UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **May/June 2011**

2 hours

Additional Materials: Answer Booklet/Paper

8944340420

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.

© UCLES 2011

Section A

Answer this question.

1 The Dhaka Stock Exchange is doing well

Grameenphone, the biggest mobile (cell) phone company in Bangladesh with over 21 million customers, decided in 2009 that it needed more finance to develop its services. To help generate this finance, Grameenphone announced its intention to raise US$70 million through selling additional shares.

Grameenphone is a multi-national company which is owned by Telenor, a Norwegian telephone company, and Grameen Telecom, a non-profit company founded by Muhammad Yunus. Muhammad Yunus, who is a pioneer of microfinance, also founded the Grameen Bank which provides loans to people, such as village entrepreneurs, who find it difficult to obtain finance from traditional sources.

The Stock Exchange in Dhaka, the capital of Bangladesh, has 284 companies listed and the value of these companies more than doubled between 2007 and 2009. The value of these companies is now equivalent to approximately 16% of Bangladesh's Gross Domestic Product. The opportunity to buy shares in Grameenphone will further increase the value of the Dhaka Stock Exchange.

The Bangladesh Government has offered financial incentives to multi-national companies to encourage more of them to locate in Bangladesh.

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

(b) Describe the role that a stock exchange can play in a country's economy. [4]

(c) Identify **two** possible reasons why the supply of mobile (cell) phones may increase. [2]

(d) Explain **two** financial incentives, other than subsidies, which a government might offer multi-national companies to locate in its country. [4]

(e) Discuss whether a multi-national company which locates in a country will always be advantageous to that economy. [8]

© UCLES 2011

Section B

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

2 One feature of many mixed economies is that governments may intervene by giving subsidies to some producers.

(a) What is meant by a subsidy? [3]

(b) Explain, using a demand and supply diagram, how a subsidy can affect the equilibrium price and equilibrium quantity in a market. [6]

(c) Identify the **three** questions faced by every type of economic system. [3]

(d) Discuss why virtually every country today has a mixed economy. [8]

3 Firms are keen to know what influences consumers in their buying decisions. Publishing firms in India have researched why people buy particular magazines and have found that the price elasticity of demand for different magazines varies.

(a) Describe the factors that can affect the demand for a product. [6]

(b) Explain what is meant by price elasticity of demand. [6]

(c) Discuss how knowledge of the price elasticity of demand for magazines may be used by a firm which produces and sells magazines. [8]

4 Deciding on an occupation is difficult for some individuals. There are so many factors that need to be taken into consideration. One of these is whether or not there is a trade union they can join.

(a) Describe the factors, other than possible membership of a trade union, which can affect an individual's choice of occupation. [6]

(b) Is it always true that individuals are paid more as they get older? [4]

(c) Explain the benefits that an individual may get from being a member of a trade union. [4]

(d) Discuss whether trade unions always have a harmful effect on the wider economy. [6]

© UCLES 2011

5 The size of firms in the United Arab Emirates can vary enormously, from very small sole proprietor businesses to very large public limited companies.

(a) Describe the disadvantages of a sole proprietor business. [4]

(b) Explain why a private limited company might wish to become a public limited company. [6]

(c) Explain how firms can grow in size. [4]

(d) Discuss whether some large firms might benefit from reducing their size. [6]

6 Many governments are concerned about inflation in their economies. This was, for example, a particular problem in Zimbabwe where there has been a very high rate of inflation.

(a) What is meant by inflation? [3]

(b) Describe how a retail (consumer) price index is calculated. [7]

(c) Explain what is meant by demand-pull inflation. [4]

(d) Discuss whether a government should be concerned about a high rate of inflation in its economy. [6]

7 The living standards of people vary enormously and yet it is **not** always easy to measure these with great accuracy. It is, however, certainly the case that some countries suffer from extreme poverty.

(a) Describe how living standards in a country can be measured. [6]

(b) Explain **two** reasons why the measurement of living standards in a country is **not** always accurate. [6]

(c) Discuss the actions a government might take to reduce poverty. [8]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2011