

IGCSE

London Examinations IGCSE

Economics (4350)

First examination May 2006

July 2004, Issue 1

delivered locally, recognised globally

Specimen Papers and Mark Schemes

London Examinations IGCSE

Economics (4350)

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Publications Code: UG014341

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Centre No.					
Candidate No.					

Paper Reference					
4	3	5	0	/	1 F

Surname	Initial(s)
Signature	

Paper Reference(s)

4350/1F

London Examinations

IGCSE

Economics

Paper 1F

Foundation Tier

Specimen Paper

Time: 1 hour 45 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

None

Items included with question papers

None

Instructions to Candidates

In the boxes above, write your centre number and candidate number, your surname, initial(s) and signature.

The paper reference is shown at the top of this page. Check that you have the correct question paper.

Answer **ALL** the questions in the spaces provided in this question paper.

Information for Candidates

There are 12 pages in this question paper. There are no blank pages.

The total mark for this paper is **80**. The marks for the various parts of questions are shown in round brackets, e.g. (2).

Calculators may be used.

Advice to Candidates

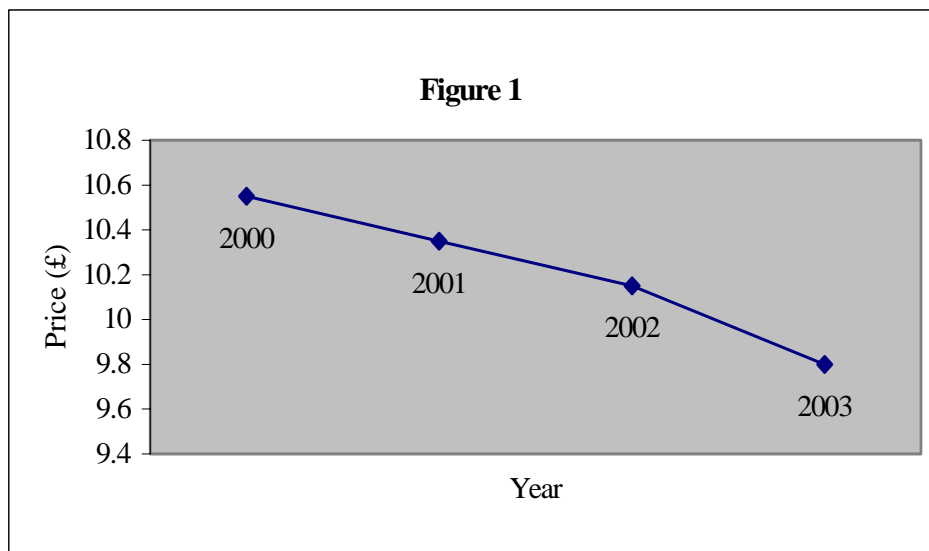
You are reminded of the importance of clear English and careful presentation in your answers.

You are advised to spend about the same amount of time on each question.

Turn over

Answer **all** questions.

1. Study Figure 1 which shows how the average retail price in the UK of a CD has changed since 2000.



- (a) (i) Using Figure 1, what was the price of a CD in the year 2000?

.....
(1)

- (ii) By 2003, how had the price changed?

.....
(1)

- (b) Two reasons given for this change were

1. downloading (copying) music from the Internet
2. large supermarkets starting to sell CDs.

- (i) For each reason, state whether it affects the demand curve or the supply curve for CDs.

1. 2.
(2)

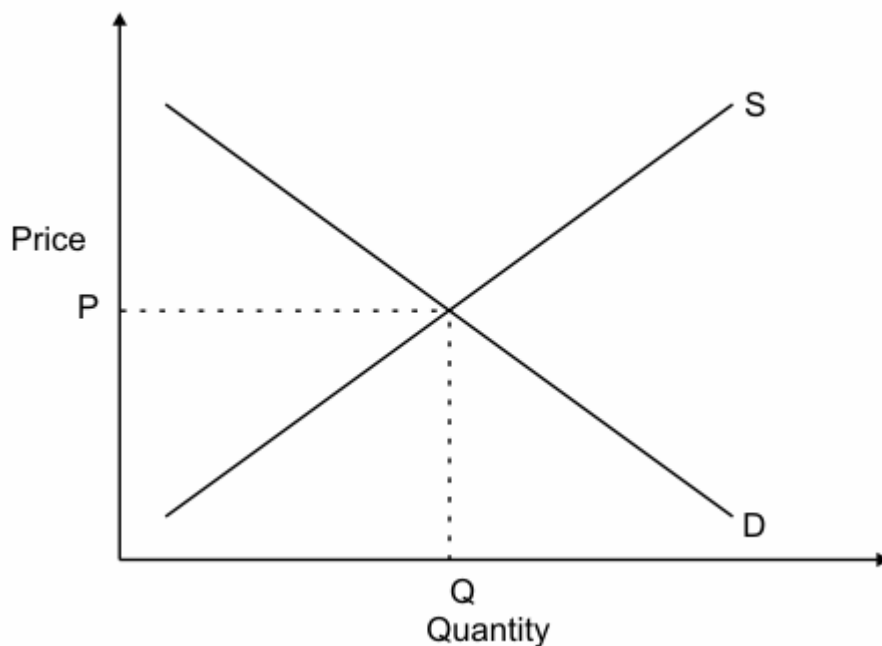
(ii)

1. On the diagram below, draw and label a new supply curve **or** a new demand curve to show how large supermarkets starting to sell CDs could have caused the change in price.

(2)

2. On the diagram below, show the new price and quantity.

(2)



- (c) The demand for CDs is 'price-elastic'.

- (i) Explain what is meant by 'price-elastic'.

.....

.....

(2)

- (ii) Give **two** reasons why some goods have a price-elastic demand.

1.
2.

(2)

Turn over

(iii) Price-elasticity of demand affects a firm's total revenue. What is meant by 'total revenue'?

.....

(1)

(iv) If the price-elasticity of demand is elastic, what will happen to total revenue if price falls?

.....

(1)

(d) (i) What is meant by a 'mixed economy'?

.....

.....

(2)

(ii) Explain why CDs are normally produced by the private sector.

.....

.....

.....

.....

.....

.....

(4)

Total for Question 1: 20 marks

2. Study Figure 2a, which splits some costs of a hotel into two types.

Figure 2a

Variable costs	Fixed costs
<i>For example</i>	<i>For example</i>
<ul style="list-style-type: none">• Restaurant staff and cleaning staff wages• Food and cleaning materials	<ul style="list-style-type: none">• Managers' wages• Interest payments on loans

(a) (i) Put a tick next to the correct answer to show whether, in Figure 2a, labour costs are shown as

a variable cost

a fixed cost

both variable and fixed costs

(1)

(ii) Give an example of a variable cost not shown in Figure 2a that a hotel might have to pay.

