

Paper Reference 4EC1/01

Pearson Edexcel

International GCSE

Total Marks

Economics

Level 1/2

**Paper 1: Microeconomics and
Business Economics**

Monday 13 January 2020 – Morning

**Time: 1 hour 30 minutes plus your
additional time allowance.**

**In the boxes below, write your name,
centre number and candidate number.**

Surname					
Other names					
Centre Number					
Candidate Number					

Y59963A

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

Answer ALL questions.

Answer the questions in the spaces provided in this Question Paper or on the separate data sheets – there may be more space than you need.

Calculators may be used.

You are advised to show all your working out with your answer clearly identified at the end of your solution.

Turn over

INFORMATION

The total mark for this paper 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.

There may be spare copies of some data sheets.

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.

4

Answer ALL questions.

Write your answers in the spaces provided.

Some questions are multiple choice. Write the letter(s) of your chosen answer(s) in the box(es) provided.

Turn over

5

1. (a) Which ONE of the following values shows perfect price inelasticity of supply?

A 1.5

B 1

C 0.5

D 0

Answer **(1 mark)**

(continued on the next page)

Turn over

1. continued.

(b) A firm has total costs of **\$1 250 000** per month and variable costs of **\$100** per unit. If it produces **5,000** units, calculate the **total fixed costs** per month for the firm.

A \$1 750 000

B \$1 250 100

C \$1 249 900

D \$750 000

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

**(c) What is meant by the term
supply?
(2 marks)**

(continued on the next page)

Turn over

1. continued.

(d) State ONE example of an occupation that is in the secondary sector of the economy.

(1 mark)

(continued on the next page)

Turn over

1. continued.

(e) Define the term labour.

(1 mark)

(continued on the next page)

Turn over

1. continued.

(f) Calculate the **income elasticity of demand (YED)** for a good if income increases by **25%** and quantity demanded increases by **10%**. You are advised to show your working.

(2 marks)

Answer lines continue on the next page.

Turn over

1. (f) continued.

(continued on the next page)

Turn over

1. continued.

(g) Look at the diagram for Question 1(g) in the Data Book. Using the diagram, draw the likely effects of an increase in income on the equilibrium price and quantity for wireless headphones. Label the new curve, the new equilibrium price and quantity. (3 marks)

(continued on the next page)

Turn over

1. continued.

The government of a country has decided to build a new hospital.

(h) Explain ONE possible opportunity cost for the government of this decision.

(3 marks)

Answer lines continue on the next page.

Turn over

1. continued.

(i) Look at the data for Question 1(i) in the Data Book. With reference to the data and your knowledge of economics, analyse the possible reasons why McAfee chooses not to profit maximise but instead operates the fundraising match programme.

(6 marks)

Answer lines continue on the next three pages.

2. (a) Look at the diagrams for Question 2(a) in the Data Book. Which ONE of the diagrams, A, B, C or D shows excess demand?

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

(b) Land can be described as which ONE of the following?

A A diseconomy of scale

B A factor of production

C A variable cost

D A market failure

Answer (1 mark)

(continued on the next page)

Turn over

2. continued.

(c) State the formula for profit.

(1 mark)

(continued on the next page)

Turn over

2. continued.

(d) Calculate the price elasticity of supply (PES) for a product when price increases by 30% and quantity supplied increases by 36%. You are advised to show your working.

(2 marks)

Answer lines continue on the next page.

Turn over

2. (d) continued.

(continued on the next page)

Turn over

2. continued.

(e) Define the term finance.

(1 mark)

(continued on the next page)

Turn over

2. continued.

(f) Look at the data for Question 2(f) in the Data Book. Describe the type of market structure in which the Irish Artisan Charcoal Company operates.

(2 marks)

Answer lines continue on the next page.

Turn over

2. (f) continued.

(continued on the next page)

Turn over

2. continued.

Street lighting is considered to be a public good.

(g) Explain ONE reason why this may cause a free rider problem.

(3 marks)

Answer lines continue on the next page.

Turn over

2. (g) continued.

(continued on the next page)

Turn over

2. continued.

(h) Look at the data for Question 2(h) in the Data Book. With reference to the data and your knowledge of economics, assess whether Wonderful Wax would have more benefits from remaining a small firm rather than becoming a large firm.

(9 marks)

Answer lines continue on the next five pages.

Turn over

2. (h) continued.

(Total for Question 2 = 20 marks)

3. (a) Which ONE of the following is an example of an external economy of scale?

A Bulk buying

B Skilled labour

C Bureaucracy

D Managerial

Answer (1 mark)

(continued on the next page)

Turn over

3. continued.

(b) Which ONE of the following is a main feature of an oligopoly?

- A** Rising fixed costs
- B** No barriers to entry
- C** Large firms dominate the market
- D** Specialises in the public sector

Answer (1 mark)

(continued on the next page)

Turn over

3. continued.

An economy can produce consumer and capital goods. This economy originally produced at PPC1 with all resources fully employed but due to positive economic growth, it can now produce at PPC2 with all resources fully employed.

(continued on the next page)

3. continued.

(c) Look at the diagram for Question 3(c) in the Data Book. Using the axes in the Data Book, draw two production possibility curves (PPC) to show an economy moving from PPC1 to PPC2. Label both production possibility curves and the axes. (3 marks)

(continued on the next page)

Turn over

3. continued.

(d) Look at the data for Question 3(d) in the Data Book. With reference to the data and your knowledge of economics, analyse how the demand for labour might be affected by the use of machines.

(6 marks)

Answer lines continue on the next three pages.

Turn over

3. (d) continued.

(continued on the next page)

Turn over

3. continued.

(e) Look at the data for Question 3(e) in the Data Book. With reference to the data and your knowledge of economics, assess whether fireworks have more negative than positive externalities.

(9 marks)

Answer lines continue on the next five pages.

Turn over

3. (e) continued.

(Total for Question 3 = 20 marks)

4. Veronique owns a shop that makes cakes for special occasions. The cakes sell for an average price of €40 each.

(a) Calculate the quantity of cakes sold by Veronique's shop when total revenue is €3 600. You are advised to show your working.

(2 marks)

Answer lines continue on the next page.

Turn over

4. (a) continued.

(continued on the next page)

Turn over

4. continued.

(b) Look at the data for Question 4(b) in the Data Book. With reference to the data and your knowledge of economics, analyse why governments may want to control takeovers.

(6 marks)

Answer lines continue on the next three pages.

Turn over

4. (b) continued.

(continued on the next page)

Turn over

4. continued.

(c) Look at the data for Question 4(c) in the Data Book. With reference to the data and your knowledge of economics, evaluate the usefulness of price elasticity of demand (PED) in helping the South African Government to decide whether to increase the rate of VAT.

(12 marks)

Answer lines continue on the next six pages.

Turn over

