

Please check the examination details below before entering your candidate information

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Pearson Edexcel International Advanced Level

Wednesday 8 January 2025

Morning (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.

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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 Singapore is considered to be close to being a free market economy, with low tax rates, minimal regulations on businesses and a reliance on the price mechanism.

Which **one** of the following is a disadvantage of a free market economy?

- A The profit incentive encourages investment
- B The non-provision of public goods
- C The possibility of government failure
- D An equal distribution of income

(Total for Question 1 = 1 mark)

- 2 Between November 2022 and November 2023, the average price of milk decreased by 36.8% in Ireland.

Which **one** of the following is most likely to result from the introduction of a minimum guaranteed price for milk above the equilibrium price?

- A An excess supply of milk
- B An excess demand for milk
- C An increase in consumer surplus
- D A decrease in producer surplus

(Total for Question 2 = 1 mark)

- 3 In 2022 it was estimated that \$5.8 trillion worth of money was circulating in the USA.

Which **one** of the following is a function of money?

- A To create a moral hazard
- B To extend property rights
- C To regulate financial markets
- D To act as a medium of exchange

(Total for Question 3 = 1 mark)

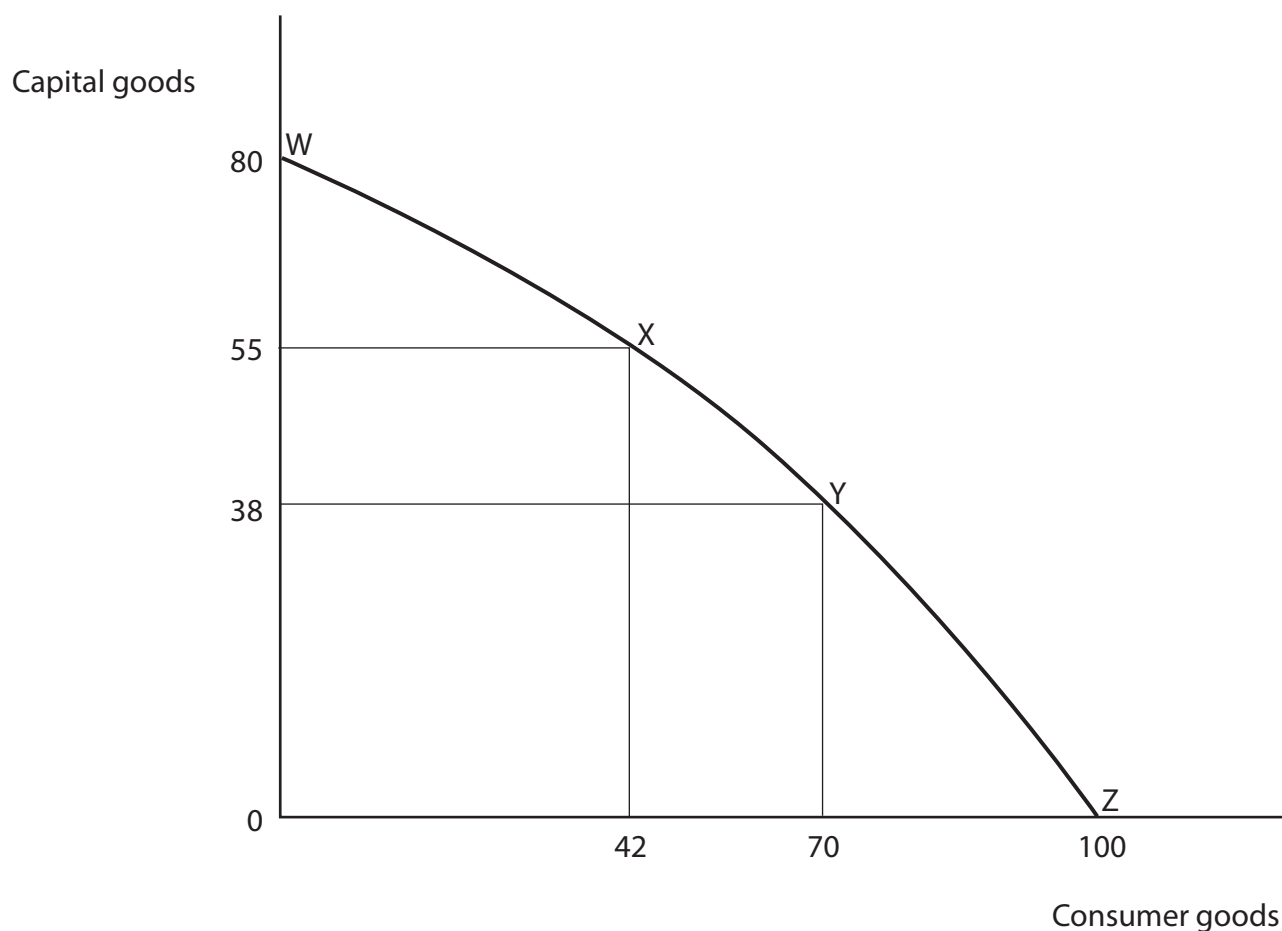
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4 The diagram shows the production possibilities for an economy.



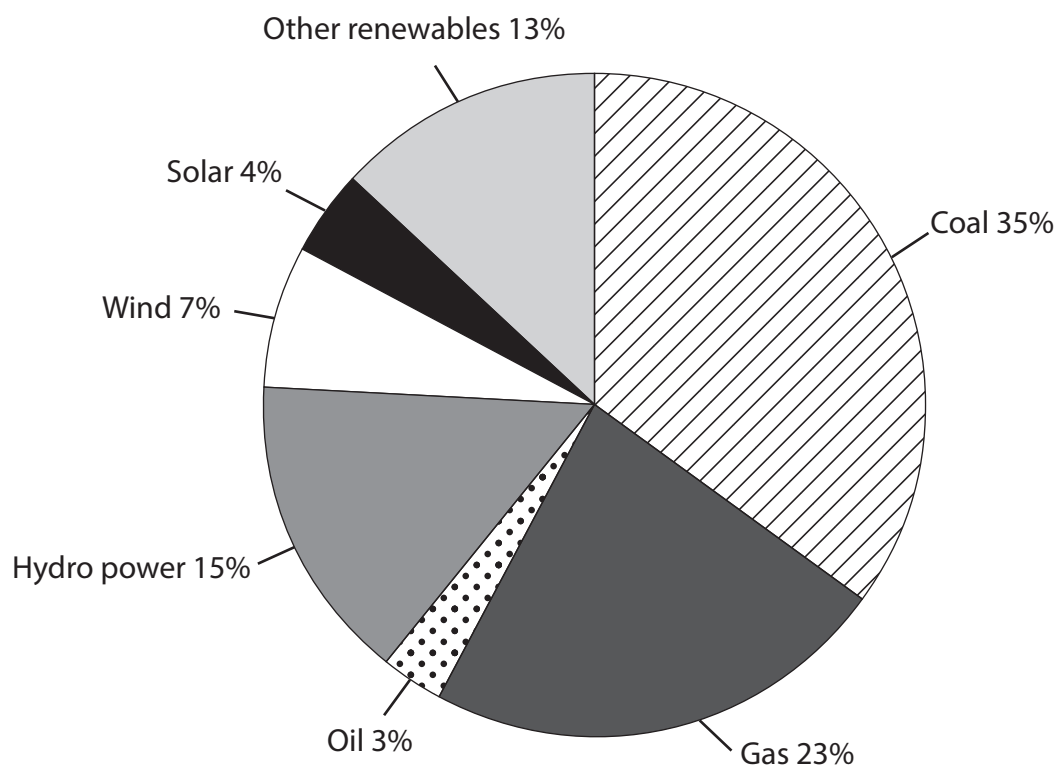
Which **one** of the following can be deduced from the diagram?

- A The movement from W to X has an opportunity cost of 42 consumer goods
- B The movement from Y to Z has an opportunity cost of 30 consumer goods
- C The movement from X to Y has an opportunity cost of 17 capital goods
- D The movement from Y to X has an opportunity cost of 28 capital goods

(Total for Question 4 = 1 mark)



5 The chart shows the resources used to generate electricity globally in 2022.



(Source: <https://www.worldenergydata.org/world-electricity-generation/>)

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

- A Electricity was mostly generated using renewable resources
- B Electricity was mostly generated using non-renewable resources
- C 58% of electricity was generated using non-renewable resources
- D 26% of electricity was generated using renewable resources

(Total for Question 5 = 1 mark)



- 6 The table shows the estimated cross elasticities of demand for selected types of vehicle with respect to a change in the price of petrol vehicles in Norway.

| Types of vehicles | Cross elasticity of demand |
|-------------------|----------------------------|
| Electric | +0.19 |
| Plug-in hybrid | +0.25 |
| Diesel | +0.64 |

(Source: adapted from <https://etr.springeropen.com/articles/10.1186/s12544-020-00454-2>)

Ceteris paribus, which **one** of the following can be deduced from this information?

- A All three types of vehicle are normal goods
- B All three types of vehicle are inferior goods
- C All three types of vehicle are complements of petrol vehicles
- D All three types of vehicle are substitutes for petrol vehicles

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.



SECTION C

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

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

- 12 (a) Define the term 'forward market'. (Extract A, line 10) (2)
- (b) With reference to Figure 1 and Extract A, analyse **one** supply factor and **one** demand factor that caused the price of cocoa to increase by approximately 68% between November 2022 and November 2023. (6)
- Illustrate your answer with a supply and demand diagram.
- (c) With reference to Figure 2, explain the term 'price inelastic supply'. Refer to the short-run and the long-run in your answer. (4)
- (d) With reference to Extract C, examine **two** effects of the Government of Ghana's decision to end the subsidies paid to cocoa farmers. (8)
- (e) With reference to Extract B, discuss the likely external costs associated with cocoa production. (14)
- Illustrate your answer with an externalities diagram.

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12 (a) Define the term 'forward market'. (Extract A, line 10)

(2)

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(b) With reference to Figure 1 and Extract A, analyse **one** supply factor and **one** demand factor that caused the price of cocoa to increase by approximately 68% between November 2022 and November 2023.

Illustrate your answer with a supply and demand diagram.

(6)

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(d) With reference to Extract C, examine **two** effects of the Government of Ghana's decision to end the subsidies paid to cocoa farmers.

(8)

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(e) With reference to Extract B, discuss the likely external costs associated with cocoa production.

Illustrate your answer with an externalities diagram.

(14)

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(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS



SECTION D**Answer ONE question from this section.****Write your answer in the space provided.****EITHER**

- 13** In 2015 the Government of South Korea introduced a tradeable pollution permit scheme. This scheme applies to 70% of all businesses and includes power generation, manufacturing and domestic aviation.

Evaluate the possible benefits of introducing a tradeable pollution permit scheme.

(Total for Question 13 = 20 marks)

OR

- 14** Between 2012 and 2021 government spending on education per person per year in high-income countries increased from \$7 507 to \$8 515. In low-income countries the increase was from \$42 to \$56 per person.

Evaluate the microeconomic benefits of increased spending on education.

(Total for Question 14 = 20 marks)

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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:

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



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Pearson Edexcel International Advanced Level**Wednesday 8 January 2025**

Morning (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* ►**P78461A**©2025 Pearson Education Ltd.
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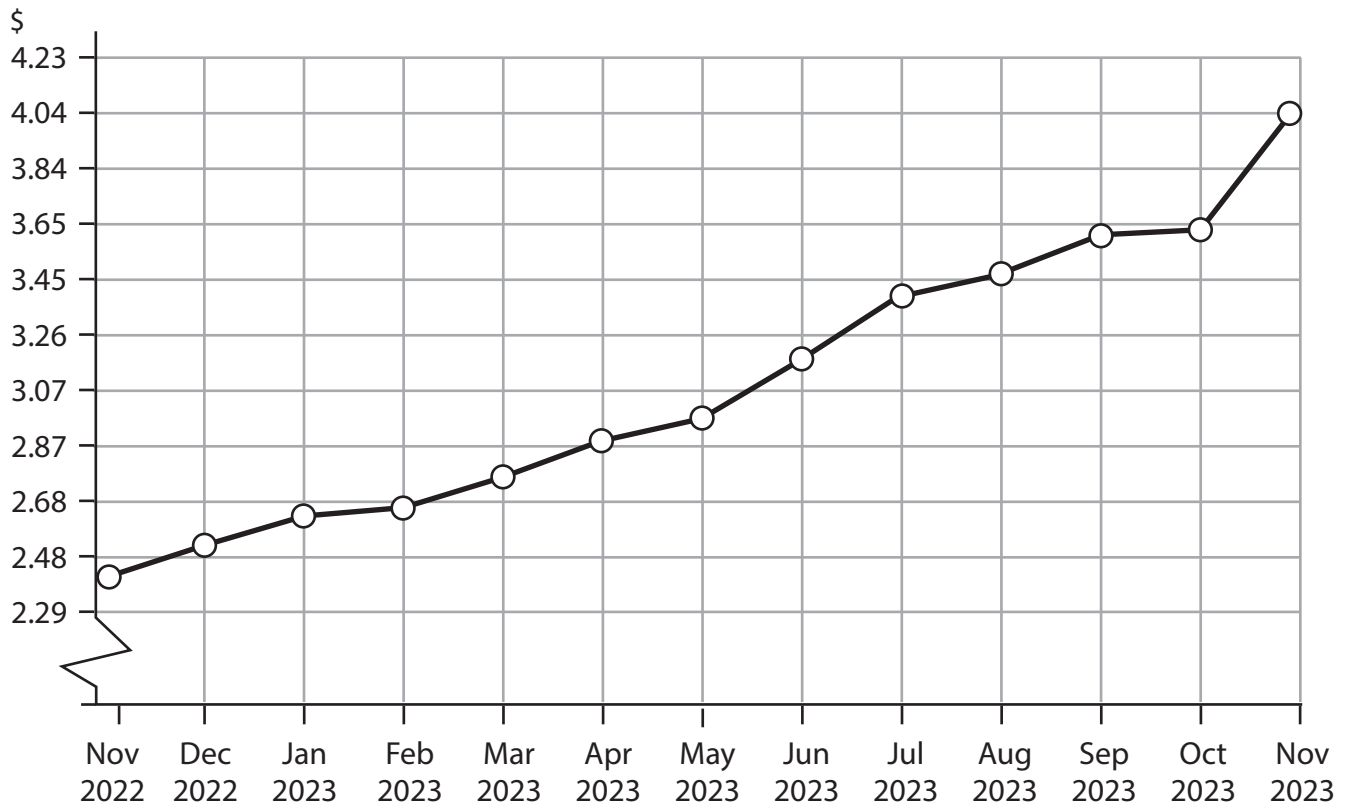
P 7 8 4 6 1 A


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Sources for use with Section C.

The cocoa market

Figure 1 World price of cocoa, dollars per kilogram, November 2022 to November 2023



Extract A Cocoa price rises rapidly

By November 2023 cocoa prices were at their highest level for 46 years. Between November 2022 and November 2023 prices increased by approximately 68%.

Côte d'Ivoire, the world's largest grower, experienced a 36.3% decrease in production compared to the previous year. Flooding and swollen shoot disease on cocoa farms caused this significant fall in cocoa production.

5

More cocoa has been required by the chocolate and drinking chocolate markets. There is growing evidence of the health benefits of cocoa so chocolate makers and drinking chocolate makers have been increasing the cocoa content in their products.

The forward market price for cocoa for six months' time more than doubled between April 2023 and April 2024.

10

Figure 2 Estimated price elasticity of supply for cocoa

| | Estimated elasticity |
|--------------------------------------|-----------------------------|
| Short-run price elasticity of supply | +0.07 |
| Long-run price elasticity of supply | +0.57 |

Extract B The true cost of cocoa production

Cocoa farming has resulted in the loss of large areas of rainforest. Over the last three decades the increase in cocoa farming has resulted in a 70% loss of the forests in Ghana and Côte d'Ivoire.

Between 2014 and 2019 the use of pesticides in the production of cocoa increased by 20% in Ghana and Côte d'Ivoire. These pesticides are often highly hazardous and may cause cancer. In addition, they can pollute drinking water and rivers. 5

The percentage of earnings for each sector involved in the chocolate market is as follows:

- Cocoa farmers 6.6%
- Transport businesses 2.1% 10
- Processors 7.6%
- Marketing businesses 4.3%
- Chocolate manufacturers 35.2%
- Retailers 44.2%

Many cocoa farmers have difficulty in meeting their basic needs. Some are even unable to afford sufficient food, shelter or clothing. As farmers struggle to survive financially, many now employ children. Between 2009 and 2019 the percentage of workers on cocoa plantations who were children increased from 5% to 24% in Ghana and Côte d'Ivoire. 15

Extract C Subsidies for cocoa farmers in Ghana

Between 2019 and 2020 the Government of Ghana increased the amount it spent subsidising cocoa farmers from \$200 million to \$400 million. The funds were paid to enable farmers to purchase fertiliser and to ensure that farmers' incomes were not too low. However, the Government found it difficult to fund these payments to cocoa farmers and it decided to end these subsidies in 2023. 5



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Acknowledgements

Figure 1 adapted from:

<https://www.indexmundi.com/commodities/?commodity=cocoa-beans&months=12>

Extract A adapted from:

<https://tradingeconomics.com/commodity/cocoa>

<https://www.reuters.com/markets/commodities/chocolate-making-ingredient-cocoa-hits-highest-price-46-years-2023-06-28/>

<https://www.investing.com/commodities/london-cocoa>

Figure 2 adapted from:

<https://ageconsearch.umn.edu/record/258587>

Extract B adapted from:

<https://www.iisd.org/system/files/2022-11/2022-global-market-report-cocoa.pdf>

https://www.inkota.de/sites/default/files/2023-08/info_sheet_pesticides_in_cocoa_production_en_final.pdf

<https://www.visualcapitalist.com/wp-content/uploads/2020/10/supplemental-3.jpg>

Extract C adapted from:

<https://thecocoapost.com/ghana-pays-400m-yearly-in-subsidies-as-cocoa-prices-tumble/>

<https://www.bloomberg.com/news/articles/2023-05-19/imf-backed-program-aims-to-cut-ghana-cocoa-regulator-s-losses>