

ECONOMICS

GCE Ordinary Level

Paper 2281/01

Multiple Choice

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	D	21	A
2	C	22	A
3	A	23	B
4	D	24	A
5	A	25	C
6	C	26	C
7	B	27	C
8	D	28	A
9	C	29	B
10	D	30	B
11	C	31	C
12	B	32	A
13	C	33	C
14	C	34	B
15	B	35	C
16	C	36	C
17	B	37	D
18	D	38	D
19	B	39	C
20	A	40	C

General comments

There were 7735 candidates who took this paper and the mean score was 20.5, slightly lower than the mean last year of 21.8.

The easiest question was **6** with 86% choosing the correct key of **C**.

The most difficult questions were **18, 32, 33, 34** and **39**.

In **Question 18**, candidates misunderstood what happens when a minimum wage, or price, is set above the market equilibrium. 35% chose option **C** rather than the correct key of **D**.

Question 32 also caused difficulties. 32% chose option **D**. The correct key was **A**. Candidates misunderstood the effect of a general decline in demand and a decline in demand for a particular type of employment.

For **Question 33**, 42% chose **A**, 28% chose **B**. The correct key of **C** was chosen by 23%. (Only 8% chose **D**.) These results may well indicate guessing on the part of candidates. International trade and the balance of payments are an area of the syllabus that in the past has been poorly answered.

The most difficult question was **34**. This question tested the concept of 'real' values. It is a concept which candidates have found difficulty with in the past. As in previous papers, candidates did not understand this as much as other areas of the syllabus. The correct key was **B** but 70% chose **C**.

In **Question 39**, 45% of the candidates misunderstood the effect of changing a quota. They chose option **B**. Increasing a quota allows more imports into the country – they thought that an increase in the quota restricted imports.

<p style="text-align: center;">Paper 2281/02 Structured Questions</p>

General comments

There were some very good answers to the paper and those candidates are to be congratulated on their hard work. However, there are four points that might be helpful in enabling other candidates to achieve higher marks by using the information they know in a better way.

- (i) As has been mentioned many times in these reports, candidates should be encouraged, when using diagrams, to present them clearly and accurately with correct labels. The diagrams should be of a size that can easily be seen. It is surprising how many answers present diagrams squashed up in the corner of the page and without correct labels.
- (ii) Candidates should also be given clear guidance that when a question asks for an explanation or a discussion, a simple list of items is insufficient. The indicators must be presented in the form of sentences and paragraphs with at least a brief comment on each point.
- (iii) To gain high marks in questions that ask for a discussion, candidates should present more than one side of an argument and then come to a conclusion. They should also be prepared to present their own view of the matter. Many present the case for or against, the advantages and disadvantages, but then leave the matter without a conclusion. This is a pity and prevents the candidate achieving the higher marks. Candidates should be encouraged to realise that their view of the matter is significant and, having presented the evidence required by the question, should not be afraid to indicate what weight should be given to that evidence. They should decide whether, for example, the advantages outweigh the disadvantages, or the case for a given change mentioned in the question is greater than the case against. They should then clearly state what they conclude.
- (iv) It is also good practice to encourage candidates to leave a space at the end of each question in case they wish to add some material at a later stage. Many candidates think of extra information and then add this, almost randomly, throughout the script. This does not aid marking. There is a danger that such presentation will not receive due credit. Candidates should also check that the pages that they present are in the correct order and that each question or section is clearly shown. It is foolish to be careless over these matters.

Comments on specific questions

Question 1

- (a)(i) The four mines that still made a profit were Anglogold, Gold Fields, Kalgold and St Helena. Many candidates were able to identify these mines but some gave answers that bore no relation to the question, sometimes expressed in sums of money.
- (ii) They were also able to determine that five mines had made a profit before the price fell to \$276.
- (b) This section was not as well answered as (a), with many answers just paraphrasing the question. Candidates should have recognised that the figures gave only costs and not production, so it was not possible to determine the proportion of the production accounted for by the five mines. It is also possible that the short-run effect would be less than the long-run effect and this, too, could account for a small reduction in production.
- (c) Capital expenditure is expenditure on additional stock of the capital that is used as an aid to further production. Examples could include a general statement about machinery or specific items such as drills, conveyor belts and lifting gear. Candidates were not always aware that the term 'capital' in the context of factors of production does not mean money.

- (d)(i) Employment in mining was likely to fall, as 10% of the production would be closed down. Candidates could have debated whether the industry might be capital-intensive or labour-intensive and consider the extent to which a fall in production might be absorbed by letting capital remain idle rather than redundancies. Few answers, in fact, made reference to the last point.
- (ii) This section was generally answered in a better way than part (d)(i). More able candidates explained that there could be extra unemployment, which could result in extra government welfare payments, the possible movement of labour to other industries and the effects on international trade and the balance of payments of the reduction in exports. The less able often thought that the fall in the price of gold would have a number of beneficial effects on different parts of the economy.

