



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS

0455/21

Paper 2 Structured Questions

October/November 2013

2 hours

Additional Materials: Answer Booklet/Paper



READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A

Answer Question 1.

Section B

Answer any **three** questions.

At the end of the examination, fasten all your work securely together.

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

This document consists of **4** printed pages.



Section A

Answer this question.

1 Oman is confident about the future

Oman has been experiencing relatively high rates of unemployment in recent years. 'Throughout the whole of the Middle East region, unemployment is a crucial issue and one we take very seriously,' one government minister stated.

The government is committed to creating as many new job opportunities as possible. It plans to improve the educational level of its workforce through a number of education and training schemes. Secondary and university education are encouraged and there are also vocational training schemes. Attractive financial incentives, including generous grants and loans, are also available for those who want to start up their own business.

In 2011, oil revenues made up 76% of Oman's Gross Domestic Product and its government recognised the need to diversify so that its economy was less dependent on oil. For example, it has been developing its financial and tourism industries.

The most recent government budget showed a significant increase in government spending. It was clear that the government's fiscal policy was to continue spending on infrastructure development in order to meet the needs of a nation developing rapidly.

- (a) State **two** industries that have been growing in Oman. [2]
- (b) Describe **two** types of unemployment. [4]
- (c) Explain how fiscal policy can be used to support the development of a country such as Oman. [6]
- (d) Discuss the extent to which spending on education and training will reduce the rate of unemployment in a country. [8]

Section B

Answer any **three** questions from this section.

- 2 Economic decisions involve an opportunity cost. This can clearly be seen in a production possibility curve.
- (a) Describe why economic decisions involve an opportunity cost. [4]
- (b) Using a production possibility curve diagram, explain how it can show the concept of opportunity cost. [6]
- (c) Discuss the extent to which the concept of opportunity cost is only of use to governments. [10]
- 3 Prices in a market are determined by the conditions of demand and supply and these conditions can change for a number of different reasons at any time.
- (a) Describe what is meant by demand. [2]
- (b) Using a demand and supply diagram, analyse the likely effect of an increase in advertising on the equilibrium price and equilibrium quantity of a product in a market. [6]
- (c) Describe the concept of price elasticity of demand. [4]
- (d) Discuss the extent to which knowledge of price elasticity of demand is of use to a business. [8]
- 4 Money performs an important role in an economy.
- (a) Explain how money functions as (i) a unit of account and (ii) a standard for deferred payments. [4]
- (b) Analyse the role that commercial banks can perform in an economy. [6]
- (c) Discuss whether the rate of interest is the only influence on a person's decision to borrow money from a bank. [10]
- 5 The types of business organisation in India vary a great deal.
- (a) Describe **two** features of a partnership. [4]
- (b) Explain why a partnership might become a private limited company. [5]
- (c) Distinguish between internal and external economies of scale. [4]
- (d) Discuss whether all small firms will eventually become large firms. [7]

- 6 The extent of poverty, both absolute and relative, is a major problem in many countries.
- (a) Describe what is meant by relative poverty. [4]
 - (b) Explain why a government may not always have accurate knowledge of the level of poverty in its country. [6]
 - (c) Discuss whether encouraging multinational companies to locate in a country is likely to reduce significantly the extent of poverty there. [10]
- 7 Free trade is generally supported by economists, but certain industries may still be protected for various reasons.
- (a) Explain what is meant by free trade. [4]
 - (b) Analyse how a tariff can be used as a method of trade protection. [4]
 - (c) Explain why a government might decide to protect a strategic industry in its economy. [4]
 - (d) Discuss whether the protection of an infant industry in an economy can ever be justified. [8]

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