Mark Scheme (Results)

Summer 2026

Pearson Edexcel International Advanced Level in Economics
WEC11/01
Unit 1: Markets in Action

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General Marking Guidance

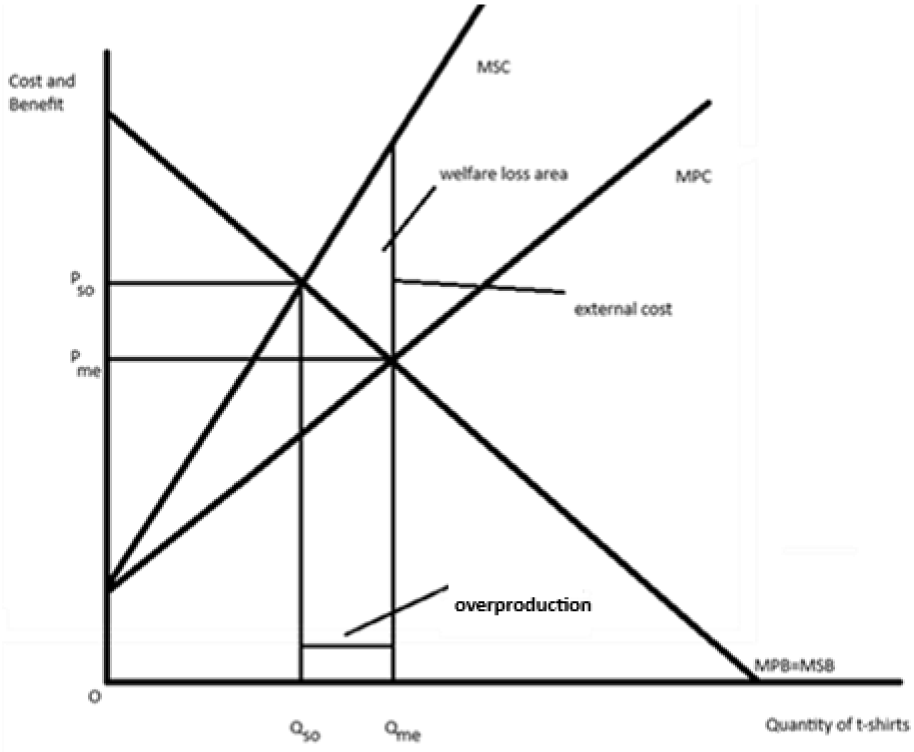
- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should 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.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct because if a consumer is maximising utility they would switch to another bank for a better deal **B** is not correct because a consumer who does not feel valued by their current bank would likely switch to another bank **D** is not correct because a consumer with expert computational skills would calculate the substantial savings from switching	**(1)**
2	**QS8**: Make calculations of elasticity and interpret the result **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is not correct because this would be the value of cross elasticity of demand for unrelated goods **C** is not correct because this would be the cross elasticity of demand for a substitute **D** is not correct because this would be the cross elasticity of demand for a close substitute	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because this is decreasing and not diminishing marginal utility **C** is not correct because this would show increasing marginal utility **D** is not correct because this is decreasing and not diminishing marginal utility	**(1)**
4	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because high-income countries generated 58% of electricity using non-renewable energy resources **B** is not correct because high-income countries generated 42% of electricity using renewable energy resources **C** is not correct because high-income countries only generated 42% of electricity using renewable energy resources	**(1)**

5	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because the opportunity cost is 40 capital goods/the gain is 40 consumer goods. **C** is not correct because point W is unobtainable using all available resources **D** is not correct because point Z illustrates inefficiency/unemployed resources	**(1)**
6	**QS8**: Make calculations of elasticity and interpret the result **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because a 10% increase in average house prices would result in a 2.6% increase in quantity supplied **B** is not correct because a 10% increase in average house prices would result in a 5.3% increase in quantity supplied **C** is not correct because a 10% increase in average house prices would result in a 9.9% increase in quantity supplied	**(1)**

Section B

Question	20% of global water pollution is caused by the global production of textiles. Draw a diagram to illustrate the external costs of textile production. **Answer**	Mark
7	**Knowledge 1, Application 3** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for showing knowledge on the diagram • MSC above MPC **(1)** **Application** Up to 3 marks for the following information included on diagram: • Market equilibrium price and quantity **(1)** • Social optimum price and quantity **(1)** • Welfare loss triangle/ size of external costs/ overproduction on diagram **(1)**  	

		(4)

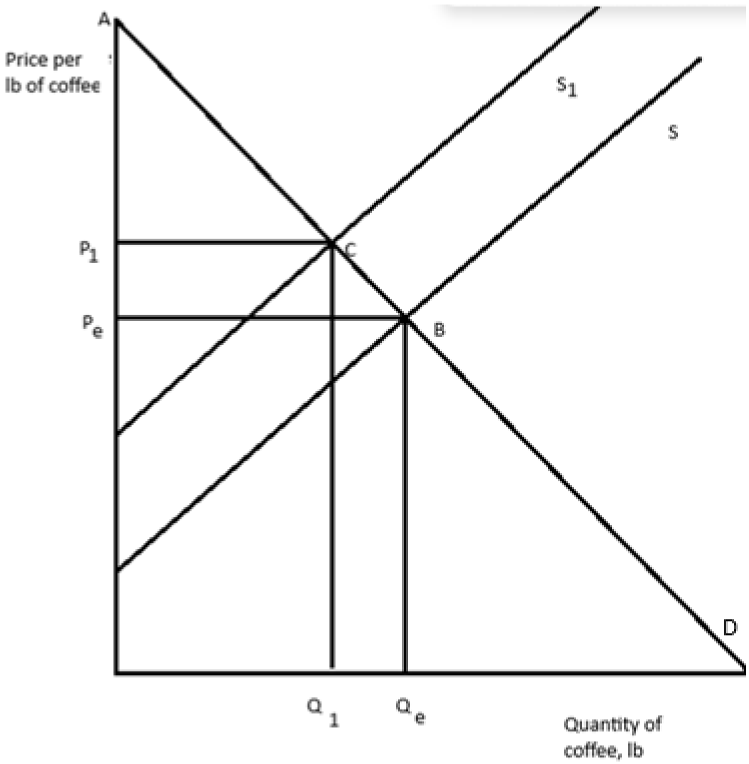
Question	In Dubai, United Arab Emirates (UAE), an entire year's worth of rain fell in a single day in April 2024. This resulted in its airport and subways being flooded. In response, the Government of the UAE spent AED80 billion on sea defences. With reference to the UAE, explain **one** reason why a government provides public goods. Answer	**Mark**
8	**Knowledge 1, Application 1 Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of public goods: • Public goods are non-rival **and** non-excludable **(1)** **Application** 1 mark for reference to data: • Government spending AED80 billion on sea defences **(1)** **Analysis** Up to 2 marks for linked analysis, eg: • The free rider problem **(1)** means a private sector business cannot profit from providing sea defences **(1)** • Once provided, consumers will access the good without paying **(1)** as he good is non-excludable you cannot prevent consumers from accessing the good **(1)** • Substantial costs to pay for sea defences **(1)** that only the government can fund from taxation **(1)**	**(4)**

<table>
<tr><td>Question</td><td>In the 1960s the Aral Sea, which lies between Kazakhstan and Uzbekistan, was used by farmers to water their crops without having to make a payment. However, by 2025 the Aral Sea had decreased in size by 90% following overuse by farmers. As a result, farmers now have to pay to use water from the Aral Sea.
Explain the difference between a free good and an economic good.
Answer</td><td>Mark</td></tr>
<tr><td>9</td><td>Knowledge 2, Application 2

QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge
1 mark for definition of a free good e.g.:
A good that is not scarce/available without limit/has zero opportunity cost/ has no price (1K)
1 mark for definition of an economic good e.g.
A good that is scarce/ limited in availability/has an opportunity cost/ has a price (1K)
Application
Up to 2 marks for applying to stem:
In the 1960s the Aral Sea was a free good as farmers used it to water crops without being charged (1AP)
By 2025 farmers now have to pay to use water from the Aral Sea making it an economic good (1AP)</td><td>(4)</td></tr>
</table>

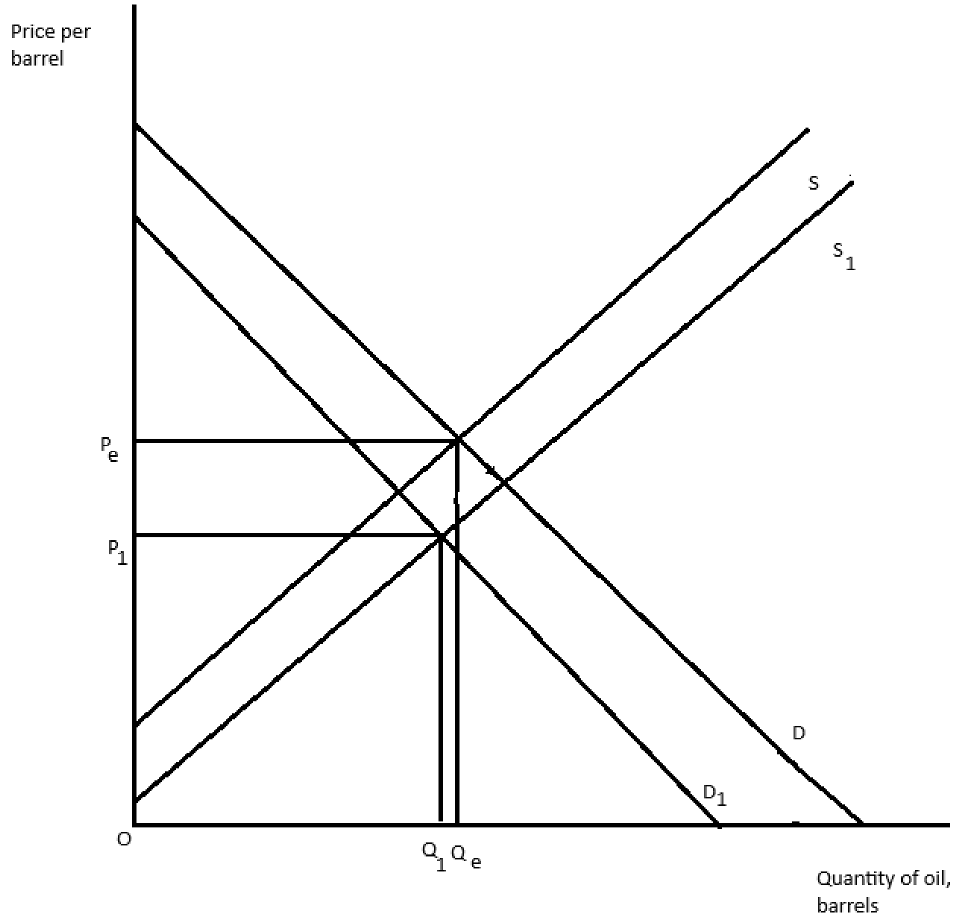
Question	*Ceteris paribus*, calculate the income elasticity of demand for cinema tickets in Australia. Show your workings. **Answer**	Mark
10	**Knowledge 1, Application 3** Quantitative skills assessed: **QS8:** Make calculations of elasticity and interpret the result. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for definition Responsiveness of quantity demanded to a change in income /the formula of income elasticity of demand $\frac{\text{\% change in quantity demanded}}{\text{\% change in income}}$ **(1)** **Application** Up to 3 marks for calculations: • % change in number of cinema tickets purchased (49.6-58.1)/58.1 x 100 = (-)14.6299483649% **(1)** • % change in income (2025.90-1934.80)/1934.80x 100 = 4.708497% **(1)** • YED calculation (-)14.6299483649% ÷ 4.708497% = -3.107137663 **(1)** **NB: if correct answer (e.g. -3/-3.1/-3.11/ -3.1071 etc) is given, award full marks regardless of working.** **Accept reasonable rounding from full calculation (e.g. -14.6 ÷ 4.7 = -3.106/ -15÷ 5=-3)** **Award the mark for -0.146299483649 and 0.04708497 where they have not multiplied by 100 for the % change in number of cinema tickets purchased or % change in price** **Award 3 marks for -3.107% or +3.107**	**(4)**