.....

(1)

(b) Labour is a factor of production used by a hotel.

(i) Name **two** of the other factors of production.

.....

(2)

Turn over

(ii) Explain how each is needed in the hotel industry.

.....
.....
.....

(2)

(c) Place a tick in the correct box below to show whether a hotel is in the primary, secondary or tertiary sector.

primary	<input type="checkbox"/>
secondary	<input type="checkbox"/>
tertiary	<input type="checkbox"/>

(1)

(d) (i) How can a hotel calculate average cost from its total cost?

.....
.....

(2)

(ii) Large firms (e.g. large hotels) may be able to produce at a lower average cost than small firms in the same industry (e.g. smaller hotels of the same standard).

Explain how economies of scale can lower the average costs of a large firm.

.....
.....
.....
.....
.....

(4)

- (e) Study Figure 2b, which shows two firms which were fined in 2000 for serious pollution in the UK.

Figure 2b

FIRM A Sewage illegally discharged Fine: £50,000	FIRM B Nitrogen dioxide pollution Fine: £120,000
--	--

- (i) Explain the term ‘external cost’

.....
.....

(2)

- (ii) Describe **two** ways in which governments try to make polluting firms pay the external costs of production.

.....
.....
.....
.....
.....
.....

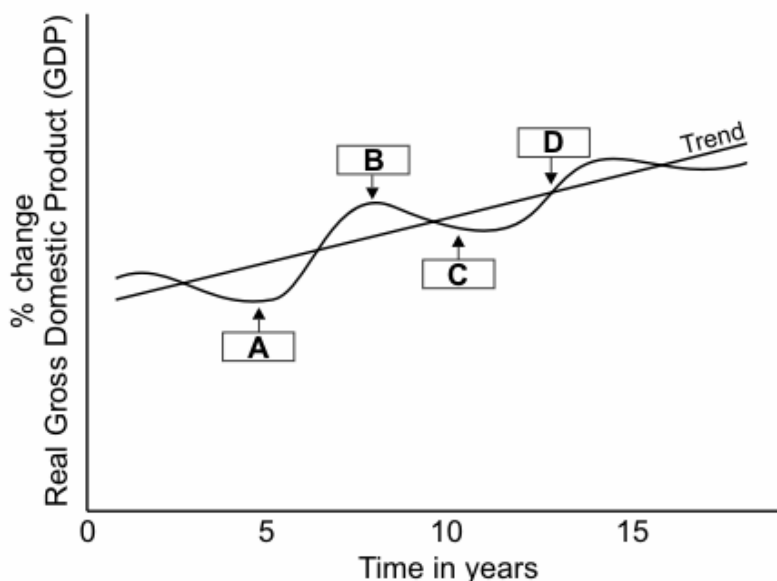
(5)

Total for Question 2: 20 marks

Turn over

3. Study Figure 3, which shows the general shape and stages of the economic cycle.

Figure 3



(a) (i) Name the stages in the economic cycle labelled **A**, **B**, **C** and **D** shown in Figure 3. Use the terms *boom*; *recession*; *recovery*; *slump*.

A. **B.**
C. **D.**

(4)

(ii) Which macro-economic objective does the Gross Domestic Product (GDP) measure?

..... (1)

(iii) Explain why it is important for the GDP to increase.

.....

(4)

(b) Supply-side policies are used to encourage GDP to increase.

(i) State **two** supply-side policies.

1. 2.
(2)

(ii) Explain how **one** of these policies might encourage GDP to increase.

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

(c) (i) State a macro-economic objective other than that given in your answer to 3 (a) (ii).

.....
(1)

(ii) Give **two** policies which are available to governments when trying to achieve this objective.

Policy 1:
.....
.....

Policy 2:
.....
.....
(2)

(iii) Suggest how effective **one** of these policies has been in achieving its objective.

.....
.....
.....
.....
(4)

Total for Question 3: 20 marks

Turn over

4. Study Figure 4 which shows the geographical pattern of the U.K.'s international trade in 1999.

Figure 4

	Destination of UK exports of goods (£bn)	Source of UK imports of goods (£bn)
Trading areas:		
European Union (EU)	97	103
Other western European countries	7	11
United States of America	28	28
All other countries	34	50

- (a) (i) State the total value of goods
1. exported from the UK
 2. imported from the UK

(2)

- (ii) Explain why economists might be concerned about these international trade figures for the UK.

.....

.....

.....

(2)

- (iii) Using Figure 4, compare the importance of trade with the EU and trade with the USA for the UK economy.

.....

.....

.....

.....

.....

(3)

(b) (i) Read the following passage and complete the blank spaces by choosing from the list below:

- exchange rates
- tariffs
- trading blocs.

The World Trade Organisation (WTO) promotes free trade and the reduction of trade barriers between countries. _____ are a tax on imports which act as a trade barrier. The European Union (EU) and other _____ remove them for internal trade but keep them for external trade with the rest of the world.

(2)

(ii) Give **one** reason why countries in trading blocs trade most with other countries in the same bloc.

.....

(1)

(iii) Give **two** effects that major trading blocs have on non-member countries.

1.

.....

2.

.....

(2)

(iv) Suggest why the WTO is concerned about these effects.

.....

.....

.....

.....

(2)

Turn over

*Leave
blank*

- (c) A change in exchange rates might help to improve a country's balance of payments on current account. Explain how this can happen.

(6)

Total for Question 4: 20 marks

TOTAL FOR PAPER: 80 MARKS

END

Centre No.					
Candidate No.					

Paper Reference					
4	3	5	0	/	2 H

Surname	Initial(s)
Signature	

Paper Reference(s)

4350/2H

London Examinations

IGCSE

Economics

Paper 2H

Higher Tier

Specimen Paper

Time: 2 hours and 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

None

Items included with question papers

None

Instructions to Candidates

In the boxes above, write your centre number and candidate number, your surname, initial(s) and signature.

The paper reference is shown at the top of this page. Check that you have the correct question paper.

Answer **ALL** the questions in the spaces provided in this question paper.

Information for Candidates

There are 14 pages in this question paper. There are no blank pages.

The total mark for this paper is **100**. The marks for the various parts of questions are shown in round brackets, e.g. (2).

Calculators may be used.

