Please check the examination details below before entering your candidate information

Candidate surname | Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Tuesday 9 January 2024

Afternoon (Time: 1 hour 45 minutes) | **Paper reference** **WEC11/01**

Economics
International Advanced Subsidiary
UNIT 1: Markets in action

You must have:
Source Booklet (enclosed)

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 in Sections A, B and C.
- Answer **ONE** question in Section D.
- Answer the questions in the spaces provided
  – *there may be more space than you need*.

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*.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

SECTION A

Answer ALL questions in this section.

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 Which **one** of the following is a characteristic of symmetric information?

☒ **A** Buyers have more information than sellers

☒ **B** Sellers have more information than buyers

☒ **C** Buyers and sellers have the same level of information

☒ **D** Buyers and sellers experience market failure

(Total for Question 1 = 1 mark)

2 70 million citizens in Bangladesh live in areas where there is a risk of flooding.

The Government of Bangladesh plans to spend $400 billion to build 600 kilometres of sea defences.

Sea defences are an example of which **one** of the following?

☒ **A** Consumer goods

☒ **B** Free goods

☒ **C** Private goods

☒ **D** Public goods

(Total for Question 2 = 1 mark)

3 The cross elasticity of demand for Pepsi Cola with respect to a change in the price of Coca-Cola is estimated to be +0.62 in North America.

Which **one** of the following can be deduced from this information?

☒ **A** Pepsi Cola and Coca-Cola are complements

☒ **B** Pepsi Cola and Coca-Cola are substitutes

☒ **C** Pepsi Cola and Coca-Cola are unrelated goods

☒ **D** Pepsi Cola and Coca-Cola are normal goods

(Total for Question 3 = 1 mark)

4 The diagram represents the market for wheat in India. The Government of India operates a minimum price scheme for wheat. It agrees to buy any surpluses from farmers at the minimum price of 0E.
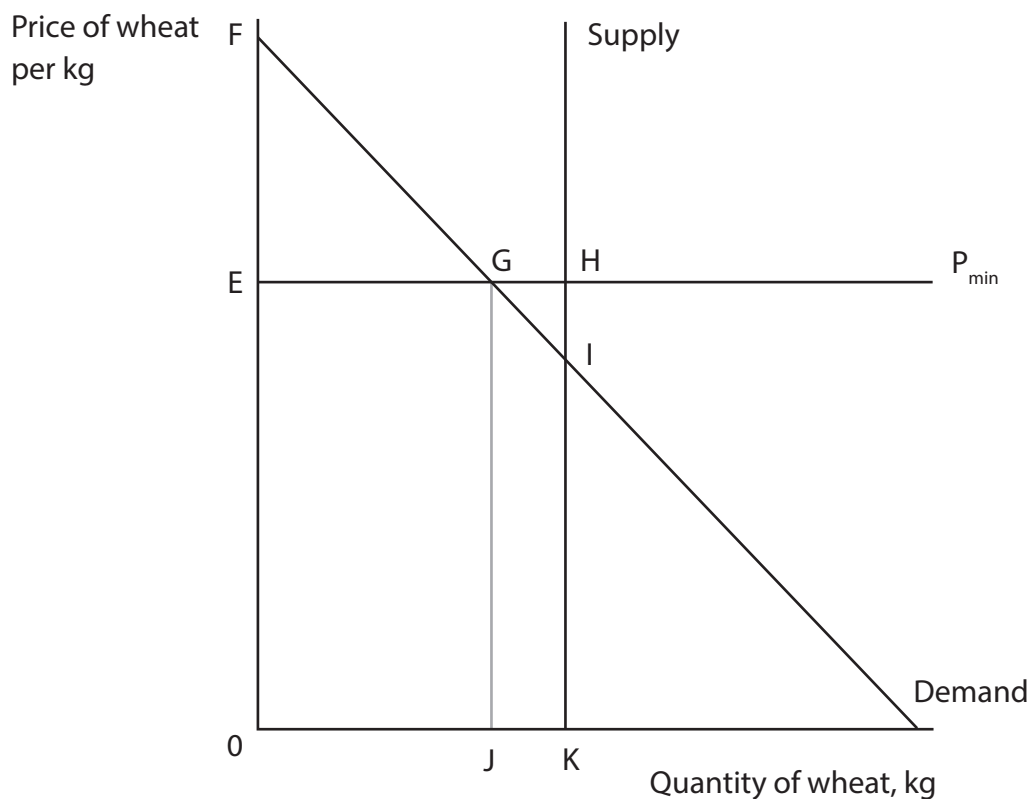
Which **one** of the following can be deduced from this information?

☒ **A** The Government will spend GHKJ

☒ **B** The Government will spend EFG

☒ **C** The Government will spend GHI

☒ **D** The Government will spend EHK0

(Total for Question 4 = 1 mark)

5 The chart shows the sources of electricity generation for Brazil in 2021.

Other renewables
11%

Solar
2%

Oil
3%

Coal
4%

Wind
11%

Gas
14%

Hydropower
55%
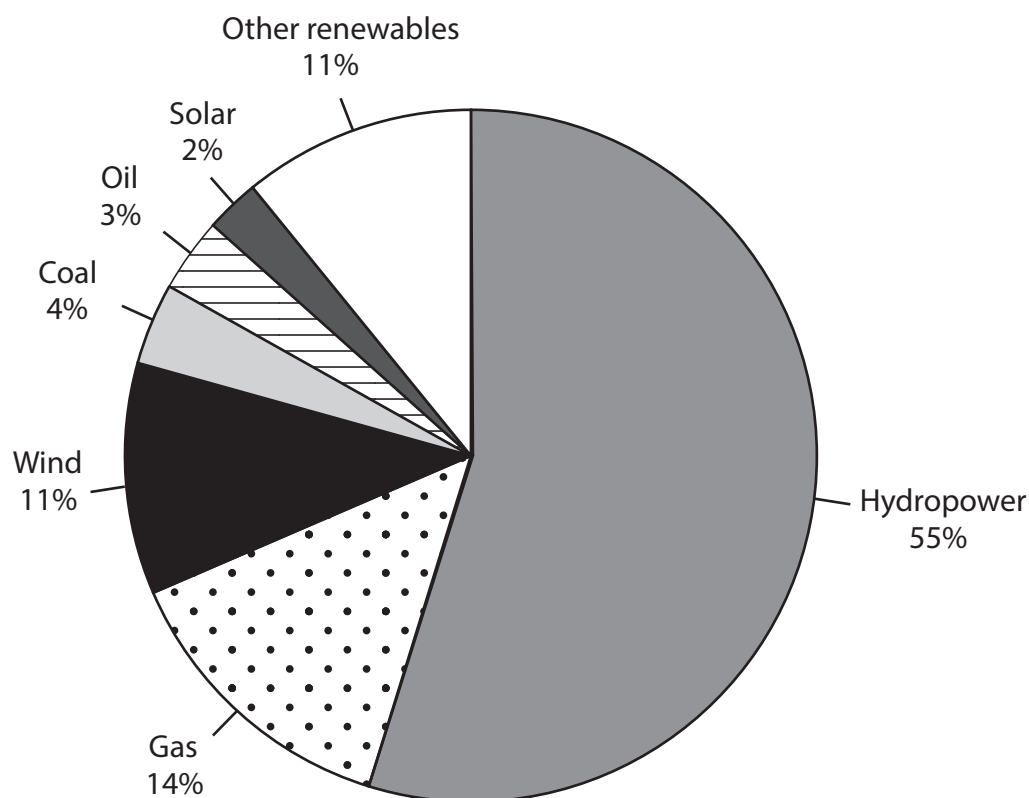
Which **one** of the following can be deduced from the chart?

