



**2013 Economics**

**Standard Grade Credit**

**Finalised Marking Instructions**

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## **Part One: General Marking Principles for Economics Standard Grade Credit**

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

### **GENERAL MARKING ADVICE: Economics Standard Grade Credit**

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

## Part Two: Marking Instructions for each Question

### Question 1

- a** Occupational **(1)** – Nichola changed from teaching to dog grooming **(1)**;  
Geographical **(1)** – They both moved to Switzerland **(1)**. Must be  
example. **4 ES**
- b** **(i)** (The term “public sector” is that sector of the economy controlled by the  
Government) and operated on behalf of the people. **1 KU**
- (ii)** Lack of qualified people;  
Wages are not high enough to attract people;  
Geographical immobility;  
People are not interested in teaching;  
Better conditions in other professions;  
Wages rising faster in the private sector. **3 ES**
- c** **(i)** The term “recession” means a continued downturn in the economy. **1 KU**
- (ii)** Increased spending – create jobs which would increase demand  
Borrow more money – spend this which would increase overall demand  
and create more jobs. **6 ES**
- d** Loss of taxation revenue from their wages;  
Lost skills within the economy;  
To a small degree, loss of their spending within the economy  
Loss of GDP contribution. **2 KU**

### Question 2

- a** **(i)** CPI – Consumer Price Index – changes in prices paid by consumers for  
a representative basket of goods and services.
- (ii)** Demand pull inflation – a rise in prices brought about by excessive  
demand in the economy.
- (iii)** GDP – Gross Domestic product – the amount of goods and services  
produced within the country. **3 KU**
- b** Over the period inflation has remained between 1.4% and 5.4%,  
reaching lows in 02-03 and 09-10 and highs in 08-09. It is expected to  
continue to rise in future years.
- Answer should mention figures **(1)** and years.**(1)** **2 ES**

- c (i)** No **1 KU**
- (ii)** Although there was a dip in the graph, there was still a measure of inflation meaning that the prices are still rising. **2 KU**
- d** Increase indirect taxation which would increase prices and slow down spending.  
Increase direct taxation which would cut down disposable income and spending.  
Cut down their own spending which would decrease demand for goods and services.  
Interest rates = 0
- (Report – pupils did not always note Rate)** **4 ES**

### Question 3

- a (i)** Direct taxation – taxes on incomes which must be paid; collected by the Government at source; progressive
- (ii)** Indirect taxation – taxes on spending, collected by firms at point of sale; regressive. **4 KU**
- b** Pensioners are on fixed incomes and do not necessarily pay income tax.  
They do pay on spending and would be harder hit by these taxes.  
Workers will pay both but will be harder hit by direct tax as they are earnings. **4 ES**
- c (i)** Employment in the UK – there could be a fall in demand for goods caused by the rise in prices. However, there will be an increase in disposable income which could result in an increase in demand. **3 ES**
- (ii)** The Balance of Payments – foreign goods might be cheaper and people might demand more of them. They will also have more money to spend and may spend it on these foreign goods which will cause the Balance of Payments to worsen. **3 ES**
- d** (There will be a loss of revenue) which (could result in a fall in spending on education for example). **2 ES**

#### Question 4

- a (i) Marginal cost – The addition to total cost with the production of one more unit **(1)**
- (ii) Average total cost – Total cost divided by output **(1)** **2 KU**
- b Total Cost is made up of Fixed and Variable Costs. **(1)** As the output rises the fixed costs are being spread over a larger output. **(1)** As a result, the average falls. AVC will stay the same and, with the addition of smaller amounts of FC, will come closer to ATC. **(1)** **3 KU**
- c (i) 600 **1 ES**
- (ii) At this point the firm is - covering total costs **(1)** and making most profit.**(1)** most efficient **(1)** ATC is lowest **(1)** **2 ES**
- d (i) This is the point where total costs equal total revenue. **1KU**
- (ii) They are covering their costs **(1)** and there is the possibility that there could be an improvement in the future leading to profits.**(1)** **2KU**
- e  $ATC = 5, AR = 8, Profit = 3$  **(1)**  
£3,000 **2 ES**

#### Question 5

- a (i) Conglomerate **1 ES**
- (ii) (They are spreading their risks over a wider market). (If one area fails they will have others to fall back on). **2 KU**
- b Share issue  
Mortgage on property  
Bank loan  
Government grant if they fulfil conditions  
retained profits **2 KU**
- Subsidy = 0
- c Seasonal  
Cyclical **2 ES**

**d**

Loss of taxes  
Payment of benefits  
Health costs increasing

} Describe!

Depression  
Crime  
lack of self esteem  
Anti – social behaviour  
Family break-ups

**2 KU**

### Question 6

- a**    **(i)**    Equilibrium price – The point at which demand equals supply. **1 ES**
- (ii)**    A contraction in demand – A movement along **(1)** the demand curve caused by a change in price **(1)**. **2 ES**
- b**            There has been a change in the conditions of demand.
- People may have changed their tastes away from this product.
- They may have less income.
- The price of complimentary goods may have risen causing the demand for this good to fall. **2 ES**
- c**            Effective demand occurs when the consumer has the ability to pay for the product **(1)** whereas derived demand occurs because there is demand for another resource which necessitates the demand for this resource **(1)**. **2 KU**
- d**            The curve slopes upwards because at low prices, suppliers will not be prepared to supply the product as they will not make a profit, whereas at higher prices they will be prepared to and more suppliers will enter the market with the expectation of making a profit. **2 KU**

[END OF MARKING INSTRUCTIONS]