

International GCSE

Economics (9–1) (Modular)

Sample Assessment Materials

Pearson Edexcel International GCSE in Economics (Modular) (4XEC1)

First teaching September 2023

First examination June 2024

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Issue 1



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Contents

Introduction	1
General marking guidance	3
Unit 1 Assessment: Microeconomics and Business Economics	
Question paper	5
Mark scheme	29
Unit 2 Assessment: Macroeconomics and the Global Economy	
Question paper	45
Mark scheme	69

Introduction

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

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

The sample assessment materials in this document are derived from the existing Edexcel International GCSE (9-1) in Economics qualification, which is linear in design. Design, structure and layout of the exam papers across both qualifications are the same but in the modular qualification candidates are able to sit and resit individual units in different series.

Both linear and modular routes are designed to provide the same level of demand overall while providing candidates with a choice of assessment options.

Note: Within International GCSE (9-1) in Economics (Modular), assessments are referred to as units. This is to support the modular nature of the qualification as each individual assessment is entered for as a separate unit.

General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do, rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked **unless** the candidate has replaced it with an alternative response.

Marking guidance for levels-based mark schemes

How to award marks

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

Finding the right level

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

Placing a mark within a level

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

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

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

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International GCSE (9–1)

Sample assessment material for first teaching September 2023

Time 1 hour 30 minutes

Paper
reference

4WEC1/01

Economics (Modular)

UNIT 1: Microeconomics and Business Economics

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

Information

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

Advice

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

Turn over ►

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

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

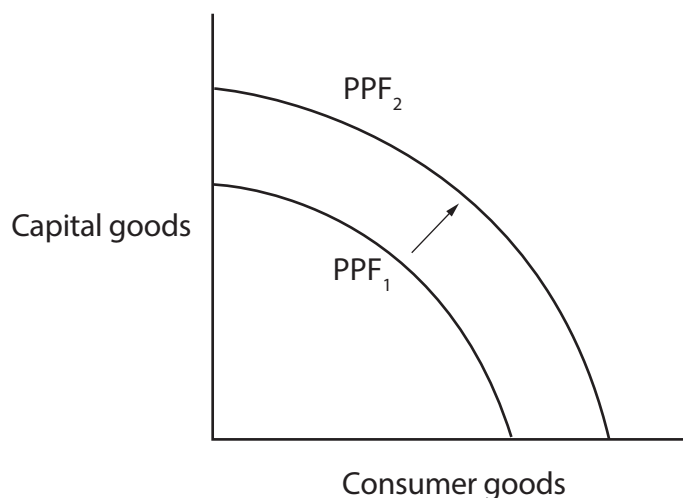


Figure 1

- 1 (a) Which **one** of the following might have caused the movement from PPF1 to PPF2 in Figure 1 above? (1)
- A Negative economic growth
 - B Positive economic growth
 - C Diseconomies of scale
 - D Economies of scale
- (b) A firm has total costs of \$10 000 and sells each item at a price of \$100. It sells 200 items. What is the **profit or loss** for the firm? (1)
- A \$20 000 profit
 - B \$10 000 profit
 - C \$20 000 loss
 - D \$10 000 loss

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(c) What is meant by the term privatisation?

(2)

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(d) State **one** reason why the government regulates competition in the economy.

(1)

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(e) Define the term congestion.

(1)

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Figure 2 shows some of the monthly production costs for a firm which makes furniture.

Production costs	€
Rent	30 000
Raw materials	16 500
Insurance	7 000
Labour (payment depends on output)	95 000

Figure 2

- (f) Calculate the **total variable costs** for the firm each month. You are advised to show your working.

(2)

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Figure 3 shows the market for apples.

- (g) Using the diagram below, draw the likely effects on the market for apples following an increase in the advertising of apples. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

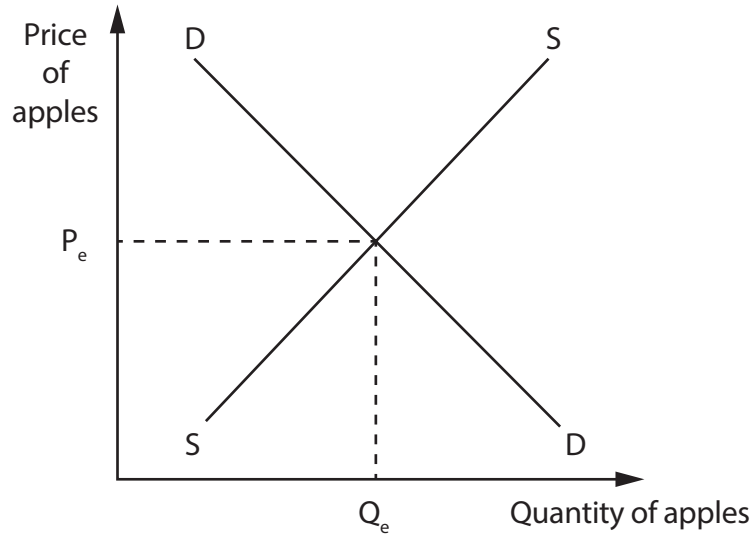


Figure 3

A firm produces tennis balls. There are a number of stages in the process of producing tennis balls. The firm uses division of labour in its factory.

- (h) Explain **one** advantage of using division of labour for the firm.

(3)

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Drinking water in the Canary Islands has to be filtered by machines to remove the salt from sea water. Samples are taken by production workers to ensure salt and impurities have been removed.

- (i) With reference to the data above and your knowledge of economics, analyse how all four factors of production might be used to produce drinking water in the Canary Islands.

(6)

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(Total for Question 1 = 20 marks)

2 (a) Which **one** of the following would occur when there are unsold goods in a market?

(1)

- A Excess demand
- B Excess supply
- C Higher prices
- D Increased productivity

(b) Which **one** of the following statements is correct?

