www.dynamicpapers.com

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Tuesday 21 May 2024

Afternoon (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 ▶

P72968RA

©2024 Pearson Education Ltd.

F:1/1/1/1/1/1/1/1/e2/

P 7 2 9 6 8 R A 0 1 2 4

Pearson

www.dynamicpapers.com

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 inelastic supply?

(1)

☐ A 0

☐ **B** 0.5

☐ **C** 1

☐ **D** 2

(b) As a result of government policy, a firm had a decrease in its total costs of $200 each month. Which **one** of the following is the most likely type of government policy to produce this decrease in costs?

(1)

☐ A Fine

☐ **B** Regulation

☐ **C** Increased subsidy

☐ **D** Increased taxation

(c) What is meant by the term private sector?

(2)

(d) State **one** factor that may affect the supply of labour.

(1)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(e) Define the term government.

(1)

(f) Calculate, to two decimal places, the **income elasticity of demand (YED)** for a good if income increases by 6.2% and quantity demanded increases by 1.7%. You are advised to show your working.

(2)

www.dynamicpapers.com

Figure 1 shows the market for tennis balls.

(g) Using the diagram below, draw the likely effects on the market for tennis balls after a fall in the price of tennis rackets. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

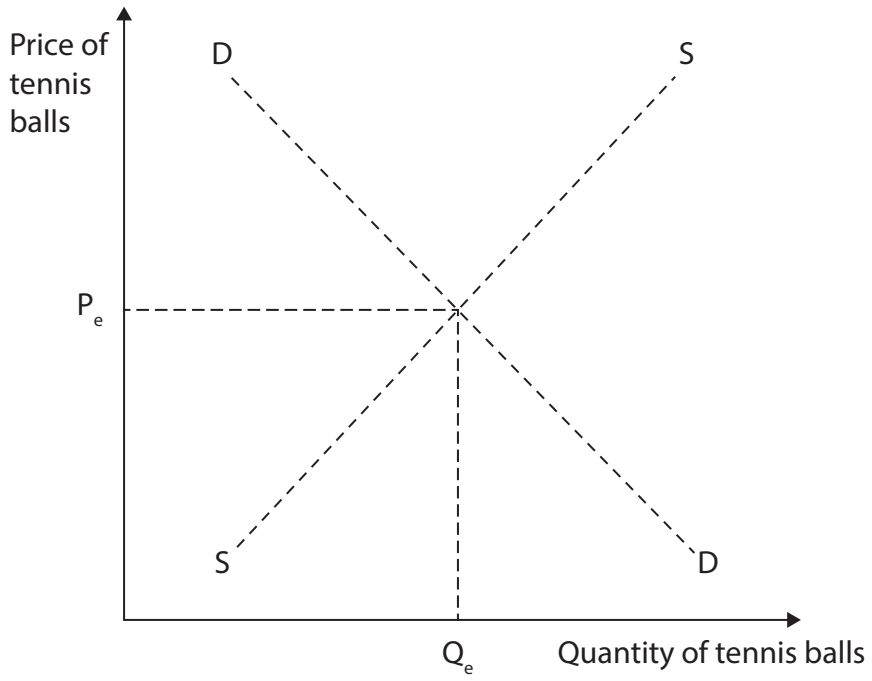


Figure 1

A firm has decided to purchase a new delivery vehicle.

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

(3)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Jags owns a café in a small town in Malaysia. During a recent school holiday, she offered a free lunch to each child visiting the café with a paying adult. This was welcomed by customers who have had problems in the last few months due to the rising cost of living.

(i) With reference to the data above and your knowledge of economics, analyse a possible reason why Jags chose not to maximise profit.

(6)

www.dynamicpapers.com

(Total for Question 1 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

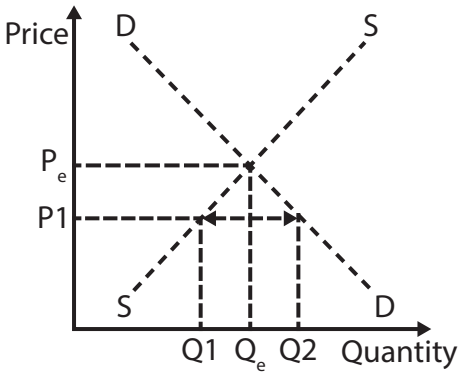
www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

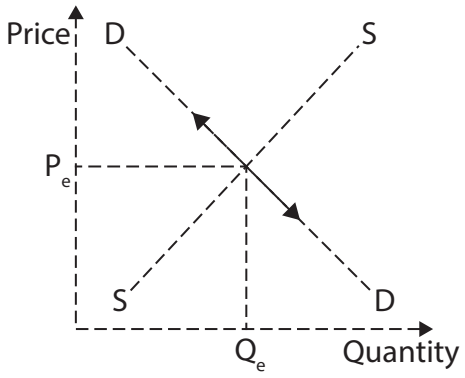
2 (a) Which **one** of the following diagrams shows excess demand?

