

Write your name here

Surname

Other names

**Pearson Edexcel**  
**International GCSE**

Centre Number

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Candidate Number

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# Economics

## Paper 1

Monday 6 June 2016 – Afternoon  
**Time: 2 hours 30 minutes**

Paper Reference

**4EC0/01R**

**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.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**PEARSON**

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.

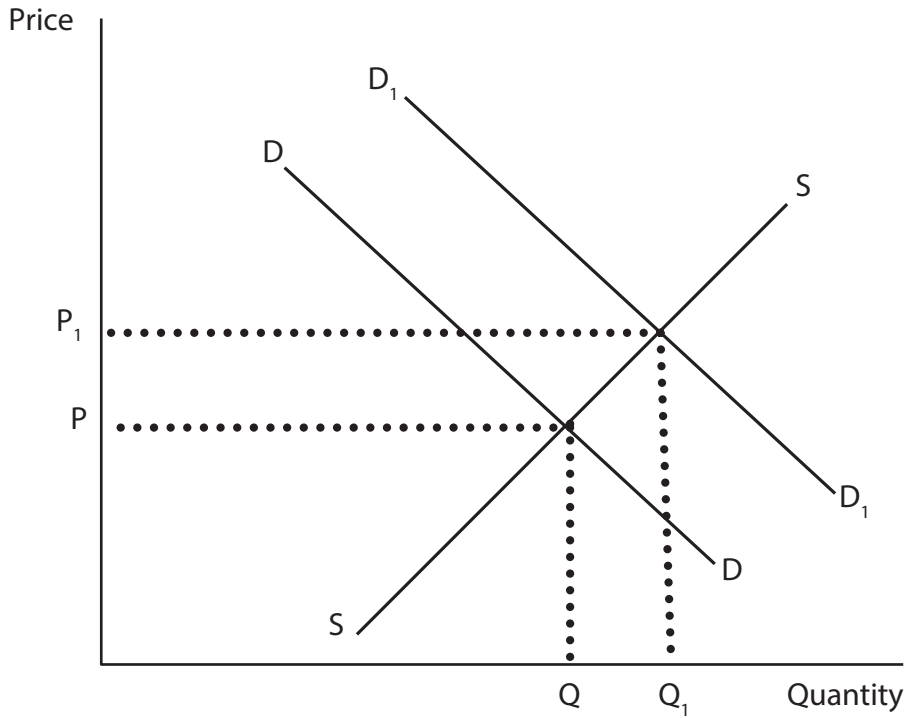


Figure 1

(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.

(4)

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

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

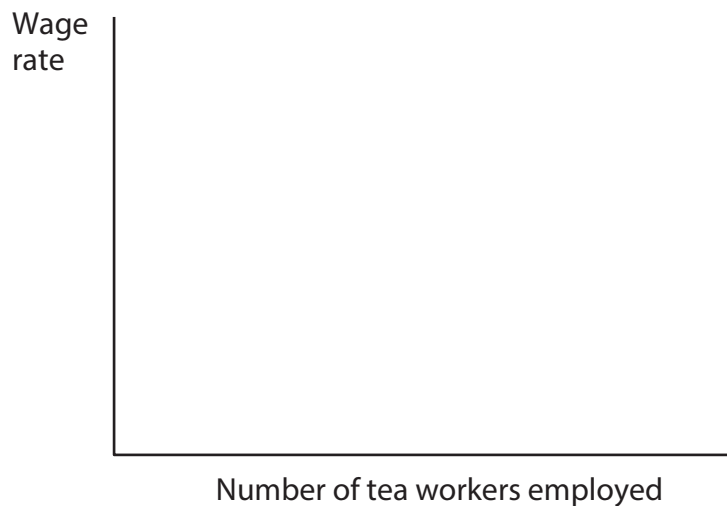
(3)



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.

(6)

Area with horizontal dotted lines for writing the answer.

**(Total for Question 1 = 30 marks)**



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

(2)

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

(4)

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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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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)

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

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

<b>Output (bags of sweets)</b>	<b>Total fixed costs £</b>	<b>Total variable costs £</b>	<b>Total cost £</b>
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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3 (a) (i) Briefly explain what is meant by cyclical unemployment.

(2)

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

(2)

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P 4 5 9 1 6 A 0 1 3 2 4

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

(6)

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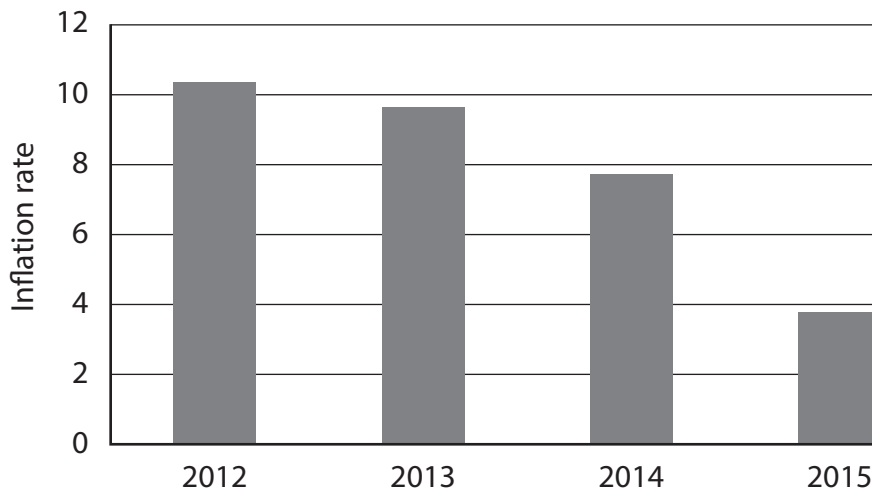
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### India: Inflation Rate



(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)

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

(2)

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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.

(6)

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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)

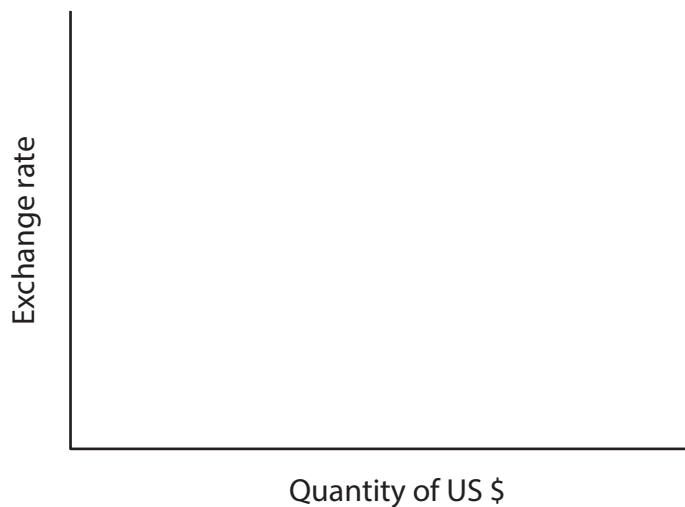
Changes affecting exchange rate	Appreciate	Depreciate
(ii) The demand for imports falls in the US	<input type="checkbox"/>	<input type="checkbox"/>
(iii) The rate of interest falls in the US	<input type="checkbox"/>	<input type="checkbox"/>
(iv) Currency speculators expect the exchange rate of US \$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

**Table 4**



(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.

(4)

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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.

(6)

Area with horizontal dotted lines for writing the answer.

**(Total for Question 4 = 30 marks)**

**TOTAL FOR PAPER = 120 MARKS**

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