

# Pearson Edexcel International Advanced Level

**Friday 9 January 2026**

Afternoon (Time: 1 hour 45 minutes)

Paper  
reference

**WEC11/01A**

## **Economics**

**International Advanced Subsidiary**

**UNIT 1: Markets in action**

**Question Paper**

**You must have:**

**Source Booklet and Answer book (sent separately)**

**Do not return this Question Paper with the Answer Book.**

*Turn over* ►

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## SECTION A

**Answer ALL questions in this section in the Answer Book.**

- 1 Which **one** of the following is a function of the price mechanism?
- A An increase in the price of earbuds, caused by an increase in demand, will ration them to those who are most able to pay
  - B A decrease in the price of broccoli, caused by excess supply, provides farmers with the incentive to increase supply
  - C A decrease in the price of tinned tuna is a signal to producers that demand for it is increasing
  - D An increase in the price of diesel is a signal to the government to impose a maximum price

**(Total for Question 1 = 1 mark)**

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- 2 A footwear manufacturer originally organised production so that each worker made a pair of shoes from start to finish. However, in 2024, the manufacturer introduced the division of labour to shoe production.

Which **one** of the following is a likely advantage of introducing the division of labour?

- A An increase in worker boredom
- B An increase in the cost of making each pair of shoes
- C An increase in output per worker
- D An increase in the time required for training

**(Total for Question 2 = 1 mark)**

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3 The table shows the estimated income elasticity of demand for four items.

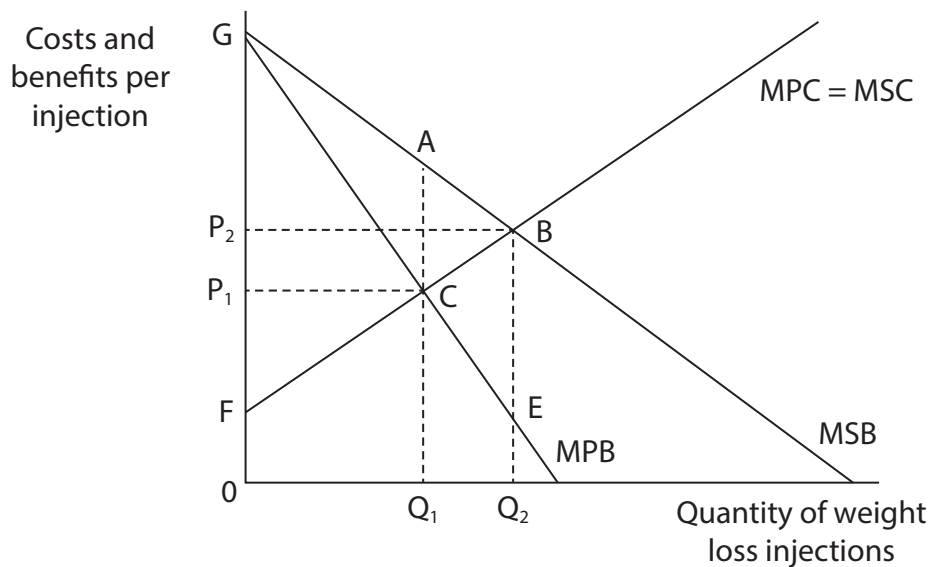
Product	Income elasticity of demand
Fish	+1.04
Fruits	+1.22
Meat	+1.20
Vegetables	+0.79

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

- A Fish is an inferior good
- B Demand for fruits is price elastic
- C Demand for meat is income elastic
- D Vegetables are a luxury good

(Total for Question 3 = 1 mark)

4 The diagram shows the market for weight loss injections.



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

- A The social optimum output is  $Q_1$
- B The market equilibrium output is  $Q_2$
- C Welfare gain is shown by the area BCE
- D Welfare gain is shown by the area ABC

(Total for Question 4 = 1 mark)



5 The European Union (EU) has a tradeable permit scheme for carbon emissions. The price of a carbon permit was above €100 in 2023 and decreased to €70 in 2025.

Which **one** of the following is the most likely reason for the decrease in the price of carbon permits?

- A The EU issued too many carbon permits in 2023
- B The EU issued too few carbon permits in 2025
- C The demand for carbon permits decreased between 2023 and 2025
- D The supply of carbon permits was decreased between 2023 and 2025

**(Total for Question 5 = 1 mark)**

6 The table shows the total utility received by a consumer from consuming bowls of cereal.

Bowls of cereal	Total utility
1	3
2	6
3	9
4	10
5	8
6	4

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

- A Utility is maximised when three bowls of cereal are consumed
- B Diminishing marginal utility sets in with the consumption of the fourth bowl of cereal
- C Diminishing marginal utility sets in with the consumption of the fifth bowl of cereal
- D Utility is maximised when six bowls of cereal are consumed

**(Total for Question 6 = 1 mark)**

**TOTAL FOR SECTION A = 6 MARKS**



## SECTION B

Answer **ALL** questions in this section in the spaces provided in the Answer Book.

