www.dynamicpapers.com

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Friday 24 May 2019

Afternoon (Time: 1 hour 30 minutes) | Paper Reference **4EC1/01R**

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.

Turn over ▶

P60709A

©2019 Pearson Education Ltd.

1/1/1/1/1/1

P 6 0 7 0 9 A 0 1 2 0

Pearson

www.dynamicpapers.com

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 feature of an oligopoly?

(1)

☒ **A** Large firms dominate

☒ **B** Unique product

☒ **C** One firm dominates

☒ **D** No barriers to entry

(b) A firm has monthly total costs of $150 000 and monthly fixed costs of $90 000. If it produces 1,000 units, what are the monthly total variable costs for the firm?

(1)

☒ **A** $60

☒ **B** $90

☒ **C** $60 000

☒ **D** $240 000

(c) What is meant by the term luxury good?

(2)

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(d) State **one** factor that would affect price elasticity of supply (PES).

(1)

.....

.....

.....

(e) Define the term substitute good.

(1)

.....

.....

.....

Small but successful

Robert has been running a small business from a workshop in his own house for nine years. He has been carving door signs and gifts out of locally sourced wood. Rather than producing identical, standard items, he decided to only make products to meet the personal requirements of his customers. Each order is made specifically for them and reviews are very positive. Robert's success is due to a growing trend across the country as consumers increasingly prefer to buy locally sourced products.

(f) Calculate the price elasticity of supply for Robert's wooden door signs when the price increases by 5.2% and quantity supplied increases by 3.9%. You are advised to show your working.

(2)

.....

.....

.....

.....

.....

.....

www.dynamicpapers.com

(g) Using the diagram below, draw the effects on the market for locally sourced goods of more customers preferring to buy from local firms. Label the new curve, new equilibrium price and new equilibrium quantity.

(3)

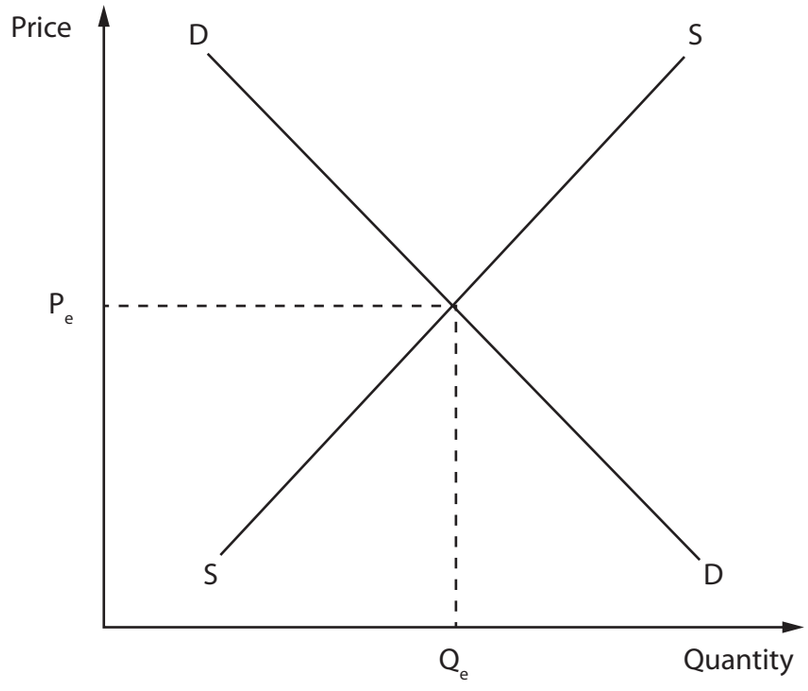


Figure 1

Robert is the only business specialising in handmade door signs in the local area.

(h) Explain **one** disadvantage for customers of Robert being the only local firm specialising in handmade door signs.

(3)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Despite his success, Robert has decided to keep his business small and not expand.

(i) With reference to the data in **'Small but successful'** and your knowledge of economics, analyse why Robert might have decided not to expand his business.

(6)

(Total for Question 1 = 20 marks)

www.dynamicpapers.com

2 (a) Which **one** of the following might be an aim of a firm in the private sector?

(1)

- ☒ **A** Maximise costs
- ☒ **B** Reduce interest rates
- ☒ **C** Maximise profits
- ☒ **D** Reduce economies of scale

Cyprus has a mixed economy.

(b) Which **one** of the following is most likely to be provided by the public sector in Cyprus?

