Write your name here

Surname	Other names

Pearson Edexcel International GCSE

Centre Number

Candidate Number

Economics
Paper 1

Monday 27 January 2014 – 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.
- Write your answers neatly and in good English.
- 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 Figure 1a shows the world price of cocoa beans 2007–2011.
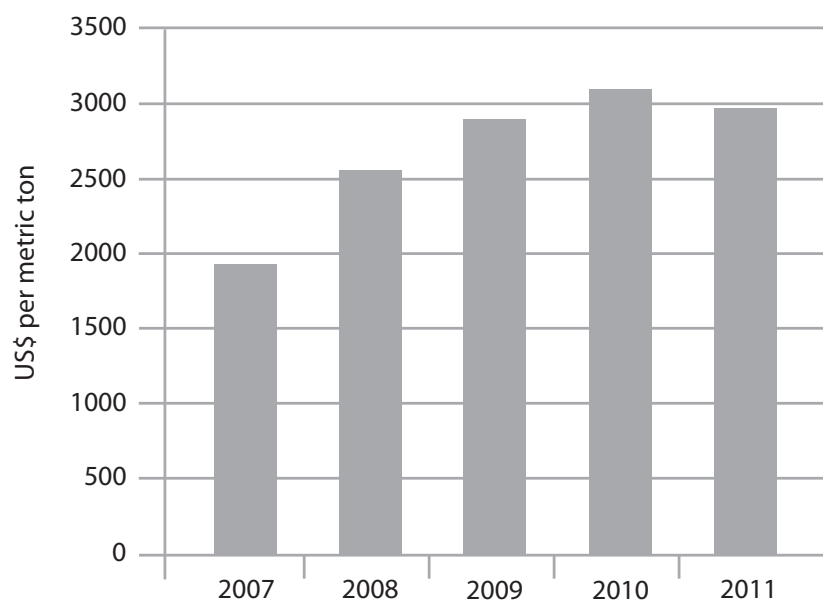
Figure 1a World price of cocoa beans

(a) In which year was the price

   (i) below $2000 per metric ton?

   (1)

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   (ii) above $3000 per metric ton?

   (1)

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Figures 1b and 1c show the demand and supply of cocoa beans in 2011. In 2012 there was an increase in Black Pod, a disease which attacks the cocoa trees.

(iii) On Figure 1b, show the effect of the disease on the price and output of cocoa beans.

(2)
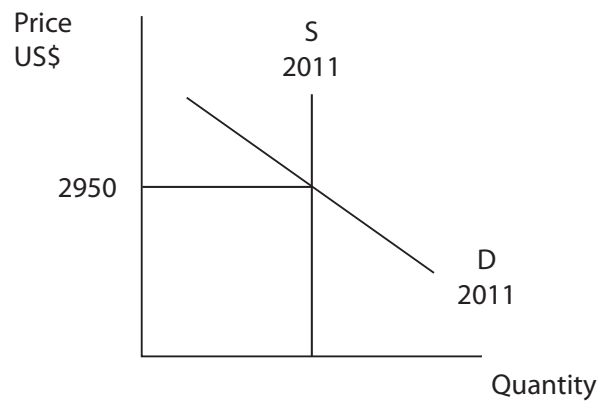
Figure 1b

In 2012 publicity was given to research which showed that eating moderate amounts of chocolate reduced the risk of certain medical disorders. Chocolate is made from cocoa beans.

(iv) On Figure 1c, show the effect of the publicity in 2012 on the price of cocoa beans.

(2)
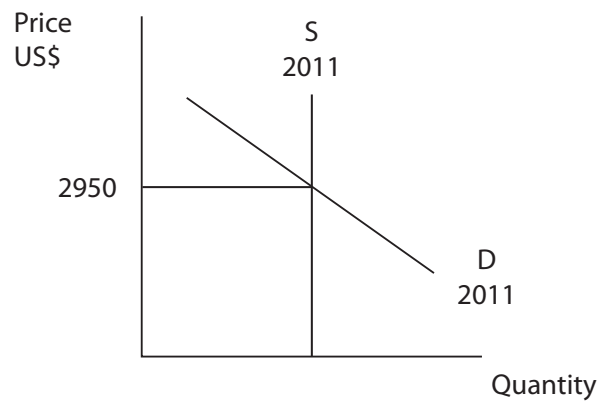
Figure 1c

(v) Define price elasticity of supply.

(2)

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(vi) In Figures 1b and 1c the supply of cocoa beans is

(1)

☒ inelastic

☒ perfectly inelastic

☒ elastic

☒ perfectly elastic

(vii) It is easier to increase the supply of chocolate than the supply of cocoa beans.

Do you agree with this statement? Give reasons for your answer.

(6)

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(b) (i) Define income elasticity of demand.

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Figure 1d refers to the demand for chocolate in USA during the recession 2008–2010.

Years	Change in average incomes	Change in demand for chocolate
2008–10	−3%	+9%

Figure 1d

(ii) Figure 1d suggests that during 2008–2010 in the USA chocolate was

(1)

☒ a normal good

☒ an inferior good

(iii) Using the data in Figure 1d, explain your answer.

(3)

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(c) (i) Define division of labour. Give an example.

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(ii) Division of labour benefits firms but not their workers.

Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 1 = 30 marks)

2 Xiaon Clothing is a private sector company in Hong Kong, which produces men's shirts.

(a) (i) Xiaon Clothing is owned by

(1)

☒ the state

☒ shareholders

In order to meet increased demand, Xiaon Clothing increased capacity.

Table 2a shows the company's weekly output and average costs in 2011 and 2012, in Hong Kong Dollars (HKD).

	2011	2012
Output per week	10 000	20 000
Average cost per shirt (HKD) per week	50	40

Table 2a

(ii) What has happened to total costs from 2011 to 2012? Show your workings.

(2)

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Xiaon Clothing sells all the shirts at 50HKD each.

(iii) Calculate the firm's weekly profit in 2012. Show your workings.

(2)

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(b) Xiaon Clothing benefits from economies of scale.

(i) With reference to Table 2a, define *'economies of scale'*.

(2)

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(ii) Briefly explain **two** economies of scale which may occur in the manufacture of clothing.

(4)

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Despite economies of scale, small firms still exist in the manufacture of clothing.

(iii) Briefly explain **one** reason why a firm may remain small.

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(iv) The government should encourage new small firms in the economy.

Do you agree with this statement? Give reasons for your answer.

(6)

Tourism accounts for over 70% of GDP in the Seychelles. There are positive and negative externalities associated with tourism.

(c) (i) Define externalities.

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(ii) To what extent do the benefits of tourism to the Seychelles outweigh the negative externalities of tourism?

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(iii) Briefly explain **one** method a government can use to reduce the negative externalities of tourism.

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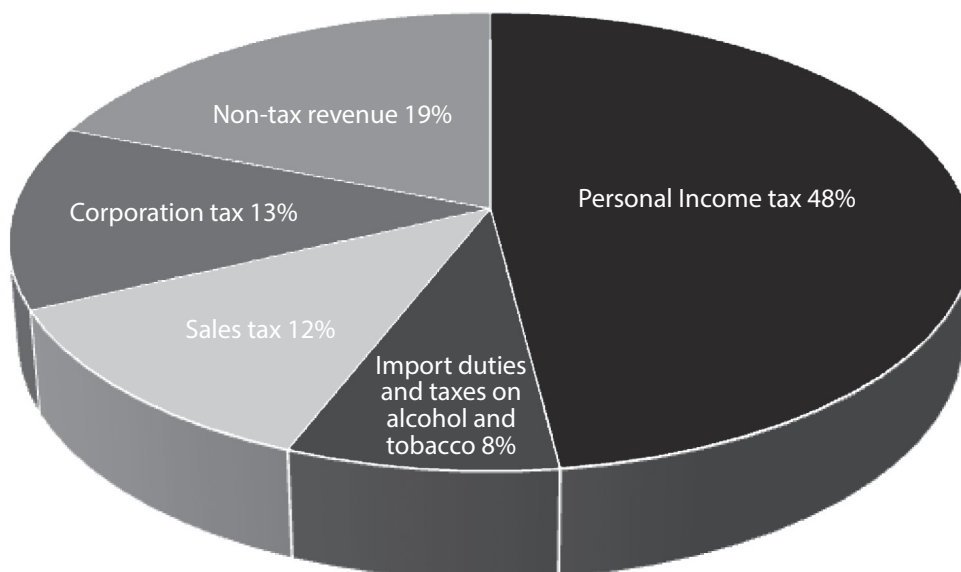
(Total for Question 2 = 30 marks)

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3

(Source: © Department of Finance Canada)

Figure 3a Sources of Canadian Government Revenue, 2010–2011

Study Figure 3a.

(a) (i)   Identify the tax which raised the most revenue for the Canadian Government in 2010–2011.

(1)

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(ii) Is the tax identified in (a)(i) a direct or indirect tax? Briefly explain your answer.

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(iii) Calculate the percentage of revenue raised by indirect taxes. Show your workings.

(3)

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	2009–2010	2010–11
■ Revenue $bn	218.6	237.1
■ Expenditure $bn	274.2	270.5

Figure 3b Canadian Government's Revenue and Expenditure

(b) (i)   What is meant by a budget deficit?

(1)

⊠   Imports are greater than exports

⊠   Government revenue is greater than government expenditure

⊠   Government expenditure is greater than government revenue

⊠   Exports are greater than imports.

(ii) Using the data in Figure 3b, compare 2009–2010 to 2010–2011. Do the figures show a worsening or an improvement in the government's budget deficit? Explain your answer.

(3)

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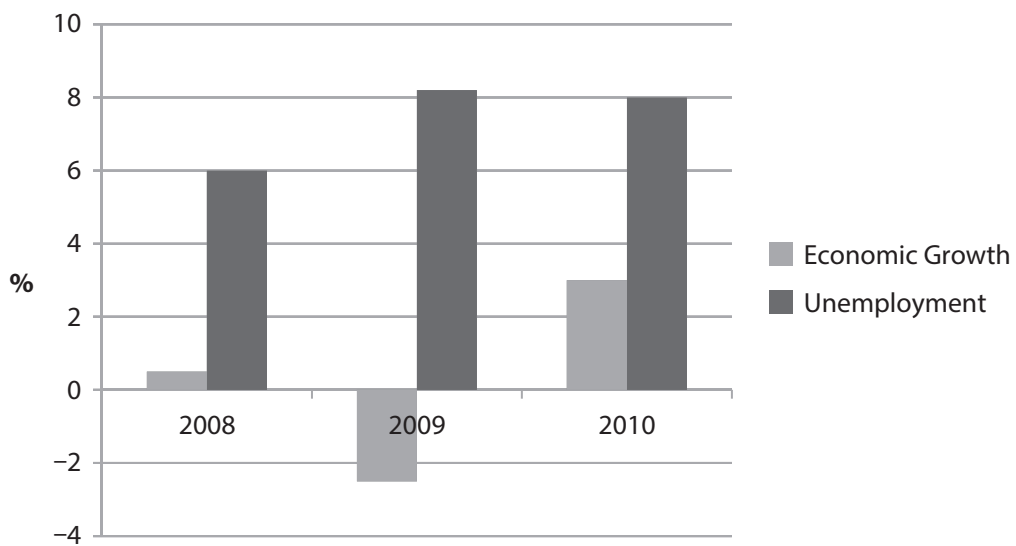
(Source: © IndexMundi)

Figure 3c Economic Growth and Unemployment in Canada, 2008–10

(iii) Using Figure 3c, identify a year in which the Canadian economy was in recession.

(1)

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(iv) With reference to the data in Figure 3c, comment on the relationship between Economic Growth and Unemployment in Canada in 2008 and 2009.

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

(v) Examine the extent to which reductions in direct taxation are likely to reduce unemployment during a recession.

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(c) (i) With the aid of an example, define structural unemployment.

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(ii) Identify **one** supply side policy. How effective is this policy likely to be in reducing structural unemployment in a country?

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(Total for Question 3 = 30 marks)

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4 In March 2012 the European Union (EU) lifted a ban on imports of beef from North America. Instead of the ban, the EU set a quota of 48 200 tonnes for North American beef. At the same time North America (USA and Canada) agreed to abolish import tariffs on EU farm produce.

Use the information above to answer questions (i) and (ii).

(a) (i) After March 2012, imports of beef from North America to the EU were allowed to

(1)

☒ increase

☒ decrease

☒ stay the same

(ii) With reference to the information given, explain your answer in (a)(i).

(3)

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Figures 4a and 4b show the demand and supply of imports before protection.
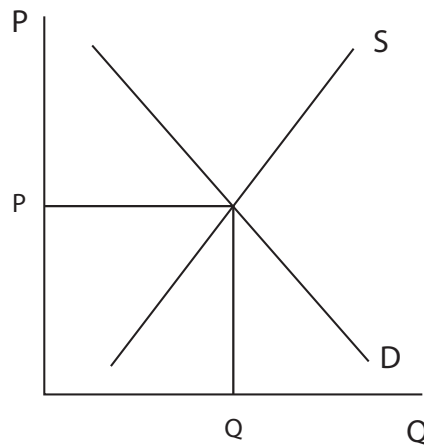

Figure 4a Before protection

(iii) On Figure 4a, show the effect of a tariff on the equilibrium price and quantity of imports.
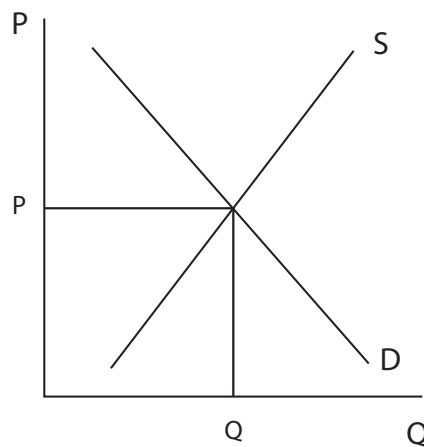
(2)

Figure 4b Before protection

(iv) On Figure 4b, show the effect of a quota on the equilibrium price and quantity of imports.

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(v) **Apart from tariffs and quotas**, identify and briefly explain **two** other methods of reducing imports.

(4)

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(vi) Do the benefits of a government protecting its farming sector from foreign competition outweigh the disadvantages? Give reasons for your answer.

(6)

(b) Until January 2012 the Chinese Government gave incentives to foreign car manufacturers who wished to set up in the country.

(i) Identify and briefly explain **one** financial and **one** non-financial incentive the Chinese Government could give to foreign car manufacturers who wished to set up in the country.

(4)

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(ii) Foreign car manufacturers setting up factories in China is an example of

(1)

☒   personal loans

☒   foreign direct investment

☒   international aid

In January 2012 the Chinese Government announced it was going to end the incentives given to foreign car manufacturers.

(iii) Will the Chinese economy benefit or suffer from the end of incentives to foreign car manufacturers? Give reasons for your answer.

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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