

Paper Reference 4EC1/01
Pearson Edexcel
International GCSE

Total Marks

Economics

Level 1/2

PAPER 1: Microeconomics and Business Economics

Wednesday 24 May 2023 – Afternoon

Time: 1 hour 30 minutes

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

Surname					
Other names					
Centre Number					
Candidate Number					

Y74056RA

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 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 in case you need them.

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) Look at the diagram for Question 1(a) in the Data Booklet. Which ONE of the following might have caused the movement from PPF_1 to PPF_2 in the diagram?

Select ONE answer from the options on the next page and write the letter in the box provided.

1. (a) continued.

A Negative economic growth

B Positive economic growth

C Diseconomies of scale

D Economies of scale

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

(b) A firm has total costs of \$10 000 and sells each item at a price of \$100. It sells 200 items. What is the profit or loss for the firm?

Select ONE answer from the options on the next page and write the letter in the box provided.

Turn over

1. (b) continued.

A \$20 000 profit

B \$10 000 profit

C \$20 000 loss

D \$10 000 loss

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

**(c) What is meant by the term
privatisation?
(2 marks)**

(continued on the next page)

Turn over

1. continued.

**(d) State ONE reason why
the government regulates
competition in the economy.**

(1 mark)

(continued on the next page)

Turn over

1. continued.

(e) Define the term congestion.

(1 mark)

(continued on the next page)

Turn over

1. continued.

Look at the table for Question 1(f) in the Data Booklet. It shows some of the monthly production costs for a firm which makes furniture.

(f) Calculate the total variable costs for the firm each month.

You are advised to show your working.

(2 marks)

Answer lines continue on the next page.

Turn over

1. (f) continued.

(continued on the next page)

Turn over

1. continued.

Look at the diagram for Question 1(g) in the Data Booklet. It shows the market for apples.

(g) Using the diagram in the Data Booklet, draw the likely effects on the market for apples following an increase in the advertising of apples. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3 marks)

(continued on the next page)

Turn over

1. continued.

A firm produces tennis balls. There are a number of stages in the process of producing tennis balls. The firm uses division of labour in its factory.

(h) Explain ONE advantage of using division of labour for the firm.

(3 marks)

Answer lines continue on the next page.

Turn over

1. (h) continued.

(continued on the next page)

Turn over

1. continued.

**Drinking water in the Canary Islands
has to be filtered by machines to
remove the salt from sea water.**

**Samples are taken by production
workers to ensure salt and impurities
have been removed.**

(continued on the next page)

1. continued.

(i) With reference to the data on the previous page and your knowledge of economics, analyse how all four factors of production might be used to produce drinking water in the Canary Islands.

(6 marks)

Answer lines continue on the next four pages.

Turn over

1. (i) continued.

Turn over

1. (i) continued.

Turn over

1. (i) continued.

Turn over

1. (i) continued.

(Total for Question 1 = 20 marks)

Turn over

2. (a) Which ONE of the following would occur when there are unsold goods in a market?

A Excess demand

B Excess supply

C Higher prices

D Increased productivity

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

(b) Which ONE of the following statements is correct?

- A The supply curve is always vertical**
- B Supply and price are not related**
- C Quantity supplied will fall when price falls**
- D An increase in price will shift the supply curve**

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

(c) State the name for price elasticity of demand (PED) with a numerical value of -1 .

(1 mark)

(continued on the next page)

Turn over

2. continued.

A factory producing shoes calculated that quantity supplied decreased by 2.7% following a price decrease of 1.9% .

(d) Calculate, to two decimal places, the price elasticity of supply (PES) for 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.

(e) Define the term substitute.

(1 mark)

(continued on the next page)

Turn over

2. continued.

(f) Describe ONE reason why a firm might stay small.

(2 marks)

(continued on the next page)

Turn over

2. continued.

There are many market stalls selling food in Taba, Egypt. Some of these stalls have received positive reviews on social media about the quality of the food they sell.

(g) Explain ONE advantage of positive reviews for the owners of food stalls in Taba.

(3 marks)

Answer lines continue on the next page.

Turn over

2. (g) continued.

(continued on the next page)

Turn over

2. continued.

Rail travel in Poland is considered to be a monopoly. Polskie Koleje Państwowe (PKP) is the main firm that operates the trains and the rail network in Poland. Both passenger and freight trains run on PKP's network. It has over 18,510 km of track. Its main aims are to meet the transport needs of the state and the interests of its consumers.

(continued on the next page)

Turn over

2. continued.

(h) With reference to the data on the previous page and your knowledge of economics, assess whether a monopoly such as PKP is likely to benefit consumers.

(9 marks)

Answer lines continue on the next six 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.

Turn over

2. (h) continued.

(Total for Question 2 = 20 marks)

Turn over

3. Income elasticity of demand (YED) for a product is -0.43 and the price elasticity of demand (PED) for the same product is -0.27 .

(continued on the next page)

3. continued.

(a) The data on the previous page shows that the product is

- A an inferior good and demand is price inelastic**
- B an inferior good and demand is price elastic**
- C a normal good and demand is price inelastic**
- D a normal good and demand is price elastic**

Answer

(1 mark)

(continued on the next page)

Turn over

3. continued.

(b) The formula for social benefits is

- A** private costs + private benefits
- B** private benefits – private costs
- C** private benefits + external benefits
- D** private costs – external costs

Answer

(1 mark)

(continued on the next page)

Turn over

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 a decrease in the retirement 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)

Turn over

3. continued.

Studies have shown that there are a number of negative impacts from spending too much time using a mobile phone. These include pain in the thumbs, loss of sleep and anxiety. Despite this, it is not unusual for people to spend a lot of time using their phone, even in the presence of others.

(continued on the next page)

Turn over

3. continued.

(d) With reference to the data on the previous page and your knowledge of economics, analyse why some people may ignore the negative impacts of spending a lot of time using a mobile phone.

(6 marks)

Answer lines continue on the next four pages.

Turn over

3. (d) continued.

Turn over

3. (d) continued.

Turn over

3. (d) continued.

Turn over

3. (d) continued.

(continued on the next page)

Turn over

3. continued.

Manufacturing is an important part of any economy because as well as providing many products, it generates income and tax revenue.

Governments can use this tax revenue to provide things such as health care and education, which are part of the tertiary sector.

(continued on the next page)

Turn over

3. continued.

(e) With reference to the data on the previous page and your knowledge of economics, assess the role of the secondary sector in an economy.

(9 marks)

Answer lines continue on the next six pages.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

Turn over

3. (e) continued.

(Total for Question 3 = 20 marks)

Turn over

- 4. Look at the table for Question 4(a) in the Data Booklet.**

A sports arena in Guatemala holds a maximum of 20,000 people for each event. The quantity of tickets demanded for the most recent events is shown in the table in the Data Booklet.

(continued on the next page)

4. continued.

(a) Calculate the excess demand for tickets if the quantity supplied for all three events totals 60,000. 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.

Zambia has a defence force that includes both an army and an air force. The Zambian Government is responsible for the provision of this defence force.

(b) With reference to the data above and your knowledge of economics, analyse why the free rider problem has led to the Zambian Government providing the defence force.

(6 marks)

Answer lines are on the next five pages.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

(continued on the next page)

Turn over

4. continued.

Polluted air is said to cause over 1,000 deaths each year in Greater Manchester, UK. To reduce the problem, an 800 km² 'Clean Air Zone' (CAZ) has been proposed, where drivers of certain vehicles would have to pay between £7·50 and £60·00 each day they drive on roads in the region.

All lorries, buses, taxis and vans that do not meet the emission standards will be affected. It is hoped the tax

(continued on the next page)

Turn over

4. continued.

**will encourage vehicle owners
to drive vehicles that are more
environmentally friendly.**

**However, small business owners
in particular will be affected by the
proposals. An ice-cream business,
established over 100 years ago,
stated costs would increase by
£29000 a year for its vans to use
roads in the region. It cannot afford
to replace them and like many other
firms risks going out of business.**

(continued on the next page)

Turn over

4. continued.

(c) With reference to the data on pages 67 and 68 and your knowledge of economics, evaluate the effectiveness of government regulations in dealing with externalities such as air pollution in Greater Manchester.

(12 marks)

Answer lines continue on the next eight 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.

Turn over

4. (c) continued.

Turn over

4. (c) continued.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER
