Edexcel International GCSE

Economics
Paper 1

Centre Number

Candidate Number

Friday 27 January 2012 – 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.*

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 ▶

PEARSON

1   The figure below shows the demand and supply for laptop computers.

Price in $	Demand per month in 00's	Supply per month in 00's
600	500	350
700	400	400
800	300	450
900	200	500

Figure 1a

Study Figure 1a

(a) (i)   What is the equilibrium price of laptop computers?

(1)

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(ii)   At price $800 there is

(1)

⊠ **A** Excess demand

⊠ **B** Excess supply

⊠ **C** Equilibrium

⊠ **D** No demand

(iii) Define price elasticity of demand.

(2)

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(iv) When price rises from $800 to $900 the price elasticity of demand is

(1)

⊠ **A** Elastic

⊠ **B** Inelastic

⊠ **C** Perfectly elastic

⊠ **D** Normal

(v) With the aid of the data in Figure 1a, explain the answer you gave in (a)(iv).

(3)

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(vi) Kim Chui is a student. He has saved enough money to buy either a laptop computer or a second-hand motor bike. What is the opportunity cost if Kim decides to buy the laptop computer?

(1)

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(b) Figure 1b shows the demand and supply of laptop computers in Jamaica. In 2009 the government of Jamaica announced that it was placing a 16.5% tax on laptop computers.

(i) On Figure 1b show the effect of this tax on laptop computers on price, quantity demanded and quantity supplied.

(2)
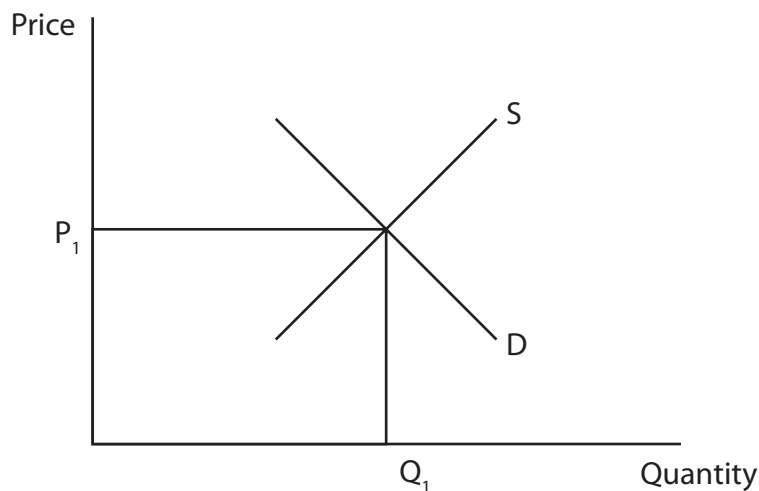
Figure 1b

(ii) Identify and briefly explain **one** other factor besides a sales tax that might change the price of laptop computers.

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(c) In 2009 the Jamaican government increased the minimum wage rate by 10%.

    (i)   What is meant by a minimum wage rate?

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    (ii)   An increase in the minimum wage rate will benefit only a small number of people in a country. Do you agree with this statement? Give reasons for your answer.

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(d) (i)   With the aid of an example, explain what is meant by the term *division of labour*.

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   (ii)   Do the advantages of division of labour always outweigh the disadvantages for a firm? Explain your answer.

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(Total for Question 1 = 30 marks)

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2 Julia is a hairdresser. She used to work in a hairdressing salon but now she visits her clients in their own homes.

(a) (i) Julia is an entrepreneur. Define the term *entrepreneur*.

(2)

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(ii) Below is a list of some of Julia's costs. Place each cost in the correct column

(3)

Example: Loan repayments

1. Petrol

2. Car insurance

3. Shampoo

Fixed costs	Variable costs
loan repayments	

Julia has calculated that her fixed costs are $450 each month

In July her variable costs were $150

(iii) Calculate Julia's total costs for July. Show your workings.

(2)

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The following table shows Julia's revenue and variable costs for August.

	August
Revenue	$1200
Variable costs	$160

(iv) Calculate Julia's profit for August. Show your workings.

(3)

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(b) Julia received help from the government to start her business.

(i) Identify and briefly explain **two** methods a government can use to help individuals to start their own businesses.

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P 4 0 3 2 9 R A 0 7 2 0

(ii) How important are government schemes to encourage the setting up of small firms in an economy?

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(c) (i) What is meant by the term *privatisation*?

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(ii) Briefly explain **one** reason why privatised firms may need to be regulated.

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(iii) Discuss whether the costs of privatisation outweigh the benefits to the economy.

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(Total for Question 2 = 30 marks)

3 Figure 3a shows the rate of inflation in Vietnam from 2007 to 2009.
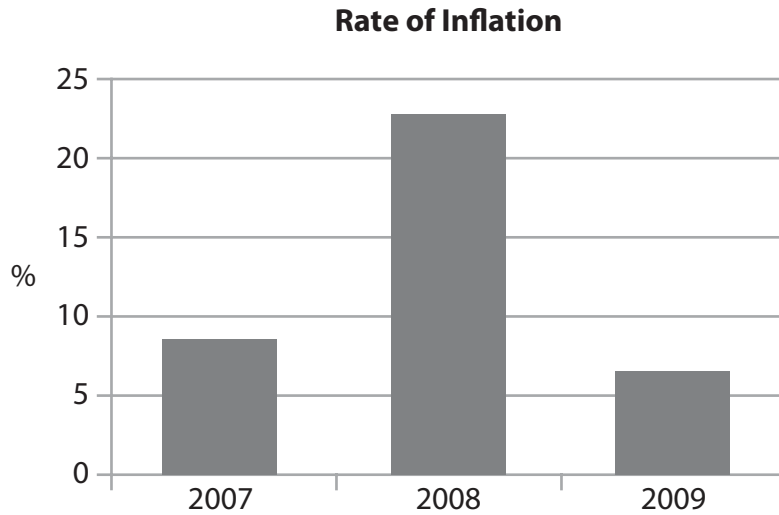
Rate of Inflation

Figure 3a

(a) (i) Define *rate of inflation*.

