

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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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.
- Good luck with your examination.

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 is a reason why firms may not always maximise their profit? (1)

- A They may minimise total costs
- B They may be able to sell at a high price
- C They may have low fixed costs
- D They may complete charitable work

A product has an income elasticity of demand (YED) of 0.7.

(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 calculating social costs.

(1)

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(e) Define the term producer.

(1)

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A firm has total fixed costs of \$50 000 per month and variable costs of \$250 per unit. It produces 750 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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- (g) Using the diagram below, draw the likely effects on the market for smartphones following a rise in the cost of raw materials. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

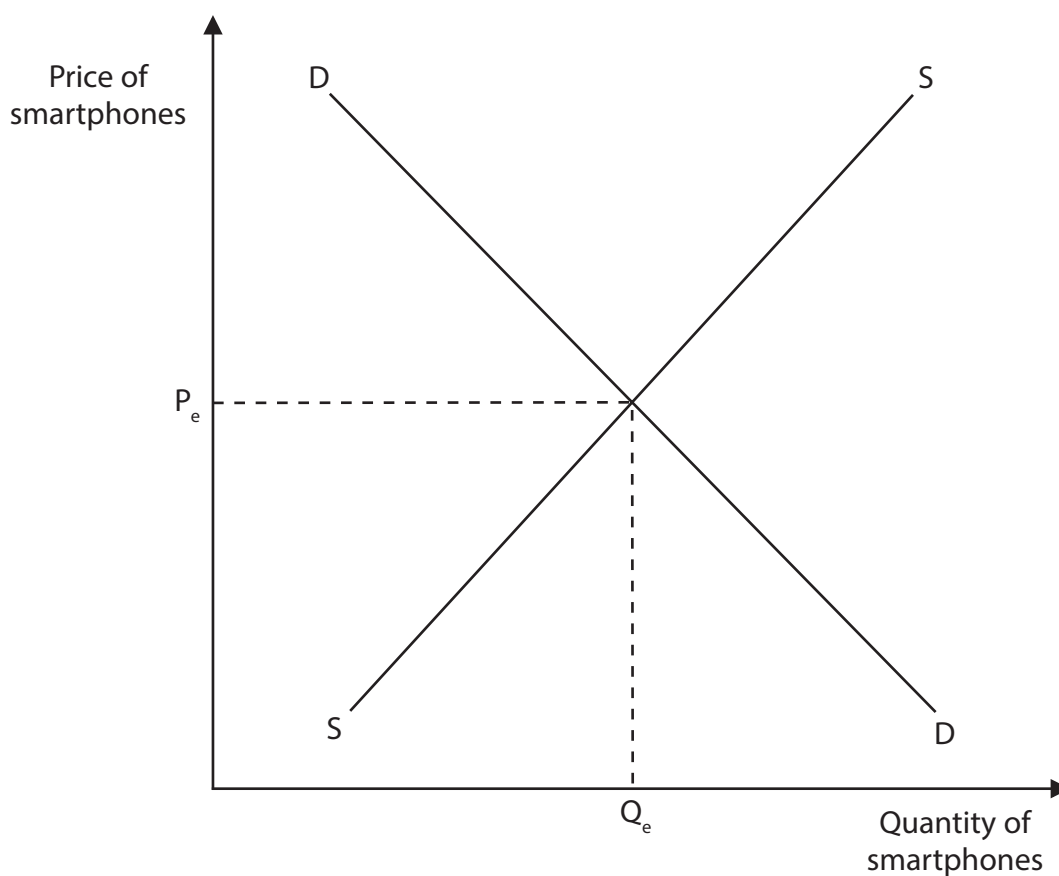


Figure 1

The New Zealand Government is to introduce new legislation to limit the interest rate firms can charge on loans made to customers. The maximum interest rate firms can charge will be 0.8% per day.

- (h) Explain **one** reason why the New Zealand Government may be introducing this legislation.

(3)

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Cutting Edge is a gardening firm that started trading three years ago. It often turned down work because it did not have a saw powerful enough to cut through larger trees. Once the firm expanded, Cutting Edge was able to justify buying a bigger saw.

- (i) With reference to the data above and your knowledge of economics, analyse how Cutting Edge benefitted from technical economies of scale.

(6)

Area with horizontal dotted lines for writing the answer.

(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.

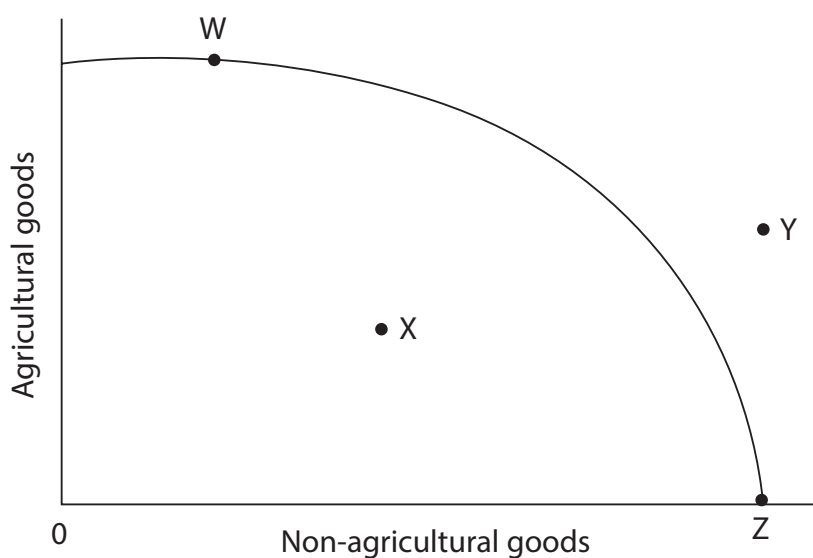


Figure 2

- (a) Which **one** of the following points shows unemployed resources?

