Specimen Paper Answers – Paper 2

Cambridge IGCSE™ / IGCSE (9–1) Economics 0455 / 0987

Cambridge O Level Economics 2281

For examination from 2027

© Cambridge University Press & Assessment 2025 v1

Cambridge International Education is part of Cambridge University Press & Assessment. Cambridge University Press & Assessment is a department of the University of Cambridge.

Cambridge University Press & Assessment retains the copyright on all its publications. Registered centres are permitted to copy material from this booklet for their own internal use. However, we cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within a centre.

Contents

Introduction

These specimen answers have been produced by Cambridge International ahead of the examination in 2027 to exemplify standards for those teaching Cambridge IGCSE / IGCSE (9-1) / O Level Economics. Question 1(a–f) and Question 2(a–d) have been selected from Specimen Paper 2.

The marks given are for guidance only and are accompanied by a brief commentary explaining the strengths and weaknesses of the answers. Comments are given to indicate where and why marks were awarded, and how additional marks could be obtained. There is also a list of common mistakes and guidance for candidates for each question.

The specimen materials are available to download from the School Support Hub

2027 Specimen Paper 02

2027 Specimen Paper Mark Scheme 02

Past exam resources and other teaching and learning resources are available on the School Support Hub

Details of the assessment

The syllabus is available at www.cambridgeinternational.org

Paper 2 – Structured Questions

Written paper, 2 hours, 80 marks

This is a compulsory structured paper.

Questions are based on all the subject content.

Candidates answer **one** compulsory question in Section A. In Section B, candidates answer **three** questions from a choice of four.

Candidates should use the marks for each question as a guide to the amount of detail and length of response expected for a question, and to help them manage their time effectively.

Calculators may be used in both sections of the examination.

Question 1

1(a) Calculate the value of Algeria's primary sector output in 2023. Show your working.

Specimen answer

GDP = 208 bn

1% = 208/100 = 2.08bn

15%= 2.08 x 15 = $31.2 bn (answer)

Mark awarded for 1(a) = 2 out of 2

Examiner comment

A correct calculation, showing working. The response should show understanding that a calculation of 15% of Algeria's GDP is required. Any valid method of calculating the percentage will be credited. The calculation should be correctly executed to gain the answer mark.

Common errors and general guidance for candidates

Candidates should show workings that can be followed. Some candidates fail to clearly indicate the final intended answer. For full marks, the currency symbol and/or the 'bn' notation need to be included. Other valid ways of stating the same number will be accepted. Teachers and candidates should be aware that the requirement to show workings on 1a is a change from the previous syllabus.

1(b) Identify **two** capital goods employed in Algeria's primary sector.

Specimen answer

Drilling machinery and watering equipment

Mark awarded for 1(b) = 2 out of 2

Examiner comment

These are capital goods mentioned in the question information. Buildings could also have been given as a correct answer. Alternative terms for the same goods, **e.g.** irrigation equipment, will be accepted. However, it is best to use the terms as written in the question information.

Common errors and general guidance for candidates

As this is an 'identify' question, candidates should not waste time adding unnecessary information, e.g. describing different kinds of equipment or how the equipment might be used.

Candidates should only refer to items that can be identified in the question information.

Candidates should note that only the first three suggestions will be considered (even if a correct response appears later).

1(c) Explain **one** reason why productivity increased in Algeria's tertiary sector.

Specimen answer

A rise in wages could increase productivity as workers could be more motivated to work hard, increasing output per hour.

Mark awarded for 1(c) = 2 out of 2

Examiner comment

A good response that recognises that output per hour is a measure of productivity. A relevant factor is identified (1 mark) and explained (1 mark). The explanation is short, but bear in mind that only one mark is available for explanation. Alternative explanations could be credited. Other possible identifications were improvements in technology and advances in education.

Common errors and general guidance for candidates

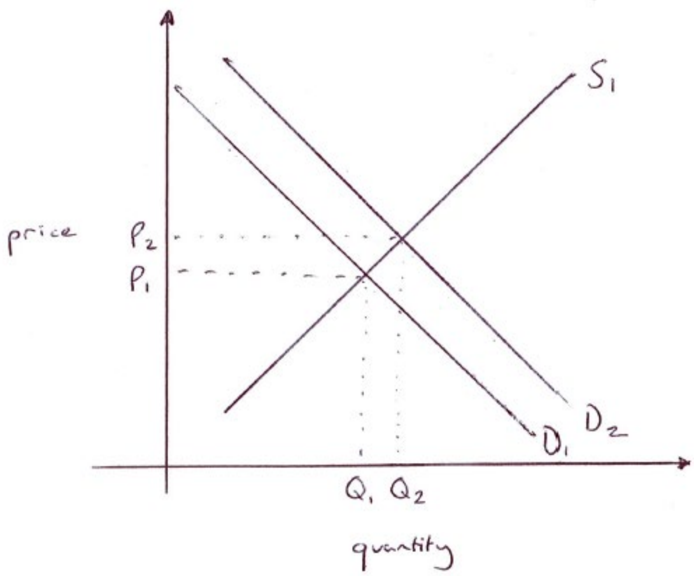
Candidates should ensure that their answers relate to the tertiary sector only, and are drawn from the question information

Candidates should avoid wasting time by identifying and explaining more than one reason

Candidates do not need to offer definitions of terms in the question, e.g. 'tertiary sector' or 'productivity'. Such work will use up valuable exam time and will not gain any additional marks.

1(d) Draw a demand and supply diagram to show the effect of an increase in vegetarianism on the market for tomatoes.

Specimen answer



Mark awarded for 1(d) = 4 out of 4

Examiner comment

This is a correctly drawn diagram, showing the shifting of the demand to the right and the change in equilibrium price and quantity.

Common errors and general guidance for candidates

Candidates should ensure that axes and demand and supply schedules are clearly labelled. There is no requirement to write a title for the diagram.

A common omission is the labelling of the change in equilibrium points. Appropriate lines should be drawn, and the preferred notation is Q_1, P_1 and Q_2, P_2. An alternative notation is to mark the point of intersection of the supply and demand curves with the labels E_1 and E_2.

Note the command word is to 'draw'. There are no marks for writing an explanation of the diagram. An explanation would be required for an 'analyse' question.

Before drawing the diagram, candidates should think carefully about whether it is the supply curve or the demand curve that will be affected.

1(e) Analyse the relationship between life expectancy and the net migration rate.

Specimen answer

The data shows that as life expectancy increases, net immigration increases. Good examples are Monaco and Australia. Monaco has a higher life expectancy than Australia and higher net immigration. This may be because high life expectancy is an indicator of high living standards which attract people to migrate to countries with a high life expectancy.

Mark awarded for 1(e) = 3 out of 4

Examiner comment

This is a three-mark answer, as three markable points have been made. The overall trend has been established and supported with examples, and a possible reason for the trend has been given. The response is rather short and there were several other opportunities to add a further point, e.g. identifying Tonga and Fiji as exceptions to the trend and giving a possible reason for this exception.

Common errors and general guidance for candidates

Candidates should take care with use of language: a phrase like 'migration has increased' could mean positive or negative net migration.

Candidates should take care to spend an appropriate amount of time answering this question. There are several points that can be made, but only 4 marks available. If necessary, candidates could leave space and return to the response, if time.

Candidates may find it useful to re-write the table, e.g. in order of life expectancy. This may help to identify trends and exceptions.

Candidates should avoid simply restating information in the table without any interpretation.

1(f) Discuss whether or not the Algerian Government should impose a carbon tax.

Specimen answer

Algeria should impose a carbon tax to help improve the health of its citizens, as a carbon tax provides an incentive to reduce pollution and carbon emissions. This should help to slow down global warming which should benefit the whole planet. By doing this, life expectancy in Algeria may increase and Algeria may stop experiencing very high temperatures.

However, the Algerian government may be worried that a carbon tax may lead to increased energy prices which will be regressive (affect poor people the most). The tax may not work if other countries do not take similar action, as global warming will just go on increasing. As an energy producer and exporter, Algeria may be afraid that a carbon tax will harm its markets.

Mark awarded for 1(f) = 6 out of 6

Examiner comment

This answer included more than six relevant markable points and therefore would be awarded full marks. The last point could have been expressed in a more precise way, e.g. prices may rise/sales may fall. Most of the ideas have been derived from the information in the question. This approach is acceptable, but the response could have included any generally relevant point. However, any points made should not directly contradict any material in the question information. Teachers and candidates should be reassured that the mark scheme is a starting point; other valid points will be credited during the marking process.

Common errors and general guidance for candidates

Candidates should ensure that their answer is ‘balanced’ because the command word is ‘discuss’. A one-sided answer would be awarded a maximum of four marks.

There is no requirement to write a conclusion, but if one were written, any valid points would be credited.

Candidates should make clear whether their points are in favour of the proposal, or against.

Question 2

2(a) Define 'international trade'.

Specimen answer

International trade is when one country buys goods or services from another country.

Mark awarded for 2(a) = 2 out of 2

Examiner comment

The key points are that goods (and services) are traded, and that two (or more) countries are involved.

Common errors and general guidance for candidates

Candidates should be aware that a 'define' question can be answered in one or two sentences. In this case, there is no credit for giving details about, for example, the elements that make up the balance of payments accounts. On the other hand, a statement that is not a sentence, **e.g.** 'imports and exports' is unlikely to gain full marks.

2(b) Explain **two** consequences for firms of a decrease in their country's unemployment rate.

Specimen answer

One consequence for firms may be difficulty in finding sufficient labour. This may lead to problems in supplying enough output to meet the demand for their products. Even if labour can be found, there is likely to be upward pressure on wages.

Mark awarded for 2(b) = 3 out of 4

Examiner comment

This is a good answer. Two appropriate consequences have been identified. However, the second consequence (upward pressure on wages) has not been explained. Therefore, maximum marks cannot be awarded.

Common errors and general guidance for candidates

Candidates should note the need to explain each consequence identified. The question 'What effect would this have on the firm/business?' may help to generate ideas for explanations.

Following from the above, a response that just identifies a series of consequences will gain a maximum of two marks.

It should be noted that only the first three consequences offered will be considered, following Social Sciences points-marking principle 1 in the specimen mark scheme.

Care is needed regarding the short context paragraph at the beginning of the question. This is meant to put the question in context but does **not** contain key information that needs to be included in the response. There is **no** requirement to refer to the context paragraph. Such references are often an indicator of a weak response. This comment applies to all questions in Section B.

2(c) Analyse **two** policy measures a government could use to reduce unemployment.

Specimen answer

One measure could be to offer paid training to unemployed people who are prepared to undertake courses which would improve their skills so they could work in industries where there are labour shortages. This could address structural unemployment, and reduce the number of people claiming unemployment benefit.

An alternative measure might be to reduce unemployment benefits or at least not increase them in line with inflation. This may give some people more incentive to work. The government could also cut taxes to boost the economy.

Mark awarded for 2(c) = 5 out of 6

Examiner comment

This is a good response. Two relevant policy measures are identified. The first (training) is well analysed with clear reference structural unemployment and a reason as to why the policy might work. The second policy (cut to unemployment benefits) is not as well analysed but could be given a mark for the reference to incentives. The final identification (tax cuts) would not be credited as the question asks for two policies only. The development of this identification is weak: 'boost the economy' would be seen as too vague to warrant a mark.

Common errors and general guidance for candidates

The number of policies required is specified as two. This is a change in question style from the previous syllabus. Candidates who only identify one policy will be unable to gain full marks, even if they make several analysis points.

Candidates who make multiple correct identifications but who do not offer any analysis can only be credited with two marks.

Candidates should avoid making the same analysis point to support each identification. Each analysis point will only be credited once. For example, 'reducing frictional unemployment' would only be credited once, even if relevant to both identifications.

2(d) Discuss whether or not an increase in a surplus on the current account of the balance of payments will increase living standards in a country.

Specimen answer

A surplus on the balance of payments may increase living standards if created through export-led growth. People must have been employed to produce the goods and services that made the surplus possible, so this would have increased incomes and aggregate demand in the economy. These incomes could have been spent on goods and services that improved living standards. Exporting firms will also have made profits. These firms could re-invest some of the profits to ensure that they remain internationally competitive, so any increase in employment and living standards can be sustained in the long term.

It is also possible that a surplus could have led to an increase in the countries exchange rate because of the demand for the home country's currency. This would have the effect of making imported goods and services cheaper. For example, a higher exchange rate would make overseas holidays cheaper for some people, so helping to increase living standards.

However, a surplus may not increase living standards if exports are being generated from industries that pay very low wages and/or involve hazardous working conditions. Also, exports may be coming from industries, e.g. minerals, that exploit a finite resource and may involve pollution.

Mark awarded for 2(d) = 6 out of 8

Examiner comment

This is a good answer but with some scope for improvement. The first half of the response has depth and makes good use of economic terms and ideas to develop an argument. Two main arguments are offered in separate paragraphs (good practice). The standard of this work is at level three of Table A in the specimen mark scheme. The second half of the answer has some relevant ideas, but they are not developed, possibly due to time management or problems with exam technique. The issues raised are relevant but not explicitly related to living standards. This part of the response would be a strong level one. Overall, the response would be a low level three.

Common errors and general guidance for candidates

Candidates should be aware that stating definitions and simple use of economic terminology are expected in a level one response. A danger is that too much time is spent on a range of such material, leaving insufficient time for a higher-level response. Candidates are advised to follow up statements (level one) with further sentences that develop a chain of reasoning to form an argument. This helps candidates progress to levels two and three.

'Discuss' questions should ideally be answered in a balanced way, with arguments for and against. A one-sided answer can only be awarded level two, for which the maximum is five marks.

Maximum marks can be achieved without writing a conclusion. However, a conclusion could well contain evaluative material that contributes to a mark at level three.

Cambridge International Education
The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom
t: +44 1223 553554
e: info@cambridgeinternational.org www.cambridgeinternational.org

© Cambridge University Press & Assessment 2025 v1