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Pearson Edexcel
International GCSE

Centre Number | | | | | |

Candidate Number | | | | |

Economics

Paper 1

Friday 23 May 2014 – Afternoon
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.*
- Calculators may be used.

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.

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 Figure 1a shows the UK sales of compact disc (CD) music albums and music albums downloaded from the internet (digital albums) in 2010 and 2011.

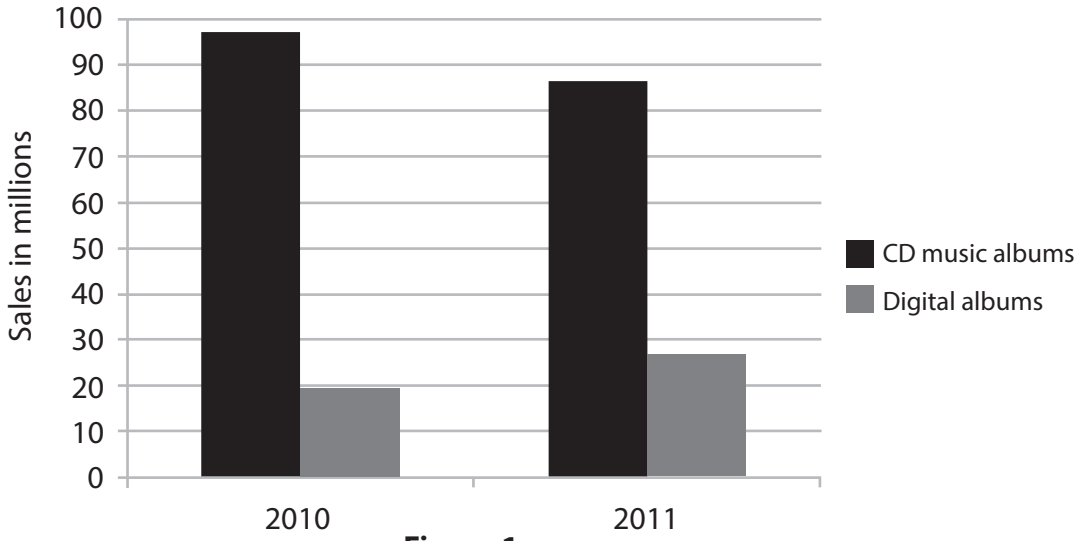


Figure 1a

(Source: © Guardian News and Media Ltd, 2012)

(a) (i) The term used to describe the relationship between CD music albums and digital albums is

(1)

☒ supplements

☒ substitutes

☒ complements

☒ necessities

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Figure 1b shows the UK demand and supply curve for CD music albums.

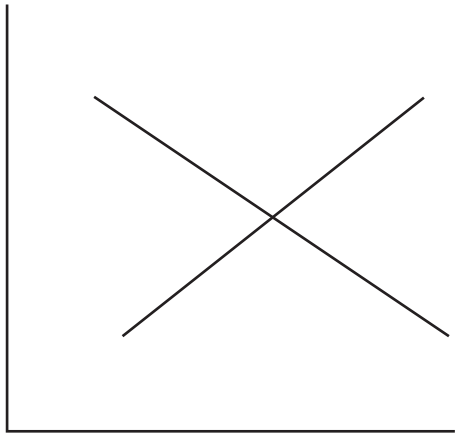


Figure 1b

(ii) On Figure 1b fill in the missing labels **A**, **B**, **C** and **D** using words from the list below.

(4)

Demand	Taxation
Equilibrium	Quantity
Supply	Price

(iii) On Figure 1b show the effect of a fall in the price of digital albums on the price and quantity demanded of CD music albums.

(3)

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Study the population pyramids for India and Norway in Figure 1c.

