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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 **4EC1/01R**

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) Water is an example of which factor of production?

(1)

- ☒ **A** Land
- ☒ **B** Labour
- ☒ **C** Capital
- ☒ **D** Enterprise

(b) A firm has total costs of $700. It sells 300 items at a price of $20 each. What is the **profit** for the firm?

(1)

- ☒ **A** $5 300
- ☒ **B** $6 000
- ☒ **C** $13 700
- ☒ **D** $14 000

(c) What is meant by the term supply?

(2)

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(d) State **one** type of an external economy of scale.

(1)

(e) Define the term unique product.

(1)

Connor owns a hair salon. He increased prices by 2% and was willing to increase quantity supplied by 2.6%.

(f) Calculate the **price elasticity of supply (PES)** for Connor's hair salon. You are advised to show your working.

(2)

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(g) Using the diagram below, draw the likely effect on the market for luxury holidays after a fall in income. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

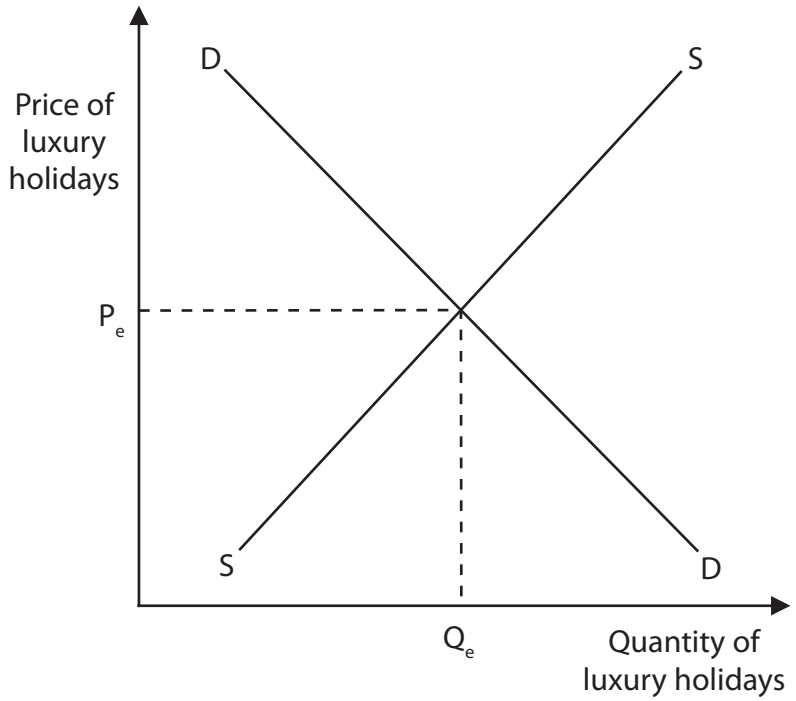

Figure 1

Government-owned Angola Telecom is to be privatised in an attempt to make the industry more efficient.

(h) Explain **one** possible disadvantage of privatisation for workers in the telecoms industry in Angola.

(3)

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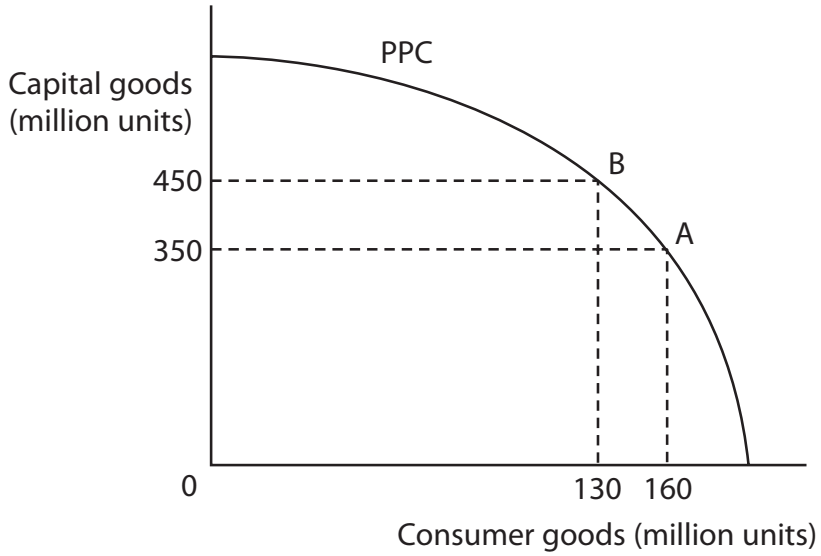

Figure 2

Figure 2 shows the production possibility curve (PPC) for an economy.

(i) With reference to the data above and your knowledge of economics, analyse the impact on the economy after a movement from A to B on the production possibility curve (PPC).

(6)

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(Total for Question 1 = 20 marks)

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2 The income elasticity of demand (YED) for a product can be calculated by using the information in Figure 3.

Change in quantity demanded	4.6%
Change in income	2%

Figure 3

(a) Which **one** of the following options best describes the demand for the product?

(1)

- ☒ **A** Unitary
- ☒ **B** Luxury
- ☒ **C** Inferior
- ☒ **D** Inelastic

(b) Which **one** of the following is the formula for social benefits?

(1)

- ☒ **A** Private costs + private benefits
- ☒ **B** Private benefits – private costs
- ☒ **C** Private benefits + external benefits
- ☒ **D** Private costs – external costs

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(c) What is meant by the term trade union?

