

**Learner Guide**

Cambridge  
**IGCSE**

Cambridge IGCSE<sup>®</sup>

Economics

0455

**Cambridge Secondary 2**

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# Contents

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<b>How to use this guide</b> .....	3
Section 1: How will you be tested?	
Section 2: Examination advice	
Section 3: What will be tested?	
Section 4: What you need to know	
<b>Section 1: How will you be tested?</b> .....	5
<b>Section 2: Examination advice</b> .....	7
General advice	
<b>Section 3: What will be tested?</b> .....	9
<b>Section 4: What you need to know</b> .....	11



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## How to use this guide

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This guide describes what you need to know about your Cambridge IGCSE® Economics exam.

It will help you to plan your revision programme and will explain what the examiners are looking for.

The guide contains the following sections:

### Section 1: How will you be tested?

This section gives you information about the different exam papers you will take.

### Section 2: Examination advice

This section gives you advice to help you do as well as you can. Some of the ideas are general advice and some are based on the common mistakes that learners make in exams.

### Section 3: What will be tested?

This section describes the three assessment objectives in economics.

### Section 4: What you need to know

This shows the syllabus content so that you can check:

- which topics you need to know about
- details about each topic area in the syllabus
- how much of the syllabus you have covered.



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## Section 1: How will you be tested?

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You will take two exam papers.

**Paper 1 Multiple choice****45 minutes**

Answer 30 multiple choice questions.

Each question has four possible answers, A, B, C and D.

Each question is worth one mark.

Paper 1 is worth 30% of the total marks of your Cambridge IGCSE in Economics.

**Paper 2 Structured questions****2 hours 15 minutes**

Answer the compulsory question (Question 1) in Section A.

Information and data will be given for the interpretation and analysis of a real economic situation.

Question 1 is worth a total of 30 marks.

Answer three questions in Section B from a choice of six.

Each question in Section B is worth a total of 20 marks.

Paper 2 is worth 70% of the total marks of your Cambridge IGCSE in Economics.

**Section 1:** How will you be tested?



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## Section 2: Examination advice

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This section gives you advice to help you do as well as you can. Some of the ideas are general advice and some are based on the common mistakes that learners make in exams.

### General advice

- **Read each question carefully** and make sure you know what it is asking, and what you have to do, before you begin your answer. **Focus your answer on the question** – do not write about something else.
  - You may answer a question about inflation and write all you know about its causes and consequences, but the actual question asked wanted you to write simply about how it is measured.
  - You could be told that ‘Low unemployment is one of the aims of government policy. Choose two other macro-economic aims of the government and explain what they mean.’ Some candidates may ignore the word other and explain low unemployment as one of their two aims. No marks would be given for that part of the explanation.
  - For longer questions, check every so often to make sure that you are answering the question correctly.
- Look at the **command words** in the question. These tell you what we are looking for.
  - Identify or state means you do not need to write very much – just show the examiner that you know the answer.
  - Define means you need to show you understand the meaning of an economic term or topic and distinguish means you need to show you understand the differences between two or more terms.
  - Describe or explain means you need to go into more detail, clearly showing you understand what something is or how something happens – ideally giving a relevant example, or using a diagram, to help your description or explanation.
  - Analyse, discuss and to what extent require you to go into much more detail and your answer should be longer and include relevant examples and/or diagrams. You will usually be expected to look at something from two contrasting points of view and then come to a reasoned and well supported conclusion. Full sentences and paragraphs should be used – avoid bullet points.
- Look at the **number of marks** for each part of a question. This should guide you as to how long you should spend on it. Some questions will only gain you two or three marks while others may be worth as many as ten marks.
- Wherever possible, use a **diagram** to aid your explanations and make sure that it is **accurately drawn** and **correctly labelled**. Ensure that you **refer to it** in your answer and demonstrate to the examiner that you know what it shows.
  - Sometimes questions require you to include a diagram to score full marks. Phrases in the question, such as, ‘with the help of a demand and supply diagram’ will tell you when you have to do this.

- Use appropriate and relevant **economic examples** wherever possible to support the points you are making.
  - Sometimes, a question will require you to include **specific examples** of something, e.g. ‘Distinguish between direct and indirect taxes with the use of examples.’ If you don’t include any examples of these different types of taxes, you would not be awarded marks.
  - Some parts of Question 1 in Paper 2 will require you to include an **example from the extract** provided. You may be asked, for instance, to ‘Identify and explain **one** example of opportunity cost from the above extract’. If you identify and explain one that was not in the extract provided, you would not gain any marks.
- **Don’t write out the question**; this is a waste of time. Just make sure that you write the number of the question, and the sub-part, so that the examiner knows which question you have answered.
- **Manage your time** carefully. Don’t spend too long on some questions and leave yourself without enough time to finish the paper. You should also try to leave time to **read through your answer** and correct any mistakes and/or add anything that you feel is missing.
- Make sure you know **how many questions** you have to answer. On Paper 2 you are required to answer:
  - Question 1 in Section A
  - and any three from the six questions in Section B.

So you should do **four** questions in total. Each year, however, there are always some candidates who answer more than four questions. There are even some candidates each year who answer all seven questions. This will have been a waste of their exam time as no more than four answers can be accepted.

## Section 3: What will be tested?

The syllabus sets out the three assessment objectives in economics.

Assessment objective	You should be able to:
AO1 Knowledge with understanding	<p>Demonstrate your knowledge and understanding of:</p> <ul style="list-style-type: none"> <li>• economic facts</li> <li>• definitions</li> <li>• concepts</li> <li>• principles</li> <li>• theories</li> <li>• vocabulary and terminology</li> </ul>
AO2 Analysis	<ul style="list-style-type: none"> <li>• select data</li> <li>• organise data</li> <li>• interpret data</li> </ul> <p>Apply economic knowledge and understanding in:</p> <ul style="list-style-type: none"> <li>• writing</li> <li>• numbers and calculations</li> <li>• diagrams</li> <li>• graphs</li> </ul> <p>Use economic data to:</p> <ul style="list-style-type: none"> <li>• recognise patterns</li> <li>• find and show economic relationships</li> </ul>
AO3 Critical evaluation and decision-making	<ul style="list-style-type: none"> <li>• distinguish between evidence and opinion</li> <li>• make reasoned judgements</li> <li>• communicate judgements accurately and logically</li> <li>• recognise that economic theory has various limitations and uncertainties</li> <li>• evaluate the social and environmental implications of particular courses of economic action</li> <li>• draw conclusions from economic information and critically evaluate economic data</li> <li>• communicate conclusions in a logical and clear manner</li> </ul>

### Section 3: What will be tested?

The following table shows the relationship between the assessment objectives and the different examination papers.

Assessment objective	Paper 1 (%)	Paper 2 (%)	Overall (%)
AO1 Knowledge with understanding	45 ± 5	20 ± 5	28 ± 5
AO2 Analysis	55 ± 5	35 ± 5	41 ± 5
AO3 Critical evaluation and decision-making	0	45 ± 5	31 ± 4

The assessment objectives are weighted to give an indication of their relative importance. They are not intended to provide a precise statement of the number of marks allocated to particular assessment objectives.

## Section 4: What you need to know

A table is provided below which describes the topics which will be tested in your exam papers. You can use the table throughout your course to check the topics you have covered. You can also use it as a revision aid.

The column headed 'comments' can be used:

- to add further information about the details of each bullet point, or to give appropriate examples
- to highlight areas of difficulty which you might need to ask your teacher about.

Theme	Topic	You should be able to:	Comments
1 Basic economic problem: choice and the allocation of resources	The economic problem	Define the nature of the economic problem in terms of the conflict between: <ul style="list-style-type: none"> <li>• finite resources and</li> <li>• unlimited wants</li> </ul>	
	The factors of production	Define the four factors of production: <ul style="list-style-type: none"> <li>• land</li> <li>• labour</li> <li>• capital</li> <li>• enterprise</li> </ul>	
	Opportunity cost	<ul style="list-style-type: none"> <li>• Define the concept of opportunity cost</li> <li>• Analyse particular circumstances to illustrate the concept</li> </ul>	
	Production possibility curves	Demonstrate how production possibility curves can be used to illustrate choice and resource allocation	
	The implications of courses of action	Evaluate the implications of particular courses of action in terms of: <ul style="list-style-type: none"> <li>• opportunity cost</li> </ul>	

## Section 4: What you need to know

Theme	Topic	You should be able to:	Comments
2 The allocation of resources: how the market works; market failure	The allocation of resources	Describe the allocation of resources in: <ul style="list-style-type: none"> <li>• market economic systems</li> <li>• mixed economic systems</li> </ul> Describe the terms for sectors in an economy: <ul style="list-style-type: none"> <li>• primary</li> <li>• secondary</li> <li>• service (tertiary)</li> </ul>	
	The principle of equilibrium price	<ul style="list-style-type: none"> <li>• Demonstrate the principle of equilibrium price</li> <li>• Analyse simple market situations with changes in demand and supply</li> </ul>	
	Changes in demand and supply conditions	<ul style="list-style-type: none"> <li>• Describe the causes of changes in demand and supply conditions</li> <li>• Analyse such changes to show effects in the market</li> </ul>	
	Price elasticity of demand and supply	<ul style="list-style-type: none"> <li>• Define price elasticity of demand</li> <li>• Define price elasticity of supply</li> <li>• Perform calculations</li> </ul>	
	Usefulness of price elasticity of demand and supply	Demonstrate the usefulness of price elasticity in particular situations, such as in relation to: <ul style="list-style-type: none"> <li>• revenue changes</li> <li>• consumer expenditure</li> </ul>	
	The market system	Evaluate the merits of the market system	
	Market failure	<ul style="list-style-type: none"> <li>• Describe the concept of market failure</li> <li>• Explain the reasons for its occurrence</li> </ul>	
	Private and social costs and benefits	<ul style="list-style-type: none"> <li>• Define private and social costs</li> <li>• Define private and social benefits</li> <li>• Discuss conflicts of interest in relation to these costs and benefits in the short term and long term through studies of the following issues: <ol style="list-style-type: none"> <li>(i) conserving resources versus using resources</li> <li>(ii) public expenditure versus private expenditure</li> </ol> </li> </ul>	

Theme	Topic	You should be able to:	Comments
3 The individual as producer, consumer and borrower	Money and exchange	<ul style="list-style-type: none"> <li>Describe the functions of money</li> <li>Describe the need for exchange</li> </ul>	
	Central banks and stock exchanges	<ul style="list-style-type: none"> <li>Describe the functions of central banks</li> <li>Describe the functions of commercial banks</li> <li>Describe the functions of stock exchanges</li> </ul>	
	Choice of occupation	Identify the factors affecting an individual's choice of occupation: <ul style="list-style-type: none"> <li>wage factors</li> <li>non-wage factors</li> </ul>	
	Changes in earnings	Describe the likely changes in earnings over time for an individual	
	Differences in earnings	Describe the differences in earnings between different groups of workers: <ul style="list-style-type: none"> <li>male/female</li> <li>skilled/unskilled</li> <li>private/public</li> <li>agricultural/manufacturing/services</li> </ul>	
	Trade unions	<ul style="list-style-type: none"> <li>Describe trade unions</li> <li>Analyse the role of trade unions in an economy</li> </ul>	
	Specialisation	<ul style="list-style-type: none"> <li>Describe the benefits of specialisation for the individual</li> <li>Describe the disadvantages of specialisation for the individual</li> </ul>	
	Spending, saving and borrowing	Analyse the different motives for: <ul style="list-style-type: none"> <li>spending</li> <li>saving</li> <li>borrowing</li> </ul>	
	Expenditure patterns	<ul style="list-style-type: none"> <li>Discuss <i>how</i> different income groups have different patterns of spending, saving and borrowing</li> <li>Discuss <i>why</i> different income groups have different patterns of spending, saving and borrowing</li> </ul>	

**Section 4: What you need to know**

Theme	Topic	You should be able to:	Comments
4 The private firm as producer and employer	Different types of business organisation	Describe the types of business organisation in the private sector: <ul style="list-style-type: none"> <li>• sole trader (proprietor)</li> <li>• public limited company</li> <li>• multinationals</li> <li>• cooperatives</li> </ul> Describe the type of business organisation in the public sector: <ul style="list-style-type: none"> <li>• state-owned enterprises (public corporations)</li> </ul>	
	The effects of moving firms	Describe the effects of moving firms from the public sector and <i>vice versa</i>	
	Changes in the structure of business organisations	<ul style="list-style-type: none"> <li>• Describe the effects of changes in the structure of business organisations</li> <li>• Evaluate the effects of changes in the structure of business organisations</li> </ul>	
	Demand for factors of production	Describe what determines the demand for factors of production	
	Types of intensive production	Distinguish between labour-intensive and capital-intensive production	
	Productivity	<ul style="list-style-type: none"> <li>• Define productivity</li> <li>• Recognise the difference between productivity and production</li> </ul>	
	Costs of production	<ul style="list-style-type: none"> <li>• Define total cost</li> <li>• Define average cost</li> <li>• Define fixed cost</li> <li>• Define variable cost</li> <li>• Perform simple calculations</li> </ul>	
	Changes in costs as output changes	<ul style="list-style-type: none"> <li>• Analyse particular situations to show changes in total cost as output changes</li> <li>• Analyse particular situations to show changes in average cost as output changes</li> </ul>	
	Revenue	<ul style="list-style-type: none"> <li>• Define total revenue</li> <li>• Define average revenue</li> <li>• Perform simple calculations</li> </ul>	
	Profit maximisation	<ul style="list-style-type: none"> <li>• Describe the principle of profit maximisation as a goal</li> <li>• Recognise that business organisations may have different goals</li> </ul>	



Theme	Topic	You should be able to:	Comments
	Market structure	<ul style="list-style-type: none"> <li>Describe the characteristics of perfect competition</li> <li>Describe the characteristics of monopoly</li> </ul>	
	Pricing and output policies in different markets	<ul style="list-style-type: none"> <li>Describe pricing and output policies in perfect competition</li> <li>Describe pricing and output policies in monopoly</li> </ul>	
	Size of firms	Describe the main reasons for the different sizes of firms: <ul style="list-style-type: none"> <li>size of market</li> <li>capital</li> <li>organisation</li> </ul>	
	Integration and economies of scale	<ul style="list-style-type: none"> <li>Describe integration</li> <li>Evaluate integration</li> <li>Describe economies of scale</li> <li>Evaluate economies of scale</li> <li>Describe diseconomies of scale</li> <li>Evaluate diseconomies of scale</li> </ul>	
	Monopoly	<ul style="list-style-type: none"> <li>Discuss the advantages of monopoly</li> <li>Discuss the disadvantages of monopoly</li> </ul>	
5 Role of government in an economy	The role of government	<ul style="list-style-type: none"> <li>Describe the government as a producer of goods and services</li> <li>Describe the government as an employer</li> </ul>	
	The aims of government policy	Describe the aims of government policy: <ul style="list-style-type: none"> <li>full employment</li> <li>price stability</li> <li>economic growth</li> <li>redistribution of income</li> <li>balance of payments stability</li> </ul>	
	Government policies	Explain and analyse the use of <ul style="list-style-type: none"> <li>fiscal policies</li> <li>monetary policies</li> <li>supply-side policies</li> </ul>	
	Possible conflicts between aims	Discuss the possible conflicts between these government aims	

