

Please check the examination details below before entering your candidate information			
Candidate surname		Other names	
Pearson Edexcel		Centre Number	
International GCSE		Candidate Number	
Wednesday 20 May 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) Car production is most likely to take place in which sector of the economy?

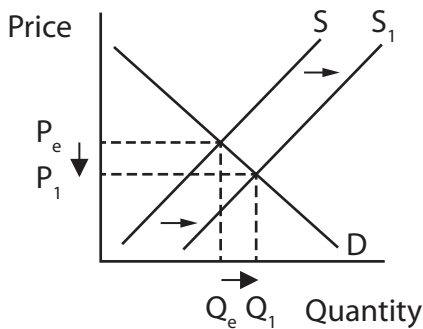
(1)

- ☐ A Primary
☐ B Secondary
☐ C Tertiary
☐ D Mixed

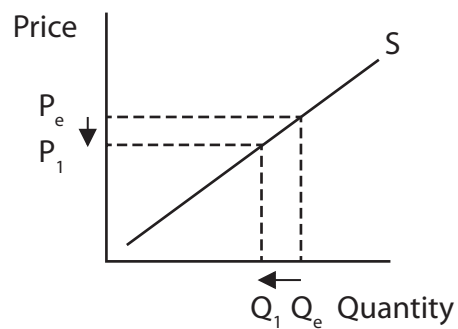
- (b) Which **one** of the following diagrams shows the new equilibrium price and quantity for lemon ice cream in Thailand following a price reduction in chocolate ice cream?

(1)

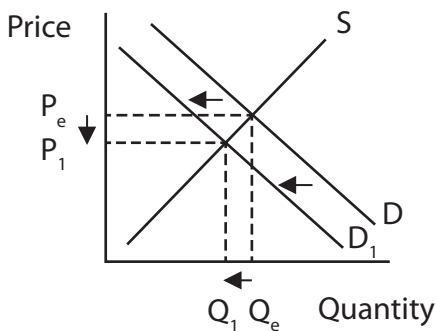
☐ A



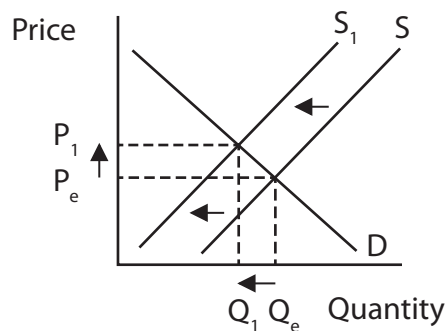
☐ B



☐ C



☐ D



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(c) What is meant by the term total revenue?

(2)

(d) State **one** possible cause of positive economic growth.

(1)

(e) Define the term external benefit.

(1)



Tour guides are available to accompany tourists who visit the Terracotta Army collection of sculptures in Xi'An, China. The quantity of tour guides demanded for the first three months of 2019 is shown below.

Month	Quantity of tour guides demanded
January	1,200
February	1,450
March	1,625

Figure 1

- (f) Calculate the **excess supply** of tour guides if the quantity supplied during this three-month period was 6,000 (2,000 per month). You are advised to show your working.

(2)

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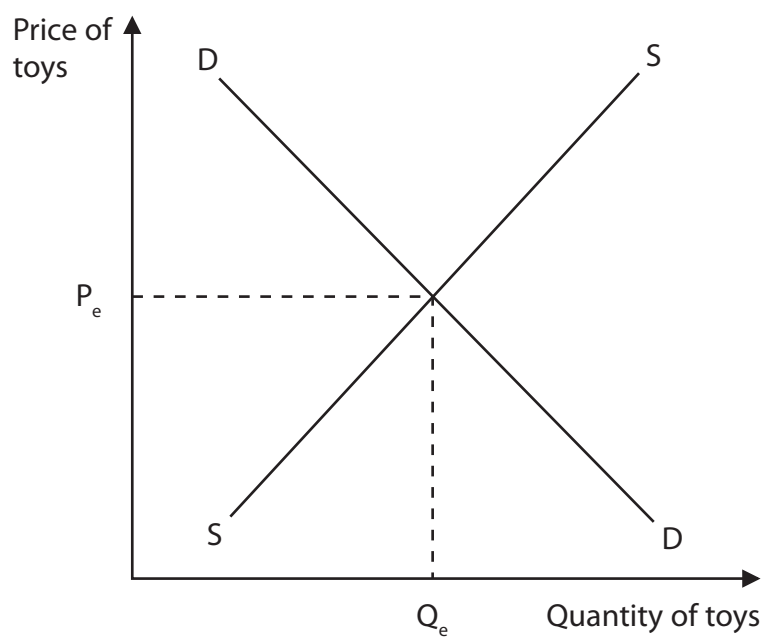
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- (g) Using the diagram below, draw the likely effects of an increase in the birth rate on the market for toys. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

**Figure 2**

Virgin Atlantic took over a part of budget airline Flybe in the spring of 2019 to form Connect Airways.

- (h) Explain **one** possible advantage for customers of Connect Airways from the takeover. (3)

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(6)

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(Total for Question 1 = 20 marks)



2 (a) Which **one** of the following is the correct label to replace 'X' on the diagram below?

(1)

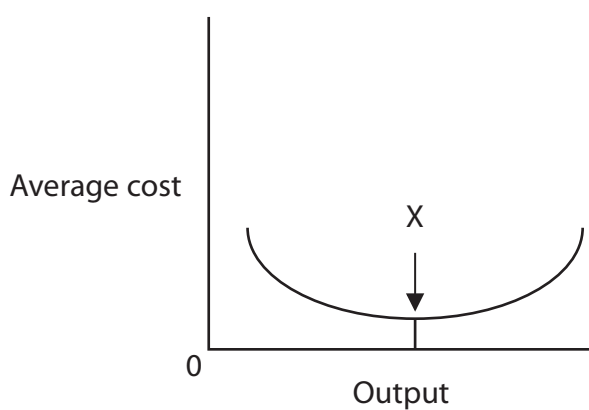


Figure 3

- ☐ **A** Internal economies of scale
- ☐ **B** External economies of scale
- ☐ **C** Total costs
- ☐ **D** Most efficient

(b) Which **one** of the following is an example of derived demand?

(1)

- ☐ **A** Consumer demand for clothes to wear
- ☐ **B** Tourist demand for foreign holidays
- ☐ **C** Producer demand for labour to make goods
- ☐ **D** Student demand for computer games to play



Figure 4 shows some of the production costs in November for a firm manufacturing rugs and carpets in Pakistan.

Production costs	Pakistani Rupee (Rs)
Rent	40 250
Raw materials	20 050
Advertising	10 125
Labour (paid in direct proportion to output)	210 000

Figure 4

- (c) Calculate the **total fixed costs** for the firm in November. You are advised to show your working.

(2)

- (d) What is meant by the term demand?

(2)



(e) Describe **one** government policy to deal with negative externalities.

(2)

Irrigation of Scottish farmland was increased during the summer of 2018.

(f) Explain **one** way an increase in irrigation may have affected the productivity of Scottish farmers during the summer of 2018.

(3)

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Lanterns is an English café, located just outside a town where there are few job opportunities. It was set up by sisters Jo and Fiona who, instead of aiming to make a profit, wanted to help young people in their local area. All their waiters and waitresses are under 25 and were previously inexperienced and unemployed.

At first, the café was popular but now there are a lot of complaints about the length of time it takes for orders to arrive. Fiona thinks they need to employ experienced waiters and waitresses and change their business aims to maximise their profits.

- (g) With reference to the data above and your knowledge of economics, assess whether Lanterns should change their business aims.

(9)



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(Total for Question 2 = 20 marks)



3 (a) Which **one** of the following can be described as an advantage to a small firm?

(1)

- ☐ A Access to many sources of finance
- ☐ B Flexibility
- ☐ C Market domination
- ☐ D Risk spreading

(b) Which **one** of the following options describes a price elasticity of supply (PES) of 0.7?

(1)

- ☐ A Perfectly price elastic
- ☐ B Perfectly price inelastic
- ☐ C Price elastic
- ☐ D Price inelastic

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- (c) Using the diagram below, draw the effects of an increase in the retirement age on the labour market in a country. Label the new curve, the new equilibrium wage rate and the new equilibrium quantity of workers employed.

(3)

