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Please check the examination details below before entering your c date information

Candidate surname | Other name

Pearson Edexcel
International Advanced Level

Centre Number | Candi Number

Time 1 hour 45 minutes

Paper reference **WEC11/0**

Economics

International Advanced Subsidiary
UNIT 1: Markets in action

You must have:
Source Booklet (enclosed)

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 in Sections A, B and C.
- Answer **ONE** question in Section D.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

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.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.
- Good luck with your examination.

Turn over ▶

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P 6 5 8 3 4 A 0 1 2 8

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind a an answer, put a line through the box ☒ and then mark your new answer with a cro

1 **Statement 1**: The consumption of single-use plastic bags in Switzerland decreased by 80% after the Government introduced a tax on them.

Statement 2: Shops should be forced to charge consumers for single-use plastic bags to reduce the amount of plastic waste.

Which **one** of the following best describes the two statements?

☒ **A** Both statements are positive

☒ **B** Statement 1 is positive and statement 2 is normative

☒ **C** Both statements are normative

☒ **D** Statement 1 is normative and statement 2 is positive

(Total for Question 1 = 1 mark)

2 In April 2018, the Singapore Government passed a law allowing consumers to change electricity providers. Most consumers have not switched their electricity provider despite the opportunity to save, on average, 20% on their bills.

Which **one** of the following could explain this behaviour?

☒ **A** Consumers are good at computation

☒ **B** Consumers aim to maximise their utility

☒ **C** Consumers are influenced by the behaviour of others

☒ **D** Consumers feel undervalued by their current provider

(Total for Question 2 = 1 mark)

3 Which **one** of the following is an example of market failure?

☒ **A** The free-rider problem that results in the underprovision of public goods

☒ **B** Higher prices create an incentive for firms to increase the production of a good

☒ **C** New government regulations that result in excessive administration costs

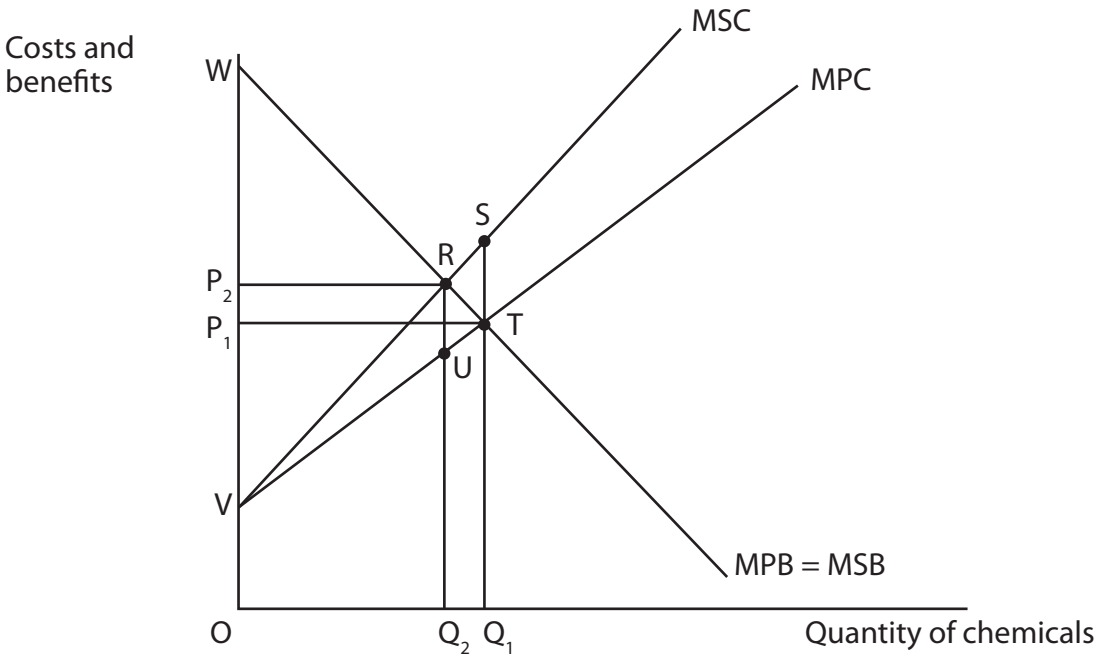
☒ **D** Government provision of healthcare to move towards the social optimum output

(Total for Question 3 = 1 mark)

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4 The diagram shows the market for the production of chemicals.



Which **one** of the following can be deduced from the diagram?

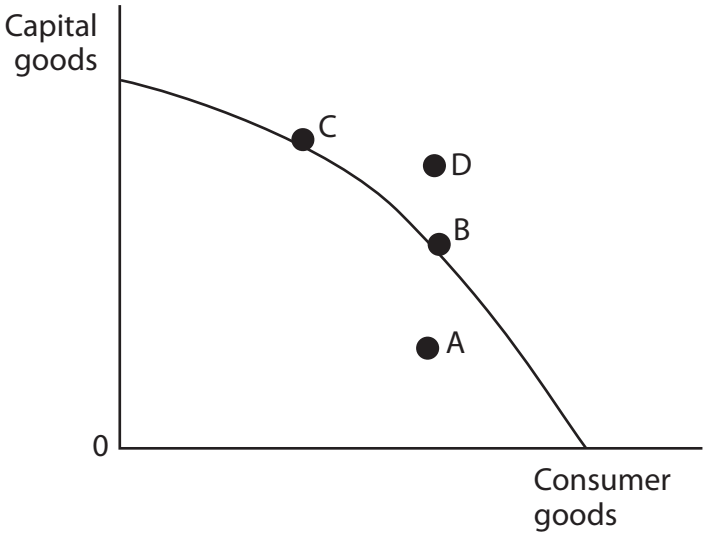
- ☒ **A** The social optimum quantity is Q_1 and price is P_1
- ☒ **B** The market equilibrium quantity is Q_2 and price is P_2
- ☒ **C** The welfare loss area is RTU
- ☒ **D** The welfare loss area is RST

(Total for Question 4 = 1 mark)

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5 The diagram shows a production possibility frontier for an economy.



Which point on the diagram shows the position that will lead to the fastest rate of economic growth?

- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

(Total for Question 5 = 1 mark)

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6 The table shows the estimated income elasticity of demand for selecte d items in the UK.

Food item	Income elasticity of demand
Butter	+0.20
Coffee	+0.16
Margarine	–0.37
Tea	–0.02

(Source: https://pdfs.semanticscholar.org/c384/d29d9fb4993d265c9bed5be20f6d984b09c3.pdf)

Which **one** of the following can be deduced from the data?

☒ **A** A decrease in real income will result in a more than proportionate decrease in demand for butter

☒ **B** An increase in real income will result in a less than proportionate increase in demand for coffee

☒ **C** A decrease in real income will result in a more than proportionate increase in demand for margarine

☒ **D** An increase in price will result in a less than proportionate decrease in demand for tea

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Answer ALL questions in this section in the space provid

7 In October 2017 the United Arab Emirates (UAE) introduced an indirect tax on en drinks. The tax is charged at 50% of the price of energy drinks.

Draw a diagram to illustrate the impact of the introduction of the indirect tax on the equilibrium price and quantity of energy drinks in the UAE.

(Total for Question 7 = 4 marks)

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8 The table shows the change in how electricity was generated between and 2018 in a group of developed economies.

Resource	Change in electricity generation, terawatt hours (TWh)
Coal	–105
Natural gas	+156
Hydro	+26
Wind	+52
Solar	+52

With reference to the change in how electricity was generated, explain the difference between 'renewable resources' and 'non-renewable resources'.

(Total for Question 8 = 4 marks)

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9 Adam Smith wrote that by applying the division of labour in a pin facto n workers were able to increase production from 200 pins per day to 48 000 per day.

Explain **one** advantage to firms of using division of labour to organise production

(Total for Question 9 = 4 marks)

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10 In 2019 Netflix increased the price of its basic subscription streaming s from $7.99 to $8.99 in the USA. It was estimated that there would be an 8% dec in the number of consumers with Netflix subscriptions.

Ceteris paribus, calculate the price elasticity of demand for the basic subscription f Netflix. Show your workings.

(Total for Question 10 = 4 marks)

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11 Between August 2018 and August 2019 the world price of sweet potat creased from $12 to $22.50 per box. This was caused by Hurricane Florence and he ains in the USA, the world's largest supplier.

Explain the likely impact of this change in price on consumer surplus in the mark for sweet potatoes. Illustrate your answer with a diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.

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SECTION C

Study Figure 1 and Extracts A, B and C in the Source Booklet befor wering Question 12.

Write your answers in the space provided on the following pages.

12 (a) Define the term 'substitutes' (Extract A, line 9).

(2)

(b) With reference to Extract A, explain **one** factor that is likely to influence the price elasticity of supply for sugar.

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** reasons why the world price of sugar fell between August 2017 and August 2018.

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to Extract B, examine **two** possible effects of information gaps on the consumption of sugar.

(8)

(e) With reference to Extract C, discuss the likely effects of the increase in the subsidy for sugar production.

Illustrate your answer with an appropriate diagram.

(14)

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12 (a) Define the term 'substitutes' (Extract A, line 9).

(2)

(b) With reference to Extract A, explain **one** factor that is likely to influence the price elasticity of supply for sugar.

(4)

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(c) With reference to Figure 1 and Extract A, analyse **two** reasons why t orld price of sugar fell between August 2017 and August 2018.

Illustrate your answer with a supply and demand diagram.

(6)

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(d) With reference to Extract B, examine **two** possible effects of inform gaps on the consumption of sugar.

(8)

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(e) With reference to Extract C, discuss the likely effects of the increase e subsidy for sugar production.

Illustrate your answer with an appropriate diagram.

14)

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(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

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SECTION D BEGINS ON THE NEXT PAGE.

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SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2019 the price of a litre of diesel was 65% higher in Thailand than in Malaysia. The price difference was because of higher taxation on diesel in Thailand. This led to illegal smuggling. For example, on one night, Thai authorities seized 300 000 litres of diesel that was illegally imported from Malaysia.

Evaluate possible causes of government failure in a market of your choice.

(Total for Question 13 = 20 marks)

OR

14 Between 2000 and 2019 in China the average price of a house increased from 4 000 yuan per square metre (m^2) to 60 000 yuan per m^2. The ratio of average house prices to average incomes increased from 5.6 to 7.6, showing that houses were becoming less affordable.

Evaluate the impact of market bubbles in the housing market.

(Total for Question 14 = 20 marks)

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Indicate which question you are answering by marking a cross in the b ☒. If you change your mind, put a line through the box ☒ and then indicate your new quest ith a cross ☒.

Chosen question number: **Question 13** ☒ **Question 14** ☒

Write your answer here:

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TOTAL FOR SECTION D = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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