

# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE O Level

## MARK SCHEME for the November 2005 question paper

### 2281 ECONOMICS

2281/02      Paper 2      Maximum mark 80

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

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- 1** (a) Explanation of role of co-ordination of other factors of production (1 mark), taking risks or making profits (1 mark). **[2]**
- (b) Farming in primary sector (1 mark), the building of a private hospital in secondary sector (1 mark – need reference to the building of the hospital). **[2]**
- (c) Explanation of meaning of industrial development with reference to businesses, new premises, machines, capital goods. **[4]**
- (d) Government could use subsidies, tax reductions, grants, changes in planning controls, relaxation of regulations, encouragement of foreign investment, or changes in labour/wage policy. **[6]**
- (e) Job creation causes increase in incomes, production, employment. This might help governments aims full employment, growth. Possible result is better balance of payments through increased exports. **[6]**
- 2** (a) 2 for definition mentioning changes, or not, in output. 2 for examples. Wage may be considered either a fixed or variable cost, but not both in the same script. **[4]**
- (b) Description of benefits of availability in local area, personal service, possible longer hours, less queues, convenience. Max 4 marks for benefits of a small firm with no reference to small food shops. **[6]**
- (c) Comment on the possibility of mergers; of general growth through increased sales caused by increased demand/advertising; of increased profits caused by either increased demand or different pricing policies; of growth caused by a change in type of stock or image; of expansion into other areas/products; and a comment on the methods used to obtain finance – profits, borrowing, shares. **[4]**
- (d) Discussion of relevance of economies to supermarket using some of the types of economy to illustrate the answer. (2 marks for simple definition in terms of lower average costs with no explanation of reasons why or effects).  
*Max 4 marks if no reference to supermarket.* **[6]**
- 3** (a) Expect one example of each type of tax (2) and a comment on whether the tax is levied on a person at the source or earning or on subsequent expenditure (2). **[4]**
- (b) Discussion of the use of both indirect and direct taxes. Could mention progressive, regressive direct taxes. Could also discuss the likely effect of imposing indirect tax on different products depending on whether the product is likely to be bought by low or high income groups. **[6]**
- (c) Explanation in terms of proportionate responsiveness of demand or in terms of equation (simple statement 1, range of values 1) with two examples which illustrate how the value of elasticity might vary (2 for each explanation). **[6]**
- (d) Revenue will be increased more if the government uses an indirect tax on a good with low price elasticity of demand. Imports will be decreased more if a government places the tax on a good with high elasticity of demand. **[4]**

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- 4 (a)** Persistent rise in general level of prices. [3]
- (b)** Explanation of use of base year, average household, basket of goods, weighted items, change from one period to another. [7]
- (c)** Brief explanation of either cost, demand or imported inflation. [4]
- (d)** Discussion of the effects of inflation on consumer confidence, value of savings, production, growth, employment, distribution of income. [6]
- 5 (a)** Brief explanation of benefits of specialisation in terms of efficient production, more economic use of resources. Full range can be used without any mention of comparative advantage. This term is not on the syllabus but specialisation and exchange is. [6]
- (b)** Description of two types of protection - quota, regulation, tariff (2 marks each). [4]
- (c)** Definition relating to provision of resources in/on/under the land/sea. 1 for explanation of natural, 1 for explanation of resource, 1 for example. [3]
- (d)** Discussion of exploitation v conservation. Long-term v short-term. Benefit in terms of employment, income, standard of living improvement against depletion of resources. Discussion of whether resources can be renewed. Discussion of whether it might be better to use only particular resources and rely on other countries for provision of products - specialisation. [7]
- 6 (a)** Birth rate, death rate, net migration. Allow migration, but not just immigration or just emigration. [3]
- (b)** Candidates could comment on traditional view of birth rates, death rates and migration with the usual population pyramids. [7]
- (c)** Discussion of major macro policies. Could refer to opportunity cost of spending money on health and education and effect this would have if expenditure reduced elsewhere. Policies may improve availability and skills of workforce, increase production and in longer term growth and employment. If resources are bought from other countries policies may have an effect on balance of payments. If the money for the programmes comes from increased taxation it may affect income distribution. Look for any reasoned argument or link between the policy of health and education and the major macro aims. [10]
- 7 (a)** Occupational and geographical factors include better conditions, better prospects, location/shorter journey to work, can live in preferred area, shorter hours, size of company, fringe benefits - subsidised meals, health scheme, social and leisure facilities.  
*Max 2 marks if only mention of one factor. Max 3 marks if only two or three factors are mentioned. Need to mention all four factors and then discuss which is most significant to achieve maximum marks.* [6]
- (b)** Identification and comment on relative use of factors. The hotel is a luxury hotel so is likely to require reasonable amount of capital expenditure even if the hotel itself is not very big. Hotels are usually labour intensive. Luxury hotels often, though not always, are set in well-kept grounds. [4]

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- (c) Discussion of influence of supply and demand in determining wages. Role of training, skills, availability of labour, role of government in minimum wage legislation, possible role of unions. These factors could be mentioned in a descriptive manner without any reference to supply or demand. Give up to 6 marks if candidates use only a descriptive rather than an analytical approach.

*Max 8 marks if no reference to the hotel industry.*

**[10]**