Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel International GCSE

Thursday 31 October 2024

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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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 a definition of opportunity cost?

(1)

☐ **A** Rivalry that exists between firms

☐ **B** Investment in capital goods

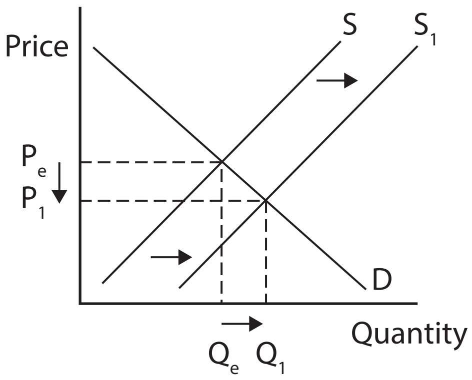
☐ **C** The next best alternative given up

☐ **D** Unused resources

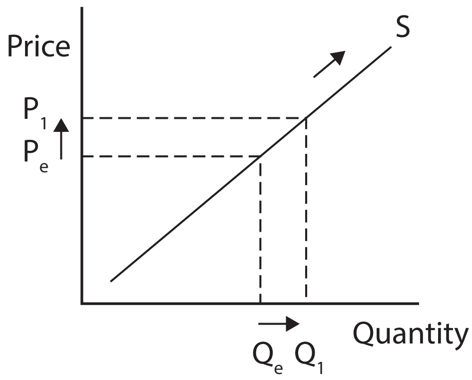
(b) Which **one** of the following diagrams shows the likely effect on the market for cars after an increase in subsidies to car manufacturers?

(1)

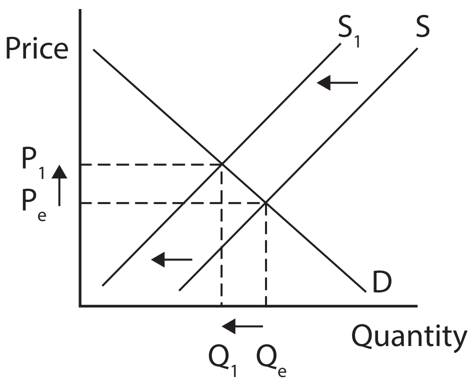
☐ **A**



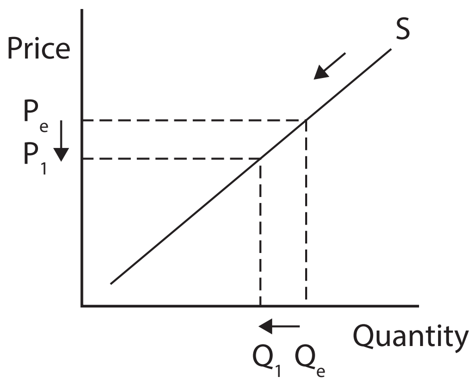
☐ **B**



☐ **C**



☐ **D**



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(c) What is meant by the term external benefit?

(2)

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

(1)

(e) Define the term takeover.

(1)

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(f) Calculate, to two decimal places, the **price elasticity of supply (PES)** for a good if price decreases by 9.4% and quantity supplied decreases by 3.7%. You are advised to show your working.

(2)

....

....

....

....

....

Figure 1 shows the market for rice.

(g) Using the diagram below, draw the likely effect of an increase in the population on the market for rice. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