(1)

- A The supply curve is always vertical
- B Supply and price are not related
- C Quantity supplied will fall when price falls
- D An increase in price will shift the supply curve

(c) State the name for price elasticity of demand (PED) with a numerical value of -1 .

(1)

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A factory producing shoes calculated that quantity supplied decreased by 2.7% following a price decrease of 1.9%.

(d) Calculate, to two decimal places, the **price elasticity of supply (PES)** for shoes. You are advised to show your working.

(2)

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(e) Define the term substitute.

(1)

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(f) Describe **one** reason why a firm might stay small.

(2)

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There are many market stalls selling food in Taba, Egypt. Some of these stalls have received positive reviews on social media about the quality of the food they sell.

(g) Explain **one** advantage of positive reviews for the owners of food stalls in Taba.

(3)

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(Total for Question 2 = 20 marks)

3 Income elasticity of demand (YED) for a product is -0.43 and the price elasticity of demand (PED) for the same product is -0.27 .

(a) The data above shows that the product is

(1)

- A an inferior good and demand is price inelastic
- B an inferior good and demand is price elastic
- C a normal good and demand is price inelastic
- D a normal good and demand is price elastic

(b) The formula for social benefits is

(1)

- A private costs + private benefits
- B private benefits – private costs
- C private benefits + external benefits
- D private costs – external costs

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(c) On the diagram below, draw the effects of a decrease in the retirement age on the labour market in a country. Label the new curve, the new equilibrium wage rate and the new equilibrium quantity of workers employed.

(3)

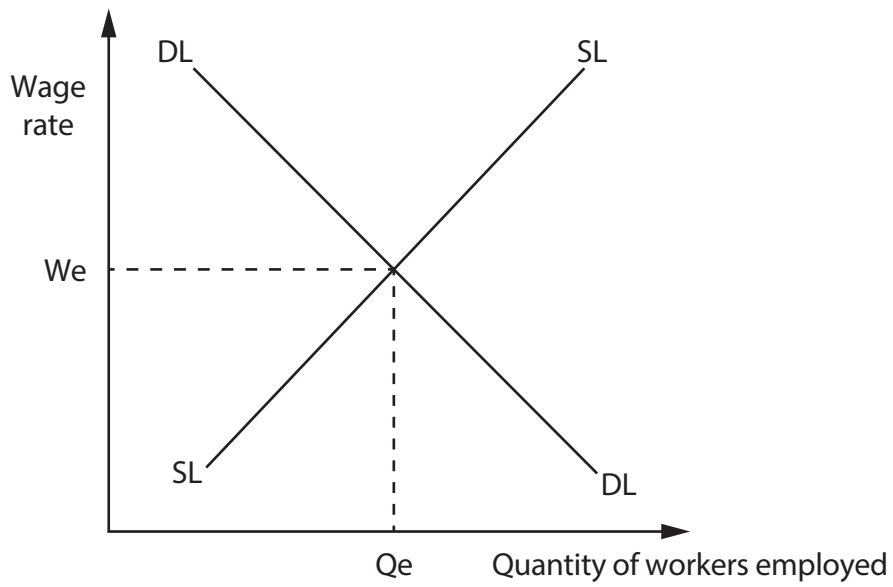


Figure 4

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(Total for Question 3 = 20 marks)

- 4 A sports arena in Guatemala holds a maximum of 20,000 people for each event. The quantity of tickets demanded for the most recent events is shown below.

Event	Quantity of tickets demanded
A	22,200
B	21,000
C	20,250

Figure 5

- (a) Calculate the **excess demand** for tickets if the quantity supplied for all three events totals 60,000. You are advised to show your working.

(2)

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Handwriting practice area with ten horizontal dotted lines.

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(Total for Question 4 = 20 marks)

TOTAL FOR UNIT = 80 MARKS

Paper 1: Microeconomics and Business Economics
Mark scheme

Question number	Answer	Mark
1(a)	<p>Which one of the following might have caused the movement from PPF1 to PPF2 in Figure 1 above?</p> <p style="text-align: center;">AO2 1 mark</p> <p>The only correct answer is: B Positive economic growth</p> <p>A is not correct because this would shift the PPF inwards C is not correct because it does not show long-run average costs increasing with a rise in output D is not correct because it does not show long-run average costs decreasing with a rise in output</p>	(1)

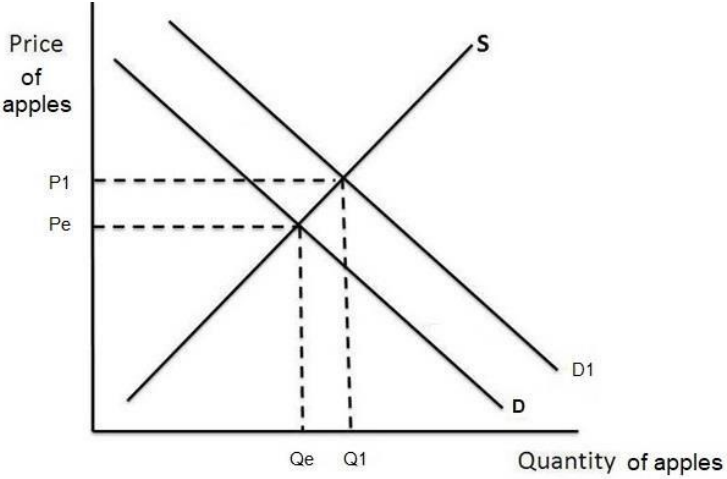
Question number	Answer	Mark
1(b)	<p>A firm has total costs of \$10 000 and sells each item at a price of \$100. It sells 200 items. What is the profit or loss for the firm?</p> <p style="text-align: center;">AO2 1 mark</p> <p>The only correct answer is: B \$10 000 profit</p> <p>A is not correct because total costs have not been deducted C is not correct because a profit would be made and not a loss D is not correct because this is \$10 000 - \$20 000</p>	(1)

