

**SMART EXAM RESOURCES**  
**0455/0987(9-1) IGCSE ECONOMICS**  
**PAPER-2- MARKSCHEME**

**MARKSCHEME: 1**

- ) Explain the significance of opportunity cost for a government when making its spending decisions. [4]**

Up to 2 marks for defining opportunity cost– best alternative (1) forgone (1).

Up to 2 marks for recognising that if a government changes its spending on one area (1) it will have an impact on how much it can spend on another area/areas (1).

Up to 2 marks for recognising that a government has limited tax revenue (1) and limited ability to borrow (1).

Up to 2 marks for recognising that a country has limited resources (1) and so if more resources are devoted to one area, less can be devoted to other areas (1).

Note: a maximum of 4 marks overall.

## MARKSCHEME: 2

Why may less wheat be the opportunity cost of producing more milk?

[2]

- Opportunity cost is the cost of the (next) best alternative foregone (1).
- Land / resources used for growing wheat may be used to keep cows (1) reducing the amount of wheat that can be produced (1).

## MARKSCHEME: 3

<p><b>Explain, using an example, the influence of opportunity cost on government decision-making.</b></p> <p>Logical explanation which might include:</p> <p>Opportunity cost is the (next) best alternative (1) forgone / given up / sacrificed (1)</p> <p>Governments (always) consider opportunity cost when making a decision on spending money (1) to maximise the welfare of society (1).</p> <p>Governments have to make a choice as they have a limited income/budget (1).</p> <p>For example, if the government spends on building a new hospital (1) the opportunity cost may be a new school (1) as the government thinks that the opportunity cost of building a new a new hospital is lower than building a new school (1).</p>	<p><b>4</b></p>	<p>Don't reward examples using personal consumption e.g. tea / coffee</p>
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## MARKSCHEME: 4

<p><b>Identify the opportunity cost of households spending their income and the opportunity cost of Chinese firms exporting goods and services.</b></p> <p>Saving (1) selling the products at home / consuming the products (1).</p>	<p><b>2</b></p>
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## MARKSCHEME: 5

Explanation of principle. Must mention 'next best' or 'best' for 2 marks. Application in terms of what might be given up – for example, might get higher pay but give up shorter journey, might give up possible alternative job, might give up holidays by switching employment, 1 mark. [3]