

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the June 2005 question papers

0455 ECONOMICS

0455/02 Paper 2 (Structured Questions), maximum mark 60

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do 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 June 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



Grade thresholds for Syllabus 0455 (Economics) in the June 2005 examination.

	maximum mark available	minimum mark required for grade:			
		A	C	E	F
Component 4	60	n/a	30	17	13

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 the F threshold as the E threshold is above it.

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



June 2005

IGCSE

MARK SCHEME

MAXIMUM MARK: 60

SYLLABUS/COMPONENT: 0455/02

ECONOMICS
(Structured Questions)



Page 1	Mark Scheme	Syllabus	Paper
	IGCSE – JUNE 2005	0455	2

- 1 (a)** The Netherlands has 0.5% fall in output between April and June, other countries have 0.1% and 0.2%. The Netherlands has also been contracting for the previous 8 months. (1) **[2]**
- (b)** Identification of the letters and brief explanation of the term. **[3]**
- (c)** Expect one example of each type of tax (2) and a comment on whether the tax is levied on a person at source or on earning or on subsequent expenditure. (2) **[4]**
- (d)** Identification of two aims. Falling taxes might help change income distribution, might help income and spending and thus growth, might help production and thus move towards full employment. **[6]**
- (e)** To make better use of human resources; it will reduce government expenditure on benefit payments; it might result in less crime; it might encourage economic growth; it will increase national income; it may result in political votes. **[5]**
- 2 (a)** A quota is a fixed amount of production which may keep the price on the market high if the quota is below the equilibrium quantity. A subsidy affects production through a reduction in costs which might result in lower prices or higher profits. Diagram not expected, but could be used. **[5]**
- (b)** 1 for DS curves, 1 for shift of the supply curve downwards, 1 for labels, 2 for explanation which need only clearly explain the change in equilibrium position if any discussion on profits has been given in **(a)**. If there is no discussion in **(a)** that discussion could occur here. **[5]**
- 3 (a)** Comment on changes in either revenue or costs or both. Could give an example of why revenue or costs might change. **[5]**
- (b)** Comment on the possibility of mergers; of general growth through increased sales caused by increased demand/advertising; of increased profits caused by either increased demand or different pricing policies; of growth caused by a change in type of stock or image; of expansion into other areas/products; and a comment on the methods used to obtain finance – profits, borrowing, shares. **[5]**

Page 2	Mark Scheme	Syllabus	Paper
	IGCSE – JUNE 2005	0455	2

- 4 (a)** Might not be able to get another job, many low paid jobs are unskilled – worker might not be trained to do skilled job: might choose to work part-time and do not mind low pay; might view the job as a supplement to another wage/salary and be prepared to accept low pay; might view the job as a temporary measure until a better job is available; might not know of alternative jobs due to lack of information; might be limited by location of work; might be limited in other jobs by age; might work in the informal economy and does not declare earnings for tax. **[5]**
- (b)** Occupational and geographical factors include better conditions, better prospects, location/shorter journey to work, can live in preferred area, shorter hours, size of company, fringe benefits – subsidised meals, health scheme, leisure activities. **[5]**
- 5 (a)** Explanation in terms of the rate at which one currency is exchanged for another currency and the effect on relative prices of imports and exports or in terms of amount of goods that can be purchased from another country. **[3]**
- (b)** In Egypt, production and employment likely to fall as not so many goods sold, resulting in reduced income and further effects on employment. In importing country production might switch to home produced goods resulting in an increase in production and employment and income. If demand switches to imports from another country the effect in the importing country will be reduced (if the other country's goods are cheaper leaving more disposable income) or result in no change. **[7]**