Please check the examination details below before entering your candidate information

Candidate surname		Other names

Pearson Edexcel International GCSE

Centre Number

Candidate Number

Wednesday 20 May 2020

Morning (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 ▶

Pearson

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 is the term for the next best alternative given up when a choice is made?

(1)
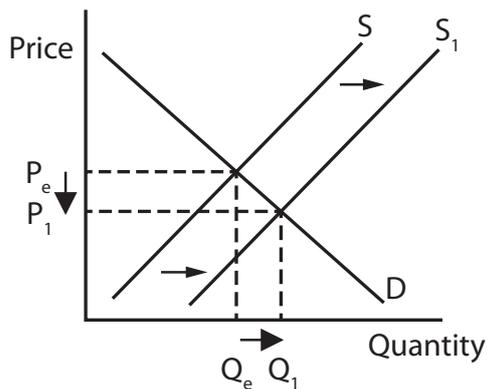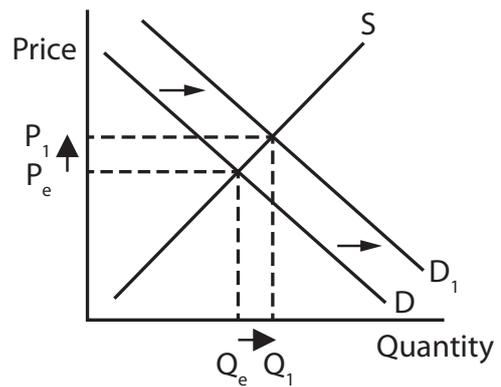
☒ **A** Business competition

☒ **B** Capital investment

☒ **C** Opportunity cost

☒ **D** Spare capacity

(b) Which **one** of the following options shows the effects on the market for motorcycle helmets after a fall in the price of motorcycles?

(1)

☒ **A**

☒ **B**

☒ **C**
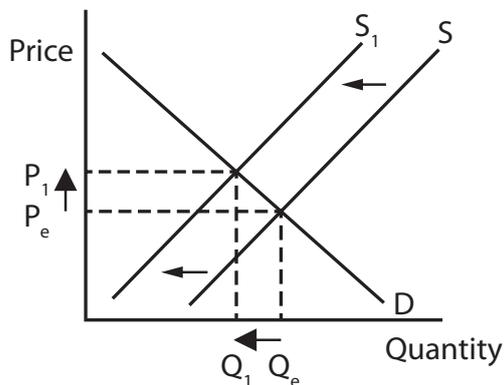
☒ **D**
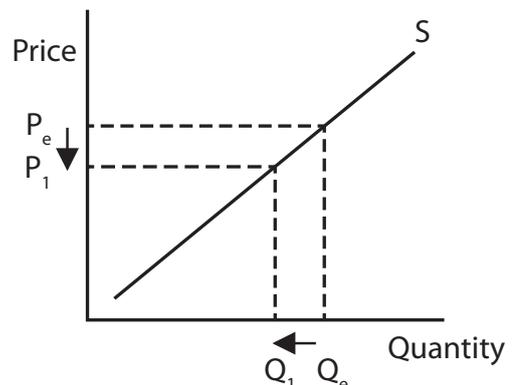
(c) What is meant by the term external costs?

(2)

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(d) State **one** example of an external benefit.

(1)

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The problem of scarcity is that there are unlimited wants and finite resources.

(e) Define the term wants.

(1)

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Private facilities in which swimmers can change clothes are available at the swimming pool in Ciney, Belgium. The quantity demanded for these facilities during each of the first three months of 2019 is shown in Figure 1.

Month	Quantity of private facilities demanded
January	3,600
February	3,200
March	3,100

Figure 1

(f) Calculate the **excess demand** for private changing facilities for the first three months of 2019 if the quantity supplied during each month was 3,000 (9,000 in total). You are advised to show your working.

(2)

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(g) Using the diagram below, draw the likely effects on the market for bread after a decrease in the population. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)
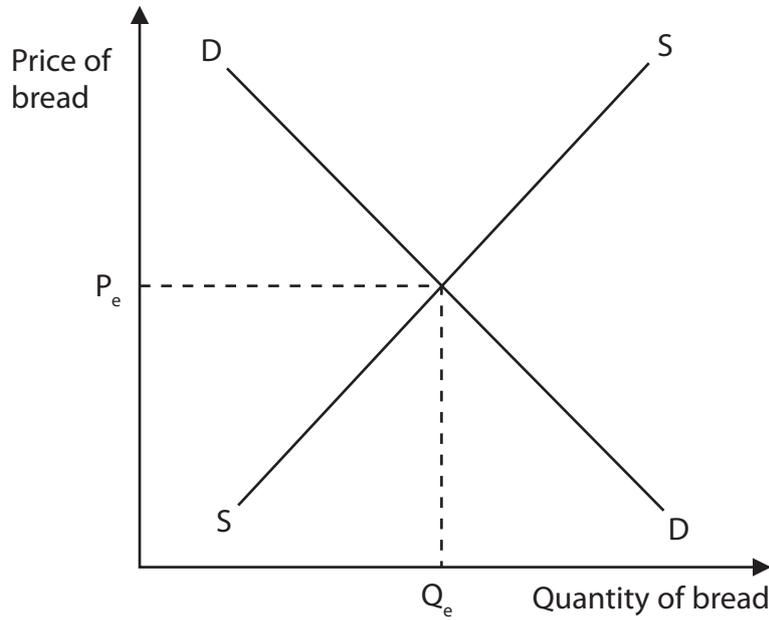
Figure 2

