Paper Reference(s)

4350/2H

London Examinations IGCSE

Economics

Paper 2H

Higher Tier

Monday 8 November 2010 – Morning

Time: 2 hour 15 minutes

Materials required for examination

Nil

Items included with question papers

Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) 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. Do not use pencil. Use blue or black ink.

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.

Turn over

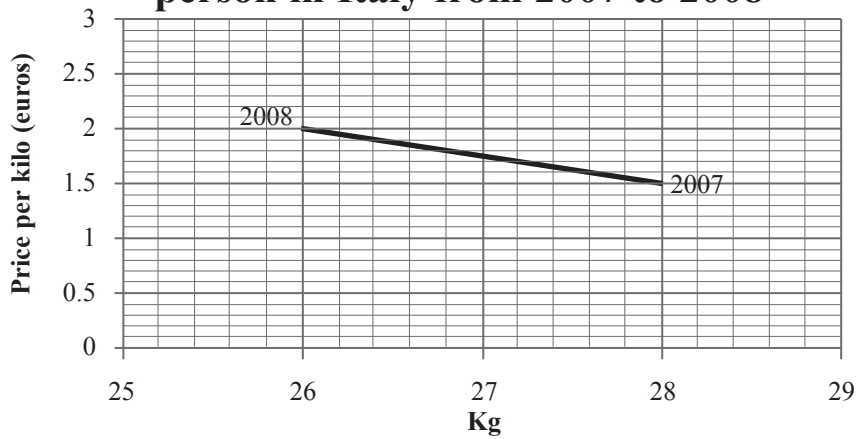edexcel
advancing learning, changing lives

Answer ALL the questions.

Question 1

Italians consume more pasta than any other nation. Figure 1a shows the change in the average amount of pasta consumed by each person in Italy from 2007 to 2008.

Figure 1a

Annual pasta consumption per person in Italy from 2007 to 2008

(a) (i) With reference to the data in Figure 1a, describe the change in the relationship between the price of pasta and the quantity demanded from 2007 to 2008.

....

....

....

....

(2)

(ii) The demand for pasta is price inelastic. With reference to the total amount spent on pasta in 2007–2008 explain this statement.

....

....

....

....

....

....

....

....

....

(4)

(b) (i) Pasta is made from wheat which is an agricultural commodity. Explain how **two** factors may affect the supply of wheat. Which of these factors is the most important? Give reasons for your answer.

....

....

....

....

....

....

....

....

....

....

....

....

....
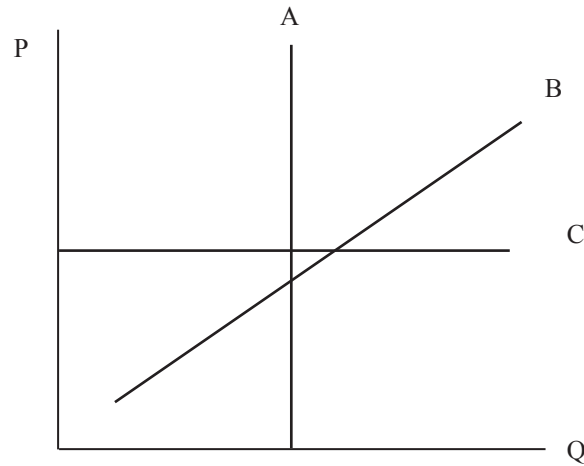
(5)

Figure 1b

The supply of wheat in 2007

(ii) In 2007 the price elasticity of supply of wheat = 0.

Which of the curves, A, B or C, shown on Figure 1b shows the supply of wheat in 2007?

Answer = ...

(1)

(iii) Explain your answer.

....

....

....

....

(2)

(c) The following table, Figure 1c, shows the demand for pasta as incomes change for two different income groups, Group A and Group B.

Figure 1c

Group A: High income earners

Year	Income (euros)	Quantity demanded (kg)
2009	40,000	25
2010	44,000	20

Group B: Low income earners

Year	Income (euros)	Quantity demanded (kg)
2009	10,000	30
2010	11,000	32

(i) For which income group is pasta an inferior good?

Group ....

(1)

(ii) Use the data in Figure 1c to explain your answer.

....

....

....

....

(3)

(d) (i) On Figure 1d show the effect of the introduction of a minimum wage rate on the price and quantity of labour.

Figure 1d

(2)

(ii) To what extent is the introduction of a minimum wage likely to improve living standards?