**Section 4:** What you need to know

Theme	Topic	You should be able to:	Comments
	Taxation	Describe the types of taxation: <ul style="list-style-type: none"> <li>• direct</li> <li>• indirect</li> <li>• progressive</li> <li>• regressive</li> <li>• proportional</li> </ul> Describe the impact of taxation	
	Government influence on private producers	Discuss the government's influence on private producers: <ul style="list-style-type: none"> <li>• regulation</li> <li>• subsidies</li> <li>• taxes</li> </ul>	
6 Economic indicators	Prices	Describe how the retail/consumer price index is calculated	
	Inflation and deflation	<ul style="list-style-type: none"> <li>• Describe the causes of inflation</li> <li>• Describe the consequences of inflation</li> <li>• Describe the causes of deflation</li> <li>• Describe the consequences of deflation</li> </ul>	
	Employment	<ul style="list-style-type: none"> <li>• Describe the changing patterns of employment</li> <li>• Describe the changing levels of employment</li> </ul>	
	Unemployment	<ul style="list-style-type: none"> <li>• Discuss the causes of unemployment</li> <li>• Discuss the consequences of unemployment</li> </ul>	
	Output	<ul style="list-style-type: none"> <li>• Define Gross Domestic Product (GDP)</li> <li>• Describe and have a general understanding of the causes of economic growth</li> <li>• Describe and have a general understanding of the consequences of economic growth</li> <li>• Define the term recession</li> </ul>	
	Living Standards	Describe simple measures and indicators of comparative living standards, such as: <ul style="list-style-type: none"> <li>• GDP per head</li> <li>• Human Development Index (HDI)</li> </ul> Evaluate simple measures and indicators of competitive living standards, such as: <ul style="list-style-type: none"> <li>• GDP per head</li> <li>• Human Development Index (HDI)</li> </ul>	

Theme	Topic	You should be able to:	Comments
7 Developed and developing economies: trends in production, population and living standards	Developed and developing economies	<ul style="list-style-type: none"> <li>Describe why some countries are classified as developed</li> <li>Describe why some countries are not classified as developed</li> </ul>	
	Poverty	<ul style="list-style-type: none"> <li>Recognise poverty</li> <li>Describe the difference between absolute and relative poverty</li> <li>Discuss policies to alleviate poverty</li> </ul>	
	Population growth	<p>Describe the factors that affect population growth:</p> <ul style="list-style-type: none"> <li>birth rate</li> <li>death rate</li> <li>fertility rate</li> <li>net migration</li> </ul> <p>Discuss reasons for the different rates of population growth in different countries</p>	
	Population changes	<ul style="list-style-type: none"> <li>Analyse the problems of these population changes for countries at different stages of development</li> <li>Analyse the consequences of these population changes for countries at different stages of development</li> </ul>	
	Changing size and structure of population	<ul style="list-style-type: none"> <li>Describe the effects of the changing size of population on an economy</li> <li>Describe the effects of the changing structure of population on an economy</li> </ul>	
	Living standards	<ul style="list-style-type: none"> <li>Discuss differences in living standards within countries, both developed and developing</li> <li>Discuss differences in living standards between countries, both developed and developing</li> </ul>	

## Section 4: What you need to know

Theme	Topic	You should be able to:	Comments
8 International aspects	Specialisation	<ul style="list-style-type: none"> <li>Describe the benefits of specialisation at regional levels</li> <li>Describe the disadvantages of specialisation at regional levels</li> <li>Describe the benefits of specialisation at national levels</li> <li>Describe the disadvantages of specialisation at national levels</li> </ul>	
	The balance of payments	<ul style="list-style-type: none"> <li>Describe the structure of the current account of the balance of payments</li> <li>Discuss the causes of current account deficits and surpluses</li> <li>Discuss the consequences of current account deficits and surpluses</li> </ul>	
	Exchange rates	Define exchange rates	
	Exchange rate fluctuations	<ul style="list-style-type: none"> <li>Discuss the causes of exchange rate fluctuations</li> <li>Discuss the consequences of exchange rate fluctuations</li> </ul>	
	Protection	Describe methods of trade protection	
	Free trade and protection	<ul style="list-style-type: none"> <li>Discuss the merits of free trade</li> <li>Discuss the merits of protection</li> </ul>	

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