Question number	Answer	Mark
1(c)	<p>What is meant by the term privatisation?</p> <p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to moving from the public sector and 1 mark for reference to transfer of ownership to the private sector</p> <p>The government sells/transfers an organisation (in the public sector) (1) to the private sector (1)</p> <p>Accept any other appropriate response</p>	(2)

Question number	State one reason why the government regulates competition in the economy. Answer	Mark
1(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for a correct reason</p> <ul style="list-style-type: none"> • To promote competition • To limit monopoly power • To protect consumer interests • To control mergers and takeovers <p>Accept any other appropriate response</p>	(1)

Question number	Define the term congestion. Answer	Mark
1(e)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for a correct definition A situation where a place is crowded</p> <p>Accept any other appropriate response</p>	(1)

Question number	Calculate the total variable costs for the firm each month. You are advised to show your working. Answer	Mark
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation €16 500 + €95 000 (1)</p> <p>Award 1 mark for correct total variable costs €111 500 (1)</p> <p>Award 2 marks if total variable costs per month are correctly calculated as €111 500, even if no calculations are shown</p> <p>Award 1 mark for 111 500 with or without calculations shown Do not award marks for a formula</p>	(2)

Question number	Using the diagram below, draw the likely effects on the market for apples following an increase in the advertising of apples. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled</p> 	(3)

Question number	Explain one advantage of using division of labour for the firm. Answer	Mark
1(h)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying an advantage Award 1 mark for developing the response Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> • Production is more efficient (1) because workers at the factory will not need to change tools repeatedly to do a different task (1) meaning the quantity of tennis balls produced could increase (1) • Workers specialising in one task become better at that task (1) making them more productive (1) and helping to lower the average costs of producing each tennis ball (1) <p>Accept any other appropriate response</p>	(3)

Question number	With reference to the data above and your knowledge of economics, analyse how all four factors of production might be used to produce drinking water in the Canary Islands. Indicative content
1(i)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • The four factors of production are land, labour, capital and enterprise • Sea water is a natural resource, which is land • The salt is removed by filtering the water through machines in order to make the water drinkable, which is capital • The process of ensuring all the salt and impurities have been removed from the water is done by labour (production workers) • Enterprise combines the other factors of production to make sure the water gets to the consumer as a consumable product • Thus, all four factors of production may be used to produce drinking water as, without any one of them the process would not be completed as efficiently

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	Which one of the following would occur when there are unsold goods in a market? Answer	Mark
2(a)	AO1 1 mark	
	<p>The only correct answer is: B Excess supply</p> <p>A is not correct because this would lead to a shortage of goods in the market C is not correct because lower prices may be needed to sell unsold goods D is not correct because this would not result from unsold goods in the market</p>	(1)

Question number	Which one of the following statements is correct? Answer	Mark
2(b)	AO1 1 mark	
	<p>The only correct answer is: C Quantity supplied will fall when price falls</p> <p>A is not correct because this is only true when supply is fixed B is not correct because supply is affected by changes in price D is not correct because the supply curve does not shift due to a price change</p>	(1)

Question number	State the name for price elasticity of demand (PED) with a numerical value of -1. Answer	Mark
2(c)	AO1 1 mark	
	<p>Award 1 mark for the correct type of price elasticity of demand (PED)</p> <ul style="list-style-type: none"> • Unitary 	(1)

Question number	Answer	Mark
2(d)	<p>Calculate, to two decimal places, the price elasticity of supply (PES) for shoes. You are advised to show your working.</p> <p>AO2 2 marks</p> <p>Award 1 mark for showing correct calculation -2.7%/-1.9% (1)</p> <p>Award 1 mark for correct PES 1.42 (1)</p> <p>Award 2 marks if PES is correctly calculated as 1.42, even if no calculations are shown</p> <p>Do not award marks for a formula</p>	(2)

Question number	Answer	Mark
2(e)	<p>Define the term substitute.</p> <p>AO1 1 mark</p> <p>Award 1 mark for a correct definition</p> <ul style="list-style-type: none"> • An alternative bought/produced in place of something else <p>Accept any other appropriate response</p>	(1)

Question number	Answer	Mark
2(f)	<p>Describe one reason why a firm might stay small.</p> <p>AO1 2 marks</p> <p>Award 1 mark for reference to the reason and 1 mark for development of the reason</p> <ul style="list-style-type: none"> • It may already be making enough money (1) to satisfy the needs of the owner (1) • The size of the market may be small (1) which means expansion is difficult (1) <p>Accept any other appropriate response</p>	(2)

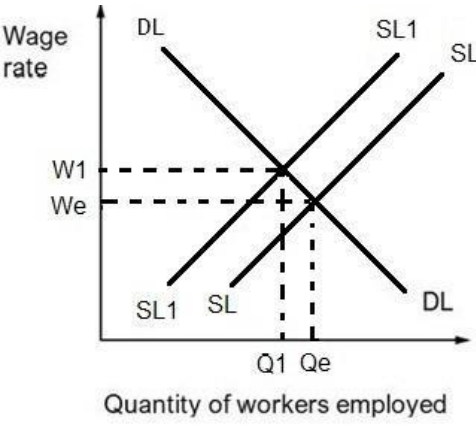
Question number	Explain one advantage of positive reviews for the owners of food stalls in Taba. Answer	Mark
2(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant advantage Award 1 mark for developing the advantage Award 1 mark for the advantage being in context</p> <ul style="list-style-type: none"> • Stalls offering quality food will gain more customers (1) because customers will be attracted by the positive reviews (1) instead of buying from competitors (1) • Demand will increase for food from these stalls (1) leading to an increase in revenue (1) which will increase profit for the food stall owners (1) <p>Accept any other appropriate response</p>	(3)

Question number	With reference to the data above and your knowledge of economics, assess whether a monopoly such as PKP is likely to benefit consumers. Indicative content
2(h)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • A monopoly is a market structure with one dominant seller in the market • PKP is the main rail carrier for passenger and freight services in Poland, making it a monopoly • Due to its dominance of the rail network in Poland, PKP may be able to take advantage of economies of scale • This means that the firm may have low (long-run) average costs as a result of purchasing or technical economies of scale • Therefore, it is possible that PKP could decide to pass the lower costs on to its passengers in the form of lower prices • PKP may also be more efficient because it is not duplicating resources, such as the railway tracks, used by competitors • This may have helped PKP to meet the transport needs of the state; one of its aims • PKP may also be able to innovate due to its lower (long-run) average costs, meaning it may be able to provide a high-quality service on its trains <p>AO4</p> <ul style="list-style-type: none"> • However, as it has few competitors, rail passengers and those transporting freight have little choice but to use PKP's service • This means PKP can be a price maker for its train services, which is not in the interest of its consumers • There is restricted choice in the market, such as which routes a passenger can take. This is because there is only one main supplier • PKP may be inefficient because it does not need to keep its costs low in order to compete with limited competition • It may be that PKP does not have any incentive to spend money on product innovation and some areas may not have access to train travel

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Income elasticity of demand (YED) for a product is -0.43 and the price elasticity of demand (PED) for the same product is -0.27. The data above shows that the product is Answer	Mark
3(a)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: A an inferior good and demand is price inelastic</p> <p>B is not correct because PED is less than -1, not greater than -1 C is not correct because YED is negative D is not correct because the PED would need to be greater than -1</p>	(1)

Question number	The formula for social benefits is Answer	Mark
3(b)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: C private benefits + external benefits</p> <p>A is not correct because it does not include any third-party effects B is not correct because it includes costs D is not correct because this is not a formula used to calculate social benefits</p>	(1)

Question number	On the diagram below, draw the effects of a decrease in the retirement age on the labour market in a country. Label the new curve, the new equilibrium wage rate and the new equilibrium quantity of workers employed. Answer	Mark
3(c)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for leftward shift of labour supply, labelled Award 1 Award 1 mark for higher equilibrium wage rate, labelled Award 1 mark for lower equilibrium quantity of workers employed, labelled</p>  <p style="text-align: right;">(3)</p>	

Question number	With reference to the data above and your knowledge of economics, analyse why some people may ignore the negative impacts of spending a lot of time using a mobile phone. Indicative content
3(d)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Consumers are not always good at calculating what is or is not good for them • Therefore, the mass of information and facilities available on a mobile phone can be difficult to resist • This is also true due to the habit many people have developed to use their mobile phone for so many things in daily life • Developing such a habit of reaching for the phone for a wide variety of reasons can reduce a person's ability to make rational decisions • When so many other people spend so much time on their phone, this behaviour can influence others • Therefore, making it difficult to maximise their benefit regarding use of mobile phones

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, assess the role of the secondary sector in an economy. Indicative content
3(e)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • The secondary sector is the production of goods by converting raw materials from the primary sector • Manufacturing is an example of a secondary sector industry • The income and tax revenue provided from the secondary sector can help fund services in the tertiary sector, therefore giving a reason why the economy might be reliant on the secondary sector • In addition, many services rely on production from the secondary sector to be able to provide their services, e. g. transport services (tertiary) rely on the car production (secondary), sales services (tertiary) rely on the production of finished goods (secondary) to sell • Without the production of vehicles, computers and food processing in the secondary sector, the tertiary sector would not be able to deliver services reliant on transport, monitor sales using computers/technology or serve food in restaurants <p>AO4</p> <ul style="list-style-type: none"> • However, the economy focuses on the provision of a range of services in the tertiary sector, including insurance and banking, as well as health care and education • Revenue earned in the tertiary sector could be used by governments to fund manufacturing of equipment, such as that used in defence • Therefore, the tertiary sector may play a more important role in an economy • Tertiary sector services need the expertise and skills of professionals such as accountants, doctors and teachers • Therefore, the tertiary sector relies on elements such as skills and qualifications as well as on the secondary sector • The economy relies on the primary sector as well, for the extraction of raw materials to use during production (in the secondary sector)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Calculate the excess demand for tickets if the quantity supplied for all three events totals 60,000. You are advised to show your working. Answer	Mark
4(a)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $(22,200 + 21,000 + 20,250) - 60,000$ (1)</p> <p>Award 1 mark for correct excess demand 3,450 (1)</p> <p>Award 2 marks if excess demand is correctly calculated as 3,450 even if no calculations are shown</p> <p>Do not award marks for a formula</p>	(2)

Question number	With reference to the data above and your knowledge of economics, analyse why the free rider problem has led to the Zambian Government providing the defence force. Indicative content
4(b)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • The free rider problem is when a person enjoys the benefit of a good without paying for it • The Zambian defence force is an example of a public good as it is provided by the government in Zambia • It is non-excludable, meaning no one can be excluded from benefitting from the defence even if they have not paid for its provision • Having the defence force increases the standard of living for citizens of Zambia but if left to the private sector to provide, individuals would not pay for it • One person benefitting from country's defence will not reduce the amount available for others; it has non-rivalry • Therefore, the free rider problem leads to the need for the provision of defence by the Zambian Government

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, evaluate the effectiveness of government regulations in dealing with externalities such as air pollution in Greater Manchester. Indicative content
4(c)	<p style="text-align: center;">AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • Government regulation is put in place to reduce the external costs of production and consumption • Drivers of polluting vehicles are less likely to drive in the region, or will need to replace their vehicles when faced with a daily charge of between £7.50 and £60.00 • This is likely to reduce pollution and the negative impact on the environment, therefore reducing negative externalities • The scheme would also raise money for the government, meaning more funding could be available for schemes to benefit the environment • The 800km² covered by the CAZ is a very large area, meaning the 1,000+ annual deaths will hopefully be reduced as a result of the scheme • More awareness of the problems caused by vehicle emissions could be gained through adoption of the scheme, leading to better prevention of pollution in the future <p>AO4</p> <ul style="list-style-type: none"> • However, as the proposal will affect many small businesses in the area, their costs will increase considerably • This means that these firms may not be able to afford the tax, such as the ice-cream firm expects costs to rise by £29 000 a year, or to replace its vehicles and may need to pass the charges on to customers • Therefore, some firms may lose business if their customers are unwilling/unable to pay the higher prices • This could lead to firms needing to close down, potentially causing prices to rise for customers in the area anyway, if there is limited competition • It may depend on the value placed on clean air by firms driving the vehicles and by customers, as to whether higher prices will be paid • It may also depend on the profits/income of firms/customers, as to the impact of the charges and therefore whether negative externalities will actually be reduced • There may be better ways to reduce air pollution, such as encouraging people to walk short distances rather than drive

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	<ul style="list-style-type: none"> • Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	<ul style="list-style-type: none"> • Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International GCSE (9–1)

Sample assessment material for first teaching September 2023

Time 1 hour 30 minutes

Paper
reference

4WEC2/01

Economics (Modular)

UNIT 2: Macroeconomics and the Global Economy

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

Information

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

Advice

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

Turn over ►

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

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

1 (a) Which **one** of the following describes the recovery phase of the economic cycle? (1)

- A GDP is growing at its fastest and business activity increases
- B GDP starts to rise and economic activity is on the increase
- C GDP is still growing but more slowly
- D GDP falls for two successive quarters

(b) Which **one** of the following is an example of frictional unemployment? (1)

- A A bank cuts jobs during a global recession
- B Workers are unemployed whilst waiting to start a new job
- C Fewer workers are employed on fruit farms in the winter months
- D Factory workers lose their jobs as more machines are used

(c) What is meant by the term exports? (2)

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(d) What is meant by the term globalisation?

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The consumer price index (CPI) was 105.4 in 2021 and it was 100 in the base year 2018.

(e) Calculate how much the **average price level** increased between 2018 and 2021.
You are advised to show your working.

(2)

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Figure 1 shows the supply of and demand for UK pounds (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

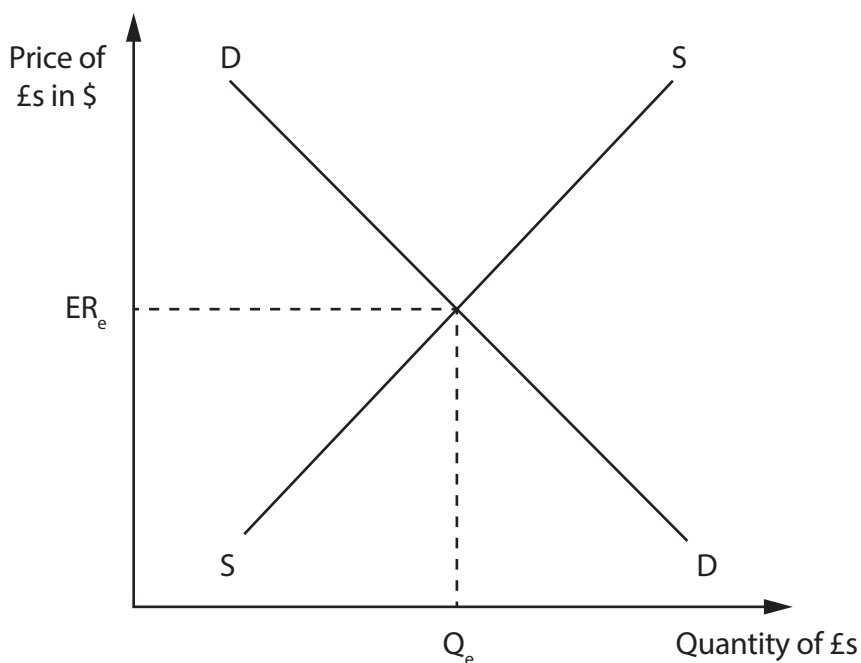


Figure 1

The UK's annual inflation rate was 5.1% in December 2021, its highest rate in a decade. The rise was due to higher prices for transport, food, clothing and footwear.

(g) Explain **one** effect of rising inflation on menu costs in the UK.

(3)

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In 2022, Columbia maintained its current import quotas for rice. Rice is a staple food in Columbia and many domestic farmers rely on its production.

(h) Analyse the possible benefits for Columbia of having import quotas.

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(Total for Question 1 = 20 marks)

- 2 (a) Fiscal policy would involve a change in which **one** of the following? (1)
- A Exchange rates
 - B Interest rates
 - C Production rates
 - D Tax rates

- (b) A savings account has €5 000 in it at the start of the year. If the interest rate is 2%, what is the total amount in the account at the end of the year? (1)
- A €100
 - B €2 500
 - C €4 900
 - D €5 100

- (c) State **one** role of a central bank. (1)

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- (d) What is meant by the term current account surplus? (2)

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Erasmus is an organisation that provides education and training for young people in Europe. In 2020, it funded over 640,000 educational experiences.

(e) Explain **one** impact education and training may have on inequality and poverty.

(3)

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In 2021, the Canadian Government introduced subsidies for the purchase of electric vehicles.

- (f) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of electric vehicles. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

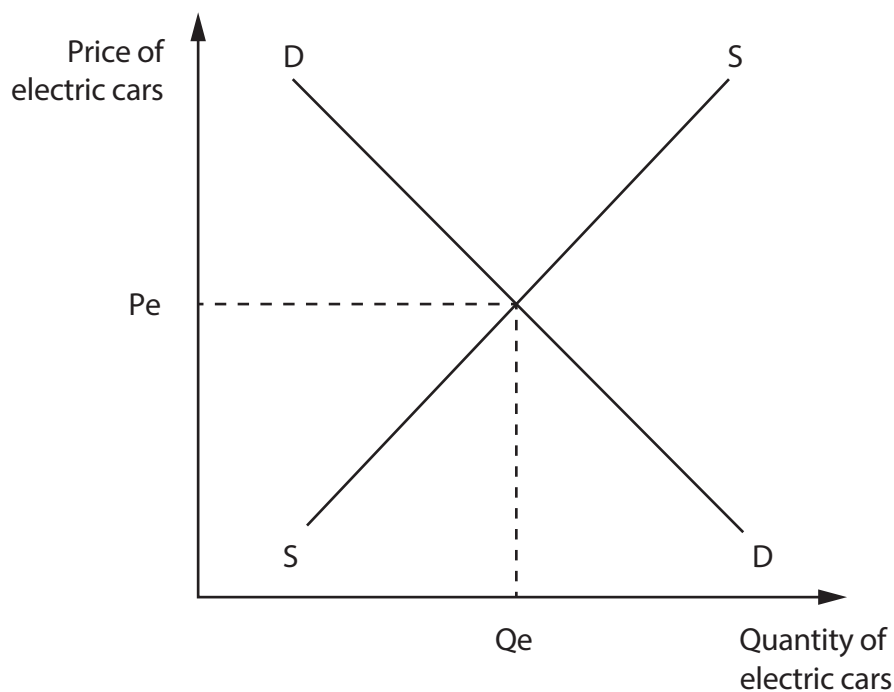


Figure 2

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(Total for Question 2 = 20 marks)

- 3 (a) A decrease in unemployment is likely to result in (1)
- A a decrease in tax revenues
 - B a decrease in economic growth
 - C an increase in inflation
 - D an increase in relative poverty

- (b) Which **one** of the following is a possible disadvantage of Foreign Direct Investment (FDI)? (1)
- A Increased level of skills
 - B Greater environmental damage
 - C Higher employment levels
 - D Faster economic growth

In December 2021, the US current account deficit increased to \$214.8bn. This was the largest deficit since 2006.

- (c) Explain **one** reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account. (3)

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(Total for Question 3 = 20 marks)

4 Figure 3 shows the fiscal deficit (€bn) for Spain in 2019 and 2020.

	2019	2020
Fiscal deficit	-€35.64bn	-€123.07bn

Figure 3

(Source: <https://www.statista.com/statistics/270401/budget-balance-in-spain/>)

(a) Calculate, to two decimal places, **the percentage change** in the fiscal deficit for Spain between 2019 and 2020. You are advised to show your working.

(2)

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(Total for Question 4 = 20 marks)

TOTAL FOR UNIT = 80 MARKS

Unit 2: Macroeconomics and the Global Economy

Mark scheme

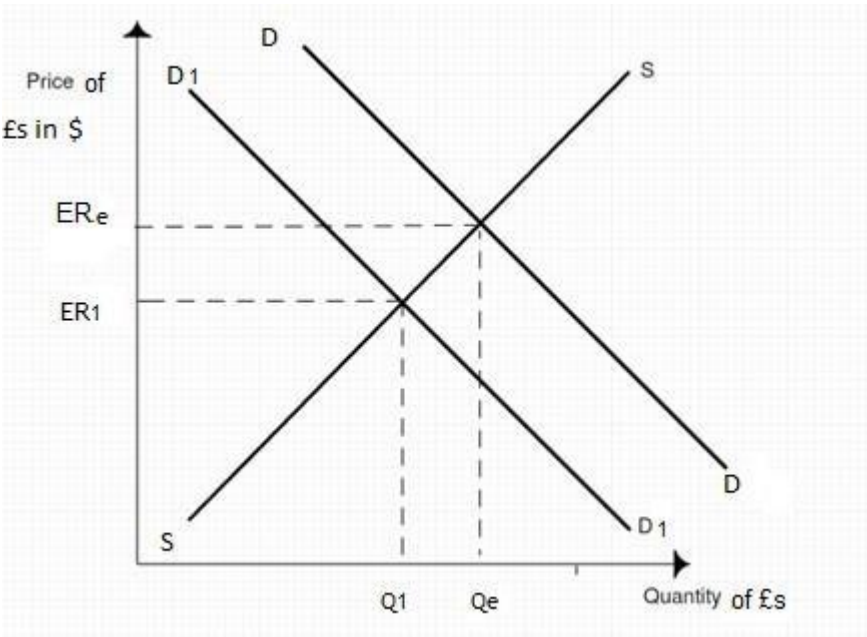
Question number	Which one of the following describes the recovery phase of the economic cycle? Answer	Mark
1(a)	<p style="text-align: center;">AO1 1 marks</p> <p>The only correct answer is: B GDP starts to rise and economic activity is on the increase</p> <p>A is not correct because this describes a boom C is not correct because this describes a downturn D is not correct because this describes a recession</p>	(1)

Question Number	Which one of the following is an example of frictional unemployment? Answer	Mark
1(b)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: B Workers are unemployed whilst waiting to start a new job</p> <p>A is not correct because this is an example of cyclical unemployment C is not correct because this is an example of seasonal unemployment D is not correct because this is an example of structural unemployment</p>	(1)

Question number	What is meant by the term exports? Answer	Mark
1(c)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to goods and 1 mark for reference to being sent to another country</p> <p>The sale of goods or services (1) to another country (1)</p> <p>Accept any other appropriate response.</p>	(2)

Question number	What is meant by the term globalisation? Answer	Mark
1(d)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to interconnection and 1 mark for reference to world's economies</p> <p>Growing interconnection (1) of the world's economies (1)</p> <p>Accept any other appropriate response.</p>	(2)

Question number	Calculate how much the average price level increased between 2018 and 2021. You are advised to show your working. Answer	Mark
1(e)	<p style="text-align: center;">A02 2 marks</p> <p>Award 1 mark for showing the calculation</p> <p>105.4 - 100 (1)</p> <p>Award 1 mark for the correct answer</p> <p>= 5.4% (1)</p> <p>Award 2 marks if the correct answer 5.4% is shown, with percentage sign, even if no calculations are shown</p> <p>Award 1 mark if the answer given is 5.4, but with no percentage sign, with or without calculations shown</p> <p>Do not award marks for the formula.</p>	(2)

Question number	Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
1(f)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for leftward shift of demand curve, labelled Award 1 mark for lower equilibrium exchange rate, labelled Award 1 mark for lower equilibrium quantity, labelled</p> 	(3)

Question number	Explain one effect of rising inflation on menu costs in the UK. Answer	Mark
1(g)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> • One effect is that menu costs may increase (1). When inflation is high, prices need changing frequently (1). Firms have to spend money to print new brochures/update websites with the higher prices (1) <p>Accept any other appropriate response.</p>	(3)

Question number	Analyse the possible benefits for Columbia of having import quotas. Indicative content	Mark
1(h)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks) AO2 and AO3</p> <ul style="list-style-type: none"> • Quotas are physical limits on the quantity of imports allowed into a country • Quotas on rice might help to protect domestic rice farmers • By restricting the amount of rice imported into Columbia domestic rice farmers may gain more market share • This could result in higher revenues for domestic rice farmers • Rice is a staple food in Columbia therefore is of national importance • Therefore, domestic rice farmers might be able to increase the supply of rice to meet any shortages if imports are restricted by quotas 	(6)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

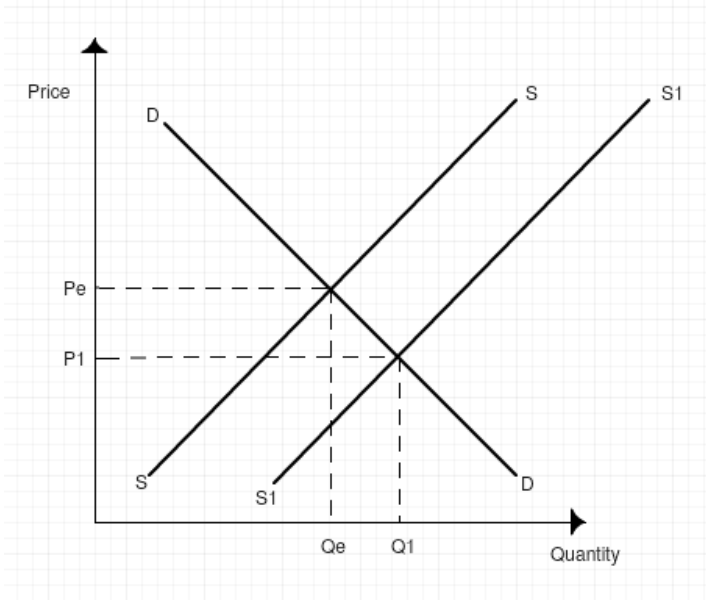
Question number	Fiscal policy would involve a change in which one of the following? Answer	Mark
2(a)	AO1 1 mark	
	<p>The only correct answer is: D Tax rates</p> <p>A is not correct because this is affected by changes in the supply and demand for currencies B is not correct because this is part of monetary policy C is not correct because this is dependent on the output of firms</p>	(1)

Question number	A savings account has €5 000 in it at the start of the year. If the interest rate is 2%, what is the total amount in the account at the end of the year? Answer	Mark
2(b)	AO2 1 mark	
	<p>The only correct answer is: D €5 100</p> <p>A is not correct because this is the interest only B is not correct because this is calculated by €5 000/2 C is not correct because this is calculated by €5 000 - €100</p>	(1)

Question number	State one role of a central bank. Answer	Mark
2(c)	AO1 1 mark	
	<p>Award 1 mark for one function.</p> <ul style="list-style-type: none"> • setting interest rates • controlling inflation • stabilising a nation's currency • lender of last resort • implementing the government's monetary policy • regulating the banking system <p>Accept any other appropriate responses.</p>	(1)

Question number	What is meant by the term current account surplus? Answer	Mark
2(d)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to value of exports and 1 mark for reference to exceeding value of imports</p> <p>When the value of exports (1) exceeds the value of imports (1)</p> <p>Accept any other appropriate response.</p>	(2)

Question number	Explain one impact education and training may have on inequality and poverty. Answer	Mark
2(e)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact</p> <p>Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> • One impact is that it can reduce inequality and poverty (1). Training and education can provide new skills for young people (1). Therefore, they are more likely to be able to gain employment/income (1) <p>Accept any other appropriate response.</p>	(3)

Question number	Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of electric vehicles. Label the new curve, the new equilibrium price and new equilibrium quantity. Answer	Mark
2(f)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled</p> <div style="text-align: center;">  </div>	(3)

Question number	With reference to the data above and your knowledge of economics, assess the impact of infrastructure spending on the productive potential of a country such as the UK. Indicative content	Mark
2(g)	<p>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3</p> <ul style="list-style-type: none"> • Infrastructure spending is an example of a supply-side policy • The productive potential of the UK economy may increase if the quality of its infrastructure is improved • The UK Government is investing in a wide range of projects including urban transport and the provision of broadband to hard-to-reach areas • This may help to increase geographical mobility as well as improve the distribution of goods/services • In the short term, building or upgrading transport can boost (aggregate) demand through increased construction activity and employment • In the long term, infrastructure investment can boost economic growth by attracting investment and increasing the potential supply capacity of an economy <p>AO4</p> <ul style="list-style-type: none"> • However, it can be argued that spending £130bn on its economic infrastructure may not be that effective in increasing the total output in the UK economy • It is unclear how the UK Government will fund this investment and it may have to borrow the additional finance and could result in a fiscal deficit • There is an opportunity cost of these investments with no guarantee that total output will increase in the long term • By nature, supply-side policies tend to take a very long time to work and infrastructure investments can be highly complex to manage • The overall impact on output will depend upon whether the planned spending can add to (aggregate) demand and (aggregate) supply 	(9)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	A decrease in unemployment is likely to result in Answer	Mark
3(a)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: C an increase in inflation</p> <p>A is not correct because tax revenues are likely to rise as more people have jobs/ firms are making more profit B is not correct because economic growth is likely to increase as more people are in employment D is not correct because relative poverty should decrease as more people have income from a job</p>	(1)

