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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2010 question paper for the guidance of teachers

0455 ECONOMICS

0455/31

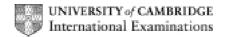
Paper 31 (Analysis and Critical Evaluation), maximum raw mark 40

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
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1 (a) 1 mark for it is the most expensive coffee in the world.

1 mark for it sells at US\$125 a kilogram.

1 mark for it sells for four times the average price of a good coffee blend.

1 mark for it earns Jamaica US\$38 million from trade / brings a large amount of money into the economy.

Note: maximum of 2 marks.

1 mark in total for a less specific response. For example, it is expensive / sells for a high price / has a high value. [2]

(b) 1 mark for workers have to work long hours.

1 mark for workers have poor working conditions.

1 mark for workers receive low pay.

Note: nothing for just copying out the extract.

[3]

- (c) Up to 3 marks why they may be pleased. For example;
 - provides a secure market
 - large sales provide high profits / GDP
 - large sales bring in export revenue
 - large sales provide employment.

Note: 3 full marks may be gained for 1 reason which is well-explained.

Up to 3 marks why they may not be pleased. For example;

- There is a risk of being reliant on one country as Jamaica may lose a considerable amount of revenue should Japanese incomes fall / should tastes change.
- Japan may use buying power to reduce the price of coffee.

No marks for improved international relations.

Note: 3 full marks may be gained for 1 reason which is well-explained.

[5]

(d) Up to 2 marks for defining variable cost:

1 mark for a cost that changes / varies.

1 mark for reference to the link to changing output.

Up to 2 marks for defining fixed cost:

1 mark for a cost that does not change.

1 mark for reference to the link to changing output / short run.

1 mark for fixed cost rose as more stores were opened.

1 mark for variable cost rose as sales increased / cost of milk rose.

[6]

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- (e) Up to 2 marks for considering why Starbucks may have had a bad year:
 - opening fewer stores than planned
 - costs rose
 - increased competition
 - share price fell
 - number of US customers fell
 - customers coming from lower income groups.

Up to 2 marks for considering why Starbucks may have had a good year:

- still opening new stores
- able to raise prices to cover higher costs
- profits rose in the third quarter
- sales increased worldwide / number of global customers rose
- average amount spent increased.

Up to 2 marks for a conclusion:

- performance varied over the year
- whilst the US had problems, the global performance was better.

Up to 4 marks for suggesting what other information might be required:

- profits in previous years
- costs in previous years
- revenue in previous years
- share price trends
- performance of competitors.

Up to 2 marks for research methods / how information might be found. Note: maximum of 10 marks.

[10]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
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2 (a) 2 marks for private plus external costs.

2 marks for the total cost imposed on society of an economic activity.

1 mark for total cost / cost to society / harmful effects.

Note: maximum of 2 marks.

[2]

(b) 1 mark for use causes private costs.

1 mark for an example of a private cost involved, for example, fuel, insurance, repairs.

1 mark for use causes external costs.

1 mark for an example of an external cost involved, for example, pollution, congestion, accidents. [4]

(c) Up to 2 marks for assuming that the information is sufficient and so discussing whether the proposal is worthwhile.

Up to 3 marks for recognising that the information comes from a biased source i.e. Land Rover, which has a vested interest as it makes large cars.

Up to 7 marks given for recognising that there is not enough information / that the information is unclear. Credit should be given for identifying the information needed / why the information is unclear and for explaining why more / clearer information would be useful. To gain the full 7 marks, at least 2 pieces of information have to be explained. For example;

- No figure given for the social cost caused by vehicles travelling into London.
- No information on the difference in social cost caused by large and small cars.
- Lack of information on how much the charge would increase.
- No information on how responsive drivers are likely to be to an increase in the charge.
- No information on how London uses the revenue it receives from the congestion charge.
- No information on the social costs and benefits of the old scheme which could be used to make a comparison.
- No information on the effect the scheme may have on the demand for cars and the knock-on effect that this could have on employment.

Note: maximum of 8 marks.

[8]