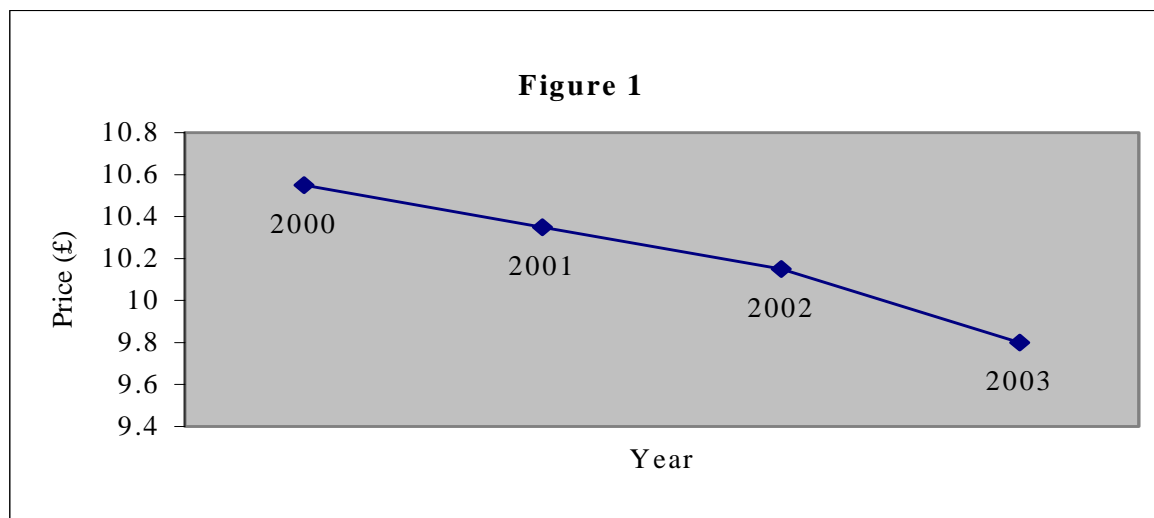
Advice to Candidates

You are reminded of the importance of clear English and careful presentation in your answers.

You are advised to spend about the same amount of time on each question.

Answer **all** questions.

1. Study Figure 1 which shows how the average retail price in the UK of a CD has changed since 2000.



- (a) What is the change in the price of CDs between 2000 and 2003?

.....
(1)

- (b) (i) 1. On the graph below, draw and label a demand curve and a supply curve.
2. On the graph below, draw and label the equilibrium price and quantity.

(3)



- (ii) 1. On the graph above, draw and label **either** a new demand curve **or** a new supply curve to show how downloading (copying) of music from the internet could have caused the change in price.

(1)

2. On the graph above, show the new price and new quantity

(2)

(c) The demand for CDs is 'price-elastic'.

(i) Explain what is meant by 'price-elastic'.

.....
.....

(2)

(ii) Give **two** reasons why some goods have a price-elastic demand.

1.

2.

(2)

(iii) Price-elasticity of demand affects a firm's total revenue. What is meant by total revenue?

.....

(1)

(iv) If the price-elasticity of demand is elastic, what will happen to total revenue if price falls?

.....

(1)

(d) (i) What is meant by a 'mixed economy'?

.....

.....

(2)

Turn over

(ii) Explain why CDs are normally produced by the private sector.

(4)

(iii) All economies are a mixture of public and private sectors.
Explain why this is so.

(6)

Total for Question 1: 25 marks

2. Study Figure 2a, which splits some costs of a hotel into two types.

Figure 2a

Variable costs	Fixed costs
<i>For example</i>	<i>For example</i>
<ul style="list-style-type: none">• Restaurant staff and cleaning staff wages• Food and cleaning materials	<ul style="list-style-type: none">• Managers' pay• Interest payments on loans

(a) Why are labour costs shown as both a fixed cost and a variable cost?

.....

.....

.....

(2)

(b) (i) What is meant by *capital*?

.....

(2)

(ii) How can capital be used to improve the productivity of a hotel?

.....

.....

.....

(2)

Turn over

- (c) (i) How can a hotel calculate average cost from its total cost?

.....
.....

(2)

- (ii) Large firms (e.g. large hotels) may be able to produce at a lower average cost than small firms in the same industry (e.g. smaller hotels of the same standard).

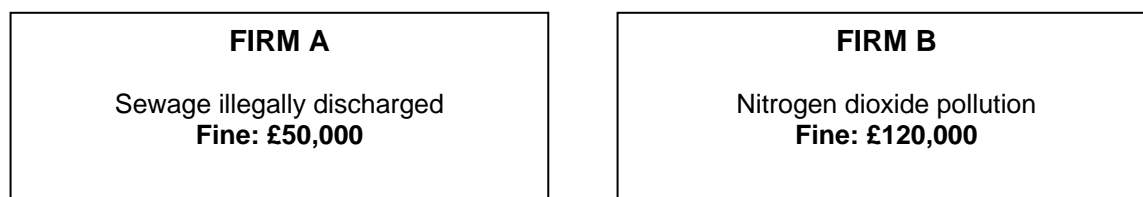
Explain how economies of scale can lower the average costs of a large firm.

.....
.....
.....
.....
.....

(4)

- (d) Study Figure 2b, which shows two firms which were fined in 2000 for serious pollution in the U.K.

Figure 2b



- (i) Explain the term *external cost*.

.....
.....

(2)

*Leave
blank*

- (ii) Describe **two** ways in which governments try to make polluting firms pay the external costs of production.

.....

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.....

.....

(5)

- (iii) Suggest why governments increasingly try to make polluters pay the external cost of production.

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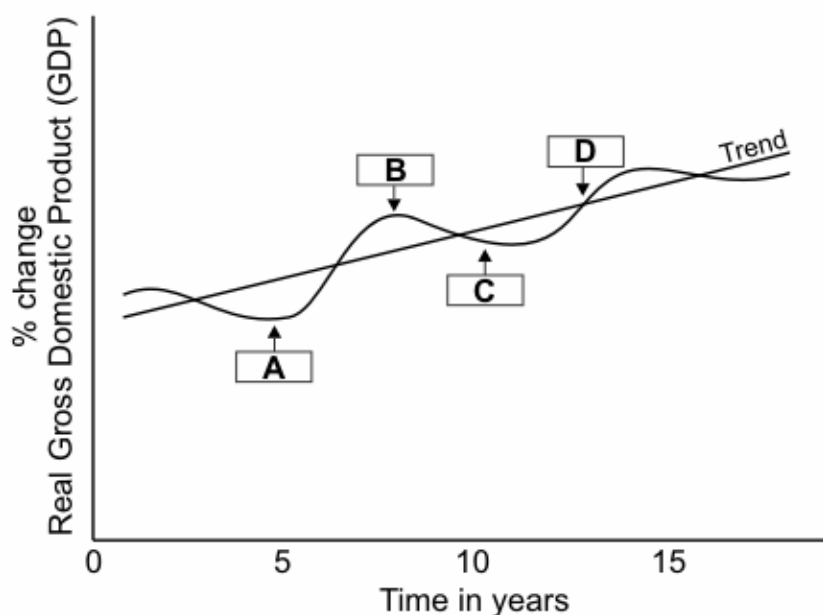
(6)

Total for Question 2: 25 marks

Turn over

3. Study Figure 3, which shows the general shape and stages of the economic cycle.

Figure 3



(a) (i) Name the stages of the economic cycle labelled **A**, **B**, **C** and **D** shown in Figure 3. Use the terms *boom*; *recession*; *recovery*; *slump*.