☒ **A** Electricity is mostly generated from non-renewable resources

☒ **B** Electricity is mostly generated from renewable resources

☒ **C** 21% of electricity is generated using renewable resources

☒ **D** 79% of electricity is generated using non-renewable resources

(Total for Question 5 = 1 mark)

6 The diagram shows the production possibility frontier (PPF) for a small country.
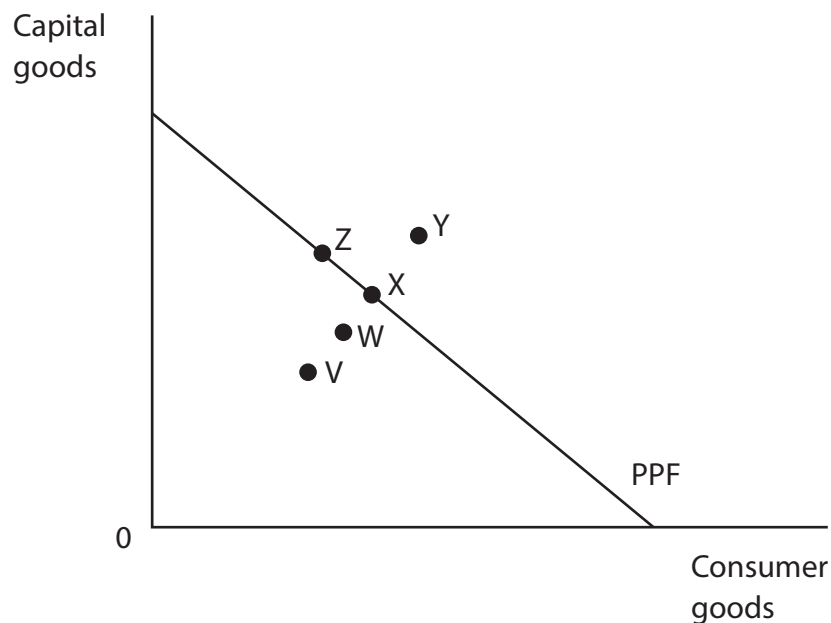
Which **one** of the following can be deduced from the diagram?

☒ **A** The movement from Z to Y is obtainable using currently available resources

☒ **B** The movement from Z to X has an opportunity cost in terms of consumer goods

☒ **C** The movement from V to W results in a decrease in unemployment

☒ **D** The movement from X to W results in an increase in efficiency

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section. Write your answers in the spaces provided.

7 According to research, university education results in substantial external benefits. These include longer life expectancy, less crime, lower welfare payments and the adoption of new technology.

Draw a diagram to illustrate these external benefits.

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(Total for Question 7 = 4 marks)

8 Unilever, a manufacturer of food, personal care and home care products, experienced an increase in total costs of €4.4 billion in 2022. As a result, the company raised its prices, on average, by 13.2% in Europe. Consequently, there was a 6.8% decrease in the number of items sold by Unilever because consumers switched to cheaper alternatives.

With reference to this information, explain what is meant by the term 'rational decision making'.

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(Total for Question 8 = 4 marks)

P 7 3 4 8 2 A 0 7 2 8

9 In 2022 the Government of Zimbabwe introduced a tax on energy drinks of $0.05 per litre and a tax on smartphones of $50 per device. In 2023 the Government increased its VAT (consumption tax) rate from 14.5% to 15%.

With reference to Zimbabwe, explain the difference between a 'specific tax' and an 'ad valorem tax'.

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(Total for Question 9 = 4 marks)

10 The table shows the global volume of olive oil produced in tonnes and the global price of olive oil per tonne in 2021 and 2022.

Year	Volume of olive oil produced in tonnes	Price of olive oil, per tonne
2021	2.93m	$4 125
2022	3.27m	$5 145

Ceteris paribus, calculate the price elasticity of supply for olive oil. Show your workings.

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(Total for Question 10 = 4 marks)

P 7 3 4 8 2 A 0 9 2 8

11 Between 2017 and 2022 the cost to produce a Tesla electric vehicle decreased, on average, from \$84 000 to \$36 000. Other electric vehicle manufacturers experienced similar reductions in production costs.

*Ceteris paribu*s, explain the likely impact of this change in production costs on producer surplus in the electric vehicle market.

Illustrate your answer with a supply and demand diagram.

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(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

Write your answers in the space provided on the following pages.

12 (a) Define the term 'price elasticity of demand'. (Figure 2)

(2)

(b) Between 2020 and 2021 real incomes increased by 6.8% in Beijing.

With reference to Figure 2, explain whether chicken is a normal good or an inferior good.

(4)

(c) With reference to Figure 1 and the first paragraph of Extract A, analyse **one** demand reason and **one** supply reason why the price of chicken increased by 147% between May 2020 and May 2022.

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to the second and third paragraphs of Extract A, examine **two** external costs associated with chicken production.

(8)

(e) With reference to Extract B and your own knowledge, discuss the impact of the introduction of an indirect tax on 'junk food'.

Illustrate your answer with an appropriate diagram.

(14)

12 (a) Define the term 'price elasticity of demand'. (Figure 2)

(2)

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(b) Between 2020 and 2021 real incomes increased by 6.8% in Beijing.

With reference to Figure 2, explain whether chicken is a normal good or an inferior good.

(4)

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(c) With reference to Figure 1 and the first paragraph of Extract A, analyse **one** demand reason and **one** supply reason why the price of chicken increased by 147% between May 2020 and May 2022.

Illustrate your answer with a supply and demand diagram.

(6)

P 7 3 4 8 2 A 0 1 4 2 8

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(d) With reference to the second and third paragraphs of Extract A, examine **two** external costs associated with chicken production.

(8)

P 7 3 4 8 2 A 0 1 6 2 8

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(e) With reference to Extract B and your own knowledge, discuss the impact of the introduction of an indirect tax on 'junk food'.

Illustrate your answer with an appropriate diagram.

(14)

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(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

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SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 According to a German insurance company, global natural disasters have become more common in recent years. For example, there was an increase in natural disasters from 400 in 1990 to 820 in 2019.

Evaluate the microeconomic effects of an increase in the number of natural disasters.

Include at least one appropriate diagram in your answer.

(Total for Question 13 = 20 marks)

OR

14 In 2022 General Motors received a $1 billion subsidy from the US Government to open two new electric vehicle factories in the USA. This was expected to generate 4 000 new jobs.

Evaluate the microeconomic effects of subsidies paid to electric vehicle manufacturers.

Include at least one appropriate diagram in your answer.

(Total for Question 14 = 20 marks)

Indicate which question you are answering by marking a cross in the box ⊠. If you change your mind, put a line through the box ⊠ and then indicate your new question with a cross ⊠.

Chosen question number: **Question 13** ⊠ **Question 14** ⊠

Write your answer here:

P 7 3 4 8 2 A 0 2 3 2 8

P7 3 4 8 2 A 0 2 4 2 8

P 7 3 4 8 2 A 0 2 5 2 8

P 7 3 4 8 2 A 0 2 6 2 8

TOTAL FOR SECTION D = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

P7 3 4 8 2 A 0 2 7 2 8

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Pearson Edexcel International Advanced Level

Tuesday 9 January 2024

Afternoon (Time: 1 hour 45 minutes)

Paper reference **WEC11/01**

Economics
International Advanced Subsidiary
UNIT 1: Markets in action

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

Sources for use with Section C

The markets for chicken and 'junk food'

Figure 1

Global price of chicken, $ per kilogram, May 2020 to May 2022
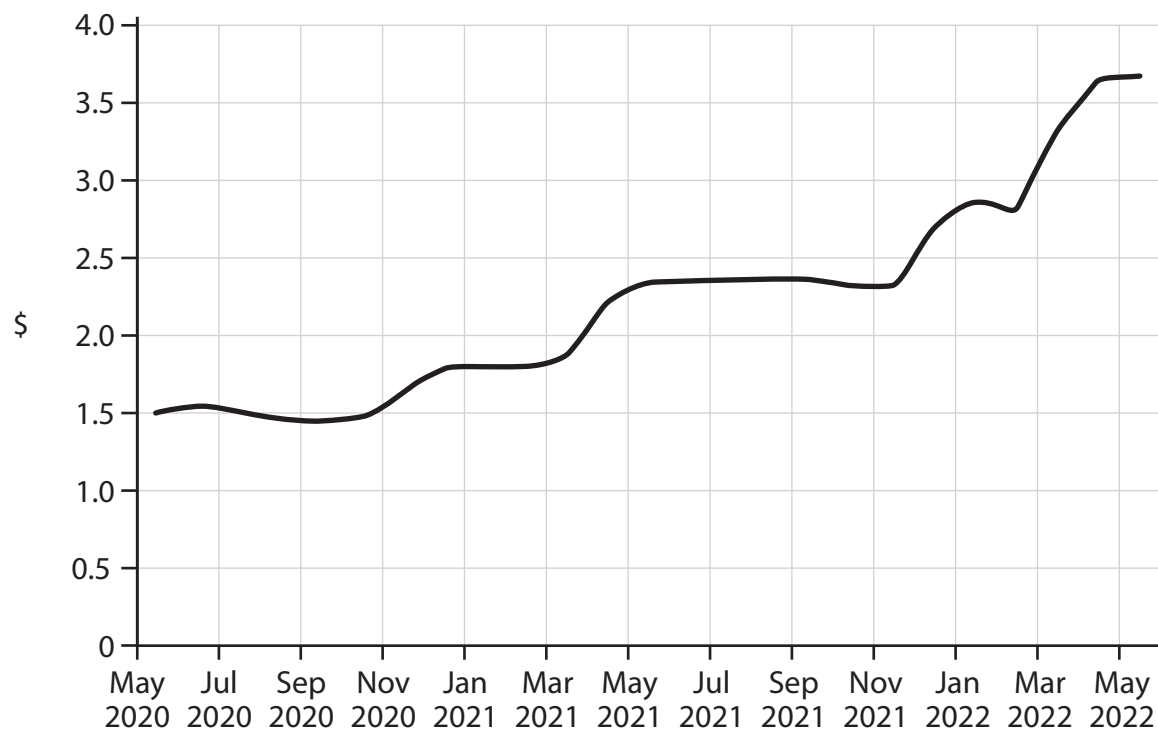
Figure 2

Estimated price elasticity of demand and estimated income elasticity of demand for chicken in Beijing, China for 2021

Price elasticity of demand	−0.55
Income elasticity of demand	+1.04

Figure 2

Estimated price elasticity of demand and estimated income elasticity of demand for chicken in Beijing, China for 2021

Extract A The global price of chicken

Between May 2020 and May 2022 the price of chicken increased by 147%. Problems in corn and wheat production resulted in a 20% increase in the cost of chicken feed. In addition, an outbreak of bird flu meant that, between October 2021 and December 2022, 140 million chickens globally could not be sold for consumption. At the same time, 5 chicken became a more popular choice for consumers because it is considered to be a healthier option than other meats.

The production of one kilogram (kg) of chicken:
– uses 957 litres of water
– uses 0.9kg of grain to feed the chickens 10
– produces 0.7kg of carbon dioxide.

Globally, 345 billion kg of chickens are produced per year. Consequently, chicken production has a substantial impact on the environment. However, compared to 1965, producing the same amount of chicken has a 50% less negative impact on the environment. 15

Extract B 'Junk food' consumption

'Junk food' is a term used for foods that are high in calories, salt, sugar or fat and are low in nutrients. It includes burgers, fried chicken, pizza, chips and ice cream. Between 2020 and 2021, the global market for fast food (that includes junk food) grew from $862 billion to $972 billion and it is expected to grow further to $1 467 billion by 2028. The World 5 Health Organization (WHO) estimated that junk food contributed to 770 million people being obese in 2020. By 2030 it estimates that there will be over 1 billion obese people. Obesity increases the risk of cancer, heart disease and diabetes. In developed countries, treating obesity-related issues accounts for 8.4% of expenditure on healthcare.

Several governments have introduced taxes on junk food. For example: 10

• In 2011 the Government of Denmark introduced a tax on foods containing high levels of fat. This caused an increase in the price of these foods and resulted in job losses. As a result, the Government abandoned this tax in 2012

• In 2011 the Government of Hungary imposed taxes on food containing high levels of salt and sugar. This resulted in a 73% reduction in consumption of these foods. 15 Demand for bottled water, fruit and vegetables increased

• In 2013 the Government of Mexico introduced a tax on high-calorie foods. This resulted in a 7% decline in junk food consumption between 2013 and 2018.

The WHO has recommended that more countries should introduce indirect taxes on junk food as a means of improving health. 20

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