The music entertainment industry is dominated by a few main firms. These are BMG, EMI Group, Sony, Universal Music Group and Warner.

(h) Explain **one** possible barrier to entry a new firm might face when trying to enter this industry.

(3)

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P 6 2 0 3 0 A 0 5 2 4

Coffee is a popular drink in many countries around the world. Beans are picked by hand from coffee plants once the fruit is ready to harvest. It is then put through a process which includes sorting the type of bean and transforming it from its natural state. It can be sold as a bean, ground to make coffee or even as the instant product. Machines are used for most of the process but cannot identify which beans are ready to pick.

(i)   With reference to the data above and your knowledge of economics, analyse why all four factors of production might be used to produce coffee.

(6)

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(Total for Question 1 = 20 marks)

2

Market share by firm for a market in Azerbaijan

☐ Firm 1   ◼ Firm 2   ☐ Firm 3   ◼ Firm 4

3% 2% 2%

93%
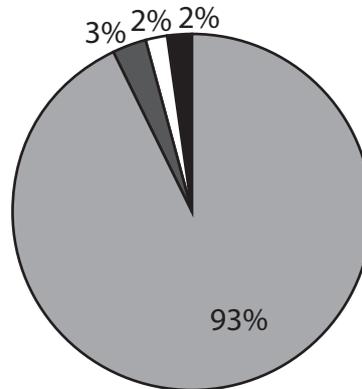
Figure 3

(a) Which **one** of the following options is the most suitable term for the type of market shown in Figure 3?

(1)

☒ **A** Cartel

☒ **B** Oligopoly

☒ **C** Monopoly

☒ **D** Competitive

(b) Which **one** of the following is a reason why consumers may not maximise their benefit?

(1)

☒ **A** Consumers may accurately calculate the satisfaction they gain

☒ **B** Consumers may have habits that are hard to give up

☒ **C** Consumers are always rational when making decisions

☒ **D** Consumers never copy the behaviour of others

P62030A0824

(c) State the formula for price elasticity of supply (PES).

(1)

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Figure 4 shows some of the production costs in the month of May for a firm manufacturing football souvenirs in Qatar, in preparation for the 2022 World Cup.

Production costs	Qatari Riyal (QR)
Rent	5 000
Raw materials	2 000
Advertising	500
Labour (paid according to output)	15 000

Figure 4

(d) Calculate the **total variable costs** for the firm in the month of May. You are advised to show your working.

(2)

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(e) Define the term takeover.

(1)

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(f) Describe **one** reason why demand for a product usually becomes more price elastic over time.

(2)

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In the UK, the speed limit for drivers in urban areas is 30 miles per hour (48 kilometres per hour).

(g) Explain **one** reason why the UK Government may use fines to reduce the negative externalities caused by drivers speeding in urban areas.

(3)

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Some countries, such as Cuba, rely mostly on public sector ownership to provide goods and services. Others, such as Japan rely more on private sector ownership. In Japan, health, education and street lighting are often provided by public sector ownership but Japan also produces a high quantity of electronic goods used for entertainment.

(h) With reference to the data above and your knowledge of economics, assess how effective public sector ownership and private sector ownership are likely to be in solving the economic problem.

(9)

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GradeMax

(Total for Question 2 = 20 marks)

P 6 2 0 3 0 A 0 1 2 2 4

3 (a) Which **one** of the following is most likely to cause a shift to the left in the supply curve?

(1)

☒ **A** Increased indirect taxes

☒ **B** Cost reductions

☒ **C** Increased subsidies

☒ **D** Decreased advertising

(b) Which **one** of the following best describes an income elasticity of demand (YED) of 2.6?

(1)

☒ **A** Inferior

☒ **B** Unitary

☒ **C** Luxury

☒ **D** Inelastic

(c) In the box below, draw a production possibility frontier (PPF) for a firm that can produce diaries and/or calendars. On your PPF, draw what would happen if production of calendars increased.

