

Please check the examination details below before entering your candidate information

Candidate surname		Other names	
Pearson Edexcel International GCSE		Centre Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Candidate Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Friday 24 May 2019			
Afternoon (Time: 1 hour 30 minutes)		Paper Reference 4EC1/01	
Economics Level 1/2 Paper 1: Microeconomics and Business Economics			
You do not need any other materials.			Total Marks <input type="text"/>

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *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.*

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.

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** (a) Which **one** of the following is a factor of production?

(1)

- ☐ **A** Land
- ☐ **B** Profit
- ☐ **C** Wages
- ☐ **D** Manufacturing

- (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?

(1)

- ☐ **A** \$190 000
- ☐ **B** \$150 000
- ☐ **C** \$41 150
- ☐ **D** \$40 150

- (c) What is meant by the term demand?

(2)

(d) State the formula for social costs.

(1)

(e) Define the term tertiary sector.

(1)

Figure 1 shows the costs of production per month for a firm making 2,000 units.

Quantity	Total fixed costs	Total variable costs
2,000	\$7 340	\$4 760

Figure 1

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

(2)

- (g) Using the diagram below, 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)

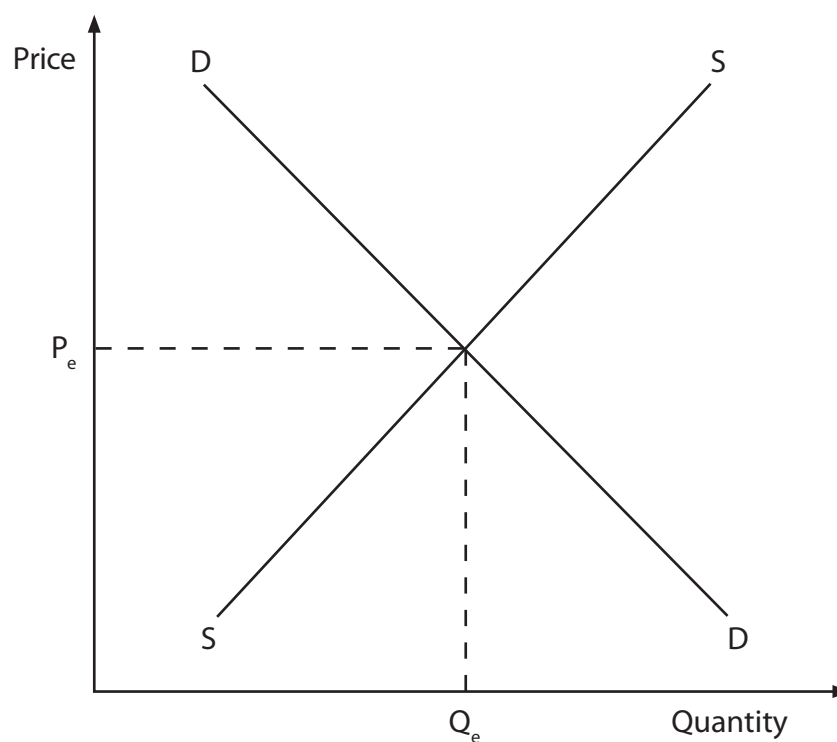


Figure 2

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)

Introduced in 1935, Inca Kola is a yellow-gold coloured, fizzy, soft drink that is popular all over Peru. By 1995, Inca Kola had grown to become a strong competitor of Coca-Cola. Inca Kola had a 32.9% market share compared to Coca-Cola's 32.0% in Peru.

By 2014, Coca-Cola owned 48.5% of Inca Kola shares.

(Source: adapted from Peru's 'improbable' Inca Kola wins out over Coke
by Andres Schipani © Financial Times September 2014)

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

(6)

(Total for Question 1 = 20 marks)

2 (a) Which **one** of the following is part of the economic problem of scarcity?

(1)

- ☐ **A** When to produce
- ☐ **B** What to produce
- ☐ **C** Whether to produce
- ☐ **D** Where to produce

A country is able to produce agricultural and non-agricultural goods. Its production possibility curve is shown in Figure 3.

