

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2006 question paper

0455 ECONOMICS

0455/02

Paper 2, maximum mark 60

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do 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*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the *Report on the Examination* for this session.

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

CIE is publishing the mark schemes for the May/June 2006 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



Page 1	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2006	0455	02

- 1 (a) 1 labels, 1 equilibrium (original and new equilibrium), 1 shift in demand, 2 explanation. [5]
- (b) (i) current account, goods/visibles/balance of trade, imports. [3]
- (ii) Worsen the balance of payments account, possible volatility of prices, possible volatility of supply. 1 for Identification, 1 for explanation. [4]
- (c) (i) Rapid expansion of output. [2]
- (ii) Comment on the benefits for employment, wealth, trade, profits, incomes, exports, choice. Comment on the drawbacks, externalities, environmental impact, cultural disruption, possible inflation. Up to 4 marks for only one side. [6]
- 2 (a) Identify the four factors, 2 marks. Explain the four factors, 2 marks. [4]
- (b) Discussion of reasons for small firms: market, finance, service, recently established, location. [6]
- 3 (a) Explanation in terms of limited resources compared with unlimited wants, choice between resources (2 marks).
Next best alternative forgone (2 marks). [4]
- (b) Identification of factors: location, pay, working conditions, holidays, career prospects, size of company, type of work (4 marks). With suggested discussion about availability of possible jobs and trade-off of these factors with reference to alternative jobs expressed in terms of next best alternative (2 marks). [6]
- 4 (a) 41 100 (1 mark), decrease (1 mark), (42 600 — 1500), working (1 mark), up to a maximum of 2 marks. [2]
- (b) Preference for part-time employees, more flexibility, lower cost, fewer rights. Decline in agriculture and manufacturing because of changed competitiveness, changing demand patterns, growth of services because of rise in incomes, changing technology. Identification 4 marks; explanation 4 marks. [8]
- 5 (a) Comment on the difference between government control and ownership and private control and ownership, public sector embraces goods/services and the provision of transfer payments, grants, subsidies, sources of finance. The two sectors have different aims and methods of working. [3]
- (b) Discussion of bureaucracy, lack of incentive, inefficiency, lack of choice, lack of competition, possible political intervention. Identification of disadvantages up to 4 marks, discussion up to 2 marks per point. [7]