

IGCSE

Economics

Sample Assessment
Materials (SAMs)

Edexcel IGCSE in Economics (4EC0)

First examination 2011

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Introduction

The sample assessment material has been prepared to support the specification.

The aim of this material is to provide students and centres with a general impression and flavour of the actual question paper and mark scheme in advance of the first operational examinations.

Sample question paper

Paper 1 : Economics

7

Answer ALL questions

1. Study the information given in Figure 1.

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

Figure 1

Figure 2, below, represents the market for diamonds.

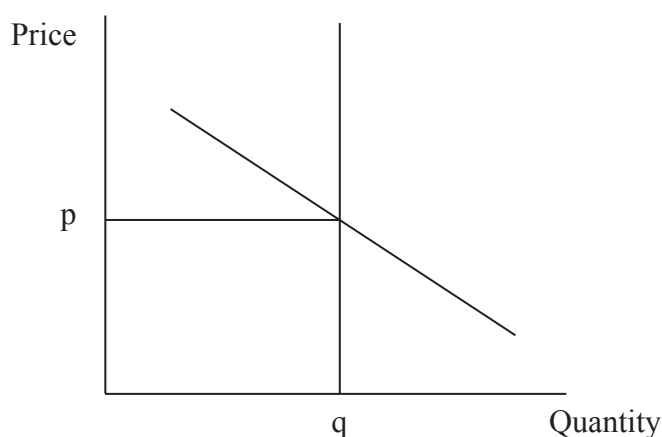


Figure 2

- (a) (i) On Figure 2, label the demand curve, D, and the supply curve, S. (2)
- (ii) Using Figure 2, draw a new demand curve to show the change estimated in Figure 1. Label the new demand curve D_1 and the new price P_1 . (2)
- (iii) Identify **two** reasons why the demand for diamonds might change by +50%.
- 1
-
- 2
- (2)

(iv) Using the information given in Figure 1, estimate the elasticity of supply for diamonds.

A -1

B 0

C +1

D +1.6

(1)

(v) Explain why you have chosen your answer to (a)(iv):

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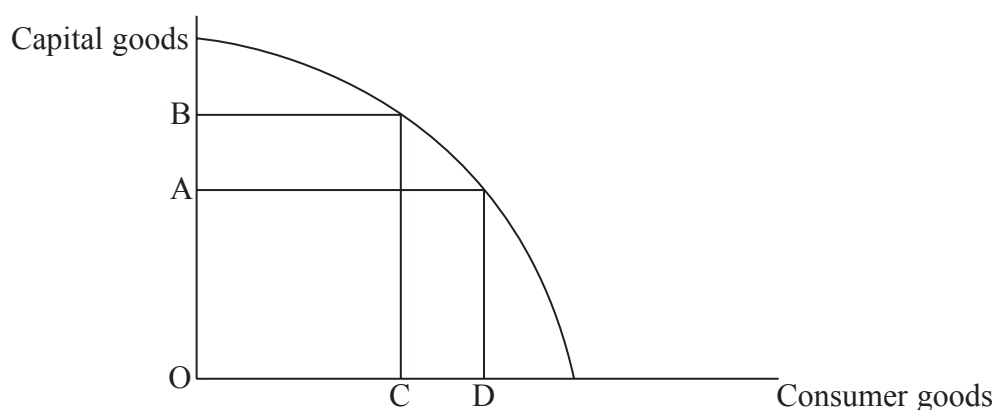
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(2)

(b) The diagram below shows a production possibility curve for a country.



(i) Give **one** example of a consumer good and **one** example of a capital good.

consumer good

capital good

(2)

(ii) The opportunity cost of increasing the production of capital goods from OA to OB is:

A OC

B CD

C AB

D OD

(1)

(iii) Which possible combination of capital goods and consumer goods is more likely to generate economic growth?

A OB/OC

B OA/OD

C OB/OD

D OA/OC

(1)

(iv) Explain why you have chosen your answer to (b)(iii):

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(2)

(c) (i) Botswana is one of the world’s largest producers of diamonds. It has a mixed economy. Identify **two** characteristics of a mixed economy.

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(2)

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

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(6)

(d) (i) Introducing a minimum wage level above the previous equilibrium wage will:

- A increase employment
- B reduce inflation
- C increase pay for some workers
- D not affect pay levels

(1)

(ii) Examine **two** effects that minimum wage control may have on the labour market.

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(6)

(Total 30 marks)

Q1

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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, and the total number of customers per month, are shown in Figure 3.

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

	June	July
Number of customers	250	300

Figure 3

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

- A \$250
- B \$400
- C \$500
- D \$750

(1)

- (ii) Alan's total costs for July were:

- A \$300
- B \$370
- C \$510
- D \$670

(1)

- (iii) Calculate Alan's average cost per customer for June. Show your working.

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(2)

(iv) Define variable cost and give an example from Figure 3 of a variable cost.

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(2)

(v) Define fixed cost and give an example from Figure 3 of a fixed cost.

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(2)

(vi) One reason why firms such as Alan's may remain small is:

- A economies of scale
- B horizontal integration
- C technological advances
- D lack of capital

(1)

(vii) Explain why you have chosen your answer to (a)(vi).

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(2)

(b) Alan’s customers sometimes travel by public sector transport. Public sector transport systems are owned by:

- A Individuals
- B Private sector
- C The State
- D Tertiary sector

(1)

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

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

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2

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(2)

(ii) A monopoly can be both good **and** bad for customers. Explain why this is, giving reasons for your answer.

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(6)

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

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(4)

(ii) To what extent have government measures to promote competition been successful in a country of your choice?

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(6)

Q2

(Total 30 marks)

3. Study Figure 4 below, and answer the following questions.

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

Figure 4

(a) (i) Which of these taxes is proportional:

- A A
- B B
- C C
- D none

(1)

(ii) Which of these taxes is progressive:

- A A
- B B
- C C
- D none

(1)

(iii) Explain why you have chosen your answer to (a)(ii):

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(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.

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(2)

(iii) Raising revenue by taxation is part of which type of policy?

- A Monetary Policy
- B Fiscal Policy
- C Supply Side Policy
- D None of the above

(1)

(c) (i) What is meant by inflation?

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(2)

(ii) ‘During periods of inflation there are winners and losers.’ Do you agree with this statement? Justify your answer.

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(6)

(iii) One policy to reduce the rate of inflation is raising the rate of interest. Assess the effects of this policy on other economic objectives.

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(6)

(d) (i) Government policies targeting environmental protection can include:

- A subsidies for car ownership
- B subsidies for environmentally friendly power generation
- C taxes on income
- D taxes on profits

(1)

(ii) Explain why you have chosen your answer to (d)(i).

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(2)

(iii) Assess the effectiveness of raising taxes on petrol and diesel fuel as a way of protecting the environment.

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(4)

(Total 30 marks)

Q3

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4. The Multi-Fibre (M-F) Agreement set a limit on the number of textile imports from developing countries to Europe. This agreement ended in 2005. Figure 5 below shows some changes after the agreement ended.

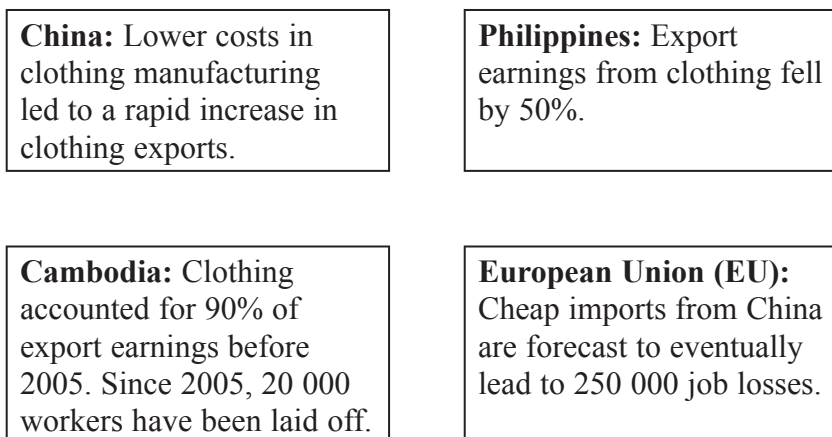


Figure 5

(a) Study the information given in Figure 5.

(i) One effect on the Philippines is likely to be:

- A balance of trade surplus
- B increase in economic growth
- C rise in pollution
- D increase in unemployment

(1)

(ii) The effects of ending the M-F Agreement in the EU are likely to include:

- A more expensive clothes and more unemployment
- B more expensive clothes and less unemployment
- C cheaper clothes and more unemployment
- D cheaper clothes and less unemployment

(1)

(iii) Explain why you have chosen your answer to (a)(ii).

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(2)

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

- A Quota
- B Tariff
- C Subsidies
- D Cartel

(1)

(ii) On Figure 6 below, show how the introduction of tariffs can reduce imports of a good.

