

# Mark Scheme (Results)

## November 2010

IGCSE

### IGCSE ECONOMICS (4350) Paper 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 Customer Services on + 44 1204 770 696, or visit our website at [www.edexcel.com](http://www.edexcel.com).

If you have any subject specific questions about the content of this Examiners' Report 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/>

Alternatively, you can speak directly to a subject specialist at Edexcel on our dedicated Economics and Business telephone line: 0844 372 2187

(If you are calling from outside the UK please dial + 44 1204 770 696 and state that you would like to speak to the Economics and Business subject specialist).

November 2010

All the material in this publication is copyright  
© Edexcel Ltd 2010

Question Number	Answer	Mark
1(a)(i)	<i>As price rises quantity demand falls</i> (1 mark) Reference to data 1 mark <i>Price rises 1.5 Euros to 2 Euros demand falls 28 kg to 26 kg.</i> = 2 marks	(2)

Question Number	Answer	Mark
1(a)(ii)	Explanation which refers to total amount spent (total revenue) (2 marks). <i>Inelastic: As price rises total revenue rises</i> (2 marks). Also accept <i>as price rises there is a less than proportionate (also accept responsive) change in quantity demanded.</i> (2 marks). Reference to data - 2 marks Total amount spent in 2007 = 1.5 Euros x 28 = 42 Euros Total amount spent in 2008 = 2 Euros x 26 = 52 Euros	(4)

Question Number	Indicative content	
1(b)(i)		
Level	Mark	Descriptor
Level 3	5	Reasoned conclusion of most important factor 1 mark. <i>Farmers might plant more wheat to get the subsidies but if the weather is bad then the crop will be ruined so the weather is far more important factor.</i> (1 mark)
Level 2	3-4	Development of factors identified in Level 1 up to 2 marks. <i>The supply of wheat can be affected by the weather</i> (1 mark) <i>If the weather is bad then the wheat crop may be ruined</i> (1 mark). <i>If the government gives farmers subsidies</i> (1 mark) <i>this will encourage them to produce more</i> (1 mark).
Level 1	1-2	Factors identified which affect the supply of wheat up to 2 marks e.g. weather, disease, subsidies, changes in technology.

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

Question Number	Answer	Mark
1(b)(iii)	Accept reference to no change in supply with price change (1 mark). Reason (1 mark). <i>The supply of wheat can't change in 1 year/2007 as it takes a long time to grow</i> (1 mark) <i>so as price changes there will be no change in supply</i> (1 mark)	(2)

Question Number	Answer	Mark
1(c)(i)	A	(1)

Question Number	Answer	Mark
1(c)(ii)	Explanation 1 mark. Reference to high income earners 1 mark, low income earners 1 mark <i>As income of high income earners rises their demand for pasta falls (1 mark) from 25kg to 20kg (1 mark) so it is an inferior good. Whilst low income earners demand more as their income rises (1 mark) so it is normal/not inferior (1 mark).</i>	(3)

Question Number	Answer	Mark
1(d)(i)	On diagram: Minimum wage level/ new price level = 1 mark New quantity demanded/New quantity supplied = 1 mark. Or level of unemployment 1 mark.	(2)

Question Number	Indicative content	
1(d)(ii)		
Level	Mark	Descriptor
Level 3	5	Add justified conclusion 1 mark, e.g. <i>evidence has shown that the number of workers losing their jobs is not many so overall living standards are improved.</i> (1 mark)
Level 2	3-4	Development of arguments up to 2 marks. Must have both arguments for and against.  <i>The introduction of a MWR will increase the wages of lower paid workers (1 mark) so they will have more to spend which increases their standard of living (1 mark). The increase in wages will lead to increased costs for firms (1 mark) so some may lose their jobs and their standard of living will fall (1 mark).</i>
Level 1	1-2	1 mark for each argument for/against MWR improving living standards up to 2 marks.

Question Number	Answer	Mark
2(a)(i)	Definition, 1 mark Person that organises factors of production. Also accept "takes the risks" "decision maker"	(1)

Question Number	Answer	Mark
2(a)(ii)	Definition, 1 mark. Variable costs change as output changes. Example must be taken from list, 1 mark. Accept electricity, paper, ink cartridges.	(2)

Question Number	Answer	Mark
2(a)(iii)	Accept rent, Sam's wages, loan repayment.	(1)

Question Number	Answer	Mark
2(a)(iv)	Stay the same	(1)

Question Number	Answer	Mark
2(a)(v)	20,000 x 10cents (1 mark) = 200,000 cents/\$2000 (1 mark)	(2)

Question Number	Answer	Mark
2(a)(vi)	\$1100	(1)

Question Number	Answer	Mark
2(a)(vii)	\$900 (credit wrong total if consistent with (a)(v) & (a)(vi))	(1)

Question Number	Answer	Mark
2(b)(i)	Definition 2 marks, example, 1 mark. As output increases average costs fall e.g. bulk buying. Accept numerical example.	(3)

Question Number		Indicative content
2(b)(ii)		
Level	Mark	Descriptor
Level 3	5	<i>Photoplus is a larger firm so prices may be lower (1 mark) due to economies of scale like bulk buying of paper (1 mark). Photoplus is a large company and the staff may not care as much as Paul (1 mark) so they may have lost the personal touch that a small firm gives consumers (1 mark).</i>  <i>Add justified conclusion, 1 mark, e.g. if price is all that matters then consumers will benefit but as it is not an expensive product, consumers might like the personal touch so will lose out (1 mark).</i>  <i>Also accept Photoplus might have a local monopoly so prices may rise.</i>
Level 2	3-4	Arguments developed 2 marks but must have for and against for this level.
Level 1	1-2	Each argument (for or against) identified, 1 mark up to 2

Question Number	Answer	Mark
2(c)(i)	Public sector owned by state/government (1 mark) Private sector owned by individuals/shareholders. (1 mark)	(2)

Question Number		Indicative content
2(c)(ii)		
Level	Mark	Descriptor
Level 3	5-6	Add justified conclusion up to 2 marks, e.g. <i>sometimes the government can use its power to prevent private industries exploiting their power (1 mark) and when this happens the country gets the best from both sectors (1 mark).</i>
Level 2	3-4	Each argument developed (1 mark each). Must have both for and against for this level. <i>Gas and electricity are very important/ natural monopolies to a country (1 mark) so should be in the hands of the state otherwise prices might rise (1 mark). The private sector has more competition (1 mark) so prices could be lower (1 mark).</i>
Level 1	1-2	Each argument (1 mark) up to 2 marks.

Question Number	Answer	Mark
3(a)(i)	Real (1 mark) Domestic/ National (1 mark)	(2)

Question Number	Answer	Mark
3(a)(ii)	It was falling	(1)

Question Number	Answer	Mark
3(a)(iii)	Characteristic, 1 mark. E.g. falling standard of living, bankruptcy of businesses	(1)

Question Number		Indicative content
3(b)(i)		
Level	Mark	Descriptor
Level 3	5-6	Need evaluation for this level. E.g. limitations of the rate of interest, e.g. time lag. 1 mark, explanation 1 mark. <i>If the extra spending goes on imports (1 mark) then the economy will not benefit as unemployment will not be reduced (1 mark)</i>
Level 2	3-4	Explanation of effects on employment. Increase in demand in economy so more workers employed (2 marks) <i>A reduction in the rate of interest (1 mark) can lead to an increase in borrowing as loans are cheaper so people spend more (1 mark). At the same time people will not save as much (1 mark). The increased spending will lead to more demand in the economy so more people are employed (1 mark).</i>
Level 1	1-2	1 mark for stating rate of interest is reduced. 1 mark, up to 2 marks, for effects of change in interest rate e.g. increases borrowing, reduces saving.

Question Number	Answer	Mark
3(b)(ii)	Fiscal measure identified, 1 mark. This can be either broad measure i.e. increase government spending/decrease taxation or specific fiscal measure e.g. decrease income tax, spend more on infrastructure. Explanation up to 2 marks. E.g. <i>if the government increases its expenditure then this will create demand in the economy</i> (1 mark) <i>and more people will be employed</i> (1 mark).	(3)

Question Number	Answer	Mark
3(b)(iii)	Objective identified, 1 mark. Inflation, economic growth, balance of payments.	(1)

Question Number	Answer	Mark
3(b)(iv)	Effect of change in interest 1 mark. Explanation, 2 marks. <i>Inflation can be made worse</i> (1 mark) <i>by a reduction in interest. Demand will increase</i> (1 mark) <i>and this will put pressure on prices to rise</i> (1 mark).	(3)

Question Number	Answer	Mark
3(c)(i)	Tax on income and wealth (1 mark) e.g. income tax (1 mark)	(2)

Question Number	Answer	Mark
3(c)(ii)	Method of finance 1 mark. E.g. sponsorship, borrowing, indirect taxation.	(1)

Question Number		Indicative content
3(c)(iii)		
Level	Mark	Descriptor
Level 3	5	<p>Justified conclusion needed for 5 marks. Must mention both methods and plausible grounds for preference.</p> <p><i>Alternative approach: Direct taxation cannot be avoided (1 mark). If a person earns income then it is taxed (1 mark) whereas indirect taxes (method identified in (ii)) can be avoided (1 mark) by people not buying the goods which are taxed (1 mark). This means the government will be able to calculate how much money can be raised for the 2012 Olympics if they use direct taxation rather than indirect taxes (1 mark).</i></p> <p><i>Or sponsorship may be better because there is no cost to the taxpayer.</i></p>
Level 2	3-4	<p>Development of arguments. Must have advantages and disadvantages. Can have advantage of one and disadvantage of the other method, e.g. <i>direct tax can be progressive and fairer but can have disincentive effects. Accept viewpoint of taxpayer or government. Reward parallel treatment of alternative method chosen.</i></p>
Level 1	1-2	<p>Advantages/disadvantages identified of direct taxation or method identified in (c)(ii) 1 mark Maximum 2 marks</p>

Question Number	Answer	Mark
4(a)(i)	20,400 rupees	(1)

Question Number	Answer	Mark
4(a)(ii)	18,000 rupees	(1)

Question Number	Answer	Mark
4(a)(iii)	Invisible export	(1)



Question Number		Indicative content
4(a)(iv)		
Level	Mark	Descriptor
Level 3	6	Maximum marks for reference to the limiting factor elasticity of demand. <i>"But if the elasticity of demand for imports and exports is inelastic then the balance of trade will benefit (1 mark)."</i>
Level 2	3-5	Up to 5 marks for correct explanation and effect on balance of trade Explanation of effects identified, up to 2 marks. Must have both imports and exports. E.g. currency can buy more foreign currency so this means that imports appear cheaper than domestic goods. <i>"The appreciation of a currency will make exports more expensive (1 mark) and imports appear cheaper (1 mark) so the demand for exports will fall (1 mark) and demand for imports will rise (1 mark). This will lead to a worsening of the balance of trade (1 mark)(also accept deficit)."</i>
Level 1	1-2	1 mark for showing understanding of balance of trade. Each effect on imports/exports/balance of trade identified, 1 mark. Up to 2 marks. E.g. imports cheaper, exports more expensive.

Question Number	Answer	Mark
4(b)(i)	Reason identified, 1 mark e.g. improve standard of living, improve infrastructure, economic growth. Explanation 1 mark e.g. by borrowing a country can increase the economic growth of its country (1 mark) by investing in new industries (1 mark).	(2)

Question Number	Answer	Mark
4(b)(ii)	Source = 1 mark. E.g. other countries, multinational companies, aid, IMF.	(1)

Question Number		Indicative content
4(b)(iii)		
Level	Mark	Descriptor
Level 3	5	Need reasoned conclusion for this level. E.g. International debt can be a problem for developing countries when they can't repay it (1 mark). The interest added to the debt makes the debt bigger (1 mark) and the exchange rate can also work against the country (1 mark). If the country has spent the money in increasing economic growth and exports then it may be able to repay the debt and therefore it will be a benefit not a problem. (1 mark)
Level 2	3-4	Development of arguments up to 2 marks. Debt gets out of control and takes a growing share of GNP/GDP, countries end up borrowing more just to make the repayments. Growth could increase GNP and make repayments easier.
Level 1	1-2	Each argument or problem identified for/against 1 mark. One sided answers will be at this level. E.g. rate of interest is added to the loan, debt gets out of control. Borrowing can overcome crises, improve standard of living.

Question Number	Answer	Mark
4(c)(i)	Tariff = tax on imports (1 mark) which increases price so imports fall. (1 mark)  Quota = limit to the number of imports allowed into the country (1 mark) so consumers demand is limited (1 mark). Also accept supply is limited.	(4)

Question Number	Answer	Mark
4(c)(ii)	Each reason for success/failure 1 mark, max 2. Credit reference to elasticity of demand and supply. Tariffs increase price but the import is still available (1 mark). If the imported good is inelastic then consumers will spend more on it.(1 mark)  Quotas are more successful because no matter how much people demand the import no more will be available because supply is limited (1 mark). Consumers will have to buy from the home market or not at all (1 mark)	(4)

Further copies of this publication are available from  
International Regional Offices at [www.edexcel.com/international](http://www.edexcel.com/international)

For more information on Edexcel qualifications, please visit [www.edexcel.com](http://www.edexcel.com)  
Alternatively, you can contact Customer Services at [www.edexcel.com/ask](http://www.edexcel.com/ask) or on + 44 1204 770 696

Edexcel Limited. Registered in England and Wales no.4496750  
Registered Office: One90 High Holborn, London, WC1V 7BH