Pearson Edexcel International GCSE

Tuesday 21 May 2024

Afternoon (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.

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) Which **one** of the following values shows perfectly price elastic demand?

(1)

    ☒ **A** −1

    ☒ **B** −0.5

    ☒ **C** Zero

    ☒ **D** Infinity

(b) A country has a minimum wage of €6.04 per hour. If a worker provides 35 hours of labour in a week, the lowest weekly wage the worker can earn is

(1)

    ☒ **A** €6.04

    ☒ **B** €205.36

    ☒ **C** €211.40

    ☒ **D** €422.80

(c) What is meant by the term mixed economy?

(2)

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(d) State **one** example of an occupation that is in the tertiary sector of an economy.

(1)

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(e) Define the term producer.

(1)

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(f) Calculate, to two decimal places, the **income elasticity of demand (YED)** for a good if income increases by 7% and quantity demanded increases by 11%. You are advised to show your working.
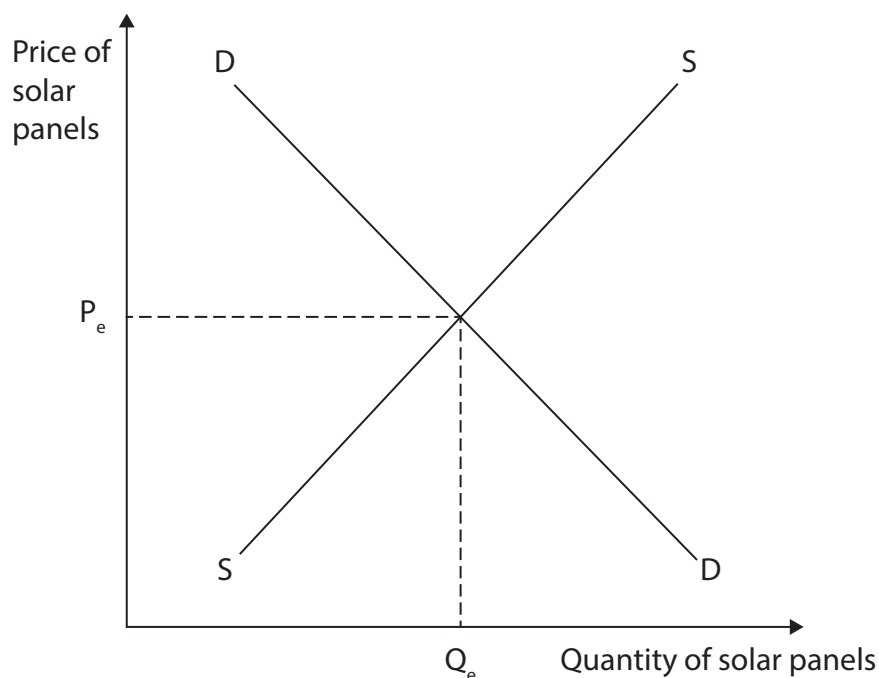
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Figure 1 shows the market for solar panels.

(g) Using the diagram below, draw the likely effects on the market for solar panels if the government removes an indirect tax on them. Label the new curve, the new equilibrium price and the new equilibrium quantity.

Figure 1

Casper has decided to purchase a new television.

(h) Explain **one** possible opportunity cost for Casper of this decision.

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Anastasia runs a martial arts club in District 16 of Budapest, Hungary. She offers classes to children and to adults. There are six classes a week. Following a successful few years, Anastasia is considering growing the business by opening a second club in another district of Budapest.

(i) With reference to the data above and your knowledge of economics, analyse **two** possible factors influencing Anastasia's decision to open a second club.

(6)

(Total for Question 1 = 20 marks)

2 (a) Which **one** of the following diagrams shows excess supply?

(1)

