Examiners' Report/
Principal Examiner Feedback

January 2015

Pearson Edexcel
International Advanced Level (IAL)
Economics (WEC01) Unit 1

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Introduction

The number entered for the January 2015 series increased significantly compared to January 2014 series.

Overall, the paper was accessible for all candidates with learners typically being able to achieve marks on each question. In the supported multiple choice section candidates were usually able to pick up at least a couple of marks for either definitions/ explanations or identifying the correct key with some explanation.

On the data response section question 9 was more popular than question 10. Approximately 2/3rds of candidates attempted question 9 and 1/3rd question 10. Candidates tended to perform better on question 9 than 10. Students performed better on the 14 mark questions with question 9 than question 10. There was little difference on the smaller 4,6 and 10 mark questions.

Diagrammatic analysis on the work from the better candidates achieving the higher grades was accurate enabling them to consistently achieve within the top level. It is the effective use of these in explaining points which enabled many learners to achieve higher scores. There were a significant number of superior responses which scored very high marks, particularly in the supported choice section of the paper and the 6 and 4 mark questions on the data response. A greater number of candidates also performed well on the 10 mark questions as more attempted evaluation.

Most candidates were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation. A number started questions 9 and 10 but did not manage to complete all parts. However it was far more unusual for me to see unfinished or brief responses as time management clearly seems to be improving. It is important that candidates practise the unit 1 papers under timed conditions to strengthen exam skills. The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and also on how to improve further.

Supported Multiple Choice

Most candidates found this method of testing accessible. The mean score for the supported multiple choice questions was 18.25 marks. Those candidates achieving the top grade were able to use relevant diagrams to support their answers and the written responses were able to define effectively and explain the correct key.

The key way all leaners at every grade were able to access marks was being able to define the main concept(s) in the question (awarded 1 or 2 marks). Those that went on to apply appropriate economic theory and analysis (usually awarded up to 2 marks) were those able to achieve the higher grades.

It is possible to achieve the full 3 explanation marks even when an incorrect option is selected. It was very rare this season to find a box not complete and very rare was the letter in the box different to the answer being justified.

Some candidates gained marks by using the rejection technique. Up to 3 marks are available for successfully eliminating 3 incorrect options (provided that three separate reasons are offered). To achieve rejection marks it requires candidates to explicitly state the option key being rejected and then to offer an appropriate explanation. Unfortunately, some candidates fail to identify the incorrect option key and so the examiner may not be aware that the rejection technique is being offered. A significant number were using the rejection mark to achieve their last mark on these questions. When rejecting it is important that candidates explain why it is not the correct answer.

The mark scheme offers guidance on how to reject incorrect options.
Note it is perfectly acceptable to use a combination of techniques for securing the 3 explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

When candidates drew producer surplus and its change it was useful that candidates labelled points and then identified the levels of producer surplus before and after a change.

Section B: data response questions
The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is vital that candidates make evaluative comments when required by the question. The 14 mark question comprises 6 evaluation marks and a 10 mark question comprises 4 evaluation marks. To achieve the higher levels they will need to not only identify evaluative points but develop them to explain their point. There was a significant improvement in the numbers evaluating.

Question 9 (the Indian hotel market) was a more popular choice with most candidates selecting this, compared to Q10 (the education sector). A higher mean score was recorded for Q9 than Q10.

Question 1

The question tested students on their understanding of the role of the state in a mixed economy. The majority of candidates earned two marks for accurately defining what a mixed economy/ free market economy/ market failure was. The precision of these definitions was an occasional problem. Saying a mixed economy has both command economy and free market economy is not precise enough to be awarded a mark and it is better if they identify the private sector or market mechanism with the public sector or government to achieve this mark. A simple way to pick up the final mark was to identify an example of a market failure although this was rarely done. Rejection marks were rarely offered as they tended to achieve marks by explaining why the key was correct.

Question 2

The question considered when producer surplus was most likely to decrease. Nearly all attempted a definition of producer surplus. A common problems was where students did not talk about the price willing to sell and market price but instead used terms like amount willing to sell and amount they sell which is not precise enough. Better candidates explicitly referred to cereals and yoghurts as substitutes so few picked up arks for this. Pleasingly many students drew a diagram that identified the reduced demand for cereal but fewer then identified the producer surplus before and after the change. Rejection marks were often offered but more rarely awarded as few actually made the link between changes in indirect tax, advertising or subsidies on supply or demand and then producer surplus.

Question 3

The question provided information from ABTA about the fact a significant number did not take up travel insurance despite the average claim being £1610. It required candidates to identify that there was imperfect information about the risks of skiing. Many struggled with this question. Candidates often defined imperfect information or asymmetric information. They found it more difficult to explain why people did not take out insurance. Some did refer to how people do not know the likely injuries and cost of treatments from skiing and therefore did not take out insurance. Many had to use rejection marks to be able to pick up marks. Typically they identified opportunity costs to reject C.

Question 4

The question needed students to show an understanding of public goods. Many candidates defined public goods and it was pleasing that such a high percentage referred to both non-rivalry and non-excludability. Better candidates referred to the free rider and why the private sector will not provide goods when consumers free ride. Fewer than expected identified an example of a public good which was awarded a mark. Rejection marks was rarely awarded as they often just said it was incorrect due to non-rivalry but they needed to explain why it was non rival.

Question 5

This question caused a challenge to many candidates with many struggling to achieve marks. The question looked at buffer stock and a year when there was a poor harvest. The question clearly suggested candidates need to check that they understand that they sell when the price is above the ceiling and buy when the price is below the floor. The diagram was often annotated. For example the area of revenue for the government or the quantity they will buy. It is important though that candidates label these annotations. For example many shaded the government revenue but did not label what it was so they could not be credited. There was lots of confusion with buffer stock. Many could define it but many were confused and said the government agency would buy stock when the price was above ceiling which is wrong. Many identified that they did this to reduce price fluctuations.

Question 6

The candidates were required to identify that price elasticity of demand was inelastic. The question had data on both income and price elasticity of demand when answer focused on PED. Many defined both but were not credited for definition and reference to YED unless used to reject A or B. Better candidates defined PED, explained that the PED of -0.31 make it inelastic as below -1. A useful technique used by those scoring maximum marks was to say the impact of a 10% increase in price would see a 3.1% fall in quantity demanded.

Question 7

The question required students to identify that the reason there is both unemployment and vacancies related to the immobility of labour. The vast majority referred to and defined occupational immobility of labour. Fewer defined geographical immobility. When explaining the mismatch too many just repeated the stem. Key is that they need to identify that the employer may need a particular skills that the unemployed lack. In rejecting answers many referred to how subsides or training would improve the mobility of labour and help them to fill vacancies.

Question 8

The question was about the impact of an increase in minimum wages. The definition of minimum wage was often offered. Candidates need to be careful as some said this is what had to be paid or it being the ceiling rather than it being the minimum/ floor wage. Many referred to how this would raise the cost to firms and cause them to reduce their demand for labour. Fewer showed how the supply of labour would increase. The better responses referred explicitly to the diagram and annotations, for example they explained that the quantity of labour demanded would fall from Q1 to Q2.

Question 9

Part a

This question looked at the market for hotels in India and the responses to this question were strong. Data reference was good with many referring to the data in Extract 1. Reference was made to the actual price change, factors that increased demand and supply of rooms. The diagrams were usually accurately drawn with all at least drawing a supply and demand diagram to achieve a mark. The majority did correctly draw demand falling but many omitted the supply rising even though they often identified that more hotels had been built. Pleasingly more than half achieved 5 or 6 marks.

Part b

This question needed students to explain whether supply was elastic or inelastic. Most candidates defined price elasticity of supply and inelastic supply. They often referred to the time it took to build hotels to show it is inelastic. Many looked at the long term and how it may then be more elastic. Few candidates looked at price elatsicity of demand. It is important in the exam that candidates are careful to answer the precise question being asked.

Part c

The question asked people to examine and still some candidates did not offer evaluation points. The 10 marks allocated was also a clue that evaluation was needed which will mean 4 evaluation marks are available. Evaluative comments on this question were less well done. Most were able to identify how the falling income could affect the hotel industry. Some only defined income elatsicity of demand but better candidates made this an integral part of their answer referring to hotel as a normal good and how this will see demand fall as incomes fall. Many drew a diagram to helpfully illustrate the impact. The effect on revenue, employment and closures was typical Those that did evaluate tended to focus on magnitude and different hotels having different YED. Candidates would do best to develop the evaluation point to achieve more marks.

