CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9708 ECONOMICS

9708/43 Paper 4 (Data Response and Essays – Supplement), maximum raw mark 70

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, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

CAMBRIDGE
International Examinations

Section A

1 **(a)** Easy to buy; show off to friends [2]

(b) **(i)** Explanaion of different possible criteria – output level, size of workforce, turnover, market share, capital investment [4]

(ii) There is not enough data to be sure; candidates should make a judgement about what might be considered to represent a large firm. They may suggest that capital of $10m is large, revenue large, employment small, market share unknown, value of companies $113m and $400m large. However they may give reasons to suggest that some of these figures represent smaller firms in the communications industry. There should be an overall judgment. [4]

(c) Accept any reasoned answer. Fixed costs may increase if there are developments in computer software or the purchase of bigger computers to cope with the demand; variable costs may not increase unless extra staff are needed to monitor the computer use and deal with payments records, or in marketing to persuade other companies to advertise on the site. [4]

(d) Evidence that it is wise: big demand, – increased revenue – get others to pay to advertise – value of company
Evidence that it is unwise: new/risky – fashionable [6]

© Cambridge International Examinations 2012

Section B

General Comments for section B:

The essay questions carry a maximum mark of 25. Try not to 'bunch' marks, but use the whole mark range. If there is any doubt in your mind, give the benefit of doubt to the candidate.

The difference in grades should be assessed on the ability of the candidate to demonstrate the various objectives of the examination listed in the syllabus and not purely on the ability to itemise further facts from the content of the syllabus. Marks should be awarded for the ability to demonstrate that aim b) of the syllabus has been achieved as well as aim a) - which refers to content knowledge. It is the objective of the examination, as listed in the syllabus, to assess both these aims.

An overall guide for marks for individual questions is given below; these are from a total of 25. They may be applied proportionally of course to parts of questions where the total is less than 25:

Mark 1– 9 (Linked to level one in individual question notes).

1–5 Where the answer is mostly irrelevant and only contains a few valid points made incidentally in an irrelevant context. There will also be substantial omissions of analysis.

6–9 Where the answer shows some knowledge but does not indicate that the meaning of the question has been properly grasped. Basic errors of theory or an inadequate development of analysis may be evident.

Mark 10–13 (Linked to level two in individual question notes).

10–11 Where there is evidence of an ability to identify facts or some ability at graphs and/or a fair ability to apply known laws to new situations.
There should be an accurate although undeveloped explanation of the facts relating to the question together with an explanation of the theory, and evidence of some ability to discriminate and form elementary judgements. Do not expect a clear logical presentation. There will not be much evidence of the ability to recognise unstated assumptions, nor to examine the implications of a hypothesis, nor of the ability to organize ideas into a new unity.

12–13 Where the answer has a more thorough relevance to the question but where the theory is incompletely explained.

14–17 (Linked to level 3 in individual question notes).

14–15 Where there is a good knowledge of the facts and theory of the question, clear evidence of the ability to use the facts and theory with accurate reference to the question that may have presented the candidate with a novel application.
There should also be evidence, where appropriate, of the ability to examine the implications of the question and an attempt to distinguish between facts and value judgements.
Clear statements, supported by reasoned arguments should be given and there should be some attempt at a conclusion to the question. There should be a reasoned structure to the whole answer. Do not expect too many extra illustrative points which are not explicitly referred to in the question, do not expect too much critical comment on unstated assumptions

16–17 For an answer showing a well reasoned understanding of the question's requirements and of the relevant theory: the analysis should be sound though the illustration and development may not be very full.

© Cambridge International Examinations 2012

18–25 (Linked to level 4 in individual question notes).

18–20 Where there is a thorough knowledge of the facts and theory with an excellent ability to describe, explain or analyse this in a precise, logical, reasoned manner. There should be an ability to query some of the assumptions in the question and clear evidence of an ability to distinguish between fact and value judgements and to draw some conclusions on the matter being discussed. Conclusions should be formed and expressed within a sound structured answer so that the whole is well presented. New illustrations and apposite examples should be introduced as further evidence of an ability to recognise the principles of the question and their application to relevant current situations.

21–25 For an answer which, given the time constraint, could not be improved significantly: it will have clear analysis, ample illustration and a good attempt at considered evaluation.
Be positive in your marking awarding marks for what is there without being too much influenced by omissions. Marks should not be deleted for inaccuracies.

Corresponding marks for sub-sections.

	1	2	3	4
Total Mark 10	1–3	4–5	6–7	8–10
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13
Total Mark 15	1–5	6–8	9–11	12–15

2 Candidates should discuss the argument presented. They should explain productive and allocative efficiency; they should explain diminishing marginal utility; they should consider whether there is a link between the efficiency and utility; they should consider the conclusion of the argument. [25]

L4 For a thorough explanation of efficiency and utility and a consideration of the argument in the question. A reasoned conclusion should be presented [18–25]

L3 For a competent but more limited comment on both efficiency and utility or a full explanation but little comment on whether there is link between them. There should still be some judgement on the conclusion in the question. [14–17]

L2 For an undeveloped explanation of efficiency/utility with very little discussion of whether there is a link between them. It is likely that no overall comment on the conclusion in the question will be given. [10–13]

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer contains irrelevancies and errors of theory. [1–9]

© Cambridge International Examinations 2012

3 **(a)** Explanation of diminishing returns in the short run and economies of scale in the long run. [12]

L4 For a sound explanation of both concepts with accurate clear diagrams and a clear understanding of the principles involved [9– 2]

L3 For an accurate reference to the question but with a more limited explanation perhaps concentrating on one of the concepts – probably economies of scale – or with minor errors in the analysis or in the diagrams [7–8]

L2 For a poor explanation of the concepts, or a more accurate explanation but with inaccurate diagrams to support the text [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1-4]

(b) Explanation of deadweight loss and a discussion on the merits of monopolies. [13]

L4 For a sound explanation of the analysis and a good discussion of the merits and demerits of monopoly with a conclusion [9–3]

L3 For a competent comment on the analysis but with limited development of the discussion on monopolies and a weaker conclusion. [7–8]

L2 For a brief explanation and with a weak discussion [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

4 Explanation of the economic theory of wages and a comparison of the perfect and imperfect factor market. Wage rates will equal average product in perfect competition; wage rates will not be equal between different occupations. [25]

L4 For a thorough analysis of theoretical wage determination with a clear discussion of the difference between the perfect market and imperfect market and a comment on the differences in wage rates. (14–17 for demand and supply only with institutional factors and government policy) [18–25]

L3 For a competent explanation but with limited discussion of the perfect imperfect market comparison or with little comment on whether wage rates will become equal. (10–13 for demand and supply) [14–17]

L2 For a correct but undeveloped theoretical analysis or with no comment on whether wage rates will become equal. (6–9 for demand and supply) [10–13]

L1 For an answer which contains inaccuracies and only a few correct points [1–9]
(1–5 for demand and supply only)

© Cambridge International Examinations 2012

5 (a) Explanation of public sector/government budget and meaning of deficit; comment on possible concerns over international standing, wasteful use of resources, inefficiencies, inability to raise finance, short term v long term. [12]

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]

L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]

L2 For a brief explanation and with a weak comment on the possible problems and no conclusion [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

(b) Discussion of the effects, one affects revenue, the other expenditure. Both aim to reduce the gap between revenue and expenditure. They affect different groups of people. Spending cuts may affect necessary services, be implemented unequally, be more readily applied to public sector provision. The amount of revenue generated by tax increases depends on the type of tax and, if indirect, on the elasticity of demand for the product. If the taxes are on income they may also affect hours worked detrimentally. [13]

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the similarities and differences [9–13]

L3 For a competent comment but with more limited development of the differences [7–8]

L2 For a brief explanation and with a weak discussion of the effects [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

6 (a) Explanation of the different causes of unemployment with a comment on the significance for the candidate's country. [12]

L4 For a clear explanation with accurate development of at least four causes of unemployment and a comment on their own country [9–12]

L3 For a clear explanation of at least three causes or more than three with undeveloped explanation or lack of comment on significance. [7–8]

L2 For a limited attempt with little development of either causes or significance [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1 – 4]

© Cambridge International Examinations 2012

(b) Discussion of occupational distribution of the population of a developing/developed country and a consideration whether this is the most significant indicator of development. [13]

L4 For a sound discussion with good explanation of the characteristics with a conclusion. [9–13]

L3 For a competent comment but with limited development but still with a conclusion [7–8]

L2 For a brief explanation and with a weak discussion and no conclusion [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

7 The figures give only GDP. They may lead to the conclusion that it is likely that the standard of living is higher in the US than in India, but not definitely. GDP does not include:
non-marketed items (jobs done yourself, which is in the measure of economic welfare (MEW); the underground economy; the effect of externalities; the distribution of income; the size of the population; whether expenditure has been on production which increases standard of living in the future but not necessarily in the short term; whether the increase in production has been at the expense of leisure time and well-being. [25]

L4 For a thorough explanation of the difficulties of using GDP, a comment on the figures given and how they might be used effectively. There should be a conclusion which should refer to the stimulus. [18–25]

L3 For a competent explanation which does not fully analyse the difficulties of using GDP but makes some attempt at evaluation and tries link the discussion to the stimulus. A brief conclusion should be stated. [14–17]

L2 For an accurate though undeveloped explanation with some attempt at analysis but no real attempt to link to the stimulus given. [10–13]

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer is mostly irrelevant [1–9]

© Cambridge International Examinations 2012