UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

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for the guidance of teachers

0455 ECONOMICS

0455/21

Paper 2 (Structured Questions), maximum raw mark 80

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P	Page 2	Mark Scheme: Teachers' version	Syllabus Syllabus	
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(a) Econom	ic arowth:	Syllabus 0455 a in an economy over a pt conomy.	2
•••	• an i	ncrease in the total output of goods and services	in an economy over a p	On
	time			1
		ncrease in national income		
		ncrease in real Gross Domestic Product (GDP) ncrease in the productive capacity/potential of an ec	conomy	[2
	•		conomy.	L
(b) Profit ma	aximisation:		
•	• prof	it is the reward to business owners or entrepreneurs	S	
		aking the risk of setting up a firm		
		m which does not make a profit may be forced to clo		F 4
	• reta	ined profit is an important source of finance for firms	S.	[4
(c	:) Importar	nce of bank lending by commercial banks:		
•		k lending in China up by 34% in 2009		
	• idea	a of greater liquidity in the banking system		
		will enable firms and private individuals to finance e	expenditure more easily	
		will lead to higher employment and incomes		
		there are potential problems – it could be inflation	hary and/or lead to an increa	se I
	-	orts, affecting the balance of payments ted funds will involve an opportunity cost.		
			٨.	ſſ
	ΑΠαλιτ	num of 4 marks if only positive aspects are described	9 0 .	[6
(d	I) Potentia) Potential advantages:		
		e in national output; more goods and services prod	luced	
	• can	lead to a rise in standards of living.		
		l disadvantages:		
		cause external costs, such as pollution		
	• COUI	ld reduce quality of life, e.g. less leisure time.		
	A maxim	num of 5 marks for a one-sided answer.		[8
12) Identific:	ation of factors:		
(a		nagers – accept managers as either labour or enterp	nrice	
		chinery – capital	prise	
		ple – labour.		
	2 marks	for the identification of 2 or 3 factors.		
		for the explanation of 2 or 3 factors.		-
	Do not a	accept land.		[4
(þ) (i) Hori	izontal integration:		
()		when firms engaged in the same stage of production	on of a good combine	

- when firms engaged in the same stage of production of a good combine examples of car firms that have combined, e.g. Tata Motors and Jaguar. ٠
- [4] •

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- (ii) Vertical integration:
 - when firms engaged in different stages of production combine
 - forward integration involves going forward to a retail outlet, e.g. where producer owns/controls dealerships
- Cambridge.com backward integration involves going backward to the supply of raw materials, e.g. where a car producer owns/controls supplies of raw materials/parts.

The benefits will relate to the possible advantages of economies of scale in reducing the costs of production.

A maximum of 3 marks in each of (i) and (ii) for an answer which makes no explicit reference to the car industry.

- (c) Reasons for differences in remuneration:
 - skills/training
 - education/qualifications
 - experience
 - level of responsibility
 - geographical area
 - trade union membership
 - demand factors (idea of derived demand)
 - supply factors.

Answers which make no reference to the demand for, or the supply of, labour can gain no more than 5 marks. Similarly, an answer which makes no reference to people in the car industry can gain no more than 5 marks. Answers which fail to address both of these aspects can gain no more than 4 marks. [8]

- 3 (a) Description of an indirect tax:
 - these are taxes on the expenditure on goods and services (1)
 - they are added to the price of goods and services and normally collected from those selling the goods or services (1).

Example:

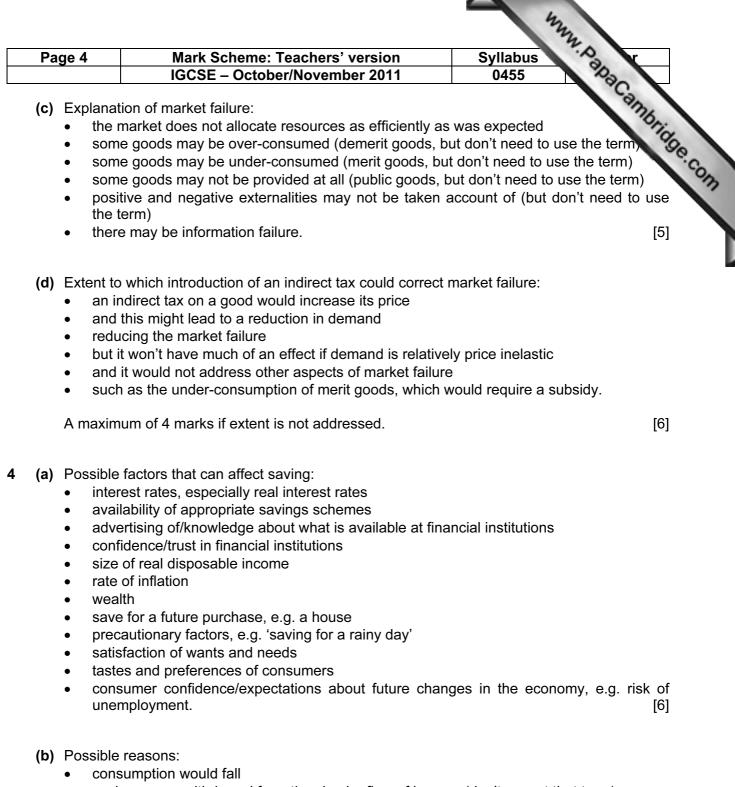
sales tax (e.g. VAT, GST), tariffs, excise duties (1).