A. **B.**
C. **D.**

(4)

(ii) What is *Gross Domestic Product*.

.....

(2)

(iii) Which macro-economic objective does the Gross Domestic Product (GDP) measure?

.....

(1)

(b) Supply-side policies are used to encourage GDP to increase.

(i) State **two** supply-side policies.

1. 2.

(2)

(ii) Explain how **one** of these policies might encourage GDP to increase.

.....
.....
.....
.....

(2)

(c) (i) State a macro-economic objective other than that given in your answer to (a) (iii).

.....

(1)

(ii) Give **two** policies which are available to governments when trying to achieve this objective.

Policy 1:

.....

Policy 2:

.....

(2)

Turn over

- (iii) Suggest how effective **one** of these policies has been in achieving its objective. Refer to an example you have studied.

.....

.....

.....

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.....

.....

(4)

- (iv) Suggest what effects the **two** policies given in (c) (ii) might have on other macro-economic objectives.

Policy 1:

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.....

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.....

Policy 2:

.....

.....

.....

.....

.....

(6)

Total for Question 3: 25 marks

4. Study Figure 4 which shows the geographical pattern of the UK's international trade in 1999.

Figure 4

	Destination of UK exports of goods (£bn)	Source of UK imports of goods (£bn)
Trading areas:		
European Union (EU)	97	103
Other western European countries	7	11
United States of America	28	28
All other countries	34	50

- (a) (i) Give **two** reasons why economists might be concerned about the UK's international trade position in 1999.

.....
.....
.....

(2)

- (ii) Using Figure 4, compare the importance of trade with the EU and trade with the USA for the UK economy.

.....
.....
.....
.....
.....

(3)

Turn over

(b) The World Trade Organisation (WTO) promotes free trade and the reduction of trade barriers. The European Union (EU) is a trading bloc with no tariffs between member countries but tariffs for non-member countries.

(i) State **two** types of trade barrier.

1.

2.

(2)

(ii) Explain why countries in trading blocs trade most with other member countries.

.....
.....
.....
.....

(2)

(iii) Give **two** effects that major trading blocs have on non-member countries and why the WTO would be concerned about each of these effects.

Name of first effect:

Reason for WTO concern:

.....
.....
.....

Name of second effect:

Reason for WTO concern:

.....
.....
.....

(4)

*Leave
blank*

- (c) A change in exchange rates might help to improve a country's balance of payments on current account. Explain how this can happen.

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6)

- (d) (i) Give **two** features of an MNC (multi-national company).

.....

.....

.....

.....

(2)

Turn over

- (ii) Suggest how the activities of MNCs in LEDCs (less economically developed countries) might affect the balance of payments on current account of such countries.

.....

.....

.....

.....

.....

.....

(4)

Total for Question 4: 25 marks

TOTAL FOR PAPER: 100 MARKS

END

Centre No.					
Candidate No.					

Paper Reference					
4	3	5	0	/	03

Surname	Initial(s)
Signature	

Paper Reference(s)

4350/03

London Examinations IGCSE

Economics

Paper 3

Common to both tiers

Specimen Paper

Time: 1 hour, plus reading time of 10 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

Answer booklet

Items included with question papers

None

Instructions to Candidates

In the boxes above, write your centre number and candidate number, your surname, initial(s) and signature.

The paper reference is shown at the top of this page. Check that you have the correct question paper.

Answer **ALL** the questions in the spaces provided in this question paper.

The sources which you have studied when preparing for this examination are printed at the end of this examination paper. You have 10 minutes to read the task and think about how to use the sources to write the report. You must NOT bring your own copy of the sources or any notes you have made into the examination.

Information for Candidates

There are 10 pages in this question paper. There are no blank pages.

The total mark for this paper is **40**.

Calculators may be used.

Advice to Candidates

You are reminded of the importance of clear English and careful presentation in your answers.

Turn over

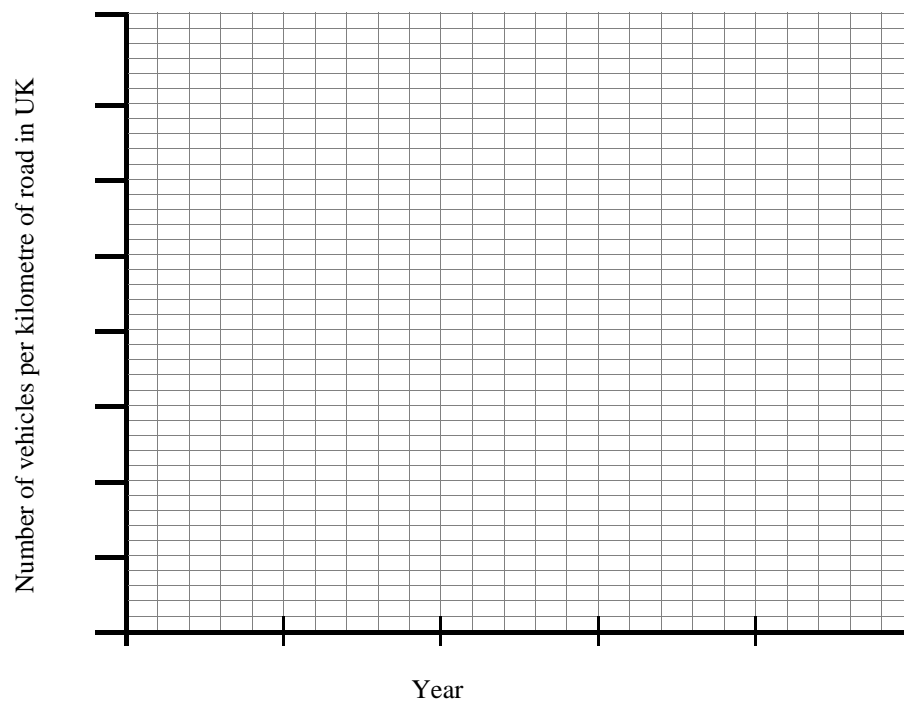
Specimen

You have been asked to write a report on transport in your country. You are aware that an effective transport policy will be essential for economic growth to continue. However, your government also wants to protect the environment.

At the end of this paper there are six sources of information on the subject of transport. You should study all of them and then use the information, together with your own knowledge and understanding of economics, to write your report. The report has been divided into a series of tasks on the following pages.

- You should use economic concepts and terms.
- You should use diagrams, graphs or tables where you think they are appropriate. (Use the extra sheet provided if necessary)
- You should refer to the sources in your report, but do not spend time copying large amounts from the sources.

1. Draw a graph on the axes below to show the information given in Source A.
Remember to label the graph appropriately.



(2)

Turn over

3. What are the advantages and disadvantages of **three** different methods of dealing with the transport problems you described in 2 (b)?

Name of method:

Advantages	Disadvantages
.....
.....
.....
.....
.....
.....
.....
.....

(6)

Name of method:

Advantages	Disadvantages
.....
.....
.....
.....
.....
.....
.....
.....

(6)

Turn over

*Leave
blank*

Name of method:

Advantages	Disadvantages
.....
.....
.....
.....
.....
.....
.....
.....

(6)

4. Explain which policy/policies your country's government should use to achieve an effective transport policy.

(10)

Total for Paper 3: 40 marks

END

Turn over

Sources

Source A

<i>Year</i>	<i>Number of vehicles per kilometre of road in UK</i>
1960	5.5
1970	11.5
1980	20.5
1990	25.5
2000	30.0
2010	37.0 (<i>estimate</i>)

Source B

Transport and economic growth

Transport leads to economic growth by

- providing access to resources and markets
- helping both internal and external trade to grow
- increasing access to education and health
- increasing the returns on investment.

- international trade grew by 4.9 per cent per annum between 1980 and 1982 while income grew by only 3 per cent
- the economic growth of Japan and S. Korea was based on exports

Without good transport, growth does not take off and reduction of poverty fails. On the other hand, poor transport policies harm the environment, ignore the changing needs of users and worsen the conditions of the poor.

Source: www.worldbank.org/transport

Source C

Traffic problems in Bangkok

Bangkok has one of the worst traffic problems in Asia. This has been caused by economic growth, a doubling of the population in 25 years and an increase of 800 new vehicles on the road every day. As a result

- lost production due to traffic congestion comes to 10% of Thailand's GDP
- \$1.6 billion per year of energy is wasted by vehicles stuck in traffic jams
- residents spend on average 44 working days a year stuck in traffic
- 1 million people per year suffer from health problems linked to air pollution.

Source: World Transport Policy and Practice, Volume 3 No.1, 1997.

Source D

Controlling Traffic

There are many ways of trying to reduce the volume of traffic. These vary from bans, pedestrianisation of areas, vehicle taxes, petrol taxes to road tolls and congestion charges.

Congestion [road pricing] charges have been used for some time in Norway and have recently been introduced to the United Kingdom. In London motorists are charged £5 when they enter the area covered by the charge. This has reduced traffic by 20 per cent.

Petrol taxes vary between countries. They have often been used not just to reduce traffic and help the environment, but also to raise money for government spending. Economists would want the value of the tax to equal the external costs which using petrol imposes on the environment.

Source E

Singapore controls traffic

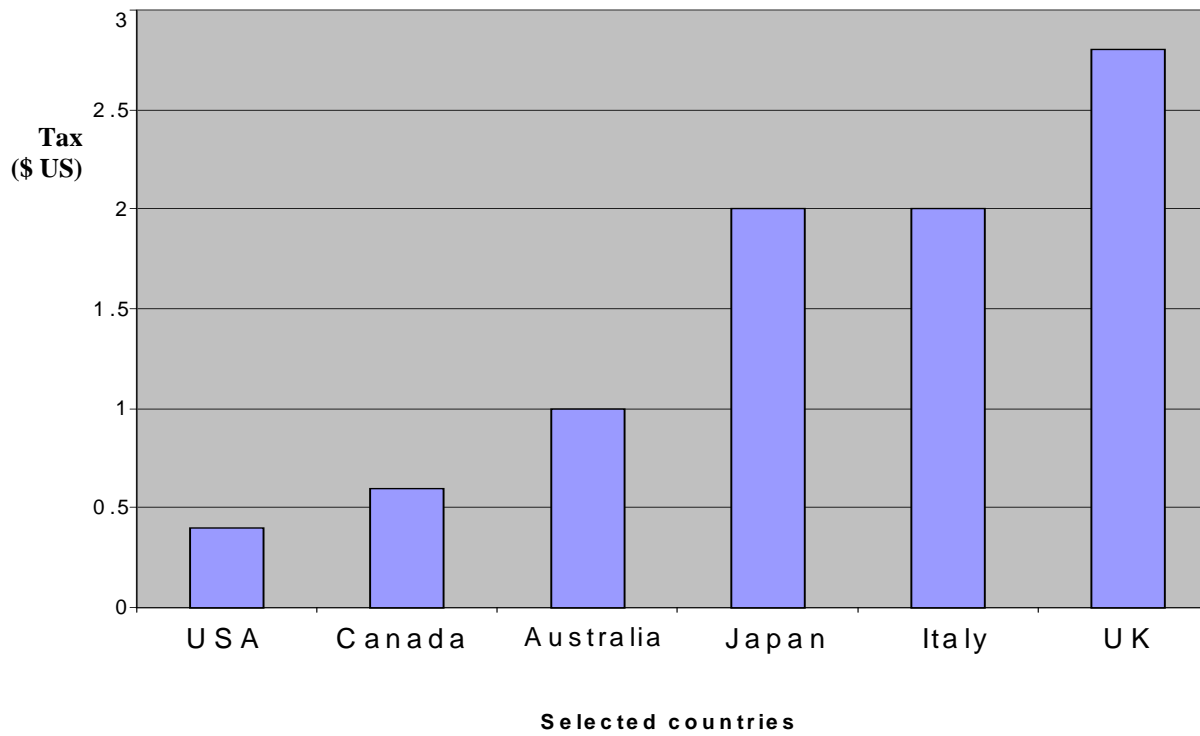
Singapore has used a mixture of policies:

- a very high first registration fee for new vehicles
- a City Area licence charge for all cars wanting to enter the central area at peak times with less than four people
- charging for use of the road in the central area
- a high petrol tax.

The money which has been raised has been spent on providing an effective public transport system. Critics of the policy have claimed that it only works in the Singapore situation of a small geographical area and a government with an ability to push through unpopular measures.

