Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Friday 3 November 2023

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.*
- 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.*
- Calculators may be used.

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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P 7 3 4 9 8 A 0 1 2 4

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) A trade union is an organisation that aims to improve

(1)

☐ **A** profit margins

☐ **B** tax revenue

☐ **C** the environment

☐ **D** working conditions

(b) Figure 1 below shows a change in demand for tickets to a sporting event.

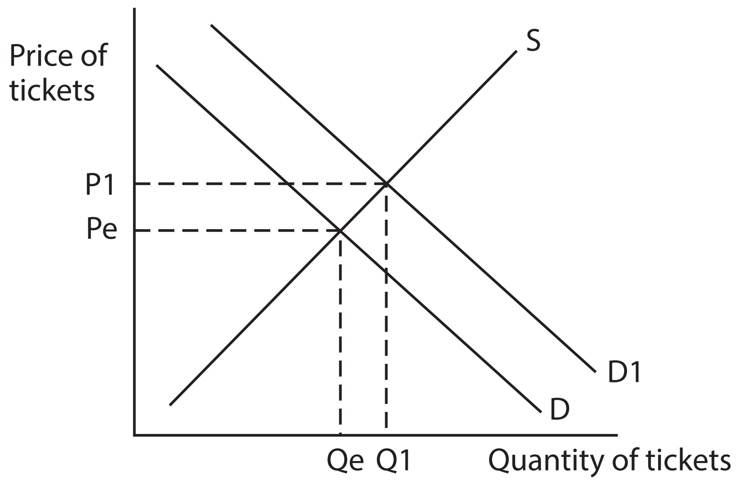

Figure 1

Which **one** of the following statements is true?

(1)

☐ **A** When the price falls, the quantity demanded falls

☐ **B** The demand curve slopes upwards from left to right

☐ **C** An increase in demand is shown by a shift to the right

☐ **D** A decrease in demand is shown by a shift to the right

(c) What is meant by the term economies of scale?

(2)

(d) State **one** main feature of an oligopoly.

(1)

(e) Define the term excess supply.

(1)

A firm increases supply by 4.3% following a price increase of 3.7%.

(f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for the firm. You are advised to show your working.

(2)

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Figure 2 shows the market for electric cars.

(g) Using the diagram below, draw the likely effects on the market for electric cars following the introduction of a subsidy on electric cars. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

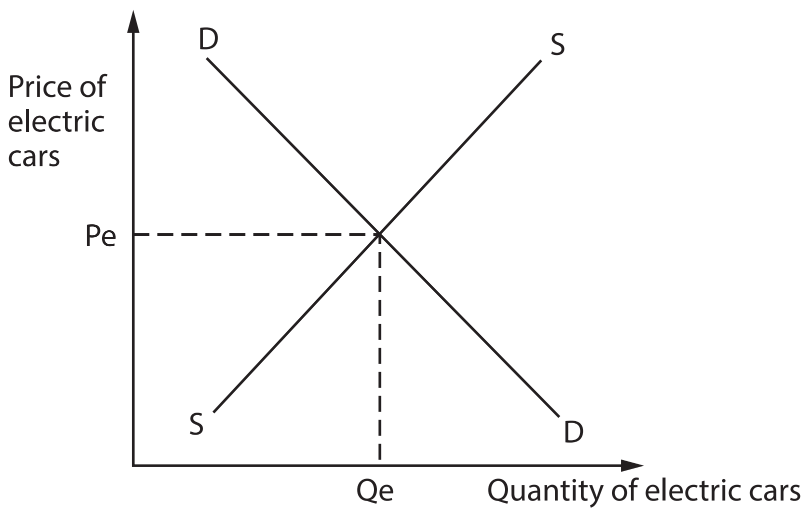

Figure 2

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The Brazilian Government announced plans to privatise one of its state-owned food companies.

(h) Explain **one** possible advantage of privatisation for consumers in Brazil.

(3)

The Tallinn Song Festival Grounds (TSFG) is a popular live music venue in Estonia and can hold 65,000 people. Although it is very popular there are only a few firms selling food and drink at the TSFG venue.

The lack of competition at the TSFG venue means that service is slow and queues are long. Food and drink prices are expensive and security checks mean that no food and drink can be brought in from outside the TSFG venue.

(i) With reference to the data above and your knowledge of economics, analyse how market failure is likely to occur at the TSFG venue.

(6)

(Total for Question 1 = 20 marks)

2 (a) A firm employing 135 workers has a total output of 33,750 units each month. What is the monthly labour productivity of the firm?

(1)

- ☒ **A** $250
- ☒ **B** $4 556 250
- ☒ **C** 250 units
- ☒ **D** 4,556,250 units

(b) Which **one** of the following is a possible cause of positive economic growth?

(1)

- ☒ **A** Decreasing population
- ☒ **B** Decreasing productivity
- ☒ **C** Increasing unemployment
- ☒ **D** Increasing technological advancements

(c) What is meant by the term opportunity cost?

(2)

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Figure 3 shows some of the production costs in March for a firm manufacturing clothing in Bangladesh.

Production costs	**Bangladeshi Taka (Tk)**
Rent	20 250
Raw materials	10 050
Advertising	5 125
Labour (paid in direct proportion to output)	105 000

Figure 3

(d) Calculate the **total fixed costs** for the firm in March. You are advised to show your working.

(2)

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(e) Describe **one** reason why an entrepreneur is a factor of production.

(2)

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In 2028, the lowest age at which workers can receive a private pension in the UK will rise from 55 to 57. This means that the age of retirement will increase for many people.

(f) Explain **one** advantage for firms of an increase in the retirement age.

(3)

It is estimated that about 24 million tourists visit Venice, Italy each year. This high number of tourists means that the city is very overcrowded.

In January 2023, a new tourist tax was introduced on people visiting Venice. Tourists need to pay between €3 and €10 for each day they are in Venice. The higher €10 rate is paid at peak times, reducing to €3 during quieter periods.

(Source: adapted from https://veneziaautentica.com/venice-tourist-tax/)

(g) With reference to the data above and your knowledge of economics, assess the likely effectiveness of the tourist tax in dealing with negative externalities, such as overcrowding.

(9)

(Total for Question 2 = 20 marks)

3 (a) Which **one** of the following is a reason why a firm may decide to stay small?

(1)

☒ **A** To increase bureaucracy

☒ **B** To sell a niche product

☒ **C** To spread business risk

☒ **D** To take over competitors

(b) The introduction of a minimum wage above the equilibrium wage in a labour market is most likely to

(1)

☒ **A** increase quantity of labour demanded and decrease the wage rate

☒ **B** increase quantity of labour demanded and increase the wage rate

☒ **C** decrease quantity of labour demanded and decrease the wage rate

☒ **D** decrease quantity of labour demanded and increase the wage rate

(c) On the diagram below, draw and label economies of scale, diseconomies of scale and the point at which the firm is most efficient.

(3)

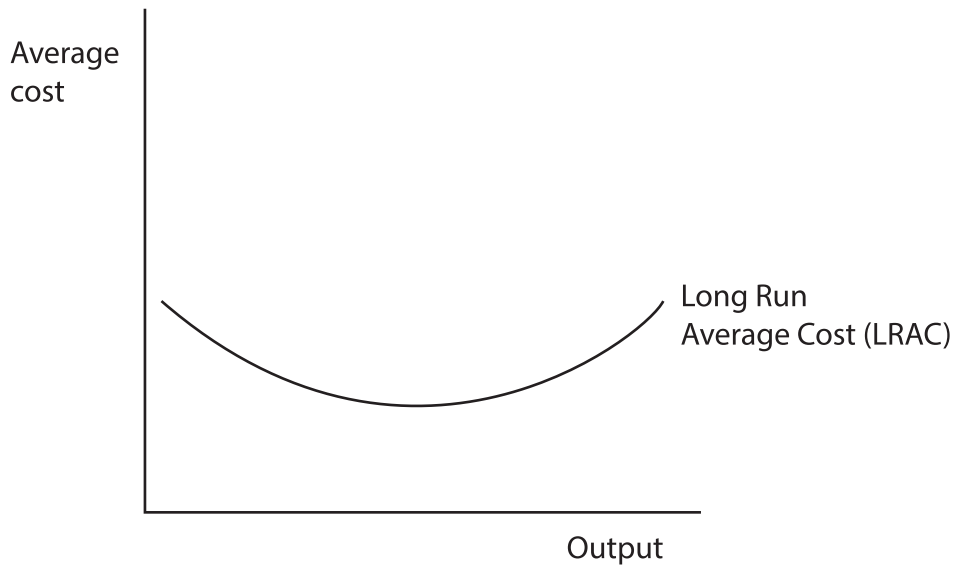

Figure 4

The education system in Japan is one of the best in the world. Primary and secondary education is free, with a typical school day from 08:00 to 15:00 or 16:00, depending on the age of the students.

(Source: adapted from https://www.internations.org/japan-expats/guide/education)

(d) With reference to the data above and your knowledge of economics, analyse why education in Japan may be an external benefit.

(6)

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Simona owns a hairdressing business in Romania. She charges low prices and makes no charge when customers arrive late for appointments or make very late cancellations. She thinks customer care is more important than making a profit.

However, some customers have complained at having to wait weeks before an appointment is available. As a result, Simona has lost customers. This has caused financial problems in repaying a loan to the bank.

In response, Simona is considering increasing her prices and charging a fee to those who arrive late or cancel without suitable notice.

(e) With reference to the data above and your knowledge of economics, assess the benefits to Simona of making these changes.

(9)

(Total for Question 3 = 20 marks)

4 Figure 5 shows profit for a firm between 2020 and 2022.

Year	Profit ($)
2020	20 250
2021	21 000
2022	22 950

Figure 5

(a) Calculate, to two decimal places, the **percentage change in profit** for the firm between 2020 and 2022. You are advised to show your working.

(2)

Marina Café is popular with tourists and locals in the town of Budva, Montenegro. It is situated next to the sea, with views of the surrounding mountains. Customers can enjoy their drinks whilst benefitting from the pleasant surroundings but pay €2.00 for a cup of coffee. The same brand of coffee can be bought for €0.80 a cup in some other cafés in Budva.

(b) With reference to the data above and your knowledge of economics, analyse why price elasticity of demand (PED) may be relatively inelastic at Marina Café.

(6)

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Churros are a popular Spanish snack made from fried pastry and covered in sugar and/or chocolate. Raphael operates a factory making the churros pastry, which is supplied to busy restaurants and street vendors all over Madrid, Spain. The factory has been owned by his family since 1980 and currently has 23 employees.

The pastry-making process involves mixing all the ingredients together and then heating them. Once the mixture has cooled, eggs are added and the dough is then shaped into lengths of about 15 cm. Raphael is considering introducing division of labour into 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 Raphael to increase productivity in his pastry-making factory.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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