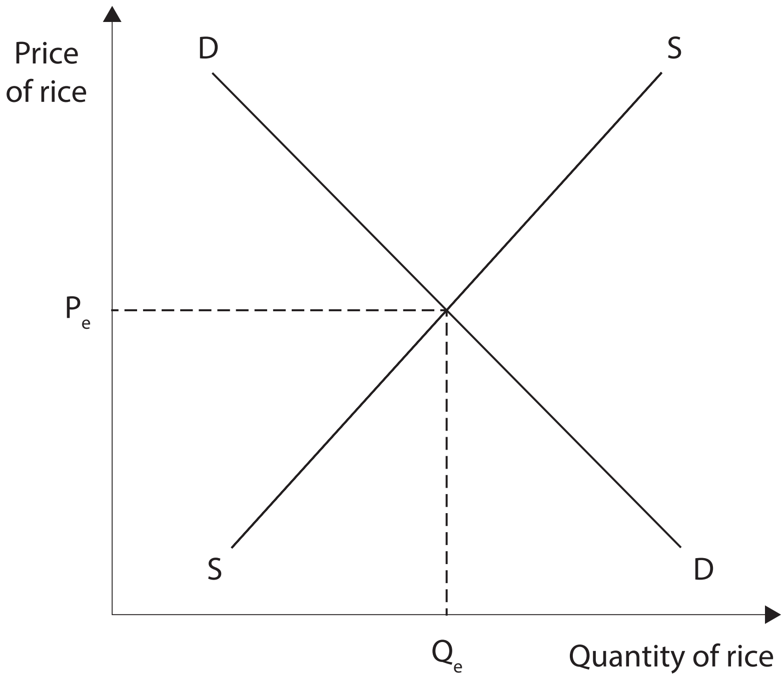

Figure 1

Six months after the price for a soft drink increased, its price elasticity of demand (PED) changed from –1.5 to –2.0.

(h) Explain **one** reason why demand for a product, such as a soft drink, usually becomes more price elastic over time.

(3)

The main ingredient of chocolate is cocoa. Firstly, cocoa pods are picked from trees. This is mostly done by hand to protect the trees. Cocoa beans are removed from the pods by hand or by machine, before the beans are roasted in ovens. Other ingredients, such as sugar, are added during further stages in the production process.

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

(6)

(Total for Question 1 = 20 marks)

2

Market share by sales of firms in a market in Kuwait

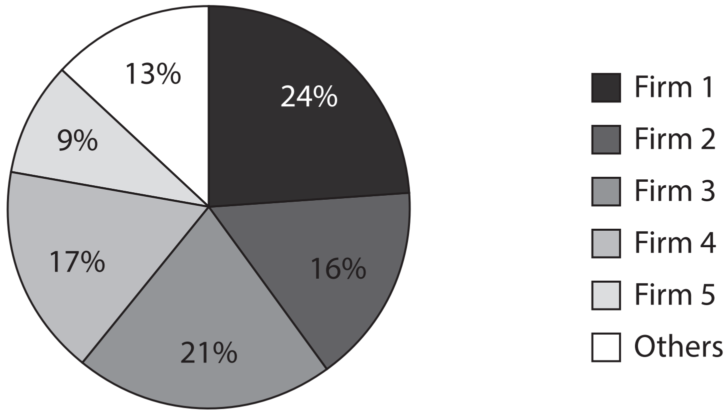

Figure 2

(a) Which **one** of the following options is the most suitable term for the type of market shown in Figure 2?

(1)

- ☒ **A** Monopoly
- ☒ **B** Oligopoly
- ☒ **C** Public sector
- ☒ **D** Labour

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

(1)

- ☒ **A** Consumers may not accurately calculate benefits
- ☒ **B** Consumers may find it easy to give up habits
- ☒ **C** Consumers never copy the behaviour of others
- ☒ **D** Rational decisions are always made by consumers

Figure 3 shows some of the production costs in the month of September for a firm manufacturing rugby souvenirs in France, in preparation for the 2025 Six Nations tournament.

Production costs	**Euro (€)**
Rent	7 000
Raw materials	3 000
Advertising	1 300
Labour (paid according to output)	18 000

Figure 3

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

(2)

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

(2)

(e) Describe **one** feature of a monopoly.

(2)

In 2023, the Italian Government introduced legislation to increase the number of taxis available to the public.

(f) Explain **one** reason why the Italian Government may have introduced legislation that makes it easier for new taxi firms to enter the market.

(3)

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In April 2023, 2.5 million German transport workers and their employers agreed to a deal that ended a dispute. The dispute had caused major disruption on railways and at airports, due to strike action.

Although Germany's second largest trade union, Verdi, had been arguing for a 10.5% increase in pay, each worker instead received a 5.5% increase.

(g) With reference to the data above and your knowledge of economics, assess the effectiveness of trade unions in increasing wages, such as for the transport workers in Germany.

(9)

(Total for Question 2 = 20 marks)

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

(1)

- ☒ **A** Increased advertising
- ☒ **B** Cost reductions
- ☒ **C** Increased indirect taxes
- ☒ **D** Decreased incomes

(b) Which **one** of the following best describes the type of goods with an income elasticity of demand (YED) of –1.3?

