

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

NOVEMBER 2002

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK : 60

SYLLABUS/COMPONENT : 0455/2

**ECONOMICS
(STRUCTURED QUESTIONS)**



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- 1(a)(i)** \$159 million. [1]
(ii) \$0.05 billion. [1]
(iii) Up to 2 marks for explaining that profits depend on the balance of revenue and costs. In this case costs must have increased. [2]
- (b)** Up to 4 marks for references to the number of employees, the levels of capital spending, revenue and profits and to the disclosure of information, which implies a public limited company. There is no evidence of public ownership or control. [4]
- (c)** Up to 5 marks for explaining the effect of interest rates on the costs of the company if it needed to borrowing – affecting the supply curve or on the willingness of purchasers to take out loans – affecting the demand curve. Award a maximum of 3 marks for either aspect done well. [5]
- (d)** Up to 7 marks for discussing the likely effects of a reduction in net profits on the level of employment in the company, future investment by the company and company shareholders. [7]
- 2(a)** 1 marks each for identifying any three causes such as price increases or falls, and changes in the prices of substitutes or complements, income, tastes, fashion, advertising, population and fashion. [3]
- (b)** Up to 6 marks for explaining that the excess supply may have been caused by the supply curve (S) shifting to the right and that weak demand and increased competition may have caused the demand curve (D) to shift to the left. Candidates do not need to draw a diagram but reward accurate diagrams.
1 mark for stating that these shifts **would** lead to the change in prices stated in the question. [7]
- 3(a)** 1 mark each for visible or goods and export or current account. [2]
- (b)** Up to 4 marks for contrasting a tariff as a tax on an imported good with a quota as restriction on the quantity of a good imported. [4]
- (c)** Up to 4 marks for considering the effects of cheap imports on US companies, such as cheap raw materials for some companies, but more competition for companies producing similar goods to those imported. [4]

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- 4(a)** Up to 2 marks for explaining the difference between direct and indirect taxes. 1 mark each for examples, direct - income and indirect - any shown in text. [4]

- (b)** Up to 6 marks for discussing reasons why governments impose taxes, such as the need for funds to pay for government services, the need to control the economy and the need to redistribute income. Reward answers that give relevant examples and contain a good discussion. Award a maximum of 4 marks for answers that only deal with one aspect. [6]

- 5(a)** Up to 3 marks for explaining that there is likely to be a high percentage of the population working in agriculture in a developing country, whereas the occupational structure of a developed country would have only a small proportion of the population working in primary industries. [3]

- (b)** Up to 7 marks for describing the differences in living standards in terms of health, education, housing, incomes and basic amenities. [7]