

# 0820/31/01

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NATIONAL  
QUALIFICATIONS  
2012

WEDNESDAY, 25 APRIL  
1.00 PM – 2.45 PM

ECONOMICS  
STANDARD GRADE  
Credit Level

- 1 Read each question carefully.
- 2 Attempt **all** the questions.
- 3 All answers are to be written in the answer book provided.



1. Study the article below and answer the questions which follow.

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# The Gaelburgh Herald

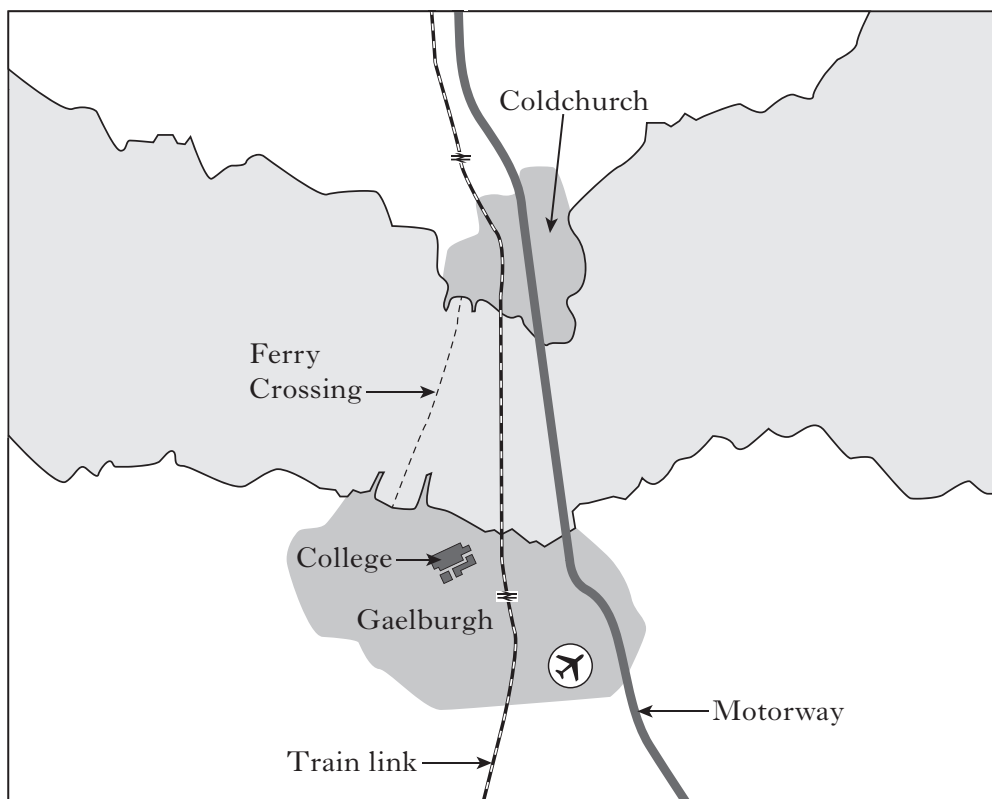
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YOUR HOMETOWN NEWSPAPER

thegaelburghherald.co.uk

## Exclusive New Development!

Plans have just been announced by Macbuild Ltd for a new countryside housing development on greenbelt land on the outskirts of Gaelburgh. The project will include the building of 2,000 new houses, a visitor centre, extensive public gardens and parks as well as a large sports stadium. A spokesperson for Macbuild Ltd said that this project, together with the construction of a second bridge linking Gaelburgh to Coldchurch, would bring nothing but good to the area especially in a time of recession. Despite this, protests have been made by local residents, ferry operators and council planners.



- (a) Explain the term “recession”. 1
- (b) (i) Suggest **one** economic and **one** social cost to Gaelburgh of the housing development. 2
- (ii) Suggest **one** economic and **one** social benefit to Coldchurch of the construction of the second bridge. 2
- (c) If the housing development is agreed, suggest **one** advantage to:
- (i) local employers; 1
- (ii) the Government. 1
- (d) Using the map, what features might attract other firms to this area? 2

2. Study the table below and answer the questions which follow.

Using equal amounts of resources Pictopia and Arachnia can produce the following:

