

Paper Reference 4EC1/01
Pearson Edexcel
International GCSE

Total Marks

Economics
Level 1/2
PAPER 1: Microeconomics and
Business Economics

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					

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.

Good luck with your examination.

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.

1. (a) Which ONE of the following does a point on a production possibility curve (PPC) represent?

- A** Where capital goods should be produced
- B** How the production of all goods can be increased
- C** Government revenue from production
- D** A given amount of resources being fully employed

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

Andreas is a plumber. Unlike his competitors, he is prepared to work at the weekend. However, he charges customers **50% more for his services at the weekend.**

(continued on the next page)

1. continued.

(b) Which ONE of the following describes this economic assumption?

A Businesses aim to maximise their profit

B Producers may complete charitable work

C Consumers sometimes copy others' behaviour

D Governments try to increase the number of days worked

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

**(c) What is meant by the term
economies of scale?
(2 marks)**

(continued on the next page)

Turn over

1. continued.

(d) State ONE example of a factor of production that can be classified as land.

(1 mark)

(continued on the next page)

Turn over

1. continued.

(e) Define the term monopoly.

(1 mark)

(continued on the next page)

Turn over

1. continued

Alfie provides a dog–walking service to dog owners in his local area. After a successful first year he increased prices by 1·5% and quantity demanded fell by 1·1%.

- (f) Calculate, to two decimal places, the price elasticity of demand (PED) for Alfie’s dog-walking service. You are advised to show your working.**

(2 marks)

Answer lines are 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 in the Data Book, draw the likely effects on the market for cars of the introduction of more effective technology in production. Label the new curve, the new equilibrium price and the new equilibrium quantity. (3 marks)

(continued on the next page)

Turn over

1. continued.

In 2015, the school-leaving age in England was raised from 16 to 18.

**(h) Explain ONE possible effect on the supply of labour of the school-leaving age being raised.
(3 marks)**

Answer lines continue on the next page.

Turn over

1. (h) continued.

(continued 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 in the Data Book and your knowledge of economics, analyse why Bupa may have decided to operate in a wider range of markets.

(6 marks)

Answer lines continue on the next three pages.

Turn over

1. (i) continued.

Turn over

1. (i) continued.

Turn over

1. (i) continued.

(Total for Question 1 = 20 marks)

2. (a) Which ONE of the following products has a price inelastic demand?

	Product	Price elasticity of demand (PED)
A	W	-1.5
B	X	-1
C	Y	-0.5
D	Z	1

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

(b) Which ONE of the following is the formula for calculating average cost?

A
$$\frac{\text{Total fixed cost}}{\text{Quantity produced}}$$

B
$$\frac{\text{Total revenue}}{\text{Quantity produced}}$$

C
$$\frac{\text{Total cost}}{\text{Quantity produced}}$$

D
$$\frac{\text{Total variable cost}}{\text{Quantity produced}}$$

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

**(c) State ONE reason why
governments intervene in the
economy.**

(1 mark)

(continued on the next page)

Turn over

2. continued.

Look at the table for Question 2(d) in the Data Book. It shows selected financial data of a firm selling shoes.

(d) Calculate the profit or loss for the firm for each pair of shoes.

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.

Governments can use fines to deal with externalities.

(e) Define the term fine.

(1 mark)

(continued on the next page)

Turn over

2. continued.

**(f) Describe ONE benefit to
consumers of privatisation.
(2 marks)**

(continued on the next page)

Turn over

2. continued.

Microsoft has a patent on a number of its technological designs.

(g) Explain ONE reason why Microsoft might have patents on its designs.

(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 in the Data Book and your knowledge of economics, assess whether a firm, such as a fast food restaurant, always benefits from using division of labour.

(9 marks)

Answer lines continue on the next five pages.

Turn over

2. (h) continued.

Turn over

2. (h) continued.

Turn over

2. (h) continued.

Turn over

2. (h) continued.

Turn over

2. (h) continued.

(Total for Question 2 = 20 marks)

3. (a) Which ONE of the following factors may cause a shift of the demand curve?

A Costs of production

B Demographic changes

C Subsidies

D Changes in price

Answer

(1 mark)

(continued on the next page)

Turn over

3. continued.

(b) Which ONE of the following is an example of an external cost?

A Healthcare

B Litter

C Rent

D Weather

Answer

(1 mark)

(continued on the next page)

Turn over

3. continued.

(c) Look at the diagram for Question 3(c) in the Data Book. It shows a blank pie chart. On the blank pie chart, draw and label the appropriate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a developing economy such as Haiti.

(3 marks)

(continued on the next page)

Turn over

3. continued.

Look at the diagram for

Question 3(d) in the Data Book.

In the capital of Laos, Vientiane, residents and tourists can now use the LOCA app to hire a taxi. The diagram shows the excess supply of LOCA drivers working in an area of the city when the price of a journey is 10 000 Kip.

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Turn over

3. continued.

(d) With reference to the data on the previous page and in the Data Book and your knowledge of economics, analyse how market forces can remove excess supply.

(6 marks)

Answer lines continue on the next three pages.

Turn over

3. (d) continued.

Turn over

3. (d) continued.

Turn over

3. (d) continued.

(continued on the next page)

Turn over

3. continued.

Public universities in Norway do not charge students any tuition fees. Education is funded by the government. In recent years Norway has spent more on education than any other country as a percentage of GDP. Norway also has one of the lowest rates of unemployment in the world.

(continued on the next page)

3. continued.

(e) With reference to the data on the previous page and your knowledge of economics, assess the benefits to Norway of the government funding all education.

(9 marks)

Answer lines continue on the next four pages.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

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Turn over

3. (e) continued.

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(Total for Question 3 = 20 marks)

Turn over

4. Look at the table for Question 4(a) in the Data Book. It shows the population in Austria in the years 2000, 2008 and 2018.

(a) Calculate, to two decimal places, the percentage change in the population in Austria between 2000 and 2018.

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.

Look at the diagram for Question 4(b) in the Data Book. It shows the price elasticity of supply (PES) of bananas.

(b) With reference to the data in the Date Book and your knowledge of economics, analyse how the quantity supplied of bananas might be affected by an increase in price.

(6 marks)

Answer lines are on the next three pages.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

(continued on the next page)

Turn over

4. continued.

Look at the data for Question 4(c) in the Data Book.

(c) With reference to the data in the Data Book and your knowledge of economics, evaluate whether an increase in the minimum wage would benefit an economy such as Spain.

(12 marks)

Answer lines continue on the next six pages.

Turn over

4. (c) continued.

Turn over

4. (c) continued.

Turn over

4. (c) continued.

Turn over

4. (c) continued.

Turn over

4. (c) continued.

Turn over

4. (c) continued.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER
