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Write your name here

Surname	Other names

Pearson Edexcel
International GCSE

Centre Number | | | | | |

Candidate Number | | | | |

Economics

Paper 1

Wednesday 28 January 2015 – Morning
Time: 2 hours 30 minutes

Paper Reference
4EC0/01

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.*

Information

- The total mark for this paper is 120.
- 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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SECTION A

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 Alison Lefevre makes woollen hats. Table 1a shows the weekly demand and supply for her hats.

Price €	Demand	Supply
30	15	70
25	30	60
20	50	50
15	80	40

Table 1a

(a) (i) What is the equilibrium price of Alison's hats shown on Table 1a?

(1)

☒ €30

☒ €25

☒ €20

☒ €15

(ii) Using an example from the data in Table 1a, explain what is meant by excess supply.

(3)

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(iii) Define price elasticity of demand.

(2)

(iv) What will happen to total revenue if Alison increases the price of her hats?

(1)

☒ Total revenue will increase

☒ Total revenue will decrease

(v) Using the data in Table 1a, explain the relationship between total revenue and price elasticity of demand.

(4)

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A chain of sports shops has placed a large order for Alison's hats. To increase supply Alison is going to employ more workers. She has decided to organise her workers so that the firm benefits from division of labour.

(vi) With the aid of an example, explain what is meant by "division of labour".

(3)

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(vii) Do you agree that, for workers, the disadvantages of division of labour always outweigh the advantages? Give reasons for your answer.

(6)

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Figure 1b shows the demand and supply of mobile phones in a country. The original demand curve is D and the original supply curve is S.

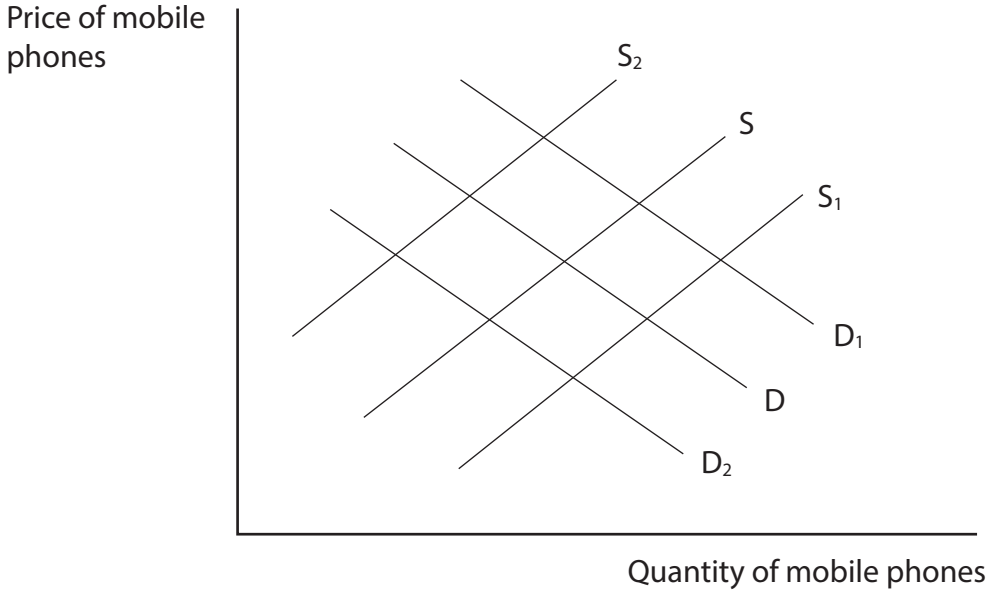


Figure 1b

(b) Using Figure 1b, identify the new demand curve (D_1 or D_2) or the new supply curve (S_1 or S_2) which will apply after each of the following changes has taken place.

In questions (i) to (iv), start from the original demand curve (D), supply curve (S) and equilibrium. The same answer may be used more than once.

(i) Wages in the mobile phone industry rise.

(1)

- ☒ D_1
- ☒ D_2
- ☒ S_1
- ☒ S_2

(ii) The government places an indirect tax on mobile phones.

(1)

- ☒ D_1
- ☒ D_2
- ☒ S_1
- ☒ S_2

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(iii) There is a health warning issued concerning the use of mobile phones.

(1)

- ☒ D_1
- ☒ D_2
- ☒ S_1
- ☒ S_2

(iv) The cost of the silicon chips used in mobile phones falls.