- 7 In 2025 the Government of India increased the minimum price for wheat by 6.6%. The minimum price was above the equilibrium price.

Draw a diagram to illustrate the impact of the increase in the minimum price for wheat in India.

(Total for Question 7 = 4 marks)

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- 8 In 2020 the US city of Miami had the highest risk of a housing market bubble in the world. Between 2019 and 2024 the average price of a house increased by 50%.

With reference to Miami's housing market, explain what is meant by a 'market bubble'.

(Total for Question 8 = 4 marks)

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- 9 The price elasticity of demand for petrol is  $-0.27$  in the USA and  $-0.35$  in Japan.

Explain **one** reason why the price elasticity of demand for petrol is price inelastic.

(Total for Question 9 = 4 marks)

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**10** The table shows the average world price of sugar and world sugar consumption in June 2024 and June 2025.

	<b>Average sugar price per kg</b>	<b>Quantity of sugar consumed, million kg</b>
<b>June 2024</b>	\$0.43	177.33
<b>June 2025</b>	\$0.37	178.79

*Ceteris paribus*, calculate the price elasticity of demand for sugar. Show your workings.

**(Total for Question 10 = 4 marks)**

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**11** The cross elasticity of demand for meat burgers with respect to meat alternative burgers is estimated to be 0.11 in the USA.

Explain the likely impact of a 10% increase in the price of meat alternative burgers on the demand for meat burgers in the USA.

**(Total for Question 11 = 4 marks)**

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**TOTAL FOR SECTION B = 20 MARKS**

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## 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 spaces provided in the Answer Book.**

- 12** (a) Define the term 'indirect tax' (Extract B, line 10). (2)
- (b) With reference to Extract B, explain the difference between an ad valorem tax and a specific tax. (4)
- (c) With reference to Figure 1 and Extract A, analyse **one supply** factor and **one demand** factor that caused the world price of cotton to decrease between January 2024 and July 2025.  
Illustrate your answer with a supply and demand diagram. (6)
- (d) With reference to Extract B, examine **two** external costs associated with the production of clothing. (8)
- (e) With reference to Extract C and Figure 2, discuss the impact of the subsidies paid to cotton farmers in China and the USA.  
Illustrate your answer with an appropriate diagram. (14)

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**(Total for Question 12 = 34 marks)**

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**TOTAL FOR SECTION C = 34 MARKS**



## SECTION D

**Answer ONE question from this section.**

**Write your answer in the space provided in the Answer Book.**

### **EITHER**

- 13** In 2023 government spending as a percentage of GDP was 10% in Singapore, 11.3% in Switzerland and 12.2% in Ireland.

Evaluate the possible benefits of an economy operating closer to being a 'free market economy'.

**(Total for Question 13 = 20 marks)**

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### **OR**

- 14** In Australia, mortgage customers typically stay with their mortgage provider. 20% of customers would never consider switching, but they could save \$300 per month by switching to the best deal.

Evaluate ways that would help consumers to make rational decisions.

**(Total for Question 14 = 20 marks)**

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



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## **Economics**

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## Sources for use with Section C

### Markets for cotton and clothing

Figure 1 World price of cotton, \$ per lb, January 2024 to July 2025



#### Extract A Cotton prices falling

Between 2024 and 2025 there was a 6.2% increase in the global production of cotton. The USA, Turkey, Greece and Brazil all experienced large increases in the size of their crop harvest.

Weaker than expected increases in real incomes have also resulted in lower than expected sales of cotton clothing. Instead of buying clothing made from cotton, consumers are also buying more man-made clothing such as polyester. This is more durable than cotton.

5



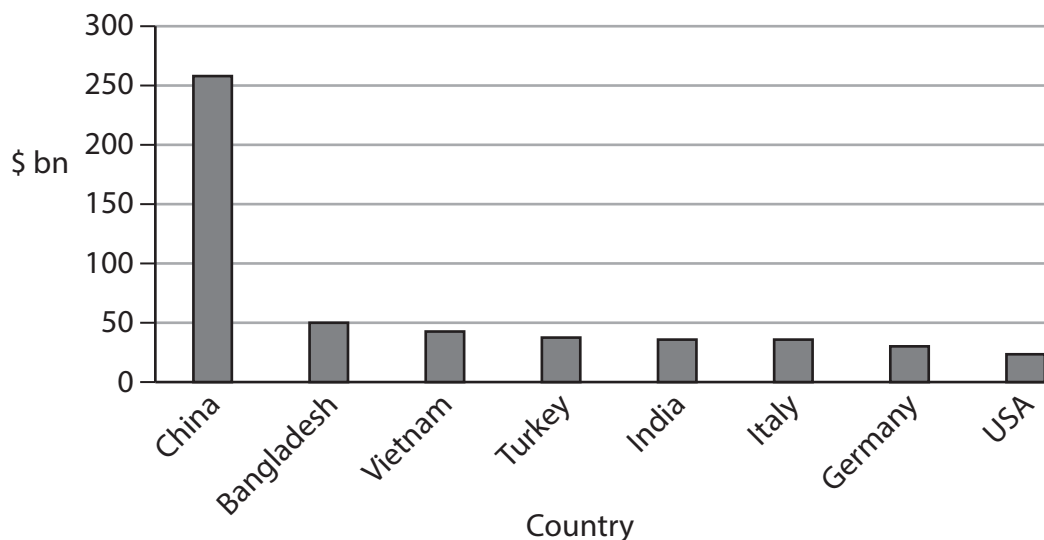
## Extract B Clothing manufacturers should reduce environmental costs

