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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

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) What is the name given to a firm that manufactures cars?

(1)

- ☒ **A** A primary sector firm
- ☒ **B** A secondary sector firm
- ☒ **C** A tertiary sector firm
- ☒ **D** A service sector firm

A firm that employs 540 workers has a total monthly output of 27,000 units.

(b) What is the monthly labour productivity of the firm?

(1)

- ☒ **A** 0.02 units
- ☒ **B** 50 units
- ☒ **C** 27,540 units
- ☒ **D** 14,580,000 units

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

(2)

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(d) State **one** factor of production.

(1)

(e) Define the term public sector.

(1)

Yusef paints portraits of tourists who visit his home town. He recently reduced the price he charges by 2.5% and quantity demanded increased by 3.2%.

(f) Calculate, to two decimal places, the **price elasticity of demand (PED)** for Yusef's portraits. You are advised to show your working.

(2)

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Figure 1 shows the market for trainers.

(g) Using the diagram below, draw the likely effects on the market after a popular celebrity was seen wearing trainers. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

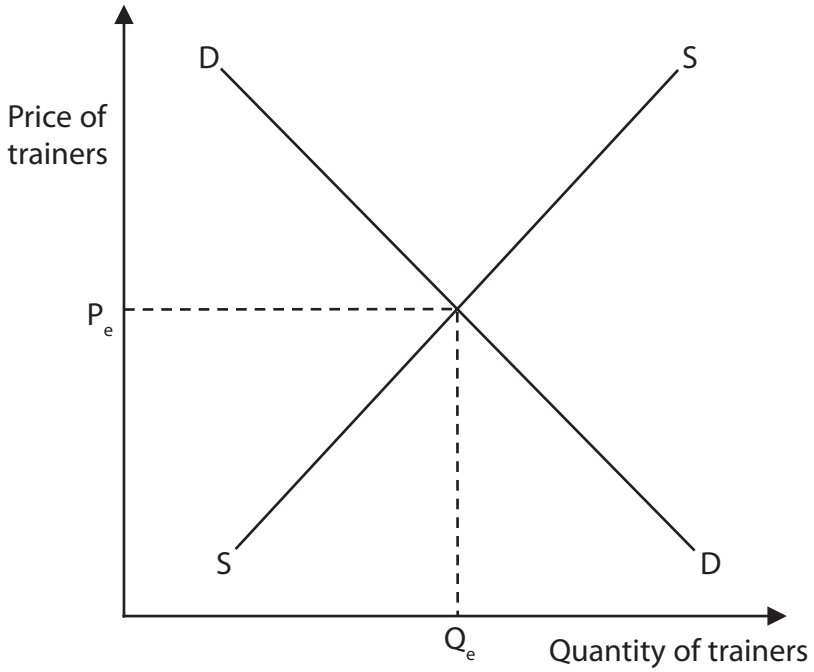

Figure 1

Spice Cottage is a new food producing business. Its prices are lower than market research suggests consumers would be willing to pay.

(h) Explain **one** reason why Spice Cottage may not aim to maximise its profit.

(3)

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Megabus provides cheap bus travel in Canada, the US and the UK. Research showed that if incomes rose by 10% then the quantity demanded for bus travel would fall by 15%.

(i) With reference to the data above and your knowledge of economics, analyse why this knowledge could be useful to a firm such as Megabus.

(6)

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(Total for Question 1 = 20 marks)

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2

Chart to show market share held by firms within a market

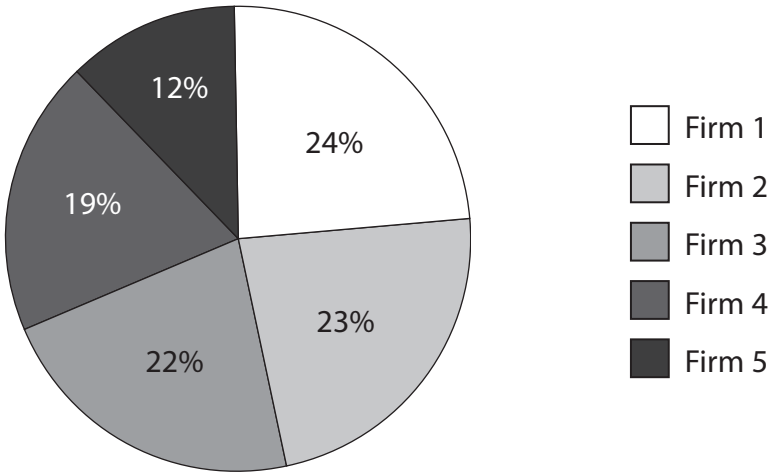

Figure 2

(a) Which **one** of the following options is the type of market shown in Figure 2?

(1)

- ☒ **A** Labour
- ☒ **B** Public
- ☒ **C** Monopoly
- ☒ **D** Oligopoly

(b) An increase in which **one** of the following is most likely to increase productivity?

(1)

- ☒ **A** Bureaucracy
- ☒ **B** Congestion
- ☒ **C** Irrigation
- ☒ **D** Regulation

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(c) What is meant by the term barriers to entry?

(2)

A firm has total fixed costs of $57 000 per month and variable costs of $750 per unit. It produces 1,820 units per month.

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

(2)

(e) Describe **one** disadvantage for a government of using subsidies.

(2)

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Heather runs a successful restaurant in a small town in Portugal. When her friend asked whether she was going to expand by opening another restaurant, Heather said she was not.

(f) Explain **one** reason why Heather may have decided to keep her business small.

(3)

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Hong Kong telecommunications firm, CK Hutch, is planning to merge with Indosat which is based in Jakarta, Indonesia. Indosat provides services for mobile phones and broadband. It is a growing business, with a value of $2.2bn and more than 60 million customers. Indonesia is Southeast Asia's most populated country.

(Source adapted from: https://www.zdnet.com/article/ck-hutchison-and-ooredoo-indonesian-merger-to-create-indosat-ooredoo-hutchison/)

(g) With reference to the data above and your knowledge of economics, assess the extent to which a merger between CK Hutch and Indosat is likely to lead to economies of scale.

(9)

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3 (a) Which **one** of the following could be described as an economic need?

(1)

- ☒ **A** Haircut
- ☒ **B** Holiday
- ☒ **C** Shelter
- ☒ **D** Smartphone

(b) Which **one** of the following is an example of an external benefit?

(1)

- ☒ **A** Education
- ☒ **B** Air pollution
- ☒ **C** Overcrowding
- ☒ **D** Resource depletion

(c) Draw a supply curve on the diagram below that has price elastic supply (PES). Label the impact of a price change from P_1 to P_2 and its impact on quantity from Q_1 to Q_2.

(3)



Figure 3

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Every year in the UK, heavy rainfall is a cause of severe flooding in some areas. Calderdale in Yorkshire has been badly affected for a number of years. Increased water levels from the River Calder caused damage to residential properties, business premises and roads. The UK Government provided a £32m flood defence scheme to try to reduce the problem.

(Source adapted from: https://www.halifaxcourier.co.uk/news/politics/ps44m-to-be-spent-on-flood-defences-in-hebden-bridge-3327606)

(d) With reference to the data above and your knowledge of economics, analyse why the UK Government might provide flood defences.

(6)

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In 2021, Morrisons, a leading UK-based supermarket chain, became the first in the retail industry to pay workers at least £10 per hour. This increased its hourly wage rate from £9.20 to at least £10 per hour for its 110,000 workers. This increase was a result of negotiations with the trade union, Usdaw. The majority of Morrisons' workers are trade union members.

(Source adapted from: https://www.hrmagazine.co.uk/content/news/morrisons-is-the-first-uk-supermarket-to-pay-minimum-10-an-hour)

(e) With reference to the data above and your knowledge of economics, assess the impact of trade union activity on Morrisons and its employees.

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 4 shows the Production Possibility Curve (PPC) for an economy making capital goods and consumer goods.

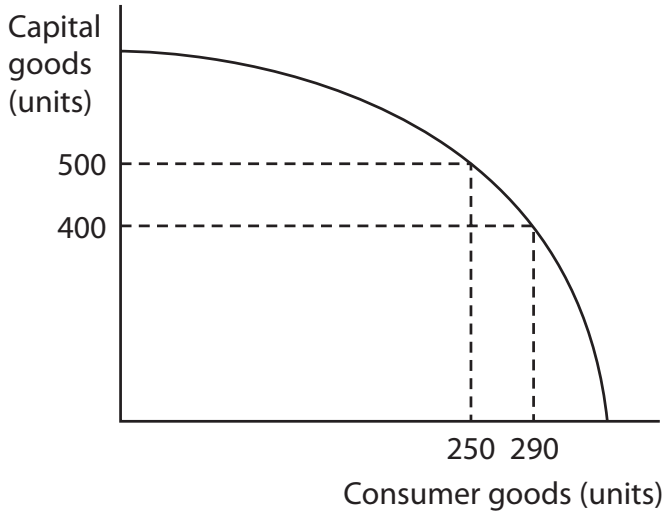

Figure 4

(a) When the current level of output is 250 units of consumer goods, calculate the **opportunity cost** of producing an additional 40 units of consumer goods. You are advised to show your working.

(2)

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A tagine is a type of cooking pot which is used to make meals throughout Morocco. Almost every home in Morocco has one. They have also become an increasingly popular purchase for tourists who want to take home a souvenir of their travels. Producers can sell tagines in markets all over Morocco. However, as demand has increased, many have chosen to sell in the areas visited by tourists, such as Marrakesh.

(b) With reference to the data above and your knowledge of economics, analyse how the equilibrium price of tagines sold to tourists is determined.

(6)

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Dahab is a seaside town in Egypt. It is a popular destination for visitors from around the world as well as other parts of Egypt. Some visitors return many times in order to enjoy the relaxing atmosphere, beach-side restaurants and water sports.

There are a large number of restaurants competing for customers. Some specialise in certain types of food. Others offer discounts for regular visits or provide live entertainment.

(c) With reference to the data above and your knowledge of economics, evaluate the likely impact of competition on restaurant customers in Dahab.

(12)

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TOTAL FOR PAPER = 80 MARKS

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