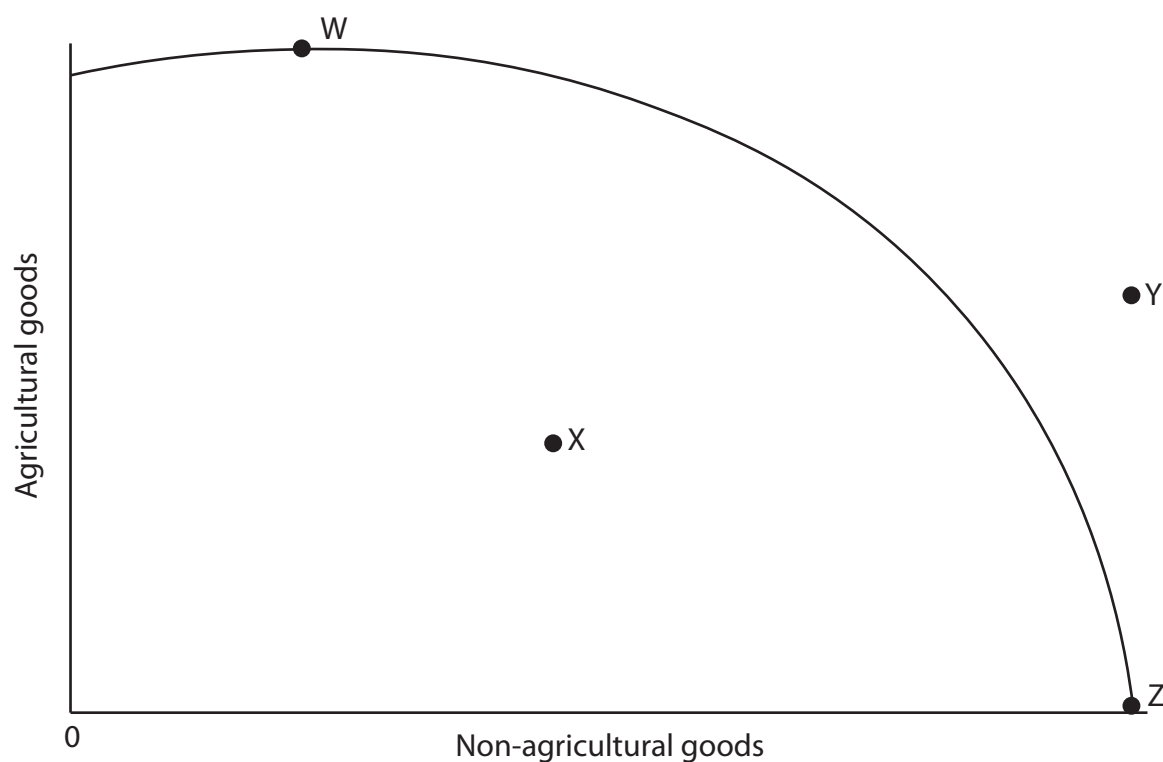


Figure 3

(b) Which **one** of the following points is **not** achievable?

(1)

- ☐ **A** W
- ☐ **B** X
- ☐ **C** Y
- ☐ **D** Z

- (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)

- (d) Define the term innovation. (1)

- (e) State **one** factor that will cause a demand curve to shift to the left. (1)

Beating the congestion in Dhaka

Nearly 17 million people live in Dhaka, the capital of Bangladesh. The majority of people live in the city centre and traffic congestion is a problem. However, there are many auto rickshaws (a small, three-wheeled vehicle, driven by a motorcycle engine) competing in the city centre to take passengers to their destinations. Fares tend to be cheaper in the city centre than they are outside the city centre and are usually agreed between passengers and drivers.

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

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

(2)

- (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)

A lack of space in many busy cities means parking is an increasing problem. Japan has developed the first Automated Parking Systems (APS). These are car parks where the cars are automatically stacked. The driver takes the car to the entrance, then technology takes over, placing each car on racks, one above the other. This allows many cars to be parked in a very small area. Not only do they offer a more practical use of space than traditional multi-storey car parks, but they cost less to build. The drivers benefit from cheaper parking fees and they save time.

(Source: adapted from <http://japantravelmate.com/cool-japan/things-see-japans-automated-rotary-parking-systems>)



Figure 4

(Source: © pio3/Shutterstock)

- (h) With reference to the data above 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)

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(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?

(1)

- ☐ **A** A luxury good
- ☐ **B** A normal good
- ☐ **C** A public good
- ☐ **D** An inferior good

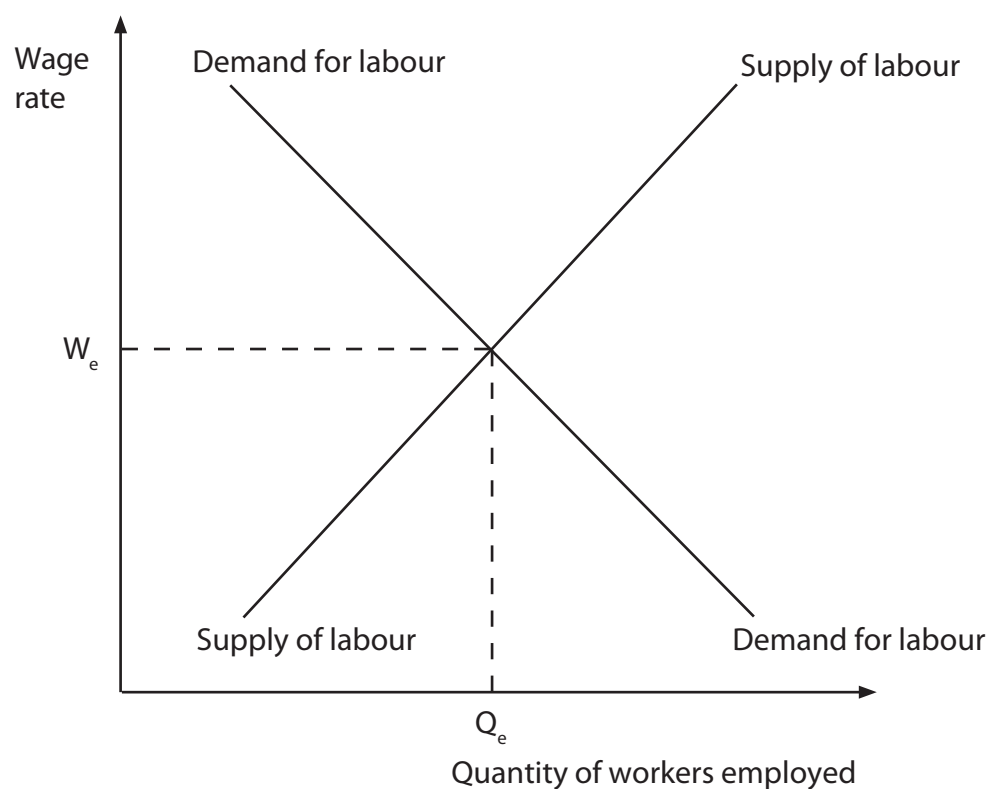
(b) Which **one** of the following is a diseconomy of scale?

(1)

- ☐ **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

- (c) Using the diagram below, 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)

**Figure 5**

Firms in Canada, the world's second largest country, have been struggling to find the labour needed for specialist positions such as computer engineers and web designers. The 'Global Talent Stream' is a government programme that provides firms with a quick way to hire highly skilled foreign workers. High costs and long time commitments often stop Canadians from training. Although a processing fee is payable for each new employee, firms have welcomed the programme.

(Source: adapted from <http://www.canada.ca/en/employment-socialdevelopment/>)

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

(6)

Productivity is a measure of how efficiently goods and services are produced and is the single most important determinant of a country's per capita income. Canada's labour productivity growth has been lower than that of other leading economies for many decades, reducing its international competitiveness. Since 2011 however, Canada's labour productivity has greatly improved and it is now the 3rd most productive of the 16 leading economies.

(Source: adapted from <http://www.conferenceboard.ca/hcp/>)

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

(9)

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(Total for Question 3 = 20 marks)

4 Figure 6 shows the quantity of a good supplied and demanded at different price levels.

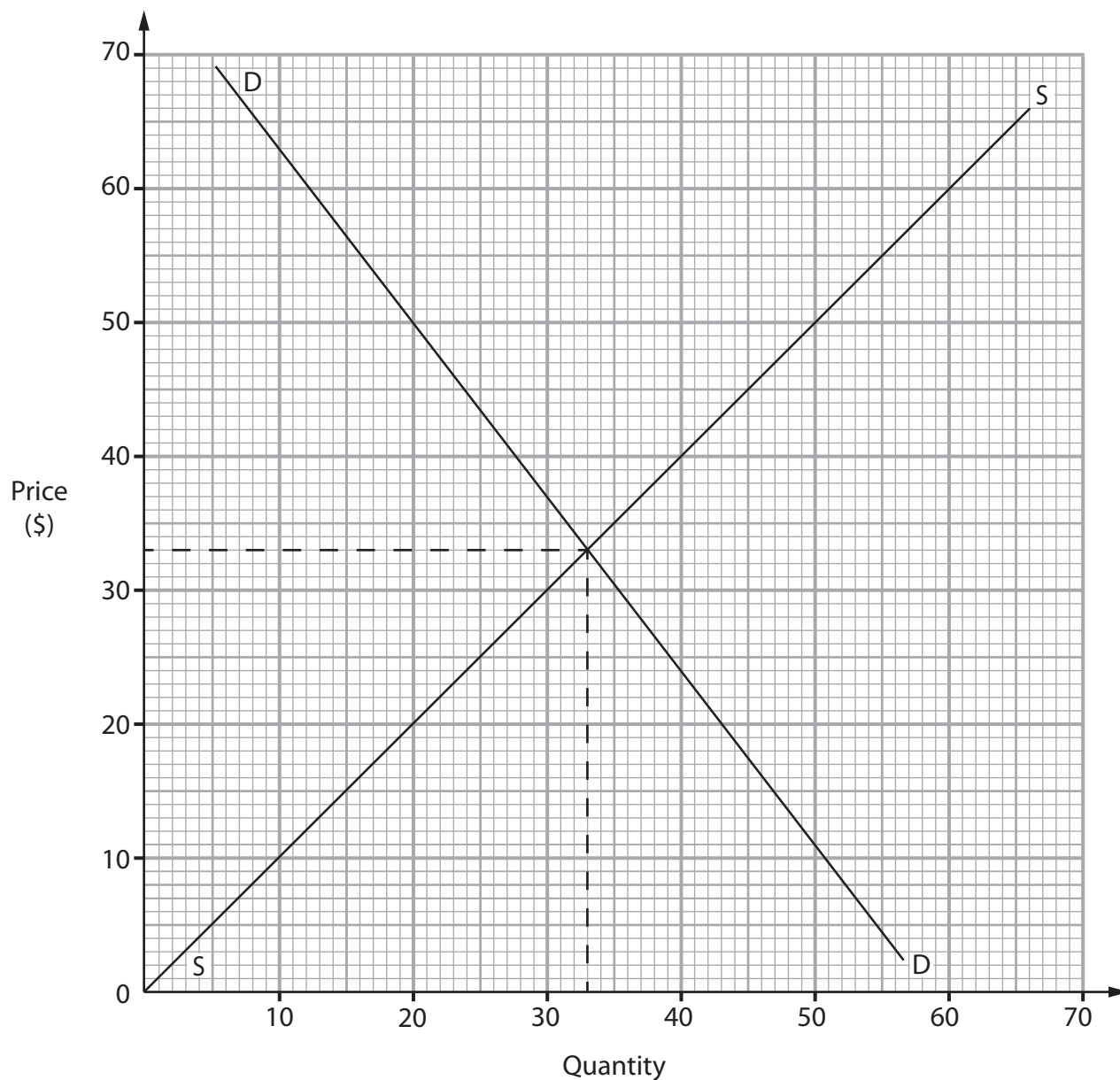


Figure 6

- (a) Using the information in Figure 6, calculate the excess supply of goods in the market at a price of \$50. You are advised to show your working.

(2)

Competition and Markets Authority warns online sellers about collusion

The Competition and Markets Authority (CMA) is a UK government department that aims to increase competition. It has reminded online sellers of electrical equipment that collusion is illegal and can result in serious penalties. The CMA stated that buying electrical equipment online, such as laptops and games consoles, means consumers can search a wide range of deals from many different sellers. However, it also stated that collusion is a threat.

(Source: adapted from © Crown Copyright)

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

(6)

Figure 7 shows the market share of supermarkets in the Netherlands in 2017.

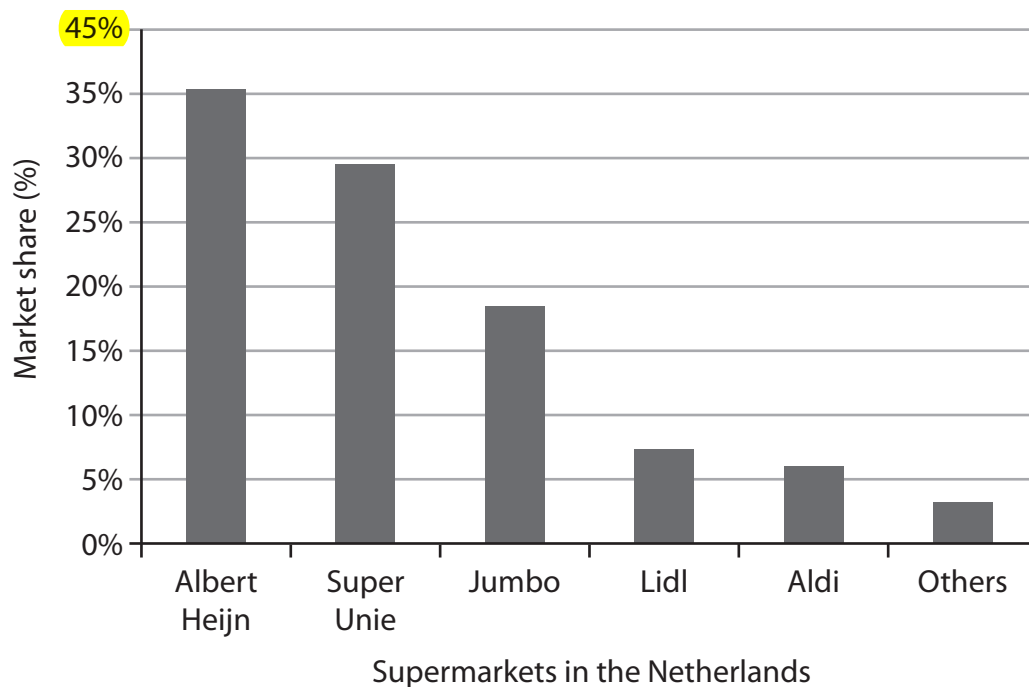


Figure 7

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

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS