

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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**Monday 13 January 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) Which **one** of the following values shows perfect price inelasticity of demand? (1)

- A -1.5
- B -1
- C 0
- D 0.5

(b) A firm has total costs of \$500 and sells each item at a price of \$50. It sells 100 items. What is the **profit or loss** for the firm? (1)

- A \$45 000 profit
- B \$4 500 profit
- C \$20 000 loss
- D \$450 loss

(c) What is meant by the term mixed economy? (2)

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(d) State **one** example of an occupation in the tertiary sector of the economy.

(1)

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(e) Define the term government.

(1)

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(f) Calculate the income **elasticity of demand (YED)** for a good if income increases by 5% and quantity demanded increases by 12%. You are advised to show your working.

(2)

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(g) Using the diagram below, draw the effects on the equilibrium price and quantity after the government removes an indirect tax on sustainable fuel. Label the new curve, the new equilibrium price and quantity.

(3)

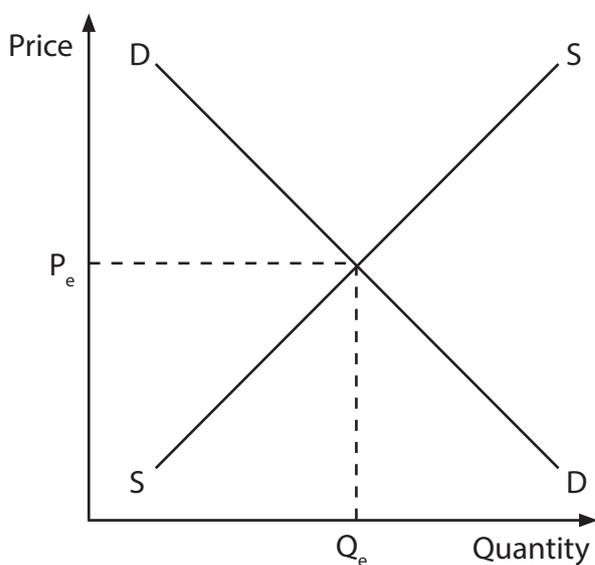


Figure 1

A firm has decided to purchase a new computer system.

(h) Explain **one** possible opportunity cost for the firm of this decision.

(3)

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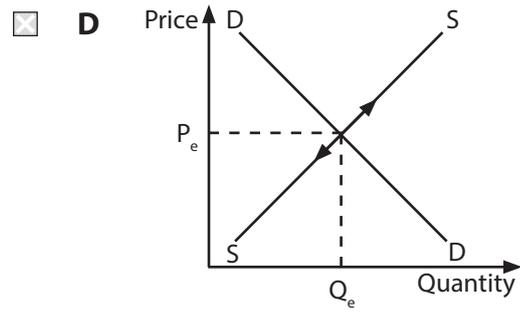
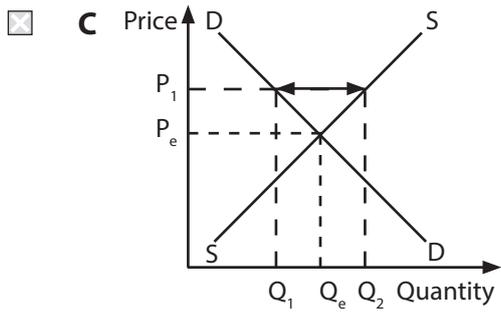
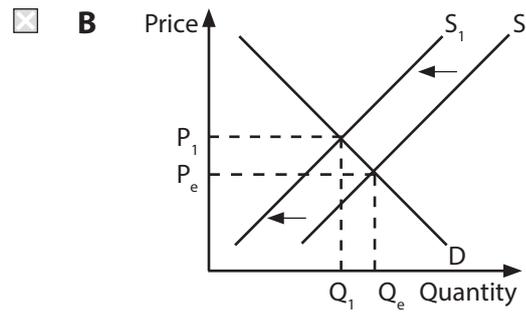
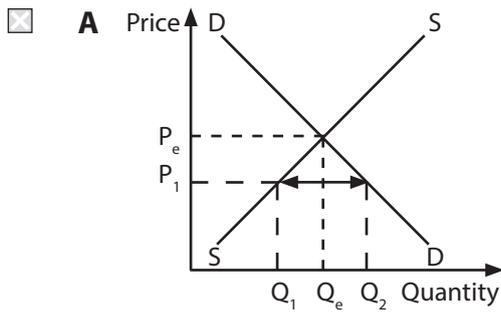
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**QUESTION 2 BEGINS ON THE NEXT PAGE**



2 (a) Which **one** of the following diagrams shows excess supply?

(1)



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(b) Which **one** of the following is most likely to create a barrier to entry?

(1)

- A** Government provides subsidies for new firms
- B** Increasing personal incomes in the economy
- C** Low start-up costs
- D** Use of expensive technology

(c) Calculate the **price elasticity of demand (PED)** for a product if price falls by 10% and quantity demanded increases by 19%. You are advised to show your working.

(2)

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(d) State the formula for social benefits.

(1)

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(e) Define the term consumer.

(1)

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(f) Describe **one** factor that may influence the growth of a firm.

(2)

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There are many health warnings about the dangers of eating too much sugar but some consumers continue to do so.

(g) Explain **one** reason why consumers may still make this decision.

(3)

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**QUESTION 3 BEGINS ON THE NEXT PAGE**



3 (a) Which **one** of the following is most likely to cause an increase in the supply of labour? (1)

- A A higher retirement age
- B A higher school-leaving age
- C A fall in population
- D A fall in demand for the final product

(b) Average costs can be calculated by which **one** of the following equations? (1)

- A  $\frac{\text{Total revenue}}{\text{Total costs}}$
- B  $\frac{\text{Total revenue}}{\text{Price}}$
- C  $\frac{\text{Output}}{\text{Total fixed costs}}$
- D  $\frac{\text{Total costs}}{\text{Output}}$

(c) Draw a demand curve on the diagram below that has price elastic demand (PED). Label the impact of a price change from  $P_1$  to  $P_2$  and its impact on quantity from  $Q_1$  to  $Q_2$ . (3)

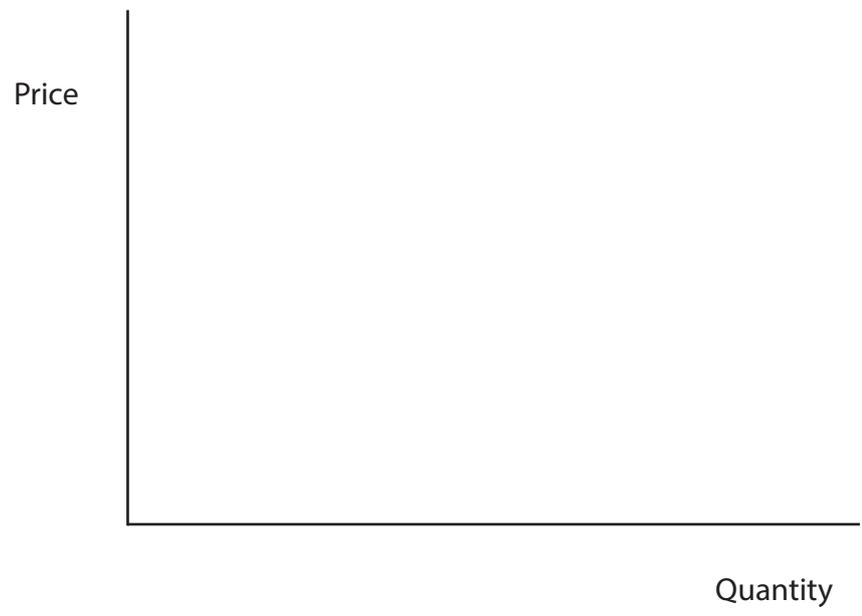


Figure 2



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In the Republic of Korea, firms such as Hyundai and Kia produce cars. In addition, the Republic has 28,951 farms producing organic fruits such as strawberries. It is one of the most important organic producers in Asia.

(Source adapted from: <http://www.intracen.org/exporters/organic-products/country-focus/Country-Profile-South-Korea/>)

(e) With reference to the data above and your knowledge of economics, assess whether the price elasticity of supply (PES) is likely to be more price elastic for cars than for organic strawberries.

(9)

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**QUESTION 4 BEGINS ON THE NEXT PAGE**



4 In January 2018, the minimum wage in Andorra increased to €5.87 per hour.

(a) Calculate the **monthly gross income** of a worker in Andorra, employed for 175 hours per month and paid at the minimum wage. You are advised to show your working.

(2)

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**TOTAL FOR PAPER = 80 MARKS**



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