



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ECONOMICS**

**0455/02**

Paper 2 Structured Questions

**October/November 2007**

**1 hour 30 minutes**

Additional Materials: Answer Booklet/Paper

**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.

Answer **all** 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 **3** printed pages and **1** blank page.



## 2

Answer **all** questions.

1

### The Royal Mail

The following is adapted from a leaflet the UK Royal Mail sent to its customers in 2005.

We are investing in the postal service so that it is consistent and reliable and remains one of the best in Europe. You can trust the Royal Mail with your post. 99.9 % of all mail gets delivered safely and quickly to the right address. Sometimes letters have the incorrect address or no address at all. At least 92.5 % of the First Class letters arrive by lunchtime the next working day. (In France barely 80 % of the First Class mail is delivered on time.) We are determined to manage this better and are investing in technology and training.

Our prices are rising by less than inflation and are amongst the lowest in Europe. In April the price of First Class post will go up from £0.28 to £0.30 which compares well with a price of £0.26 ten years ago. In Italy First Class could cost you £1.12, in Germany up to £1.

There will now be only one delivery a day. Previously, when mail was sorted by hand, it was impossible to sort and deliver it all at once. Now, more mail is sorted automatically and overnight. A single delivery helps us to keep our costs down. We need to make profits so that we can invest in better equipment, better technology and better offices, and also pay our staff more for doing a responsible job.

- (a) Explain what is meant by factors of production. [4]
- (b) How has the Royal Mail's use of these factors of production changed? [2]
- (c) Explain how the proposed new investment will change the Royal Mail's fixed cost and variable cost. [4]
- (d) Discuss how the rise in price from £0.28 to £0.30 might affect demand for substitute methods of communication. [4]
- (e) Is there enough evidence in the article to support the Royal Mail's statement that it is one of the best in Europe? [6]

2 A multi-national was described as a large company that employs people from different countries and is controlled by a government.

- (a) Explain whether this is a correct description. [4]
- (b) If a company is large and employs many people it often has to deal with trade unions. What is a trade union and what is its role in an economy? [6]

## 3

- 3 (a) Explain how the principle of opportunity cost might be relevant when a person chooses a new job. [3]
- (b) Some service sector occupations pay very well, others have low rates of pay. Discuss why this might be so. [7]
- 4 1 in 5 adults have not been educated to read or write; 98 % of them live in developing countries and 66 % of them are women.
- (a) Explain **three** other differences that you might find between the population of a developed country and a developing country. [3]
- (b) Another indicator of living standards, apart from education, is GDP. Discuss how useful this is in comparing the living standards between two countries. [7]
- 5 It was reported that farmers in Malawi were being discouraged from specialising in growing the staple crop of maize. Instead they were encouraged to diversify into other crops.
- (a) Explain what is meant by specialisation. [4]
- (b) Discuss whether there are any benefits from specialisation rather than diversification. [6]

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Question 1                      © Royal Mail, March 2005.

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