(3)
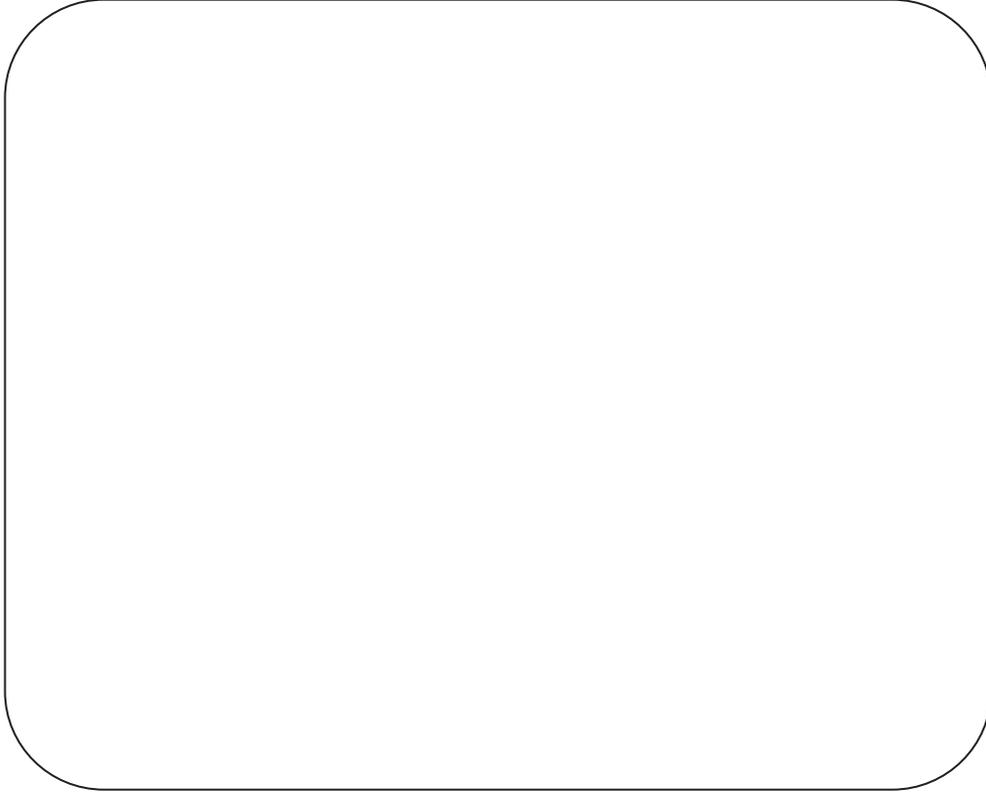
P62030A01424

Each year the Turkish Government raises the national monthly minimum wage. It increased from 2 020 Turkish Lira (TRY) in 2018 to 2 558 Turkish Lira (TRY) in 2019.

(d) With reference to the data above and your knowledge of economics, analyse why the Turkish Government might want to increase the minimum wage every year.

(6)

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P 6 2 0 3 0 A 0 1 5 2 4
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Istanbul's new airport will be huge in size and capacity when construction is finished. It will have the ability to handle around 200 million passengers annually. This is double the number of the world's current busiest airport in Atlanta, USA. The airport will cost \$11.7bn to build. It will have four terminals, six runways and cover an area of 29.5 square miles, making it larger than the island of Manhattan in New York.

(Source adapted from: https://matadornetwork.com/read/istanbul-new-airport-biggest-world/)

(e) With reference to the data above and your knowledge of economics, assess whether Istanbul's new airport is likely to benefit from internal economies of scale.

(9)

(Total for Question 3 = 20 marks)

4 Financial data for a firm selling a selection of products is shown in Figure 5.

Product	X	Y
Price	$1 500	$1 650
Quantity sold	25	20
Total revenue	$1 500 × 25	$1 650 × 20
PED	−0.39	−1.46

Figure 5

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

(2)

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Tony Simpson is an artist whose income comes from selling his paintings to small craft shops. However, sales have recently fallen due to the closure of many of these types of shops. To avoid the risk of unemployment, he is considering training to become an art teacher by applying to a government scheme. This would provide an income while Tony is training to be a teacher.

(b) With reference to the data above and your knowledge of economics, analyse how an increased ability to move to different types of employment might affect the supply of labour.

(6)

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The rise of the restaurant robot

There has been an increase in the number of restaurants using robots instead of waiters and even chefs. Waiters who take customer orders have been replaced with computer tablets for ordering. Technology is now available to automatically serve espresso shots and make cappuccinos. This is due to efficiencies, rising labour costs, consumers' desire for convenience and their changing purchasing habits. This could change the dining experience as restaurants increase their use of technology.

(Source adapted from: https://www.forbes.com/sites/andrewrigie/2018/09/24/the-rise-of-the-restaurant-robot/#4f69b2593747)

(c) With reference to the data above and your knowledge of economics, evaluate the possible effect of an increase in the use of technology on productivity in restaurants.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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