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Centre Number	Candidate Number
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Pearson Edexcel International GCSE

Wednesday 12 November 2025

Morning (Time: 1 hour 30 minutes)	Paper reference	4EC1/01
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Economics

Level 1/2

PAPER 1: Microeconomics and Business Economics

You do not need any other materials.	Total Marks
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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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M:1/1/1/1



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) In which sector of the economy is house building? (1)

- A Service
- B Primary
- C Secondary
- D Tertiary

A firm produces goods that are made from wood.

(b) Wood is an example of which **one** of the following factors of production? (1)

- A Capital
- B Enterprise
- C Labour
- D Land

(c) What is meant by the term total costs? (2)

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(d) State the formula for social benefits.

(1)

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(e) Define the term substitute good.

(1)

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A manufacturer produced 1,350 pairs of designer sunglasses in March and sold these products in its shops in Milan, Paris and London.

Location	Quantity of sunglasses demanded
Milan	639
Paris	715
London	516

Figure 1

(f) Calculate the **excess demand** in March for the sunglasses. You are advised to show your working.

(2)

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Figure 2 shows the market for radios.

- (g) Using the diagram below, draw the likely effect on the market for radios following a fall in their popularity. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

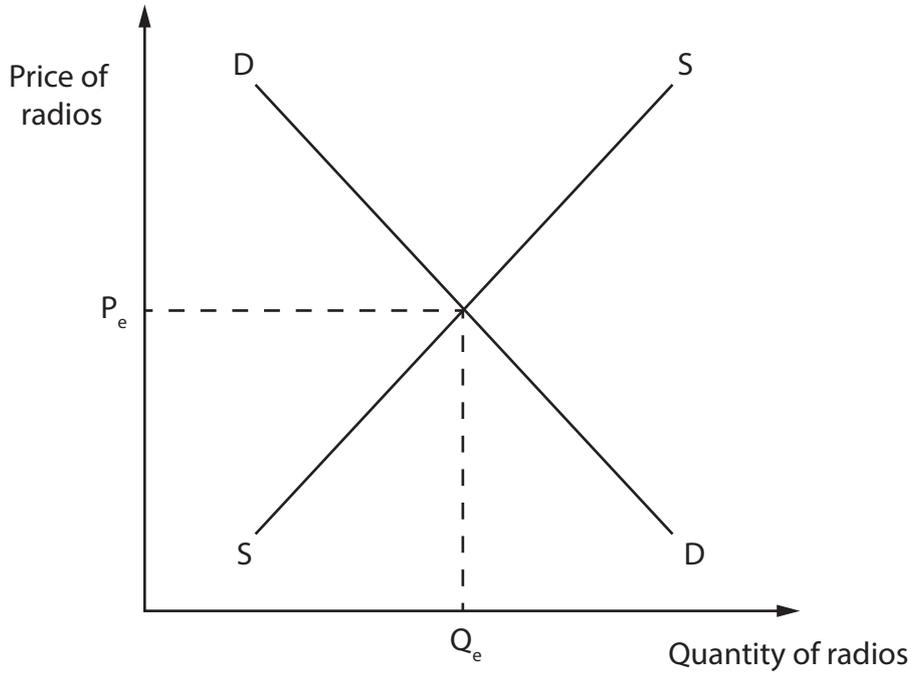


Figure 2

A study in the US concluded that mergers of pharmaceutical firms often benefit consumers.

- (h) Explain **one** reason why consumers may benefit as a result of mergers in the pharmaceutical industry.

(3)

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The US Government is taking legal action against six major firms that provide accommodation for rent. The firms are accused of collusion. Over 1 million properties are affected, at a time when tenants are struggling to afford rent.

- (i) With reference to the data above and your knowledge of economics, analyse the possible disadvantages faced by consumers from collusion between firms that provide accommodation for rent.

(6)

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(Total for Question 1 = 20 marks)

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2 Figure 3 shows a long-run average cost (LRAC) curve diagram.

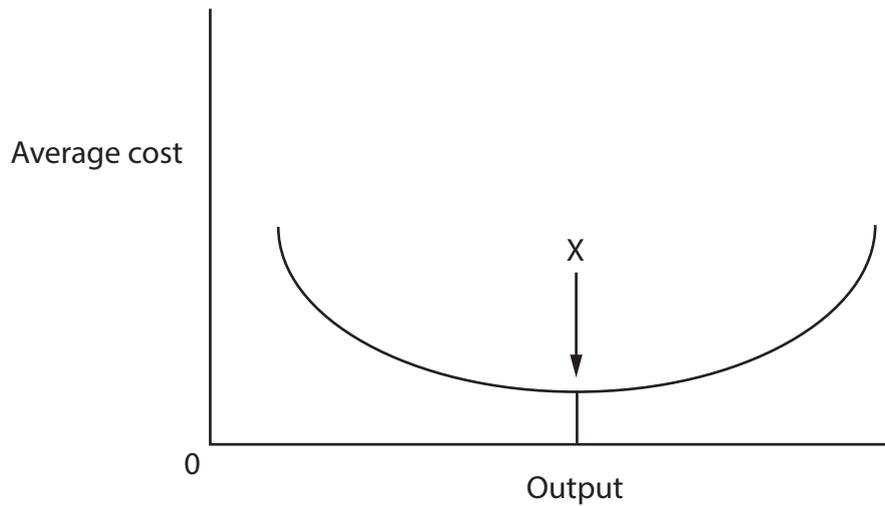


Figure 3

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

(1)

- A** Diseconomies of scale
- B** External economies of scale
- C** Most efficient
- D** Profit

(b) Which **one** of the following is the most likely cause of economic growth?

(1)

- A** An increase in taxation
- B** An improvement in efficiency
- C** Fewer advances in technology
- D** An increase in unemployment

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Figure 4 shows some of the financial information in August for a shop selling ice creams at a price of \$3.50 each.

Week	Number of ice creams sold
1	227
2	133
3	179
4	301

Figure 4

(c) Calculate the **total revenue** for the shop in August. You are advised to show your working.

(2)

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(d) What is meant by the term bureaucracy?

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(e) Describe **one** government policy to encourage positive externalities.

(2)

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In 2024, it was recommended that additional funding should be provided for the drainage of farmland in India.

(f) Explain **one** way an improvement in drainage may affect the productivity of Indian farmers.

(3)

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In 2024, the minimum wage in Kuwait was 75 KWD (Kuwaiti dinar) per month, equal to about \$243 per month.

(g) With reference to the data above and your knowledge of economics, assess the likely effect of having a minimum wage on the demand for labour in Kuwait.

(9)

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(Total for Question 2 = 20 marks)



- 3 (a) Which **one** of the following may be a reason why a firm stays small? (1)
- A Ability to take over competitors
 - B Access to many sources of finance
 - C Ability to spread risk
 - D Aims of the entrepreneur

- (b) Which **one** of the following describes a price elasticity of supply (PES) of 1.5? (1)
- A Perfectly price elastic
 - B Perfectly price inelastic
 - C Price elastic
 - D Price inelastic

Figure 5 shows the labour market for a country.

- (c) Using the diagram below, draw the effect of a decrease in the school-leaving age on the labour market in this country. Label the new curve, the new equilibrium wage rate and the new quantity of workers. (3)