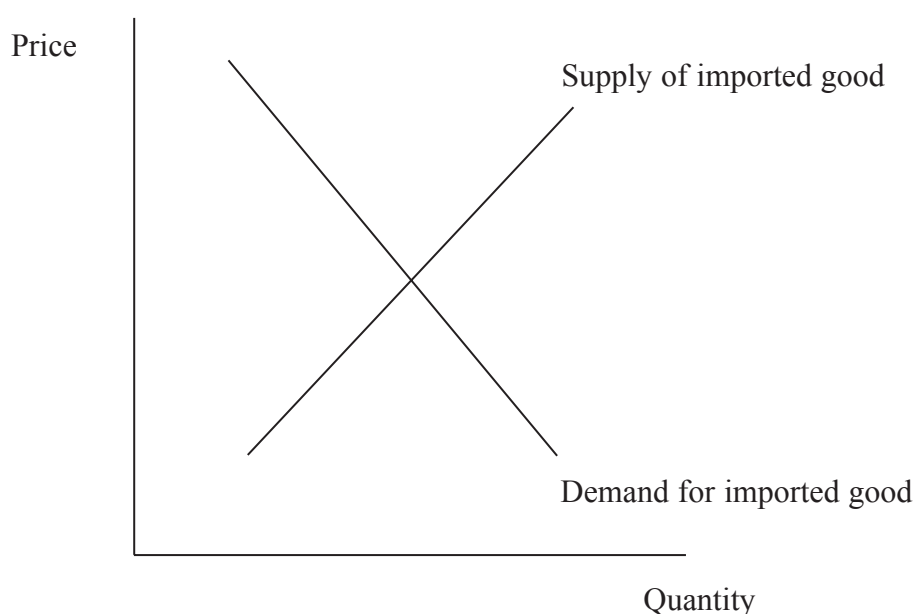


Figure 6

(3)

(iii) Explain how the introduction of tariffs, as you have shown on diagram Figure 6, can reduce the imports of a good.

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(3)

(c) Explain what is meant by a trading bloc.

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(2)

(d) Study Figure 7 below.

	\$m
Visible exports	250
Visible imports	300
Invisible exports	270
Invisible imports	250

Figure 7

(i) Using the data in Figure 7, the balance of trade will be

- A – \$50m
- B – \$30m
- C + \$30m
- D + \$50m

(1)

(ii) Explain why you have chosen your answer to (d)(i):

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(2)

(e) In 2005 the government of India stopped Tesco, a large British supermarket chain, opening supermarkets in India. The main reason given for this decision was that it would lead to a huge loss of employment in small retail shops.

(i) Examine reasons why a British supermarket chain may wish to open stores in a foreign country.

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(6)

(ii) Apart from a loss of employment, identify **two** other reasons why a government might stop a foreign supermarket chain opening in its country.

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(2)

(iii) Assess the case for and against allowing multinational retailers to operate in a country of your choice.

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(6)

Q4

(Total 30 marks)

TOTAL FOR PAPER: 120 MARKS

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Sample mark scheme

General marking guidance	33
Paper 1: Economics	35

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Paper 1

Question Number	Answer	Mark
1(a)(i)	Demand curve D (1). Supply curve S (1).	2

Question Number	Answer	Mark
1(a)(ii)	Shift to right of demand curve on diagram (1). Labelling new price, P1 (1).	(1 + 1) 2

Question Number	Answer	Mark
1(a)(iii)	1 mark for each reason up to maximum of 2 marks. Eg increase in real incomes, fashion, advertising, new uses.	(1 + 1) 2

Question Number	Answer	Mark
1(a)(iv)	B	1

Question Number	Answer	Mark
1(a)(v)	Explanation must refer to supply, eg Supply does not change (1) as price changes (1) or to causes of this eg no new diamond mines found, no stocks of diamonds. Allow valid reasoning to incorrect answer to part (a)(iv)	2

Question Number	Answer	Mark
1(b)(i)	Example of consumer good, eg car, 1 mark. Example of capital good eg machinery or more specific - tractor, 1 mark. Do not accept factory.	2

Question Number	Answer	Mark
1(b)(ii)	B	1

Question Number	Answer	Mark
1(b)(iii)	A	1

Question Number	Answer	Mark
1(b)(iv)	More capital (than consumer) goods produced, (1), so in the (future) total production will be able to increase, (1). Allow valid reasoning to incorrect answer to part (b)(iii)	2

Question Number	Answer	Mark
1(c)(i)	Each characteristic identified, 1 mark, eg firms can be owned by private individuals (1) and by the state (1).	2

Question Number	Answer	Mark
1(c)(ii)	Each characteristic identified and developed (accept examples as development) 2 marks (maximum two characteristics). Relevance to named economy 1 mark. Must show some awareness of the extent of the public/private sector balance, 1 mark. For example: In France (1) the railway system (1) is in the public sector (1) but in bus transport (1) there are some state owned companies and some private sector firms (1). The public sector in France is diminishing as the state sells off its firms (1).	6

Question Number	Answer	Mark
1(d)(i)	C	1

Question Number	Answer	Mark
1(d)(ii)	Each effect identified, 1 mark, explanation/development 1 mark. 2 marks for evaluation. Eg the extent to which minimum wage control will affect the labour market and/or contrasting with other major effects. Eg As wages rise so more people will be willing to work (1) so there will be excess supply (unemployment) (1). In a labour intensive industry the firm may replace workers with machines (1) as the wage bill rises (1). If there are few workers then the firm may absorb the increase (1) as wages are a small proportion of costs (1). Expect 2+2 (identification and development) plus up to 2 marks for evaluation of one or both effects.	6

Question Number	Answer	Mark
2(a)(i)	C	1

Question Number	Answer	Mark
2(a)(ii)	D	1

Question Number	Answer	Mark
2(a)(iii)	Correct formula: Total cost / number of customers (1). Correct costs \$500/250 (1).	2

Question Number	Answer	Mark
2(a)(iv)	1 mark for definition: costs which change as the number of customers changes. 1 mark for identifying variable cost eg petrol/telephone charges.	2

Question Number	Answer	Mark
2(a)(v)	1 mark for definition: costs which remain the same as the number of customers changes. 1 mark for identifying fixed cost eg loan repayment, insurance, licence fee, advertising.	2

Question Number	Answer	Mark
2(a)(vi)	D	1

Question Number	Answer	Mark
2(a)(vii)	1 mark for why small firms experience lack of capital, 1 mark for development. Eg small firms have small profits (1) so don't have much to reinvest (1). Allow valid reasoning to incorrect answer to part (a)(vi)	2

Question Number	Answer	Mark
2(b)	C	1

Question Number	Answer	Mark
2(c)(i)	Each feature identified 1 mark eg controls the market, accept legal definition (25% market share), high barriers to entry.	2

Question Number	Answer	Mark
2(c)(ii)	<p>Each effect (good or bad) identified (1 mark) eg consumers have less choice, prices can be high. Maximum 2 marks.</p> <p>Each effect identified and some development 2 marks. Expect 2 +2 marks</p> <p>Example: less choice (1 mark) as decreased competition (1 mark).</p> <p>Must have balanced argument (good and bad) for 5-6 marks eg consumers have less choice (1) with high prices (1) due to lack of competition (1) as monopoly has high market share (1). Prices may fall(1)as firm experiences economies of scale(cheaper loans, etc) and quality may improve as the firm has more funds to invest (1).</p>	6

Question Number	Answer	Mark
2(d)(i)	<p>Each way identified 1 mark, development, 1 mark. Can be either ways of decreasing monopoly power by encouraging firms to set up (could be small of large eg multinationals). Eg advice and loans to help small firms set up.</p>	4

Question Number	Answer	Mark
2(d)(ii)	<p>Basic statements up to 2 marks eg government has encouraged small firms (1), increased number of firms (1). No development, no specific measures, no relation to specific country.</p> <p>Specific measures identified and effects (2 marks). Eg Government gives interest free loans to individuals to set up businesses (1) and this has led to lots of new small retailers opening (1) in towns in (specific country) (1). Must have reference to success and failure of measures for full marks.</p>	6

Question Number	Answer	Mark
3(a)(i)	A	1

Question Number	Answer	Mark
3(a)(ii)	B	1

Question Number	Answer	Mark
3(a)(iii)	Percentage of income taken in tax increases as income increases (2 marks). Also accept calculations showing percentage of income taken in tax increasing as income increases (2 marks). If increasing percentage not stated but correct use of figures from data, 1 mark eg at \$10,000 tax = \$1000 and at 20,000 tax = \$2,500. No marks for "tax increases as income increases". Allow valid reasoning to incorrect answer to part (a)(ii)	2

Question Number	Answer	Mark
3(b)(i)	1 mark for tax on expenditure/spending/buying goods and services. 1 mark for example: eg VAT.	2

Question Number	Answer	Mark
3(b)(ii)	Each way identified 1 mark. Eg Sale of public industries (privatisation), profits from public industries, fines.	2

Question Number	Answer	Mark
3(b)(iii)	B	1

Question Number	Answer	Mark
3(c)(i)	General and persistent rise (1 mark) in the level of prices (1 mark). Or fall in purchasing power (2 marks). Rise in prices (1 mark).	2

