IGCSE ECONOMICS · 1.1 THE MARKET SYSTEM · CHAPTER 12 · PAPER 1

Privatisation

Topic question sheet L12 | **Total: 31 marks** | **Time: 35 minutes** | **Student Book pp. 81–88**

Instructions: answer **all** questions. Write your answers on lined paper. The marks for each question are shown in brackets: use them as a guide to how much to write.

Calculators may be used. Show your working. Draw diagrams in pencil and label them fully. The mark scheme starts on a new page: do not look at it until you have finished.

Section A: Multiple choice

One mark each. Choose **one** answer: A, B, C or D.

1 Which of the following is a motive for privatisation? **(1)**

A Improve the welfare of shareholders
B Generate money for the government
C Increase growth in the public sector
D Reduce externalities

2 Many workers suffer as a result of privatisation because: **(1)**

A they are often relocated
B they are not allowed to join a trade union
C their jobs are at risk
D they pay more tax

3 Private firms bidding to provide school meals previously supplied by the state is an example of: **(1)**

A nationalisation
B contracting out
C a public good
D a merger

4 A natural monopoly is most likely to exist in: **(1)**

A the supply of mains water
B clothing retail
C restaurants
D smartphone apps

Section B: Short answers

Define, state, calculate, draw and explain. Show your working for calculations.

5 Define the term **privatisation**. **(1)**

6 Calculate the percentage of Kes Air's workforce that could lose their jobs. You are advised to show your working. **(2)**

7 Explain how privatisation might improve the efficiency of a business. **(3)**

8 Explain **one** way the government might benefit from privatising Kes Air. **(3)**

© Doshonomics. Written in the style of the exam. Not an official Pearson paper or mark scheme.

Section C: Data response

Read the extract, then answer the questions. Use evidence from the extract in every answer.

Extract: Privatising the national airline of Kesland

The government of Kesland plans to sell 70% of its national airline, Kes Air, to private investors. Kes Air has made losses in six of the last ten years and its planes are on average 18 years old. The sale is expected to raise US$900 million.

The airline employs 12 000 people. A trade union has warned that up to 3000 jobs could be lost. Kes Air is the only airline allowed to fly on several domestic routes.

Fictional case, written for this sheet.

9 With reference to the extract, analyse the likely effects of the privatisation on Kes Air's workers. **(6)**

10 With reference to the extract, evaluate whether the privatisation of Kes Air will benefit consumers. **(12)**

© Doshonomics. Written in the style of the exam. Not an official Pearson paper or mark scheme.

IGCSE ECONOMICS · 1.1 THE MARKET SYSTEM · CHAPTER 12 · PAPER 1

Mark scheme: Privatisation

How to mark: Multiple choice, Define, State: 1 mark. **What is meant by** (2): two separate parts to the definition. **Calculate**: working and answer (with units). **Draw** (3): one mark per correct labelled feature. **Explain** (3): 1 for a point, 2 for developing it in context. **Analyse** (6): knowledge 2, application 2, analysis 2. **Assess** (9) and **Evaluate** (12) are marked by levels: choose the level that best fits the whole answer. Indicative content is a guide: credit other valid points.

Section A

1 *Which of the following is a motive for privatisation? (1 mark)*

Answer: B (Generate money for the government). Selling assets raises revenue.

2 *Many workers suffer as a result of privatisation because: (1 mark)*

Answer: C (their jobs are at risk). New owners cut costs, often through redundancies.

3 *Private firms bidding to provide school meals previously supplied by the state is an example of: (1 mark)*

Answer: B (contracting out). Contracting out is a form of privatisation.

4 *A natural monopoly is most likely to exist in: (1 mark)*

Answer: A (the supply of mains water). One network of pipes serves the whole market most cheaply.

Section B

5 *Define the term privatisation. (1 mark)*

Selling a company or activity controlled by the government to private investors (1).

6 *Calculate the percentage of Kes Air's workforce that could lose their jobs. You are advised to show your working. (2 marks)*

Working: 3000 ÷ 12 000 × 100 (1).

Answer: 25% (1).

7 *Explain how privatisation might improve the efficiency of a business. (3 marks)*

Point: private owners want profit (1).

Development: so managers cut waste and costs (1) and improve service to keep customers, especially if there is competition (1).

8 *Explain one way the government might benefit from privatising Kes Air. (3 marks)*

Point: revenue from the sale (1).

Development: US$900 million could repay debt or fund services (1); and no longer having to cover Kes Air's losses (1).

© Doshonomics. Written in the style of the exam. Not an official Pearson paper or mark scheme.

Section C

9 *With reference to the extract, analyse the likely effects of the privatisation on Kes Air's workers. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): new owners aim for profit and cut costs; redundancies.

Application (2): 12 000 employees; up to 3000 (25%) jobs at risk; losses in six of ten years.

Analysis (2): to return to profit the owners cut staff and push remaining workers to be more productive; unemployment for those made redundant, though new investment could create some jobs later.

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, evaluate whether the privatisation of Kes Air will benefit consumers. (12 marks · levels)*

For: private investment could replace 18-year-old planes; better service and efficiency; profit motive.

Against: Kes Air is the only airline on several domestic routes, so it could raise fares; unprofitable routes may be cut; job cuts may reduce service quality.

Judgement: consumers benefit only if competition is allowed on domestic routes or a regulator controls fares; otherwise a private monopoly may harm consumers.

Levels: L1 1–3 · L2 4–6 · L3 7–9 · L4 10–12 (balanced, well-developed arguments using the data throughout, and a justified conclusion that answers the question).

Original practice questions written in the style of the Pearson Edexcel International GCSE Economics (4EC1) papers. This is not an official paper. Unless a source is given, the firms, countries and figures are fictional and made up for practice.

© Doshonomics. Written in the style of the exam. Not an official Pearson paper or mark scheme.