

MARK SCHEME for the May/June 2008 question paper

0455 ECONOMICS

0455/02

Paper 2 (Core), maximum raw mark 60

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began.

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.

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CIE is publishing the mark schemes for the May/June 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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- 1 (a) Alternative products/services (1). Any combination from train, coach, air, car (1). [2]
- (b) For 10% of travellers in real terms it was cheaper, actual cost higher. Explanation of real. For 90% of travellers it was more expensive or the same in real terms. [4]
- (c) Definition (1), examples of fixed cost (1), fixed cost overall higher - 50 fixed, 46 variable, (1) but this overall. Not necessarily true for every journey (1). [4]
- (d) Explanation of subsidy (1). In this case it is a fee taken from GNER but this is not mentioned in the text (1). [2]
- (e) Passengers increased by 40%, but some had reduction in real terms in fares. Do not know what happened to costs, only know that profits are 4% of revenue in 2005, but have no comparable figure for 1996. Has to give subsidies to other companies, do not know comparable figures for 1996. Also told that competition has increased, do not know effect of revenues and costs and profits. Cannot conclude that profits have risen 40%. Maximum of 6 marks if descriptive with no attempt to arrive at a conclusion. [8]
- 2 (a) Group of workers linked together usually by a common occupation with the aim of improving or monitoring the welfare of the group, negotiating working conditions, wages, terms of employment, safety practices. [5]
- (b) Discussion of the factors that influence choice of occupation, with a comment on the relevance and significance of the existence of a union. Conclusion should be given on the relative significance. Maximum of 3 marks for choice of occupation with no reference to trade unions. [5]
- 3 (a) Land, labour – farmer, capital – machines, fertilizers, entrepreneurs – manages enterprise, exporters also takes risks. 2 marks for simple identification of the four factors of production. [4]
- (b) Two diagrams. Labels (1), shift of demand for new pineapple (1), shift of demand for original pineapple (1), explanation including comment on what happens to equilibrium (3). [6]

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- 4 (a) We do not know absolute figures so it does not mean this. Could award some marks for an attempt to discuss the difference between absolute and percentage figures. It is not certain what the absolute figures will be and the difference in the absolute incomes might mean that the absolute expenditure for each group is closer than the percentages would imply. [4]
- (b) Candidates should state the assumption on which they work. The most likely, although not universal, assumption is that the senior post has a higher income. Description of changes in expenditure patterns which might occur as income rises should then be explained – different types/quality of goods, services. Importance of essential, non-essential items. Meaning of what is essential as income increases. Candidates could also describe the need for savings for the future especially in the case of the new job. They could also mention that spending might be based on assumptions about changes in potential earnings, likely changes in employment, tax changes, interest rates. [6]
- 5 (a) Expect one example of each type of tax (2) and a comment on whether the tax is levied on a person at the source of earning or on subsequent expenditure (2). [4]
- (b) Identification of two aims. Falling taxes might help change income distribution, might help income and spending and thus growth, might help production and thus move towards full employment. Maximum of 2 marks if the answer is in terms of an increase in taxation. [6]