

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS

0455/02

Paper 2 Structured Questions

May/June 2006

Additional Materials: Answer Booklet/Paper

1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

Section A

Answer this question.

1 Demand for oil in India

India is the world's seventh-largest consumer of oil. Demand for oil could more than double in the next 15 years because of strong industrial growth and increasing numbers of Indians who will be able to afford to buy cars and motorcycles. As demand grows, so will India's dependence on imports. India imports around 70% of its oil.

- (a) Explain using a demand and supply diagram what the article says will be the likely change in the market for oil in India in the next 15 years. [5]
- (b) (i) Where would the purchase of foreign oil be recorded in India's balance of payments? [3]
- (ii) Explain **two** possible disadvantages to the Indian economy of its dependence on imported oil. [4]
- (c) The article says there will be 'strong industrial growth'.
- (i) Explain what is meant by strong industrial growth. [2]
- (ii) Discuss the possible effects of strong industrial growth. [6]

Section B

Answer **three** questions.

- 2 Sometimes in an industry a firm buys a smaller competitor which uses similar factors of production. At other times a firm buys another firm which supplies it with the raw materials and other inputs for its production.
- (a) Explain what is meant by the factors of production. [4]
- (b) Discuss the reasons why some firms remain small. [6]
- 3 (a) Explain the terms scarcity and opportunity cost. [4]
- (b) Describe the factors that affect an individual's choice of occupation and show how the idea of opportunity cost might be relevant to that choice. [6]
- 4 Australia's unemployment rate fell to 5.5% in May 2004, the lowest for 23 years. At the same time total employment decreased to 9.6 million. Full-time jobs decreased by 42 600 but part-time employment rose by 1500. The shift from employment in agriculture and manufacturing to services has continued.
- (a) Calculate the change in total employment. (Show your working). [2]
- (b) Explain why the pattern of employment might change. [8]
- 5 (a) Distinguish between the private sector and the public sector of an economy. [3]
- (b) Discuss the disadvantages of allocating resources through the public sector. [7]

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