(1)

- ☒ **A** Inferior
- ☒ **B** Unitary
- ☒ **C** Luxury
- ☒ **D** Normal

(c) In the box below, draw a production possibility curve (PPC) for a firm that can produce shampoo and/or toothpaste. On your PPC, draw and label what would happen if production of toothpaste was increased.

(3)

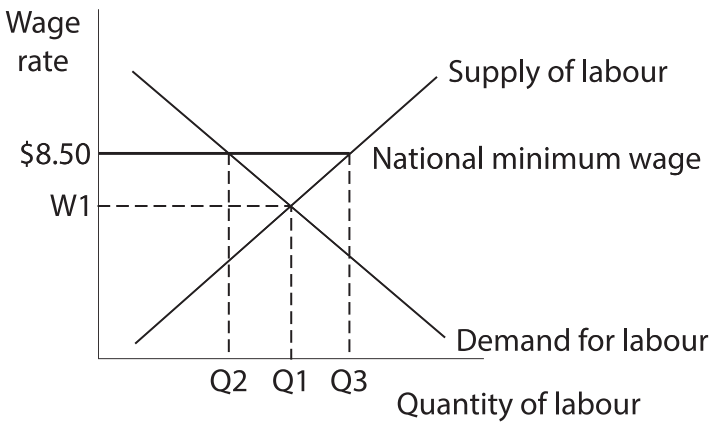

Figure 4

In 2021, the national minimum wage in Barbados was increased from $6.25 per hour to $8.50 per hour.

(d) With reference to the data above and your knowledge of economics, analyse the likely impact of an increase in the national minimum wage on the supply of labour in Barbados.

(6)

The education level of a worker is likely to have an effect on their ability in the workplace.

When a person migrates to another country, they bring with them whatever knowledge, skills and information they possess.

(e) With reference to the data above and your knowledge of economics, assess the importance of the quality of labour on productivity in a country.

(9)

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(Total for Question 3 = 20 marks)

4 A factory has been unable to meet the demand for its product due to a shortage of raw materials. The quantity demanded for the product during each of the first three months of 2024 is shown in Figure 5.

Month	Quantity of products demanded
January	13,600
February	14,200
March	11,700

Figure 5

(a) Calculate the **excess demand** for the product for the first three months of 2024, if the quantity supplied during each month was 11,000 (33,000 in total). You are advised to show your working.

(2)

Hiking is a popular activity for visitors to the Caribbean island of Saint Vincent. Tourists can hire a guide to accompany them on the popular route of La Soufrière Volcano by booking online before arriving on the island and the price is $34. However, the price is only $20 if the guide is booked directly on arrival. Some tourists have complained because they did not know this was possible.

(b) With reference to the data above and your knowledge of economics, analyse a possible reason why the market for tourism services is an inefficient allocation of resources.

(6)

Twitter, one of the most popular social media platforms, was bought for $44bn by entrepreneur Elon Musk in 2022.

The aims of Elon Musk include the creation of an 'everything app' – a platform that includes messaging, payments, ridesharing, food delivery and more. To support this, Elon Musk introduced major changes to Twitter, including renaming it 'X'.

The number of X users increased to a new high of 530 million by 2023, following an increase in publicity about the change of name. This meant X did not need to pay high advertising costs to promote the platform.

Advanced technology will be introduced by X to enable users to operate multiple functions on the new platform. This research and development is likely to lead to a significant cost for the firm.

The platform has experienced a decrease of 65% in advertising revenue. Thousands of workers have already lost their jobs, including those in managerial roles.

(c) With reference to the data above and your knowledge of economics, evaluate whether X is likely to benefit from economies of scale.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgements

Question 2 (g) Source adapted from: https://www.reuters.com/world/europe/german-public-sector-workers-agree-wage-deal-with-employers-2023-04-22/

Question 3 (e) Source adapted from: https://blogs.lse.ac.uk/businessreview/2018/06/05/migrants-are-key-to-productivity-gains-for-countries/

Question 4 (c) Source adapted from: https://www.highsnobiety.com/p/twitter-inc-x-corp/ and https://techmonitor.ai/policy/big-tech/who-owns-twitter