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Pearson Edexcel International GCSE

Wednesday 24 May 2023

Afternoon (Time: 1 hour 30 minutes)	Paper reference	4EC1/01
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Economics

Level 1/2

PAPER 1: Microeconomics and Business Economics

You do not need any other materials.

Total Marks

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 ☐.

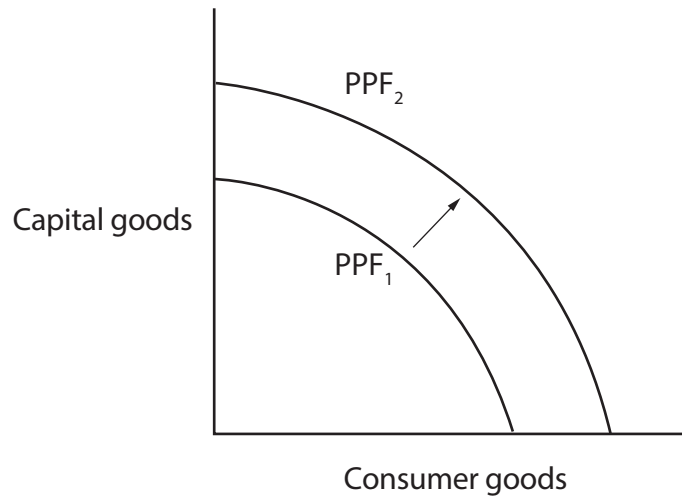


Figure 1

- 1 (a) Which **one** of the following might have caused the movement from PPF_1 to PPF_2 in Figure 1 above?

(1)

- ☐ A Negative economic growth
- ☐ B Positive economic growth
- ☐ C Diseconomies of scale
- ☐ D Economies of scale

- (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?

(1)

- ☐ A \$20 000 profit
- ☐ B \$10 000 profit
- ☐ C \$20 000 loss
- ☐ D \$10 000 loss

(c) What is meant by the term privatisation?

(2)

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

(1)

(e) Define the term congestion.

(1)

Figure 2 shows some of the monthly production costs for a firm which makes furniture.

Production costs	€
Rent	30 000
Raw materials	16 500
Insurance	7 000
Labour (payment depends on output)	95 000

Figure 2

- (f) Calculate the **total variable costs** for the firm each month. You are advised to show your working.

(2)

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Figure 3 shows the market for apples.

- (g) Using the diagram below, 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)

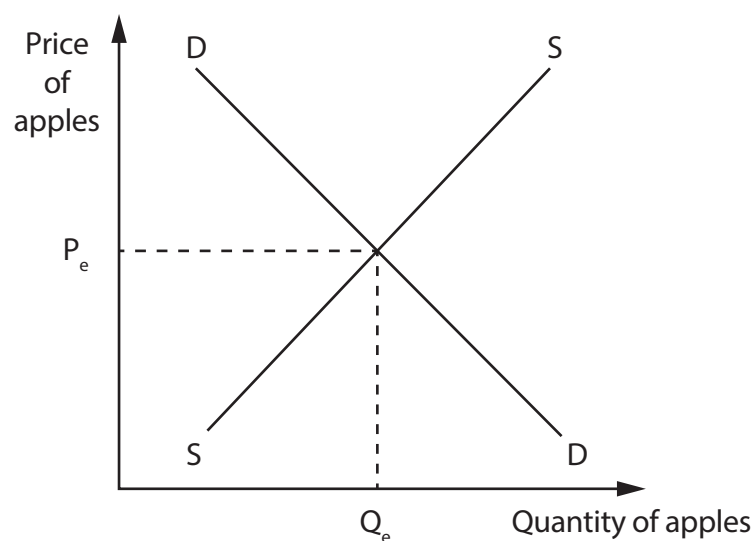


Figure 3

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)

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.

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

(6)

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(Total for Question 1 = 20 marks)

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

(1)

- ☐ **A** Excess demand
- ☐ **B** Excess supply
- ☐ **C** Higher prices
- ☐ **D** Increased productivity

(b) Which **one** of the following statements is correct?

(1)

- ☐ **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

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

(1)

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)

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(e) Define the term substitute.

(1)

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

(2)

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)

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.

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

(9)

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(Total for Question 2 = 20 marks)

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 .

(a) The data above shows that the product is

(1)

- ☐ **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

(b) The formula for social benefits is

(1)

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

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- (c) On the diagram below, 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)

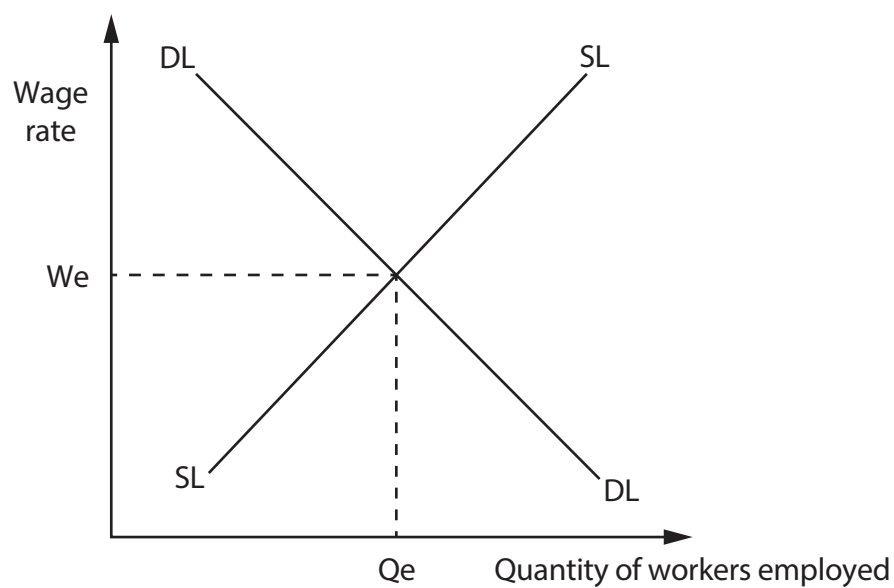


Figure 4

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.

- (d) With reference to the data above 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)

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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.

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

(9)

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(Total for Question 3 = 20 marks)

- 4 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 below.

Event	Quantity of tickets demanded
A	22,200
B	21,000
C	20,250

Figure 5

- (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)

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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)



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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 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 £29 000 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.

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

(12)



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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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