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INTERNATIONAL EXAMINATIONS

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International General Certificate of Secondary Education

MARK SCHEME for the November 2003 question papers

0455 ECONOMICS

0455/01	**Paper 1 (Multiple Choice), maximum mark 40**
0455/02	**Paper 2 (Core), maximum mark 60**
0455/03	**Paper 3 (Multiple Choice), maximum mark 40**
0455/04	**Paper 4 (Extended), maximum mark 80**
0455/06	**Paper 6 (Alternative to Coursework), maximum mark 40**

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 discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2003 question papers for most IGCSE and GCE Advanced Level syllabuses.

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Grade thresholds taken for Syllabus 0455 (Economics) in the November 2003 examination.

	maximum mark available	minimum mark required for grade:			
		A	C	E	F
Component 1	40	-	25	19	15
Component 2	60	-	29	20	16
Component 3	40	34	25	19	-
Component 4	80	52	34	21	-
Component 5	80	64	46	32	24
Component 6	40	27	18	12	10

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.

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November 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 0455/01

ECONOMICS
Paper 1 (Multiple Choice)

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Question Number	*Key*	*Question Number*	*Key*
1	**C**	21	**A**
2	**A**	22	**C**
3	**B**	23	**C**
4	**C**	24	**B**
5	**A**	25	**B**
6	**A**	26	**C**
7	**B**	27	**D**
8	**A**	28	**C**
9	**C**	29	**A**
10	**B**	30	**B**
11	**D**	31	**C**
12	**C**	32	**B**
13	**B**	33	**C**
14	**D**	34	**B**
15	**C**	35	**A**
16	**D**	36	**B**
17	**B**	37	**B**
18	**A**	38	**A**
19	**C**	39	**B**
20	**B**	40	**D**

TOTAL 40

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CAMBRIDGE
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November 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 60

SYLLABUS/COMPONENT: 0455/02, 04

ECONOMICS
Paper 2 (Core)
Paper 4 (Extended)

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1 (a) Up to 2 marks for a definition of investment in terms of additions to the stock of capital goods [2]

(b) 1 mark for the idea that it is to do with whether they are adjusted for inflation. 2nd mark for correctly stating that it means the figures are not adjusted for inflation. [2]

(c) (i) Up to 2 marks for a definition of growth in terms of GDP. [2]

(ii) Up to 4 marks for an explanation that investment leads to an increase in productive capacity thereby leading to increases in real output. [4]

(d) Up to 6 marks for explaining the benefits of growth, such as increased incomes, employment, and government revenue and a better use of resources. The question only asks for benefits. [6]

(e) Up to 4 marks for discussing the importance of agriculture and diamonds, which have both increased substantially. These are part of primary production. Secondary production has declined. The information says nothing about services. It might seem that the primary sector is the most significant but the information is incomplete because it does not give the absolute figures. [3]

2 (a) Up to 2 marks for an explanation of a subsidy and its effect on price and output.
Up to 2 marks for a diagram. (1 for supply shift, one for labels and original curves). [4]

(b) Up to 6 marks for a discussion that states that the disease will affect revenues and farmers will not be able to cover their costs and so profits will fall. Extent of the fall will depend on the subsidy. Farmers' costs will also be affected, as they will have to replace the livestock. Candidates could mention the short-term effect and the possible long-term implications. [6]

(c) Up to 2 marks for a definition of price elasticity of demand. (1 for idea plus 1 for formula).
Up to 2 marks for explaining the range of values and their meaning, or other relevant information, such as determinants or examples. [4]

(d) Up to 6 marks for a discussion of the application of price elasticity of demand to farming. Candidates need to suggest what type of elasticity might be appropriate for particular types of farming and the possible effect on revenues from a change in price with that elasticity. They could also mention the difficulty of finding out what the elasticity actually is. [6]

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3 (a) Up to 4 marks for explaining all four factors – land, capital, labour, and enterprise – are involved in the RSPB's action. (Maximum of 2 marks for an unexplained list of factors.) [4]

(b) Up to 6 marks for a discussion of the increase in tourist trade, employment and incomes against the loss of housing or other amenities. Candidates should consider the overall result by balancing the points 'for' and 'against'. [6]

(c) Up to 2 marks for a definition of private cost as costs paid by those undertaking the action plus an example, such as the cost of the land. Up to 2 marks for a definition of social benefit in terms of private plus external benefits to others and an example, such as benefits to visitors. [4]

(d) Up to 6 marks for a discussion of the principle of market failure and a comment on whether the protection of animals and birds falls into one of the categories of market failure. [6]

4 (a) (i) Up to 3 marks for an explanation of levels of skills and the extent of available trained labour. [3]

(ii) Up to 3marks for an explanation of the meaning of diversification across primary, secondary and tertiary industries, compared with the concentration on primary products in developing countries. (For full marks, there must be some reference to tertiary or services.) [3]

(b) Up to 4 marks for explaining that people in developing countries will be poorer on average. However, it does not follow that all people are poor. Candidates could comment on the extent of inequality of income distribution with a comparison to the likely situation in developed countries. [4]

(c) Up to 4 marks for explaining the concentration in agriculture and other primary industries, with some in manufacturing and some in service industries. Many of these jobs will be poorly paid. Could comment on the balance between work in rural areas and the cities. [4]

(d) Up to 6 marks for a discussion of likely changes in birth and death rates and consequent change in the age balance of the population. Candidates could comment on the development of many more service industries, and – in the past – greater reliance on industrialisation in developed economies. [6]

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5 (a) Up to 3 marks for describing tariffs, quotas, regulations, and embargoes. (A list may earn 1 mark provided it contains at least 2 measures.) [3]

(b) Up to 7 marks for the immediate effect whereby more exports, would probably affect the visible current account, rather than invisibles, and for discussing the long-term effects. National income in poorer countries could rise, with consequent effect on employment, but here may also be increased imports, which would alter the overall position in developing countries. Depends which tariff barriers existed in the first place, and which are abandoned. Candidates could discuss effect on the employment structure, industrialisation and the development and exploitation of resources. (Full marks possible even if candidate discusses only removal of restrictions by developing countries.) [7]

(c) Up to 10 marks for a discussion of the balance between free trade and protected trade and the advantages of specialisation in terms of efficiency and resource allocation versus the advantages of protection in terms of employment generation, regional development, a more self-sufficient economy, prevention of cheap imports and protection of industry. [10]

6 (a) Up to 2 marks for explaining that a retail price index measures the general level of price changes with respect to a base year. (1 mark for stating that the RPI measures the rate of inflation.) [2]

(b) Up to 8 marks for an explanation of the causes of inflation in terms of demand, cost, monetary and imported inflation. [8]

(c) Up to 10 marks for discussing why a government might be concerned about the effects of inflation on spending, saving, investment, growth and the balance of payments. [10]

7 (a) Up to 4 marks for an explanation of profit maximisation in terms of the difference between costs and revenues. Marginal analysis is not on syllabus but more able students may know it and it can be rewarded. [4]

(b) Up to 6 marks for discussing the effect on profits of the changes mentioned. For example candidates could debate whether the idea of compensation is a deduction from profits, or whether it is a means of attracting more customers that might increase profits. Certainly we know that the number of customers has increased and so the policy would not seem to be detrimental to the company. But we do not know how profit levels have changed. [6]

(c) Up to 5 marks for a description of the types of business organisation from partnerships to multi-national companies plus up to 5 marks for a discussion of their likely significance. [10]

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November 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 0455/03

ECONOMICS
Paper 3 (Multiple Choice)

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Question Number	*Key*	*Question Number*	*Key*
1	**C**	21	**A**
2	**C**	22	**C**
3	**B**	23	**B**
4	**C**	24	**B**
5	**A**	25	**B**
6	**A**	26	**C**
7	**B**	27	**D**
8	**A**	28	**A**
9	**C**	29	**A**
10	**B**	30	**B**
11	**D**	31	**C**
12	**C**	32	**C**
13	**C**	33	**B**
14	**D**	34	**C**
15	**D**	35	**A**
16	**D**	36	**B**
17	**B**	37	**B**
18	**C**	38	**C**
19	**B**	39	**B**
20	**C**	40	**D**

TOTAL 40

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November 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 0455/06

ECONOMICS
Paper 6 (Alternative to Coursework)

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1 (a) (i) Higher returns on their savings [1]

(ii) Candidates should attempt to explain the effect of real value of money. The concept of real value is difficult at this level. 1 for mentioning prices falling and goods becoming cheaper, 2 for attempt at linking real value of income to existing savings. 3 for saying prices were rising but at a slower rate. [3]

(b) Article presents two sides. 2 marks for explanation of each side, final mark for overall conclusion. [5]

(c) Comment on the need for government to provide services and facilities for people who are not working. If it is assumed that many of these will be in the older age ranges then could comment on changing structure of population and the extent to which the lack of financial independence might be an increasing concern. (numbers of retired people might not only increase as a proportion but in absolute terms).

(2 for receipts side, 2 for expenditure side, 1 for judgement.) [5]

(d) (i) Definition which mentions reductions due to direct taxes, and/or other deductions at source. (These may vary between countries).
1 mark if just mention 'tax' deduction. [2]

(ii) Candidates should comment on the types of goods purchased but also on the proportion of income spent and the proportion of income saved. 2 marks for comment on absolute amounts spent, 3 for consideration of proportions spent and saved, 4 for comment on types of goods/services purchased. [9]

2 (a) Fall in passenger demand – could give figures mentioned. [1]

(b) Should explain fixed and variable cost. Labour traditionally a variable cost but some labour on long term contracts could be classified as fixed. [4]

(c) (i) Statistics on fall in demand, sales of aircraft, statement about competitors. [4]

(ii) Could compare statistics with other months and previous years, could consider likely cost savings and effect on profits of sale of aircraft, could discover position of competitors, could consider future bookings already made, could consider how many staff are on short contracts which are due to end. [6]