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Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
|---|---|
| | |

**Pearson Edexcel International GCSE**

Centre Number | | | | | |

Candidate Number | | | | |

# Monday 13 January 2020

Morning (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) Which **one** of the following values shows perfect price inelasticity of demand?

**(1)**

☒ **A** –1.5

☒ **B** –1

☒ **C** 0

☒ **D** 0.5

(b) A firm has total costs of $500 and sells each item at a price of $50. It sells 100 items. What is the **profit or loss** for the firm?

**(1)**

☒ **A** $45 000 profit

☒ **B** $4 500 profit

☒ **C** $20 000 loss

☒ **D** $450 loss

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

**(2)**

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

**(1)**

(e) Define the term government.

**(1)**

(f) Calculate the income **elasticity of demand (YED)** for a good if income increases by 5% and quantity demanded increases by 12%. You are advised to show your working.

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(g) Using the diagram below, draw the effects on the equilibrium price and quantity after the government removes an indirect tax on sustainable fuel. Label the new curve, the new equilibrium price and quantity.

**(3)**

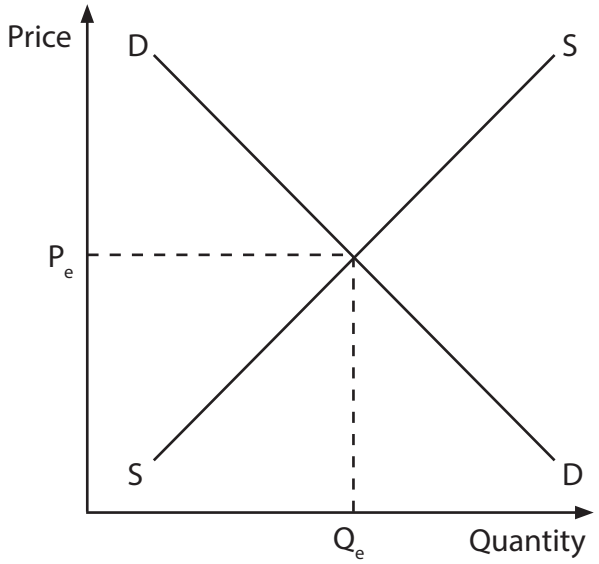


**Figure 1**

A firm has decided to purchase a new computer system.

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

**(3)**

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In the UAE, 87% of Dubai's shopping malls are owned by just five firms. The retail sector is predicted to reach $71bn in sales by 2021 and employ 25% of Dubai's workforce. Each shopping mall offers something different to customers, for example an indoor ski slope or an indoor aquarium. Dubai's retailers benefit from its tourism sector, as the city ranks as one of the busiest shopping destinations in the world.

(Source adapted from: https://wwd.com/business-news/technology/savant-data-systems-dubai-retail-report-10956883/)

(i) With reference to the data above and your knowledge of economics, analyse why the shopping malls in Dubai are considered to be an oligopoly.

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**(Total for Question 1 = 20 marks)**

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**QUESTION 2 BEGINS ON THE NEXT PAGE**

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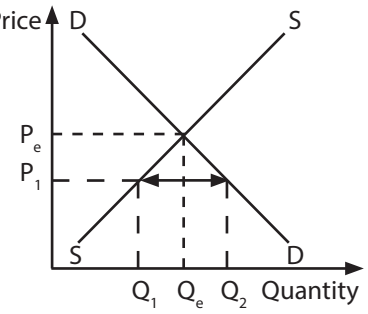
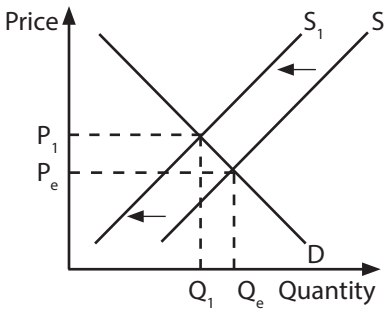
**2** (a) Which **one** of the following diagrams shows excess supply?

**(1)**

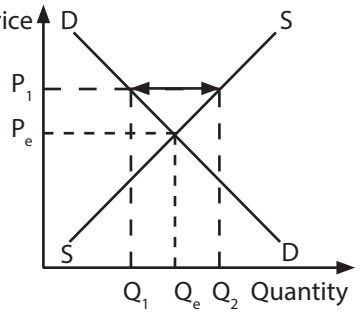
☒ **A**



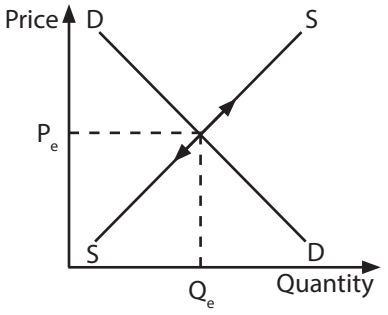

☒ **B**




☒ **C**




☒ **D**

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(b) Which **one** of the following is most likely to create a barrier to entry?

**(1)**

- ☒ **A** Government provides subsidies for new firms
- ☒ **B** Increasing personal incomes in the economy
- ☒ **C** Low start-up costs
- ☒ **D** Use of expensive technology

(c) Calculate the **price elasticity of demand (PED)** for a product if price falls by 10% and quantity demanded increases by 19%. You are advised to show your working.

**(2)**

(d) State the formula for social benefits.

**(1)**

(e) Define the term consumer.

**(1)**

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(f) Describe **one** factor that may influence the growth of a firm.

**(2)**

There are many health warnings about the dangers of eating too much sugar but some consumers continue to do so.

(g) Explain **one** reason why consumers may still make this decision.

