www.gradesuk.com

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Time 1 hour 30 minutes

Paper reference **4EC1/01**

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.
- Good luck with your examination.

Turn over ▶

P65897RA
©2021 Pearson Education Ltd.
1/1/1/1/1/1

P 6 5 8 9 7 R A 0 1 2 0

Pearson

www.gradesuk.com

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) Which **one** of the following is a reason why firms may not always maximise their profit?

(1)

- ☒ **A** They may minimise total costs
- ☒ **B** They may be able to sell at a high price
- ☒ **C** They may have low fixed costs
- ☒ **D** They may complete charitable work

A product has an income elasticity of demand (YED) of 0.7.

(b) Which **one** of the following best describes the product?

(1)

- ☒ **A** A public good
- ☒ **B** A normal good
- ☒ **C** A luxury good
- ☒ **D** An inferior good

(c) What is meant by the term productivity?

(2)

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

(d) State the formula for calculating social costs.

(1)

(e) Define the term producer.

(1)

A firm has total fixed costs of $50 000 per month and variable costs of $250 per unit. It produces 750 units per month.

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

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(g) Using the diagram below, draw the likely effects on the market for smartphones following a rise in the cost of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

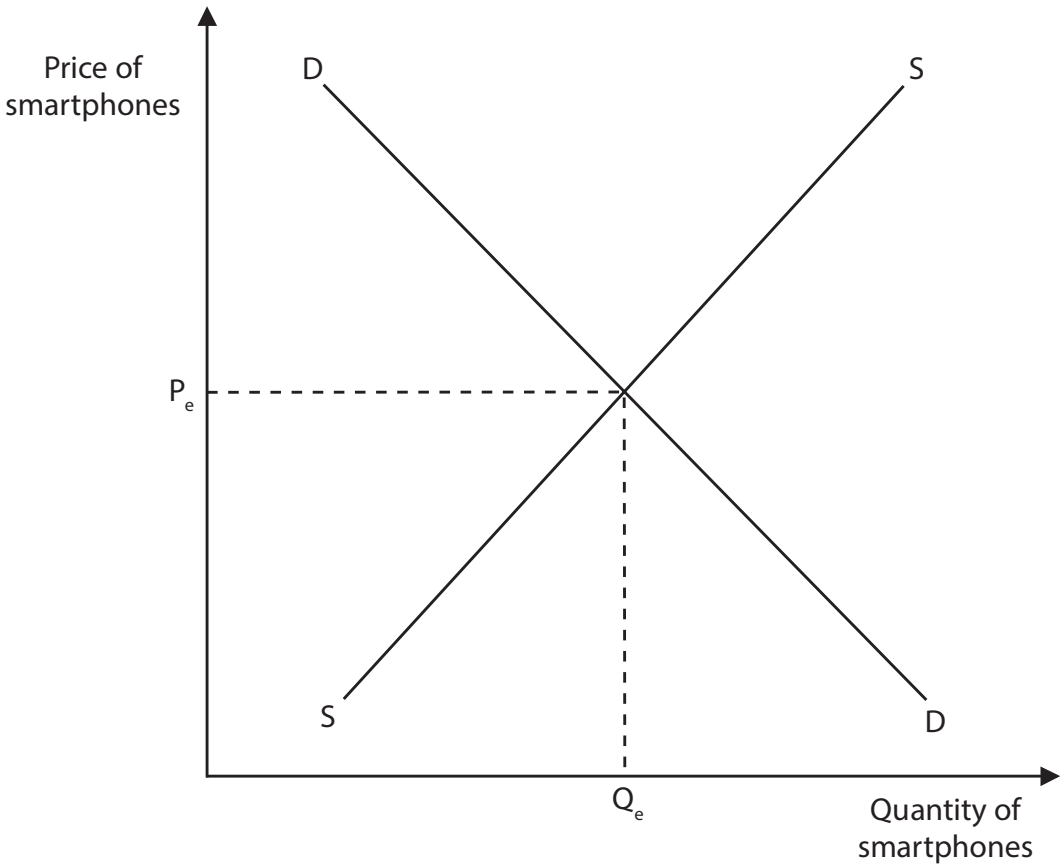

Figure 1

The New Zealand Government is to introduce new legislation to limit the interest rate firms can charge on loans made to customers. The maximum interest rate firms can charge will be 0.8% per day.

(h) Explain **one** reason why the New Zealand Government may be introducing this legislation.

(3)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Cutting Edge is a gardening firm that started trading three years ago. It often turned down work because it did not have a saw powerful enough to cut through larger trees. Once the firm expanded, Cutting Edge was able to justify buying a bigger saw.