(1)

- A W
- B X
- C Y
- D Z

- (b) A trade union is an organisation that aims to protect

(1)

- A consumer interests
- B the environment
- C employee rights
- D the government

- (c) State **one** reason why firms stay small.

(1)

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A firm increases supply by 2.7% following a price increase of 4.9%.

(d) 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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(e) Define the term price-maker.

(1)

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(f) Describe **one** reason why a computer can be a factor of production.

(2)

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Abi owns a small cafe. It is often very busy and customers may have to wait for a table. Abi is considering whether to move to a larger premises. A larger property has become available but it would cost almost double the current rent.

(g) Explain **one** factor that could affect whether Abi is able to expand her business. (3)

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(Total for Question 2 = 20 marks)



3 (a) Which **one** of the following is likely to lead to an inefficient allocation of resources? (1)

- A Migration
- B Competition
- C Lack of information
- D Division of labour

(b) Which **one** of the following is an example of an occupation in the tertiary sector? (1)

- A Sheep farmer
- B Factory worker
- C Coal miner
- D Sales assistant

(c) Using the diagram below, draw the effects 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)

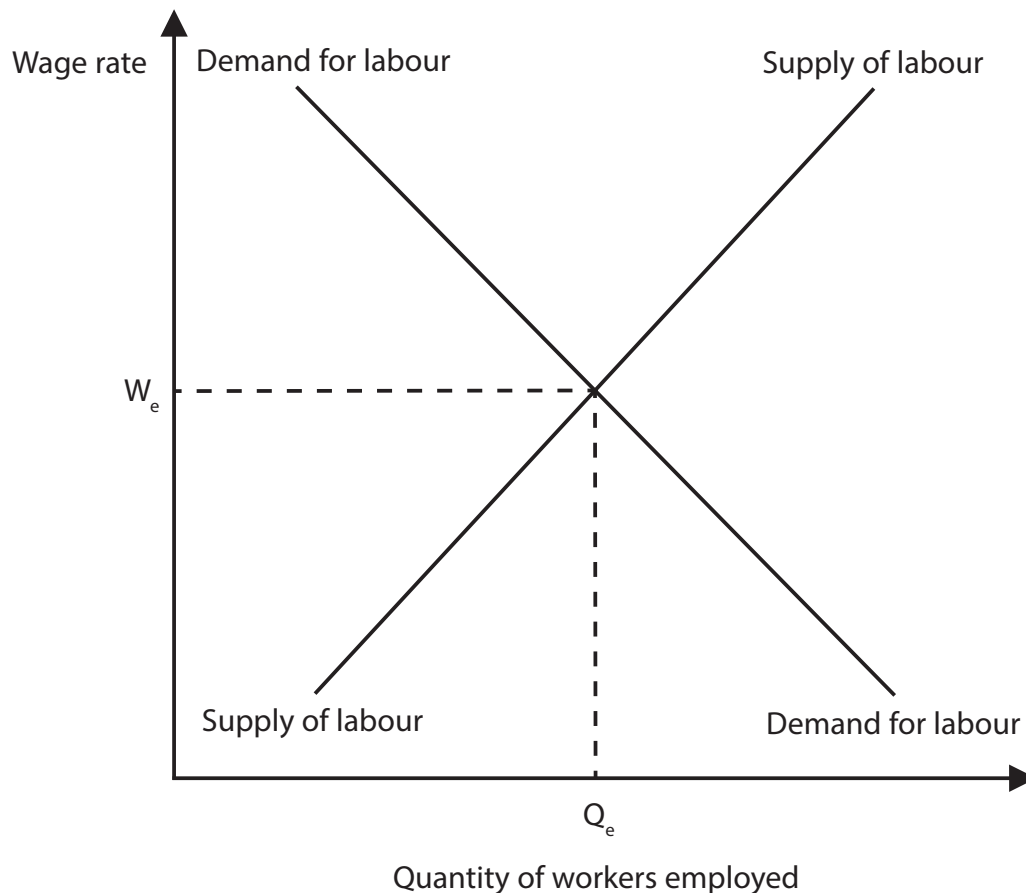


Figure 3



The current retirement age in Singapore is 62. However, it will gradually be raised to 63 in 2022 and to 65 by 2030. People are living longer and the life expectancy in the country is now over 84 years.

The manufacturing sector contributes almost 25% of Singapore's Gross Domestic Product (GDP). The financial services sector, which is growing, is also making a significant contribution to GDP.

- (e) With reference to the data above and your knowledge of economics, assess whether raising the retirement age is likely to be the most effective method to increase the supply of labour.

(9)

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(Total for Question 3 = 20 marks)



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4 Figure 4 shows profit for a firm between 2017 and 2019.

Year	Profit (\$)
2017	80 750
2018	83 550
2019	87 100

Figure 4

(a) Calculate, to two decimal places, the **percentage change in profit** between 2017 and 2019, for the firm. You are advised to show your working.

(2)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



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