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International GCSE

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Economics

Paper 1

Monday 4 June 2018 – Afternoon Time: 2 hours 30 minutes	Paper Reference 4EC0/01R
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You do not need any other materials.	Total Marks
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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.
- 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 Figure 1a represents the UK market for ice cream.

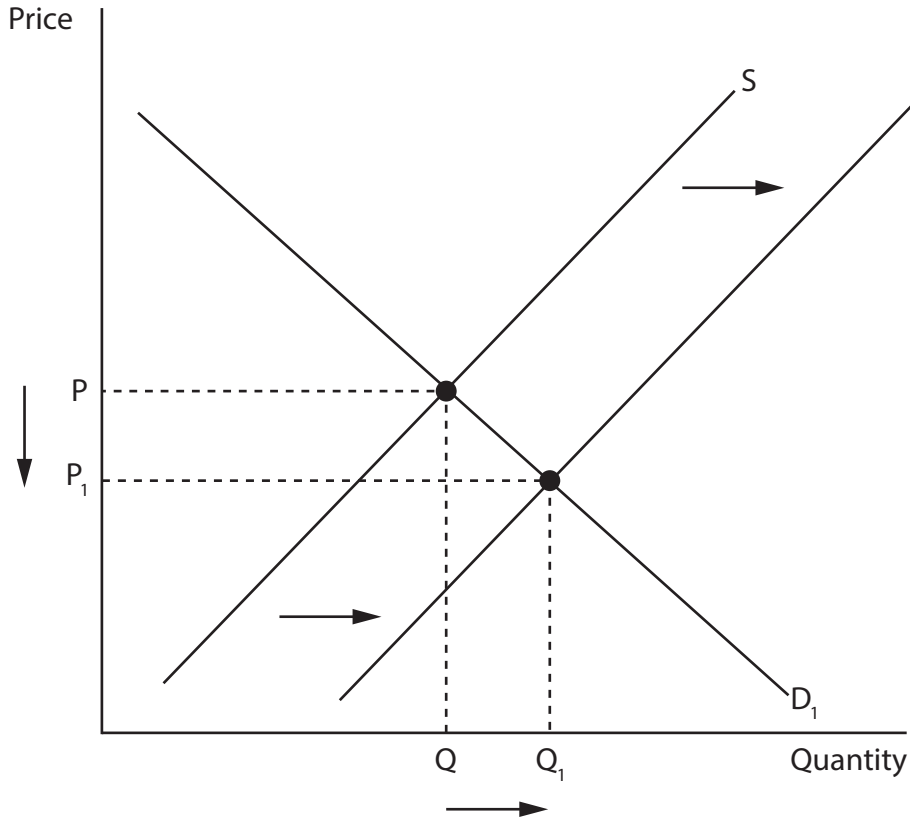


Figure 1a

(a) (i) In Figure 1a the change in price from P to P_1 is most likely to have been caused by

(1)

- A** an increase in costs.
- B** an increase in indirect tax.
- C** an increase in demand.
- D** an increase in productivity.

(ii) Explain the reason for your answer to a (i).

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The UK price elasticity of supply of ice cream is estimated to be +1.75.

(b) (i) What is meant by 'price elasticity of supply'? (2)

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(ii) Identify and explain **two** possible reasons why the UK price elasticity of supply of ice cream is elastic. (4)

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Beechdean is the third largest ice cream manufacturer in the UK and can manufacture 10,000 litres of ice cream per hour. It makes its ice cream from the milk of its own Jersey cows.

(iii) Explain why the supply of milk might be price inelastic.

(3)

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(iv) Identify and explain **two** factors that might affect the demand for Beechdean's ice cream.

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Beechdean pays the minimum wage to the majority of its employees.

(c) (i) How might an increase in the minimum wage affect Beechdean?

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(ii) Beechdean's demand for labour is a derived demand. Explain the term 'derived demand'.

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Beechdean employs over 50 production staff who specialise in different parts of the production process.

(iii) Specialisation benefits Beechdean. Do you agree with this statement? Explain your answer.

(6)

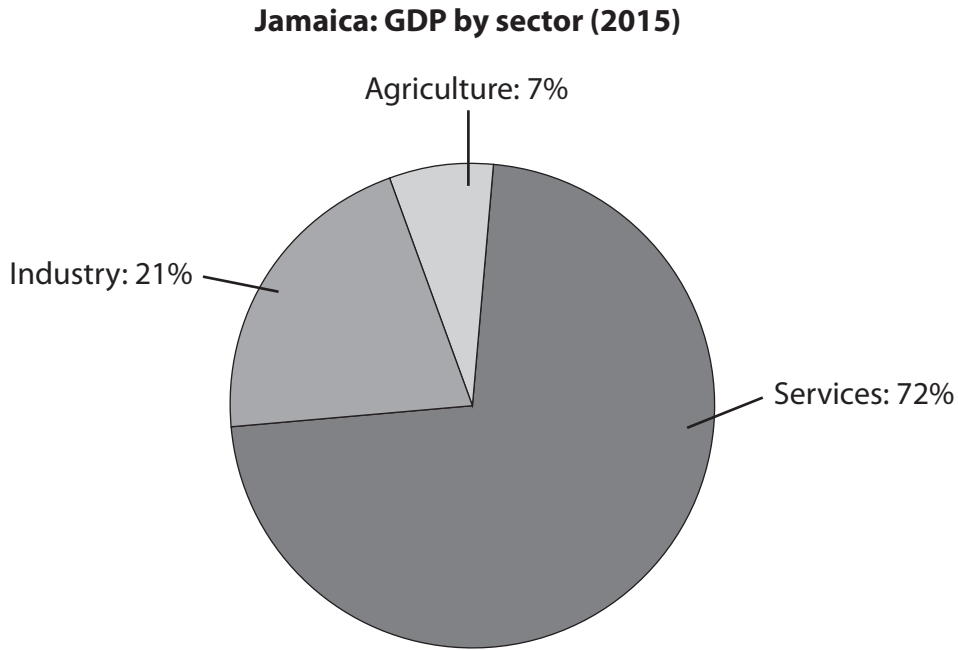
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(Total for Question 1 = 30 marks)



2 Figure 2a shows Jamaica's Gross Domestic Product (GDP) by sector in 2015.



(Source: CIA World Factbook)

Figure 2a

(a) (i) Insert the terms **Primary**, **Secondary** and **Tertiary** in Table 2a below to match the three sectors shown in Figure 2a.

(3)

Services	
Industry	
Agriculture	

Table 2a

(ii) Give **one** example of a business operating in the services sector.

(1)

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(iii) Identify and explain **one** way the GDP by sector of a developing economy might differ from a developed economy.

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Jean Scott runs a small hotel with six rooms in Montego Bay, Jamaica.

- (b) (i) Give **one** example of a fixed cost and **one** example of a variable cost that Jean might have to pay.

(2)

Fixed cost

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Variable cost

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.....

Jean charges \$150 per room per night. She estimates that the variable costs are \$60 per room per night and the fixed costs \$1,800 per week.

- (ii) Calculate her weekly profit if six rooms are rented out for four nights a week. You are advised to show your workings.

(4)

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There are over 400 hotels in Montego Bay competing for tourists.

(iii) Competition is always good for the consumer. To what extent do you agree with this statement? Explain your answer.

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The Montego Bay Grand Hotel has 520 rooms and can take advantage of economies of scale.

(iv) Identify and explain **two** types of internal economies of scale that might benefit the Grand Hotel.

(4)

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If the Grand Hotel were to expand it might begin to experience diseconomies of scale.

(v) Define 'diseconomies of scale'.

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(vi) Evaluate the extent to which a small business such as Jean’s hotel can compete effectively with much larger businesses such as the Grand Hotel.

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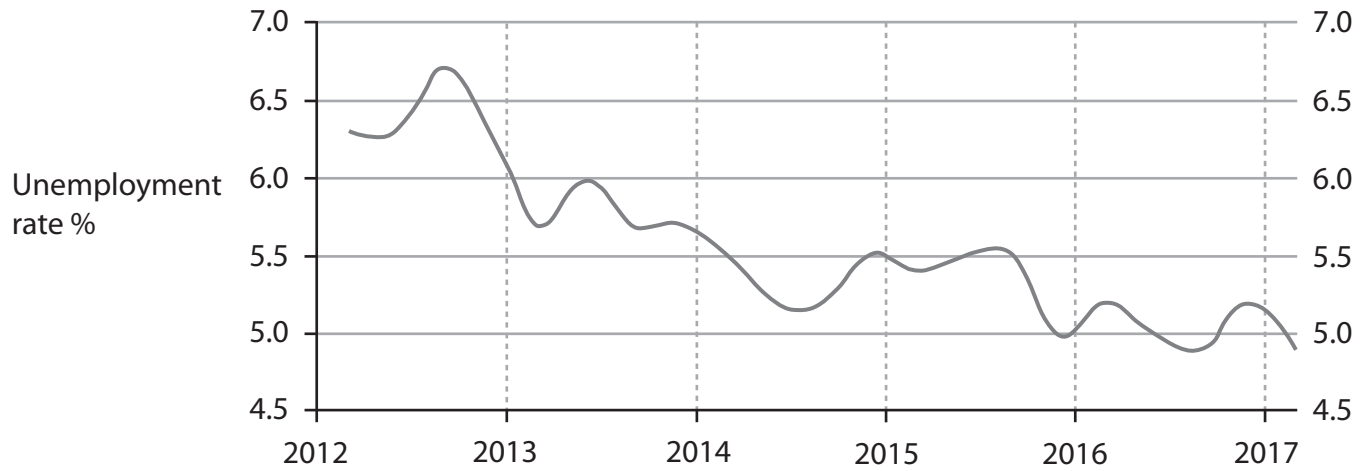
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3 Figure 3a shows the unemployment rate in New Zealand, 2012 to 2017.

Unemployment rate in New Zealand



(Source: www.tradingeconomics.com)

Figure 3a

(a) (i) Describe the overall trend in the unemployment rates shown in Figure 3a.

(3)

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P 5 3 3 4 0 A 0 1 3 2 4

(ii) Briefly explain **two** reasons why unemployment might be a problem for the New Zealand economy.

(4)

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(iii) Frictional unemployment is caused by

(1)

- A** a change in the economic cycle.
- B** variations in demand throughout the year.
- C** changes in patterns of demand.
- D** people moving between jobs.

Canterbury has the lowest unemployment rate of any region in New Zealand of 3.7%. The region of Gisborne and Hawke’s Bay has the highest unemployment rate of 8.1%.

(iv) Explain **one** reason why unemployment rates might vary between different regions.

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(v) Discuss the effectiveness of regional policy in reducing variations in unemployment rates such as those in New Zealand.

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In 2016 New Zealand's current account deficit was 2.7% of Gross Domestic Product (GDP), down from 3.4% of GDP in 2015.

(b) (i) This improvement may have been caused by (1)

- A** an increase in invisible exports.
- B** an increase in visible imports.
- C** a decrease in visible exports.
- D** an increase in invisible imports.

(ii) Explain the difference between visible and invisible trade. (2)

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According to figures from the Organisation for Economic Cooperation and Development (OECD), in 2016 New Zealand was the third fastest growing economy in the developed world with an increase in GDP of 3.6%.

(c) (i) Assess the usefulness of GDP as an indicator of economic growth.

(5)

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(ii) Economic growth should be the main macroeconomic objective of an economy. Do you agree with this statement? Explain your reasons.

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4 (a) (i) First Quantum Minerals (FQM), a Canadian multinational mining company, has invested over US\$5.7 billion in Zambia to develop its Sentinel and Kansanshi Mines.

This is an example of

(1)

- A IMF (International Monetary Fund).
- B DFI (Direct Finance Investment).
- C FDI (Foreign Direct Investment).
- D PFI (Private Finance Initiative).

(ii) Define the term 'multinational'.

(2)

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FQM has paid more than \$3 billion in taxes in the last 11 years and has created employment for more than 8,500 people.

(iii) Countries such as Zambia should encourage as many foreign companies as possible, such as FQM, to invest in their countries. To what extent do you agree with this statement? Explain your reasons.

(6)

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Zambia places a tariff of 25% on most goods, such as washing machines.

(b) (i) Using a suitable diagram, explain the impact of this tariff on the sale of imported washing machines in Zambia.

(5)

Diagram

Price of imported washing machines



Quantity of imported washing machines

Explanation

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In 2017 Zambia banned the importing of tomatoes from neighbouring Tanzania to prevent dumping.

(ii) Dumping is

(1)

- A** a large increase in imports.
- B** the importing of large quantities of cheap goods.
- C** selling goods abroad at less than the cost of production.
- D** too much competition for local farmers.

(iii) Apart from tariffs, identify and explain **one** other form of trade protection that Zambia might use.

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Table 4a shows the exchange rate of the Zambian Kwacha to the US Dollar in January 2013 and January 2017.

Exchange rate Zambian Kwacha (ZMW) to US Dollar (\$)

Date	ZMW to \$1
January 2013	5.25
January 2017	10.02

Table 4a

- (c) (i) In 2013 an imported US T-shirt costing \$10 sold for 52.5 ZMW in Zambia. Using Table 4a, calculate how much the \$10 T-shirt would cost in ZMW in January 2017.

(2)

- (ii) Identify and explain **two** factors that might have caused the change in the exchange rate shown in Table 4a.

(4)

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(iii) The depreciation of a currency is always good for an economy. Do you agree with this statement? Give reasons for your answer.

(6)

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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