

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

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

Surname					
Other names					
Centre Number					
Candidate Number					

YOU MUST HAVE

Nil

YOU WILL BE GIVEN

Data Booklet

INSTRUCTIONS

Answer ALL questions.

Answer the questions in the spaces provided in this Question Paper or in the Data Booklet – 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 in case you need them.

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 Taxation

B Gym workout

C Enterprise

D Restaurant meal

Answer

(1 mark)

(continued on the next page)

1. continued.

A firm charges a price of \$160 per item and has average costs of \$120 per item. It sells 20 000 items.

(b) What is the total revenue for the firm?

A \$ 19 200

B \$ 20 160

C \$ 2 400 000

D \$ 3 200 000

Answer

(1 mark)

(continued on the next page)

1. continued.

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

(2 marks)

(continued on the next page)

1. continued.

(d) State the formula for social benefits.

(1 mark)

(e) Define the term niche market.

(1 mark)

(continued on the next page)

1. continued.

Greg produces pottery at a small factory in his local area. At the start of the year price increased by 5.4% and quantity supplied increased by 4.7%.

(f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for Greg's pottery. 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 Booklet.

Using the diagram in the Data Booklet, draw the likely effects on the market for apples following a decrease in the price of bananas. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3 marks)

(continued on the next page)

1. continued.

Warehouse employees at a small firm in Malta specialise in one task, such as sealing boxes, for orders that are sent to consumers.

(h) Explain ONE disadvantage of the division of labour for the warehouse employees.

(3 marks)

Answer lines continue on the next page.

[illegible]

1. (h) continued.

(continued on the next page)

1. continued.

Regulation was introduced by the German Government in an attempt to reduce the number of plastic bottles being thrown away. A fee of €0·25 is added to the price of a product but is refunded when the bottle is returned. The new scheme is cheaper for the government and 98·5% of the bottles are now returned.

(i) With reference to the data above and your knowledge of economics, analyse the likely impact on externalities of this type of regulation.

(6 marks)

Answer lines continue on the next two pages.

1. (i) continued.

[illegible]

1. (i) continued.

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(Total for Question 1 = 20 marks)

2. (a) Which ONE of the following products has demand that is price elastic?

	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)

2. continued.

(b) Which ONE of the following is a situation when firms in a growing industry all benefit from lower average costs?

A Internal economies of scale

B External economies of scale

C Diseconomies of scale

D Technical economies of scale

Answer

(1 mark)

(continued on the next page)

2. continued.

(c) State ONE disadvantage to firms of increased competition.

(1 mark)

(continued on the next page)

2. continued.

A firm has total fixed costs of \$75 000 per month and variable costs of \$525 per unit. It produces 1350 units per month.

(d) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2 marks)

(continued on the next page)

2. continued.

(e) Define the term takeover.

(1 mark)

(continued on the next page)

2. continued.

(f) Describe ONE reason why consumers do not always maximise their benefit from the consumption of a product.

(2 marks)

(continued on the next page)

2. continued.

Look at the diagram for Question 2(g) in the Data Booklet. It shows the supply of wheat in a region during 2019.

(g) Explain ONE effect on the supply curve of wheat following a change in the price of wheat. (3 marks)

Answer lines continue on the next page.

[illegible]

2. (g) continued.

(continued on the next page)

2. continued.

- (h) Look at the data for Question 2(h) in the Data Booklet. With reference to the data in the Data Booklet and your knowledge of economics, assess whether an increase in the number of people with skills and qualifications will always lead to an increase in the supply of teachers. (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) Which ONE of the following is defined as
‘the selling of an enterprise controlled by the
government to the private sector’?

- A Reclamation
- B Innovation
- C Nationalisation
- D Privatisation

Answer

(1 mark)

(continued on the next page)

3. continued.

(b) Which ONE of the following is an example of an occupation in the primary sector?

A Teacher

B Farmer

C Electrician

D Actor

Answer

(1 mark)

(continued on the next page)

3. continued.

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

On the diagram in the Data Booklet, draw the effects of an increase in the school–leaving age on the labour market in a country. Label the new curve, the new equilibrium wage rate and the new equilibrium quantity of workers employed.

(3 marks)

(continued on the next page)

3. continued.

Look at the diagram for Question 3(d) in the Data Booklet.

It shows an outward shift in the production possibility frontier (PPF) for Zambia in 2019.

Agriculture, construction and copper production are some of the main areas that contribute to the economy of Zambia.

(d) With reference to the data and your knowledge of economics, analyse why the economy has moved from PPF_1 to PPF_2 .

(6 marks)

Answer lines continue on the next two pages.

Turn over

3. (d) continued.

[illegible]

Turn over

3. (d) continued.

(continued on the next page)

3. continued.

(e) Look at the data for Question 3(e) in the Data Booklet. With reference to the data in the Data Booklet and your knowledge of economics, assess the extent to which the costs of producing bricks in Bangladesh are external costs.

(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 table for Question 4 in the Data Booklet. A restaurant in Cyprus can seat **136** diners each evening. The demand for seats from diners over three evenings is shown in the table in the Data Booklet.

- (a) Calculate the **EXCESS SUPPLY** of seats if the quantity supplied during these three evenings totalled **408**. You are advised to show your working.

(2 marks)

(continued on the next page)

Turn over

4. continued.

Street lighting is provided by governments in many countries. It is provided to improve safety for pedestrians and increase visibility for motorists. It also provides a more inviting environment after dark.

(b) With reference to the data above and your knowledge of economics, analyse why the free rider problem means street lighting is provided by the government.

(6 marks)

Answer lines continue on the next two pages.

4. (b) continued.

[illegible]

Turn over

4. (b) continued.

(continued on the next page)

4. continued.

(c) Look at the data for Question 4(c) in the Data Booklet. With reference to the the data in the Data Booklet and your knowledge of economics, evaluate whether a monopoly such as KCOM is always bad for the consumer.

(12 marks)

Answer lines continue on the next four pages.

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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
