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Pearson Edexcel
International GCSE

Centre Number | | | | | |

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Economics

Paper 1

Monday 1 June 2015 – 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 Cards for You is a firm based in Finland. It produces personalised birthday and special occasion cards which can be ordered on the internet. The demand and supply for the cards is shown in Figure 1a.

Price in Euros	Demand per week	Supply per week
4	400	100
5	200	200
6	150	300
7	100	400

Figure 1a

Study Figure 1a.

(a) (i) What is the equilibrium price of a birthday card?

(1)

☒ 4 euros

☒ 5 euros

☒ 6 euros

☒ 7 euros

(ii) The demand for cards produced by Cards for You is price elastic. Explain this statement with reference to the total amount spent on cards when the price rises from 5 euros to 6 euros. Show your calculations.

(4)

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(iii) Cards for You has experienced an increase in demand for cards over the last 12 months. Briefly describe **two** factors which may have caused this increase in demand.

(4)

(iv) Define price elasticity of supply.

(2)

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(v) Which of the following diagrams A, B C or D shows a supply curve which has price elasticity = 0?

(1)

- ☒ A
- ☒ B
- ☒ C
- ☒ D

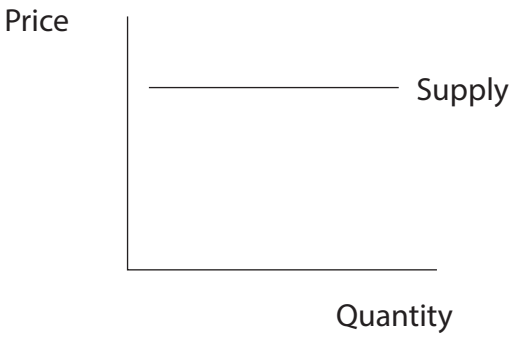


Diagram A

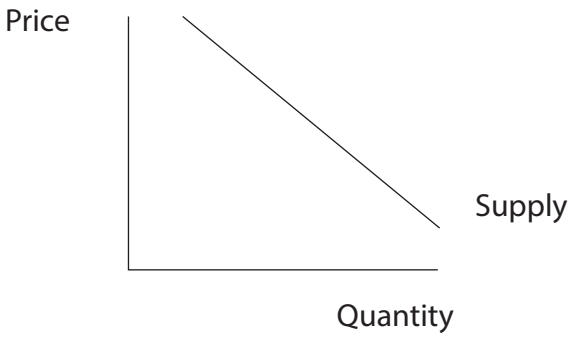


Diagram B

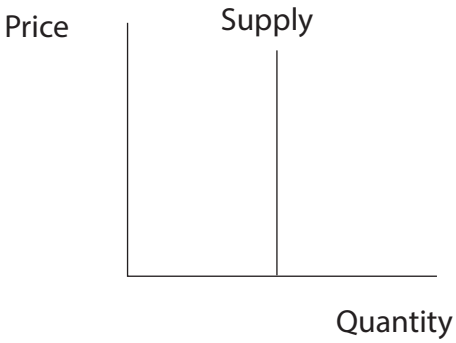


Diagram C

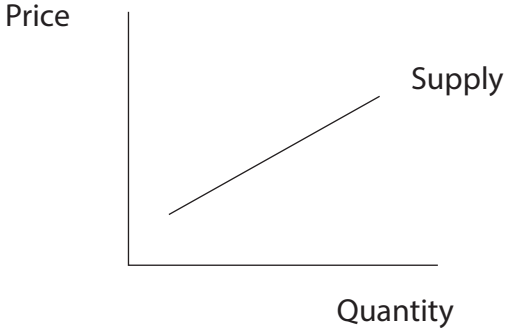


Diagram D

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(vi) The supply of birthday cards is likely to be more price elastic than the supply of fresh flowers. Do you agree with this statement? Give reasons for your answer.

(6)

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Most countries in the European Union have introduced a national minimum wage.

(b) (i) On Figure 1b show the likely effect of the introduction of a national minimum wage rate on employment in a country.

(3)

