

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the November 2004 question paper

0455 Economics

0455/02

Paper 2 (Structured Questions) maximum mark 60

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2004 question papers for most IGCSE and GCE Advanced Level syllabuses.

Grade thresholds taken for Syllabus 0455 (Economics) in the November 2004 examination.

	Minimum mark available	Minimum mark required for grade			
		A	C	E	F
Component 2	60	n/a	30	23	19

The threshold (minimum mark) for B is set halfway between those for Grades A and C.
The threshold (minimum mark) for D is set halfway between those for Grades C and E.
The threshold (minimum mark) for G is set as many marks below F threshold as the E threshold is above it.

Grade A* does not exist at the level of an individual component.

November 2004

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 60

SYLLABUS/COMPONENT: 0455/02

ECONOMICS
Structured Questions

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- 1 (a) Up to 3 marks for explaining that low prices might result in lower revenue and lower profits. Therefore producers might be unwilling to produce as much as before. [1]
- (b) Up to 3 marks for explaining that the reduction in supply in the following year is because there has been a decrease in the supply on the market. This is a different time period so the supply for that year will be represented by a shift to the left in the supply curve and a rise in the equilibrium price. 1 mark for the shift in supply and 1 mark for the labels. [5]
- (c) (i) 1 mark each for better seeds, better pest control and better irrigation. [3]
- (ii) Seeds are unlikely to affect fixed costs unless research is involved; pest control may be a combination of fixed and variable costs; irrigation improvements are more likely to affect fixed costs. The effect on revenue depends on changes in sales, which depend on possible changes in prices. 2 marks for each element but look for an explicit comparison. [6]
- (d) 1 mark each for trade in goods, exports and current account. [3]
- 2 (a) Up to 2 marks for defining the public sector as any business activity owned or controlled by central or local government. 1 mark for any likely occupation. [3]
- (b) Up to 5 marks for describing functions of a trade union such as collective bargaining, improving wages, workers' welfare, better social conditions, terms of employment and legal representation. [5]
- Up to 2 marks for a reasoned account of which function is most important. [7]
- 3 (a) Up to 2 marks for a definition that distinguishes between a tax on a person or company at source, which cannot be easily avoided and a tax on a good or service that need not be paid if the good or service is not purchased. 1 mark each for one correct example of a direct tax and an indirect tax. [4]
- (b) 1 mark each for identifying three different types of unemployment, such as seasonal, structural, cyclical and frictional. 1 mark each for explaining how each type of unemployment is caused. [6]
- 4 (a) Up to 2 marks each identifying and explaining two issues such as family planning, spread of infection, general sanitation and clean water supplies. (This question has been asked because a number of developing countries now have information about the spread of HIV/Aids as part of the compulsory curriculum of all syllabuses). [4]
- (b) Up to 6 marks for a description of the relative population structures, which may be supported by the standard diagrams. (N. B. These are changing because of the reduction in life expectancy due to HIV in Africa. General life expectancy has fallen on average by 10 years in many African countries since the late 1980s. It has fallen by much more than this in some countries. For example from 55 years to 39 years in Botswana). [6]

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- 5 (a) Up to 3 marks for explaining the meaning of growth, in terms of GDP or some similar economic indicator.
- (b) Up to 5 marks for a discussion of the effects of economic growth. Benefits could include a higher standard of living, increased incomes and employment and more goods and services. Costs may include higher inflation, balance of payments problems, depletion of resources and more externalities.

Up to 2 marks for a reasoned conclusion on whether growth is advantageous.