

Paper Reference 4EC1/01R
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 feature of an oligopoly?

A Large firms dominate

B Unique product

C One firm dominates

D No barriers to entry

Answer

(1 mark)

(continued on the next page)

1. continued.

(b) A firm has monthly total costs of \$150 000 and monthly fixed costs of \$90 000. If it produces 1,000 units, what are the monthly total variable costs for the firm?

A \$60

B \$90

C \$60 000

D \$240 000

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

(c) What is meant by the term luxury good?

(2 marks)

(continued on the next page)

1. continued.

(d) State ONE factor that would affect price elasticity of supply (PES).

(1 mark)

(e) Define the term substitute good.

(1 mark)

(continued on the next page)

Turn over

1. continued.

Look at the information for Questions 1(f), (g), (h) and (i) in the Data Book.

(f) Calculate the price elasticity of supply for Robert's wooden door signs when the price increases by 5.2% and quantity supplied increases by 3.9% . You are advised to show your working.

(2 marks)

(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 effects on the market for locally sourced goods of more customers preferring to buy from local firms. Label the new curve, new equilibrium price and new equilibrium quantity.

(3 marks)

Robert is the only business specialising in handmade door signs in the local area.

(h) Explain ONE disadvantage for customers of Robert being the only local firm specialising in handmade door signs.

(3 marks)

Answer lines continue on the next page.

1. (h) continued.

(continued on the next page)

1. continued.

Despite his success, Robert has decided to keep his business small and not expand.

(i) **With reference to the data in ‘Small but successful’ and your knowledge of economics, analyse why Robert might have decided not to expand his business.**

(6 marks)

Answer lines continue on the next page.

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1. (i) continued.

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(Total for Question 1 = 20 marks)

Turn over

2. (a) Which ONE of the following might be an aim of a firm in the private sector?

- A Maximise costs
- B Reduce interest rates
- C Maximise profits
- D Reduce economies of scale

Answer

(1 mark)

(continued on the next page)

2. continued.

Cyprus has a mixed economy.

(b) Which ONE of the following is most likely to be provided by the public sector in Cyprus?

A Cars

B Roads

C Driving lessons

D Petrol

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

France is a developed country.

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

On the blank pie chart, draw and label the approximate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a developed country such as France.

(3 marks)

(d) Define the term free rider.

(1 mark)

(continued on the next page)

2. continued.

(e) Describe ONE reason why congestion is an example of an external cost.

(2 marks)

(continued on the next page)

Turn over

2. continued.

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

Explain ONE possible reason why the UK Government pays private sector pharmacies to provide the flu vaccination.

(3 marks)

Answer lines continue on the next page.

2. (f) continued.

(continued on the next page)

2. continued.

(g) With reference to the data in **‘Who should have the flu injection?’** and your knowledge of economics, assess whether the cost to the UK Government of funding the flu vaccination can be justified.

(9 marks)

Answer lines continue on the next three pages.

2. (g) continued.

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2. (g) continued.

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2. (g) continued.

(Total for Question 2 = 20 marks)

3. (a) Which ONE of the following may result in economic growth?

A Increasing unemployment

B Decreasing government spending

C Decreasing productivity

D Increasing technological advancements

Answer

(1 mark)

(continued on the next page)

3. continued.

(b) Which ONE of the following is an example of an economic want?

A Food

B Water

C Shelter

D Education

Answer

(1 mark)

(continued on the next page)

Turn over

3. continued.

The total revenue of a printing firm is **\$75 000** per month when it sells **100,000** newspapers.

The price of a newspaper increases to **\$0·85** and demand falls to **95,000** newspapers per month.

(c) Calculate the new total revenue. You are advised to show your working.

(2 marks)

(continued on the next page)

Turn over

3. continued.

(d) Using your answer to 3(c), state the price elasticity of demand for newspapers.

(1 mark)

(continued on the next page)

3. continued.

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

It shows an outward shift in the production possibility frontier (**PPF**) for an economy.

(e) Analyse why the economy has moved from **PPF₁** to **PPF₂**

(6 marks)

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3. (e) continued.

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3. continued.

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

With reference to the data and your knowledge of economics, assess how trade unions, such as those in the SAFTU, might have an impact on the labour market.

(9 marks)

Answer lines continue on the next three pages.

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3. (f) continued.

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3. (f) continued.

[illegible]

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3. (f) 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 demand of goods in the market at a price of \$20. 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 the benefits to NBC Universal of agreeing this deal with the IOC.

(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 in South America of search engine providers, between October 2016 and October 2017

Consumers do not pay to use search engines but firms pay to advertise on them. Google, because of the size of its market share, is considered to be a monopoly.

(c) With reference to the data and your knowledge of economics, evaluate the extent to which firms can benefit from advertising on Google.

(12 marks)

Answer lines continue on the next four pages.

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4. (c) continued.

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4. (c) continued.

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4. (c) continued.

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER