This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners’ meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.
These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.
<table>
<thead>
<tr>
<th>GENERIC MARKING PRINCIPLE 5:</th>
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<tbody>
<tr>
<td>Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).</td>
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<thead>
<tr>
<th>GENERIC MARKING PRINCIPLE 6:</th>
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<tr>
<td>Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.</td>
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<tr>
<td>Question</td>
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<tr>
<td>1(a)(i)</td>
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<tr>
<td>1(a)(ii)</td>
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<td>1(b)</td>
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<tr>
<td>Question</td>
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<td>1(c)</td>
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<td>Question</td>
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<td>1(d)</td>
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<td>Question</td>
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<td>2(a)</td>
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<td>Question</td>
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| 3(a) | For **knowledge and understanding** of the concept of price elasticity of demand as the percentage change in the quantity demanded of a product divided by the percentage change in the price of the product.  
  *(KU total: Up to 2 marks)*  
  For **application** of factors to the determination of the PED of a product.  
  The question does refer to factors, i.e. a minimum of two factors need to be explained. Up to 3 marks for one factor that is very well explained. A candidate needs to explain a minimum of two factors to gain all 6 marks.  
  *(APP total: Up to 6 marks)* | 8 | Candidates should refer to the possible factors that can affect the PED for a product:  
  • the period of time  
  • the number and availability of substitutes  
  • the degree of necessity  
  • the durability of a product  
  • the proportion of income taken by a product  
  • the width of definition of a product  
  • the amount of money spent on a product |
| 3(b) | For **analysis** of the importance of XED to a firm.  
  **Analysis** of a positive XED.  
  *(Up to 4 marks)*  
  **Analysis** of a negative XED.  
  *(Up to 4 marks)* | 12 | Candidates can comment on whether XED is positive, which will be the case if the two products are substitutes, giving rise to competitive demand, or whether it is negative, which will be the case if the two products are complements, giving rise to joint demand.  
  XED is important to the decisions of a firm, enabling it to estimate the effect on the demand for one of its products of a change in the price of a substitute or a complement in the market.  
  *(AN total: Up to 8 marks)*  
  For **evaluative** comment on the extent to which XED is likely to be important to a firm supplying that product (1 mark for a conclusion)  
  Candidates need to consider that the extent to which XED is likely to be important to a firm supplying a particular product will depend on a number of factors, such as how close a substitute or a complement is to the firm’s product and so how significant a change in a competitor’s price will be, and how large the original price change was. XED is likely to be more important when the relationship between two products is a close one. Candidates could evaluate whether XED is likely to be more or less useful than PED or YED. Candidates could also bring zero cross elasticity of demand into the discussion.  
  *(EV total: Up to 4 marks)* |
<table>
<thead>
<tr>
<th>Question</th>
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<th>Marks</th>
<th>Guidance</th>
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<tr>
<td>4(a)</td>
<td>For knowledge and understanding of the characteristics of money. (KU total: Up to 4 marks) For application showing how the characteristics of money are necessary in order for money to perform its functions effectively, e.g. money needs to be divided into smaller units so that products at various prices can be bought and sold and money needs to be portable if it is going to be convenient for the users of it. Application to at least three characteristics and three functions required for full marks. (APP total: Up to 4 marks)</td>
<td>8</td>
<td>Characteristics of money, such as: • acceptability • portability • scarcity • recognisability • relative stability of value • divisibility • durability • uniformity • stability of supply. Four functions of money: • a medium of exchange • a measure of value/unit of account • a standard for deferred payment • a store of value or wealth.</td>
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<td>4(b)</td>
<td>For analysis of the likely consequences for an economy of an increase in the money supply. Candidates need to refer to the impact that an increase in the money supply can have in an economy, especially in relation to the existence of inflation. An increase in the money supply can lead to demand-pull inflation, especially if AD is in excess of AS. Accept an answer that focuses on the consequences of inflation. (AN total: Up to 8 marks) For evaluative comment on the extent to which an increase in the money supply in an economy is likely to be inflationary (1 mark for a conclusion). Candidates need to consider that the extent to which an increase in the money supply will lead to inflation will depend on whether AD is in excess of AS. If there is an increase in AS which matches the increase in AD, then the effect of the increase in the money supply will not necessarily be inflationary. The consequences will also depend on the extent of the size of the increase in the money supply and the state of an economy at the time of the increase. (EV total: Up to 4 marks)</td>
<td>12</td>
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