Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel International GCSE

Wednesday 14 May 2025

Afternoon (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

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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 When a firm increased its prices, many consumers stopped buying its products.

(a) Which **one** of the following explains the behaviour of these consumers?

(1)

☒ **A** Consumers aim to maximise profit

☒ **B** Consumers aim to maximise benefits

☒ **C** Consumers have habits that are hard to give up

☒ **D** Consumers cannot calculate their benefits

A product has an income elasticity of demand (YED) of –0.9

(b) Which **one** of the following best describes the product?

(1)

☒ **A** A public good

☒ **B** A normal good

☒ **C** A luxury good

☒ **D** An inferior good

(c) What is meant by the term productivity?

(2)

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(d) State the formula for social costs.

(1)

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(e) Define the term producer.

(1)

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A firm has total fixed costs of €37 000 per month and variable costs of €170 per unit. It produces 650 units per month.

(f) Calculate the **total costs per month** for the firm. You are advised to show your working.

(2)

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Figure 1 shows the market for cars.

(g) Using the diagram below, draw the likely effect on the market for cars following a rise in the costs of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

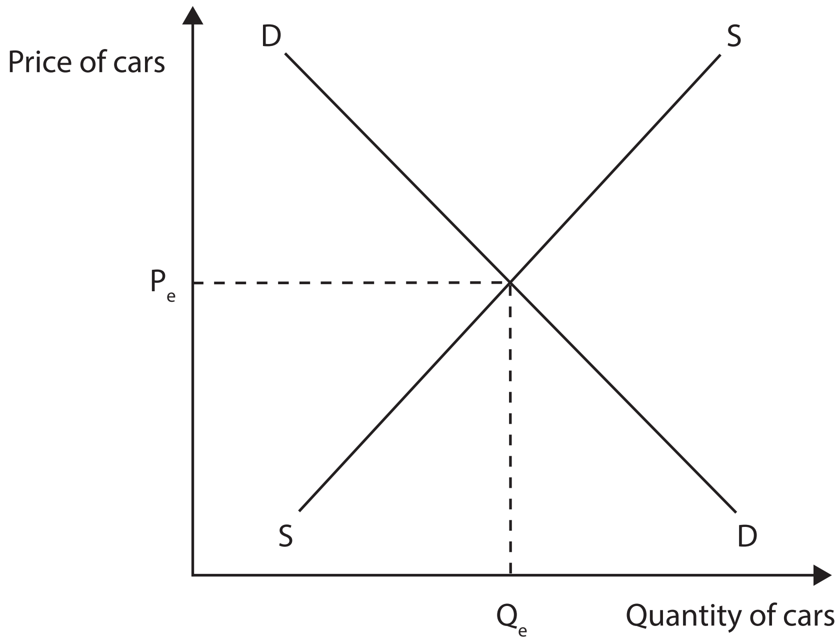

Figure 1

In April 2023, the Competition and Markets Authority (CMA), the competition regulator in the UK, prevented the purchase of Activision by Microsoft. Microsoft already controlled about 60–70% of the market for online video gaming.

(h) Explain **one** reason why the CMA may have made this decision.

(3)

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As a result of changes in consumer tastes, the demand for furniture made of wood is expected to increase by about 5% in the next five years. Woodcutters are employed to cut down trees to produce the wood required to make furniture.

(i) With reference to the data above and your knowledge of economics, analyse how an increase in demand for furniture made of wood may affect the demand for woodcutters.

(6)

(Total for Question 1 = 20 marks)

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2 A country is able to produce agricultural and non-agricultural goods with a given amount of resources. Its production possibility curve (PPC) is shown in Figure 2.

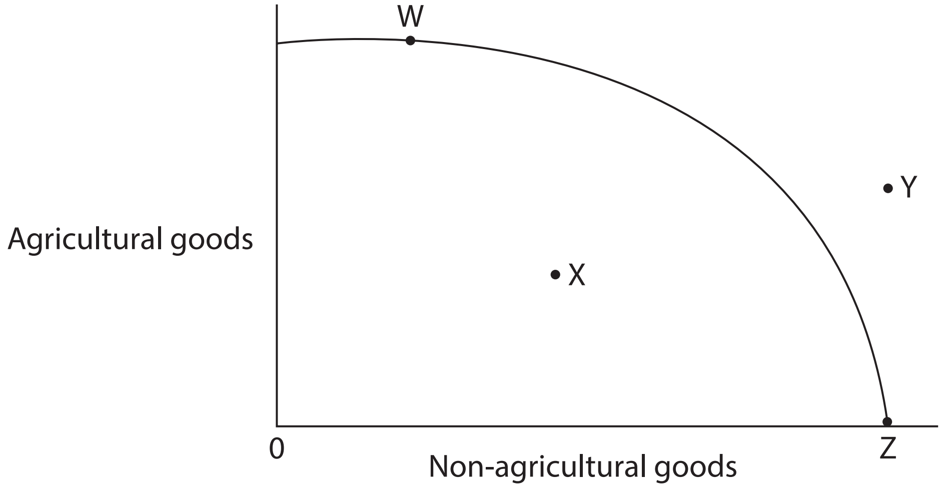

Figure 2

(a) Which **one** of the following options shows unobtainable production?

(1)

☒ **A** W

☒ **B** X

☒ **C** Y

☒ **D** Z

(b) Which **one** of the following is a factor that may affect the supply of labour?

(1)

☒ **A** Age distribution of population

☒ **B** Economies of scale

☒ **C** Firms aiming to maximise profit

☒ **D** Long run average costs

A firm increases supply by 5.4% following a price increase of 7.8%.

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

(2)

(d) What is meant by the term innovation?

(2)

(e) Describe **one** reason why a car mechanic is a factor of production.

(2)

In 2023, the President of Argentina announced plans to privatise the state-owned broadcaster, Radio Nacional.

(f) Explain **one** possible disadvantage of this privatisation for other broadcasters in Argentina.

(3)

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The Ghana Mine Workers' Union (GMWU) has been supporting workers since 1944 and currently has over 16,000 members. It has recently been able to negotiate an increase in the monthly minimum wage to $500 for mine workers. However, it is still in talks to protect jobs after a reduction in demand for products from the mines.

Its 2023 conference was attended by over 200 members of the union. The GMWU announced its focus was to promote health and safety, saying that continued efforts were needed in an ever-changing working environment.

(g) With reference to the data above and your knowledge of economics, assess the effectiveness of trade unions in increasing pay and improving working conditions for their members.

(9)

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(Total for Question 2 = 20 marks)

3 (a) A free rider can be defined as an individual who does which **one** of the following?

(1)

- ☒ **A** Enjoys the benefit of a good after paying for it
- ☒ **B** Enjoys the benefit of a good but does not pay for it
- ☒ **C** Gives a good away after paying for it
- ☒ **D** Neither uses a good nor pays for it

(b) Which **one** of the following is an example of an occupation in the tertiary sector?

(1)

- ☒ **A** House builder
- ☒ **B** Cattle farmer
- ☒ **C** Hotel receptionist
- ☒ **D** Forestry worker

(c) Using the diagram below, draw the effect of a minimum wage (W_1) that has been set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied.

(3)