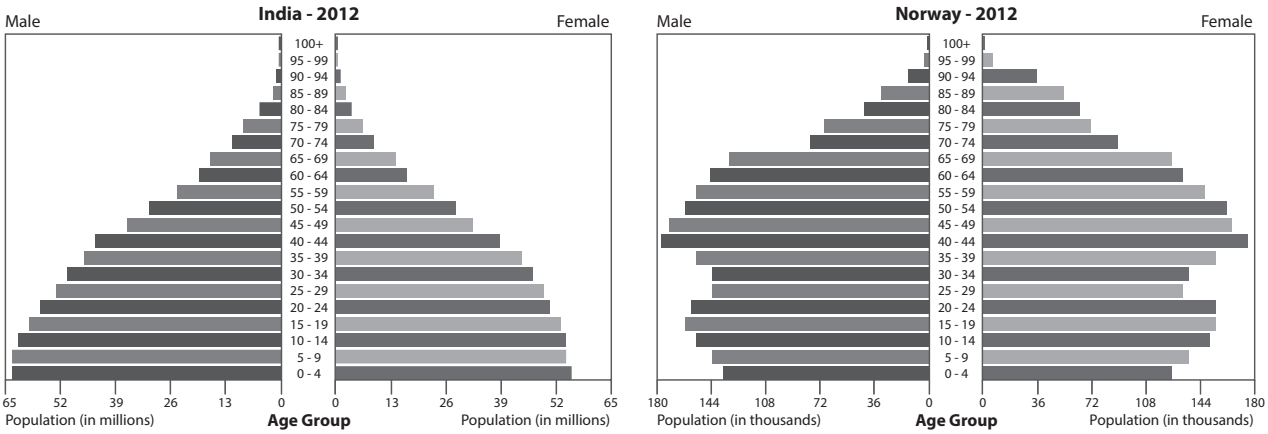


Figure 1c

(Source: © U.S. Census Bureau)

(b) (i) What is meant by an 'ageing population'?

(2)

.....

.....

.....

(ii) In which country does Figure 1c show an ageing population?

(1)

☒ India

☒ Norway

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(iii) To what extent are changes in the population of a country the main factor affecting demand for mobile phones?

(6)

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In 2012 the Malaysian government announced plans for the first minimum wage for private sector workers. The monthly minimum wage rate will be 900 ringgit for private sector workers in the cities and 800 ringgit for private sector workers in poorer, rural areas. The minimum wage rate will benefit 3.2 million of the country's workforce.

(Source: Adapted from: http://www.thejakartaglobe.com/international/malaysia-announces-new-minimum-wage-policy/515184)

(c) (i) Using the information provided, which one of the following was correct before the minimum wage rate was introduced?

(1)

- ☒ All private sector workers earned less than 900 ringgit per month
- ☒ 3.2 million private sector workers earned less than 900 ringgit per month
- ☒ All private sector workers earned more than 900 ringgit per month
- ☒ 3.2 million private sector workers earned more than 900 ringgit per month

There is no minimum wage for public sector workers as they earn more than 900 ringgit per month.

(ii) Explain, with the aid of examples, the terms 'private sector workers' and 'public sector workers'.

(4)

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(iii) Briefly explain **one** reason why the minimum wage for private sector workers in poorer, rural areas is less than private sector workers in cities.

(2)

(iv) Examine the advantages and disadvantages of a minimum wage for a country of your choice.

(6)

(Total for Question 1 = 30 marks)

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2 Doris Kraft makes confectionery (sweets/candy) and sells her handmade sweets in her shop in Germany. Her costs for January 2014 are shown in Table 2a.

Costs	January
Fuel for cooking	€100
Rent	€500
Ingredients	€550
Insurance for shop	€50
Heating and lighting in shop	€100

Table 2a

(a) (i) In January 2014, Doris made 130 kilos of sweets. Calculate the average cost per kilo. Show your workings.

(2)

(ii) Doris sells the sweets at €30 per kilogram. In January 2014, Doris sold all her produce. Calculate her profit. Show your workings.

(2)

(iii) The price of sugar, the main ingredient in sweets, increases. Which one of Doris' costs will increase as a result?

(1)

- ☒ Rent
- ☒ Variable costs
- ☒ External costs
- ☒ Fixed costs

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(iv) Explain your answer given in (iii).

(2)

(v) Doris closes her shop in August for her annual holiday. Calculate her total costs for the month of August. Show your workings.

(2)

(vi) Explain why some costs are excluded from your calculation in (v).

(2)

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(vii) Lack of finance is the most important limitation to the growth of firms.
Do you agree? Give reasons for your answer.

(6)

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The supermarket industry in France is an oligopoly. The supermarkets take advantage of economies of scale.

(b) (i) What is meant by 'economies of scale'?

(1)

- ☒ As output increases long run total costs fall
- ☒ As output increases fixed costs fall
- ☒ As output increases long run average costs fall
- ☒ As output increases profits rise in the short run

(ii) In France, over 80% of confectionery is sold in supermarkets. With reference to economies of scale, explain **two** reasons why supermarkets have such a high market share in the sale of confectionery.

(4)

(iii) Oligopolies can compete by lowering prices or by non-price competition. Identify **two** types of non-price competition.

(2)

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(iv) Oligopolies always limit consumer choice. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 2 = 30 marks)

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3 Figure 3a shows the economic growth of three countries in 2011.

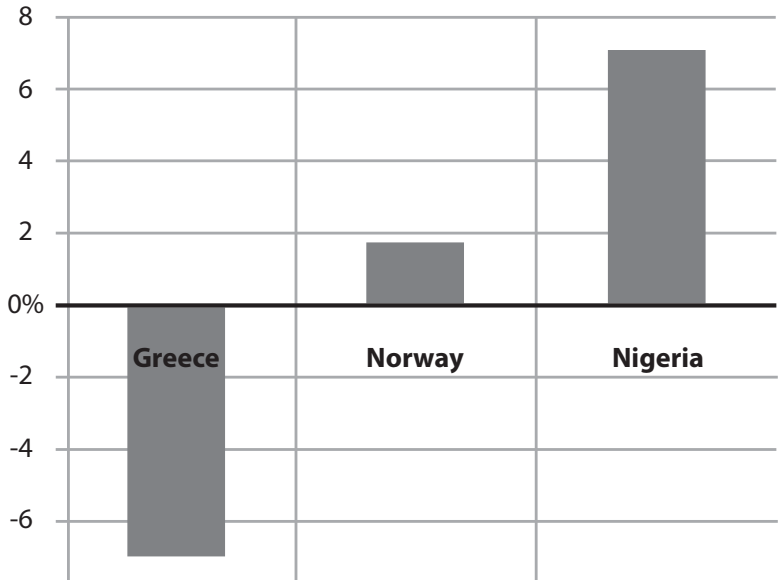


Figure 3a

(Source: © CIA World Factbook)

(a) (i) In 2011 which country experienced the greatest economic growth?

(1)

- ☒ Greece
- ☒ Norway
- ☒ Nigeria

(ii) Greece experienced a recession in 2011. With reference to the data in Figure 3a, explain this statement.

(2)

.....

.....

.....

.....

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Briefly explain **one** way in which changes to **each** of the following can increase economic growth:

(iii) the rate of interest.

(3)

(iv) government expenditure.

(3)

(v) Identify and briefly explain **one** supply side measure a government can use to increase economic growth.

(2)

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(vi) Briefly explain **one** disadvantage of the supply side measure you identified in (v).

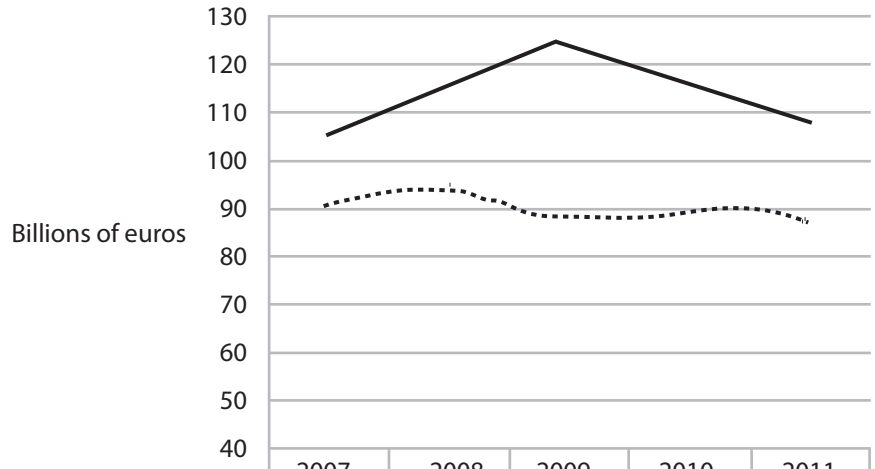
(2)

