

## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

### MARK SCHEME for the November 2005 question paper

#### **0455 ECONOMICS**

**0455/02 Paper 2**

**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*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

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

CIE is publishing the mark schemes for the November 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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- 1 (a) Explanation of role of co-ordination of other factors of production (1 mark), taking risks or making profits (1 mark). **[2]**
- (b) Farming in primary sector (1 mark), the building of a private hospital in secondary sector (1 mark – need reference to the building of the hospital). **[2]**
- (c) Explanation of meaning of industrial development with reference to businesses, new premises, machines, capital goods. **[4]**
- (d) Government could use subsidies, tax reductions, grants, changes in planning controls, relaxation of regulations, encouragement of foreign investment, or changes in labour/wage policy. **[6]**
- (e) Job creation causes increase in incomes, production, employment. This might help government's aims full employment, growth; possible result is better balance of payments through increased exports. **[6]**
- 2 (a) 2 for definition mentioning changes, or not, in output. 2 for examples. Wage may be considered either a fixed or variable cost, but not both in the same script. **[4]**
- (b) Description of benefits of availability in local area, personal service, possible longer hours, less queues, convenience.  
*Max 4 marks for benefits of a small firm with no reference to small food shops.* **[6]**
- 3 (a) Expect one example of each type of tax (2) and a comment on whether the tax is levied on a person at the source or earning or on subsequent expenditure (2). **[4]**
- (b) Discussion of the use of both indirect and direct taxes. Could mention progressive, regressive direct taxes. Could also discuss the likely effect of imposing indirect tax on different products depending on whether the product is likely to be bought by low or high income groups. **[6]**
- 4 (a) Persistent rise in general level of prices. **[3]**
- (b) Explanation of use of base year, average household, basket of goods, weighted items, change from one period to another. **[7]**
- 5 (a) Brief explanation of benefits of specialisation in terms of efficient production, more economic use of resources. Full range can be used without any mention of comparative advantage. This term is not on the syllabus but specialisation and exchange is. **[6]**
- (b) Description of two types of protection - quota, regulation, tariff. (2 marks each) **[4]**