(1)

- ☒ **A** Cars
- ☒ **B** Roads
- ☒ **C** Driving lessons
- ☒ **D** Petrol

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

France is a developed country.

(c) On the blank pie chart below, draw and label the approximate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a developed country such as France.

(3)

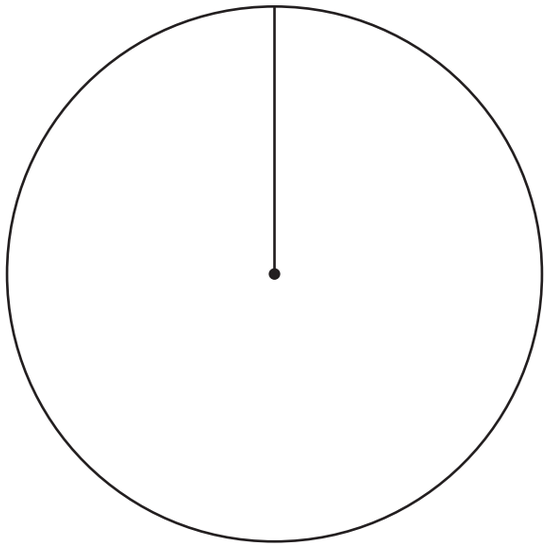


Figure 2

(d) Define the term free rider.

(1)

.....

.....

.....

(e) Describe **one** reason why congestion is an example of an external cost.

(2)

.....

.....

.....

.....

.....

.....

www.dynamicpapers.com

Who should have the flu injection?

Flu is an unpredictable virus that can cause mild or unpleasant illness in most people. It can cause severe illness and even death among vulnerable groups, including older people, pregnant women and people with other health problems. These groups may, therefore, receive a free vaccination in the UK, to ensure they are protected against the virus. Although most people receive their vaccination from a public sector doctor, the UK Government has to pay private sector pharmacies to also provide this service. The cost to the UK Government of funding these vaccinations is over £100m per year.

(Source: adapted from https://www.nhs.uk/conditions/vaccinations/who-should-have-flu-vaccine/)

(f) Explain **one** possible reason why the UK Government pays private sector pharmacies to provide the flu vaccination.

(3)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(g) With reference to the data in **'Who should have the flu injection?'** and your knowledge of economics, assess whether the cost to the UK Government of funding the flu vaccination can be justified.

(9)

www.dynamicpapers.com

(Total for Question 2 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

3 (a) Which **one** of the following may result in economic growth?

(1)

- ☒ **A** Increasing unemployment
- ☒ **B** Decreasing government spending
- ☒ **C** Decreasing productivity
- ☒ **D** Increasing technological advancements

(b) Which **one** of the following is an example of an economic want?

(1)

- ☒ **A** Food
- ☒ **B** Water
- ☒ **C** Shelter
- ☒ **D** Education

The total revenue of a printing firm is $75 000 per month when it sells 100,000 newspapers. The price of a newspaper increases to $0.85 and demand falls to 95,000 newspapers per month.

(c) Calculate the new total revenue. You are advised to show your working.

(2)

.....

.....

.....

.....

.....

.....

(d) Using your answer to 3 (c), state the price elasticity of demand for newspapers.

(1)

.....

.....

.....

www.dynamicpapers.com

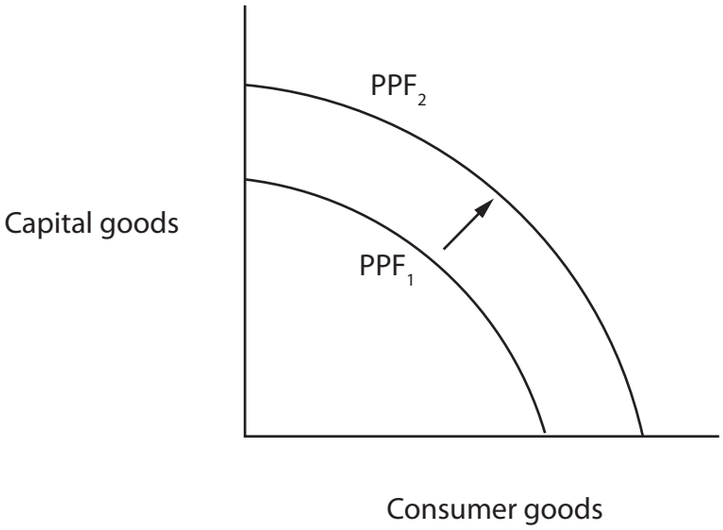


Figure 3

Figure 3 shows an outward shift in the production possibility frontier (PPF) for an economy.

(e) Analyse why the economy has moved from PPF_1 to PPF_2.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

South Africa has a new trade union federation

The newly formed trade union group, the South African Federation of Trade Unions (SAFTU), aims to represent workers in the country. In the past, trade unions in South Africa have played an important role, but the influence of trade unions has declined globally in recent years. SAFTU has nearly 700,000 members and is the second largest group of trade unions in South Africa.

(Source: adapted from http://theconversation.com/south-africa-has-a-new-trade-union-federation-can-it-break-the-mould-76609)

(f) With reference to the data above and your knowledge of economics, assess how trade unions, such as those in the SAFTU, might have an impact on the labour market.

(9)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 3 = 20 marks)

www.dynamicpapers.com

4 Figure 4 shows the quantity of a good supplied and demanded at different price levels.

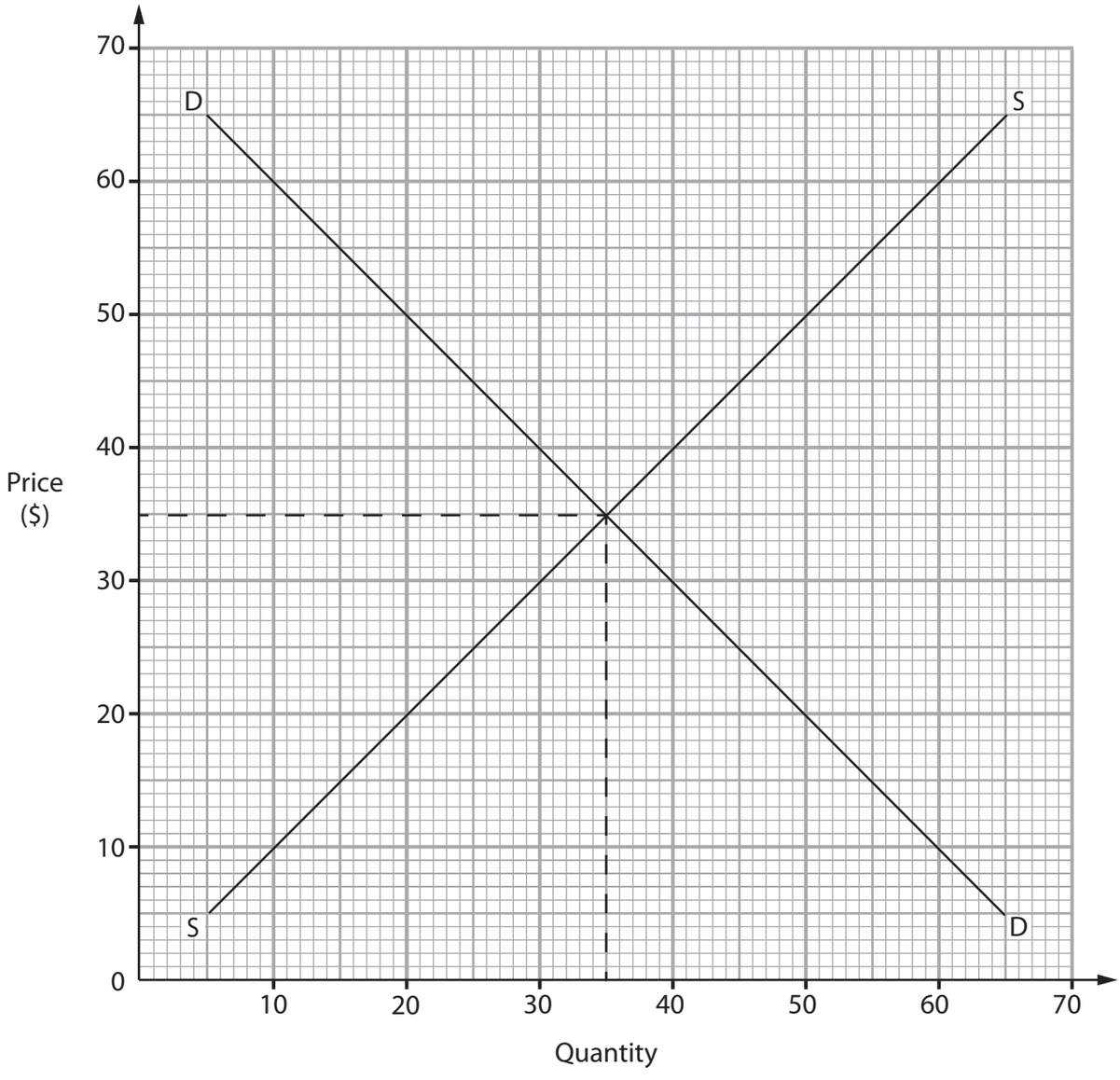


Figure 4

(a) Using the information in Figure 4, calculate the excess demand of goods in the market at a price of $20. You are advised to show your working.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

NBC Universal pays $7.75bn for Olympics through to 2032

The International Olympic Committee (IOC) announced it had agreed a $7.75bn deal with the USA television network, NBC Universal. This will extend its broadcasting rights to the Olympic Games up until 2032. The deal gives NBC Universal total control over all media platforms in the USA, including television, internet and mobile. A spokesman for NBC Universal said they were confident they would get back the high cost through advertising.

(Source: adapted from https://eu.usatoday.com/story/sports/olympics/2014/05/07/nbc-olympics-broadcast-rights-2032/8805989/

(b) With reference to the data above and your knowledge of economics, analyse the benefits to NBC Universal of agreeing this deal with the IOC.

(6)

www.dynamicpapers.com

Figure 5 shows the market share in South America of search engine providers, between October 2016 and October 2017.

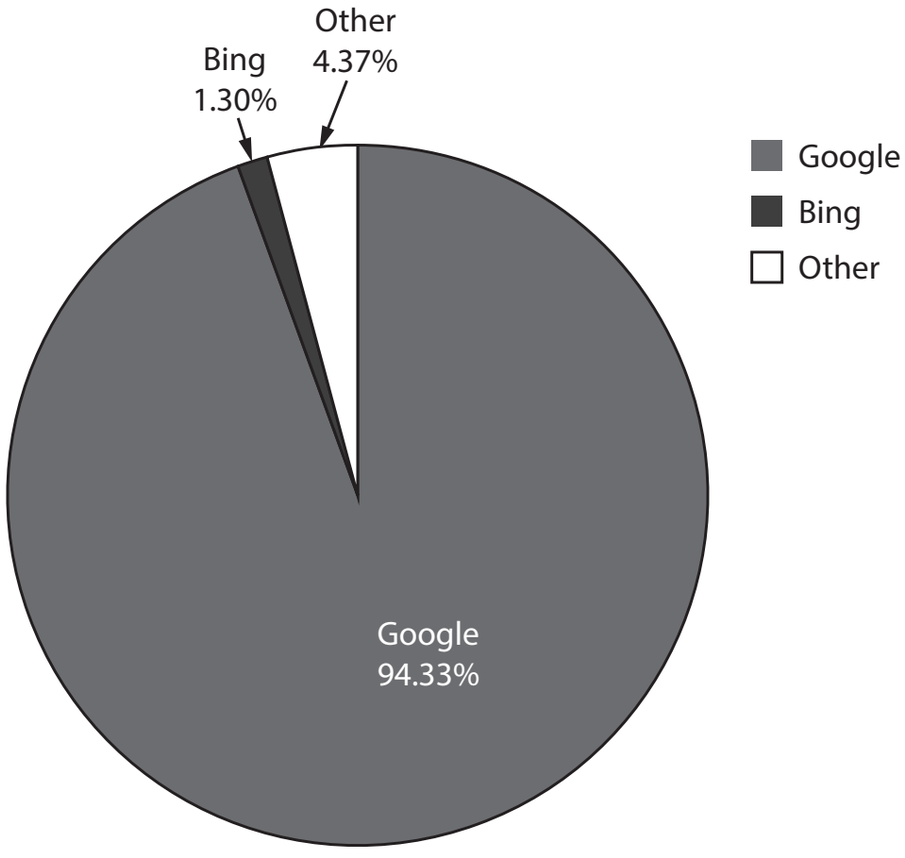


Figure 5

(Source: adapted from http://gs.statcounter.com/search-engine-host-market-share/all/south-america#monthly-201610-201710-bar)

Consumers do not pay to use search engines but firms pay to advertise on them. Google, because of the size of its market share, is considered to be a monopoly.

(c) With reference to the data above and your knowledge of economics, evaluate the extent to which firms can benefit from advertising on Google.

(12)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA