiveness of supply to a proportionate change in price/formula (1) • Regulations (1) takes time to build/planning permission/immobile factors (1) • Lack of resources (1) shortage of land/materials/ labour/operating at full capacity (1) **Application: 1 mark for reference to data e.g.** • New York (PES 0.5), price inelastic supply (1) OR • Texas (PES 1.8), price elastic supply (1) • Calculation e.g. 10% increase in price in New York leads to a 5% increase in supply (1) • Supply of housing is relatively more price inelastic in New York than Texas/more price elastic in Texas than New York (1) **N.B. Could be illustrated using a supply curve and may be awarded as application or analysis (up to 2 marks)**	**(4)**

Question Number	Answer	Mark

2(b)	**The only correct answer is C** ***A*** *is not correct because 1.8/12 is an incorrect use of the formula* ***B*** *is not correct because 1.8/1.2 is an incorrect use of the formula* ***D*** *is not correct because 1.8x12 is an incorrect use of the formula*	**(1)**
Question Number	Answer	Mark
3 (a)	**Knowledge 2, Application 2** 1 mark profit maximisation output where MC=MR 1 mark profit maximisation price 1 mark revenue maximisation output where MR=0 1 mark revenue maximisation price Diagram required e.g.  	**(4)**

Question Number	Answer	Mark
3(b)	**The only correct answer is A** ***B*** *is not correct because this is associated with productive efficiency rather than sales maximisation* ***C*** *is not correct because this is revenue maximisation* ***D*** *is not correct because this is allocative efficiency*	**(1)**

Question Number	Answer	Mark

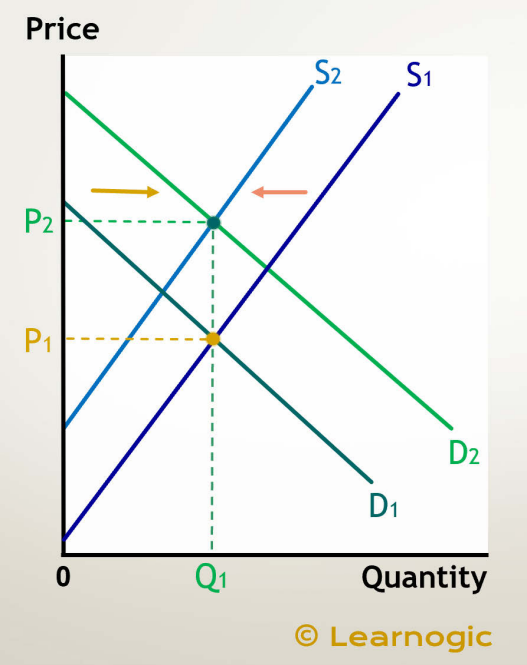
4(a)	**Knowledge 2 Application 1 Analysis 1** **Knowledge and Analysis: Up to 3 marks for one reason e.g.** • Maximum price is the ceiling price above which the price does not go (1) • Maximum price is set below the market equilibrium price (1) • Increases student affordability (1) causing an extension in demand / low-income students increase uptake (1) • Encourages consumption (1) internalising external benefits / third party effects (1) • Increase in consumer surplus (1) because the price of tuition has fallen (1) • Government may want to increase the proportion of young people at university (1) to increase future labour productivity (1) and therefore increase the external benefit/tax yield/revenue (1) **Application: Up to 1 mark for a relevant example e.g.** • Maximum undergraduate tuition fees in England are £9 250 (1) • Fees at the same level for 2 years (1) **NB A diagram may be used to earn knowledge, application or analysis marks (2)** **NB Must be one reason**	**(4)**

Question Number	Answer	Mark
4(b)	**The only correct answer is B** ***A*** *is incorrect as there would be an extension in demand* ***C*** *is incorrect as there would be excess demand* ***D*** *is incorrect as there would be a contraction in supply*	**(1)**

Question Number	Answer	Mark
5(a)	**Knowledge 2 Application 1 Analysis 1** The market structure is oligopoly (1) • Few dominant firms (1) • High concentration ratio (1) • Four/five firms more than 50% (1) • High barriers to entry (1) • Interdependence (1) • Lloyds is market leader (19.5%) (1) • Two marks for a correct calculation of the concentration ratio: Two firm 32.2% Three firm 43.3% Four firm 54.2% Five firm 64% Six firm 71.2 Seven firm 75.1	**(4)**

Question Number	Answer	Mark
5(b)	**The only correct answer is C** ***A*** *is not correct because they have miscalculated by using 1601/19.5* ***B*** *is not correct because they have selected the wrong market share thus calculating 1601/12.7 and wrong miscalculation* ***D*** *is not correct because they have miscalculated using 1601/0.195*	**(1)**

Question Number	Answer	Mark

6(a)	**Knowledge 1, Application 1, Analysis 3** **Knowledge and Analysis: (up to 4 marks)** Correctly labelled diagram annotated to show a shift left in supply curve **and** right in demand curve (1+1) e.g.  **NB two KAA marks are reserved for an accurate diagram: 1 mark for shifting demand, one for shifting supply. Or two separate diagrams, i.e. one showing shift in demand and another showing shift in supply can still get all 2 KAA** • Explanation that increased cost of production shift supply left causing price to rise (1) • Explanation that growing popularity shifts demand right causing price to rise (1) **Application: 1 for reference to Extract A e.g.** • Higher material costs/cost of components (chips) for consoles computers and smartphones (1) • Data reference to price of chips e.g. $0.20 each to more than $1 (1) • 'Growing popularity of home entertainment' or increase in demand for game consoles (1)	**(5)**

Question Number	Answer	Mark

6(b)	**Knowledge 2, Analysis 2, Application 2, Evaluation 2** **Knowledge/understanding:** 2 marks for identification of two factors (1+1) e.g. Factors could affect either the position or the elasticity of the labour supply curve • Wage rate (1) • Demographics (1) • Activity rates e.g. change in retirement age/ numbers retiring (1) • Educational opportunities (1) • Length of training/skills (1) • Pay in other occupations (1) • Occupational mobility (1) • Geographical mobility (1) • Net migration (1) • Other non-wage factors e.g. desirability of the job, motivational factors, home working (1) **Analysis:** 1 mark for linked explanation of each factor (1+1) e.g. • Lack of students completing engineering and computing degrees leading to a smaller qualified workforce (1) • More problem solving and analysis skills required leading to a smaller supply of labour (1) • Lower proportion of female students studying STEM subjects (1) **Application:** 2 marks for reference to the electronics industry e.g. • Loss of experienced/skilled employees (1) • Few computing/engineering graduates (1) • High skilled/automated technical industry/ requiring problem solving skills (1) • Hazardous, repetitive, grimy work (1) • Electronics industry compared to another e.g. finance (1) **Evaluation:** 2 marks for two evaluative comments, OR 2 marks for identification and linked development of one evaluative comment e.g. • Government intervention might correct this e.g. by changing retirement age, education/ training reforms • Price mechanism could increase supply in the long run providing a wage incentive	**(8)**

	• Financial incentives to invest in AI/new technologies can help fill some of the skills gap • AI reduces health risks of job • AI increases analytical/creative skills needed • Combination of factors affect labour supply	

Question Number	Indicative content	Mark
6(c)	**Knowledge 2, Application 2, Analysis 2** Definition or understanding of economies of scale Economies of scale may include: • Purchasing economies – bulk buying computer chips • Financial economies – accessing loans at low rates of interest from commercial banks • Managerial economies – Arm and Nvidia removing middle managers; greater specialisation and division of labour • Technical economies – greater investment in R&D and innovation, larger warehouses etc. • Marketing economies – ease of access to many effective media outlets, discounts on advertising space etc. • External economies – information sharing on selling products into emerging markets Removing wasteful duplication e.g. research into AI advances in games consoles, data centres and smartphones **NB A diagram may be used to illustrate economies of scale/diseconomies of scale** **NB For KAA level 3, candidates should refer to electronics industry**	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.

Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
6(c) continued	**Evaluation 4** • Diseconomies of scale and types – communication, coordination issues • Buyer has some monopsony power over electronics firms • Benefits may not be realised if buying from a monopoly supplier e.g. global supply chain issues • Limited benefits from global advertising, language and cultural barriers require adaptations • X-inefficiency for incumbent firms • Dynamic efficiency more significant than economies of scale • Consideration of size of firms – many firms in the industry are small-scale, so economies of scale may not be achievable to the same extent	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark

6(d)	**Knowledge 2, Application 2, Analysis 4** • CMA role/concerns/rejects merger • Reference to Nvidia and Arm Concerns might include: • Greater monopoly power/higher prices/lowering consumer surplus/less allocative efficiency • Lower output/choice • Lower quality/customer service • X-inefficiency or diseconomies of scale resulting in less innovation/higher prices • Less competition/higher barriers to entry • Collusion/other anti-competitive practices • Shareholders put before consumers **N.B. A diagram may be used to illustrate some of these concerns e.g. higher supernormal profits or a lack of allocative efficiency** **N.B. Two concerns required for KL3** **N.B. KAA may be used as Evaluation and viceversa**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.

Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(d) continued	**Evaluation 4** • Economies of scale from horizontal merger - lower prices/increased output • Improved customer service – being closer to the consumer due to vertical integration • 'Finance high-risk innovation and global advertising' • Increased global market share/sales • Dynamic efficiency/synergy – profits reinvested into innovation/higher quality • Investment deal of £29.5bn funds innovation/quality /choice • The CMA investigation itself may prevent merger/ there may be fines if the firm exploits consumers • Imposition of price caps • The merger may not reduce competition	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark

6(e)	**Knowledge 3, Application 3, Analysis 3** Government intervention to correct market failure – negative externalities of production Reduce overproduction – market output greater than social optimum Correct misallocation of resources – reduce welfare loss Reduce external cost/third party effects Government methods: • Indirect tax on electronic waste (specific) **or** on manufacturers of devices • Subsidies extending longevity of electronic items/ increase recyclable content • Provision of information/education – on electronic waste problems on packaging • Regulation – extending longevity of electronic items/ increasing recyclable content/fines for not recycling • Tradable pollution permits Reward relevant application e.g. candidates work out how much is not being recycled (700 000 tonnes) **NB for a level 3 answer there must be at least one reference to Extract D and two methods** **NB reward relevant diagram**	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.

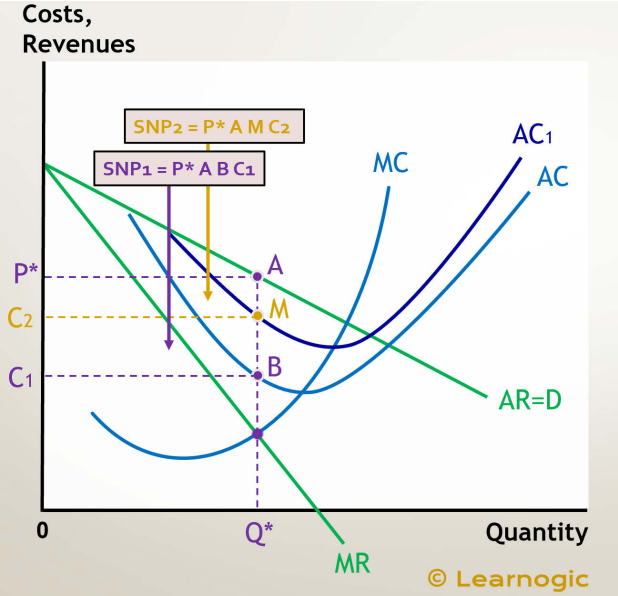
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using
		relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(e) continued	**Evaluation 6** • Discussion of the effectiveness of the policies • Difficulty in measuring/quantifying and giving a monetary value to scale of negative externality/ overproduction/external costs • Consideration of the price elasticity of demand and supply/difficulty in changing behaviours • Some initiatives have worked in the past e.g. the recycling rate for big appliances, such as fridges and cookers, is about 80% • Depends on technological advances e.g. may reduce waste from small appliances/re-use/longer life-span of products • Information gaps: Consumers ignore the electronic waste labelling • Government failure: Unintended consequences - illegal dumping of small electronic products is likely to increase • Government failure: Excessive administrative costs – targeting subsidies, imposing fines • Timescale e.g. improving new products will take longer than recycling current items	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.

Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark

7	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** • Increase in energy bills (Fixed Cost) shifts AC upwards OR Variable Costs increase shifting AC and MC upwards • Loss area/smaller profit connected with MC=MR • Short-term (AVC) or long-term (AC) shut down point reached for firms in industry • Cost and Revenue/Supply and Demand analysis - higher prices and lower output • Industry energy intensive • Cut in costs – wages/redundancies/investment/impact on hotel guests/customers • Wider impacts on employees and suppliers • Reduction in the level of competition/contestability in the industry as smaller firms are forced to exit Diagram (showing fixed costs changing) e.g.  • Change in business objective e.g. to sales maximisation • Incentive to put in place energy saving devices, insulation, solar panels to reduce energy use **N.B. For Level 4 response a diagram is not required** **N.B. For Level 4 KAA candidates must refer to a specific industry** **Evaluation** • Energy prices are very volatile • Energy bill as proportion of total cost • Cover AVC in short run – contribute to energy bills • Cover AC in long run	**(25)**

	• Long-term changes e.g. energy price falls • Industry/market structure – monopsony power - larger companies can negotiate better deals • Information/education campaigns to encourage customers to reduce energy consumption e.g. reminders to turn the heating down and turn lights off • Reward magnitude arguments e.g. the size of the increase in energy costs • Extent to which costs can be offset by energy saving measures/or increase in demand for hotel rooms • Government intervention to support businesses with higher bills • Impact depends on size of the hotel e.g. Premier Inn • Candidates can use PED as impact on revenue	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.
Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark

8	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** An industry is contestable when there is freedom of entry and exit into it. It is not the number of firms that is important, but the ease with which new firms can enter the market. This alters the behaviour of incumbent firms **Not contestable – definition/understanding** • High barriers to entry • Collusion • Highly concentrated market implies high barriers to entry • Strong brand names imply high sunk costs (advertising/ social media platform) to reach mass market • Entry only by well-established firms with finance to invest • High start-up mass production costs – large economies of scale • Profit maximising firm(s) dominate the market – abuse of monopoly/monopsony practices • Use of limit pricing/collusive practices by incumbents • Barriers to exit – sunk costs **Evaluation** **Contestable – definition/understanding** • Barriers to entry lowered – technological advances • Limit pricing suggestive of contestability • Products more homogenous – compete on price • Market more competitive – consumers prepared to switch, demand more relatively price elastic • Small scale production - may secure niche market/different market segments • Large incumbents making losses – vulnerable to new entrants • Barriers to exit lowered – rent land, capital, temporary labour contracts • Degree of contestability • Extent of hit-and-run competition • Easily available information on industry • Regulators may intervene to increase contestability **N.B. KAA may be used as Evaluation and vice-versa** **N.B. For Level 4 KAA candidates must refer to a specific industry**	**(25)**

Knowledge, application and analysis		
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Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

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