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(5)

Q1

(Total 25 marks)
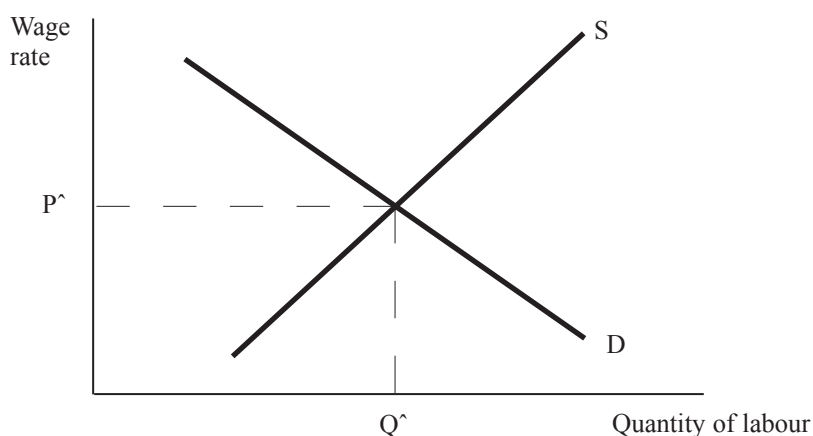
Question 2

Paul Chung owns a shop which prints digital photos for its customers. Paul has taken a loan from the bank to purchase a printer and employs a student, Sam, to work in his shop at weekends.

(a) (i) Paul is an entrepreneur. What is meant by the term 'entrepreneur'?

....

(1)

Paul's costs are shown below

Electricity	*Sam's wages*
Paper	*Loan repayment*
Rent	*Ink cartridges for printer*

(ii) With the aid of **one** example from the list above, define variable costs.

....

....

....

(2)

(iii) From the list above give **one** example of fixed costs.

....

(1)

(iv) What will happen to fixed costs if Paul increases production from 20,000 to 30,000 prints each week?

☒ Rise

☒ Fall

☒ Stay the same

(1)

Paul prints 20,000 photos for his customers each week. He charges 10 cents per print. (100 cents = $1)

(v) Calculate his total revenue for a week. Show your workings.

....

....

(2)

(vi) Paul's variable costs for 20,000 prints are $500.
His fixed costs are $600 a week.

Calculate his total costs.

....

....
(1)

(vii) Calculate Paul's weekly profit when he produces and sells 20,000 photos.

....

....
(1)

(b) PhotoPlus, a business with many print shops in different towns, benefits from economies of scale.

(i) With the aid of **one** example define 'economies of scale'.

....

....

....

....
(3)

(ii) PhotoPlus wants to purchase Paul's business. To what extent would this be in the interests of the consumers?

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(5)

(c) (i) PhotoPlus is in the private sector of the economy. Distinguish between the private and public sectors of an economy in terms of ownership.

....

....

....

....

(2)

(ii) Evaluate the arguments for major industries, e.g. gas and electricity, being in the private sector of the economy.

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(6)

Q2

(Total 25 marks)

Question 3

Figure 3a shows the economic growth of the UK between 2005 and 2008.

Figure 3a
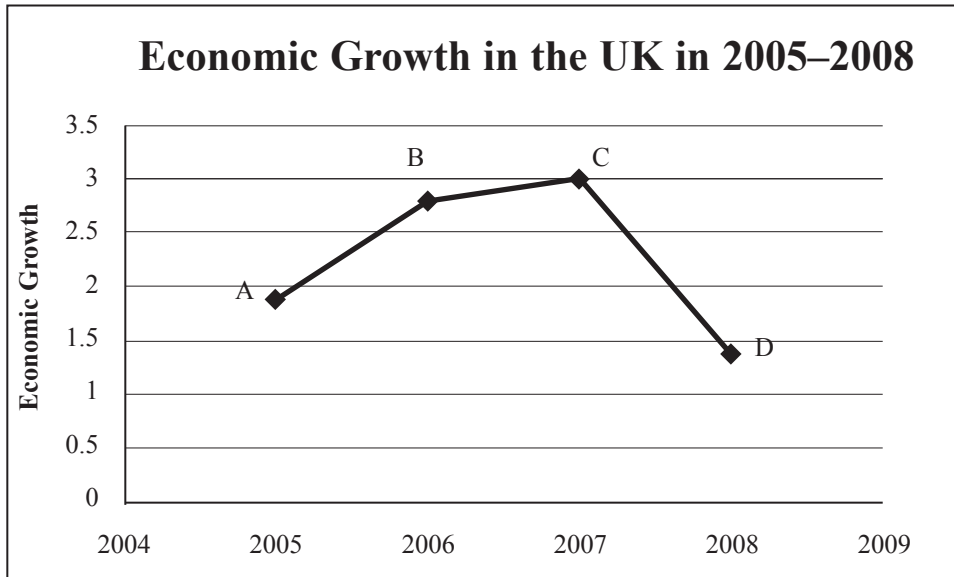
(a) (i) Complete the following definition.

Economic growth measures the change in .... Gross

.... product.

(2)

(ii) What was happening to the UK's rate of economic growth between 2007 and 2008?

☒ It was rising

☒ It was falling

☒ It was negative

☒ It stayed the same

(1)

(iii) Identify **one** other characteristic of recession apart from unemployment.

....

(1)

(b) (i) To what extent can a change in the rate of interest reduce unemployment during a recession?

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(6)

(ii) Identify and briefly explain **one** fiscal measure that could be used to reduce unemployment during a recession.

....

....

....

....

....

(3)

M 3 7 7 6 8 A 0 1 3 2 0

A change in the rate of interest may affect other government objectives.

(iii) Identify **one** other government objective apart from reducing unemployment.

....

(1)

(iv) Briefly explain how this objective may be affected by a change in the rate of interest.

....

....

....

....

....

(3)

(c) The 2012 Olympic Games are to be held in London. They are to be funded mainly by the UK government.

(i) With the aid of an example, explain what is meant by direct taxation.

....

....

....

....

(2)

(ii) Apart from direct taxation identify **one** method by which the government can fund the 2012 Olympics.

....

(1)

(iii) Which is the better method of funding the 2012 Olympics, direct taxation or the method you have identified in (c)(ii)? Justify your choice.

....

....

....

....

....

....

....

....

....

....

....

(5)

Q3

(Total 25 marks)

M 3 7 7 6 8 A 0 1 5 2 0

Question 4

Table 4a shows the exchange rate of the UK pound (£) to Sri Lankan rupees.

Table 4a

Exchange rate £1/Sri Lankan rupees
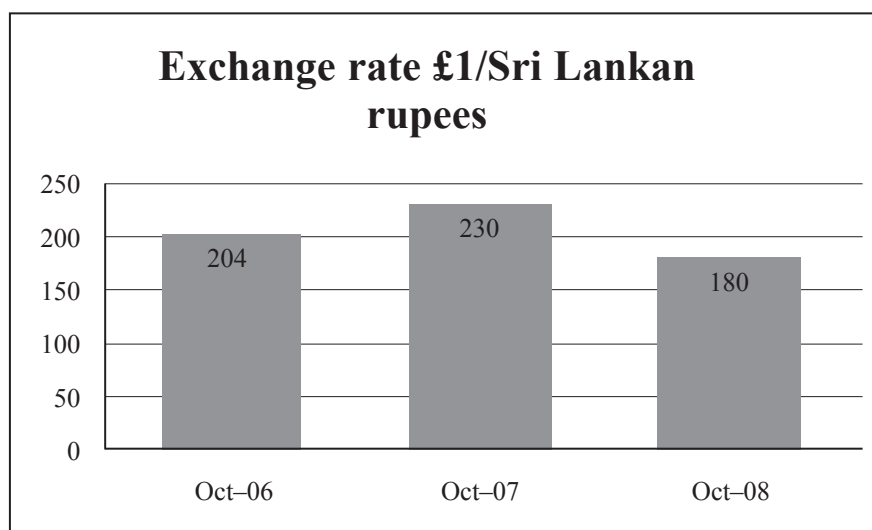
(a) How many rupees would a British tourist receive for £100 in

(i) October 2006,

....

(1)

(ii) October 2008?

....

(1)

(iii) The money spent by British tourists visiting Sri Lanka is shown on the balance of payments of Sri Lanka as

☒ a visible import

☒ an invisible export

☒ a visible export

☒ an invisible import

(1)

(iv) Examine the impact of an appreciation of a country's currency on the country's balance of trade.

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(6)

(b) (i) Briefly explain **one** reason why a country might borrow from the World Bank (IBRD).

....

....

....

....

(2)

(ii) Identify **one** other source of a country's international borrowing apart from borrowing from the World Bank.

....

(1)

(iii) To what extent do the problems of international debt outweigh the benefits of international borrowing?

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(5)

(c) (i) Briefly explain how tariffs and quotas can decrease imports.

....

....

....

....

....

....

....

....

....

(4)

(ii) Which of the two methods, tariffs or quotas, is likely to be the most successful way of reducing imports? Explain your answer.

....

....

....

....

....

....

....

....

....

....

....

....

(4)

Q4

(Total 25 marks)

TOTAL FOR PAPER: 100 MARKS

END