

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS

0455/02

Paper 2 Structured Questions

October/November 2005

Additional Materials: Answer Booklet/Paper

1 hour 30 minutes

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 on both sides of the paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** 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.

This document consists of 2 printed pages.



Answer **all** questions.

1 **Lesotho National Development Corporation**

Since its establishment the Lesotho National Development Corporation (LNDC) has been the Lesotho Government's main means of promoting industrial development. The LNDC is now expanding its job creation programme by promoting exports and encouraging firms to grow in size. It also encourages and supports local entrepreneurs. Two of the projects it has supported are local chicken farms and the building of a private hospital. The slogan of the LNDC is 'We build industry'.

- (a) Describe the main role of an entrepreneur. [2]
- (b) Identify from the passage **one** project in the primary sector and **one** project in the secondary sector. [2]
- (c) Explain what is meant by industrial development. [4]
- (d) Explain the policies that a government might use to encourage private businesses. [6]
- (e) Why might a government wish to create jobs? [6]

2 In the UK four large supermarket companies dominate the sale of food but there are also many small food shops.

- (a) Define a fixed cost and a variable cost, and identify one fixed cost and one variable cost that the supermarket might have. [4]
- (b) Discuss why a small food shop might survive when there are very large supermarkets. [6]

3 (a) Using examples, contrast a direct tax with an indirect tax. [4]

(b) Discuss how a government might use taxation to affect the distribution of income. [6]

4 The rate of inflation in some developed countries has remained low for several years.

- (a) What is meant by inflation? [3]
- (b) Explain how a retail price index (index of consumer prices) is calculated. [7]

5 (a) Explain why specialisation in international trade might benefit a country. [6]

(b) Some countries use protective measures in international trade. Describe **two** types of protection a government can use in international trade. [4]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.