



**2010 Economics**

**Standard Grade Credit**

**Finalised Marking Instructions**

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## 2010 Economics

### Standard Grade – Credit

#### Marking Instructions

##### Question 1

- (a) There would not be enough workers to fill the jobs. **1 ES**
- (b) It is inelastic because at each and every wage rate (1), the same amount of labour will be supplied (1). The supply curve is vertical. No more will be supplied if the wage rate increases because it is not available. Elasticity is less than 1 (1). **2 ES**
- (c) (i) Minimum wage is the least amount that a firm can pay someone per hour for their labour. This has been set by law.  
It is the legal amount set by the Government. **2 KU**
- (ii) There is no demand for labour at £300 therefore people would not get a job. It makes no difference how many people want to work at this wage, there is no demand. However, if employers in this market need workers, they will need to pay the minimum wage which will increase their costs. **4 ES**
- (d) Labour is not wanted for itself but for the goods and services that it can produce. A good example well explained would get 2 marks. **2 KU**

##### Question 2

- (a) There are more jobs in particular areas which is drawing people to them. The price of housing is lower in these areas which may encourage people to go there to live and commute to areas where they work. There are better amenities leading to an increased standard of living making these areas more attractive. There is better education. There is better health care.  
4 points – 1 mark each; 2 points well explained – 2 marks each; or a combination of this. **4 ES**
- (b) Occupation mobility of labour (1) is the ability to change from one occupation to another (1) or from one area of the country to another (1) – geographical mobility (1). **4 KU**
- (c) An increase in the number of skilled people which could boost productivity. An increase in demand for the goods and services produced in the country. A greater demand for government services leading to increased taxation. Increased production could lead to an improvement on the Balance of Payments but more money could be being sent back to families in the countries of origin which would be detrimental. **4 KU**

### Question 3

- (a) (i) The costs of the raw materials, labour, etc used to produce the goods. **1 KU**
- (ii) Supermarkets try to win custom by lowering their prices. Others follow suit to win customers back. **1 KU**
- (b) (i) 60% of the selling price of £1 = 60p. **1 ES**
- (ii) 25% of £1.60 = 40p. **1 ES**
- (iii) They might have tried to become more capital intensive to lower variable costs.  
They might have made people redundant to lower wages.  
They could have tried to find cheaper suppliers of milk or other raw materials.  
They could have decreased the size of a pot of cream and sold it at the same price.  
They could have tried to advertise to increase total sales and total profits.
- Any 2 actions – 2 marks each **4 ES**
- (c) (i) Conglomerate/diversification. **1 KU**
- (ii) It could allow them to take advantage of economies of scale such as being able to buy in bulk as they will require more materials. (Accept any economy of scale explained.)  
They might have been able to shed some of their workers and lower their labour costs.  
They might have been able to share transport and sell off some assets.  
Any 2 reasons – 2 marks each. **4 KU**
- (d) They may have been squeezed to sell the cream at a lower profit to keep the supermarkets custom.  
The rising costs are likely to have put up their costs which they may not be able to pass on to the consumers.  
Rising oil prices will increase the costs of fuel which will impact on their own deliveries plus the deliveries of their suppliers who may have to put up their prices, thus reducing further the profit levels of Clever Creameries.  
6 points – 1 mark each or 3 well explained for 2 marks each. Max 2 marks per item. **6 ES**

#### Question 4

- (a) Cash. **1 ES**
- (b) (i) Liquidity is the closeness an asset is to cash. **2 KU**
- (ii) It is given out for a shorter period of time (1) and for a lesser amount (1). **2 KU**
- (c) They charge interest at different rates for lending and borrowing. The difference between these rates is profit. They also charge customers for some services. **2 KU**
- (d) The demand for car loans may fall because people are concerned that they may not have enough money to pay for the cars if their wages do not go up in line with inflation and they are worse off in real terms.  
On the other hand, people may decide to buy cars whilst they are still affordable and thus the demand will rise as people perceive them to be a better buy now rather than later.  
4 items – 1 mark each or 2 items well explained – 2 marks each. **4 ES**

#### Question 5

- (a) (i) Economic growth is an increase in real output over a period of time. **1 KU**
- (ii) Over the period, the Arachnian economy has grown every year. The percentage has increased each year showing that the economy is growing at a faster rate in Year 4 than in Year 1.  
Answers must give an indication of time and extent, ie rapidly. Figures must also be included for full marks. **2 ES**
- (b) A surplus is when the Export revenue exceeds the Import Payments **1 KU**
- (c) (i) A weaker Arachnian pound would mean that exports would be cheaper and possibly rise in volume whereas imports would be more expensive and demand for them might fall. This would be beneficial. However, the imports may be essential which would be unfavourable **4 ES**
- (ii) A stronger Arachnian pound would make the exports more expensive and possibly less attractive. Imports would be cheaper and potentially more attractive leading to a potential Balance of Payments deficit.  
(The effect on the Balance of Payments must be explained for full marks.) **4 ES**

**Question 6**

- (a) No (no marks). Demand is falling. Unemployment is rising. People are struggling to ensure that their jobs are safe.  
Straight copies of the headlines – 0 marks. **3 ES**
- (b) (i) Structural. **1 ES**
- (ii) Demand for that type of product is disappearing which means that demand for labour to produce it is also falling. **2 KU**
- (iii) Frictional, Cyclical, Seasonal, Voluntary, Residual, Technological. **2 KU**
- (c) It would cut the costs of the firm which might then be able to keep on more people rather than making them redundant. Lower costs could be passed on to customers making the goods more attractive and possibly increasing demand. **2 ES**
- (d) A Giffen Good is one where people consume more of it as the price rises. **1 KU**

[END OF MARKING INSTRUCTIONS]