(2)

Figure 4 shows the monthly costs per unit when a firm makes 3,000 units.

Quantity	Total fixed costs	Total variable costs
3,000	$6 200	$3 550

Figure 4

(d) Calculate the **average cost per unit (AC)** for the firm when it makes 3,000 units.
You are advised to show your working.

(2)

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(e) Describe **one** way that high start-up costs can be a barrier to entry.

(2)

UK supermarkets operate in an oligopoly where the market is dominated by several large firms.

(f) Explain **one** disadvantage of this type of market structure for UK consumers.

(3)

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Foxconn Technology produces the new Apple iPhone at its factory in Shenzhen, China. It employs 270,000 workers in its factory. Each worker carries out a specific task which ranges from handling the phone screen, assembling components, checking the phone works, to packaging the phone ready to ship to the customer.

(Source adapted from: https://www.patentlyapple.com/2021/10/foxconns-shenzhen-factory-to-hire-an-additional-100000-plant-workers-to-keep-iphone-13-production-on.html)

(g) With reference to the data above and your knowledge of economics, assess the benefits for Foxconn Technology of using division of labour.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) Which **one** of the following is the definition of a merger?

(1)

- ☒ **A** The joining together of two firms
- ☒ **B** The transfer of ownership from the government
- ☒ **C** The takeover of one firm by another firm
- ☒ **D** The creation of a competitive market

(b) Which **one** of the following is a reason why a government would introduce a minimum wage?

(1)

- ☒ **A** To increase the benefits paid by a government
- ☒ **B** To reduce the motivation of workers
- ☒ **C** To close the income gap between the rich and the poor
- ☒ **D** To ensure producers increase their profits

(c) On the blank pie chart below, draw and label the likely approximate size of employment in the primary (P), secondary (S) and tertiary (T) sectors for a developed country, such as Japan.

(3)

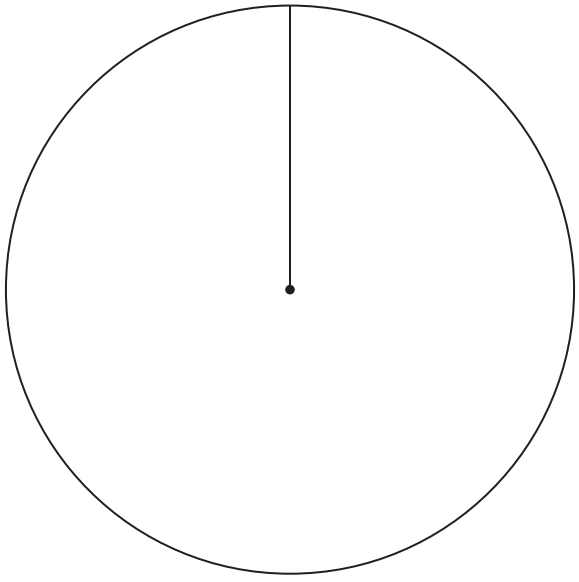

Figure 5

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There are plans to build a $296m residential tower in the business district of Sydney, Australia, but some local people do not want the tower to be built.

(Source adapted from: https://architectureau.com/articles/tallest-residential-tower-in-sydney-approved/)

(d) With reference to the data above and your knowledge of economics, analyse the possible external costs that may occur during the building of the residential tower.

(6)

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Dubai in the UAE has a population of more than 2.5 million people. Immigrant workers make up over 80% of this population. Many of the immigrants provide construction, cleaning or care services.

(Source adapted from: https://www.futurelearn.com/info/courses/migration-theories/0/steps/35094)

(e) With reference to the data above and your knowledge of economics, assess the benefits to Dubai of employing such a high proportion of migrant labour.

(9)

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4 Figure 6 shows financial data for a firm selling a selection of products.

Product	X	Y
Price	$3 000	$3 300
Quantity sold	50	40
Total revenue	$3 000 × 50	$3 300 × 40
PED	–0.62	–1.53

Figure 6

(a) Calculate the **total revenue** for the product that has a price elasticity of demand (PED) which is **inelastic**. You are advised to show your working.

(2)

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For a number of years there has been an increase in obesity in Poland. Consumers of sugary drinks, such as Coca Cola and Fanta, now have to pay an additional 0.50 zloty ($0.11) per litre, following the introduction of a sugar tax. At the same time, there has been an increase in adverts for soft drinks. However, consumers are still buying these drinks even though they are now more expensive.

(Source adapted from: https://retailmarketexperts.com/en/news/2021-retail-tax-and-sugar-tax-come-into-force/)

(b) With reference to the data above and your knowledge of economics, analyse the reasons why consumers may not maximise their benefit when consuming sugary drinks.

(6)

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NT Massage is a small but successful, family-run business in a residential part of Hong Kong. It offers traditional foot and head massages to local residents, many of whom have been customers for many years.

A younger member of the family, Mei, would like to expand the business. She wants to open a chain of shops offering foot and head massages in busier areas of Hong Kong. She would like her new employees to be fully trained, to advertise in hotels and to focus more attention on attracting custom from the 7.5 million population of Hong Kong.

Even though there would be competition from many other similar businesses, additional custom from tourists and business people would enable NT Massage to charge higher prices in the new shops.

(c) With reference to the data above and your knowledge of economics, evaluate whether the family should expand the business rather than keeping it small.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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