Part d

The question on looked at the impact on consumers, producers and the government of the introduction of an indirect tax. Definitions of indirect tax was offered. The diagram nearly always had supply shifting in the right direction but many did not have the incidence of tax or tax revenue accurately labelled. Better responses looked at the impact on all 3 economic agents It is important that when asked for they must look at all otherwise they will find their performance capped. The best responses offered evaluation looking at magnitude, elasticity and incidence. The quality of evaluation seemed better with more points offered and more development of these points.

Part e

The question asked students to look at the impact of reduced regulations. The application to the extract was good identifying how the regulations would affect visas and the fact that numbers visiting increased 29%. The impact on hotels, tourism and government was discussed. For evaluation the focus was often linked to crime and pollution. Better evaluation was also offered with more looking at 3 evaluation points.

Question 10

Part a

The question looked at how the reduction in subsidies would affect higher education fees and numbers. Most candidates were able to define subsidy and linked to costs. Most were able to draw supply and demand showing leftward shift if supply and equilibriums. The question did not ask for a diagram but those that included one trended to perform better. The link to student numbers and fees was normally explicitly referred to in the response.

Part b

The question looked at the impact of increased investment in education on the PPF. Most candidates were able to define PPF and identify that it will shift outwards. One weakness with diagrams was the accuracy of the labels on the axis. Evaluation was normally offered and focused on time lags and magnitude.

Part c

The question looked at external benefits of higher education. Better responses actually focussed on external benefits rather than private benefits as found with weaker responses. Diagrams will normally be accurate. Identifying welfare loss was less well done and commonly drawn in the wrong place. A grade candidates evaluated several points. Weaker candidates only identified points like magnitude without developing them.

Part d

Students had to identify opportunity costs which lead many not to go in to higher education. Students normally defined opportunity cost and were able to identify opportunity costs e.g. work/ pay.

Part e

The question required candidates to evaluate the extent to which asymmetric information exists in the market for higher education. Candidates were able to define asymmetric information and use the data to show how it might exist. Many evaluated this by challenging that the data does exist and ways you can access it. The responses that did well focused on identifying whether asymmetric information exists or not. Many did not answer the question as closely as they could. Key was that they needed to look at how asymmetric might or might not be present.

Based on their performance on this paper, candidates are offered the following advice:

Section A: supported multiple choice
• Define accurately the key economic term(s) used in each question.
• Be prepared to annotate the diagrams presented in the questions.
• Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text.
• Take care in labelling producer surplus
• When explicitly asked to draw a diagram do so as doing so will tend to be well rewarded and the alternative written explanation will often require much explanation.
• Always refer to the information provided, for example average claims £1610, price elatsicity of demand and the number of unemployed and vacancies.
• be precise about definition of mixed economy.
• revise buffer stock and when the government will buy and sell stock from the stockpile
• Make sure 'value is added' to answers which use the rejection method. Do not simply   state that a particular option is incorrect without explaining why this is the case.

Section B: data response
• Read the question instructions very carefully to make sure your answer remains relevant throughout. All too often candidate answers strayed from the questions set as in Q9(b) where some focused on price elasticity of demand and Q9(e) where some focused on taxes rather than regulation. It is important to focus on the concepts mentioned in the question.
• Focus on developing economic analysis in the high mark base questions. Quite often candidates moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in Q9(e) on regulation and Q10(e) the asymmetric information. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.
• Where candidates are asked to refer to a concept in a question it is important they do not just define it but attempt to use it to analyse and evaluate. For example with 9(c) they needed to refer to income elasticity and too frequently this was only defined.
• Where diagrams are requested these should be drawn as they will be well rewarded- do be careful with the accuracy of these. 10(b) required a PPF which often had mislabelled axis.
• Candidates need to consider the mark allocations where 14 marks are available 6 marks will be for evaluation and students should be encouraged to develop two in detail or offer 3 with some development. Similarly a 10 marker will require 2 evaluation points for 4 marks.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:
http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx