

## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

**ECONOMICS** 0455/22

Paper 2 Structured Questions

May/June 2011

2 hours

Additional Materials: Answer Booklet/Paper

### **READ THESE INSTRUCTIONS FIRST**

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

### Section A

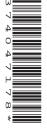
Answer Question 1.

#### Section B

Answer any three questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.



**International Examinations** 

#### Section A

Answer this question.

## 1 The Dhaka Stock Exchange is doing well

Grameenphone, the biggest mobile (cell) phone company in Bangladesh with over 21 million customers, decided in 2009 that it needed more finance to develop its services. To help generate this finance, Grameenphone announced its intention to raise US\$70 million through selling additional shares.

Grameenphone is a multi-national company which is owned by Telenor, a Norwegian telephone company, and Grameen Telecom, a non-profit company founded by Muhammad Yunus. Muhammad Yunus, who is a pioneer of microfinance, also founded the Grameen Bank which provides loans to people, such as village entrepreneurs, who find it difficult to obtain finance from traditional sources.

The Stock Exchange in Dhaka, the capital of Bangladesh, has 284 companies listed and the value of these companies more than doubled between 2007 and 2009. The value of these companies is now equivalent to approximately 16% of Bangladesh's Gross Domestic Product. The opportunity to buy shares in Grameenphone will further increase the value of the Dhaka Stock Exchange.

The Bangladesh Government has offered financial incentives to multi-national companies to encourage more of them to locate in Bangladesh.

(a) Explain what is meant by an entrepreneur. [2]
(b) Describe the role that a stock exchange can play in a country's economy. [4]
(c) Identify two possible reasons why the supply of mobile (cell) phones may increase. [2]
(d) Explain two financial incentives, other than subsidies, which a government might offer multinational companies to locate in its country. [4]
(e) Discuss whether a multi-national company which locates in a country will always be advantageous to that economy. [8]

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# **Section B**

Answer any **three** questions from this section.

2		e feature of many mixed economies is that governments may intervene by giving subsidies ne producers.	to
	(a)	What is meant by a subsidy?	[3]
	(b)	Explain, using a demand and supply diagram, how a subsidy can affect the equilibrium prand equilibrium quantity in a market.	ice [6]
	(c)	Identify the <b>three</b> questions faced by every type of economic system.	[3]
	(d)	Discuss why virtually every country today has a mixed economy.	[8]
3	in lı	ns are keen to know what influences consumers in their buying decisions. Publishing firm and have researched why people buy particular magazines and have found that the presticity of demand for different magazines varies.	
	(a)	Describe the factors that can affect the demand for a product.	[6]
	(b)	Explain what is meant by price elasticity of demand.	[6]
	(c)	Discuss how knowledge of the price elasticity of demand for magazines may be used by firm which produces and sells magazines.	/ а [8]
4		siding on an occupation is difficult for some individuals. There are so many factors that need aken into consideration. One of these is whether or not there is a trade union they can join.	to
	(a)	Describe the factors, other than possible membership of a trade union, which can affect individual's choice of occupation.	an [6]
	(b)	Is it always true that individuals are paid more as they get older?	[4]
	(c)	Explain the benefits that an individual may get from being a member of a trade union.	[4]
	(d)	Discuss whether trade unions always have a harmful effect on the wider economy.	[6]

5		e size of firms in the United Arab Emirates can vary enormously, from very small sole proprie inesses to very large public limited companies.	etor
	(a)	Describe the disadvantages of a sole proprietor business.	[4]
	(b)	Explain why a private limited company might wish to become a public limited company.	[6]
	(c)	Explain how firms can grow in size.	[4]
	(d)	Discuss whether some large firms might benefit from reducing their size.	[6]
6		ny governments are concerned about inflation in their economies. This was, for example ticular problem in Zimbabwe where there has been a very high rate of inflation.	∍, а
	(a)	What is meant by inflation?	[3]
	(b)	Describe how a retail (consumer) price index is calculated.	[7]
	(c)	Explain what is meant by demand-pull inflation.	[4]
	(d)	Discuss whether a government should be concerned about a high rate of inflation in economy.	its [6]
7	with	e living standards of people vary enormously and yet it is <b>not</b> always easy to measure the great accuracy. It is, however, certainly the case that some countries suffer from extre erty.	
	(a)	Describe how living standards in a country can be measured.	[6]
	(b)	Explain <b>two</b> reasons why the measurement of living standards in a country is <b>not</b> alw accurate.	ays [6]
	(c)	Discuss the actions a government might take to reduce poverty.	[8]

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