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Pearson Edexcel
International GCSE

Centre Number	Candidate Number
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Economics
Paper 1

Monday 6 June 2016 – Afternoon Time: 2 hours 30 minutes	Paper Reference 4EC0/01R
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You do not need any other materials.	Total Marks
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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. Write your answers in the spaces provided.

Some questions must be answered with a cross . 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 1 shows the market for tea.

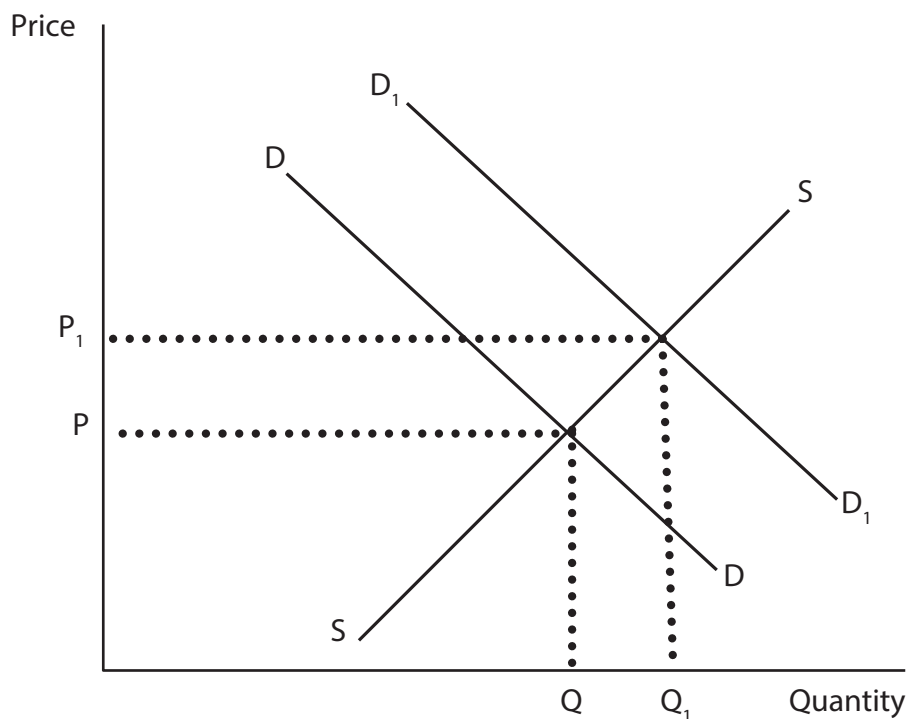


Figure 1

(a) (i) In Figure 1 the shift in the demand curve from D to D_1 is most likely to have resulted from

(1)

- A** an increased preference for tea by consumers
- B** a health scare concerning the safety of drinking tea
- C** an increase in the price of tea
- D** a fall in consumer incomes



Global tea prices are forecast to rise in the international market this year.

(ii) Identify and briefly explain **two supply** factors which might explain this trend.

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(b) (i) Define the term price elasticity of demand.

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Table 1 shows the relationship between price elasticity of demand and total revenue. Fill in the missing words in Table 1.

(3)

Price elasticity of demand	Price change	Effect on total revenue
Elastic	Fall	(ii)
Elastic	(iii)	Decrease
(iv)	Increase	Increase

Table 1

(v) It has been suggested that the demand for tea is more price elastic than the demand for fuel for cars. Do you agree with this statement? Explain your answer.

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- (c) (i) Identify and briefly explain **one** factor that may determine the demand for tea workers.

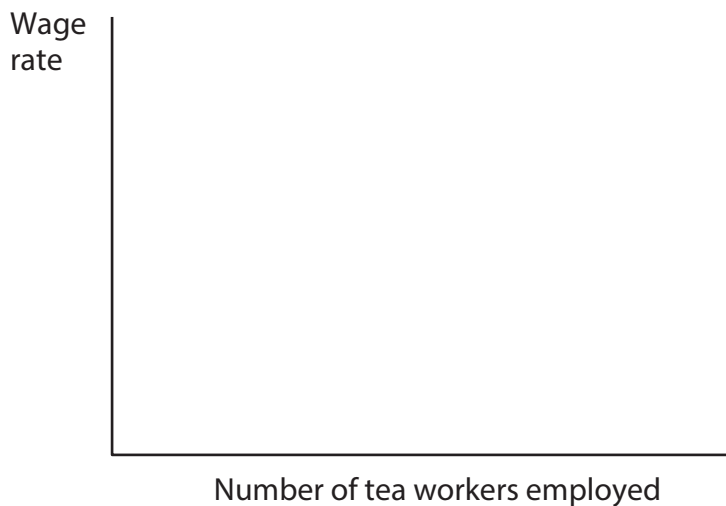
(3)



P 4 5 9 1 6 A 0 5 2 4

(ii) With the aid of a diagram, explain what might happen to wage rates and employment for tea workers if the demand for tea increases. Draw your diagram in the space provided.

(5)



Explanation

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(d) Examine the reasons why both the public sector and the private sector produce goods and services in a mixed economy. Illustrate your answer with relevant examples.

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(Total for Question 1 = 30 marks)



2 (a) (i) Define the term productivity of labour.

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(ii) Explain **two** ways a firm could increase the productivity of labour.

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Factors of production are resources used to produce goods and services in an economy.

(iii) State the **two** missing factors of production.

(2)

- 1 Land
- 2 Labour
- 3
- 4

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(b) (i) Define the term internal economies of scale.

(2)

In 2010 British Airways and Iberia Airways joined together to form IAG, Europe's third largest airline. One reason given for the merger was that the combined larger company (IAG) would be able to benefit from internal economies of scale.

(ii) Discuss the extent to which the merger between British Airways and Iberia Airways will benefit consumers.

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Handmade sweets, usually sold in small independent shops, are becoming popular in the United Kingdom.

(c) (i) Identify **one** possible example of a variable cost for this type of sweet shop. (1)

(ii) Explain why the example you have given in (c)(i) may be considered a variable cost. (2)



Table 2 shows cost information for a sweet shop. Fill in the missing values in Table 2.

Output (bags of sweets)	Total fixed costs £	Total variable costs £	Total cost £
100	30	(iii)	120
200	(iv)	170	200
300	30	240	(v)

Table 2

(3)

Space for workings if required.

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(vi) Each bag of handmade sweets is sold for £1.50. How much profit is made when the shop sells 300 bags? Show your workings.

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(d) The main reason governments try to influence the location of firms is to provide a solution to the problem of regional unemployment. To what extent do you agree with this view? Give reasons for your answer.

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(Total for Question 2 = 30 marks)



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3 (a) (i) Briefly explain what is meant by cyclical unemployment.

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(ii) Briefly explain what is meant by frictional unemployment.

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(iii) Expansionary fiscal policy will always reduce unemployment. Do you agree with this statement? Give reasons for your answer.

(6)

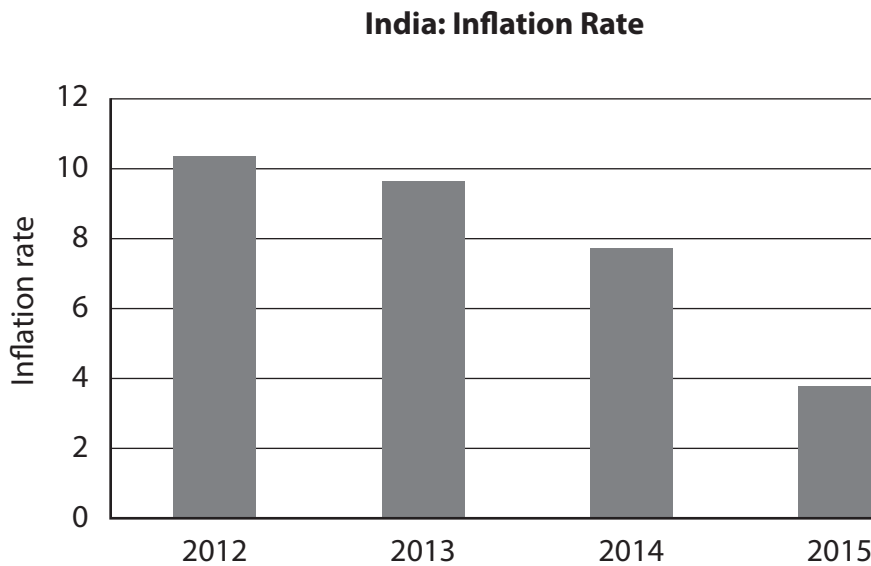
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(Source: <http://www.tradingeconomics.com/india/inflation-cpi>)

Figure 3

- (b) (i) Using the data in Figure 3, describe what happened to prices in India from **2014 to 2015**.

(3)

- (ii) Briefly explain the effect on the Indian Consumer Price Index if food prices in India rise over the coming months.

(2)



(iii) Identify and briefly explain **one** reason why higher inflation may lead to an increase in business costs.

(3)

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(c) (i) Briefly explain **one** reason why protecting the environment is an increasing concern for governments.

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(ii) Identify and briefly explain **two** methods that governments may use to protect the environment.

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(iii) Protecting the environment may have a **negative impact** on economic growth. Do you agree with this statement? Give reasons for your answer.

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(Total for Question 3 = 30 marks)



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- 4 (a) (i) A US firm buys £500 000 worth of goods from a British firm. If the exchange rate is £1=\$1.50, what is the cost to the US firm in dollars (\$) ? Show your workings.

(2)

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Complete Table 4 below to indicate how each change might affect the value of US \$.

(3)

Changes affecting exchange rate	Appreciate	Depreciate
(ii) The demand for imports falls in the US	<input type="checkbox"/>	<input type="checkbox"/>
(iii) The rate of interest falls in the US	<input type="checkbox"/>	<input type="checkbox"/>
(iv) Currency speculators expect the exchange rate of US \$ to rise	<input type="checkbox"/>	<input type="checkbox"/>

Table 4

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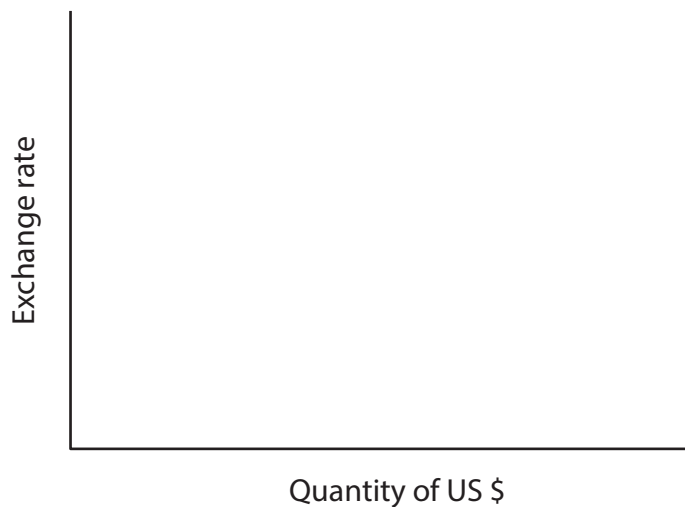
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(v) With the aid of a diagram, explain your answer to (a)(iv). Draw your diagram in the space provided.

(5)



Explanation

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(b) (i) Briefly explain what is meant by the development gap.

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(ii) Briefly explain **two** disadvantages of globalisation.

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(iii) To what extent is **development aid** likely to lead to an increase in economic growth in developing countries? Give reasons for your answer.

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(c) (i) Briefly explain what is meant by free trade.

(2)

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(ii) The US is considering the imposition of a tariff on Chinese tyres. Examine the effects of this tariff on the US economy.

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS



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