



2012 Economics

Standard Grade - Credit

Finalised Marking Instructions

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Marking Instructions

Question 1

(a) A “recession” is a general slow-down in the economy. **1 KU**

(b) (i) Economic – loss of the land for other use.
Social – damage on environment, wildlife; noise pollution. **2 KU**

(ii) Economic – construction jobs created, faster transport links, increased tourism through better access
Social – less pollution as less congestion
– could become iconic (like Forth Rail Bridge). **2 KU**

Different examples must be used for each one.

(c) (i) Advantage – there may be contracts for the local employers; skilled workers might be attracted to the areas. **1 KU**

(ii) Advantage – there will be increased taxes from income; more money from rates on the new buildings. **1 KU**

(d) There are good links with other areas ie motorway, rail and air.

The college will be able to provide them with workers and may provide courses that specialise in the areas wanted.

There could be a larger demand for their products because of the expected increase in population.

There is the possibility of a pool of workers in the area from the increased population.

Accept transport or college well explained for 2 marks. **2 ES**

Question 2

- (a) Pictopia. **1 ES**
- (b) (i) Pictopia = 1 TV : 10 tonnes of apples. }
(ii) Arachnia = 1 TV : 15 tonnes of apples. } Must show tonnes. **2 ES**
- (c) Arachnia. **1 ES**
- (d) Yes. (1 mark)

If both specialise and trade, their resources will be used to their optimum level giving the highest possible output. If they set an exchange rate of 1 TV = 10 apples, they will both be better off in terms of resource usage as Arachnia would lose 1500 tonnes of apples if they specialised in TVs to make 100.

Pictopia 300 TVs 1000 apples
Arachnia 100 TVs 500 apples

3 ES

- (e) To ensure that unemployment does not rise.
To protect any new industries that might start up.
To ensure that they are not relying on other countries who might decide not to trade with them. **3 KU**

- (f) Public goods are goods that are provided by the Government for all to have.
Merit goods are provided because the Government feels that they are of particular benefit to the economy.

One mark for explanation of public
One mark for explanation of merit
One mark for suitable example of both eg

Merit – education, health, housing, roads.
Public – lighthouses, street lights, refuse collection, pollution control, roads, defence, parks, fire service, police.

3 KU

Question 3

- (a) (A normal supply curve slopes upwards to the right because higher prices will encourage suppliers to provide more as they will make higher profits); (more suppliers will be attracted into the industry which will increase overall supply). **2 KU**
- (b) (Output is the amount that producers manufacture) whereas (supply is the amount that they are prepared to put onto the market). **2 KU**
- (c) (i) It increased. **1 ES**
- (ii) Lower taxation;
Cheaper raw materials;
Cheaper wages.
More firms entering the market = 0 **2 KU**
- (iii) The equilibrium price will fall. The demand curve will remain the same but the cost of supplying that amount will fall encouraging a higher level of demand and a movement along the demand curve. **2 KU**
- (d) (i) Percentage change in quantity supplied over percentage change in price. Quantity has changed from 1,000 to 1,100. The percentage change in price is 20% ie £1/£5 and the percentage change in quantity is 10% ie 100/1000 giving an elasticity of $\frac{1}{2}$. Elasticity is inelastic meaning that supply does not change dramatically when there is a change in price.

Calculation = 1
Correct elasticity = 1
Comment = 1 **3 ES**
- (ii) Availability of raw materials.
Availability of workers.
The ability to increase the level of production ie factory size. **1 KU**

Question 4

- (a) (i) inflation is a general rise in the level of prices. **1 KU**
- (ii) economies of scale are savings made when the level of production increases. **1 KU**
- (b) The inflation rate is only 4% meaning that the rise is above inflation. This will fuel further cost push inflation as well as demand pull causing an inflationary spiral. Firms may not be able to afford the rise and may make workers redundant causing an increase in benefits paid out by the Government and also a fall in taxation revenues both from income tax and also from indirect taxation. **4 ES**
- (c) Borrowers, speculators and property owners.
- Borrowers would pay back less in real terms. Speculators could buy commodities at a low price and sell them at a higher price. Property prices would be expected to rise and owners could sell on at a higher price in the future. **2 KU**
- (d) (1)
(Wages freezes) – (this would limit the size of the increase and stop the pressure on costs. It would also limit the spending ability of consumers). (1)
(1)
(Cut Government spending) (which would decrease the amount of money in the economy).
(1)
(Cut Government borrowing), (lowering the demand for money and cutting pressure on interest rates).
- Policy = 1
Explanation = 2 **6 ES**

Question 5

- (a) An entrepreneur is the risk taker who brings the other factors of production together. The person who comes up with a business idea. **1 KU**
- (b) (i) £1,940. **1 ES**
- (ii) Blair will not be able to cover all of his costs from his revenue. **1 ES**
- (iii) Blair would have to find ways of reducing his costs, increasing the level of his sales. He could move to cheaper premises. **4 ES**
- (c) Family and friends; Prince's Youth Trust; other young entrepreneur financing schemes.
ID = 1; Description = 1 **4 ES**
- (d) Unlimited liability means that there is no limit on the claim on his finances. He could lose everything that he has in order to pay off the debts of his firm. **2 KU**

Question 6

- (a) Arachnia. **1 ES**
- (b) (i) Rutherland. **1 ES**
- (ii) Pictopia's productivity rose by approximately 16%. Arachnia's productivity fell. Scotopia's rose by approximately 6% whereas Rutherland's rose by 20%. **2 ES**
- (c) Peron Manufacturing has decided to become more capital intensive in Arachnia but not in Rutherland.
- (i) Capital intensive means using more machinery than labour. **1 KU**
- (ii) Arachnia has become less efficient. All of the other countries have shown a decrease with Rutherland showing the greatest increase. There is no economic need to change production techniques in Rutherland. **4 ES**
- (d) Strike – total withdrawal of labour – refusal to attend the workplace.
Go slow – attend workplace but work at a slower pace.
Work to rule – only undertake those tasks which are contractual.
Sit in – occupy the premises and refuse to leave. **2 KU**
- (e) Peron Manufacturing could offer incentive schemes to their workers such as bonus payments which would be paid out only if the workers reached their targets, making their conditions more attractive, raise the morale of their workers, undertake schemes to lower absenteeism.
- *Must concentrate on labour. **3 ES**

[END OF MARKING INSTRUCTIONS]