Write your name here

Surname	Other names

Edexcel International GCSE

Centre Number	Candidate Number

Economics

Paper 1

Thursday 24 January 2013 – Afternoon
Time: 2 hours 30 minutes

Paper Reference
4EC0/01

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.*

Information

- The total mark for this paper is 120.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly and in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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PEARSON

Answer ALL questions.

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 Onions are an essential ingredient in Indian cookery. In India during December 2010 the price of one kilogram of onions increased from 30 rupees to 90 rupees. The price rise was due to a fungus which ruined the crop in the main onion growing region.

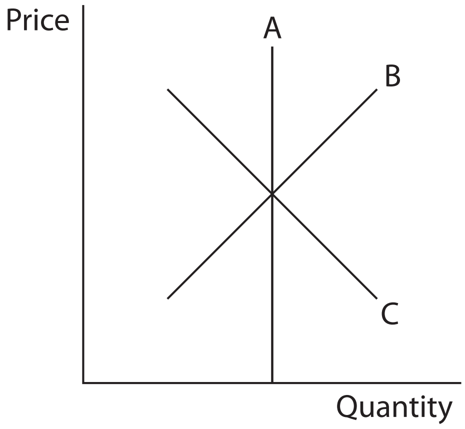

Figure 1a The supply of onions

(a) (i) Onions are an agricultural product. Study Figure 1a above. Which of the curves, A, B, or C represents a typical short run supply curve of onions?

(1)

Answer = ...

Explain your answer.

(2)

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(ii) The fungus which ruined the onion crop in India caused the supply curve to

(1)

☒ shift to the right

☒ shift to the left

☒ stay the same

(iii) Define price elasticity of demand.

(2)

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(iv) Briefly explain **one** reason why the price elasticity of demand for onions in India might be inelastic.

(2)

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(v) When the price of onions increased, chefs in some Indian restaurants began to use pumpkins instead of onions in recipes. This indicates that pumpkins have the following relationship with onions:

(1)

- ☒ pumpkins are substitutes for onions
- ☒ pumpkins are complements to onions
- ☒ pumpkins are secondary goods
- ☒ pumpkins are luxury goods

(vi) On Figure 1b below

- draw and label the demand and supply curves for pumpkins
- draw and label the equilibrium price and quantity
- show what might happen to the price of pumpkins if many people start to use them instead of onions in their recipes.

(4)

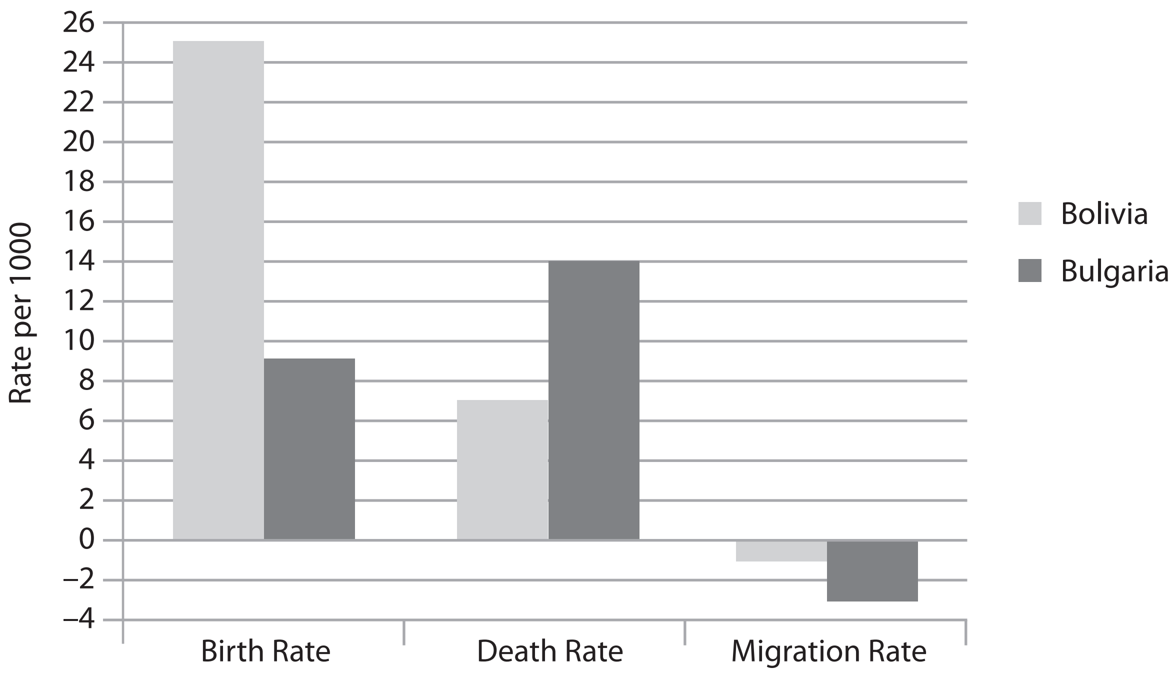
Figure 1b The market for pumpkins

(b) The supply of labour is the main reason why wages in the agricultural sector are always less than those in the tertiary sector. Discuss.

(6)

(c) Figure 1c shows the birth rate, death rate and net migration rates for Bolivia and Bulgaria in 2010.

Population Data for Bolivia and Bulgaria 2010



(Source: © GeoCommons)

Figure 1c

(i) In which country is the death rate greater than the birth rate?

(1)

☒ Bolivia

☒ Bulgaria

(ii) With reference to the data in Figure 1c explain how the population of Bolivia will have changed in 2010.

(4)

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(iii) If the rates shown in Figure 1c remain the same in the future, the problems created for the economy of Bulgaria will be greater than the problems created for the economy of Bolivia.

Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 1 = 30 marks)

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2 Bee Lovely is a small manufacturing firm in Brazil which makes beauty soap. It is owned by Claudia Torres.

(a) (i) Bee Lovely is in the

(1)

☒ Primary sector

☒ Secondary sector

☒ Tertiary sector

Table 2a shows some of Claudia's costs in Brazilian Reals (BRL) when her production changes from 1000 units in week 1 to 2000 units in week 2.

Number of units produced =	Week 1 = 1000 units	Week 2 = 2000 units
	Costs in BRL	Costs in BRL
Rent	200	200
Wages	400	600
Electricity	40	70
Advertising	50	50
Postage and packaging	20	40
Loan repayments	40	40
Raw materials	250	500
Total Costs	1000	1500

Table 2a

(ii) Identify **one** fixed cost in Table 2a. Explain your answer with reference to the data in the table.

(3)

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(iii) Identify **one** variable cost in Table 2a. Explain your answer with reference to the data in the table.

(3)

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(iv) Calculate the average cost per unit of soap when production is 2000 units. Show your workings.

(2)

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(v) Claudia sells each unit of soap at 1.5 BRL

Calculate her profit in week 1 if she sells all her production. Show your workings.

(3)

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Lux soap produced by Unilever, a multinational company, has the largest market share of the beauty soap market in Brazil.

(b) (i) What is meant by a multinational company?

(2)

(ii) In the production of Lux soap Unilever experiences economies of scale. What is meant by the term 'economies of scale'?

(2)

(iii) The advantages of economies of scale always outweigh the disadvantages to a large firm. Discuss.

(6)

(c) (i) In several countries the market structure of soap manufacturing is an oligopoly.

Identify **two** characteristics of an oligopoly.

(2)

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(ii) Consumers benefit from oligopoly. Do you agree with this statement? Justify your answer.

(6)

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(Total for Question 2 = 30 marks)

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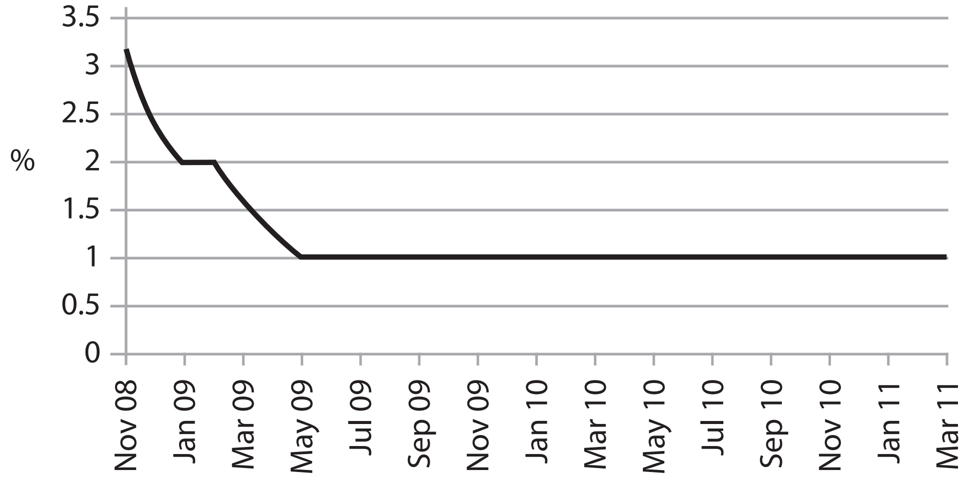
3 The European Central Bank (ECB) implements monetary policy for the Eurozone members of the European Union.

Figure 3a shows the European Central Bank's interest rate from November 2008 to March 2011.

Interest Rate of the European Central Bank



(Source: © European Central Bank, Frankfurt am Main, Germany)

Figure 3a

(a) (i) With reference to the data in Figure 3a, briefly describe what happened to the interest rate between November 2008 and March 2011.

(3)

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(ii) In 2009 the countries of the Eurozone experienced an average economic growth of –4.1%.

Which of the following terms is used to describe a period of negative economic growth?

(1)

- ☒ Regression
- ☒ Recession
- ☒ Recycle
- ☒ Gross production

(iii) Identify **two** problems associated with negative economic growth.

(2)

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(iv) Using interest rates to influence economic growth is known as

(1)

- ☒ Privatisation policy
- ☒ Fiscal policy
- ☒ Monetary policy
- ☒ Regional policy

(v) Briefly explain how reducing interest rates can increase consumer demand in an economy.

(4)

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(b) Figure 3b shows the rate of inflation in the Eurozone from January 2010 to February 2011.

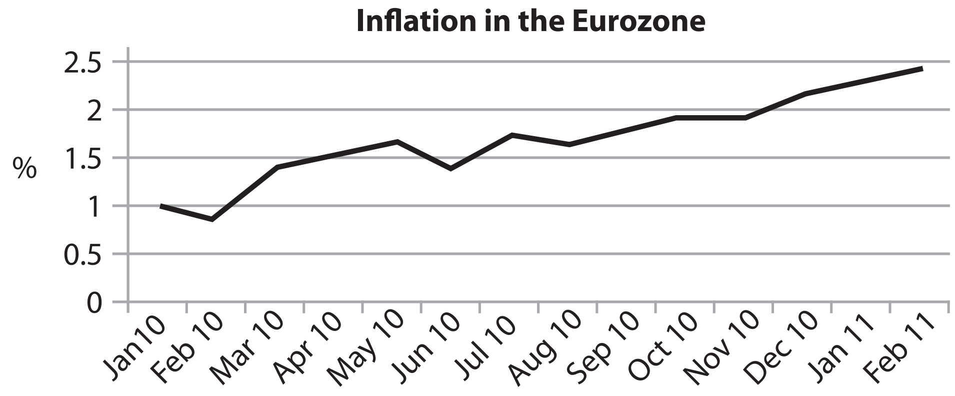

Figure 3b

(i) Using the data in Figure 3b, describe the trend in the Eurozone rate of inflation.

(3)

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(ii) Examine whether the benefits of reducing interest rates to stimulate economic growth are greater than the disadvantages of this action.

(6)

(c) (i) Economic growth can have negative effects on the environment. Briefly describe **two** negative effects on the environment caused by economic growth.

