UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIO

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2010 quest

for the guidance of teachers

0455 ECONOMICS

0455/31 Paper 31 (Analysis and Critical Evaluation), maximum raw mark 40

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 must be read in conjunction with the question papers and the report on the examination.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the May/June 2010 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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 c
1 mark for it earns Jamaica US$38 million from trade / bring the economy.

Note: maximum of 2 marks.
1 mark in total for a less specific response. For example, it price / has a high value.

(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]

(e) Up to 2 marks for considering why Starbucks may have had a
- 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
- 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]

2 **(a)** 2 marks for private plus external costs.
2 marks for the total cost imposed on society of an economic
1 mark for total cost / cost to society / harmful effects.

Note: maximum of 2 marks.

(b) 1 mark for use causes private costs.
1 mark for an example of a private cost involved, for example
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]