



National  
Qualifications  
2016

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# 2016 Economics

## National 5

### Finalised Marking Instructions

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## General Marking Principles for National 5 Economics

*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 detailed marking instructions, which identify the key features required in candidate responses.*

- (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.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) 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.
- (d) i) Questions that ask candidates to Describe . . .  
Candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points. The points do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- One mark should be given for each accurate relevant point of knowledge.
- A second mark could be given for any point that is developed from the point of knowledge

- ii) Questions that ask candidates to Explain . . .  
Candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question:

- One mark should be given for each accurate relevant point of reason.
- A second mark could be given for any other point that is developed from the same reason

## Marking Instructions for each question

### Section 1

Question		Expected Answer(s)	Max Mark	Additional Guidance
1.	(a)	<p><i>Advantages of international trade for UK households and firms include:</i></p> <ul style="list-style-type: none"> <li>• greater choice/variety of goods and services for consumers</li> <li>• lower prices for consumers</li> <li>• increases quality of goods and services (because of world competition)</li> <li>• augments home supplies which may have shortages</li> <li>• companies can benefit from greater economies of scale</li> </ul> <p><i>Disadvantages of international trade for UK households and firms include:</i></p> <ul style="list-style-type: none"> <li>• unemployment in domestic/UK industries</li> <li>• increased competition may lead to some UK firms closing down</li> <li>• could lead to a deficit on the balance of payments</li> </ul>	4	<p>Award 1 mark for each description of an advantage and/or disadvantage.</p> <p>Max 3 for advantages/disadvantages - must have at least one advantage and disadvantage for full marks.</p> <p>Award development marks.</p> <p>Watch for repeats and flips, eg reduced prices for households and reduced prices for raw materials (max 1)</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(b)	<p><i>Measures a government could take to reduce the level of imports include:</i></p> <ul style="list-style-type: none"> <li>• Quota – limit the amount of a product that is allowed into a country</li> <li>• Tariff – a tax on imports</li> <li>• Subsidy – money given to home producers</li> <li>• Embargo – ban particular products or ban products from an individual country</li> <li>• Safety standards/impose regulations on goods</li> </ul>	2	<p>Award 1 mark for each description.</p> <p>ID not required, however if given it must match description.</p> <p>DNA a <u>use</u> of the measure - it must be description</p>
	(c)	<p><i>The UK trades with other EU countries because:</i></p> <ul style="list-style-type: none"> <li>• UK trade with the EU is ‘free’ ie without trade barriers (ID) which reduces cost/price (EXP).</li> <li>• The EU is culturally like the UK (ID) so produces the type of consumer goods that the UK wants (EXP).</li> <li>• Geographical location (ID) ie we are close to each other (ID) therefore transport cost are relatively low (EXP).</li> </ul>	2	<p>Award 1 mark for a valid explanation.</p>
	(d)	<p><i>Average revenue is defined as:</i></p> <ul style="list-style-type: none"> <li>• The amount of money received from selling one unit.</li> <li>• Therefore AR = Price</li> <li>• Formula is TR/number sold</li> </ul>	1	<p>Award 1 mark for the definition (in any format).</p> <p>Accept a worked numerical calculation.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(e)	Cost 	4	Award 1 mark each for accurately drawing the shape of the fixed cost curve, variable cost curve and total cost curve.  Award 1 mark for correct axis labels (must be cost and output, not price and quantity).
	(f)	<i>Measures that a firm might take to reduce its costs of production include:</i> <ul style="list-style-type: none"> <li>• Sourcing cheaper supplies</li> <li>• Reducing wages</li> <li>• Redundancy</li> <li>• Reducing expenses</li> <li>• Introduce mechanisation</li> </ul>	2	Award 1 mark for each suggestion.  If both reduce wages and reduce expenses are given, there must be an example an expense (other than wages) to gain the second mark.
2	(a)	(i) <i>Recession is apparent in:</i> <ul style="list-style-type: none"> <li>• 2008</li> <li>• 2009</li> </ul>	1	Award 1 mark for correct identification.
		(ii) <i>The trend in GDP between 2007 and 2010 is as follows:</i> <ul style="list-style-type: none"> <li>• 2007 - +0.75 → +0.6 → +0.75 → +0.5</li> <li>• 2008 - +0.25 → -2.2</li> <li>• 2009 - -1.75 → +0.4</li> <li>• 2010 - +0.5 → +1.0 → 0</li> </ul>	2	Award 1 mark per description.  Credit reference to specific figures, however figures are not necessary - candidates can refer to increases and decreases.  Accept if written in quarters rather than years.  Full marks can be awarded even if the trend does not encompass the whole period.  First mark must have 2 points to show a trend - the second mark will follow from that.

Question		Expected Answer(s)	Max Mark	Additional Guidance
2	(b)	<p><i>Economic growth is:</i></p> <ul style="list-style-type: none"> <li>• An increase in national income/an increase in GDP/an increase in the output or value of goods and services</li> <li>• Over a year/period of time</li> <li>• This relates to an increase in the productive capacity of an economy</li> <li>• This may be caused by discovery of new resources etc</li> </ul>	2	<p>Award 1 mark per description.</p> <p>Must mention increase in output to gain full marks.</p> <p>Award 1 mark for a basic definition (an increase in total output) and 1 further mark for a relevant characteristic or development eg it is shown as GDP</p>
	(c)	(i) <p><i>If there is entrepreneurial activity, then:</i></p> <ul style="list-style-type: none"> <li>• More people will start businesses (ID) which will lead to an increase in the production of goods and services (EXP)</li> <li>• More new business ideas will be generated (ID) which may create ways to increase productive potential (EXP)</li> </ul>	1	Award 1 mark for explanation.

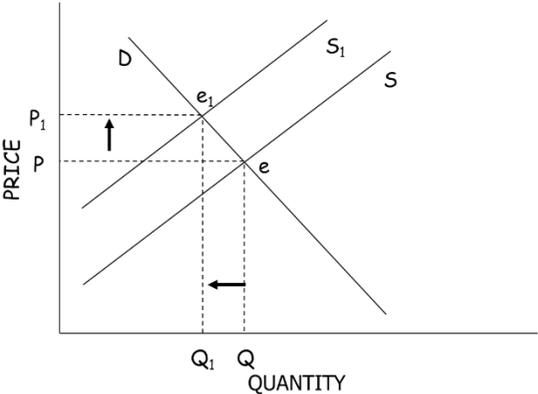
Question		Expected Answer(s)	Max Mark	Additional Guidance
	(ii)	<p><i>Other ways that the government may attempt to create economic growth include:</i></p> <ul style="list-style-type: none"> <li>• Improve quality and quantity of resources</li> <li>• Invest in technology infrastructure/research</li> <li>• Improve education</li> <li>• Update management techniques</li> <li>• Build new infrastructure</li> <li>• Reclaim land, using green/brown field sites</li> </ul> <p><i>Reduction in:</i></p> <ul style="list-style-type: none"> <li>• Income tax</li> <li>• Corporation tax</li> </ul>	2	<p>Award 1 mark per outline.</p> <p>Accept any answer which relates to increasing output or demand or supply side or changes in the circular flow, eg Increases in exports, investment or government spending Reductions in imports, savings or taxation.</p> <p>Accept any other appropriate answer.</p>
	(d)	<p><i>Possible causes of unemployment are:</i></p> <ul style="list-style-type: none"> <li>• Increased competition from foreign markets eg China</li> <li>• Demand for the product has fallen/recession/cyclical unemployment</li> <li>• Capital intensive production methods have been introduced/technological unemployment</li> <li>• Increased cost of inputs makes UK products uncompetitive</li> <li>• Structural unemployment - industry no longer required eg shipbuilding</li> </ul>	3	<p>Award 1 mark per description.</p> <p>Award technological, structural and cyclical unemployment with a description</p> <p>Note any other type of unemployment must be explicitly related to manufacturing.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(e) (i)	<p><i>Factors affecting standard of living are:</i></p> <ul style="list-style-type: none"> <li>• Employment</li> <li>• Inflation</li> <li>• Taxation</li> <li>• Income</li> <li>• Interest rates</li> <li>• Health care</li> <li>• Education</li> <li>• Benefit levels</li> </ul> <p><i>From the passage:</i></p> <ul style="list-style-type: none"> <li>• “virtually no inflation”</li> <li>• “pay rise”</li> <li>• “struggling to get a job”</li> </ul>	2	<p>Award 1 mark per identification.</p> <p>Accept any increase in government provided services which are free at the point of use.</p> <p>Credit ‘lifts’ from the passage but be aware of repetition.</p>
	(ii)	<p><i>Income may be redistributed by:</i></p> <ul style="list-style-type: none"> <li>• The government could increase the rate of income tax for high earners/reduce the rate of income tax for low earners</li> <li>• Make the tax system more progressive</li> <li>• Increased spending on welfare payments</li> <li>• Increasing the minimum wage</li> <li>• Provide public services</li> <li>• Eg, NHS, education, housing, transport, childcare</li> </ul>	2	<p>Award 1 mark per suggestion.</p>

## Section 2

Question		Expected Answer(s)	Max Mark	Additional Guidance		
3	(a)	<p><i>The factors of production (apart from labour) are:</i></p> <ul style="list-style-type: none"> <li>• Land - natural resources</li> <li>• Capital - man-made resources</li> <li>• Enterprise - bringing factors of production together</li> </ul>	3	<p>Award 1 mark for each factor - ID not required if the factor is outlined, however if given ID must match outline.</p> <p>Award marks if the outline is an example, only if it is identified eg:</p> <p>Land - a field Capital - a factory Enterprise - Duncan Bannatyne</p>		
	(b)	(i)		<p><i>An opportunity cost for a firm could be:</i></p> <p>eg a firm could choose to make pink blouses rather than green blouses, therefore the op cost is the green blouse</p>	1	<p>Award 1 mark for description.</p> <p>Candidate must clearly show the choice <u>and</u> identify the item which is the opportunity cost to be awarded the mark.</p>
		(ii)		<p><i>An opportunity cost for a firm could be:</i></p> <p>eg an individual could choose a Mars Bar rather than a Twix, therefore the op cost is the Twix</p>	1	<p>Award 1 mark for description.</p> <p>Candidate must clearly show the choice <u>and</u> identify the item which is the opportunity cost to be awarded the mark.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(c)	<p><i>If the rate of interest increases, the effects on a firm would be:</i></p> <ul style="list-style-type: none"> <li>• interest payments on loans would increase (ID) therefore increase in the cost of production (EXP 1) therefore firms are less likely to borrow/expand (EXP 2) this would cause a decrease in total profits (EXP 3) causing firms to raise prices to maintain profit margins (EXP 4)</li> <li>• consumers save more (ID) therefore demand for firms' products falls (EXP 1) and the firm's profit will fall (EXP 2)</li> </ul>	2	<p>Award 1 mark for each explanation.</p> <p>Award marks for explanation of interest received by a firm for saving or deposits.</p> <p>Any of the (EXP) shown could be (ID), then another (EXP) would be required.</p> <p>DNA bad/good as ID.</p> <p>DNA Flips eg loan interest payments rise therefore less likely to borrow AND return on savings rise therefore more likely to save</p>
	(d)	<p><i>An increase in income tax would result in:</i></p> <ul style="list-style-type: none"> <li>• Less disposable income (ID) therefore able to buy fewer goods and services (EXP)</li> <li>• Less disposable income (ID) therefore individuals may have to look at other sources of income (EXP)</li> </ul>	1	<p>Award 1 mark for explanation.</p>
	(e)	<p><i>Households can plan for financial uncertainty by:</i></p> <ul style="list-style-type: none"> <li>• Saving more</li> <li>• Spending less</li> <li>• Not borrowing</li> <li>• Avoiding use of credit card</li> <li>• Keeping to a budget</li> </ul>	2	<p>Award 1 mark for each suggestion.</p> <p>Allow 2 specific methods of saving eg saving in a pension, an ISA, a bank account.</p>

Question	Expected Answer(s)	Max Mark	Additional Guidance
4. (a)	<p><i>Cold weather would affect the market for daffodils by:</i></p> <ul style="list-style-type: none"> <li>• Correctly labelled axes and diagram [Price, Quantity, P, Q, D and S].</li> <li>• Supply decreases plus label (move to the left)</li> <li>• New <math>P_1</math> and <math>Q_1</math>. (or <math>e^1</math>)</li> </ul>  <ul style="list-style-type: none"> <li>• In cold weather fewer daffodils survive (ID) therefore fewer of them are available to supply which pushes the price up as consumers compete to buy them (EXP).</li> <li>• Supply curve shifts to the left/decreases (ID) which causes the equilibrium price to rise and the equilibrium quantity to fall (EXP)</li> </ul>	4	<p>Award up to 3 marks for diagram.</p> <p>Award up to 2 marks for explanation.</p> <p>If the explanation is only describing the diagram, both changes to price and quantity are required to award 1 mark.</p> <p>Eg:</p> <p>The cold weather would mean a fall in supply of daffodils (ID). This would cause an increase in equilibrium price as firms are charging more for the daffodils to protect their profits (EXP).</p> <p>The cold weather would mean a fall in supply of daffodils (ID). This would cause an increase in equilibrium price (no mark - must mention quantity in this basic answer).</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(b)	The market for daffodils is where the buyers and sellers of daffodils come together (1) to agree a price and make an exchange (1).	2	Award 1 mark for each description.  Must mention 'exchange' in some form for second mark.
	(c)	<p><i>Factors which influence demand include:</i></p> <ul style="list-style-type: none"> <li>• Change in income</li> <li>• Change in the price of substitutes (eg roses)</li> <li>• Change in the price of complements (eg vases)</li> <li>• Change in trends eg health scares</li> <li>• Change in fashion</li> <li>• Change in the population</li> <li>• New advertising campaign</li> </ul>	4	Award 1 mark for each description.  Examples not required, but will sometimes enhance the answer.  Accept changes in prices.
5.	(a)	<p><i>Calculate the rate of inflation in the UK by:</i></p> <ul style="list-style-type: none"> <li>• Complete the Living Costs and Food Survey (Family Expenditure Survey) to find out what average families buy</li> <li>• Create a basket of goods</li> <li>• Give a weight to each item in the basket based on importance</li> <li>• Gather prices from retailers around the country.</li> <li>• Check prices from last time</li> <li>• Calculate percentage change in prices</li> <li>• Add up all the percentage changes and calculate an average change, this is inflation</li> </ul>	3	Award up to 3 marks for description.  The steps do not have to appear in the correct sequence.  Credit a comparison of RPI and CPI (max 1).

