

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						4	3	5	0	/	2	H	Signature	

Paper Reference(s)

**4350/2H**

# London Examinations IGCSE

## Economics

### Paper 2H

### Higher Tier

Wednesday 9 May 2007 – Morning

Time: 2 hours 15 minutes

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
Total	

**Materials required for examination**

Calculator

**Items included with question papers**

Nil

### Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initials and signature. Check that you have the correct question paper.

Some questions must be answered with a cross in a box (☒).

If you change your mind about an answer, put a line through the box (☒) and then mark your new answer with a cross (☒).

Answer ALL the questions. Write your answers in the spaces provided in this question paper.

### Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).

There are 4 questions in this question paper. The total mark for this paper is 100.

There are 20 pages in this question paper. Any blank pages are indicated.

Calculators may be used.

### Advice to Candidates

Write your answers neatly and in good English.

You are advised to spend the same amount of time on each of the 4 questions.

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1. Study the information given in Figure 1.

**Figure 1**

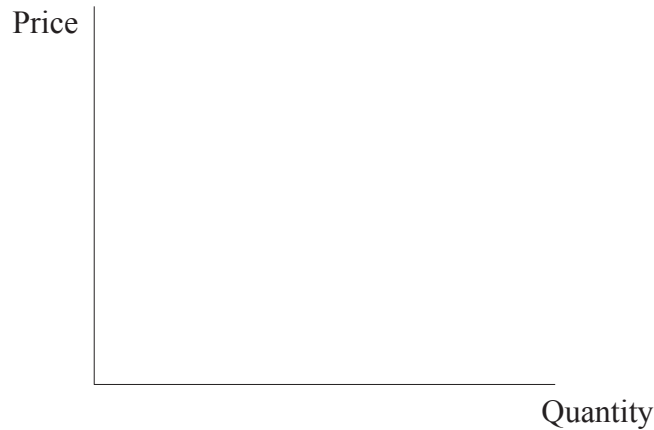
	2005–2012 (estimated change)
Demand for diamonds	+50%
Supply of diamonds	No change
Price of diamonds	+30%

Figure 2, below, represents the market for diamonds.

(a) (i) On Figure 2, below, draw a demand and supply curve for diamonds in 2005. Label the demand curve, D, the supply curve, S, equilibrium price, P, and equilibrium quantity, Q.

**(4)**

**Figure 2**



(ii) On Figure 2, draw a new demand curve to show the rise in the price of diamonds between 2005–2012. Show the new equilibrium Price  $P_1$  and Quantity  $Q_1$ .

**(2)**

(b) (i) Identify **two** reasons why the demand for diamonds might change by +50%.

1. ....  
 .....

2. ....  
 .....

**(2)**



(ii) Using the information given in Figure 1, estimate the elasticity of supply for diamonds. Explain your answer.

Elasticity of supply = \_\_\_\_\_ **(1)**

Explanation:

.....  
.....  
.....  
.....  
..... **(2)**

(c) (i) Define income elasticity of demand.

.....  
.....  
.....  
.....  
..... **(2)**

(ii) What is meant by a normal good?

.....  
.....  
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.....  
..... **(2)**



(iii) Explain why diamonds are considered normal goods.

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.....

(2)

(d) (i) Botswana is one of the world's largest producers of diamonds. It has a mixed economy. Explain **two** characteristics of a mixed economy.

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2. ....  
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(4)



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(ii) Consider an economy of your choice. To what extent can it be described as a mixed economy?

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(4)

Q1

(Total 25 marks)

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2. Alan Wong is a taxi driver. Like many other taxi drivers in his city, he owns his taxi and runs his own business. His monthly costs are show in Figure 3.

**Figure 3**

<b>Costs</b>	<b>June \$</b>	<b>July \$</b>
Petrol	200	350
Loan repayment	100	100
Insurance	60	60
Licence fee	50	50
Advertising	40	40
Telephone charges	50	70

**Figure 4**

	<b>June</b>	<b>July</b>
<b>Number of customers</b>	250	300

- (a) (i) Using Figure 3, calculate Alan's total costs for June.

.....  
 .....  
 (1)

- (ii) Alan had 250 customers in June. Calculate the average cost. Show your workings.

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 .....  
 .....  
 .....  
 .....  
 .....  
 (2)



(iii) Using examples from Figure 3, distinguish between fixed and variable costs.

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**(4)**

(b) In a nearby city The Red Taxi Company has a monopoly.

(i) Identify **two** main features of a monopoly.

1. ....  
.....  
2. ....  
.....

**(2)**







Leave  
blank

(c) (i) Briefly explain **two** ways in which a government can promote competition in an economy.

1. ....  
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2. ....  
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**(4)**





3.

Figure 5

Income \$ per year	\$ per year taken in tax		
	Tax A	Tax B	Tax C
10 000	1 000	1 000	1 000
20 000	2 000	2 500	1 000
30 000	3 000	4 000	1 000
40 000	4 000	6 000	1 000

Study Figure 5 above.

(a) Which of the taxes, A, B or C is

(i) Progressive = \_\_\_\_\_

(ii) Proportional = \_\_\_\_\_

(2)

(b) (i) Define “indirect taxation”. Give an example.

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(2)

(ii) Identify **two** ways, other than taxation, in which a government can raise revenue.

1. ....

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2. ....

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(2)



(c) (i) Identify **two** measures of supply side policy.

- 1. ....  
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- 2. ....  
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**(2)**

(ii) Can supply side policies reduce unemployment? Justify your answer.

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**(4)**

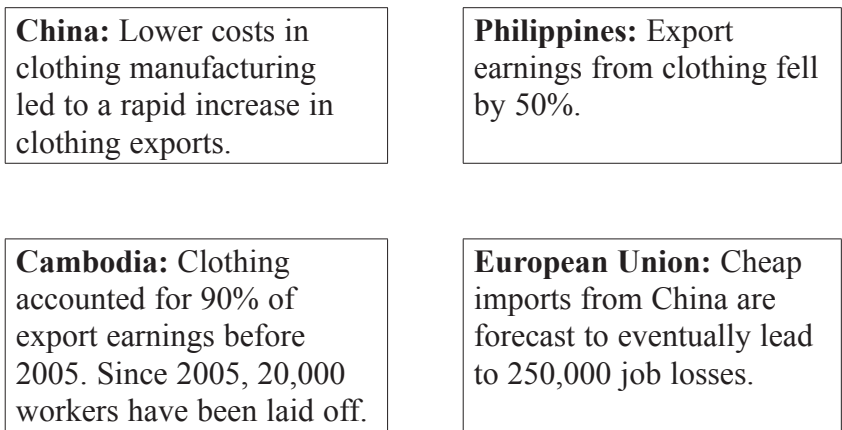






4. The Multi-Fibre Agreement set a limit on the number of textile imports from developing countries to Europe. This agreement ended in 2005. Figure 6 below shows some changes after the agreement ended.

**Figure 6**



- (a) Study the information given in Figure 6. State **one** effect that the ending of the Multi-Fibre Agreement had on **each** of the following countries:

(i) China:

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.....  
.....

(ii) Philippines:

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.....

(iii) Cambodia:

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**(3)**



(b) (i) What type of trade restriction was the Multi-Fibre Agreement? Place a cross in the correct box.

Quota

Tariff

Exchange control

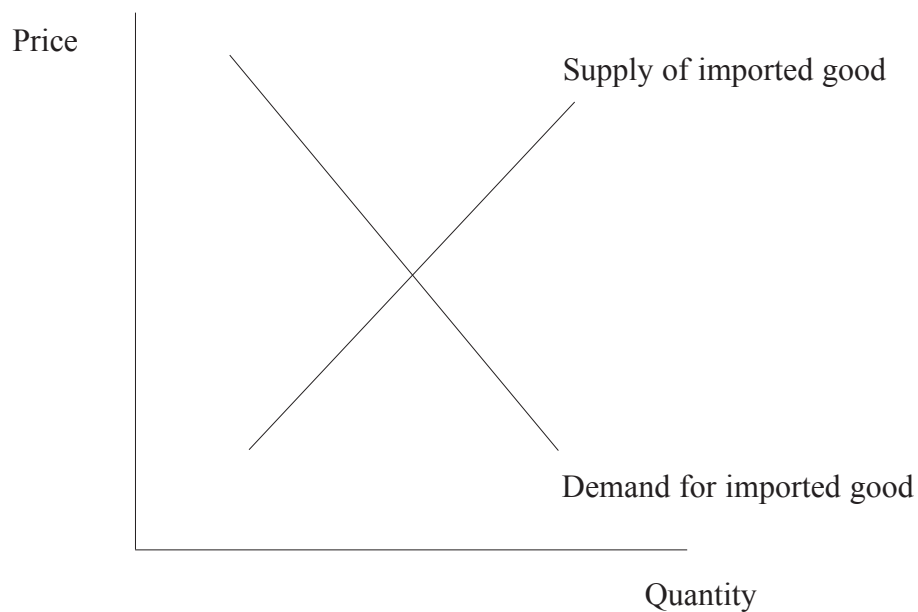
(1)

(ii) Explain how a subsidy can reduce imports.

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(2)

(iii) On Figure 7 below show how tariffs can reduce imports of a good. Explain the diagram.



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(ii) What do other WTO members gain from Chinese membership?

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(4)

Q4

(Total 25 marks)

**TOTAL FOR PAPER: 100 MARKS**

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