Question 2

- (a) The better answers gave a good explanation of the market system, mentioning the role of price, the lack of government intervention, the availability of choice and competition. Weaker answers mentioned one or two points but did not really explain that resources are allocated by the price mechanism in a market system.
- (b) This question required a diagram. It has been mentioned before in these reports that candidates should present clear diagrams with correct labels. Three marks were awarded for properly labelled axes and curves and for showing a shift to the right in the supply curve and a shift to the right in the demand curve. The remaining marks were awarded for the explanation. Many candidates did not show a shift in both of the curves, while some did not show or explain the final equilibrium. (See also the general comment at the start of this report).
- (c) There were some good answers to this question, which described the greater choice, the greater efficiency and the incentives found within the market system. They then went on to contrast those with aspects of market failure, externalities, monopoly power of large companies and inequalities of income, which are also found within the market system. There was a tendency for some candidates to repeat the information given in part (a) without understanding that this section was asking a different question. They ignored the “relying more on the market system” part of the question.

Question 3

- (a) In the better answers candidates were able to explain that people need to keep money in cash and current accounts to ensure the availability of funds for everyday purchases and to cover any unseen emergency. (They, in fact, needed to explain the transactions and precautionary motives for holding money but without using those terms.) Weaker answers recognised the need for the immediate availability of funds but not for what purpose.
- (b) Many candidates recognised that high income earners would spend more than low income earners – this is obvious, they have more money. Fewer were able to see that the important point was to discuss the **proportion** of income that was saved and spent in each case. High income earners save a higher proportion of their income than low-income earners. Low income earners spend a higher proportion of their income than high income earners. This point was not always explained clearly. Some candidates were able to comment on the different types of goods that each group might purchase.
- (c) Many answers contained descriptive accounts that centred on the amount of training, the level of skill and the qualifications required. These were not as good as the answers that explored the relationships between the demand for labour and the supply of labour. Unfortunately, these latter points were not discussed in many answers.

Question 4

- (a) Many candidates understood the difference between these two terms. Quite a number said, however, that invisible exports were ‘goods and services’ and visible exports were ‘goods and services’. In many cases this was simply carelessness, as the examples that were given showed that the candidate understood the difference between the two types of exports. Full marks cannot be awarded where such carelessness is evident, and candidates should be warned about this.

- (b) Candidates could comment that governments are interested in the balance of payments to show the impact of trade and capital movements on the economy and the degree of international competitiveness. The answers to this section of the question were not always well developed.
- (c) In 1998 there was a deficit in the current account, exports then fell in value in 1999. Nothing is said about the quantities of exports, and nothing is said about imports. Further, nothing is mentioned about other sections of the balance of payments. Candidates could have pointed these facts out, and then stated that, nevertheless, the situation might be of concern because, other things being equal, money would be leaving the country and the currency might be depreciating. The answers given were usually too brief and superficial.
- (d) More able candidates discussed the reasons for exchange rate fluctuations, such as changes in the demand and supply of the currency, changes in interest rates and the effects of speculation. Weaker answers explained some of these points briefly and less clearly.

Question 5

- (a) Many candidates were able to identify the determinants as birth rates, death rates and net migration. Some, however, forgot to mention migration while others wrote at great length when the key word in the question was "identify".
- (b) There were some very good answers to this question. Candidates were required to explain the indicators of a developing country such as low GNP per head, large agricultural sector, dependence on exports of primary products, low standards of health and education, poor infrastructure and higher birth and death rates than developed countries.
- (c) The answers to this question were sometimes disappointing. Comments on the proportion of young and old people together with typical 'pyramid' diagrams were not always well presented. Many candidates wandered into aspects of developing or developed economies that were not related to population. Some of the diagrams were badly drawn, inaccurate and lacked labels for the axes.
- (d) This was a question that required the candidates to come to a decision. (See the general comment at the start of this report.) Candidates could comment on the reasons for overcrowding and contrast the overcrowding in developed countries with better basic supplies and accommodation with that of developing countries. Far too many answers saw no difference between overcrowding in the cities of developed and developing countries.

Question 6

- (a) Most candidates were able to give a correct definition of fixed costs together with at least one correct example drawn from examples such as rent, payments for insurance or interest on loans.
- (b) Candidates were able to discuss factors such as economies of scale, larger turnover and greater buying power to reduce prices. The answers to this section were usually well presented, though some candidates wrote at excessive length on economies of scale.
- (c) There were many reasons, which were given which were relevant and accurate. The more common of these included lower prices or discounts, easy parking and a wide choice of products. Some candidates gave advantages that could also have related to smaller retail outlets.
- (d) This was another question where the candidate was required to assemble information and then present a conclusion on the strength of that information by indicating which particular reasons were felt to be the strongest. Higher marks were given for those answers that came to a reasoned conclusion. Better answers explained a number of the advantages of a small firm such as convenient location and opening hours, personal service, low demand, niche markets and the desire for personal control.

Question 7

- (a) Most candidates were able to describe the public sector in terms of businesses controlled and owned by the government and were able to give some examples.

- (b)** There were some good answers that explored the areas of market failure such as monopolies and externalities and which also recognised that public sector organisations did not try to make a profit. Comment was also made about the provision of merit and public goods. (The use of these terms was not required although the ideas behind them were explained.)
- (c)** Candidates were able to explain that the government can impose direct and indirect taxes to pay for the provision of goods and services. Some answers were also able to explain that some of the government-owned businesses make a profit and that this profit could be used to cross-subsidise those that make a loss. Very few candidates recognised that public sector organisations can also charge for the goods or services that they provide.