(1)

- ☒ D_1
- ☒ D_2
- ☒ S_1
- ☒ S_2

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(v) Examine the extent to which the government can influence market prices in a mixed economy.

(6)

(Total for Question 1 = 30 marks)

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2 In 2012 Britvic and AG Barr, producers of soft drinks in the UK, announced plans to merge. The merger will create one of the largest soft drinks companies in Europe.

(a) (i) Britvic and AG Barr are in the

(1)

- ☒ primary sector.
- ☒ secondary sector.
- ☒ tertiary sector.

The merger between Britvic and AG Barr will bring about economies of scale.

Figure 2a shows economies and diseconomies of scale.

(ii) Fill in the missing labels, **A**, **B** and **C** on the diagram from the list below. Each option may only be used once.

(3)

Quantity	Revenue
Demand	Long run average costs
Costs	Taxation

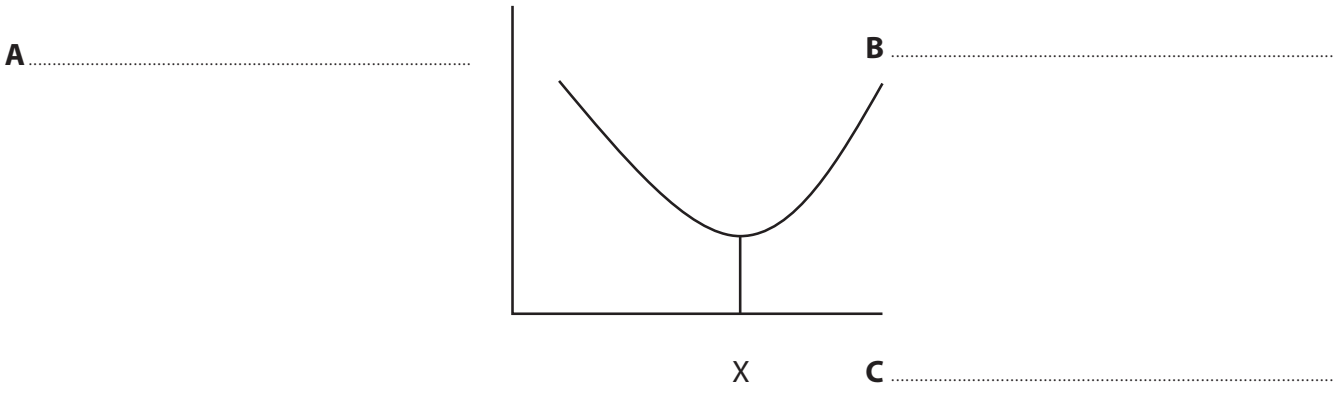


Figure 2a

(iii) Briefly explain **one** reason for the shape of the curve to the left of X.

(2)

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.....

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(iv) Briefly explain **one** reason for the shape of the curve to the right of X.

(2)

The advantages to an economy of a merger between two firms which produce soft drinks outweigh the disadvantages.

(v) Do you agree with this statement? Give reasons for your answer.

(6)

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(vi) Briefly describe **one** method a government can use to prevent the disadvantages of mergers.

(2)

Amit Patel owns Mini Desks, a company which makes chairs and desks for young children. He employs 10 workers. Table 2b shows data for 2013 and 2014.

Number of workers	Amount produced per week in 2013	Amount produced per week in 2014
10	100	140

Table 2b

(b) (i) Using the information in Table 2b, calculate and describe what has happened to the productivity of labour from 2013 to 2014.

(3)

(ii) There are four factors of production. Which factor of production is missing from the list below?

(1)

Capital

Entrepreneur

Labour

.....

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(iii) With the aid of an example, explain what is meant by the factor of production called capital.

(2)

.....

.....

.....

.....

(iv) Identify and briefly describe **one** measure a government can use to encourage the use of more capital in the production process in manufacturing firms.

(2)

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In a manufacturing firm, an increase in the productivity of labour can only be achieved by increasing the amount of capital used in the production process.

(v) Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 2 = 30 marks)

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3 In 2012, the Chinese government announced plans to clean up the environment and reduce energy consumption. 816 billion yuan (Chinese currency) will be spent on cleaning up pollution and targeting major polluting industries, including iron, steel and power stations. Another 982 billion yuan will be spent on measures to reduce energy consumption by firms and individuals.

(Source: adapted from *The Daily Telegraph* 28 August 2012)

(a) (i) Identify **two** major types of pollution.

(2)

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.....

(ii) Briefly explain **two** reasons why reducing pollution is an aim of governments.

(4)

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(iii) Briefly explain **two** measures a government could take to encourage individual consumers to reduce energy consumption.

(4)

(iv) Apart from government expenditure, identify **two** measures a government can use to reduce pollution by firms.

(2)

(v) An opportunity cost to the Chinese government of spending money to clean up pollution is

(1)

- ☒ building new schools
- ☒ 816 billion yuan
- ☒ increasing taxation
- ☒ closing hospitals

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Taxation is more effective at reducing pollution than financial incentives.

(vi) Do you agree with this statement? Give reasons for your answer.

(6)

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(b) Figure 3a shows inflation rates for Venezuela and Peru 2008 to 2011.

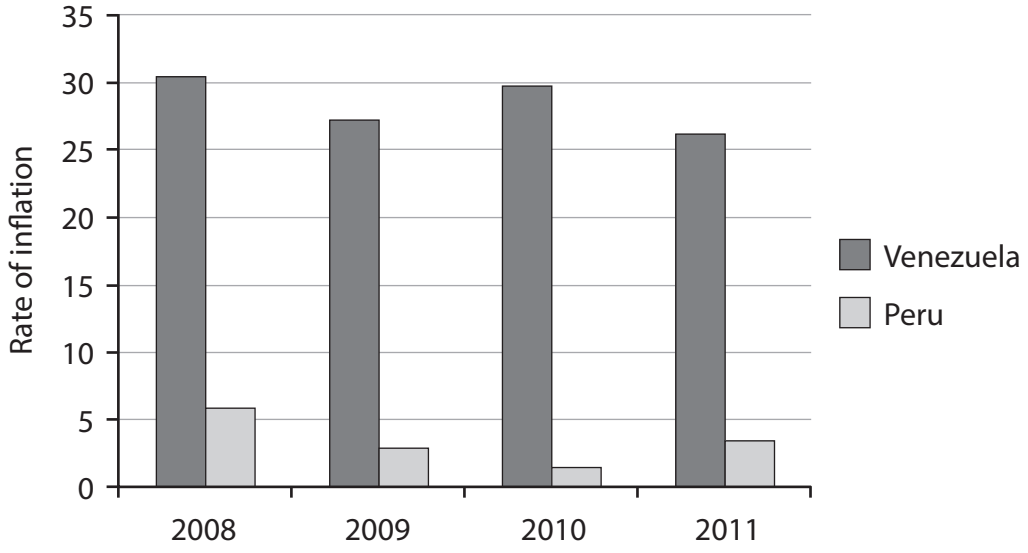


Figure 3a

(i) In which year was inflation highest in both Peru and Venezuela?

(1)

.....

(ii) With reference to the data, describe what happened to prices in Venezuela from 2010 to 2011.

(3)

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(iii) Which of the following actions by a government might reduce inflation in the short run?

(1)

- ☒ Increase spending on unemployment benefits
- ☒ Increase subsidies on food
- ☒ Increase taxes on petrol
- ☒ Decrease income tax

(iv) No one benefits from inflation in an economy. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 3 = 30 marks)

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4 (a) (i) When a firm or country exports its products to another country below the cost of production, it is called

(1)

- ☒ watering
- ☒ dumping
- ☒ merging
- ☒ sprinkling

(ii) Briefly explain **two** reasons why a firm might export its products below the cost of production.

(4)

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(iii) Cheap imports will always have a negative effect on an economy. Do you agree with this statement? Give reasons for your answer.

(6)

(iv) Identify **two** measures a government can use to reduce imports.

(2)

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(v) Which of the **two** measures identified in (a)(iv) do you consider to be more successful in reducing imports? Give reasons for your answer.

(6)

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(vi) Briefly explain **two** reasons why the World Trade Organisation encourages free trade between countries.

(4)

(b) In 2012 the Indian government announced reforms which would make it possible for multinational retail companies to set up in the country.

(i) With the aid of an example, explain what is meant by a multinational company.

(2)

(ii) A multinational company which builds new shops in India is an example of

(1)

- ☒ foreign exchange
- ☒ foreign direct investment
- ☒ foreign aid
- ☒ foreign loans

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(iii) Briefly explain **one** advantage and **one** disadvantage **to India** when a multinational retail company builds new shops in the country.

(4)

(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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