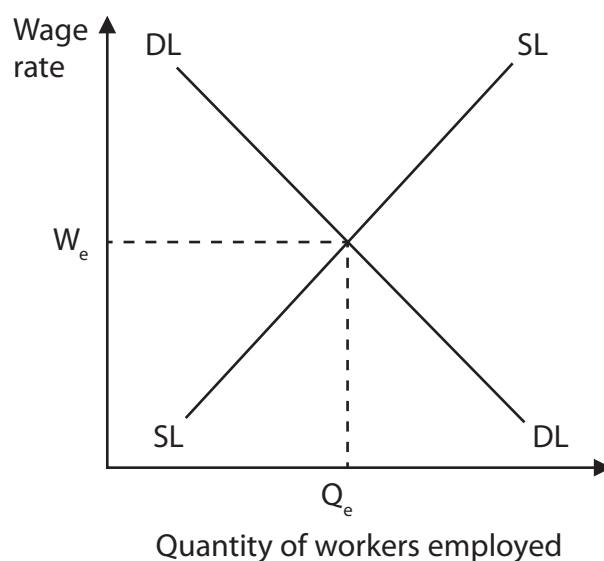


Figure 5



An investigation has taken place in the US to determine whether a number of pharmaceutical firms used collusion to divide sales between themselves so each firm received higher profits. One example of the price fixing meant a tablet sold for \$4.70 when the price should have been \$0.13. The firms have rejected the accusations, saying there is a lack of evidence to prove anti-competitive behaviour.

(Source adapted from: https://www.washingtonpost.com/business/economy/investigation-of-generic-cartel-expands-to-300-drugs/2018/12/09/fb900e80-f708-11e8-863c-9e2f864d47e7_story.html?noredirect=on&utm_term=.3c2a12983985)

- (d) With reference to the data above and your knowledge of economics, analyse the possible disadvantages faced by consumers from collusion between firms.

(6)



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More than half of Cambodia's 6,000 km of roads have been classified as 'of poor quality' by the Ministry of Public Works and Transport. As business grows in the country, drivers overload their trucks, which leads to safety issues and greater damage to the roads. A higher level of investment is needed from the government to repair damage and to build new roads which would need less maintenance.

(Source adapted from: <http://www.phnompenhpost.com/business/cambodia-facing-dilemma-plan-give-roads-facelift>)

- (e) With reference to the data above and your knowledge of economics, assess the extent to which high levels of public sector investment to improve the roads may benefit the Cambodian economy.

(9)



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(Total for Question 3 = 20 marks)



- 4 Figure 6 shows the Production Possibility Curve (PPC) for an economy making consumer goods and capital goods.

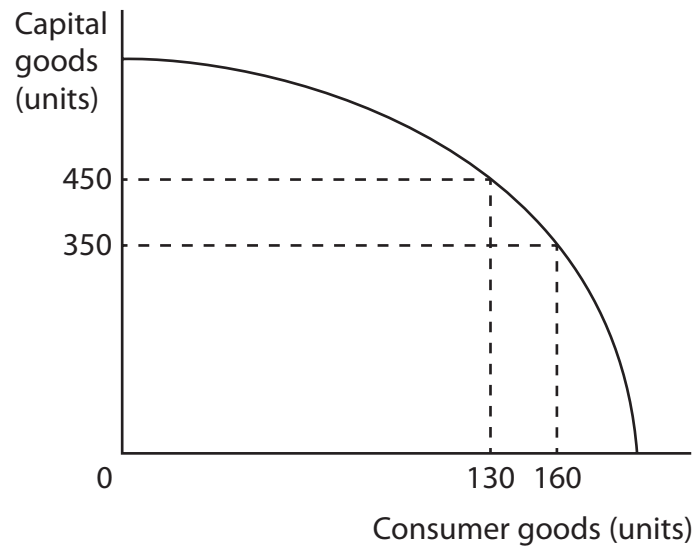


Figure 6

- (a) When the current level of output is 350 units of capital goods, calculate the **opportunity cost** of producing an additional 100 units of capital goods. You are advised to show your working.

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Five years ago Ben Hogan began working for a large firm based in London. He was originally happy with his role but is now thinking about leaving. He is frustrated with how long it takes for even straight-forward decisions to be made.

The firm has grown considerably in the last two years and there are many more employees as a result. There is an increasing number of checklists about how to carry out tasks. Ben finds this time-consuming and feels his ideas are no longer listened to.

- (b) With reference to the data above and your knowledge of economics, analyse why Ben's employer might be experiencing diseconomies of scale.

(6)



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Amazon Prime Video is a multinational entertainment provider. It streams films and television shows to subscribers through the internet. In Japan, Amazon holds 11.5% of the market share. This is higher than Netflix but less than dTV, U-NEXT and Hulu. Subscribers currently pay 3 900 yen (\$36.75) for annual membership to stream from Amazon, which is cheaper than its competitors.

(Source adapted from: <https://variety.com/2018/tv/news/amazon-netflix-gain-ground-japan-streaming-1202729953/>)

- (c) With reference to the data above and your knowledge of economics, evaluate the importance of income elasticity of demand (YED) for Amazon Prime Video as incomes in Japan increase.

(12)



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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



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