



National  
Qualifications  
2015

**X722/75/11**

**Economics**

TUESDAY, 28 APRIL

1:00 PM – 2:30 PM

**Total marks — 70**

**SECTION 1 — 30 marks**

Attempt ALL questions.

**SECTION 2 — 40 marks**

Attempt ALL questions.

You may use a calculator.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



\* X 7 2 2 7 5 1 1 \*

**SECTION 1 — 30 marks**  
**Attempt BOTH questions**

1. In order to produce goods and services, businesses require resources. Businesses face choices in the way resources are used and this inevitably leads to opportunity cost. The same is also true for households who face choices every day.

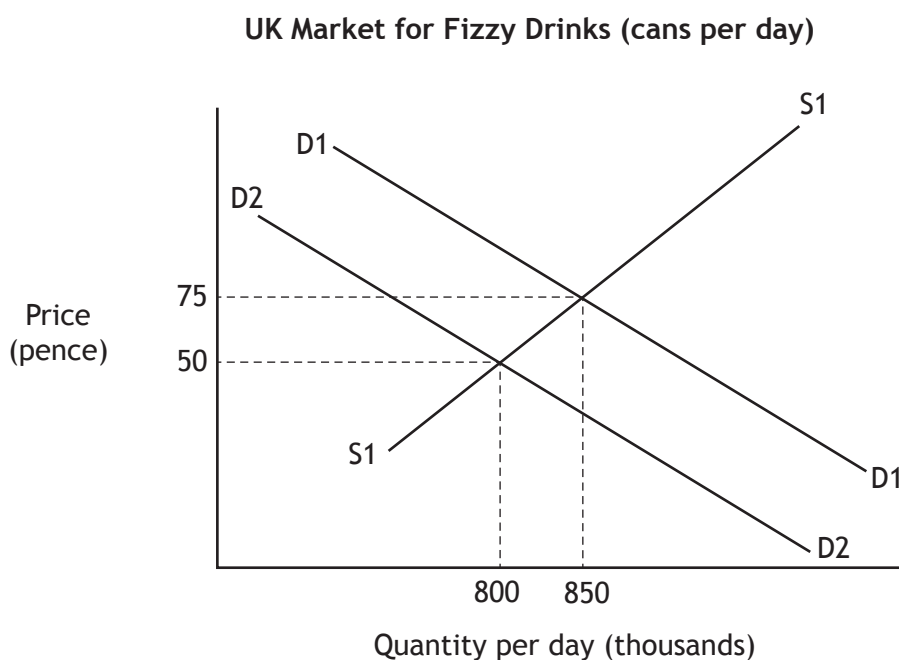
The Silva family used their savings to set up their own ice cream business. The business has recently expanded throughout the European Union. In order to expand they took out a loan from the bank when interest rates were low. The Silvas were inspired by other Scottish entrepreneurs who have successful businesses throughout the world.

- |   |   |
|---|---|
| (a) Describe, using an example, what is meant by the term “opportunity cost”.   | 2 |
| (b) Apart from a bank loan, identify <b>one</b> way the Silva family could borrow money.                                      | 1 |
| (c) Explain, in what ways, an increase in the interest rate would affect:   |   |
| (i) savers;   | 2 |
| (ii) borrowers.   | 2 |
| (d) Describe <b>2</b> ways in which the Silva family could improve the productivity of their family business.                 | 2 |
| (e) (i) Name a well-known Scottish entrepreneur.  | 1 |
| (ii) Describe <b>one</b> benefit their business brings to the Scottish economy.   | 1 |
| (f) Describe <b>2</b> economic advantages and <b>2</b> economic disadvantages of the UK being a member of the European Union. | 4 |

2. The Health Campaign known as “No Fizz for Kidz” suggests a link between the consumption of fizzy drinks and the number of children suffering from tooth decay and obesity. This campaign has led to a fall in demand for fizzy drinks.

The Government is also considering an indirect tax on all fizzy drinks. Producers of these drinks claim that this may lead to job losses.

The diagram below shows the UK market for fizzy drinks.



- (a) Describe what is meant by the market for fizzy drinks. 2
- (b) State the equilibrium price and quantity before the advertising campaign. 1
- (c) Describe why supply curves usually slope upwards from left to right. 2
- (d) Calculate the change in total revenue for fizzy drinks following the shift in demand from D1 to D2. 2
- (e) State 2 reasons why the Government may wish to tax fizzy drinks. 2
- (f) Describe the disadvantages for the UK economy of increased government spending on childhood health problems. 2
- (g) Describe 2 effects of unemployment on:
- (i) individuals; 2
- (ii) firms. 2

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## SECTION 2 — 40 marks

Attempt ALL questions

3. (a) Define the term “disposable income”. 2
- (b) Explain in what way an increase in income tax might affect the level of savings. 2
- (c) Describe an advantage and a disadvantage of using a
- (i) credit card; 2
  - (ii) bank loan. 2
- (d) Compare, using examples, the difference between a want and a need. 2
4. A single Bluefin tuna has been sold in a Japanese fish market for a new record price. The sale came at the same time as warnings that tuna stocks (which are a finite resource) are being overfished.
- (a) Describe in what way the following factors would affect the price of a product like tuna. Give a reason for each of your answers.
- (i) A successful advertising campaign. 2
  - (ii) A rise in the price of a substitute good. 2
- (b) Describe why demand usually falls as price rises. 2
- (c) Using a demand and supply diagram, describe the impact that overfishing might have on the equilibrium price and quantity of Bluefin tuna in the future. 4
5. A bicycle firm’s supply curve shows the quantity of bicycles it is willing to supply at different prices.
- (a) Describe 3 factors which could increase the supply of bicycles. 3
- (b) Describe, using examples, what is meant by fixed costs and variable costs. 4
- (c) Draw a diagram showing the relationship between fixed, variable, and total costs. 3

	<b>MARKS</b>
6. (a) Describe 2 characteristics of emerging (NIC) economies.	2
(b) Explain the effect of a fall in the value of the pound on:	
(i) a tourist from Belgium visiting the UK;	2
(ii) a UK firm importing from the Eurozone.	2
(c) (i) Describe 2 trade barriers which could be used to reduce a trade deficit.	2
(ii) Explain how each trade barrier would work.	2

**[END OF QUESTION PAPER]**

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