Source F

Tax on petrol in selected countries



**Edexcel International
London Examinations
IGCSE**

**IGCSE Economics (4350)
Mark Schemes for Specimen Papers
Paper 1F (Foundation Tier)**

Assessment Grid for Paper 1F

Question	AO1	AO2	AO3	AO4	Total
Question 1	(c)(i)[2]; (c)(ii)[2]; (c)(iii)[1]; (d)(i)[2]	(b)(i)[2]; (b)(ii)[4]; (c)(iv)[1]	(a)(i)[1]; (a)(ii)[1]; (d)(ii)[2]	(d)(i)[2]	
Total for Question 1	[7]	[7]	[4]	[2]	20
Question 2	(a)(i)[1]; (b)(i)[2]; (c)[1]; (d)(i)[2]; (d)(ii)[1]; (e)(i)[2]	(a)(ii)[1]; (b)(ii)[2]; (d)(ii)[3]	(e)(ii)[2]	(e)(ii)[3]	
Total for Question 2	[9]	[6]	[2]	[3]	20
Question 3	(a)(ii)[1]; (a)(iii)[1]; (b)(i)[2]; (c)(i)[1]; (c)(ii)[2]	(a)(i)[4]; (a)(iii)[3]; (b)(ii)[1]; (c)(ii)[1]	(b)(ii)[1]; (c)(ii)[1]	(c)(ii)[2]	
Total for Question 3	[7]	[9]	[2]	[2]	20
Question 4	(b)(ii)[1]; (b)(iii)[1]	(a)(ii)[2]; (b)(i)[2]; (c)[2]	(a)(i)[2]; (a)(iii)[1]; (c)[1]; (b)(iii)[1]	(a)(iii)[2]; (b)(iii)[2] (c)[3]	
Total for Question 4	[2]	[6]	[5]	[7]	20
Total for Paper 1F	25	28	13	14	80
<i>Target</i>	<i>25 – 30</i>	<i>25 – 30</i>	<i>10 – 15</i>	<i>10 – 15</i>	

Question 1

Part	Mark Allocation	Acceptable Responses
(a)(i)	1	Accept £10.55 +/- 2p.
(ii)	1	Fallen (or equivalent) to £9.80
(b)(i)	1 + 1	1. Demand curve 2. Supply curve
(ii)	1. 1 + 1 2. 1 + 1	1. 1 mark = new supply curve to right; 1 mark = labelling e.g. S1 2. 1 mark = lower price marked e.g. dashed lines with P1; 1 mark = greater quantity e.g. dashed lines with Q1.
(c)(i)	2	2 marks = accurate definition e.g. price change leads to proportionate or greater change in demand; 1 mark = partial definition or valid but incomplete statement e.g. price-sensitive
(ii)	1 + 1	Credit any two valid reasons e.g. good substitutes; non-essential goods; relatively expensive goods
(iii)	1	Accurate definition needed e.g. receipts from all sales; price x quantity ...
(iv)	1	Credit rise i.e. an increase in TR
(d)(i)	2	2 marks = accurate definition e.g. both sectors, public and private large/significant; 1 mark = partial definition, perhaps a valid statement with no reference to importance of sectors e.g. mixture of public and private sectors.
(ii)	Level 1 = 1-2 Level 2 = 3-4	Level 1. Expect basic points, perhaps not developed e.g. firms can make profit; the market system produces them Level 2. Expect some explanation e.g. strong public demand so prices sufficient for firms to profit. Max. marks requires some evaluation e.g. non-essential goods; no need for government intervention
TOTAL	20	

Question 2

Part	Mark Allocation	
(a)(i)	1	Both variable and fixed costs boxes to be ticked.
(ii)	1	Credit any valid example relevant to a hotel e.g. heating; electricity; laundry ...
(b)(i)	1 + 1	Accept any one or two of the following i.e. land; capital; enterprise or knowledge.
(ii)	1 + 1	Accept a valid example for each factor named in (b)(i) e.g. Land e.g. sunshine for tourists; Capital e.g. bank loans until tourists pay bill. For max. marks expect both factors addressed but the briefest of explanation will suffice. Ensure examples relevant to hotel industry.
(c)	1	Credit tertiary box ticked.
(d)(i)	2	2 marks for average costs = total costs divided by units of output or equivalent in words; 1 mark = partial calculation or vague but relevant statement e.g. a definition of average costs e.g. cost of each one.
(ii)	4	Allocate 1 mark for defining/clarifying the term, economies of scale (e.g. savings as firm grows ..). Remaining 3 marks for up to 2 economies (e.g. bulk buying) that lower AC. If economies only stated then max. = 2. Max. marks requires 1-2 economies with explanation as to how AC of any firm lowered.
(e)(i)	2	2 marks for full and accurate definition e.g. costs not generally considered by firm because side-effects for wider community. 1 mark for brief, partial statement without explanation e.g. negative externalities; side-effects.
(ii)	5	Allocate 1 mark for each legitimate way e.g. tax; fines; setting legal standards ... (2 x 1). In each case, 2 nd mark for explaining the way identified e.g. river authority/water board fine for firms caught dumping Reserve 5 th mark for evaluation of either specific way or general policy (e.g. tax/fine provides funds to pay for pollution clean-up)
TOTAL	20	

Question 3

Part	Mark Allocation	Acceptable Responses
(a)(i)	4 x 1	A = slump; B = boom; C = recession; D = recovery.
(ii)	1	Economic growth.
(iii)	4	Allocate 1 mark to each of the following : definition of GDP provides resources/wealth rising living standards prime macro-objective or other valid points.
(b)(i)	1 + 1	Credit any two valid policies e.g. improved education; improved training; lower taxation; cut benefits ...
(ii)	2	2 marks = clear explanation of one policy process (e.g. tax cutting means more disposable income raising incentive to work..). 1 mark = partial explanation with gaps in causation sequence.
(c)(i)	1	Accept either inflation, employment (unemployment) or balance of payments.
(ii)	1 + 1	1 mark for each valid policy, e.g. monetary; interest rate cuts/rises; fiscal; tax cuts/rises
(iii)	4	1-2 marks to policy evaluation e.g. works well; depends upon ... 2-4 marks for explanation of how policy might affect the macro-objective in question.
TOTAL	20	

Question 4

Part	Mark Allocation	Acceptable Responses
(a)(i)	1 + 1	£166 bn. 2. £192 bn. Expect £bn.
(ii)	2	1 mark = deficit idea; 2 nd mark for quantification e.g. £26 bn. deficit.
(iii)	3	Allocate 1 mark to each of following up to max. of 3: E.U. very much more important E.U. biggest market for U.K. Over half of U.K. exports to E.U. E.U. exports 3-4 times more valuable than U.S. exports or other valid points.
(b)(i)	1 + 1	Tariffs; trading blocs.
(ii)	1	Credit any valid reason e.g. imports from within bloc cheaper than those from outside because of tariffs; free trade within bloc ...
(iii)	1 + 1	1 mark for each valid effect, e.g. trade barrier for non-members non-members' export prospects limited
(iv)	2	1 mark for a partial explanation 2 marks for developed explanation. Answers might refer to <ul style="list-style-type: none"> ▪ growth and employment in non-member countries held back ▪ reference to developing countries outside major trading blocs ▪ relevant example (e.g. Central American banana exports to E.U.).
(c)	Level 1 = 1-3	Level 1 Expect a basic response which is either disjointed (e.g. lower rate; depreciation; reduce deficit) or partial in focus (e.g. balance of payments deficit only; depreciation only, albeit thorough)
	Level 2 = 4-6	Level 2 Expect some explicit attempt to explain accurately the process and links (e.g. cheaper exports; dearer imports etc). For max. marks expect an explanation in steps as to how depreciating the currency should eventually reduce/eliminate balance of payments deficit.
TOTAL	20	

**Edexcel International
London Examinations
IGCSE**

**IGCSE Economics (4350)
Mark Schemes for Specimen Papers
Paper 2H (Higher Tier)**

Assessment Grid for Paper 2H

Question	AO1	AO2	AO3	AO4	Total
Question 1	(b)(i)[3]; (c)(i)[2]; (c)(ii)[2]; (c)(iii)[1]; (d)(i)[2];	(b)(ii)[3]; (c)(iv)[1]; (d)(iii)[1]	(a)[1]; (d)(ii)[2]; (d)(iii)[1]	(d)(ii)[2]; (d)(iii)[4]	
Total for Question 1	[10]	[5]	[4]	[6]	25
Question 2	(a)[1]; (b)(i)[2]; (c)(i)[2]; (d)(i)[2]; (d)(ii)[1]	(a)[1]; (b)(ii)[2]; (c)(ii)[4]; (d)(ii)[2]	(d)(ii)[2]	(d)(iii)[6]	
Total for Question 2	[8]	[9]	[2]	[6]	25
Question 3	(a)(ii)[2]; (a)(iii)[1]; (b)(i)[2]; (c)(i)[1] (c)(ii)[2]	(a)(i)[4]; (c)(ii)[1]; (c)(iii)[2]	(b)(ii)[2]; (c)(iii)[2]; (c)(iv)[3]	(c)(iv)[3]	
Total for Question 3	[8]	[7]	[7]	[3]	25
Question 4	(b)(i)[2]; (b)(iii)[2]; (d)(i)[2]	(b)(ii)[2]; (b)(iii)[2] (c)[6]	(a)(i)[2]; (a)(ii)[3]	(d)(ii)[4]	
Total for Question 4	[6]	[10]	[5]	[4]	25
Total for Paper 2H	32	31	18	19	100
<i>Target</i>	<i>30 – 35</i>	<i>30 – 35</i>	<i>15 – 20</i>	<i>15 – 20</i>	

Question 1

Part	Mark Allocation	Acceptable Responses
(a)	1	Fell, with some description e.g. £10.60 to £9.80
(b)(i)	1 + 1 + 1	Allocate 1 mark to each of: accurately drawn & labelled D. curve accurately drawn & labelled S. curve dashed lines labelled to show equilibrium price & equilibrium quantity
(ii)	1 + 2	1. 1 mark for either new D. curve drawn to left of original and labelled, or new S. curve drawn to right of original and labelled. 2. 2 marks for dashed lines showing new lower price (1 mark) and new corresponding equilibrium quantity (1 mark).
(c)	6	Award up to 2 marks for each of: <ul style="list-style-type: none"> an explanation of meaning of price-elastic. 2 marks for demand changes inversely by more than change in price. realisation that $TR = p \times qd$ so that TR will rise if price drops elastic demand curve diagram with drop in price less than increase in qd. Shaded rectangles on graph certainly 2 marks.
(d)(i)	2	2 marks = accurate definition e.g. both sectors, public and private large/significant; 1 mark = partial definition, perhaps a valid statement with no reference to importance of sectors e.g. mixture of public and private sectors.
(ii)	Level 1 = 1-2 Level 2 = 3-4	Level 1. Expect basic points, perhaps not developed e.g. firms can make profit; market system produces them ... Level 2. Expect some explanation e.g. strong public demand so prices sufficient for firms to profit... Max. marks requires some evaluation e.g. non-essential goods; no need for government intervention ...
(iii)	Levels 1-2 = 1-3 Level 3 = 4-6	Levels 1-2. Expect basic points undeveloped unless range limited e.g. each good at some types of production; perhaps reference back to (d)(ii); mention of market failure; public sector produces public services .. 1 mark for classic Level 1 response. Award top of level for limited range but some explanation. Level 3. Expect some developed reasoning of market failure, essential v. non-essential goods, merit goods, defence, education, so need for govt. intervention.
TOTAL	25	

Question 2

Part	Mark Allocation	Acceptable Responses
(a)	2	Award 1 mark to general distinction between fixed and variable (e.g. those that vary with output and those that do not; avoidable or not) with 2 nd mark for application to Fig. 2a (i.e. if no guests hotel still needs managing but no call for waiters; wages v salary)
(b)(i)	2	2 marks = full and accurate definition e.g. assets for creating wealth. 1 mark = partial definition e.g. factor of production; finance ...
(ii)	2	2 marks = response that implies or states investment and demonstrates understanding of productivity (e.g. new kitchen facilities so more guests accommodated ...). 1 mark = response relates only to capital investment.
(c)(i)	2	2 marks = full and accurate definition e.g. factors causing average costs to fall as firm grows .. 1 mark = partial definition e.g. cost savings; big firms produce more cheaply ... Unlikely to refer to average costs.
(ii)	4	Expect up to two named examples of relevant economies e.g. bulk buying of food; employ own maintenance staff ... 2 nd mark in each case, to explanation of associated cost savings.
(d)(i)	2	2 marks for full and accurate definition e.g. costs not generally considered by firm because side-effects for wider community. 1 mark for brief, partial statement without explanation e.g. negative externalities; side-effects (bad)..
(ii)	5	Allocate each mark for each legitimate way e.g. tax; fines; setting standards .. (2 x 1). In each case, 2 nd mark for explaining the way identified e.g. river authority/water board fine for firms caught dumping .. Reserve 5 th mark for evaluation of either specific way or general policy (e.g. tax/fine provides funds to pay for pollution clean-up)
(iii)	Levels 1-2 =1-3	Levels 1-2. Expect basic points undeveloped unless range limited e.g. protect environment; fairness (equity); correct market failure. 1 mark per basic but distinctive point. Award top of level for limited range but some explanation.
	Level 3 = 4-6	Level 3. Expect some developed reasoning of equity argument and sustainable environment warranting government intervention to correct market failure. Responses at top of level may offer the social cost = private cost + external cost idea, implying/stating that full costs need covering by producer.
TOTAL	25	