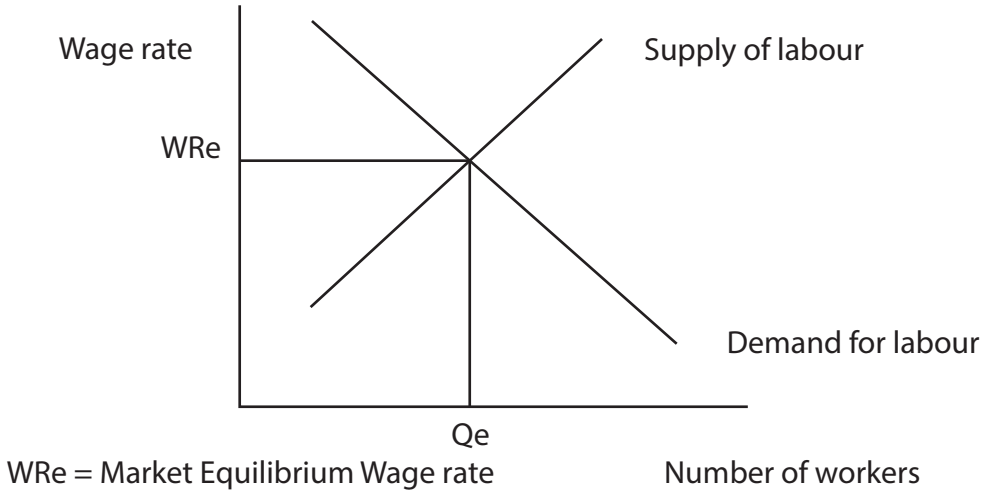


Figure 1b

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(ii) Do the advantages of a national minimum wage rate always outweigh the disadvantages for an economy? Give reasons for your answer.

(6)

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The Scandinavian countries of Sweden, Norway, Finland and Denmark do not have a national minimum wage rate. The majority of workers in these countries belong to trade unions.

(c) Complete the following sentences using the words listed below. Each word may be used more than once.

(3)

employers	workers	percentage
wages	customers	countries

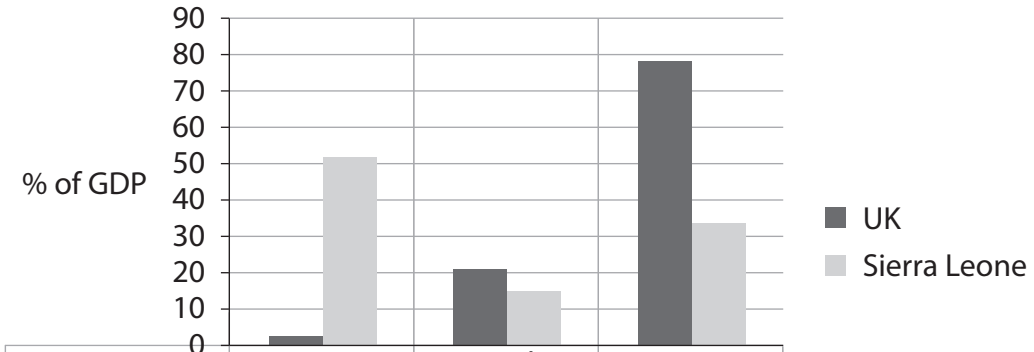
Trade unions represent (i) ..... . The trade unions negotiate with (ii) ..... to determine wages, hours worked and working conditions. A strong trade union is one where a large (iii) ..... of the workforce are members of the trade union.

(Total for Question 1 = 30 marks)

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2 Figure 2a shows the economies of the UK and Sierra Leone by sector in 2012.

UK and Sierra Leone: composition of economy by sector in 2012



	Primary	Secondary	Tertiary
UK	0.7	21	78.3
Sierra Leone	51.5	14.9	33.6

Figure 2a

(a) (i) Study the data in Figure 2a. Which country do you consider to be a developed country? With reference to the data in Figure 2a, give reasons for your answer.

(4)

(ii) Give an example of an occupation in the primary sector of an economy.

(1)

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Jack and Julie Roberts own and run a small hotel in a seaside resort in England. They employ one full-time member of staff and at busy periods they employ two part-time members of staff.

(b) (i) Indicate with a cross ☒ in the box of your choice, whether the costs listed in Figure 2b are fixed costs or variable costs.

(4)

Cost	Fixed	Variable
Toiletries in the room (soap, shampoo etc.)	☒	☒
Wages of the full-time member of staff	☒	☒
Laundry (clean towels and bedding)	☒	☒
Bank loan repayments	☒	☒

Figure 2b

(ii) Explain your response to "Wages of the full-time member of staff".

(2)

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.....

.....

.....

InterContinental Hotels Group PLC owns over 4 600 hotels and employs over 350 000 workers. The company benefits from economies of scale which include marketing, financial, managerial and technical economies of scale.

Economies of scale occur when an increase in output leads to a fall in average costs.

(iii) Average costs can be calculated by which of the following equations?

(1)

☒ $\frac{\text{Total Costs}}{\text{Output}}$

☒ $\frac{\text{Fixed Costs}}{\text{Output}}$

☒ $\frac{\text{Total Revenue}}{\text{Total Costs}}$

☒ $\frac{\text{Total Revenue}}{\text{Price}}$

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(iv) Identify and explain **one** marketing economy of scale.

(2)

(v) Identify and explain **one** technical economy of scale.

(2)

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(vi) Do the advantages of economies of scale always outweigh the disadvantages of economies of scale for **consumers**? Give reasons for your answer.

(6)

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(c) (i) Briefly explain **one** non-financial scheme a government could use to encourage and support small firms in the economy.

(2)

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(ii) To promote competition in an economy the government should support small businesses. To what extent do you agree with this statement?

(6)

(Total for Question 2 = 30 marks)

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3 China has become the single biggest source of global tourism income. Chinese tourists spent 40% more whilst travelling abroad in 2012 compared to 2011.