☒ **A**

Price

D   S

P_e

P1

S   D

Q1 Q_e Q2   Quantity

☒ **B**

Price

S   S_1

P_e

P1

D_1

Q_e Q1   Quantity

☒ **C**

Price

D   S

P1
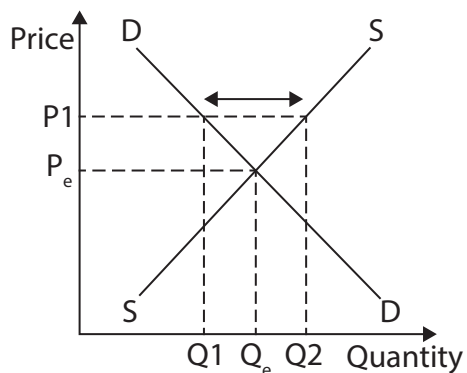
P_e

S   D

Q1 Q_e Q2 Quantity

☒ **D**

Price

D   S

P_e

S   D
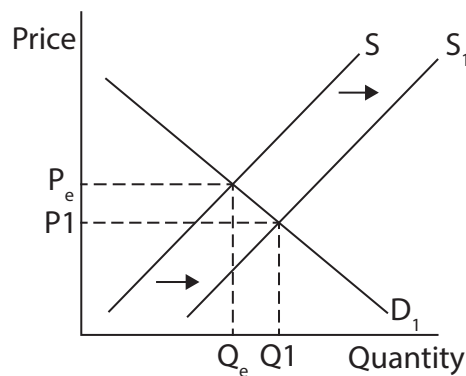
Q_e   Quantity
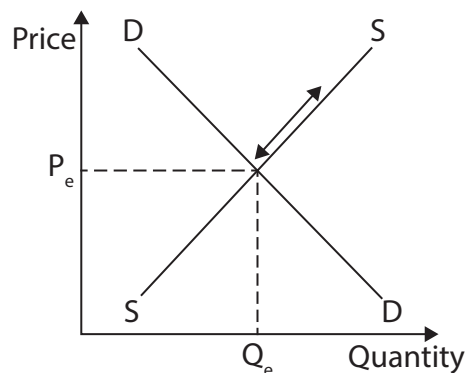
(b) Which **one** of the following is a feature of a monopoly?

(1)

☒ **A** Consumers have a choice of firms

☒ **B** There are many firms competing in the market

☒ **C** The firm is a price-maker

☒ **D** There are low barriers to entry

(c) Calculate the **percentage change in quantity demanded** for a product if the price elasticity of demand (PED) is −1.9 and the price falls by 10%. You are advised to show your working.

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(d) What is meant by the term social benefits?

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(e) Describe **one** feature of an oligopoly.

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Hanan is the owner of a shop and wants to maximise profits. However, Mostafa is the manager of the shop and wants to offer customers a 10% discount for making purchases in large quantities.

(f) Explain **one** reason why Mostafa may want to offer this discount rather than to maximise profit.

(3)

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A ban on single-use plastic bags has been in place in Kenya for more than five years. It has led to a cleaner environment, as plastic bags were causing visual pollution and endangering the lives of livestock that consumed them. However, the ban has not been effective in totally removing the problem.

(g) With reference to the data above and your knowledge of economics, assess the effectiveness of government regulation when dealing with externalities such as pollution.

(9)

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(Total for Question 2 = 20 marks)

3   (a) An increase in which **one** of the following is most likely to cause a decrease in the supply of labour?

(1)

- ☒ **A** The retirement age
- ☒ **B** The school-leaving age
- ☒ **C** The population
- ☒ **D** The demand for the final product

(b) Which **one** of the following is the formula to calculate total revenue?

(1)

- ☒ **A** Quantity sold × price
- ☒ **B** Profit − price
- ☒ **C** Profit ÷ price
- ☒ **D** Quantity sold ÷ price

(c) Using the diagram below, draw a price elastic demand (PED) curve. Label the curve and show the impact on both axes from a change in price.

(3)

Price

Quantity

Figure 2

More than one million drinks are bottled each day at the Coca-Cola factory in Mwanza, Tanzania. Over 1,000 workers are involved in the process at its 65,000 m^2 site, which includes filling bottles, sealing them with caps and adding labels. This enables consumers across East Africa to enjoy brands such as Coca-Cola, Fanta and Sprite.

(d) With reference to the data above and your knowledge of economics, analyse the possible advantages for Coca-Cola of using division of labour at the factory.

(6)

Many firms in Bangladesh produce textiles. In the factories, cotton shirts, knitwear and suits are produced. These factories are often operating below capacity.

About 40% of the Bangladeshi population is employed in the agricultural sector. Crops such as wheat, corn and fruit are produced annually by this sector.

(e) With reference to the data above and your knowledge of economics, assess whether supply is likely to be more price elastic for textiles than for agricultural products.

(9)

(Total for Question 3 = 20 marks)

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4   Figure 3 shows the daily costs of hiring a vehicle to transport goods to a customer.

Vehicle hire cost ($ per day)	Fuel cost ($ per km)	Distance travelled (km)	Cost of insurance ($ per day)
90	0.25	65	20

Figure 3

(a) Calculate the **daily total costs** of transporting the goods to the customer. You are advised to show your working.

(2)

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MAS Supermarkets is the largest supermarket chain in Cyprus. It owns many shops across the country, selling a wide range of groceries. The firm states that its focus is on selling quality products, offering good service and low prices.

(b) With reference to the data above and your knowledge of economics, analyse how internal economies of scale may lead to benefits for MAS Supermarkets.

(6)

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The largest airport in Nigeria is located in Lagos. The Nigerian Government has made several attempts to privatise the country's four main airports over recent years. This has been unsuccessful due to resistance from trade unions that have members at the airport.

However, recently there has been increased interest from a number of private investors. This is due to the growing population, increasing demand for flights to and from Lagos and a stronger industrial base in the country. This means privatisation of Lagos Airport is now more likely to happen.

Whilst under the control of the government, subsidies have been used to pay some of the costs to operate the airport, as well as to improve safety and airport facilities.

(c) With reference to the data above and your knowledge of economics, evaluate whether consumers are likely to benefit from the privatisation of Lagos Airport.

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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