(i) With reference to the data above and your knowledge of economics, analyse how Cutting Edge benefitted from technical economies of scale.

(6)

(Total for Question 1 = 20 marks)

2 A country is able to produce agricultural and non-agricultural goods with a given amount of resources. Its production possibility curve (PPC) is shown in Figure 2.

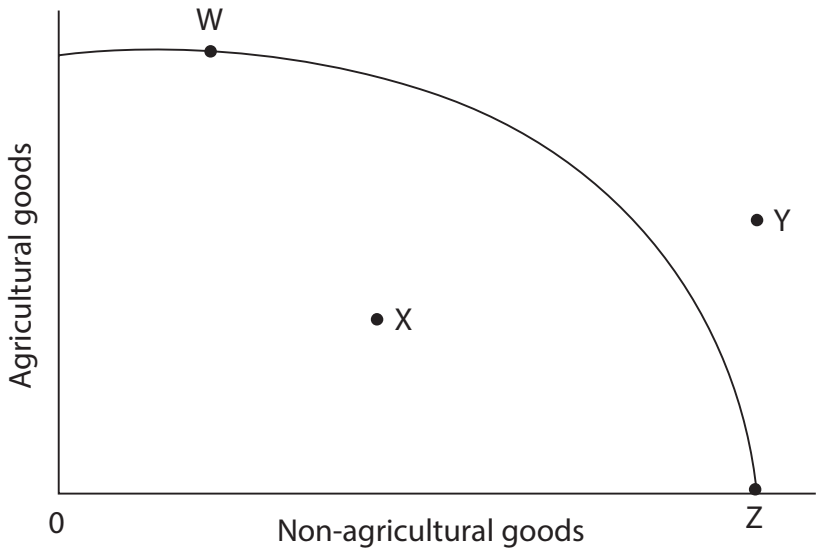

Figure 2

(a) Which **one** of the following points shows unemployed resources?

(1)

- ☒ **A** W
- ☒ **B** X
- ☒ **C** Y
- ☒ **D** Z

(b) A trade union is an organisation that aims to protect

(1)

- ☒ **A** consumer interests
- ☒ **B** the environment
- ☒ **C** employee rights
- ☒ **D** the government

(c) State **one** reason why firms stay small.

(1)

.....

.....

.....

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

A firm increases supply by 2.7% following a price increase of 4.9%.

(d) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm. You are advised to show your working.

(2)

(e) Define the term price-maker.

(1)

(f) Describe **one** reason why a computer can be a factor of production.

(2)

Abi owns a small cafe. It is often very busy and customers may have to wait for a table. Abi is considering whether to move to a larger premises. A larger property has become available but it would cost almost double the current rent.

(g) Explain **one** factor that could affect whether Abi is able to expand her business.

(3)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

High pollution levels in the busy Indonesian city of Jakarta are mainly due to the large volume of traffic. There are over 17 million vehicles registered in the area, each emitting fumes into the environment. The number of vehicles is increasing.

In 2007, government regulations were introduced to reduce the volume of traffic in the city. For example, every Sunday morning, over 8 km of Jakarta's roads are traffic-free as vehicles are banned. In 2016, it was reported that air quality had improved by 65% compared to the levels before the regulations were introduced.

(h) With reference to the data above and your knowledge of economics, assess the effectiveness of government regulations when dealing with externalities such as air pollution in Jakarta.

(9)

(Total for Question 2 = 20 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

3 (a) Which **one** of the following is likely to lead to an inefficient allocation of resources?

(1)

- ☒ **A** Migration
- ☒ **B** Competition
- ☒ **C** Lack of information
- ☒ **D** Division of labour

(b) Which **one** of the following is an example of an occupation in the tertiary sector?

(1)

- ☒ **A** Sheep farmer
- ☒ **B** Factory worker
- ☒ **C** Coal miner
- ☒ **D** Sales assistant

(c) Using the diagram below, draw the effects of a minimum wage (W_1) that has been set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied.