Question	In 2024 Brazil, the world's largest coffee grower, suffered drought and severe frost that destroyed 20% of its harvest. Between April 2024 and April 2025 the global price of coffee beans increased by 57%. *Ceteris paribus*, explain the impact on consumer surplus of this price change in the global coffee market. Illustrate your answer with a diagram. **Answer**	**Mark**
11	**Knowledge 1, Application 1, Analysis 2** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of consumer surplus e.g. • the difference between the price that consumers are willing to pay and the price they actually pay **(1)** **Application** 1 mark for leftward shift of supply curve **(1)**  **Analysis -** Up to 2 marks for • Consumer surplus originally ABP_e **(1)** new consumer surplus ACP_1 **(1)** • Consumer surplus decreases **(1)** by BCP_1P_e **(1)**	**(4)**

Section C

Question	Define the term 'capital goods.' (Extract B, Line 12) **Answer**	Mark
12 (a)	**Knowledge 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. 2 marks for understanding of capital goods e.g. • Man-made aids to production **(1)** • Used in the production of goods/services/consumer goods/capital goods **(1)** • Includes machinery/buildings/tools / • Hyundai Ioniq uses significant quantities of capital goods to produce each car/232 robots to build one car **(1)**	**(2)**

Question	With reference to Figure 1 and Extract A, analyse **one** supply factor and **one** demand factor that caused the global price of crude oil to decrease significantly between July 2024 and April 2025. Illustrate your answer with a supply and demand diagram. **Answer**	Mark
12 (b)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for the diagram showing: • Original supply, demand and equilibrium price and quantity **(1)** • New equilibrium having shifted both supply **and** demand curves correctly **(1)** **Analysis** **One** mark for **one demand** factor from Extract A: The decision by the Government of the USA to restrict imports and the response of other governments to limit imports from the USA resulted in greater uncertainty / Speculators assumed that the global rate of economic growth would slow down/ Speculators stopped buying oil as they did not expect to be able to profit from higher prices in the future. **(1)** **One** mark for **one supply** factor from Extract A: • In April 2025 oil-producing countries agreed to increase output**/** Eight of the largest oil producers jointly increased production by 135 000 barrels per day / Saudi Arabia/Iraq/United Arab Emirates increased production **(1)** **Application** Up to 2 marks for shifting curves on diagram or reference to Figure 1 • Shift demand to the left **(1)** • Shift supply to the right **(1)** • Figure 1- decreased from $82.50 in July 2024 to $60 in April 2025 / decreased by $22.50 / decreased by 27.3% **(1)**	

	 **NB Diagram may show quantity, rising falling or the same but price must decrease**	**(6)**

Question	With reference to the final paragraph of Extract B, explain **two** roles of financial markets. **Answer**	Mark
12 (c)	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge 2 Application 2** **Knowledge** Up to 2 marks for roles of financial markets: • To facilitate saving up for a car **(1)** • To make funds available to purchase a car / make funds available for borrowing **(1)** • To facilitate the exchange of goods and services **(1)** **NB Do not accept reference to roles not related to context** **Application** Up to 2 marks for application to final paragraph of Extract B: • In 2024 the global size of the car finance market was $295.1 bn **(1)** • The size of the market for car finance is expected to grow by 7.4% per year between 2025 and 2030 **(1)** • Research shows that, in China, 20% of new cars are purchased using finance/ in the USA 85% of new cars are purchased using finance **(1)**	**(4)**

<table>
<tr><th>Question</th><th>With reference to Extract B, examine two likely benefits of the division of labour being applied by Hyundai.
Answer</th><th>Mark</th></tr>
<tr><td>12(d)</td><td>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms

Knowledge 2, Application 2, Analysis 2, Evaluation 2

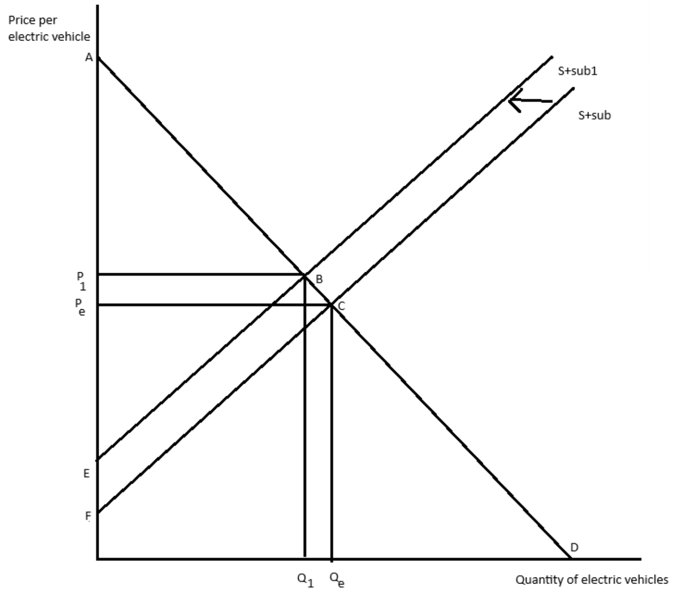
Knowledge and Analysis
Up to 2 marks for identifying two benefits and up to 2 marks for linked explanations, e.g.:

• Costs of production per unit decrease (1K) as output per worker increases (1AN)
• Workers spend less time changing tools (1K) so production occurs at a faster rate (1AN)
• Increased output per worker (1K) as workers specialise on a particular task (1AN)
• Cost savings (1K) as the business can replace workers with machines (1AN)
Application
Up to 2 marks for application to Extract B E.g.
• Each car goes through six stages (1AP)
• Production is broken down into steelmaking, stamping, welding, painting, assembly, inspection (1AP)
NB at least two stages required
In 2018 only 3.6% left the workforce by 2021 this increased to 4.4%/ Younger staff in particular are more likely to leave with 5.7% of workers aged 30 and under leaving (1AP)

Evaluation
Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.:
• Hyundai has experienced an increase in the percentage of its workforce leaving/ suggesting the job is boring/monotonous (1+1)
• Workers become less skilled and may find it difficult to move to other roles (1+1)
• Workers become specialised in particular tasks so staff absence may slow production (1+1)
• The magnitude of the benefits may be larger as the business completes all stages on one site (1+1)
• Quality issues when machines malfunction resulting in requirement for 2206 inspections (1+1)</td><td>(8)</td></tr>
</table>

<table>
<tr><th>Question</th><th>With reference to Extract C, discuss the likely effects of the Government of South Korea’s decision to reduce the subsidy paid to the manufacturers of electric cars in January 2025.
Illustrate your answer with an appropriate diagram.
Indicative content</th></tr>
<tr><td>12(e)</td><td>Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.
Quantitative skills assessed
QS4: Construct and interpret a range of standard graphical forms
QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge, Application and Analysis (8 marks) – indicative content
Subsidy – cash grant to encourage production
Subsidy reduced for electric cars so less cash grant offered
Decreased subsidy by 10% to maximum of 5.8 million South Korean won
Subsidy lowers manufacturers' costs of production. 2019 to 2021- sales increased tenfold
Reduction in subsidy will increase cost of production
Maximum subsidy reduced by 4.4% in 2024 and electric car sales decreased by 3.4%
Diagram</td></tr>
</table>



- Lower subsidy increases production costs and supply shifts left
- Impact on price- increase P_e to P_1
- Impact on quantity- decreases Q_e to Q_1
- Consumer surplus decreases ACP_e to ABP_1
- Producer surplus decreases
- Government spending will decrease
- Government has more money to spend on e.g. health & education
- Car manufacturers face a loss in revenue; implications for profit, employment

NB reward diagrams that initially shift supply to the right then left

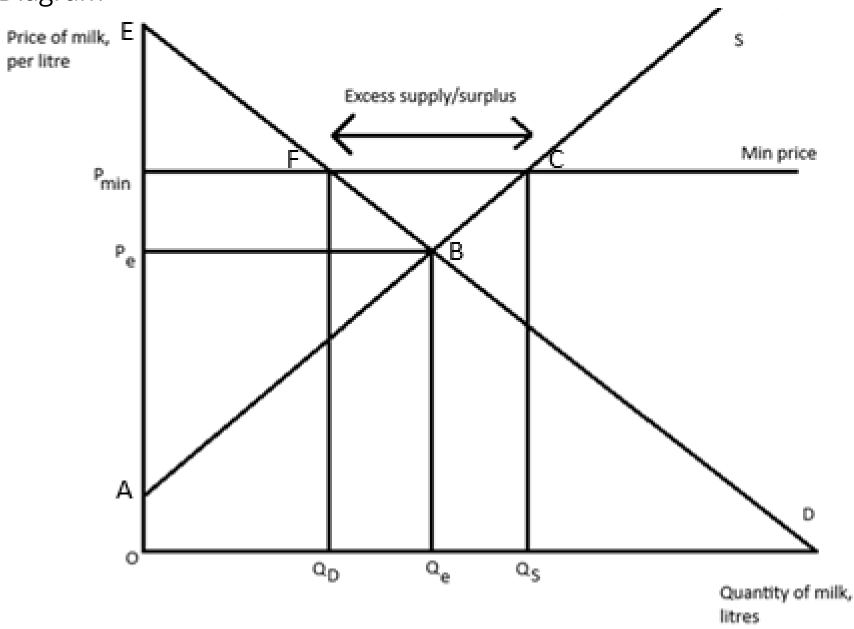
NB maximum level 2 if no relevant diagram included

Level	Mark	Descriptor
	0	No rewardable material
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (6 marks) – indicative content	

	• Magnitude- 10% is a relatively small reduction in the subsidy and the subsidy is still substantial at 5.8m won ($3 950) • Quantity of cars produced is still likely to be higher than it would be without the subsidy • Price is still lower than it would be without the subsidy • Still generates substantial opportunity costs • Demand is relatively inelastic as the change in price resulted in a smaller impact on quantity demanded • Depends on the elasticity of demand as to the impact on quantity and price • Manufacturers of non-electric cars/petrol cars may benefit from the reduction in the subsidy as fewer consumers will substitute to driving electric cars	

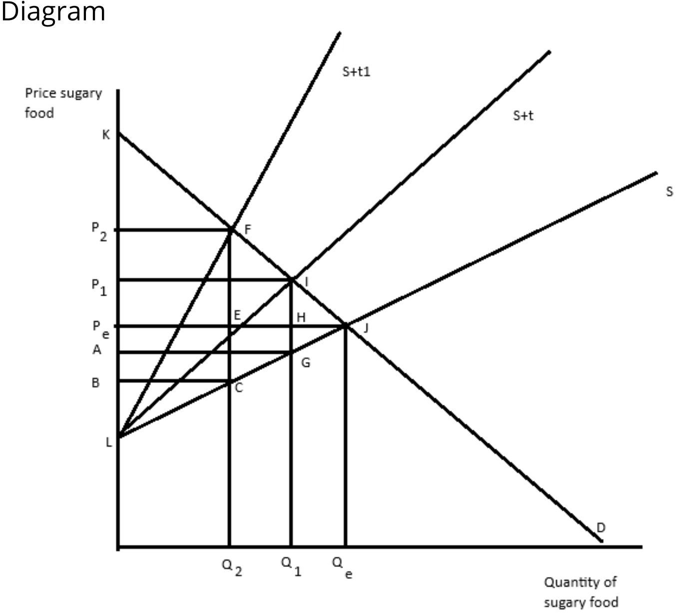
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	In 2024 dairy farmers in Kenya experienced significant losses because the businesses that process milk paid much lower prices to farmers. In 2025 the Government of Kenya introduced a guaranteed minimum price for milk above the equilibrium price. Evaluate the possible microeconomic effects of this introduction of a guaranteed minimum price for milk. Illustrate your answer with an appropriate diagram. **Indicative content**
13	Quantitative skills assessed **QS4**: Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, application and analysis** (12 marks) – indicative content • Minimum price- the price floor below which businesses cannot charge • Guaranteed- the government will buy any excess supply • To protect farmers' income – as in 2024 they suffered significant losses following lower prices paid by the businesses that process milk Diagram  • The minimum price is above the equilibrium price, P_e • Price increases from P_e to P_{min}