	Televisions	OR	Apples (Tonnes)
Pictopia	400	OR	4000
Arachnia	100	OR	1500

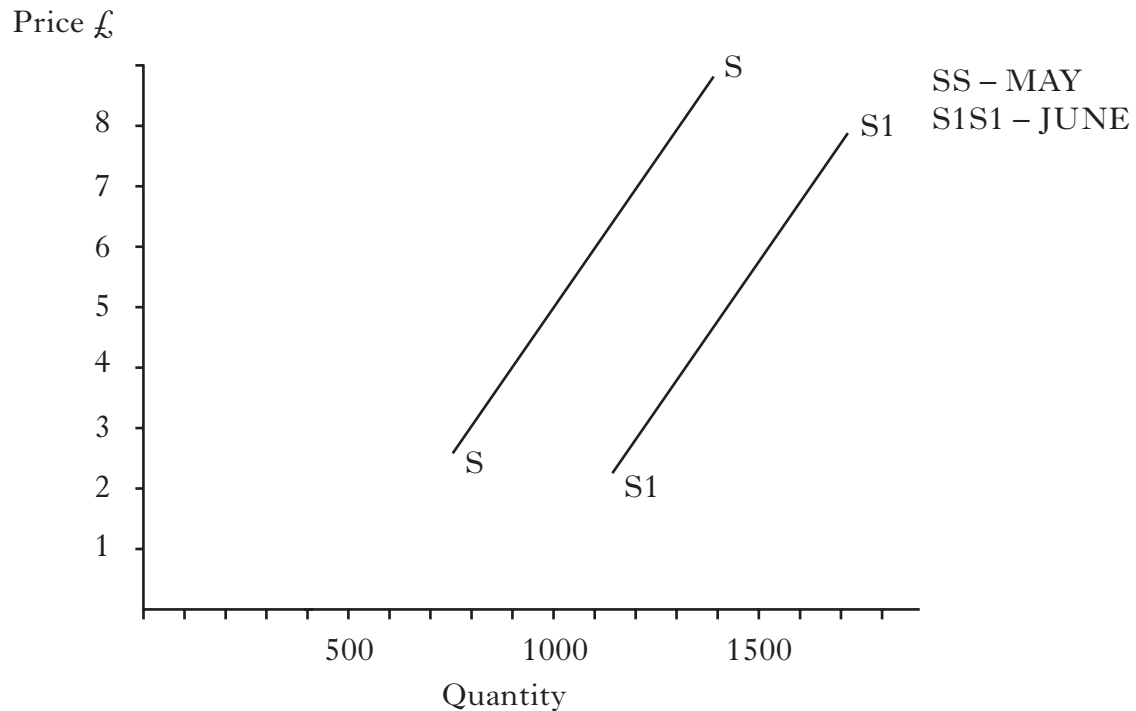
- (a) Which country has an absolute advantage in Televisions? 1
- (b) Calculate the opportunity cost of producing a television in terms of apples in:
- (i) Pictopia;
- (ii) Arachnia. 2
- (c) Which country has a comparative advantage in apples? Show your working. 1
- (d) Should Pictopia and Arachnia specialise and trade with each other? Justify your answer. 3
- (e) The Minister for Employment in Arachnia has urged the Chancellor of the Exchequer to maintain investment in industry. Suggest reasons for this action. 3
- (f) The Government in Pictopia provides both public and merit goods. Distinguish between public and merit goods. Include examples in your answer. 3

**[Turn over**

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	<p>1</p> <p>2</p> <p>1</p> <p>3</p> <p>3</p>

3. Study the graph below and answer the questions which follow.

**MARKET SUPPLY OF 3D GLASSES  
MAY AND JUNE 2012**



- (a) Explain why a normal supply curve slopes upwards from left to right. 2
- (b) Distinguish between output and supply. 2
- (c) (i) What happened to the supply of 3D glasses in June? 1
- (ii) Suggest **2** reasons for this change in supply. 2
- (iii) What effect will this change in supply have on the equilibrium price? Explain your answer. 2
- (d) (i) Calculate and comment on the price elasticity of supply in May for a change in price from £5 to £6. 3
- (ii) State **one** determinant of price elasticity of supply. 1

4. Study the article below and answer the questions which follow.

**RETAIL SALES SHOCK**

Despite **inflation** of 4% and other problems in the retail trade across the UK, retail sales in Scotland are outperforming those in the rest of the UK. “Consumer confidence is growing”, said a Government economic spokesman, “which is evidence that our recovery plan is working!” An opposition spokesman disagreed saying, “The reason for the Scottish results is nothing to do with the government; it is purely to do with Scottish retailers specialising and taking advantage of **economies of scale**”.

- (a) Explain the terms:
  - (i) inflation;
  - (ii) economies of scale.
  
- (b) Wages in the UK have increased on average by 5%. Suggest problems that this level of pay increase may cause in the UK economy.
  
- (c) Suggest **one** group of people who might benefit from a high rate of inflation. Explain your answer.
  
- (d) Suggest and explain **2** policies that the UK Government might introduce to reduce the rate of inflation.

[Turn over

5. Study the information below and answer the questions which follow.

Blair, a 23 year old **entrepreneur**, has set up as a sole trader selling computer games.

**COSTS AND REVENUES FOR THE FIRST MONTH OF TRADING**

Costs		Revenues
Rent	£1,000	Sales £10,000
Heat & Light	£400	
Purchase of games	£12,500	
Insurance	£500	
Mobile Phone contract	£40	

Blair has calculated that he will need £40,000 over and above the £15,000 he has already invested in his business.

- (a) Explain the term “entrepreneur”. **1**
- (b) (i) Calculate Blair’s total fixed costs for this month. **1**
  - (ii) What problem do the above cost and revenue figures highlight? **1**
  - (iii) Discuss **2** ways in which Blair could overcome this problem in the long run. **4**
- (c) Describe **2** methods of finance that a young sole trader like Blair might use to raise £40,000. **4**
- (d) Sole traders like Blair face unlimited liability. Explain what is meant by the term “unlimited liability”. **2**

6. Study the table below and answer the questions which follow.

<b>PERON MANUFACTURING – PRODUCTION OF ELECTRIC BICYCLES</b>		
<b>Labour Hours Per Bicycle Produced</b>		
<b>Country</b>	<b>2011</b>	<b>2012</b>
Pictopia	23	19
Arachnia	15	16
Scotopia	16	15
Rutherland	20	16

- (a) In which country was labour productivity highest in 2011? **1**
- (b) (i) In which country did workers show the largest percentage increase in productivity between 2011 and 2012? **1**
- (ii) Using evidence from the table, justify your answer to (b)(i). **2**
- (c) Peron Manufacturing has decided to become more capital intensive in Arachnia but not in Rutherland.
- (i) Explain the term “capital intensive”. **1**
- (ii) Using evidence from the table, justify this decision. **4**
- (d) Peron Manufacturing is facing the threat of industrial action in Arachnia. Describe **2** forms of industrial action that Trade Unions may undertake. **2**
- (e) Peron Manufacturing would like to improve productivity of labour in all 4 countries. Describe measures they could take to do this. **3**

*[END OF QUESTION PAPER]*

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