

International General Certificate of Secondary Education  
CAMBRIDGE INTERNATIONAL EXAMINATIONS

**ECONOMICS**

**0455/2**

PAPER 2 Structured Questions

**OCTOBER/NOVEMBER SESSION 2002**

1 hour 30 minutes

Additional materials:  
Answer paper

**TIME** 1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer booklet/  
answer paper.

Answer **all** questions.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

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**This question paper consists of 4 printed pages.**



Answer **all** questions.

- 1 In August 2000 Navistar, a truck manufacturer in North America, announced plans to reduce the number of workers by 1100, as increased fuel prices and higher interest rates had caused a reduction in sales. It said it would also reduce its \$600 m annual capital spending.

Navistar reported a net profit for the third quarter of 2000 of \$96 m. This was a reduction from \$255m for the same quarter a year earlier. Revenue for the year 2000 was \$1.92 billion; in the previous year revenue was \$1.87 billion.

- (a) (i) Calculate the reduction in profit between the third quarter of 1999 and the third quarter of 2000. [1]
- (ii) Calculate the change in the company's revenue between 1999 and 2000. [1]
- (iii) Why might a company have an increase in revenue and a fall in profits at the same time? [2]
- (b) What evidence is there in the extract that Navistar is likely to be a public limited company? [4]
- (c) Explain how higher interest rates might have affected the company. [5]
- (d) The article says that the net profit of the company was reduced. What might be the likely effects of this? [7]
- 2 (a) Identify **three** causes of a change in the demand for a good. [3]
- A combination of excess supply, weak consumer demand and competition from new channels such as the internet has pushed prices down in shops for goods from clothing to electrical products.
- (b) Using demand and supply analysis, explain whether the reasons given in the above extract would lead to the stated effect on prices. [7]
- 3 A US trade agency ruled that US imports of steel bars from China and South Korea might be unfair to US companies because they were sold at below market price. The agency wanted a tariff to be imposed on the imports.
- (a) How would the trade in steel bars be classified in the Chinese balance of payments? [2]
- (b) What is the difference between a tariff and a quota? [4]
- (c) Consider how cheap imports might affect US companies. [4]

- 4 In 2000 the Singapore government revenue from income tax, motor vehicle tax, betting tax and the tax on goods and services all increased. However, the revenue from the tax on goods and services doubled while that from income tax rose 7%. Singapore depends on its tourist trade for part of its wealth.
- (a) Explain the difference between direct and indirect tax and identify **one** direct and **one** indirect tax in the above statement. [4]
- (b) Discuss why governments impose taxes. [6]
- 5 60% of the workforce in Java, which contains a large proportion of Indonesia's population, are rice farmers.
- (a) Given this information, explain why Indonesia is likely to be a developing rather than a developed economy. [3]
- (b) Describe the difference in living standards that might be found in a developing economy compared with a developed economy. [7]

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Question 4. © *The Straits Times*, 24 May 2000.

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