	• The quantity demanded contracts from Q_e to Q_d • The quantity supplied extends from Q_e to Q_s • The result is excess supply/surplus Q_s-Q_d • Producer surplus increases • Consumer surplus decreases EBP_e to EFP_{min} • Government will guarantee the price and buy FCQ_SQ_D • Increases employment in farming as farmers' incomes are higher **NB Award a maximum of Level 3 if only one effect is considered** **NB Positive effects may be presented as KAA and negative effects as Ev or vice versa.** **NB Award a maximum of level 3 if no diagram is included**	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Government spending creates an opportunity cost • Government failure- results in a net welfare loss • Government may face information gaps and set the price at the wrong level • If set too high the government will spend a lot in guaranteeing the price • If set too low then the dairy farmers will have limited benefit • May create unintended consequences • Magnitude- depends on how much above the equilibrium price the minimum price is set • In the long-run the minimum price may make dairy farming viable • Depends on how long the minimum price lasts • Effects depend on the elasticities of supply and demand	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Between 2000 and 2024 obesity increased in Romania from 7.7% to 10.9% of the population. In 2024 the Government of Romania increased the indirect tax on sugary foods from 9% to 19%. Evaluate the likely microeconomic effects of an increase in indirect tax on sugary foods. Illustrate your answer with a supply and demand diagram. **Indicative content**
14	Quantitative skills assessed **QS4**: Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, application and analysis (12 marks)** – indicative content • Indirect tax- expenditure tax/ paid to the government by businesses • Ad valorem tax- a percentage tax/Specific tax- as set amount per item • Indirect tax rate increased from 9% to 19% • To try and tackle the rising obesity levels 7.7% to 10.9% between 2000 and 2024 • Incentive to offer healthier alternatives • Reduce external costs of consumption • Reduce instances of obesity - reducing costs to health services Diagram  • Raises more tax revenue that can be used to pay to deal with health issues-IGAP$_1$ to FCBP$_2$ • Producer incidence AGHP$_e$ to ECBP$_e$ • Consumer incidence IHP$_e$P$_1$ to EFP$_2$Pe • Producer surplus is decreased, may result in less investment/innovation • Consumer surplus decreased KIP$_1$ to KFP$_2$ • Reduced consumption of sugary foods as quantity falls from Q_1 to Q_2 • Sugary foods will cost more as price increases from P_1 to P_2

	• Government revenue $IGAP_1$ to $FCBP_2$ **NB Award a maximum of Level 3 if only one effect is considered** **NB Positive effects may be presented as KAA and negative effects as Ev or vice versa.** **NB Award a maximum of level 3 if no diagram is included**	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context, using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Unintended consequences- the increased tax might result in unexpected outcomes • Information gap- the government may lack the information to set the correct level of higher tax • At 19% the tax may have a large effect in changing the behaviour of consumers and producers • The effect in the short-term may be smaller as consumers take time to adjust • Inelastic demand would result in little change in the quantity consumed/ may result in more consumer incidence • The funds may not be allocated to tackle health issues but instead go to the general government fund	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments.

		No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.