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(b)	<p><i>The difference between capital and current spending is:</i></p> <ul style="list-style-type: none"> <li>• Capital – long term spending/spending on fixed assets</li> <li>• Examples include spending on new/building highways; airports; schools; hospitals</li> <li>• Current – regular spending/day to day spending</li> <li>• Examples include salaries for teachers &amp; health care workers; drugs used in the National Health Service</li> </ul>	4	<p>Award 1 mark for each description.</p> <p>Award 1 mark for each valid example.</p> <p>Capital expenditure example must state or imply ‘new’ or ‘building’.</p> <p>DNA - ‘spending lots’ or ‘spending on big things’ or equivalent</p>
	(c)	<p><i>The government measures UK unemployment by:</i></p> <ul style="list-style-type: none"> <li>• Claimant Count - the government counts the number of people claiming Job Seekers Allowance/JSA/unemployment benefit</li> <li>• Labour Force Survey - surveys a sample of the population to ask if they are unemployed</li> </ul>	1	<p>Award 1 mark for description.</p> <p>ID not required.</p> <p>DNA ‘claiming benefits’.</p> <p>DNA ‘a survey’ without reference to employment status.</p>
	(d)	<p><i>The effects of inflation on individuals includes:</i></p> <ul style="list-style-type: none"> <li>• Individuals spending power is decreased/prices of goods and services are rising/cost of living is rising (ID) so individuals can afford to buy less (EXP)</li> <li>• Individuals can afford to buy less (ID) so their standard of living falls (EXP)</li> <li>• Savers lose out (ID) as the real value of their savings is reduced (EXP)</li> <li>• Borrowers gain (ID) as the real value of their repayments falls (EXP)</li> </ul>	2	<p>Award 1 mark for each explanation.</p> <p>DNA bad/good as ID.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
6.	(a)	<p><i>A multinational company is:</i></p> <ul style="list-style-type: none"> <li>• A company that operates in more than one country</li> <li>• A company that has an HQ in one country and production facilities in others</li> <li>• A multinational company is one where branches or production facilities are located worldwide</li> <li>• Examples include: McDonalds, BP, Coca-Cola, Pizza Hut</li> </ul>	2	<p>Award 1 mark for description.</p> <p>Award 1 mark for any valid example.</p> <p>DNA 'sells' in more than one country.</p>
	(b)	<p><i>Advantages may include:</i></p> <ul style="list-style-type: none"> <li>• jobs are created/unemployment is reduced</li> <li>• increased exports from Scotland</li> <li>• benefits to related businesses/suppliers</li> <li>• increased tax revenue for the Government</li> <li>• reduced benefit payments</li> <li>• may bring ideas and innovation which can be used by other Scottish firms</li> </ul> <p><i>Disadvantages may include:</i></p> <ul style="list-style-type: none"> <li>• negative impact on competing firms</li> <li>• external costs (pollution, traffic congestion)</li> <li>• repatriation of profits to home country</li> <li>• the MNC may leave</li> <li>• cost of Government incentives</li> <li>• MNC may only provide low paid "screw driver" jobs</li> <li>• senior positions may be brought from home country</li> </ul>	4	<p>Award 1 mark for any advantage.</p> <p>Award 1 mark for any disadvantage.</p> <p>Maximum 3 marks for advantages/disadvantages - must have at least one advantage and disadvantage for full marks.</p> <p>Award development marks.</p> <p>Watch for flip of increases/decreases in employment.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(c) (i)	<p><i>Scottish exports eg:</i></p> <ul style="list-style-type: none"> <li>• oil</li> <li>• whisky</li> <li>• tourism</li> <li>• financial services</li> <li>• salmon/shortbread/irn bru</li> </ul>	1	<p>Award 1 mark for any valid identification of a Scottish export.</p> <p>Food products must be specific.</p>
	(ii)	<p><i>Scottish imports eg:</i></p> <ul style="list-style-type: none"> <li>• rice/oranges/avocado</li> <li>• oil</li> <li>• cars/clothes/paper</li> </ul>	1	<p>Award 1 mark for any valid identification of a Scottish import.</p> <p>Food products/manufactured goods must be specific.</p> <p>DNA repeat of import</p>
	(d)	<p><i>Features of the Eurozone include:</i></p> <ul style="list-style-type: none"> <li>• the countries which use the Euro</li> <li>• there are 19 member countries</li> <li>• all Eurozone countries have a common monetary policy</li> <li>• interest rate is set by the ECB</li> </ul>	2	<p>Award 1 mark for each description.</p>

[END OF MARKING INSTRUCTIONS]