Question number	Which one of the following is a possible disadvantage of Foreign Direct Investment (FDI)? Answer	Mark
3(b)	<p style="text-align: center;">AO1 1 mark</p> <p>The only correct answer is: B Greater environmental damage</p> <p>A is not correct because this is an advantage of FDI C is not correct because this is an advantage of FDI D is not correct because this is an advantage of FDI</p>	(1)

Question number	Explain one reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account. Answer	Mark
3(c)	<p style="text-align: center;">AO2 3 marks</p> <p>Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> • One reason is demand may have increased for imports (1) as consumers switch to imports rather than domestically produced goods as their quality has improved (1). This results in more money flowing out the country resulting in a negative impact on the current account deficit (1) <p>Accept any other appropriate response.</p>	(3)

Question number	With reference to the data above and your knowledge of economics, analyse the disadvantages of free trade for UK firms. Indicative content	Mark
3(d)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks) AO2 and AO3</p> <ul style="list-style-type: none"> • Free trade is a situation in which goods and services coming into or going out of a country/trade area are not controlled or taxed • The UK has agreed to end 99% of tariffs on goods from Australia • Free trade means that UK firms are no longer protected from imports from Australia that once had tariffs applied to them • Free trade means that UK firms may face greater competition from firms in Australia • UK firms may have increased competition from cheaper, lower cost firms in Australia that may have lower wage costs compared to UK firms • This could result in falling sales for UK firms that might have higher labour costs compared to Australia 	(6)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, assess the possible benefits of privatising the college. Indicative content	Mark
3(e)	<p>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3</p> <ul style="list-style-type: none"> • Privatisation is the act of selling a company or activity controlled by the government to private investors • The Scottish Government has recently privatised Shetland College • Shetland College will have more control over its operations now that it is in the private sector • Shetland College cannot rely on public money and must make a profit to survive • Therefore, Shetland College will now have to compete against the other rival colleges for students in order to gain revenue • Competitive pressures should help to improve quality and reduce prices for the students using the college • Shetland College may try to compete by offering a wider range of courses to attract more people to the college • It could seek to lower the prices for its courses without the interference of the government thereby benefitting students of the college <p>AO4</p> <ul style="list-style-type: none"> • However, in practice, state monopolies often become private monopolies • This might be the case with the firm operating in the education market • Competitive pressures are often not forthcoming and Shetland College has simply been moved from state to private ownership without facing any new competition • Critics are concerned that the privatisation might result in fewer courses available for students • As a result consumers/students might be exploited due to poor quality and price increases as the private firm seeks to reduce costs in order to maximise profits • Workers might be negatively affected as large numbers of people are often made redundant to reduce costs • The overall impact will depend on how the college is managed and operated by the management 	(9)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question number	Calculate, to two decimal places, the percentage change in the fiscal deficit for Spain between 2019 and 2020. You are advised to show your working Answer	Mark
4(a)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 2 marks for calculating the percentage change in the fiscal deficit for Spain</p> $\frac{-€87.43\text{bn}}{-€35.64\text{bn}} \times 100 \quad (1)$ $= 245.31\% \quad (1)$ <p>Award 2 marks if the percentage is accurately calculated as 245.31% even if no calculations are shown</p> <p>Award 1 mark if % is missing i.e. 245.31 with or without calculations shown</p> <p>No marks for formula</p>	(2)

Question number	With reference to the data in Figure 3 and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain. Indicative content	Mark
4(b)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks) AO2 and AO3</p> <ul style="list-style-type: none"> • A fiscal deficit is when government tax receipts are lower than government spending • In this case, Spain had a deficit of -€123.07bn in 2020 • A fiscal deficit requires the Spanish Government to spend more of its tax revenue on either paying the interest on the debt or using tax revenue to pay off the debt completely • This has an opportunity cost for the Spanish Government • The money spent on interest payments could be spent on public services such as education, healthcare and social provision • Persistent fiscal deficits result in future generations burdened with current debt • Fiscal deficits could result in an increase in taxation levels to help repay the debt or a reduction in spending on public services 	(6)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question number	With reference to the data above and your knowledge of economics, evaluate how effective subsidies are in protecting the environment in a country such as Spain. Indicative content	Mark
4(c)	<p>AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3</p> <ul style="list-style-type: none"> • Subsidies are grants given by a government to a producer to reduce the costs of production or to a consumer to reduce the price of consumption • The Spanish Government is giving over €6.9bn in subsidies to renewable energy sources which currently accounts for 47% of energy produced in Spain • Renewable energy sources such as wind and solar help to reduce negative externalities caused by fossil fuels • Therefore, using subsidies is an effective way to protect the environment in Spain due to the amount of wind and sun the country receives • It is sensible to harness this for energy use rather than generating energy by fossil fuels • The subsidies will help create over 280,000 jobs in the manufacturer of wind and solar technology positively contributing to the Spanish economy • This should encourage the production of energy from renewable energy sources reducing the environmental impact <p>AO4</p> <ul style="list-style-type: none"> • However, the Spanish Government will have to fund the renewable energy subsidies creating an opportunity cost • The money used to subsidise renewable energy could have been used elsewhere within the Spanish economy • Spanish Government is already running a large budget deficit • Subsidies may cause inefficiency in the firms that produce energy equipment • It depends on the amount of the subsidies as over 50% of the country's energy needs are still from non-renewable sources • There are other ways in which the government can protect the environment which may have less opportunity cost to the Spanish Government • Regulation through the use of laws and fines could be used to protect the environment and the revenue used to tackle the environmental damage • The overall effectiveness will depend upon how much energy production from fossil fuels contributes to environmental damage in Spain 	(12)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	<ul style="list-style-type: none"> • Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	<ul style="list-style-type: none"> • Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

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