[3]

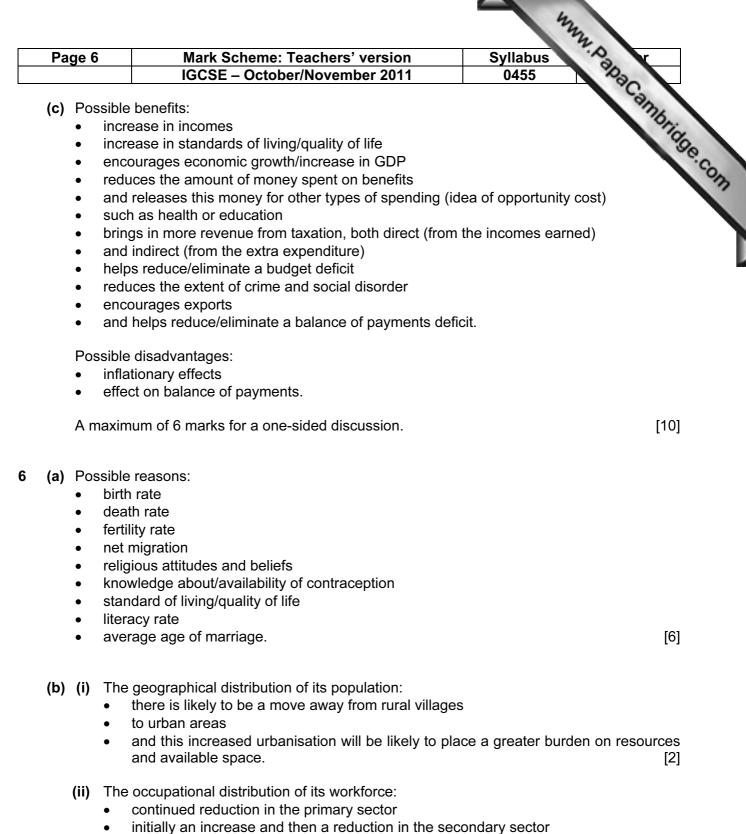
[6]

- (b) Diagram:
 - correct labelling of P and Q axes and D and S curves (1)
 - shift of the supply curve to the left (1)
 - equilibrium price rises and equilibrium quantity falls (1).

Explanation of what is shown in the diagram (3).



- savings are a withdrawal from the circular flow of income (don't expect that term)
- a lower demand could lead to jobs being lost and higher unemployment
- lower spending would lead to a reduction in government revenue from indirect taxes on expenditure.



[4]

• continued increase in the tertiary sector.

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(c) Possibl	e advantages:		abaCambrid.
• ext	ra consumers, so increasing the level of demand		'On:
• ext	ra workers, so increasing the level of supply		
• this	s should lead to greater economic growth		
• an	d an increase in the standard of living/quality of life.		
Possibl	e disadvantages:		
• ext	ra demand may outstrip supply, causing inflation		
• ext	ra workers may not have the required skills/training		
	ir lower productivity could be a problem		
• the	ey may not all be able to get a job and so unemployme	ent could rise.	
A one-s	sided answer can gain no more than 5 marks.		[8]
(a) Trade p	protection:		
• the	protection of industries in a domestic market		
• the	e restriction of imports coming into a country.		[4]
(b) Possibl	e reasons'		
	protect an infant industry		
	prevent dumping		
	protect a declining industry		
	raise revenue through tariffs		
	overcome a balance of payments deficit.		[6]
			£ .
(c) Possibl	e advantages to consumers:		
	rease in standards of living/quality of life		
• gre	eater variety of choice for consumers.		
Possibl	e disadvantages to consumers:		
• ar	eduction in standards of living/quality of life (5).		
Possibl	e advantages to producers:		
	eater efficiency of production		
• inc	rease in world output.		
Dessibl			
POSSID	e disadvantages to producers:		

- infant (sunrise) industries could collapse
- declining(sunset) industries could collapse (5).

For each part, an entirely one-sided answer (i.e. fails to address 'all') can gain no more than 3 marks. [10]