Past-paper walk-through

Differences in economic development between countries ▪ 5.4

eXercise

Questions in this set

- 0455/13 N25 Q26 ▪ 1 mark
- 0455/12 J25 Q25 ▪ 1 mark
- 0455/13 J25 Q20 ▪ 1 mark
- 0455/21 J25 Q5 ▪ 20 marks
- 0455/12 M25 Q24 ▪ 1 mark
- 0455/12 N24 Q26 ▪ 1 mark
- 0455/11 J24 Q26 ▪ 1 mark

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 26

0455/13 N25 ▪ Q26 ▪ 1 mark

26 Which combination of characteristics would be found in a less developed economy?

	literacy rates	population growth	tertiary sector
A	high	high	small
B	low	high	small
C	high	low	large
D	low	low	large

Solution 26

Answer: **B**

Why

- A less developed economy has a large primary sector and a small tertiary sector.
- It typically has high population growth and low literacy.
- So look for the row combining a small tertiary sector with high population growth.

Question 25

0455/12 J25 ▪ Q25 ▪ 1 mark

25 In rural areas in developing countries, farmers grow food for their own consumption.

Why might this mean that the GDP is a weak measure of the standard of living in those countries?

A The food grown is not exported.

B The GDP does not include agricultural production.

C The GDP only refers to the public sector.

D The value of the food is unknown.

Solution 25

Answer: **D**

Why

- GDP measures output that is *bought and sold*.
- Food grown and eaten by the farmer's own family never enters a market.
- So it is left out of GDP, and the standard of living is understated.

Question 20

0455/13 J25 ▪ Q20 ▪ 1 mark

20 What is most likely to be a reason for taxing oil?

A to conserve oil resources

B to create employment

C to encourage economic growth

Question 20

D to reduce oil prices

Solution 20

Answer: **A**

Why

- Oil is a finite, non-renewable resource with external costs from burning it.
- A tax raises its price, so less is used.
- That both conserves the resource and reduces the pollution – it is not meant to raise employment.

Question 5

0455/21 J25 ▪ Q5 ▪ 20 marks

5 Australia has a number of firms that operate in other countries. These multinational companies (MNCs) provide several benefits for their home country of Australia. The Australian Government imposes relatively low import tariffs and the country has a floating exchange rate. In recent years, Australia has experienced an increase in investment and a higher Human Development Index (HDI) value.

(a) Identify two benefits an MNC may provide for its home country. [2]

(b) Explain two disadvantages of import tariffs. [4]

(c) Analyse how an increase in investment can result in a rise in a country's HDI value. [6]

(d) Discuss whether or not having a floating exchange rate benefits an economy. [8]

(a) (a) Identify two benefits an MNC may provide for its home country. [2] **[2]**

(b) (b) Explain two disadvantages of import tariffs. [4] **[4]**

Question 5

(c) (c) Analyse how an increase in investment can result in a rise in a country's HDI value. [6] **[6]**

(d) (d) Discuss whether or not having a floating exchange rate benefits an economy. [8] **[8]**

Solution 5

(a) Mark scheme

- Identify two benefits an MNC may provide for its home
- country.
- Two from:
- ▪
- profits
- ▪
- (increased) exports
- ▪

Solution 5

- raw materials
- ▪
- job opportunity / wages for workers
- ▪
- raise country's income
- 2 If more than two benefits given, consider the first three.
- Identify means that the benefit does not have to be
- explained.

Solution 5

(b) Mark scheme

- Explain two disadvantages of import tariffs.
- Logical explanation which might include:
- ▪
- Reduce (free) trade (1) lower competition (1) .
- ▪
- Risk of retaliation (1) resulting in trade war /
- unemployment (1).
- ▪

Solution 5

- Raise price of imports (1) which may raise price of
- domestically produced goods (because of the lack of
- competition) (1) .
- ▪
- Raise the price of imported raw materials / capital goods
- (1) cause cost-push inflation (1) .
- ▪
- Reduce quality (1) due to lower competition 1
- ▪
- Protected industries / infant industries / declining

Solution 5

- industries may become inefficient (1) if become reliant
- on tariff (protection) (1).
- ▪
- Reduce output / consumption / less quality / less choice
- (1) lower living standards (1).
- ▪
- Reduce ability of countries to specialise (1) less efficient
- use of resources / loss of potential economies of scale
- (1).
- 4 One mark each for each of two disadvantages identified and

Solution 5

- one mark each for each of two explanations.
- If more than two disadvantages given, consider the first
- three.
- Only allow one mark for reference to lower competition.
- 0455/21
- May/June 2025
- Guidance

Solution 5

(c) Mark scheme

- Analyse how an increase in investment can result in a
- rise in a country's HDI value.
- Coherent analysis which might include:
- ▪
- Investment can increase GDP / GNI (1) employment 1
- which may increase GDP/ GNI per head (1) higher
- GDP/ GNI may raise tax revenue (1) enabling the
- government to spend more on education and healthcare

Solution 5

- (1).
- ▪
- Higher personal income / wages (1) enabling families to
- afford sending children to school (1) pay for private
- healthcare (1).
- ▪
- An increase in investment in healthcare facilities (1) can
- increase life expectancy (1).
- ▪
- An increase in investment in education (1) will increase

Solution 5

- mean / expected and expected years of schooling 1
- increase skills/productivity (1) which may increase GDP
- per head (1) raise awareness about nutrition 1
- increase life expectancy (1).
- ▪
- An increase in investment may introduce more
- advanced technology (1) which can make work less
- physically demanding (1) improving health / life
- expectancy (1).
- 6

Solution 5

- 0455/21
- May/June 2025
- Guidance

Solution 5

(d) Mark scheme

- Discuss whether or not having a floating exchange rate
- benefits an economy.
- In assessing each answer, use the table opposite.
- Why it might:
- ▪
- may eliminate a current account imbalance
- ▪
- if there is a current account deficit, exchange rate may

Solution 5

- fall making exports fall in price and imports rise in price
- ▪
- no need to keep reserves of foreign exchange
- ▪
- no need to change interest rates to influence the
- exchange rate
- ▪
- enable government to concentrate on other aims as
- does not have to keep the exchange rate fixed.
- Why it might not:

Solution 5

- ▪
- may make it difficult for firms to plan, not knowing how
- much they will have to pay for imports and earn from
- exports
- ▪
- may create uncertainty
- ▪
- discourage investment
- ▪
- speculation can cause (significant) destabilising

Solution 5

- changes in the exchange rate.
- 8
- Level
- Description
- 3
- A reasoned discussion which accurately
- examines both sides of the economic
- argument, making use of economic
- information and clear and logical
- analysis to evaluate economic issues

Solution 5

- and situations. One side of the
- argument may have more depth than
- the other, but overall both sided of the
- argument are considered and
- developed. There is thoughtful
- evaluation of economic concepts,
- terminology, information and/or data
- appropriate to the question. The
- discussion may also point out the
- possible uncertainties of alternative

Solution 5

- decisions and outcomes.
- 6–8
- 2
- A reasoned discussion which makes
- use of economic information and clear
- analysis to evaluate economic issues
- and situations. The answer may lack
- some depth and development may be
- one-sided. There is relevant use of
- economic concepts, terminology,

Solution 5

- information and data appropriate to the
- question.
- 3–5
- 0455/21
- May/June 2025
- Guidance
- 8
- Level
- Description
- 1

Solution 5

- There is a simple attempt at using
- economic definitions and terminology.
- Some reference may be made to
- economic theory, with occasional
- understanding.
- 1–2
- 0
- A mark of zero should be awarded for
- no creditable content.
- 0

Solution 5

- Note: reward candidates if they refer to the impact of
- appreciation and depreciation of the currency in their
- answers.

Question 24

0455/12 M25 ▪ Q24 ▪ 1 mark

24 The table shows the Human Development Index (HDI) values for two countries.

country	HDI value
X	0.90
Y	0.45

What might explain the difference in the HDI values?

A Country X has double the inflation rate of country Y.

B Country X has half the population of country Y.

Question 24

C Country X spends more of its real GDP on foreign aid than country Y.

D Country X spends more of its real GDP on schooling than country Y.

Solution 24

Answer: **D**

Why

- HDI combines income per head, education and life expectancy.
- A large gap between two countries means several of those components differ.
- So look for the explanation that affects health, schooling or income – all three feed the index.

Question 26

0455/12 N24 ▪ Q26 ▪ 1 mark

26 Which combination best describes the characteristics of a high-income economy?

	GDP per head (US$)	Human Development Index value	percentage of the labour force in the tertiary sector
A	high	high	high
B	high	high	low
C	low	low	high
D	low	low	low

Solution 26

Answer: **A**

Why

- A high-income economy has most of its labour force in services – the tertiary sector.
- It also has a high HDI, reflecting high income, health and education.
- Primary-sector dominance and a low HDI describe a low-income economy instead.

Question 26

0455/11 J24 ▪ Q26 ▪ 1 mark

26 The table shows information on four countries.

Which country is likely to be the most developed?

	population (million)	Gross Domestic Product (GDP) ($ billion)	life expectancy (years)
A	100	800	51
B	200	6000	62

Question 26

C	300	600	48
D	1000	1600	63

Solution 26

Answer: **B**

Why

- Development is broader than income alone: it also covers health and education.
- So compare life expectancy alongside GDP per head.
- The most developed country is the one scoring well on the *combination*, not just the highest GDP.