Question Number	Answer	Mark
3(c)(ii)	Each valid statement with no development, 1 mark. Eg savers/lenders lose (1 mark) borrowers win (1 mark). Each valid statement with development, 2 marks. Eg savers/lenders lose because the amount they receive from their savings may be less in real terms - can buy less in the future. Must have 'winners' and 'losers' for 4 marks. Must have some evaluation (2 marks) of the effect of this on the different groups. Savers lose (1) because the amount they receive from their savings may be less in real terms - can buy less in the future (1). This may mean that savings will fall (1). Borrowers win (1) because the amount they pay back is less in real terms (1). However, as savings fall so it may become more difficult for funds to be available for borrowing (1).	6

Question Number	Answer	Mark
3(c)(iii)	<p>Each effect identified 1 mark.</p> <p>No development, eg increases cost of borrowing, 1 mark.</p> <p>Each effect identified (1 mark) with development (1 mark).</p> <p>Eg increases cost of borrowing so demand falls and so does inflation (2 marks). Must have positive and negative effects for 4 marks, eg Increasing the rate of interest will reduce demand and may cause unemployment.</p> <p>Need some assessment/judgement of the overall effect on government objectives (2 marks for evaluation) eg it may reduce inflation through controlling demand but the effects on other objectives may be positive and negative. ie unemployment may rise due to the fall in demand.</p> <p>Economic growth may fall as investment falls due to the increased cost of borrowing but the balance of payments may benefit as exports may become more competitive when inflation is controlled.</p>	6

Question Number	Answer	Mark
3(d)(i)	B	1

Question Number	Answer	Mark
3(d)(ii)	<p>1 mark for stating a subsidy reduces costs.</p> <p>1 mark for development.</p> <p>This might include eg firms need incentive to try alternative methods due to high set up costs or award a mark for reason why traditional forms of power generation are not environmentally friendly.</p> <p>Allow valid reasoning to incorrect answer to part (d)(i)</p>	2

Question Number	Answer	Mark
3(d)(iii)	<p>Reference to how petrol and diesel fuels pollute environment.</p> <p>1 mark for explanation of how taxes on petrol and diesel fuel will protect the environment eg raise price/decrease demand.</p> <p>Must have limitation for further 2 marks eg petrol and diesel necessity/inelastic demand (1) therefore price increases won't have much effect on demand so pollution will still occur (1). May also refer to lack of substitutes.</p>	4

Question Number	Answer	Mark
4(a)(i)	D	1

Question Number	Answer	Mark
4(a)(ii)	C	1

Question Number	Answer	Mark
4(a)(iii)	Textile imports from China are cheap, 1 mark. Fall in demand for domestic textiles leads to unemployment, 1 mark. Allow valid reasoning to incorrect answer to part (a)(ii)	2

Question Number	Answer	Mark
4(b)(i)	A	1

Question Number	Answer	Mark
4(b)(ii)	Diagram: 1 mark original price and quantity 1 mark for shift of supply to left 1 mark for new price and quantity.	3

Question Number	Answer	Mark
4(b)(iii)	3 marks for explanation. Eg tax increases costs (1) so supply shifts to left (1) which leads to increase in price and fall in quantity (1).	3

Question Number	Answer	Mark
4(c)	Group of countries (1 mark) which have no internal barriers (1 mark).	2

Question Number	Answer	Mark
4(d)(i)	A	1

Question Number	Answer	Mark
4(d)(ii)	Balance of trade = Visible exports-visible imports (1 mark). 1 mark for showing correct use of data ie +250m - 300m. Allow valid reasoning to incorrect answer to part (d)(i).	2

Question Number	Answer	Mark
4(e)(i)	Each reason identified, 1 mark. Development, 1 mark. Up to 2 reasons 2+2. Must have some comparison with domestic country for full marks. Eg the supermarket may wish to increase its profits (1) by entering a new foreign market (1) because there is too much competition at home (1). Land and labour may be cheaper (1) thus reducing costs (1) especially if the country has no minimum wage (1).	6

Question Number	Answer	Mark
4(e)(ii)	Each reason identified, 1 mark. Eg balance of payments problems, less choice for consumers.	2

Question Number	Answer	Mark
4(e)(iii)	Each advantage/disadvantage identified, 1 mark. Development, 1 mark. Must have both advantages and disadvantages developed for 4 marks. 2 marks for evaluation awarded for relating the question to a particular country (1 mark) and assessing whether or not multinationals should be allowed to operate. eg multinational retailers may increase choice and charge lower prices (1) than small domestic retailers due to their size (1). However, the competition may force domestic retailers out of business (1) thus increasing unemployment (1). The Chinese government has looked carefully at the situation (1) and only allows certain multinational retailers to open so that demand can be satisfied but also controlled (1).	6

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