(vii) Do the advantages of economic growth outweigh the disadvantages? Give reasons for your answer.

(6)

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Figure 3b shows government expenditure and revenue in Greece 2007-2011.



	2007	2008	2009	2010	2011
Expenditure	106.07	117.85	124.65	114.11	107.50
Revenue	90.92	94.76	88.60	90.25	87.90

Figure 3b

(Source: © IMF)

(b) (i) In which year was the budget deficit greatest? Explain your answer with reference to the data in Figure 3b.

(3)

.....

.....

.....

.....

(ii) Identify **one** main item of government revenue.

(1)

.....

(iii) Identify **one** main item of government expenditure.

(1)

.....

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The government of Greece has taken measures to reduce the budget deficit but this has led to an increase in unemployment.

(iv) Do you agree that reducing the budget deficit of a country will always lead to an increase in unemployment? Give reasons for your answer.

(6)

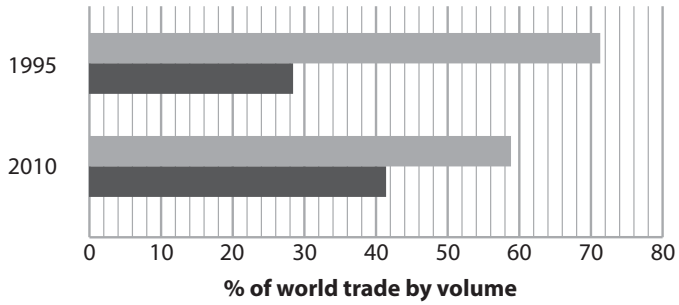
(Total for Question 3 = 30 marks)

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4 Figure 4a shows percentages of world trade by volume for developed and developing countries in 1995 and 2010.



	1995	2010
Developed countries	71.5	58.8
Developing countries	28.5	41.2

Figure 4a

(Source: Un.org)

(a) (i) Using the data in Figure 4a, briefly describe the changes in world trade for developing and developed countries between 1995 and 2010.

(4)

(ii) About two thirds of the members of the World Trade Organisation (WTO) are developing countries. Briefly explain **two** reasons why developing countries benefit from membership of the WTO.

(4)

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(iii) Since the recession of 2008 there has been an increase in non-tariff barriers to international trade. With the aid of **two** examples explain what is meant by 'non-tariff barriers'.

(3)

(iv) Tariff barriers are more effective than non-tariff barriers in reducing imports. Do you agree with this statement? Give reasons for your answer.

(6)

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(b) (i) What is meant by the 'exchange rate of a currency'?

(2)

Currency	Number of Chilean pesos (CLP) bought in September 2011	Number of Chilean pesos (CLP) bought in September 2012
1 Euro (EUR)	666.6	608.7
1 Canadian dollar (CAD)	483.9	490.3

Table 4b

(ii) Using the information in Table 4b, which currency depreciated from September 2011 to September 2012 in terms of Chilean pesos?

(1)

☒ Euro

☒ Canadian dollar

(iii) Briefly explain how a decrease in a country's rate of interest can lead to a depreciation of the country's currency.

(3)

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(iv) The current account of the balance of payments can be calculated by which of the following equations?

(1)

- ☒ (visible imports + invisible exports) – (visible exports + invisible imports)
- ☒ government expenditure – government income
- ☒ (visible exports + invisible exports) – (visible imports + invisible imports)
- ☒ visible exports – visible imports

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(v) Depreciation of a country's currency always improves the current account. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS