UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **May/June 2010**

2 hours

Additional Materials: Answer Booklet/Paper

2275351352

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.

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Section A

Answer this question.

1 Economic downturn puts pressure on New Zealand firms to be more productive

In 2009, it was announced in New Zealand that the world-wide economic downturn, or recession, was causing an increase in the number of job losses in the country. It was also putting a great deal of pressure on firms to be more productive and efficient. This applied to all firms in the economy, but it was especially the case with some of the larger public limited companies.

Trade unions had a key role to play and they were having to work really hard in these circumstances to make sure that as many workers as possible were able to keep their jobs. The trade unions were trying to exercise influence both on individual firms and on the government. Some workers were still moving from one job to another for various reasons, but most just wanted to keep hold of the jobs they had. It is likely they would only think about changing jobs when the recession ended and economic growth began to pick up again.

(a) Explain what is meant by a recession. [2]

(b) What is meant by productivity? [2]

(c) Describe the main features of public limited companies. [3]

(d) Explain **three** possible reasons that could influence a worker's decision to move from one job to another. [6]

(e) Discuss how effective trade unions may be in influencing individual firms and the government. [7]

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Section B

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

2 **(a)** **(i)** Using a demand diagram, show an increase in demand for a product. [2]

(ii) Identify **two** causes of such an increase in demand. [2]

(b) Explain what is meant by price elasticity of demand. [4]

(c) Why is the concept of price elasticity of demand potentially very useful to a business? [4]

(d) Discuss why market failure could occur in an economy. [8]

3 **(a)** Define fixed cost and variable cost, giving **one** example of each. [4]

(b) Explain **three** factors of production that are involved in the operation of an airport. [6]

(c) A proposal has been put forward to build a new runway at an airport. Discuss the social costs and benefits of such a decision. [10]

4 In Nigeria, firms vary in size from the smallest businesses up to very large enterprises.

(a) Distinguish between a sole proprietor and a partnership. [4]

(b) Explain why a business might wish to change from a partnership to a private limited company. [4]

(c) Describe the reasons why small firms are often successful in the retail trade in many countries. [5]

(d) Discuss to what extent a large firm is able to benefit from economies of scale in the television manufacturing industry. [7]

5 **(a)** Explain why governments impose taxes. [6]

(b) Describe, with the aid of examples, the differences between direct and indirect taxes. [4]

(c) Discuss the extent to which taxes can be successful in redistributing income in a country. [10]

6 Both China and India have a population of over 1 billion people each.

(a) Describe **one** economic advantage and **one** economic disadvantage to countries such as China and India of having a very large population. [4]

(b) Explain the reasons for the different rates of population growth in different countries. [6]

(c) Discuss how effectively Gross Domestic Product (GDP) measures the standard of living in a country. [10]

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7 Whilst in recent years more countries have adopted freely floating exchange rates, a number of countries have been increasing the protection they are giving to their domestic industries.

(a) Define the term exchange rate. [2]

(b) Explain what determines the value of a freely floating exchange rate. [6]

(c) Describe **two** methods of trade protection. [4]

(d) Discuss whether a country should impose more trade restrictions. [8]

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