

Please check the examination details below before entering your candidate information

Candidate surname		Other names	
Centre Number	Candidate Number		
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**Pearson Edexcel International GCSE**

**Wednesday 24 May 2023**

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

**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 ☒.

- 1 (a) For which **one** of the following will demand increase when incomes decrease? (1)

- ☐ **A** Capital good
- ☐ **B** Inferior good
- ☐ **C** Luxury good
- ☐ **D** Normal good

A firm's monthly total costs are \$2 640 and monthly fixed costs are \$900.

- (b) Which **one** of the following equals \$1 740? (1)

- ☐ **A** Price
- ☐ **B** Profit
- ☐ **C** Average total costs
- ☐ **D** Total variable costs

- (c) What is meant by the term division of labour? (2)

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(d) State **one** reason why a supply curve will shift to the left.

(1)

(e) Define the term competition.

(1)

A firm sells its products at a price of €75 per unit and has a cost per unit of €35.

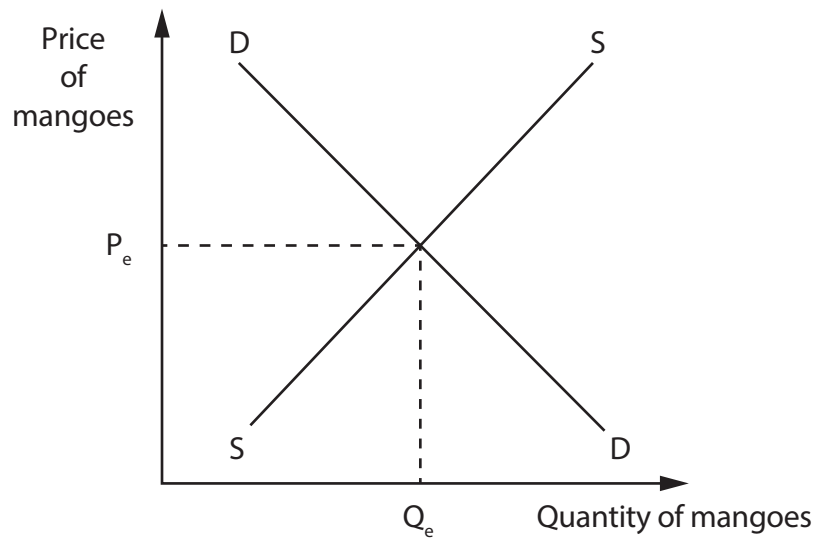
(f) Calculate the **total revenue** for the firm when its monthly sales are 250 units.  
You are advised to show your working.

(2)

Figure 1 shows the market for mangoes.

- (g) Using the diagram below, draw the likely effects on the market for mangoes after a study shows that eating them leads to an improvement in health. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)



**Figure 1**

Christine runs a small cafe in New Zealand. She has many regular customers and has a reputation for serving large-sized meals, even though it means she makes less profit on each meal.

- (h) Explain **one** possible reason why Christine serves large-sized meals.

(3)

There has been a decline in employment in the secondary sector in developed countries such as Germany, the UK and the US. Goods are now often manufactured in low-cost Asian countries. At the same time, there has been a rise in the number of people employed in the tertiary sector in developed countries.

- (i) With reference to the data above and your knowledge of economics, analyse why there has been this shift in employment in developed countries.

(6)



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- 2 (a) Which **one** of the following is the formula to calculate price elasticity of supply (PES)?

(1)

- ☐ A  $\frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$
- ☐ B  $\frac{\text{Percentage change in price}}{\text{Percentage change in quantity demanded}}$
- ☐ C  $\frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$
- ☐ D  $\frac{\text{Percentage change in price}}{\text{Percentage change in quantity supplied}}$

A court in China ordered a firm to pay 10 000 Yuan because it polluted a local river.

- (b) This is an example of which **one** of the following?

(1)

- ☐ A A fine
- ☐ B A permit
- ☐ C A subsidy
- ☐ D A tax

- (c) State **one** example of an external benefit.

(1)

Sathvinder provides a cleaning service to homeowners in a small town. She recently decreased prices by 1.2% and quantity demanded increased by 1.9%.

- (d) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Sathvinder's cleaning service. You are advised to show your working.

(2)

- (e) Define the term entrepreneur.

(1)

- (f) Describe **one** reason why water is a factor of production.

(2)

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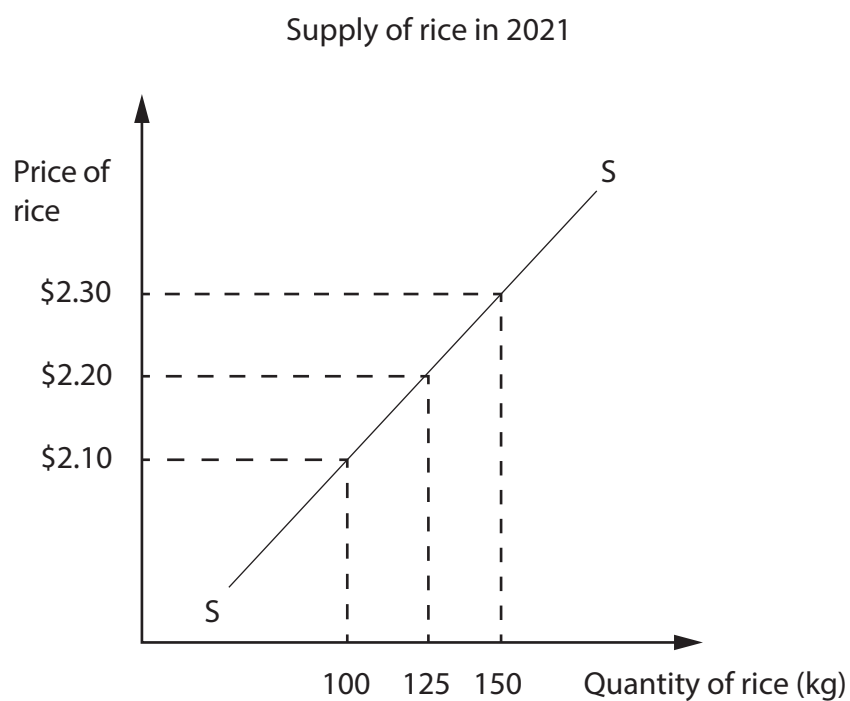
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Figure 2 shows the supply of rice in a region during 2021.



**Figure 2**

The equilibrium price of rice is \$2.20 per kg.

(g) Explain **one** effect on the supply of rice following a change in its equilibrium price.

(3)

Some governments have made the creation of outdoor areas or parks a priority in order to help reduce health issues, such as obesity. Studies have shown that having access to such areas encourages physical exercise that can also benefit mental wellbeing.

However, funding for such projects is not always available or the parks become too crowded. This means fewer people can benefit from these outdoor areas.

- (h) With reference to the data above and your knowledge of economics, assess the benefits of the public sector providing outdoor areas or parks.

(9)

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3 (a) A minimum wage is a type of

(1)

- ☐ **A** factor of production
- ☐ **B** economic assumption
- ☐ **C** economy of scale
- ☐ **D** government intervention

(b) Which **one** of the following is likely to lead to an increase in the productivity of capital?

(1)

- ☐ **A** An increase in bureaucracy
- ☐ **B** A decrease in the availability of finance
- ☐ **C** An increase in technological advances
- ☐ **D** A decrease in the size of the market

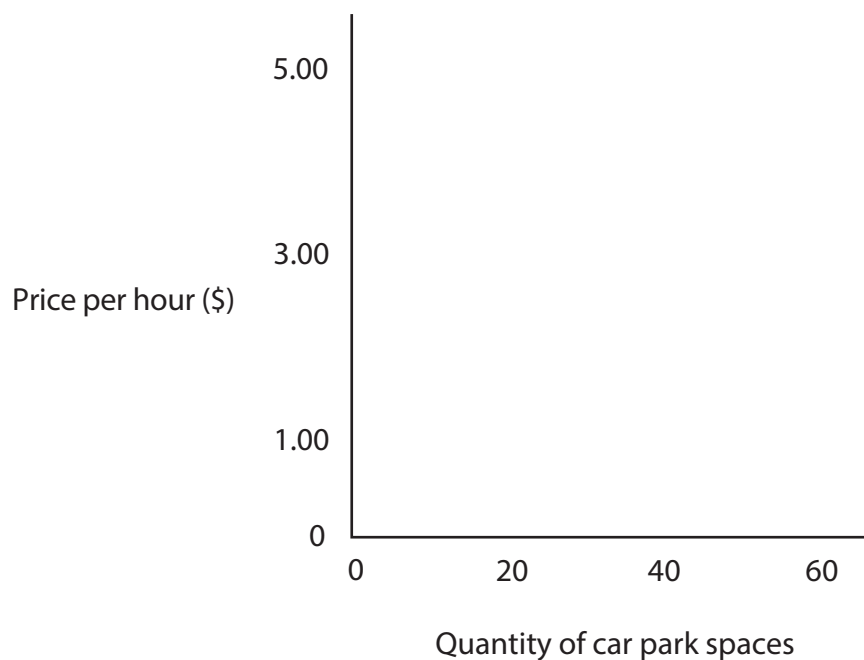
Figure 3 shows the estimated demand for car park spaces at a given price.

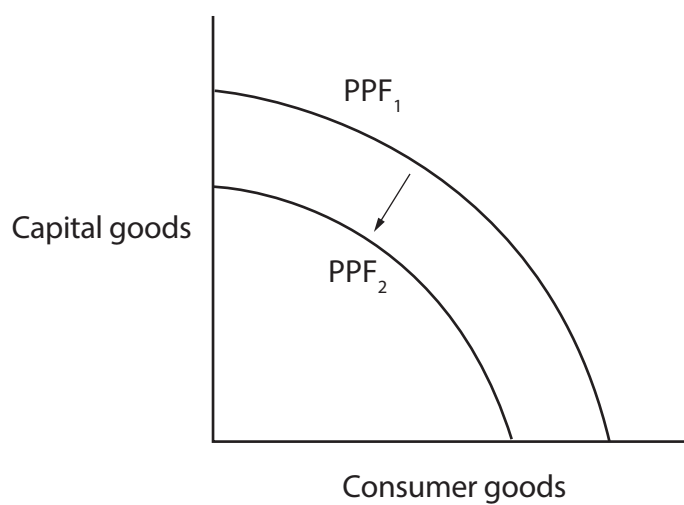
Price per hour (\$)	1.00	3.00	5.00
Demand	60	40	20

**Figure 3**

(c) Using the information in Figure 3, draw and label the demand curve for car park spaces on the diagram below.

(3)





**Figure 4**

Figure 4 shows an inward shift in the production possibility frontier (PPF) for an economy.

- (d) With reference to the data above and your knowledge of economics, analyse why the economy might have moved from  $PPF_1$  to  $PPF_2$ .

(6)



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In 2022, two entertainment firms WarnerMedia and Discovery are expected to merge. The new firm will be called Warner Bros. Discovery. It is predicted it will have 59 million subscribers to its merged streaming services. This will increase further if plans to release several new programmes go ahead.

The new firm will have assets that include: many popular television channels; film, animation and television studios; DC Comics; and news channel CNN. The new company will have an estimated value of \$150bn.

- (e) With reference to the data above and your knowledge of economics, assess whether WarnerMedia merging with Discovery is likely to benefit from economies of scale.

(9)



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- 4 The demand for meals over three lunchtimes at a café in Austria is shown below.

Day	Quantity of meals demanded
Thursday	58
Friday	64
Saturday	79

**Figure 5**

- (a) Calculate the **excess supply** of meals if the quantity supplied during these three days totalled 261. You are advised to show your working.

(2)

The market structure of the airline industry is an oligopoly. Major airlines, such as Emirates, Lufthansa, Qantas and Delta Airlines compete with one another over the routes they offer. Passengers are able to travel to countries worldwide for work, leisure and to visit family and friends.

- (b) With reference to the data above and your knowledge of economics, analyse the benefits of this type of market structure for airline passengers.

(6)

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During music festivals and sporting events, such as football matches, higher numbers of security staff are employed at stadiums than at other times. At supermarkets, more employees are needed to sell an increased amount of groceries ahead of special holidays and national celebrations.

Technological advances mean that machines are increasingly used in many industries, especially where it leads to greater productivity. These can range from waiters being replaced by robots in restaurants, to automated services dealing with online customer issues, to the more traditional machinery used in manufacturing.

- (c) With reference to the data above and your knowledge of economics, evaluate the extent to which derived demand affects the demand for labour.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS





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