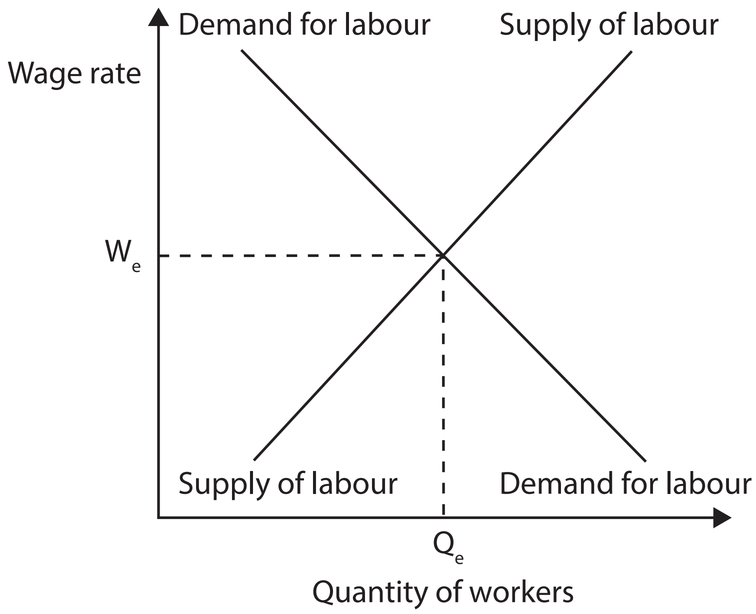

Figure 3

At the end of 2023, Amazon Prime ended its streaming service of live tennis coverage in the UK after a period of five years. Sky took over the service at the start of 2024 but at a much higher price to customers.

Subscribing to Tennis TV is the only alternative to Sky for customers in the UK wanting to stream the majority of live tennis. On 28th December 2023, Tennis TV increased the price of its subscription.

(d) With reference to the data above and your knowledge of economics, analyse how the demand curve for Tennis TV subscriptions might have been affected by Amazon Prime ending its streaming service.

(6)

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Sri Lanka Railways (SLR) has made a loss of Rs 331bn over the last 10 years. The Sri Lankan Government provides a subsidy so that ticket prices can be reduced. This is to encourage passengers to use trains rather than further increase congestion on the roads.

A spokesperson for SLR said that it needs to upgrade existing railway tracks to make services more comfortable for passengers as well as increase the number of trains to reduce overcrowding. This will require a larger subsidy.

(e) With reference to the data above and your knowledge of economics, assess the effectiveness of subsidies in dealing with externalities, such as road congestion.

(9)

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(Total for Question 3 = 20 marks)

4 Figure 4 shows profit for a firm between 2021 and 2023.

Year	Profit ($)
2021	211 600
2022	213 700
2023	214 100

Figure 4

(a) Calculate, to two decimal places, the **percentage change in profit** for the firm between 2021 and 2023. You are advised to show your working.

(2)

The market for petrol in Uganda has five main companies, each with a distinctive logo and colours representing its brand. These companies benefit considerably from barriers to entry, due to very high set-up costs.

Each company offers something different to stand out from its competitors. Vivo Energy offers excellent customer service. Total Energies aims to improve its impact on the environment. Nile Energy has a reputation for modern facilities. Hass Petroleum uses a loyalty card to retain customers and Stabex International focuses on having motivated employees.

(b) With reference to the data above and your knowledge of economics, analyse why the market for petrol in Uganda could be described as an oligopoly.

(6)

Řešení has been a successful accountancy firm in Brno, Czechia, since it began in 2007. The firm employs a small team of highly qualified accountants. They manage the financial needs of its customers, which are both established and new businesses. The accountants are usually very busy due to the excellent reputation the firm has achieved.

The Managing Director, Daniella, is considering expanding the firm. She would like to open another office in Prague, the capital of Czechia. Approximately 12% of Czechia's businesses are located in Prague compared to only 3.5% in Brno, which is over 200 km away.

Even though there would be more competition from other accountancy firms in Prague, the average price of goods and services in the capital is more expensive, enabling Řešení to charge a higher price for its services.

(c) With reference to the data above and your knowledge of economics, evaluate the likely benefits to Řešení of expanding the firm to Prague.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgements

Question 2(g) adapted from: https://www.industriall-union.org/ghana-mineworkers-vow-to-continue-fighting-for-better-working-conditions

Question 3(e) adapted from: https://ceylontoday.lk/2023/04/22/the-journey-to-revive-sri-lanka-railwaysis-not-very-long/