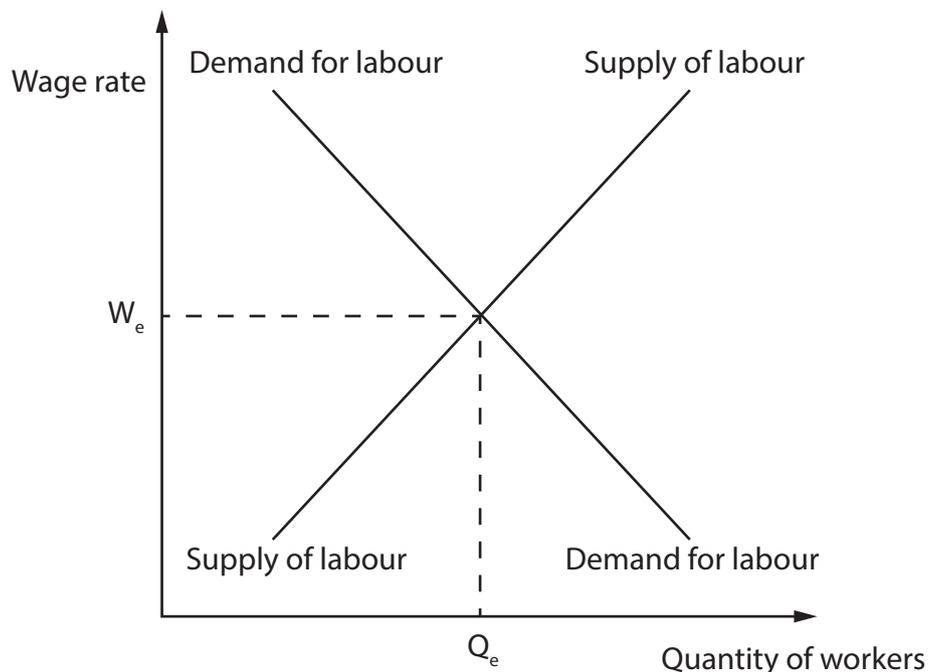


Figure 5

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

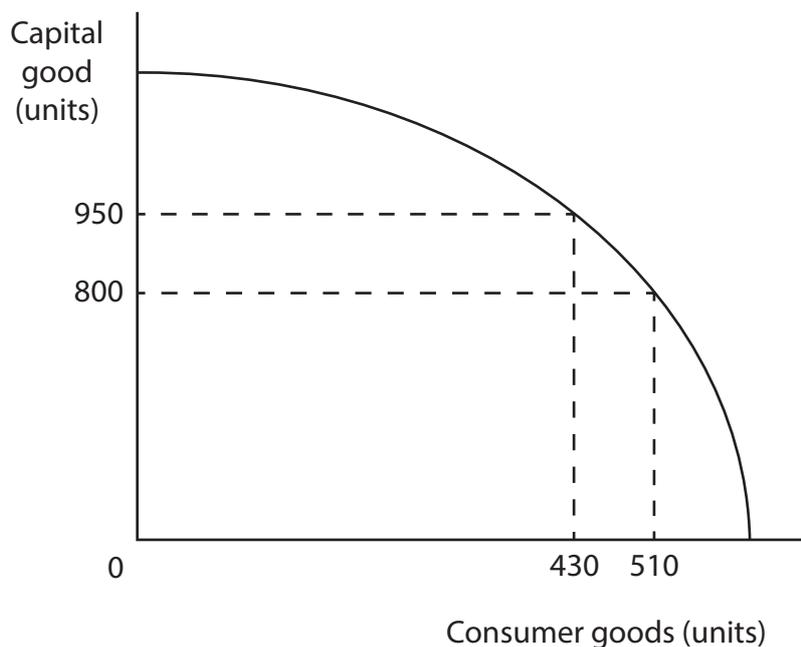


Figure 6

(a) When the current level of output is 430 units of consumer goods, calculate the **opportunity cost** of producing an additional 80 units of consumer goods. You are advised to show your working.

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Bulgaria has an extensive rail network. Many towns and cities are also accessible by bus. Both these methods of public transport are low priced. However, train travel is considered poor by European standards, with frequent train cancellations and a poor record of safety. Buses are often late and take a lot longer to reach their destination than if travelling by private car.

- (b) With reference to the data above and your knowledge of economics, analyse how income elasticity of demand (YED) may affect operators of public transport as incomes increase in Bulgaria.

(6)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



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Acknowledgements

Question 1(i) adapted from: <https://fortune.com/2025/01/08/justice-accuses-6-major-landlords-colluding-algorithm-keep-rents-high/>

Question 2(g) adapted from: <https://countryeconomy.com/national-minimum-wage/kuwait?anio=2010>

Question 3(d) adapted from: <https://bmmagazine.co.uk/in-business/olive-oil-prices-set-to-halve-as-mediterranean-bumper-harvest-looms/>

Question 4(c) adapted from: <https://www.abc.net.au/news/2025-01-06/perth-swan-river-ferry-plans-announced-march-wa-election/104788586>

