

Paper Reference 4EC1/01
Pearson Edexcel
International GCSE

Total Marks

Economics

Level 1/2

Paper 1: Microeconomics and Business
Economics

Friday 24 May 2019 – Afternoon

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 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 in the Data Book – 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.

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.

Turn over

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.

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 is a factor of production?

A Land

B Profit

C Wages

D Manufacturing

Answer

(1 mark)

(continued on the next page)

1. continued.

(b) A firm has total fixed costs of \$40 000 per month and variable costs of \$150 per unit. If it produces 1,000 units, what are the total costs per month for the firm?

A \$190 000

B \$150 000

C \$41 150

D \$40 150

Answer

(1 mark)

(continued on the next page)

1. continued.

(c) What is meant by the term demand?

(2 marks)

(continued on the next page)

1. continued.

(d) State the formula for social costs.

(1 mark)

(e) Define the term tertiary sector.

(1 mark)

(continued on the next page)

1. continued.

Look at the table for Question 1(f) in the Data Book.
It shows the costs of production per month for a
firm making **2,000** units.

(f) Calculate the average cost per unit for the firm
when it makes **2,000** units. You are advised to
show your working.

(2 marks)

(continued on the next page)

1. continued.

(g) Look at the diagram for Question 1(g) in the Data Book.

Using the diagram, draw the effects on the market for crops after a hurricane destroys farm land. Label the new curve, new equilibrium price and new equilibrium quantity.
(3 marks)

(continued on the next page)

1. continued.

Concert tickets to see the most popular music artists can sell for very high prices.

(h) Explain ONE reason why the demand for these tickets might be price inelastic.

(3 marks)

[illegible]

(continued on the next page)

Turn over

1. continued.

(i) Look at the information for Question 1(i) in the Data Book.

With reference to the data and your knowledge of economics, analyse the possible reasons for Coca-Cola purchasing shares in Inca Kola.

(6 marks)

Answer lines continue on the next page.

[illegible]

1. (i) continued.

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(Total for Question 1 = 20 marks)

Turn over

2. (a) Which ONE of the following is part of the economic problem of scarcity?

A When to produce

B What to produce

C Whether to produce

D Where to produce

Answer

(1 mark)

(continued on the next page)

2. continued.

Look at the diagram for Question 2(b) in the Data Book.

A country is able to produce agricultural and non–agricultural goods. Its production possibility curve is shown in the diagram.

(b) Which ONE of the following points is NOT achievable?

A W

B X

C Y

D Z

Answer

(1 mark)

(continued on the next page)

2. continued.

- (c) Calculate the price elasticity of demand for a product when price increases by 15% and quantity demanded falls by 12%. You are advised to show your working.**

(2 marks)

(continued on the next page)

2. continued.

(d) Define the term innovation.

(1 mark)

(e) State ONE factor that will cause a demand curve to shift to the left.

(1 mark)

(continued on the next page)

2. continued.

Look at the information for Question 2(f) and (g) in the Data Book.

Dhaka has a large number of auto rickshaws competing for fares.

- (f) Apart from price, describe ONE advantage for passengers of this competition.**
(2 marks)

(continued on the next page)

2. continued.

(g) With reference to the information given in ‘Beating the congestion in Dhaka’, explain ONE reason why prices for journeys using an auto rickshaw might be higher outside the city centre.

(3 marks)

[illegible]

(continued on the next page)

Turn over

2. continued.

(h) Look at the information for Question 2(h) in the Data Book.

**With reference to the data and your knowledge of economics, assess the extent to which changes in technology may reduce the shortage of car parking spaces in city centres.
(9 marks)**

Answer lines continue on the next three pages.

2. (h) continued.

[illegible]

Turn over

2. (h) continued.

[illegible]

Turn over

2. (h) continued.

(Total for Question 2 = 20 marks)

3. A product has an income elasticity of demand (YED) of -0.16

(a) Which ONE of the following best describes this product?

A A luxury good

B A normal good

C A public good

D An inferior good

Answer

(1 mark)

(continued on the next page)

3. continued.

(b) Which ONE of the following is a diseconomy of scale?

A An increase in productivity

B An increase in bureaucracy

C A decrease in the cost of research and development

D A decrease in government regulation

Answer

(1 mark)

(continued on the next page)

3. continued.

(c) Look at the diagram for Question 3(c) in the Data Book.

Using the diagram, draw the effects of a minimum wage (W_1) being set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied.

(3 marks)

(continued on the next page)

3. continued.

(d) Look at the information for Question 3(d) in the Data Book.

With reference to the data and your knowledge of economics, analyse why Canadian firms may have been struggling to hire the labour they need.

(6 marks)

Answer lines continue on the next page.

3. (d) continued.

[illegible]

(continued on the next page)

Turn over

3. continued.

(e) Look at the information for Question 3(e) in the Data Book.

With reference to the data and your knowledge of economics, assess the extent to which an increase in education and training is the best way to increase productivity.

(9 marks)

Answer lines continue on the next three pages.

3. (e) continued.

[illegible]

Turn over

3. (e) continued.

[illegible]

Turn over

3. (e) continued.

(Total for Question 3 = 20 marks)

4. Look at the diagram for Question 4 in the Data Book.

It shows the quantity of a good supplied and demanded at different price levels.

- (a) Using the information in the diagram, calculate the excess supply of goods in the market at a price of \$50. You are advised to show your working.

(2 marks)

(continued on the next page)

Turn over

4. continued.

(b) Look at the information for Question 4(b) in the Data Book.

With reference to the data and your knowledge of economics, analyse why collusion may be a disadvantage for online consumers buying electrical equipment.

(6 marks)

Answer lines continue on the next page.

4. (b) continued.

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4. continued.

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

It shows the market share of supermarkets in the Netherlands in 2017

(c) With reference to the data and your knowledge of economics, evaluate how firms might be influenced by competing in an oligopoly, such as supermarkets in the Netherlands.

(12 marks)

Answer lines continue on the next four pages.

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER
