

**CAMBRIDGE**  
INTERNATIONAL EXAMINATIONS

**JUNE 2002**

**INTERNATIONAL GCSE**

**MARK SCHEME**

**MAXIMUM MARK : 80**

**SYLLABUS/COMPONENT : 0455/4**

**ECONOMICS  
(EXTENDED)**

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- 1(a)** 1 mark each for any three from number of employees, sales turnover, value of assets, market share, % of GDP or large profits. [3]
- (b)** Up to 4 marks for discussing relevant information such as the size of the workforce – 100,000, the value of sales - £1.4 bn., or the share of the European market – 25%. Candidates should draw a conclusion from the information used. [4]
- (c)** Up to 3 marks for explaining concentration on a particular product or in a particular area or for explaining division of labour. [3]
- (d)** Up to 2 marks for explaining specialisation by area. Candidates could mention the number of studios in the limited 30-mile area.  
1 mark only for stating that the design of computer games is an example of specialisation. [2]
- (e)** Up to 8 marks for discussing economies of scale and the effects on costs and profits. [8]
- 2(a)** Up to 4 marks for explaining how demand and supply interact to produce equilibrium. [4]
- (b)** Up to 3 marks for explaining that the fall in income shifts the D curve to the left, so price falls. If repeated on many goods, prices in general may fall. High unemployment may mean a decrease in supply of a good – but not if capital replaces labour.  
Up to 3 marks for relevant diagrams to support the explanation. [6]
- (c)** Up to 4 marks for explaining a fall in the general price level may, if incomes remain stable, induce greater spending and less saving. If incomes have fallen, then the effect on saving may be uncertain. [4]
- (d)** Up to 6 marks for explaining factors affecting consumer spending or saving, such as incomes, tastes, interest rates, life style, specific savings targets and long term v short term considerations on saving. [6]

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- 3(a)** 1 mark each for birth rates, death rates and net migration.  
1 mark only for describing other factors that might affect the birth rate or the death rate, such as improved health, education or contraception, without birth rate or death rate. [3]
- (b)** Up to 7 marks for contrasting the differences in relative birth rates and death rates and relative proportions of young and old people in each type of economy, including typical pyramid diagrams. [7]
- (c)(i)** Up to 6 marks for discussing the effects of a changed population structure on the provision of health, education, pensions, transport and on the raising of tax revenue. Could consider whether reduced spending for children will offset the cost of extra provision for the elderly. [6]
- (c)(ii)** Up to 4 marks for discussing the effects of a changed population structure on the pattern of employment, such as more employment opportunities in occupations dealing with the elderly and more job opportunities for school leavers. [4]
- 4(a)** Up to 4 marks for explaining fixed and variable costs in relation to output in the short run perhaps with examples. [4]
- (b)** Up to 6 marks for discussing how flight cancellations might have affected fixed and variable costs. For example, variable costs of aircrew overtime and aircraft maintenance might be reduced while fixed costs of aircrew salaries or solving technical problems would not be reduced. [6]
- (c)** Up to 3 marks for explaining profit maximisation as getting the greatest profit from sales or maximising the difference between total costs and total revenue. [3]
- (d)** Up to 7 marks for analysing the effects of the airlines problems on the levels of their profits, such as the fall in total revenue due to cancelled flights or the rise in total costs due to extra maintenance. Overall, total profits might well have fallen. [7]
- 5(a)** 1 mark each for any two of increased incomes, increased output, higher standards of living, a better quality of life or reduced benefit payments. [2]
- (b)** Up to 2 marks for defining inflation as a persistent increase in the general level of prices. Up to 6 marks for describing the construction of a consumer price index including expenditure surveys, a base year, a basket of goods, price relatives and weightings. [8]
- (c)** Up to 5 marks for discussing the aims of government macro-economic policy in terms of relative importance. Look for a reasoned conclusion to support the choice stated. [5]
- (d)** Up to 5 marks for explaining how a reduction in unemployment might increase incomes and lead to pressure on production and to price rises. [5]

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- 6(a)** 1 mark each for GDP as the value of all goods produced in a country in a given period of time. [3]
- (b)** Up to 4 marks for explaining the effects of increased exports on the balance of payments of a developing country, such as higher revenues from goods and services sold overseas for the current account. Assuming no increase in imports there would be an improvement in the balance of payments, but this could lead to increased imports later. [4]
- (c)** Up to 6 marks for explaining how an increase in GDP improves living standards through extra income, extra spending, more consumer product, more saving, more government revenue, more public sector services together with better health, education, housing and infrastructure. [6]
- (d)** Up to 7 marks for discussing the relative importance of the primary, secondary and tertiary sectors with examples of each. They might also discuss the change of emphasis between sectors as a country develops. [7]
- 7(a)** Up to 2 marks for explaining the reduced cost to a supplier as part of the cost is paid by the government, possibly reducing the price to the consumer. [2]
- (b)** Up to 4 marks for drawing a diagram that shows the shift to the right of the supply curve leading to a fall in the price and a larger quantity traded in the market. 1 mark for correct axes, 1 mark for the original demand and supply curves, 1 mark for the downward shift of the supply curve to the right and one mark for the new equilibrium levels of price and quantity. [4]
- (c)** Up to 3 marks for explaining an external cost as the difference between social and private costs. 1 mark for a suitable example such as pollution, noise or congestion. [4]
- (d)** Up to 2 marks for explaining the links between private, external and social costs and benefits.  
Up to 8 marks for discussing the relative benefits and costs of private cars and public transport. They should explain how taxes and subsidies can reduce the negative effects and increase the positive effects of the use of the two forms of transport. [10]