



# Mark Scheme (Results)

Summer 2025

Pearson Edexcel GCE A Level  
In Economics A (9EC0)  
Paper 01 Markets 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.

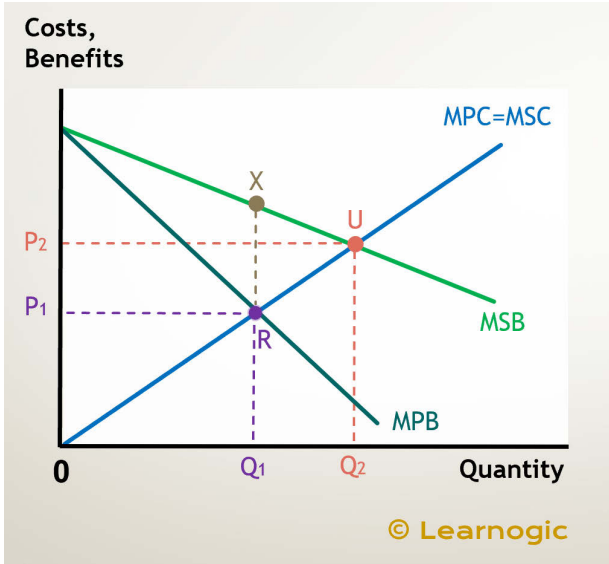
| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>1(a)</b>     | <p style="text-align: center;"><b>Knowledge 2, Application 2</b></p> <p><b>Knowledge/Understanding: (up to 2 marks)</b><br/> 1 mark for identifying each correct price/output level e.g.<br/> Identify revenue maximisation position: for example, where MR=0 or output level 130 or price £10 (1)</p> <p>Identify profit maximisation position: for example, where MR=MC or output level 98 or price £14 (1)</p> <p><b>Application: (up to 2 marks)</b><br/> Calculate total supernormal profit at revenue maximisation position: for example, total revenue – total cost = total profit:</p> <p>£1300 – £1040 = <b>£260</b> (1)<br/> <b>OR</b><br/> £10-£8 = £2, £2 × £130 = £260 (1)<br/> <b>OR</b><br/> Calculate total profit at profit maximisation position: £1372 - £686 = <b>£686</b> (1)<br/> <b>OR</b><br/> £14-£7 = £7, £7 × £98 = £686 (1)</p> <p>£686-£260 = <b>£426</b></p> <p><b>Award full 4 marks for £426</b></p> <p><b>Award 3 marks if candidate writes -£426</b></p> | <b>(4)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                                                  | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>1(b)</b>     | <p><b>The only correct answer is A</b></p> <p><i><b>B</b> is not correct because average revenue is the firm's demand curve</i></p> <p><i><b>C</b> is not correct because average revenue and marginal revenue will both fall</i></p> <p><i><b>D</b> is not correct because average revenue and marginal revenue will both fall</i></p> | <b>(1)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>2(a)</b>     | <p style="text-align: center;"><b>Knowledge 2, Application 1, Analysis 1</b></p> <p><b>Knowledge and Analysis (3)</b></p> <ul style="list-style-type: none"> <li>• The PES of oil is likely to be between 0 and 1 (1)</li> <li>• PES is likely to be relatively inelastic (1)</li> <li>• Change in price has little/no impact (less than proportionate effect) on supply of oil (1)</li> <li>• Diagram to show an inelastic supply (1)</li> <li>• Time lags (1)</li> <li>• Less inelastic for existing producers. Plants can be mothballed etc. (1)</li> </ul> <p><b>Application (1)</b></p> <p>1 mark for e.g.</p> <ul style="list-style-type: none"> <li>• As oil companies may take years to develop oil fields when prices are high (1)</li> <li>• Companies can take 20 years to begin to extract oil (1)</li> <li>• They often have to continue producing oil even when prices fall (1)</li> <li>• UK government provided to 130 new licences</li> </ul> | <b>(4)</b> |

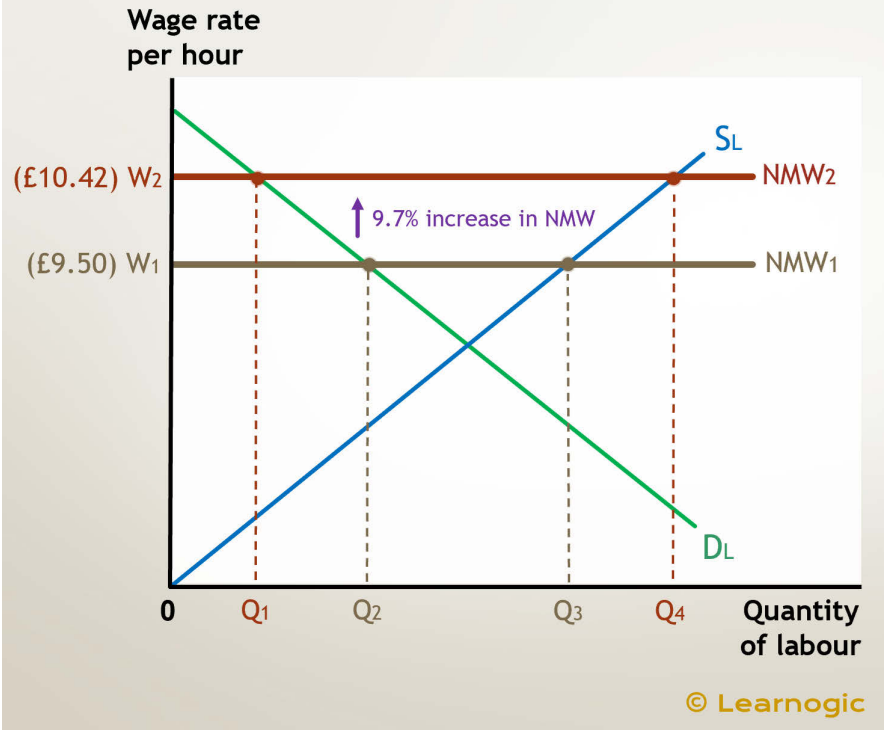
| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>2(b)</b>     | <p><b>The only correct answer is C</b></p> <p><i><b>A</b> is not correct as XED shows the change in the demand for petrol cars in response to the change in price of diesel cars</i></p> <p><i><b>B</b> is not correct as XED shows the change in the demand for petrol cars in response to the change in price of diesel cars</i></p> <p><i><b>D</b> is not correct as the this would only occur if the prices of diesel cars fell by 100%</i></p> | <b>(1)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                            | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>3(a)</b>     | <p><b>The only correct answer is A</b></p> <p><b>B</b> is not correct because making normal profit happens when <math>AR=AC</math></p> <p><b>C</b> is not correct because making supernormal profit means <math>AR&gt;AC</math></p> <p><b>D</b> is not correct because the firm is not productively efficient</p> | <b>(1)</b> |

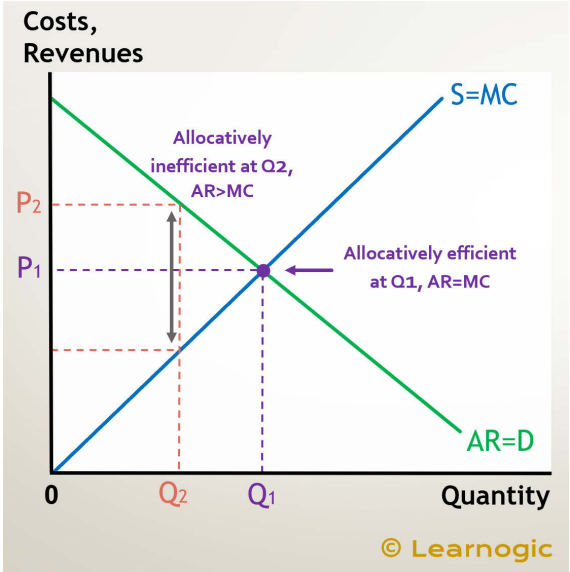
| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>3(b)</b>     | <p style="text-align: center;"><b>Knowledge 2, Application 2</b></p> <ul style="list-style-type: none"> <li>• 1 mark for MSB above MPB</li> <li>• 1 mark for the original market equilibrium where <math>MPB=MPC</math> at <math>Q_1</math></li> <li>• 1 mark for the social optimal equilibrium where <math>MSB=MSC</math> at <math>Q_2</math></li> <li>• 1 mark for welfare gain area UXR identified</li> </ul> <p>Diagram required e.g.</p>  <p><b>NB MSB may be parallel or pivoted</b></p> | <b>(4)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mark       |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>4(a)</b>     | <p style="text-align: center;"><b>Knowledge 3 Application 1</b></p> <p><b>Knowledge/understanding (3)</b><br/>1 mark for e.g.:</p> <ul style="list-style-type: none"> <li>• Understanding of asymmetric information and information gaps</li> <li>• This is an example of market failure</li> <li>• Buyers and sellers have different levels of information</li> <li>• Seller knows the history of the vehicle</li> <li>• Buyer finds it hard to distinguish between a high quality and a low-quality vehicle</li> <li>• Prices and incentives to sell are affected</li> <li>• Risk of 'lemons' sees buyers, uncertain of quality, only willing to pay an average price for cars, discouraging sellers of high-quality cars from participating</li> <li>• Faults more costly to fix nowadays due to sophisticated electronics in cars</li> <li>• Many modern cars are more reliable so less of a problem</li> <li>• Allow use of a diagram to show information gap</li> </ul> <p><b>Application (1)</b><br/>1 mark for e.g.</p> <ul style="list-style-type: none"> <li>• 750 000 consumers face unresolved problems</li> <li>• Older vehicles more likely to have faults</li> <li>• Increased risks to potential buyers</li> <li>• Own used car examples</li> </ul> | <b>(4)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                               | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>4(b)</b>     | <p><b>The only correct answer is B</b></p> <p><b>A</b> is not correct because firms tend to maximise profits</p> <p><b>C</b> is not correct because this is an example of irrational behaviour</p> <p><b>D</b> is not correct because this is an example of irrational behaviour</p> | <b>(1)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>5(a)</b>     | <p style="text-align: center;"><b>Knowledge 2, Application 1, Analysis 1</b></p> <ul style="list-style-type: none"> <li>• 1 mark for correctly labelled axes, and demand and supply curves</li> <li>• 1 mark for showing initial NMW<sub>1</sub> at W<sub>1</sub> above equilibrium</li> <li>• 1 mark for showing higher NMW<sub>2</sub> of W<sub>2</sub> above NMW<sub>1</sub></li> <li>• 1 mark for showing new real wage unemployment Q<sub>1</sub>–Q<sub>4</sub><br/> <b>OR</b> indicating both numerical values on the x-axis</li> <li>• 1 mark for excess supply/surplus of labour</li> <li>• Application can be shown on diagram</li> </ul> <p>Diagram required e.g.</p>  <p style="text-align: right;">© Learnogic</p> | <b>(4)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                       | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>5(b)</b>     | <p><b>The only correct answer is D</b></p> <p><b>A</b> is not correct because this would increase the demand for labour</p> <p><b>B</b> is not correct because this would increase the supply of labour</p> <p><b>C</b> is not correct because this would increase the demand for labour</p> | <b>(1)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 6(a)            | <p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 2</b></p> <p><b>Knowledge and Analysis:</b> (up to 3 marks)</p> <ul style="list-style-type: none"> <li>• Allocative efficiency is when the goods and services produced are those that consumers most desire</li> <li>• Occurs when the marginal utility to consumers of consuming a good or service equals the marginal cost of producing it</li> <li>• It is likely to improve</li> <li>• Achieved where price/AR equals MC</li> <li>• More optimal distribution of resources is achieved</li> <li>• Maximisation of consumer welfare</li> <li>• Increased competition in market</li> <li>• Increased concentration in some digital markets may worsen allocative efficiency</li> <li>• Reward a relevant diagram e.g.</li> </ul> <div style="text-align: center;">  <p>© Learnogic</p> </div> <p><b>Application:</b> up to 2 marks for e.g.</p> <ul style="list-style-type: none"> <li>• Consumers now have greater choice</li> <li>• Access to higher quality products</li> <li>• Lower prices</li> <li>• E.g. fashion clothing, language tuition, digital banking, online retailing, computer games, mobile apps</li> <li>• Time saved by online banking compared to going to a branch</li> </ul> | <b>(5)</b> |

| Question Number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 6(b)            | <p style="text-align: center;"><b>Knowledge 2, Analysis 2, Application 2, Evaluation 2</b></p> <p><b>Knowledge/understanding:</b> 2 marks (1+1) e.g.</p> <ul style="list-style-type: none"> <li>• Generate demand for new jobs</li> <li>• Displace many existing jobs</li> <li>• Other effects such as increased pay, less/more satisfying work</li> </ul> <p><b>Analysis:</b> 1 mark for linked explanation of each identified reason (1+1) e.g.</p> <ul style="list-style-type: none"> <li>• New industries and jobs required/needed</li> <li>• Greater impact on labour productivity</li> <li>• Workers no longer needed/replaced by technology</li> </ul> <p><b>Application:</b> 2 marks for reference to the information provided (1+1), e.g.</p> <ul style="list-style-type: none"> <li>• Contribute £12 trillion to global GDP</li> <li>• Financial services most at risk in shorter term</li> <li>• Transport jobs/train drivers at risk in longer term</li> <li>• Growth of online banking led to the closure of many high street branches</li> <li>• By the mid-2030, up to 30% of all jobs could be automated</li> <li>• Slightly more impact on men</li> <li>• Use of Chat GPT as an example</li> <li>• The growth of AI will require highly skilled workers such as trainers and engineers</li> <li>• Own examples of jobs needed within digital markets e.g. website designers, video games/app developers</li> </ul> <p><b>A relevant diagram can be awarded as either K or An</b></p> <p><b>Evaluation:</b> 2 marks for two evaluative comments, OR 2 marks for identification and linked development of one evaluative comment e.g.</p> <ul style="list-style-type: none"> <li>• Short run versus long run impact</li> <li>• Magnitude arguments</li> <li>• Impact depends on occupational mobility</li> <li>• May depend on government education policy</li> <li>• Some workers more affected than others e.g. finance workers may have more transferable skills</li> <li>• Some regions/industries more affected than others</li> </ul> | <b>(8)</b> |

|  |                                                                                                                                                                                                                                                                                                                        |  |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <ul style="list-style-type: none"><li>• Jobs lost are often low-skilled</li><li>• Jobs created are often highly-skilled</li><li>• Trade unions may resist automation e.g. London Tube</li><li>• Drivers may be needed to allay passengers fears of no human driver and for situations where automation fails</li></ul> |  |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| Question Number | Indicative Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                 | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>6(c)</b>     | <p><b>Knowledge 2, Application 2, Analysis 4,</b></p> <p>PED is likely to be price inelastic as:</p> <ul style="list-style-type: none"> <li>- Change in price does not cause a significant change in quantity demanded/less responsive</li> <li>- Diagram to show price inelastic demand</li> <li>- 'high price does not seem to deter all new buyers, especially in sports and multi-player action games'</li> <li>- Examples of high prices of games</li> <li>- Addictive e.g. 10-16 hours per day</li> <li>- Irrational behaviour of buyers</li> <li>- In-game purchases bring in additional revenue</li> <li>- Price Discrimination - inelastic PED players have opportunities to spend more on in app purchases e.g. £9.99 Spiderman "skin"</li> <li>- Loyal customers willing to pay a high price</li> <li>- Market dominated by a few large firms/lack of choice arguments e.g. Microsoft/Activision merger</li> <li>- Use of data on games/prices to support argument</li> <li>- Habitual behaviour – monthly subscription payment</li> <li>- Likely to be a small proportion of adults' incomes</li> <li>- Possible discussion of how cheap per hour played the product is/comparison with other entertainment forms like cinema or Netflix</li> <li>- Influencers - top players get millions of views and may be sponsored by video companies. Makes consumers want to play the product themselves</li> <li>- Branding/brand strength making PED more price inelastic</li> </ul> <p><b>NB: candidates could argue demand is price inelastic as KAA and demand is price elastic as evaluation (or vice versa)</b></p> |                                                                                                                                                                                                                                                                 | <b>(8)</b> |
| 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.<br>Use of generic or irrelevant information or examples.<br>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.<br>Applies economic ideas and relates them to economic                                                                                                          |            |

|         |     |                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |     | <p>problems in context, although does not focus on the broad elements of the question.</p> <p>A narrow response; chains of reasoning are developed but the answer may lack balance.</p>                                                                                                                                                                                                                  |
| Level 3 | 6–8 | <p>Demonstrates accurate knowledge and understanding of the concepts, principles and models.</p> <p>Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.</p> <p>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.</p> |

| Question Number          | Indicative Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Mark       |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>6(c)</b><br>continued | <p style="text-align: center;"><b>Evaluation 4</b></p> <p>PED may not be inelastic (or argument for elastic PED)</p> <ul style="list-style-type: none"> <li>- Cheaper games are available (there are plenty of alternatives)</li> <li>- Lower prices games can attract large sales e.g. Minecraft/Mario Kart 8</li> <li>- Depends on which segment of the market the game is aimed</li> <li>- Large proportion of income (expensive product)</li> <li>- PED varies over time – only very inelastic at the point of release</li> <li>- Games have seen a drop off in demand after the pandemic, as consumers have less free time now</li> <li>- Many freemium games on offer. Free to play with just advertising and no need to purchase enhanced in app features</li> <li>- Subscription services offer a new alternative</li> <li>- Could change in the future with merger activity/ government intervention</li> </ul> | <b>(4)</b> |

| 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.<br>Evaluation recognises different viewpoints and/or is critical of the evidence. |

| Question Number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mark |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 6(d)            | <p><b>Knowledge 2, Application 2, Analysis 2</b></p> <ul style="list-style-type: none"> <li>Understanding of contestability <ul style="list-style-type: none"> <li>Not the number of firms in the market but how they behave</li> <li>The ease with which new firms can enter and exit the market</li> <li>Threat of potential competition becoming actual</li> <li>Hit-and-run competition</li> <li>Potential threat of new entrants can drive existing firms to improve efficiency and offer better products or service</li> </ul> </li> <li>Market is unlikely to be contestable</li> <li>Hard for new firms to enter</li> <li>Examples of high barriers to entry and exit in the market e.g. <ul style="list-style-type: none"> <li>Brand loyalty e.g. EA and Sony</li> <li>Sunk costs - 'video games can take up to five years to develop and cost over £150 million to produce'</li> <li>High start-up costs - 'with 200 full-time employees working on the software'</li> <li>Advertising/marketing costs</li> <li>Legal barriers/intellectual property</li> <li>Economies of scale of large firms</li> <li>Specialist staff required (in shortage/high wage area) - 'Starting salaries for software developers can be £100 000'</li> <li>High supernormal profits in market - 'Microsoft annual gross profit for 2023 was £146 billion, a 7.69% increase on 2022'</li> <li>Distribution problems</li> <li>Limit pricing</li> </ul> </li> <li>Use of data from Figure 1 to show dominance of large firms e.g. EA and Sony</li> <li>Subscription model could be appealing giving access to all new releases. However, a smaller company may struggle to have enough games to be able to compete</li> </ul> <p><b>NB: candidates could argue why the market is unlikely to be contestable as KAA and why the market is contestable as evaluation (or vice versa)</b></p> | (6)  |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |      |

|         |     |                                                                                                                                                                                                                                                                                                        |
|---------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | 0   | A completely inaccurate response.                                                                                                                                                                                                                                                                      |
| Level 1 | 1–2 | Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models.<br>Use of generic or irrelevant information or examples.<br>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.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>A narrow response or the answer may lack balance.        |
| Level 3 | 5–6 | Demonstrates accurate knowledge and understanding of the concepts, principles and models.<br>Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.<br>Economic ideas are applied appropriately to the broad elements of the question. |

| Question Number          | Indicative Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mark       |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>6(d)</b><br>continued | <p style="text-align: center;"><b>Evaluation 4</b></p> <p>Market is likely to be contestable:</p> <ul style="list-style-type: none"> <li>• Genuine technological advancement could still break into the market and overcome barriers</li> <li>• Other large technology firms could diversify into the video game market</li> <li>• Depends on the future actions of competition authorities /any merger activity e.g. Microsoft /Activision took nearly 2 years to get approved</li> <li>• Some forms of gaming are quicker/cheaper to develop e.g. 'some simple video games and apps cost as little as £23 000 to develop and take about six months'</li> <li>• AI may lower the cost of game development in the future</li> <li>• Internet makes it easier for firms to distribute games at minimal cost</li> <li>• High prices of many games (e.g. Gran Turismo 7 £69.99) may provide opportunities for other firms to enter profitably</li> </ul> | <b>(4)</b> |

| 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.<br>Evaluation recognises different viewpoints and/or is critical of the evidence. |

| Question Number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Mark       |
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| <b>6(e)</b>     | <p style="text-align: center;"><b>Knowledge 3, Application 3, Analysis 3</b></p> <p>Understanding of integration</p> <ul style="list-style-type: none"> <li>• Horizontal, in the sense of Microsoft's ownership of Minecraft</li> <li>• Vertical in the sense of the X-Box manufacturer buying Activision, a game designer</li> </ul> <p>Benefits include:</p> <ul style="list-style-type: none"> <li>• Access to Activision's catalogue of titles: Microsoft will now own COD: MW II which had sales of 1 675 323, increasing the company's market share</li> <li>• These additions to its product portfolio (diversification) will enable Microsoft to generate a strong competitive advantage over rivals such as Sony</li> <li>• Removing titles and taking market intelligence away from competitors which helps to make a market less contestable i.e. it increases market power and profits</li> <li>• Can gain economies of scale e.g. technical, financial</li> <li>• Control of the supply chain – this helps to reduce unit costs and improve the quality of inputs into the game design/development process</li> <li>• Microsoft can move away from hardware into online and subscription gaming model which is the future of the industry – 'Microsoft is the dominant firm in the market for subscription services.'</li> <li>• Better control over retail distribution and adding new games to its subscription services to build business revenues</li> <li>• Improved access to key developers, perhaps at the expense of major rivals, who must then pay more for published titles</li> <li>• Communication issues may be overcome by technology. E.g. Microsoft can have meetings via Teams</li> </ul> | <b>(9)</b> |

| 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.<br>Use of generic or irrelevant information or examples.<br>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                                                                                                                                                                                                             |

|         |     |                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |     | <p>economic principles, concepts and theories.</p> <p>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.</p> <p>A narrow response; chains of reasoning are developed but the answer may lack balance.</p>                                                                                                           |
| Level 3 | 7–9 | <p>Demonstrates accurate knowledge and understanding of the concepts, principles and models.</p> <p>Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.</p> <p>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.</p> |

| Question Number          | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Mark       |
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| <b>6(e)</b><br>continued | <p style="text-align: center;"><b>Evaluation 6</b></p> <p>Disadvantages include:</p> <ul style="list-style-type: none"> <li>• Mergers can often create new problems of control, communication and coordination within the bigger more disparate firm</li> <li>• It can lead to diseconomies of scale where the new bigger firm is more inefficient</li> <li>• Growth can lead to synergies but there is also a risk of culture clashes and resistance to change e.g. there were issues with the conduct of some of Activision's employees, resulting in the State of California suing them</li> <li>• Cost of the merger is significant – '£65 billion' and it could incur very high legal fees/overhead costs</li> <li>• Microsoft becomes increasingly vertically integrated controlling key elements of its supply chain, hence increasing scrutiny by the competition authorities e.g. merger was blocked by the UK's Competition and Markets Authority (CMA)</li> <li>• Vertical mergers will have fewer economies of scale because production is at different stages of supply</li> <li>• The acquisition is likely to raise concerns in terms of competitiveness of the industry</li> <li>• Pricing power may not be that strong – Microsoft's Minecraft is only £14.99, less than half of the price of all the other titles in Figure 1</li> <li>• Asymmetric information with mergers. E.g. major product releases may have to be delayed because of issues Microsoft was previously unaware of</li> </ul> | <b>(6)</b> |

| 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.<br>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.<br>Evaluation recognises different viewpoints and/or is critical of the evidence.     |

| Question Number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 7               | <p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8, Evaluation 9</b></p> <p><b>Microeconomic effects could include:</b></p> <ul style="list-style-type: none"> <li>• Impact on firms' costs, revenue, profit (use of cost, revenue, profit diagram)</li> <li>• Impact on construction sector significant</li> <li>• Impact on labour markets e.g. geographical mobility of labour, labour market shortages, supply of labour in specific industries, demand for labour during construction, wage determination</li> <li>• Positive external benefits of less car travel</li> <li>• Employment/Wages - quicker transport e.g. for workers to access high paying jobs in London</li> <li>• Negative production externalities – private costs and external costs (use of diagram)</li> </ul> <div data-bbox="539 929 1182 1570" data-label="Figure"> </div> <ul style="list-style-type: none"> <li>• Accept price on y-axis, MSC may be parallel or pivoted</li> <li>• PPF and growth arguments</li> <li>• Impact on house prices</li> </ul> <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Magnitude of the project - £100 billion is significant</li> <li>• Affordability arguments</li> <li>• Opportunity cost arguments</li> <li>• Government failure arguments</li> </ul> | (25) |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |
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|  | <ul style="list-style-type: none"> <li>• Time lags and implementation lags</li> <li>• Type of infrastructure project built</li> <li>• Conflicts between objectives – cost versus benefits</li> <li>• Difficulty in valuing external costs</li> <li>• People may not have the skills (e.g. financial) to get these jobs</li> <li>• Whilst quicker, transport costs could be prohibitive</li> <li>• Environmental offset may compensate for the loss from construction</li> <li>• Extensive use of tunnels minimises environmental damage</li> </ul> <p><b>NB Macroeconomic effects should be awarded at L2 maximum</b></p> <p><b>NB negative effects can be taken as KAA and positive effects as evaluation (and vice versa)</b></p> |  |
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| <b>Knowledge, application and analysis</b> |       |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.<br>Use of generic or irrelevant information or examples.<br>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.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>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.<br>Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer.<br>Analysis is clear and coherent, although it may lack balance.<br>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.<br>Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated.<br>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning. |

| <b>Evaluation</b> |      |                                                                                                                                                                                                                                                                          |
|-------------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.<br>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.<br>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               | <p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8, Evaluation 9</b></p> <p><b>Microeconomic effects could include:</b></p> <ul style="list-style-type: none"> <li>• Impact on firms' costs, revenue, profit (use of cost, revenue, profit diagram)</li> <li>• Impact on schools, colleges and universities particularly significant</li> <li>• Accept discussion of different funding models, with the Department for Education taking over role of the Education and Skills Funding Agency (ESFA) in March 2025. This previously funded education for learners aged 16 to 19-years-old</li> <li>• Impact on labour markets e.g. occupational mobility of labour, labour market shortages, supply of labour in specific industries, demand for labour e.g. maths teachers, wage determination</li> <li>• Increased skills so better employment prospects and higher wages/standard of living</li> <li>• Positive consumption externalities – private and external benefits</li> <li>• Use of diagram e.g. RXU is potential welfare gain, RX size of external benefit, etc.</li> </ul> <div data-bbox="544 1249 1177 1832" data-label="Figure"> <p style="text-align: right;">© Learnogic</p> </div> <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• PPF and growth arguments</li> <li>• Magnitude of spending - depends on how much</li> </ul> | (25) |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
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|  | <p>spending on education is increased</p> <ul style="list-style-type: none"> <li>• Affordability arguments</li> <li>• Opportunity cost arguments</li> <li>• Some people are less suited to Maths and may struggle to make progress</li> <li>• People may be suited to focusing on other areas</li> <li>• Government failure arguments</li> <li>• Time lags and implementation lags – education takes a long time to have an impact, policies take time to be designed and implemented</li> <li>• Type of education included in the policy e.g. what level of maths</li> <li>• Conflicts between objectives – cost versus benefits</li> <li>• Difficulty in valuing external benefits</li> <li>• Impact on long-term size of labour force</li> </ul> <p><b>NB Macroeconomic effects should be awarded at L2 maximum</b></p> <p><b>NB negative effects can be taken as KAA and positive effects as evaluation (and vice versa)</b></p> |  |
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| <b>Knowledge, application and analysis</b> |       |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.<br>Use of generic or irrelevant information or examples.<br>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.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>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.<br>Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer.<br>Analysis is clear and coherent, although it may lack balance.<br>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.<br>Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated.<br>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning. |

| <b>Evaluation</b> |      |                                                                                                                                                                                                                                                                          |
|-------------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.<br>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.<br>Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made. |