(3)

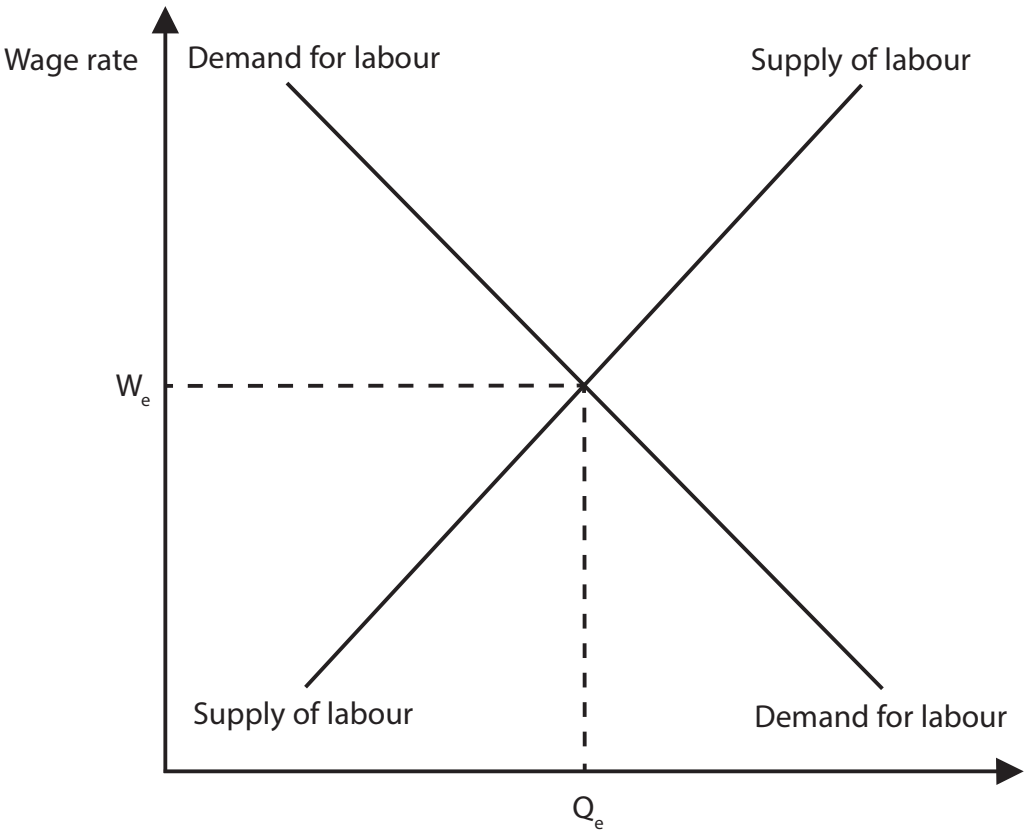

Figure 3

During the 2019 Cricket World Cup, supporters of teams such as India, Bangladesh, England, Pakistan and Sri Lanka watched matches at stadiums and on television around the world. Pepsi was one of the main advertisers during the event.

(d) With reference to the data above and your knowledge of economics, analyse how the demand curve for Pepsi might have been affected during the 2019 Cricket World Cup.

(6)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

The current retirement age in Singapore is 62. However, it will gradually be raised to 63 in 2022 and to 65 by 2030. People are living longer and the life expectancy in the country is now over 84 years.

The manufacturing sector contributes almost 25% of Singapore's Gross Domestic Product (GDP). The financial services sector, which is growing, is also making a significant contribution to GDP.

(e) With reference to the data above and your knowledge of economics, assess whether raising the retirement age is likely to be the most effective method to increase the supply of labour.

(9)

(Total for Question 3 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

4 Figure 4 shows profit for a firm between 2017 and 2019.

Year	Profit ($)
2017	80 750
2018	83 550
2019	87 100

Figure 4

(a) Calculate, to two decimal places, the **percentage change in profit** between 2017 and 2019, for the firm. You are advised to show your working.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Trekking is a very popular activity for tourists in Nepal. In the main tourist town of Pokhara, there are a few large firms that offer guides, porters and resources. Some smaller firms specialise in taking customers on less popular routes, whereas others offer guides who speak different languages. It is difficult for new competitors to set up in Pokhara, as expensive permits are required.

(b) With reference to the data above and your knowledge of economics, analyse why the market for trekking in Pokhara could be described as an oligopoly.

(6)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

State-owned airline, Air India, currently offers a high number of domestic flights from both Mumbai and New Delhi. It also flies to destinations worldwide, including the US and Europe. However, it has reduced the number of countries it flies to, especially in other parts of Asia and Africa.

The Indian Government has announced plans to sell all its shares in the airline. Air India had been making a loss and struggling to pay oil companies for its fuel. However, the government reduced almost half of this debt before making the announcement to sell the airline.

(c) With reference to the data above and your knowledge of economics, evaluate whether Air India is likely to benefit from privatisation.

(12)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

.....

.....

.....

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA