UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

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| CANDIDATE NAME | |

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*0871556813*

**ECONOMICS** **0455/31**

Paper 3 Analysis and Critical Evaluation **October/November 2010**

**1 hour 30 minutes**

Candidates answer on the Question Paper.
Additional Materials: Insert.

**READ THESE INSTRUCTIONS FIRST**

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.
DO **NOT** WRITE IN ANY BARCODES.

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.

| For Examiner's Use | |
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| 1 | |
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| Total | |

This document consists of **9** printed pages, **3** blank pages and **1** Insert.


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The extract **'Iron ore prices rise'** will be needed for this question.

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**1** **(a)** Explain what is meant by primary, secondary and tertiary sectors of production and identify which sectors are referred to in the extract.

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**(b)** What does the extract mean when it says, 'a decline in iron ore prices in real terms'?

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**(c)** What evidence is there in the extract that the demand for steel from China was a large part of the market?

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**(d)** Explain, using a demand and supply diagram, the change in the market price for iron ore between 2002 - 2007.

*For Examiner's Use*

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**(e)** Use the information in the extract to suggest what might happen to the price of steel in 2008.

*For Examiner's Use*

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**(f)** The extract says, 'successful mining companies used these profits to buy rival competitors in order to cut costs and increase profits even further'. Discuss whether the purchase of another company might lead to lower costs and higher profit.

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**[Total: 26]**



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The extract **'Reduced furniture prices help bring down inflation'** will be needed for this question.

*For Examiner's Use*

**2** **(a)** Why are governments interested in calculating the price index?

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**(b)** Identify **four** reasons which, according to the extract, helped to cause the rate of inflation to fall.

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**(c)** The extract says that food accounts for a 9% weighting and furniture has a 2% weighting in the price index. What is meant by the term weighting and explain why food and furniture are given different weightings.

*For Examiner's Use*

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**(d)** Use the evidence in the extract to discuss why a rise in interest rates might affect the pattern of consumer spending and consumer saving.

*For Examiner's Use*

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**[Total: 14]**



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