**(3)**

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Sea cucumbers are marine animals that have an important role in keeping the coral reef ecosystem healthy. US firm, Orient Seafood Production (OSP), has been fined $1.5m for over-harvesting sea cucumbers. Harvesting sea cucumbers is legal in the US. There is a limit on the quantity allowed to be harvested due to their positive impact on the coral reefs.

OSP was accused of under-reporting harvests by 113,400 kg during a two-year period. Before he paid the fine, the firm's owner had made high profits from sales to China, where there is an increasing demand.

(Source adapted from: https://www.independent.co.uk/news/world/americas/sea-cucumbers-prison-over-harvesting-orient-seafood-production-hoon-namkoong-washington-a8562046.html)

(h) With reference to the data above and your knowledge of economics, assess the effectiveness of government fines when dealing with externalities such as over-harvesting sea cucumbers.

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**QUESTION 3 BEGINS ON THE NEXT PAGE**

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**3** (a) Which **one** of the following is most likely to cause an increase in the supply of labour?

**(1)**

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

(b) Average costs can be calculated by which **one** of the following equations?

**(1)**

- ☒ **A** $\frac{\text{Total revenue}}{\text{Total costs}}$
- ☒ **B** $\frac{\text{Total revenue}}{\text{Price}}$
- ☒ **C** $\frac{\text{Output}}{\text{Total fixed costs}}$
- ☒ **D** $\frac{\text{Total costs}}{\text{Output}}$

(c) Draw a demand curve on the diagram below that has price elastic demand (PED). 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)**

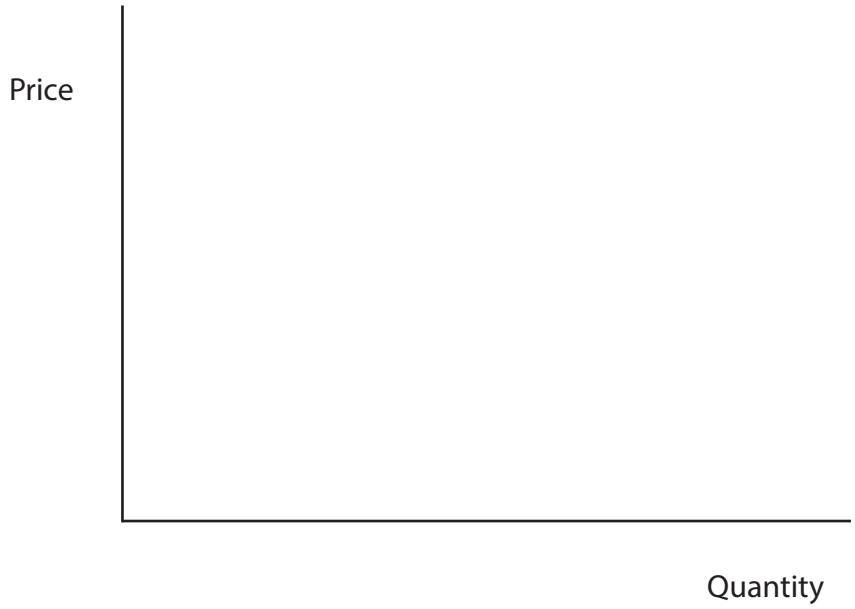


**Figure 2**

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During the last six years, the government budget of Slovenia has raised almost €1bn in revenue from the privatisation of public sector assets. Most recently was the sale of 65% of the government shares in NLB Bank. The money raised from the sales was mostly transferred to the government budget and used for various purposes. These included the repayment of public sector debt and the long-term stability of the Slovenian pension system.

(Source adapted from: https://www.total-slovenia-news.com/business/2564-privatisation-in-slovenia-has-raised-almost-1bn-since-2012)

(d) With reference to the data above and your knowledge of economics, analyse the possible benefits of privatisation for the Slovenian Government.

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In the Republic of Korea, firms such as Hyundai and Kia produce cars. In addition, the Republic has 28,951 farms producing organic fruits such as strawberries. It is one of the most important organic producers in Asia.

(Source adapted from: http://www.intracen.org/exporters/organic-products/country-focus/Country-Profile-South-Korea/)

(e) With reference to the data above and your knowledge of economics, assess whether the price elasticity of supply (PES) is likely to be more price elastic for cars than for organic strawberries.

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**4** In January 2018, the minimum wage in Andorra increased to €5.87 per hour.

(a) Calculate the **monthly gross income** of a worker in Andorra, employed for 175 hours per month and paid at the minimum wage. You are advised to show your working.

**(2)**

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Sky Team is a group of 19 airlines, including Delta Airlines, KLM, Air France and China Airlines that share operating facilities and cooperate when setting flight routes. This allows more choice for passengers. Vietnam Airlines is a small airline that became a member of Sky Team in 2010. It was the first Southeast Asian airline to join Sky Team and has become more well-known to air passengers as a result of the group's advertising campaigns.

(b) With reference to the data above and your knowledge of economics, analyse how a smaller airline may benefit from internal economies of scale by joining a group such as Sky Team.

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Wong Thien runs the family's noodle-making factory, which has been operating in Jenjarum, Malaysia since 1950. The noodle-making process involves each worker blending ingredients to make dough, kneading the dough with long wooden rolling pins and cutting noodles to various sizes. Wong's factory now supplies 70% of the noodle-based food stalls in the town. He is considering introducing division of labour in the production process in order to increase productivity.

(c) With reference to the data above and your knowledge of economics, evaluate whether introducing division of labour is the best way for Wong to increase productivity in his noodle-making factory.

**(12)**

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**TOTAL FOR PAPER = 80 MARKS**

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