In 2024 the global revenues of clothing manufacturers and retailers were \$1.84 trillion and they employed 430 million workers. However, the manufacture of clothing involves significant environmental costs. According to the United Nations:

- the clothing industry is the second-biggest consumer of water – one t-shirt requires 700 gallons of water to produce 5
- clothing produces 10% of global carbon emissions
- 85% of clothing is disposed of in landfill
- washing clothes results in 500 000 tonnes of microplastics in the oceans each year.

Some economists think that an indirect tax of at least 5% needs to be introduced on clothing. This is necessary to reduce the impact of the external costs. Some go further, suggesting that an additional \$5 indirect tax should be placed on designer clothes priced above \$100. 10

**Figure 2 Value of clothing exports for the worlds eight largest exporters, \$ billions**



## Extract C Cotton subsidies

Between 2013–2023 China provided subsidies to cotton farmers of \$41 billion and the USA provided subsidies of \$7 billion. This was 75% of all the cotton subsidies paid globally. Cotton farmers in West Africa are some of the most efficient on the planet. Average production costs in China are four times higher than in West Africa. However, subsidies paid to cotton farmers in China and the USA make it difficult for cotton farmers in West Africa to export cotton to these countries. However, the subsidies paid to American and Chinese cotton farmers limited exports from West African cotton farmers and put jobs at risk. In the USA these subsidies help to secure 125 000 jobs. 5

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### Acknowledgements

Figure 1 adapted from:

<https://markets.businessinsider.com/commodities/cotton-price>

Extract A adapted from:

<https://blogs.worldbank.org/en/opendata/raw-material-prices-decline-amid-global-demand-concerns>

<https://www.usda.gov/sites/default/files/documents/AOF-2024-MacDonald.pdf>

Figure 2 adapted from:

<https://worldpopulationreview.com/country-rankings/textile-exports-by-country>

Extract B adapted from:

<https://www.uniformmarket.com/statistics/global-apparel-industry-statistics>

<https://earth.org/fast-fashions-detrimental-effect-on-the-environment/>

Extract C adapted from:

<https://cottongins.org/blog/cotton-subsidies-and-global-price-competition/>

<https://academic.oup.com/isagsq/article/4/2/ksae012/7642831>

<https://www.statista.com/topics/6223/cotton-in-the-united-states/#:~:text=The%20U.S.%20cotton%20industry%20accounts%20for%20more%20than,the%20industry%20sectors%20from%20farm%20to%20textile%20mill.>



Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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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.

Turn over ►

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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 ☒.

### Question 1

- A
- B
- C
- D

(Total for Question 1 = 1 mark)

### Question 2

- A
- B
- C
- D

(Total for Question 2 = 1 mark)

### Question 3

- A
- B
- C
- D

(Total for Question 3 = 1 mark)

### Question 4

- A
- B
- C
- D

(Total for Question 4 = 1 mark)

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**Question 5**

- A
- B
- C
- D

(Total for Question 5 = 1 mark)

**Question 6**

- A
- B
- C
- D

(Total for Question 6 = 1 mark)

**TOTAL FOR SECTION A = 6 MARKS**













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### 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 spaces provided.

#### Question 12

Write the answer to Question 12(a) in the space provided.

(2)

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Write the answer to Question 12(b) in the space provided.

(4)

Area with horizontal dotted lines for writing the answer.

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



Write the answer to Question 12(c) on the two pages provided.

(6)

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Handwriting practice area consisting of 20 horizontal dotted lines.





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Write the answer to Question 12(d) on the two pages provided.

(8)

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Question 12(d) continued

Handwriting practice area consisting of 25 horizontal dotted lines.

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Write the answer to Question 12(e) on the three pages provided.

(14)

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Question 12(e) continued

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Question 12(e) continued

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Handwriting practice area consisting of 28 horizontal dotted lines.

**(Total for Question 12 = 34 marks)**

**TOTAL FOR SECTION C = 34 MARKS**





Section D continued

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Handwriting practice area with 25 horizontal dotted lines.



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Section D continued

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Section D continued

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Handwriting practice area with 25 horizontal dotted lines.



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Section D continued

Area with horizontal dotted lines for writing.

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

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