

Examiners' Report/ Principal Examiner Feedback

Summer 2010

IGCSE

iGCSE Economics (4350) Paper 1F

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PE Report on Examination Paper 4350/1F

General Comments

This report focuses on some of the common mistakes made in this examination together with examples of good practice. The following list suggests some of the simplest ways in which candidates at this level could improve their performance.

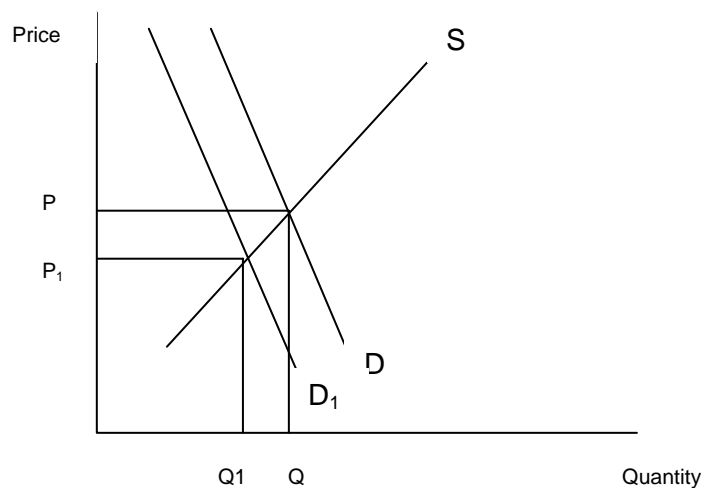
- Attempt all questions. Some candidates did not even attempt some of the multiple choice questions.
- Read the questions carefully and follow the instructions. In question 2(a) a list of possible answers was given but some candidates filled in the missing words with words or figures not included in the list.
- Realise that repeating the question or answering “yes” or “no” will not achieve marks.

When this examination is replaced by the single tier Economics IGCSE, weaker candidates will need to take extra care when they read and respond to the questions. Past examination papers and the specimen material produced for the new examination will help prepare candidates for this examination.

Comments On Individual Questions

Question 1

This question dealt with demand and supply of cigarettes and went on to ask about wage rates. The questions which related to Figure 1a required candidates to in (a)(i)(ii) draw a new demand curve to show the effect of a government health campaign warning against cigarettes. The correct diagram is shown below.



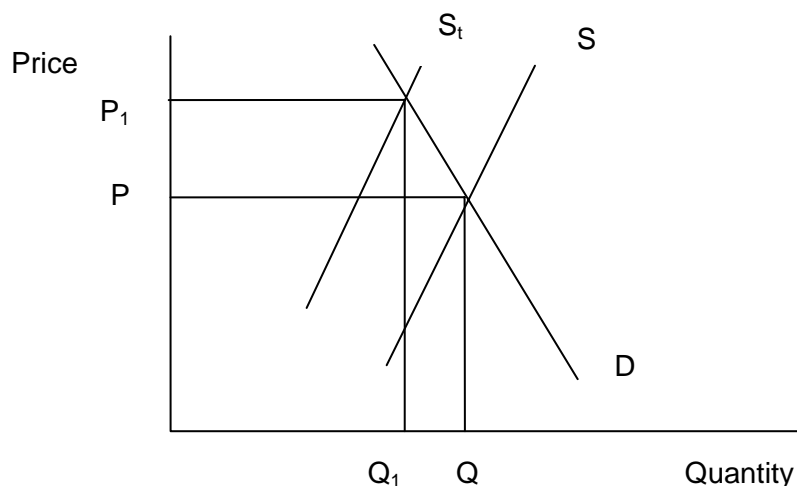
Too many candidates shifted the demand curve to the right (an increase in demand) or shifted the supply curve and some of the poorest candidates shifted both curves or changed the angle of the demand curve.

In (a)(iii) some of the factors identified which may cause a shift in demand for cigarettes included a change in income, population, fashion and substitutes, advertising. Candidates did not score marks for repeating the factor given in the question or for factors that affect supply.

In (a)(iv) the correct answer "Opportunity cost" was often ignored in favour of the incorrect response "A Subsidy".

Definitions should be learned so that candidates are able to quote them accurately and save time for more difficult questions. A typical incorrect definition in (b)(i) simply stated that when price rises demand falls instead of the correct definition "the responsiveness of demand to a change in price." In (b)(ii) a correct response could have been "cigarettes are addictive so as price rises smokers will only reduce demand by a very small amount".

Figure 1b should have shown the impact of a subsidy as shown below.



The explanation of this tax on the market equilibrium (b)(iv) should have simply stated. The tax will increase costs so supply will fall (shift to left). This will lead to an increase in price which will lead to a fall in demand.

In part (c) candidates were asked to identify the factors affecting the wages of workers in a cigarette factory. The factors do not only apply to workers in a cigarette factory. Wages are primarily determined by demand and supply. The demand for workers is a derived demand i.e. it depends on the demand for the product. The supply of labour depends on the working population and the abilities and skills required for the job. Other factors could include trade unions and the government (minimum wage rate).

"Workers in a cigarette factory don't have to be very skilled so there will be a lot of workers available. This would reduce the wages if supply is greater than demand. If demand for the product (in this case cigarettes) falls then wages might fall. Trade unions might interfere and threaten strikes if employers want to reduce wages. Of course if the government introduces a minimum wage rate then this would be the most important factor as wages would increase as it would be illegal to pay workers below this amount."

Question 2

Candidates must read instructions very carefully. A list of possible answers for (a) were given at the beginning of the question. It was therefore surprising that some responses gave words and figures not included in the list! Part (b) was a typical privatisation question which required advantages and disadvantages of privatisation to consumers not, as some candidates wrote, to firms, workers or the economy. A good response is given below,

"When privatisation increases competition consumers benefit from lower prices and better quality goods. Unfortunately privatised firms exist to make a profit so they may increase prices and may stop producing unprofitable goods and services, so the consumer would suffer. The government may interfere to protect consumers. When this happens the consumers get the best of both worlds and the advantages outweigh the disadvantages."

Industrial decline (c)(i) usually results in unemployment. It is for this reason that governments try to influence firms to set up in these areas. The government might give financial incentives (c)(ii) e.g. subsidies, cheap loans, grants, tax holidays.

The most common problem caused by too many firms in one region is pollution. Candidates who identified this in (c)(iii) went on to explain fines and permits in (iv). Some candidates thought that "Briefly explain two government policies....." was an invitation to write about fiscal and monetary policy with no reference to the rest of the question "to solve the problem you have identified in (c)(iii)".

Question 3

Figure 3a showed economic growth rates in Armenia (not America) and Germany 2007-2009. The data was correctly interpreted by most candidates in (a)(i)(ii). However explaining one way in which a government can increase growth proved too difficult for the majority of candidates. A good response is given below.

"The government can invest in human capital by improving education and training. This will make the workforce more skilled and more productive. Firms produce more with the same number of workers. This supply side policy will increase production and economic growth."

Figure 3b showed inflation rates for Armenia and Germany 2007-2009. The comparisons which could have been made included,

- The inflation rate in Germany was always greater than that of Armenia
- The highest inflation rate was 4% in Germany but only 3% in Armenia.
- From 2007-2008 the inflation rate in both countries increased.
- From 2008 - 2009 the inflation rate in both countries fell.

Candidates who referred to the figures in the table achieved full marks,

Only a few candidates correctly calculated the cost of the basket of goods in 2007 for (b)(ii).

(b)(ii) The basket of goods cost 100 euros in 2007.

In 2008, prices had increased by 4% (the rate of inflation) so the goods would now cost 4% more.

4% of 100 = 4

In 2007 it cost 100 euros so in 2008 it would cost $100+4 = 104$ euros.

Inflation is positive from 2008 to 2009 so the answer to (b)(iii) should have been prices are rising. However the increase is less in 2009 so the full answer should have been,

"From 2008 - 2009 prices are rising but not by so much."

In (b)(v) candidates should have been familiar with the term "fixed incomes" (those that do not change) and creditors (people who loan money). There was a great deal of confusion about these terms which meant that it proved impossible for some candidates to give a correct response to the question.

"In times of inflation people on fixed incomes face a fall in their standard of living as they can't buy as much with their incomes. Prices rise but their incomes don't change. Creditors loan money but as it is paid back it doesn't buy as much as prices have risen so they too suffer. Only if interest rates on loans rise will creditors be able to keep pace with inflation. Overall creditors and those on fixed incomes do suffer as debtors benefit so do those who can increase their wages through overtime."

Question 4

Multinationals caused few problems for candidates in (a)(i)(ii) but the responses for (iii) were disappointing.

(a)(iii)1. *"Multinationals can reduce unemployment in a country as they demand workers. However, if small local firms go out of business because of the multinational then unemployment will rise. It will also rise if the multinational leaves the country."*

(a)(iii)2. *"International trade will usually increase because of a multinational. The multinational will sometimes require imports for its product. However it may increase the country's exports. As the company is now part of the local economy the goods it produces no longer have to be imported so trade may fall slightly."*

Figure 4b required simple calculations for (i) Balance of trade and (ii) Balance on current account.

Million US Dollars	2007
Goods: exports	115.0
Goods: imports	162.0
Balance of trade	(i). $115.0 - 162.0 = -47$ Too many omitted the -ve sign
Invisible exports	35.1
Invisible imports	28.1
Balance of invisibles	7.0
Balance on current account	(ii). $-47 + 7 = -40$

Examples of a visible import and an invisible import caused few problems.

In (c)(i) most candidates referred to a group of countries but omitted the reference to free trade. In (c)(ii) most could give arguments for membership of a trading bloc but had difficulty finding any arguments against membership.

(c)(ii) *"Free trade can increase trade between member countries giving them more varied and cheaper goods. Turkey could increase exports to this large market but it will face competition from the other member countries. If its firms are not as competitive then membership of the trading bloc may cause balance of payments difficulties as imports from the bloc will be greater than exports to it."*

Grade Boundaries - June 2010

Statistics

Option 1 - Foundation tier paper (1F) and paper 03

Grade	C	D	E	F	G
Grade Boundaries	57	50	44	38	32

Option 2 - Foundation tier paper (1F) and coursework (04)

Grade	C	D	E	F	G
Grade Boundaries	56	49	43	37	31

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