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    (ii) With reference to the data in Figure 3a, describe what happened to prices in Vietnam between 2008 and 2009.

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Complete the sentences below from the following list.

a decrease	cost-push
demand-pull	a deficit
a surplus	an increase

    (iii) Inflation in Vietnam may have been caused by ....

in world oil prices.

(1)

    (iv) The cause identified in (iii) is called ....inflation.

(1)

P 4 0 3 2 9 R A 0 1 0 2 0

(v) Identify **one** function of money.

(1)

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(vi) Briefly explain **one** effect of inflation on the function of money you have identified in (a)(v).

(2)

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Figure 3b shows the balance of payments on current account for Vietnam from 2007 to 2009.

Current Account Balance
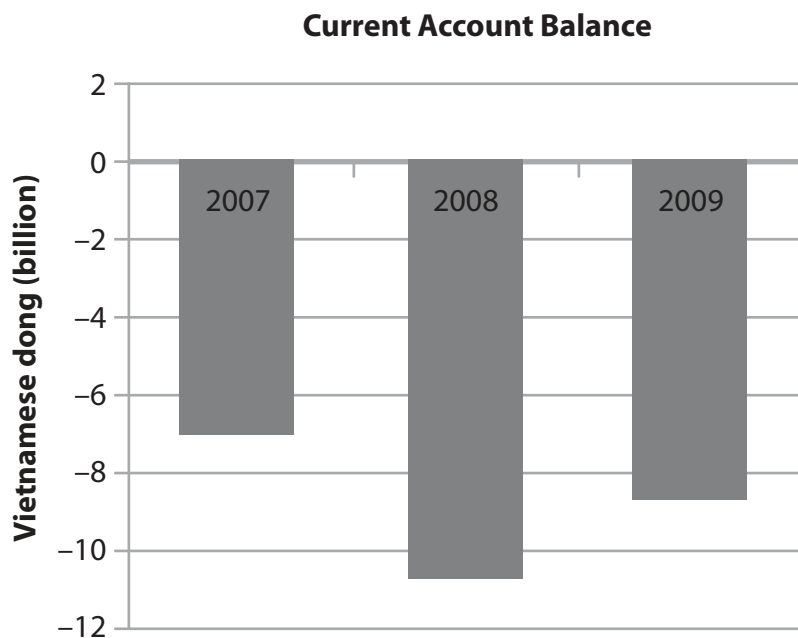
Figure 3b

(b) (i) Using the data in Figure 3b, describe what happened to the balance of payments on current account from 2007 to 2008.

(2)

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The balance of payments on a country's current account shows the trade in visible and invisible imports and exports.

(ii)   Give an example of a *visible import*.

(1)

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(iii) Give an example of an *invisible import*.

(1)

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(iv) Inflation always worsens the balance of payments on current account.
Do you agree with this statement? Explain your answer.

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(c) (i) In 2008 the government of Vietnam increased the rate of interest from 6.5% to 10.25%. An increase in interest rates is an instrument of

(1)

☒ **A** Fiscal policy

☒ **B** Monetary policy

☒ **C** Supply side policy

☒ **D** Regional policy

(ii) Briefly explain **two** reasons why an increase in the rate of interest might lead to an increase in the level of unemployment.

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(iii) To what extent are supply side policies likely to be successful in reducing unemployment?

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(Total for Question 3 = 30 marks)

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4 (a) (i) The increasing interdependence and integration of the world's economies is known as

(1)

☒ **A** Globalisation

☒ **B** the emerging economies

☒ **C** the World Trade Organisation

☒ **D** the developed countries

On 1 January 2010 China joined with the six founding members of the Association of South East Asian Nations (Asean) to form a new free trade area. The members plan to eliminate tariffs on 90% of imports from member countries.

(ii) Identify **two** advantages of a free trade area to member countries.

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(iii) Briefly explain **two** reasons why free trade may be considered a disadvantage to developing countries.

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In 2009 the Ford Motor Company announced plans to spend $490 million on building a third car assembly plant in China.

(iv) The plan by Ford to build a car assembly plant in China is an example of

(1)

☒ **A** Foreign Direct Investment

☒ **B** Foreign Aid

☒ **C** International Grant

☒ **D** Export

(v) Briefly explain **two** likely reasons why the Ford Motor Company plans to build a third car assembly plant in China.

(4)

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(vi) Will the setting up of a multinational in a developing country always lead to an improvement in the standard of living for the people of that country? Give reasons for your answer.

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In December 2009 the United States of America (USA) International Trade Commission accused China of unfair **subsidies**. It stated that Chinese producers were **dumping** steel pipes, used for oil and gas drilling, on the American market.

(b) Explain what is meant by the terms

    (i)   subsidies

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    (ii) dumping.

(2)

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The USA International Trade Commission has announced tariffs ranging between 10% and 15% on Chinese steel pipes.

    (iii) Do the benefits of tariffs outweigh the disadvantages for a developed economy, such as the USA? Explain your answer.

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(iv) Identify and explain **one** method, other than tariffs, that a government could use to reduce the demand for imports.

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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