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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# ECONOMICS

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## GCE Ordinary Level

<p>Paper 2281/01 Multiple Choice</p>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>B</b>	21	<b>D</b>
2	<b>D</b>	22	<b>C</b>
3	<b>C</b>	23	<b>A</b>
4	<b>D</b>	24	<b>B</b>
5	<b>C</b>	25	<b>D</b>
6	<b>A</b>	26	<b>A</b>
7	<b>D</b>	27	<b>C</b>
8	<b>C</b>	28	<b>D</b>
9	<b>C</b>	29	<b>B</b>
10	<b>C</b>	30	<b>D</b>
11	<b>B</b>	31	<b>B</b>
12	<b>B</b>	32	<b>C</b>
13	<b>C</b>	33	<b>B</b>
14	<b>D</b>	34	<b>D</b>
15	<b>C</b>	35	<b>C</b>
16	<b>C</b>	36	<b>D</b>
17	<b>C</b>	37	<b>A</b>
18	<b>A</b>	38	<b>B</b>
19	<b>D</b>	39	<b>C</b>
20	<b>B</b>	40	<b>C</b>

### General comments

3758 candidates took this paper this session and the mean mark was 25.6, very similar to the mean in 2003 of 25.0 and higher than that for 2002, which was 24.3.

The easiest questions proved to be **Questions 1, 9, 17, 20, 25, 27, 28** and **33**. These tested different skills. **Questions 1** and **20** tested knowledge, **9** and **28** application and **17, 25, 27** and **33** analysis. There is no one skill, therefore, that the candidates find easier than others.

No questions proved to be more difficult than the limits expected by the examination. The most difficult was **Question 5**, where 28% chose the correct option **C** but 65% chose option **D**, confusion between the terms 'public sector' and 'public company'. Public companies are still within the private sector but issue shares to the public. The question states that the new factories are very large so it is likely that the company would have issued such shares and be classified as a public company as a result.

**Paper 2281/02**  
**Structured Questions**

**General comments**

Although there was considerable variation in the standard of answers between different candidates the general overall quality of answers showed an improvement on previous years.

**Comments on specific questions**

**Question 1**

- (a) Most candidates were able to state that health was affected by the long working hours and the physically demanding work.
- (b) Many candidates did not understand this term. They expressed the answer in terms of the extent, or intensity, of the work and not in terms of the relative proportions of labour to other factors, especially to capital.
- (c) Better candidates were able to say that the evidence was not extensive. Child mortality, which was ten times the national average, was the only real evidence. However, the text also does state that one third were suffering from disease and implies that the situation was worse in the areas of poor housing but there was no comparative figure. The text also stated that there are now small health centres but it does not state what the improvement in health has been. Many candidates were not able to use the text in this way and made general statements about the lack of health care without trying to make comparisons between areas.
- (d) This part produced varied responses. Some were able to discuss matters connected with monopolies or externalities or public and merit goods. It was not expected that candidates would use all of these terms but that they might express the ideas behind them either by giving examples or by a general discussion.
- (e)(i) Most candidates were able to answer this question in terms of increased efficiency or better quality or faster production.
- (ii) Candidates were expected to present a reasoned case. Some were able to say that a healthier work force might increase producer profits and that it would be a benefit not only to the workers but to the entrepreneur if health were improved. Some argued that the producers were responsible for health and safety issues at work but that the government should be responsible for wider health care in the general community, mentioning the vast cost of such care as a reason. What mattered was that the candidate presented their case in a reasoned manner.

**Question 2**

In this question candidates were required to demonstrate their knowledge of factors of production and then apply that knowledge.

- (a) Almost all identified the factors of production accurately.
- (b)(c) Some described the 'local community' as Zimbabwe as a whole and others took a more limited approach. The former saw the production and sale of tea as a major industry having a considerable impact on exports and so in part (c) thought that this would result in major conflict with large scale producers from elsewhere. Fewer candidates suggested that the output in global terms would be quite small so that Zimbabwe would not be a serious rival in world markets. Both approaches were accepted.
- (d) Answers to this part on whether resources should be exploited or conserved were generally disappointing. Few separated renewable and non-renewable resources and even fewer gave a balanced judgment. Some used tea as their main example. Many others commented on oil usage. Both approaches were accepted.

**Question 3**

- (a) Candidates were expected to suggest that entrepreneurs and shareholders would benefit first from a rise in profits. A number did this but were not always able to explain what the benefits were. Very few were able to consider a rise in dividends or what a firm might do with undistributed profits. Some did comment that a rise in profits might be re-invested in cost-saving techniques, which might in the longer term benefit consumers because prices might fall.
- (b) Many focused on marketing and advertising as ways of increasing profits but a pleasing number considered costs and the need to improve efficiency as well. The effect of adjusting prices on goods with different price elasticity of demand was considered by a number of excellent candidates.
- (c) Price elasticity of demand was defined accurately by many candidates although a surprising number were confused by 'high'.
- (d) Some excellent answers were submitted to the final section in discussing whether soap has a high or low price elasticity of demand, distinguishing clearly between demand for different brands and for the total market and discussing the possible range of different branded soaps and substitutes.

**Question 4**

- (a) Answers to this question typically mentioned inflation but did not make any reference to changes in prices over time or to a representative sample of goods.
- (b) This question was usually answered very well, although some candidates ignored the issue of weighting altogether. Others gave an example calculation with little or no supporting narrative. However, most candidates produced answers with some detail about the sampling of goods, the sampling of the population and the use of a base year.
- (c) Most candidates were able to identify demand-pull and cost-push as causes of inflation. Candidates varied in their ability to explain the forces at work behind these terms. Some developed the cost-push theme with specific paragraphs on wage-push, import-push and profit-push. Many candidates included quite sophisticated diagrams in their analysis. When this is done candidates should remember that they should then refer to and explain the diagram in their narrative. Some did not do this. Many candidates offered the monetarist explanation of inflation as a third cause. Few candidates drew conclusions.

**Question 5**

- (a) This question was well answered with many candidates mentioning that the term referred to goods, that imports were greater than exports and that the item would be found in the current account of the balance of payments.
- (b) Better candidates mentioned that a deficit might well mean a decreased earnings potential for the economy. A minority did comment on the significance of invisible surpluses as a compensatory force. A typical approach was more dogmatic; visible deficits were seen as a very serious problem, causing economic disaster in many cases. Candidates could have improved their answers by adopting a more tentative approach, (e.g. using words such as 'possibly' and 'might'), and by considering the fact that many Western economies have thrived during periods of heavy and persistent visible deficits.
- (c) This was generally well answered: the standard protectionist methods were usually well rehearsed, but candidates often missed a mark by focusing exclusively on import restraint – tariffs, quotas, embargoes. They did not deal with measures such as subsidies that might increase exports.
- (d) This question cause problems for many weaker candidates as they tended to simply elaborate on material correctly offered in (c). The candidates were not asked to repeat again what effect the policies might have on the trade deficit. Rather they were asked what other consequences might follow – for example, a retaliation by other countries or a reduction in the benefits of free trade or the effect on such variables as growth and employment. Better candidates were able to discuss these effects but very few made concluding comments.

**Question 6**

- (a) This was usually well done by most candidates. They were able to illustrate, using a numerical example, why the richest households spent more in absolute terms on food.
- (b) Most candidates deduced that Faisal earned more than Ali. However, fewer were able to give a clear breakdown of the likely differences in their expenditure pattern. A common error made was to state that as Ali was only newly employed he would save more of his income than Faisal since he had to save up for his own accommodation.
- (c) Surprisingly, given the number of times that savings appears in questions, this was not well done. The main reason for this was that candidates wrote about factors that influenced the level of savings rather than what motivated them to save. Therefore, often there was detailed reference to the overall level of income in an economy, including reference to government economic policies, and not what might induce an individual person to save rather than spend. Another common error was to state that people would save more in times of inflation in order to preserve the level of their savings.
- (d) Generally this was well answered and most candidates explained the inter-relationship between higher spending, greater production and increased wages. Some wrote about the possible effect of increased spending on the additional taxation revenue for the government and discussed what the government might do with the extra revenue. Some candidates also explained how increased spending and demand might cause inflation or increase imports. The latter could create a balance of payments difficulty.

**Question 7**

- (a) Many candidates were able to explain the likely occupational distribution in developed and developing countries by mentioning the expected differences in the proportion working in the primary, secondary and tertiary sectors. However, a significant number of candidates did not understand the question and wrote about the age distribution of the population in developed and developing countries.
- (b) Most candidates showed a good awareness of the factors which identified developing countries. Weaker candidates tended to identify only population characteristics. A small number merely provided lists showing the characteristics of developed and developing countries which mirrored each other. Some credit is given for the presentation of relevant lists but usually full marks are not available to a candidate who does this.
- (c) This was well done by the majority of candidates who attempted the question. Nearly all were able to explain what a multi-national company is and most were able to explain the benefits for a country.