Consider the following items of expenditure by Chinese tourists visiting France.

(a) (i) Indicate with a cross ☒ in the box of your choice, whether the items would be considered visible or invisible on the French balance of payments on current account.

(3)

Items of Expenditure By Chinese Tourists	Visible	Invisible
Souvenir models of the Eiffel Tower	☒	☒
Hotel rooms	☒	☒
Cost of taxis from airport to hotel	☒	☒

In August 2013, France recorded a current account deficit of 3116 million euros on its balance of payments.

(ii) What is meant by a current account deficit on the balance of payments?

(2)

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(iii) Do you think a current account deficit on the balance of payments is a serious problem for an economy? Give reasons for your answer.

(6)

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(iv) Briefly explain **one** method a government can use to increase exports.

(2)

(b) (i) The government of a country can change government expenditure and revenue to achieve its objectives. This policy is called

(1)

- ☒ monetary policy
- ☒ fiscal policy
- ☒ supply side policy
- ☒ competition policy

(ii) Identify **two** main items of government expenditure.

(2)

(iii) With the aid of examples, distinguish between direct and indirect taxation.

(4)

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(c) (i) Explain why cars and lorries are often identified as a major source of pollution in an economy.

(4)

(ii) Raising taxes on petrol and diesel is the most successful method a government can use to reduce pollution from cars and lorries. Do you agree with this statement? Give reasons for your answer.

(6)

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(Total for Question 3 = 30 marks)

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4 Wal-Mart, the multinational United States retailer, has bought a majority share in Massmart, the South African retailer. The South African Government has concerns that this may lead to an increase in cheap imports and a fall in demand for goods from local suppliers. Trade unions state that Wal-Mart's record in other countries has resulted in massive job losses.

(a) (i) Define the term 'multinational'.

(2)

(ii) Briefly explain **two** reasons why Wal-Mart might want to be involved in the retail market in South Africa.

(4)

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(iii) Do the advantages of a large, multinational retailer entering a country outweigh the disadvantages? Give reasons for your answer.

(6)

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Figure 4a shows the exchange rate of the British Pound (GBP) in terms of the Euro (EUR) and the Australian Dollar (AUD) in 2012 and 2013.

Exchange rate of GBP(£) to EUR and AUD in 2012 and 2013

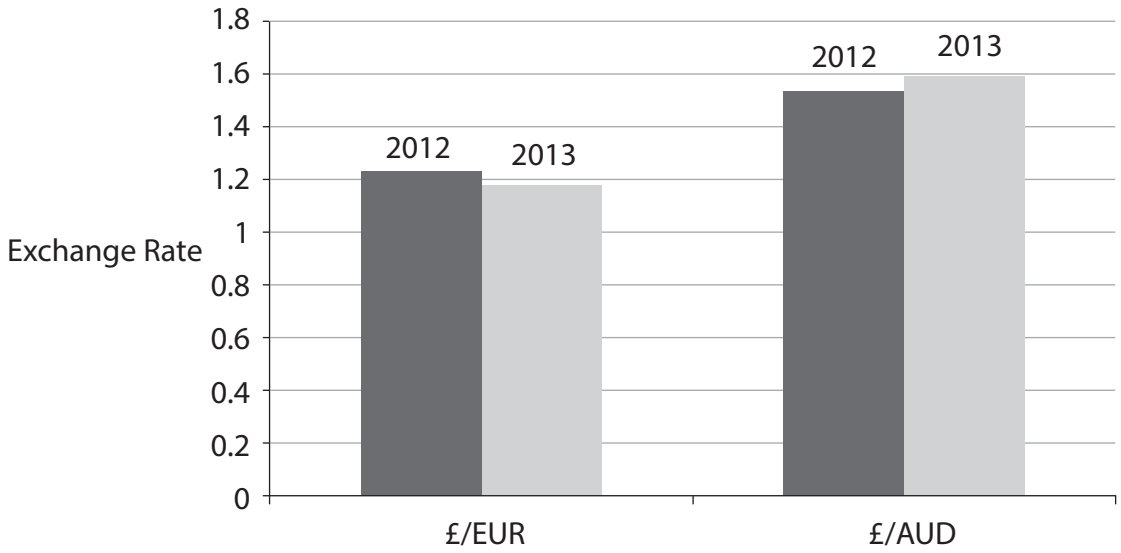


Figure 4a

(b) (i) From 2012 to 2013 the British pound depreciated against which currency?

(1)

☒ Euro (EUR)

☒ Australian Dollar (AUD)

(ii) Using the data in Figure 4a, explain your answer to (b)(i).

(3)

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(iii) Changes in a country's interest rates can affect the exchange rate of its currency. Explain this statement.

(4)

(iv) Identify and briefly explain **one** other factor that can affect the exchange rate of a country's currency.

(4)

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(v) Is the depreciation of its currency an advantage or disadvantage for a country? Give reasons for your answer.

(6)

(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS