

Mark Scheme November 2008

IGCSE

IGCSE Economics (4350/2H)

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information, please call our GCE line on 0844 576 0025, our GCSE team on 0844 576 0027, or visit our website at www.edexcel.com.

If you have any subject specific questions about the content of this Mark Scheme that require the help of a subject specialist, you may find our **Ask The Expert** email service helpful.

Ask The Expert can be accessed online at the following link:

<http://www.edexcel.com/Aboutus/contact-us/>

November 2008

Publications Code UG020614

All the material in this publication is copyright
© Edexcel Ltd 2008

4350/2H

Question Number	Answer	Mark
1(a)(i)	1 mark for P1. 1 mark for Q1.	

Question Number	Answer	Mark
1(a)(ii)	S2. Also accept new supply curve to the right of S1. Do not accept shift in both demand and supply.	(1)

Question Number	Answer	Mark
1(a)(iii)	D2. Also accept new demand curve to the right of D1. Do not accept shift in both demand and supply.	(1)

Question Number	Indicative content	
1(a)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Each reason in favour of wages being lower (1).
Level 2	3-5	Reference to why reasons given lead to higher wages eg higher skills (1) and training (1) leads to lower supply of office workers (1). Office workers have given up time to be trained but almost anyone can be an agricultural worker (1). Credit candidates who consider demand and supply analysis. Must mention both sets of workers for 5 marks.

Question Number	Answer	Mark
1(b)(i)	Accurate definition = 2 marks. Responsiveness of demand to a change in income. Accept formula for 2 marks. 1 mark for incomplete or partial definition.	(2)

Question Number	Answer	Mark
1(b)(ii)	B	

Question Number	Answer	Mark
1(b)(iii)	As income increases, demand falls (1). Use of data (1).	(2)

Question Number	Answer	Mark
1(b)(iv)	Normal. Also accept luxury goods.	

Question Number	Answer	Mark
1(c)(i)	Accurate definition = 2 marks. Responsiveness of demand to a change in price. Accept formula for 2 marks. 1 mark for incomplete or partial definition.	

Question Number	Answer	Mark
1(c)(ii)	C (1). Price increase (decrease) brings a rise (fall) in Total Revenue. \$50 to \$54. Also accept correct calculation (2). Reference to change in price resulting in small change in demand (1).	

Question Number	Indicative content	
1(c)(iii)		
Level	Mark	Descriptor
Level 1	1-2	No reference to elasticity - just refer to price and income changing demand. Eg price elasticity of demand - firms must be aware that changes in price will change demand. Income elasticity of demand - firms must be aware that changes in income will change demand.
Level 2	3-4	Reference to elasticity - price e of d - if firms increase price TR will fall if elastic (1). Inelastic - if firms increase price TR will rise (1). Income e of d - if incomes rise - demand might rise (normal goods) or fall (inferior) (1) depending upon elasticity (1).
Level 3	5	Some reasoned judgement - price elasticity important as firms have some control over price. Or Income elasticity important as firms may have to change production as demand changes.

Question Number	Answer	Mark
2(a)(i)	Nokia	

Question Number	Answer	Mark
2(a)(ii)	Siemens	

Question Number	Answer	Mark
2(a)(iii)	Motorola	

Question Number	Answer	Mark
2(a)(iv)	5%	

Question Number	Answer	Mark
2(a)(v)	Oligopoly (1) Few firms market (1) Reference to data: (1) Oligopoly (1) because there are a few large firms (1) Nokia, Motorola, Samsung etc (1). Can also accept monopoly (1) because there is one large firm, Nokia, with over 25% of market share (1).	(3)

Question Number	Indicative content	Mark
2(b)(i)	Reason identified (1). Development (1) eg economies of scale (1) bulk buying (1). Also accept type of economy of scale (1) and development (1).	(2)

Question Number	Indicative content	Mark
2(b)(ii)	Reason identified (1). Development (1) eg diseconomies of scale (1) bureaucracy (1). Also accept type of diseconomy of scale (1) and development (1).	(2)

Question Number	Indicative content	
2(b)(iii)		
Level	Mark	Descriptor
Level 1	1-2	Each advantage/disadvantage identified, no development. Only 1 mark if give price rise/price fall with no development.
Level 2	3-4	Must have advantages and disadvantages with development.
Level 3	5	Reasoned judgement. Eg mergers might bring about reduced prices (1) as the merged firm can take advantage of economies of scale (1). However, prices may rise (1) as there has been a reduction in competition. If there are other firms in the industry I think consumers will benefit, as there will still be competition. (1). Reference to data (1).

Question Number	Indicative content	Mark
2(c)(i)	Area of a country which has specific economic problems (1). Each problem identified (1) or one problem identified and developed (2). May have problems associated with declining industry but also accept problems associated with overcrowded areas.	

Question Number	Indicative content	Mark
2(c)(ii)	Each method identified (1). Eg financial incentives to move eg cheap loans, tax holidays. Also accept measures to prevent firms setting up in crowded areas.	

Question Number	Indicative content	Mark
2(c)(iii)	Each explanation of methods identified in (ii), 1 + 1 mark Argument in favour of one method (1). Reasoned conclusion (1).	(4)

Question Number	Answer	Mark
3(a)(i)	Real	(1)

Question Number	Answer	Mark
3(a)(ii)	Domestic	(1)

Question Number	Indicative content	Mark
3(a)(iii)	1 mark for negative economic growth or -2%. Each relevant point (1). Eg unemployment, recession, falling demand.	(3)

Question Number	Answer	Mark
3(a)(iv)	Gambia	(1)

Question Number	Indicative content	
3(a)(v)		
Level	Mark	Descriptor
Level 1	1-2	Each advantage/ disadvantage identified (1).
Level 2	3-4	Must have advantages and disadvantages + development.
Level 3	5	Must have reasoned conclusion. Eg economic growth can lead to increase of more goods and services available to consumers (1) as more is produced in the country (1). However, it can also lead to pollution (1) which may lead to health problems (1). If governments control problems of economic growth then it will probably lead to an increase in the standard of living.

Question Number	Indicative content	Mark
3(b)(i)	Inflation increases (1) and the current account balance worsens (1).	(2)

Question Number	Indicative content	Mark
3(b)(ii)	Prices of exports rise (1) so demand will fall (1). Prices of imports appear cheaper (1) and demand rises (1).	(4)

Question Number	Indicative content	Mark
3(c)(i)	Measure identified 1 mark, explanation up to 2 marks. E.g. increase rate of interest (1), reduces borrowing (1) and therefore reduces demand (1).	(3)

Question Number		Indicative content
3(c)(ii)		
Level	Mark	Descriptor
Level 1	1-2	Relevant effect of increasing income tax (1). Eg less disposable income (1), less demand (1). Also accept "will improve current account" for 1 mark.
Level 2	3	Relevant effect with reference to how it effects current account eg increasing income tax will leave people with less disposable income (1) and this may mean they can afford fewer imports (1) and this will improve the current account (1).
Level 3	4-5	Where candidates have considered the possible effect on imports and exports (firms may try to increase exports as domestic demand falls) and/or the possibility that if imports are cheaper/inferior demand might increase then they can reach Level 3.

Question Number	Answer	Mark
4(a)(i)	130 yuan	(1)

Question Number	Answer	Mark
4(a)(ii)	110 yuan	(1)

Question Number	Indicative content	Mark
4(a)(iii)	Relevant reason (1), explanation (1). Eg increase in imports (1) will lead to more rands on the market (1).	(2)

Question Number	Answer	Mark
4(a)(iv)	Shift of demand to right (1). Exchange rate rise (1).	(2)

Question Number	Answer	Mark
4(b)(i)	Imports - exports or exports - imports (1). Visible and invisibles (1).	(2)

Question Number	Answer	Mark
4(b)(ii)	Worsened (1). Reference to figures (1).	(2)

Question Number	Indicative content	Mark
4(b)(iii)	Method identified (1). Explanation (1) eg subsidies will make exports cheaper.	(2)

Question Number	Answer	Mark
4(b)(iv)	Relevant method (1). Explanation (1), eg tariffs will increase price of imports.	(2)

Question Number		Indicative content
4(b)(v)		
Level	Mark	Descriptor
Level 1	1-2	Each method by which WTO promotes free trade (1+1) members agree to reduce tariffs, settle trade disputes.
Level 2	3-4	Methods identified and developed.
Level 3	5	Methods identified and developed and explained but must have limitations to extent of success. Eg WTO organises "rounds" where member countries agree to reduce tariffs to promote free trade (2). If a dispute arises eg USA putting tariffs on Vietnamese prawns, the WTO can intervene and try to negotiate a satisfactory outcome which will promote free trade (2). Unfortunately the WTO has no sanctions it can impose. It has to rely on countries agreeing to work towards free trade so barriers still exist (1).

Question Number		Indicative content
4(c)		
Level	Mark	Descriptor
Level 1	1-2	Each advantage/disadvantage identified (1).
Level 2	3-4	Must have advantages and disadvantages of international debt (borrowing) and some development.
Level 3	5-6	Must have advantages and disadvantages of international debt (borrowing) and some development and a reasoned conclusion. Eg developing countries need funds to improve the infrastructure (1) and standard of living (1) in their countries and so they borrow. However, borrowing leads to debt and debts have to be repaid with interest (1). This can mean that developing countries may need to borrow more just to repay old debts (1). If the money borrowed is used wisely and increases economic growth then borrowing can easily be repaid and is not a problem (1).