(1)

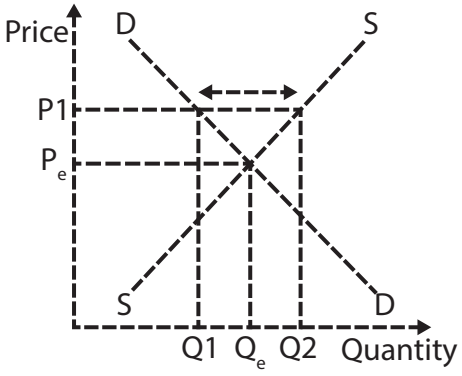
☒ **A**



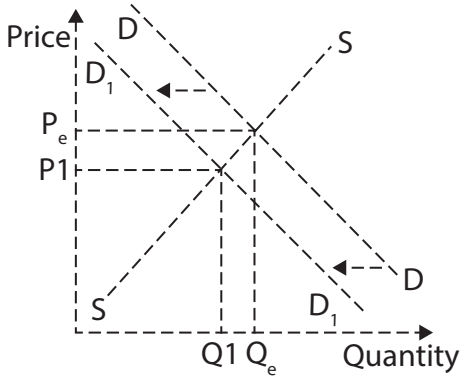
☒ **B**



☒ **C**



☒ **D**



(b) Which **one** of the following is a feature of an oligopoly?

(1)

☒ A There is only one firm in the market

☒ **B** Firms always act independently

☒ **C** Different products are sold

☒ **D** No barriers to entry are present

www.dynamicpapers.com

(c) Calculate the **percentage change in quantity supplied** for a product if the price elasticity of supply (PES) is 1.5 and the price increases by 12%. You are advised to show your working.

(2)

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

(2)

(e) Describe **one** reason why innovation may be more likely to occur in a monopoly.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Sajad owns a shop selling smartphones in Karachi, Pakistan. The shop has been successful for several years and there is an opportunity for Sajad to open an additional shop on the other side of the city.

(f) Explain **one** reason why Sajad may decide to expand his business.

(3)

www.dynamicpapers.com

In January 2023, the minimum wage in the Netherlands was increased by 10.15% to €1 934.40 per month. The decision was partly due to inflation increasing to 17% during 2022.

However, the decision has been criticised because the economy is still weak following the global health crisis.

(g) With reference to the data above and your knowledge of economics, assess the likely benefits of increasing the minimum wage for employees and firms in the Netherlands.

(9)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 2 = 20 marks)

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

QUESTION 3 BEGINS ON THE NEXT PAGE

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

3 (a) Which **one** of the following is an example of a job in the primary sector of the economy?

(1)

- A Farmer
- **B** Mechanic
- **C** Shop assistant
- **D** Teacher

(b) Total revenue can be defined as the quantity of goods sold

(1)

- A added to the price
- **B** subtracted from the price
- **C** multiplied by the price
- **D** divided by the price

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

(3)



Figure 2

www.dynamicpapers.com

At the start of 2023, a study was carried out on the government-owned Portuguese airline, TAP Air, to see whether there were any potential investors. The objective was to begin the process of privatising TAP Air as soon as possible.

(d) With reference to the data above and your knowledge of economics, analyse the possible advantages of privatisation for TAP Air.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

Prime Hydration is a range of drinks launched in 2022 by YouTube celebrities, KSI and Logan Paul. It was instantly very popular, especially with teenagers. At its launch in the UK, the recommended retail price for a bottle was £1.99.

However, the price of a bottle on Amazon ranged from £8.25 to £19.99 but availability was not guaranteed.

(e) With reference to the data above and your knowledge of economics, assess whether an increase in the price of Prime Hydration is always likely to lead to an increase in total revenue for retailers.

(9)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 3 = 20 marks)

www.dynamicpapers.com

4 Figure 3 shows the costs to a firm of running a machine to produce an order of goods.

Purchase price of machine ($)	Electricity ($ per hour)	Production time (hours)	Insurance ($)
1 036	0.45	19	17

Figure 3

(a) Calculate the **total variable costs** of this order for the firm.
You are advised to show your working.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

A project to update the infrastructure and develop new routes along Indian railways has been in progress for a number of years. One part of the plan is to expand the rail network between Hyderabad and Karnataka.

The expanded railway network will provide more services for passengers, along with more freight trains. This will mean more raw materials, including cement, iron ore and steel can be transported.

(b) With reference to the data above and your knowledge of economics, analyse the impact of external economies of scale on construction firms in India.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

In 2023, the Egyptian Government raised the price it paid for wheat to encourage farmers to increase production.

Wheat farmers face the difficulty of a limited amount of land available for agriculture. However, there are government programmes including land reclamation and guidance for farmers on both the use of fertiliser and irrigation systems.

As well as having a limited amount of land, many farmers are only familiar with traditional methods of farming and do not have the skills or the finance to change to new methods.

(c) With reference to the data above and your knowledge of economics, evaluate the extent to which these government programmes may affect farming productivity in a country such as Egypt.

(12)

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

Acknowledgments

Question 2g adapted from: https://www.mondaq.com/employee-benefits--compensation/1253756/the-minimum-wage-as-of-1-january-2023-in-the-netherlands

Question 3d adapted from: https://www.portugalresident.com/taps-privatisation-process-close-to-being-decided-finance-minister/

Question 4b adapted from: https://www.financialexpress.com/infrastructure/railways/mahabubnagar-munirabad-new-broad-gauge-line-to-boost-rail-network-between-hyderabad-and-karnataka/2982895/

Question 4c adapted from: https://english.ahram.org.eg/NewsContent/50/1201/484850/AlAhram-Weekly/Egypt/Fair-prices-for-wheat.aspx