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## for the guidance of teachers

## 2281 ECONOMICS

2281/21

Paper 2 (Structured Questions), maximum raw mark 80

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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Pa	age 2	Mark Scheme: Teachers' version	Syllabus Syllabus	
		GCE O LEVEL – October/November 2011	2281	
(a)	Econom	nic growth:	The second second	
	<ul> <li>an time</li> <li>an i</li> <li>an i</li> </ul>	increase in the total output of goods and services		2
(b)	<ul> <li>prot</li> <li>for t</li> <li>a fin</li> </ul>	aximisation: fit is the reward to business owners or entrepreneurs taking the risk of setting up a firm rm which does not make a profit may be forced to clo ained profit is an important source of finance for firms	ose down	[4]
(c)	<ul> <li>ban</li> <li>idea</li> <li>this</li> <li>this</li> <li>but</li> <li>imp</li> </ul>	nce of bank lending by commercial banks: ik lending in China up by 34% in 2009 a of greater liquidity in the banking system will enable firms and private individuals to finance e will lead to higher employment and incomes there are potential problems – it could be inflationate orts, affecting the balance of payments ted funds will involve an opportunity cost.		e ir
	A maxin	num of 4 marks if only positive aspects are described	d.	[6]
(d)	• a ris	al advantages: se in national output; more goods and services produ lead to a rise in standards of living.	uced	
	• can	al disadvantages: cause external costs, such as pollution ld reduce quality of life, e.g. less leisure time.		
	A maxin	num of 5 marks for a one-sided answer.		[8]
(a)	<ul><li>mai</li><li>mai</li></ul>	ation of factors: nagers – accept managers as either labour or enterp chinery – capital ople – labour.	orise	
	2 marks	for the identification of 2 or 3 factors. for the explanation of 2 or 3 factors. accept land.		[4]
(b)	(i) Hor •	izontal integration: when firms engaged in the same stage of productio	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:

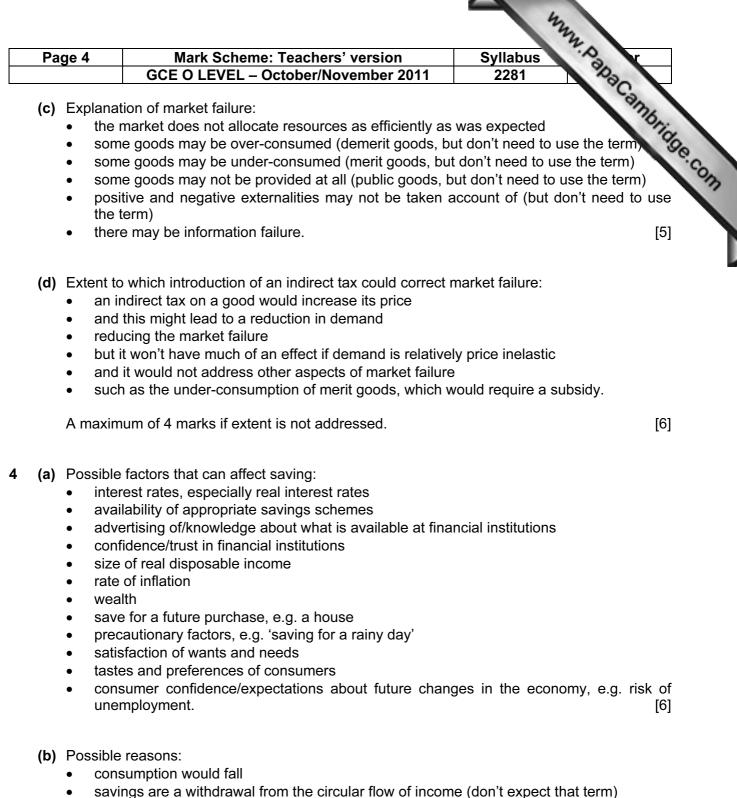
sales tax (e.g. VAT, GST), tariffs, excise duties (1).

[3]

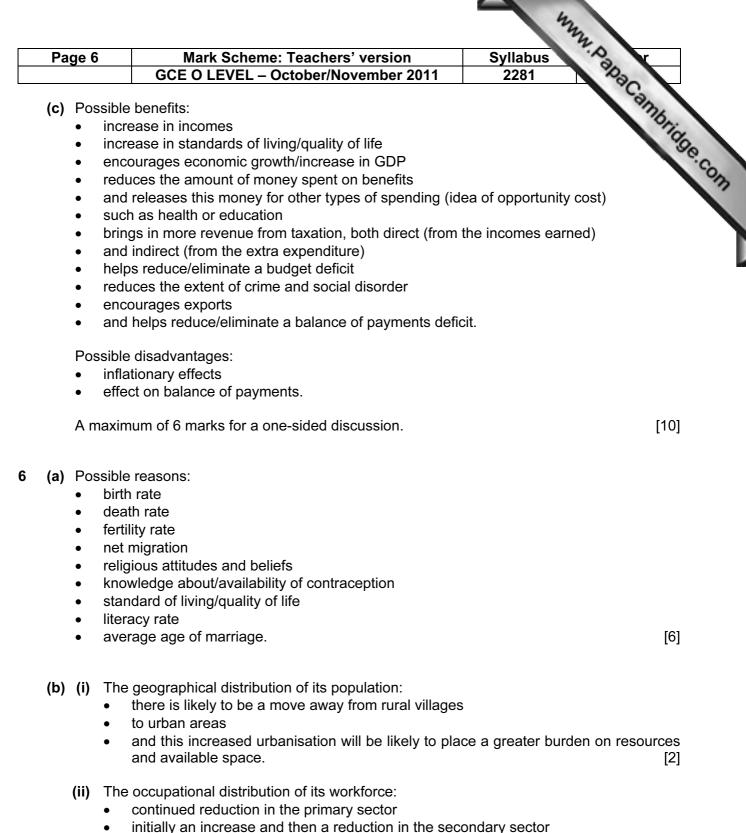
[6]

- (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).



- 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.



continued increase in the tertiary sector.

[4]

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<ul> <li>extr</li> <li>extr</li> <li>this</li> <li>and</li> <li>Possible</li> <li>extr</li> <li>extr</li> <li>extr</li> <li>the</li> </ul>	e advantages: ra consumers, so increasing the level of demand ra workers, so increasing the level of supply should lead to greater economic growth I an increase in the standard of living/quality of life. e disadvantages: ra demand may outstrip supply, causing inflation ra workers may not have the required skills/training ir lower productivity could be a problem y may not all be able to get a job and so unemployme		ambrio
	ided answer can gain no more than 5 marks.		[8]
• the	protection of industries in a domestic market restriction of imports coming into a country.		[4]
<ul> <li>to p</li> <li>to p</li> <li>to r</li> </ul>	e reasons: protect an infant industry prevent dumping protect a declining industry aise revenue through tariffs pvercome a balance of payments deficit.		[6]
<ul> <li>incr</li> </ul>	e advantages to consumers: ease in standards of living/quality of life ater variety of choice for consumers.		
	e disadvantages to consumers: eduction in standards of living/quality of life (5).		
• gre	e advantages to producers: ater efficiency of production rease in world output.		
Possible	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]