(b) In Texas the price elasticity of supply is +1.8.

Which **one** of the following is the percentage increase in price if the quantity of housing supplied in Texas is increased by 12%?

(1)

☒ **A** 0.15

☒ **B** 1.50

☒ **C** 6.67

☒ **D** 21.60

(Total for Question 2 = 5 marks)

SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 A small hotel in Scarborough has seen its energy bills increase from £2 000 to £8 000 per month. Small businesses do not have the energy management teams of larger companies to negotiate better deals.

(Source adapted from: https://www.ft.com/content/d07797e7-2eb7-4240-b15d-692b39510def)

Evaluate the microeconomic effects of rising energy bills on the hotel industry or an industry of your choice.

(Total for Question 7 = 25 marks)

OR

8 Bytedance, which owns TikTok, has launched its own fragrance 'Emotif'.

The Beijing-based social media giant has already entered the food and drink markets.

(Source adapted from: https://www.businessoffashion.com/news/china/tiktoks-parent-company-enters-chinas-perfume-market/)

Evaluate the level of contestability in the fragrance industry or another industry of your choice.

(Total for Question 8 = 25 marks)

Mark Scheme (Results)

Summer 2024

Pearson Edexcel GCE A Level

In Economics A (9EC0)

Paper 01 Market and Business Behaviour

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

Question Number	Answer	Mark

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

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

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

Question Number	Answer	Mark

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

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

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

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

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