Question 3

Part	Mark Allocation	Acceptable Responses
(a)(i)	4 x 1	A = slump; B = boom; C = recession; D = recovery.
(ii)	2	2 marks for full and accurate definition e.g. total value of all goods and services produced in an economy in a year. 1 mark for brief, partial definition e.g. total production.
(iii)	1	Economic growth.
(b) (i)	1 + 1	1 mark for each valid supply-side policy, e.g. improved education; improved training; lower taxation; benefit cuts.
(ii)	3	1 mark for basic explanation, 2 marks for developed explanation, e.g. tax cuts leave more disposable income so raising work incentive. Reserve 1 mark for reference to GDP increase, e.g. more output results.
(c)(i)	1	Accept either inflation, employment (unemployment) or balance of payments.
(ii)	1 + 1	1 mark for each valid policy. Ensure validity!
(iii)	(4)	1-2 marks for policy evaluation, e.g. policy works well or policy depends upon ... 2-4 marks for explanation of how policy might affect the macro-objective in question.
(iv)	6 as 3+3 or 2+4/4+2	Allocate 2-4 marks to impact of each policy on other macro-objectives. Clearly, other depends on choice in (c)(i) e.g. if choice in (c)(i) = inflation and one policy choice in (c)(ii) = interest rate then here focus for credit needs to be on impact of interest rates on the other three objectives (i.e. growth, employment and/or international trade). Expect max. in each case, for explanation = 2 marks. 3 rd /4 th marks for each policy strictly for evaluation e.g. policy trade-offs/conflicts. Exercise professional judgement and ensure continuity from (c)(i)/(ii).
TOTAL	25	

Question 4

Part	Mark Allocation	Acceptable Responses
(a)(i)	1 + 1	Credit any two valid and sufficiently distinctive reasons e.g. deficit idea; import too much; money leaks abroad ...
(ii)	3	1 mark for importance of exports, 1 mark for importance of imports, 1 mark for conclusion.
(b)(i)	1 + 1	Credit any two barriers e.g. tariffs; quotas; subsidies.
(ii)	2	1 mark for basic statement (e.g. imports from within bloc cheaper), and 2 nd mark for full, explained reason (e.g. why they are cheaper intra-trade).
(iii)	4 (1 + 1 and 1 + 1)	1 mark for correctly identifying each effect, and 1 mark for valid explanation of each effect. Answers are likely to refer to <ul style="list-style-type: none"> ▪ trade barrier for non-member ▪ non-member's export prospects limited ▪ growth in non-member countries held back ▪ employment in non-member countries held back ▪ reference to developing countries outside major trading blocs. Expect clear, valid explanation for max. marks.
(c)	Level 1=1-3	Level 1. Expect basic response which is either disjointed (e.g. lower rate; depreciation; reduce deficit) or partial in focus (e.g. balance of payments deficit only; depreciation only, albeit thorough)
	Level 2= 4-6	Level 2. Expect some explicit attempt to accurately explain process and links (e.g. cheaper exports; dearer imports). For max. marks stepped explanation i.e. how depreciating currency should eventually reduce/eliminate balance of payments deficit.
(d)(i)	(1 + 1)	1 mark for each valid feature.
(ii)	Levels 1=1-2	Level 1: Expect sound basic ideas e.g. more exports; more trade generally. Meanings of multi-nationals and of LEDCs likely to be implicit unless question per se not addressed and response devoted to them is all that is offered.
	Level 2=3-4	Level 3. Expect explicit meaning of multi-nationals and LEDCs (e.g. examples) and attention to explained process culminating in a balance of payments effect. At top of level expect evaluation e.g. b.o.p. improvement. Credit any valid likely capital account effects.
TOTAL	25	

Edexcel International
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IGCSE

IGCSE Commerce (4350)

Mark Schemes for Specimen Papers

Paper 3 (Common to both tiers)

Paper 3

Assessment grid

Marks for assessment objectives

		AO1	AO2	AO3	AO4	Total
1		1	1			
2		4		6		
3	(i)		2	2	2	
	(ii)		2	2	2	
	(iii)		2	2	2	
4				2	8	
						40
Totals for Paper 3		5	7	14	14	40

General

The report is to be marked using the mark scheme below.

The 40 marks available are distributed in the following way:

AO1	knowledge and understanding	5-10 marks
AO2	application	5-10 marks
AO3	selection, organisation and analysis	10-15 marks
AO4	evaluation	10-15 marks

Candidates should use both the information contained in Items A to F and their own knowledge. This must include economic concepts, ideas, theories gained through the course, but could also consist of knowledge of their own or another country's transport situation. Note that there is no requirement for the candidate to use any specific transport economics other than that contained in the information provided.

1. Draw a graph on the axes below to show the information given in Source A.

(2 marks)

Label axes correctly – 1; plot information from source correctly – 1.

2. Explain why an effective transport policy is essential to your country.

(10 marks)

Candidates are likely to refer to Sources B and C.

- It leads to economic growth
- It increases trade
- It provides access to markets and resources
- It increases returns on investment
- It reduces poverty
- poor transport harms the environment and the poor
- poor transport reduces production and increases energy use
- poor transport reduces the standard of living

Candidates may refer specifically to Source C, problems in Bangkok:

- Lost production due to traffic congestion comes to 10% of Thailand's GDP.
- \$1.6 billion per year of energy is wasted by vehicles stuck in traffic jams.
- residents spend on average 44 working days a year stuck in traffic.
- 1 million people per year suffer from health problems linked to air pollution.

Candidates are likely to demonstrate assessment objectives 1 and 3, but may gain credit for Assessment Objectives 2 and 4.

3. What are the advantages and disadvantages of three different ways of dealing with transport problems?

(3 x 6 marks)

Candidates are likely to refer to Sources D, E and F.

- road pricing
- petrol taxes
- road tolls
- pedestrianisation
- vehicle taxes
- registration fees
- licences
- public transport

Candidates are quite likely to mention other policies relating to the economies of their own countries. Candidates are required to offer analysis, so expect to see

- supply and demand diagrams
- references to (price) elasticity
- monopoly power
- fiscal policy.

Candidates should demonstrate AO3 and AO2, and possibly AO1.

- 4. Explain which policy/policies your country's government should use to achieve an effective transport policy. (10 marks)**

Candidates may refer to any of the sources.

Candidates may well go outside the information for this question because it does say 'effective transport policy'. Reference to direct policies, fiscal policy, etc is, therefore, acceptable and candidates do not have to refer to the sources.

Candidates will demonstrate assessment objective 4. They may also demonstrate assessment objectives 1, 2 and 3.

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Order Code UG014341 July 2004 Issue 1

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