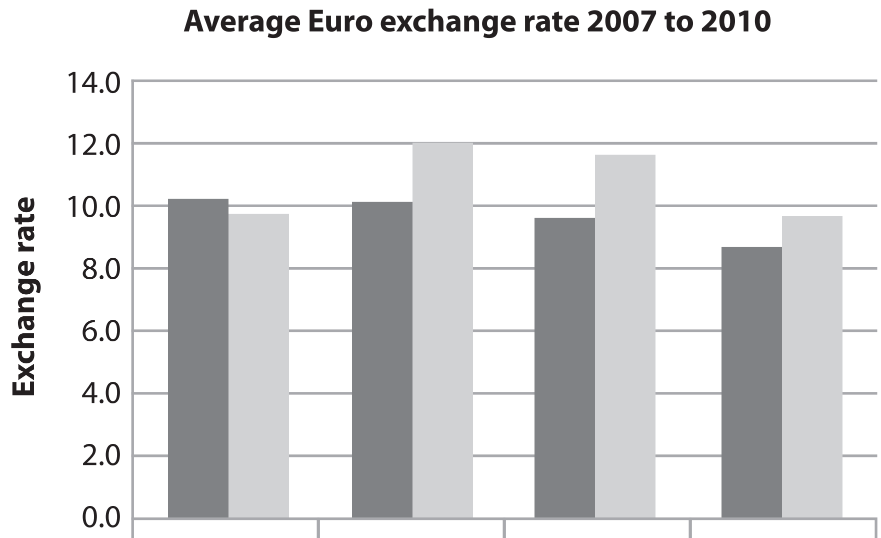
(4)

(ii) Governments want to reduce the environmental costs of economic growth. To what extent might taxation be more successful than government regulation to achieve this objective? Use examples to support your conclusion.

(6)

(Total for Question 3 = 30 marks)

4 Figure 4a shows the average annual exchange rate of 1 Euro when converted to South African Rands (ZAR) and Chinese Yuan (CNY) from 2007 to 2010.



	2007	2008	2009	2010
1 EUR converted to 1 CNY	10.4	10.2	9.5	9.0
1 EUR converted to 1 ZAR	9.6	12.0	11.7	9.7

Figure 4a

(a) Using the data in Figure 4a answer the following.

(i) In which of these years was the Euro (EUR) to Chinese Yuan (CNY) exchange rate at its lowest average rate?

(1)

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(ii) In which of these years was the Euro (EUR) to South African Rand (ZAR) exchange rate at its highest average rate?

(1)

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(iii) When a visitor from France (Eurozone) visited South Africa in 2007 and 2008, he paid 960 South African Rands for his hotel room on each visit.

Complete the following table showing the cost of the hotel room in Euros. Show your workings.

(3)

	South African Rands (ZAR)	Euros (EUR)
2007	960	
2008	960	

P 4 2 1 2 6 A 0 2 0 2 4

(iv) The value of the Euro (EUR) in terms of South African Rands (ZAR) over the period 2007 to 2008 has

(1)

☒ stayed the same

☒ appreciated

☒ depreciated

(v) The payment for the South African hotel room by a visitor from France would be shown on the balance of payments of South Africa as

(1)

☒ a visible export

☒ an invisible export

☒ a visible import

☒ an invisible import

(vi) Briefly explain how an increase in the rate of interest in a country can affect the exchange rate of its currency.

(3)

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(b) (i) What is meant by a balance of trade deficit?

(3)

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(ii) The balance of trade worsens for a non oil producing country when the price of oil rises.

To what extent is this statement true?

(6)

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(c) In February 2011 the Swiss based firm Nestlé opened a new factory in Nigeria.

The Nigerian government has an incentive package for foreign firms who are considering opening factories in Nigeria.

(i) Identify **one** financial incentive a government can offer a company to set up in its country.

(1)

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(ii) Identify **one** non-financial incentive a government can offer a company to set up in its country.

(1)

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(iii) Explain **one** reason why the Nigerian government gives incentives to foreign firms to set up in its country.

(3)

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(iv) Do firms like Nestlé always need government incentives when deciding to set up in foreign countries? Give reasons for your answer.

(6)

(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS