

FOR OFFICIAL USE

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KU ES

Total

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0820/29/01

NATIONAL
QUALIFICATIONS
2012

WEDNESDAY, 25 APRIL
10.20 AM – 11.35 AM

ECONOMICS
STANDARD GRADE
General Level

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename(s)

Surname

Date of birth

Day Month Year

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Scottish candidate number

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Number of seat

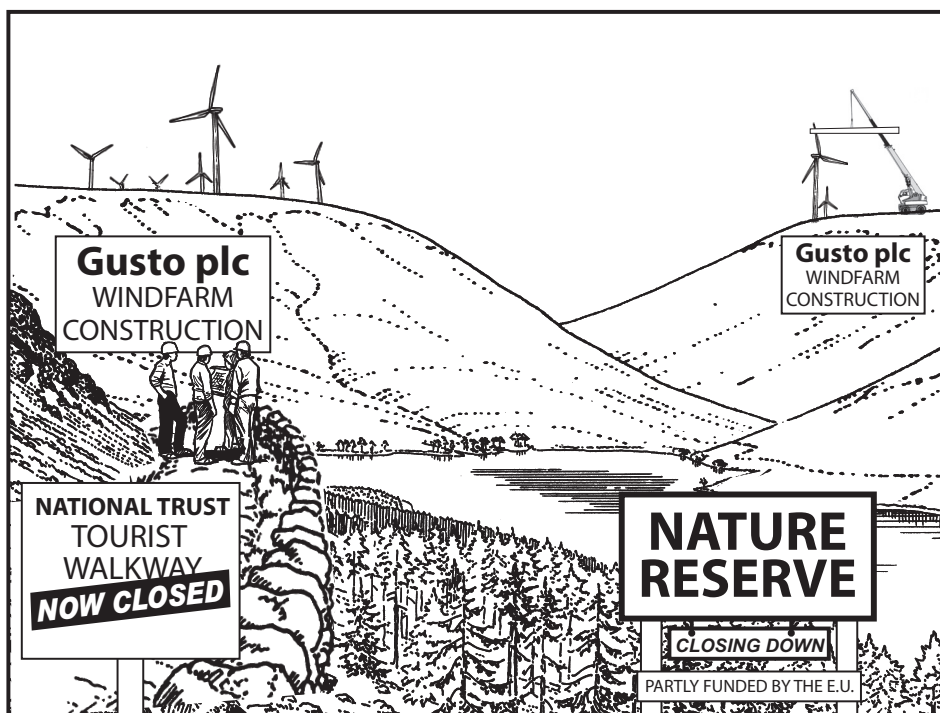
- 1 Read each question carefully.
- 2 Attempt **all** the questions.
- 3 All answers are to be written in this answer book.
- 4 Do **not** write in the margins.
- 5 Before leaving the examination room you must give this book to the Invigilator. If you do not, you may lose all the marks for this paper.



Marks

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



(a) Which sector of the economy does Gusto plc belong to? Tick (✓) the correct box.

Public	<input type="checkbox"/>	Private	<input type="checkbox"/>
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1

(b) Suggest 2 economic costs of constructing the wind farm.

1 _____

2 _____

2

(c) Describe 2 economic benefits of the new wind farm.

1 _____

2 _____

2

Marks

1. (continued)

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(d) Apart from a bank loan, suggest **2** methods of raising finance available to Gusto plc to construct the wind farm.

1 _____

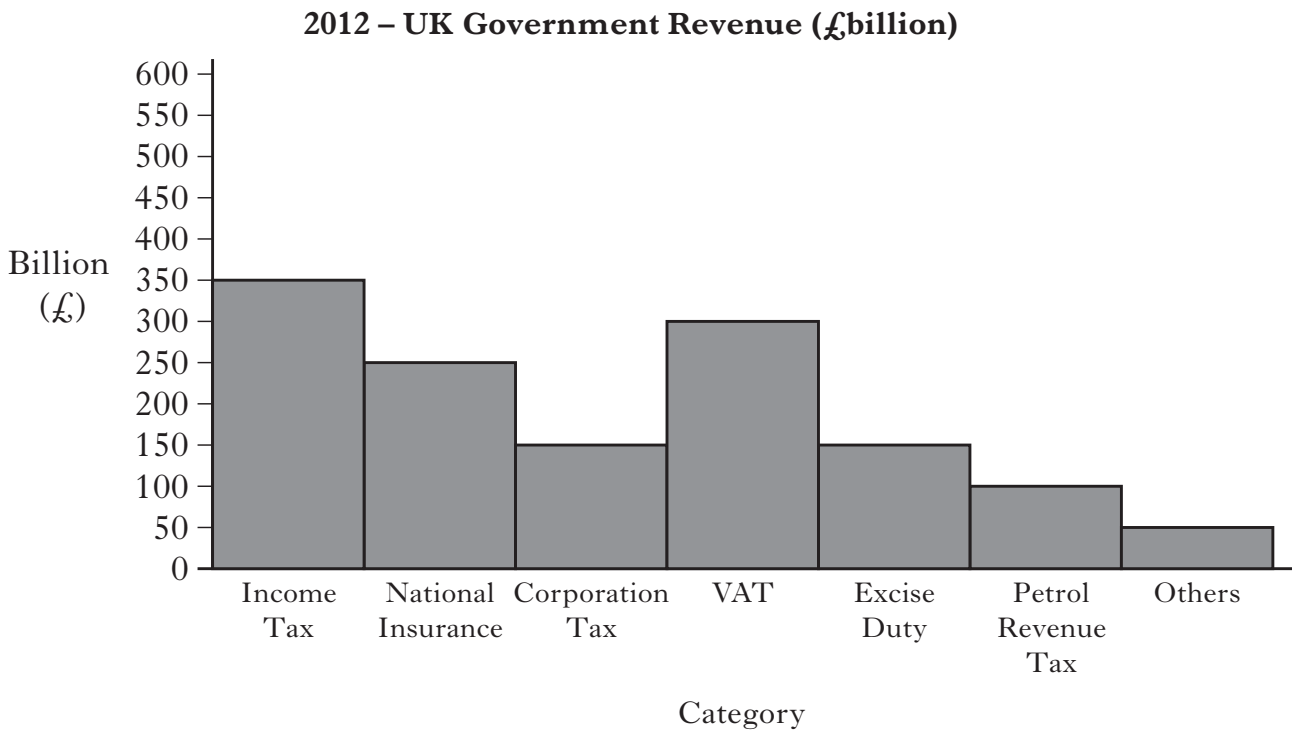
2 _____

2

[Turn over

Marks

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



(a) Calculate the percentage of tax revenue from direct taxation.

Answer _____ %

Show your working here.

3

(b) Name **one** source of UK Government revenue that could be included under the heading Others.

1

Marks

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2. (continued)

(c) (i) Name **one** item on which VAT is **not** charged by the UK Government.

1

(ii) Using your answer to (c)(i) state **one** reason why the UK Government does not charge VAT on this item.

1

(d) A UK politician has commented “We need to make our tax system less regressive.”

(i) What is meant by “less regressive”?

2

(ii) Suggest **2** ways the UK Government could make the tax system less regressive.

1 _____

2 _____

2

(iii) Choose **one** of the ways suggested in (d)(ii) and describe how it would be expected to work.

2

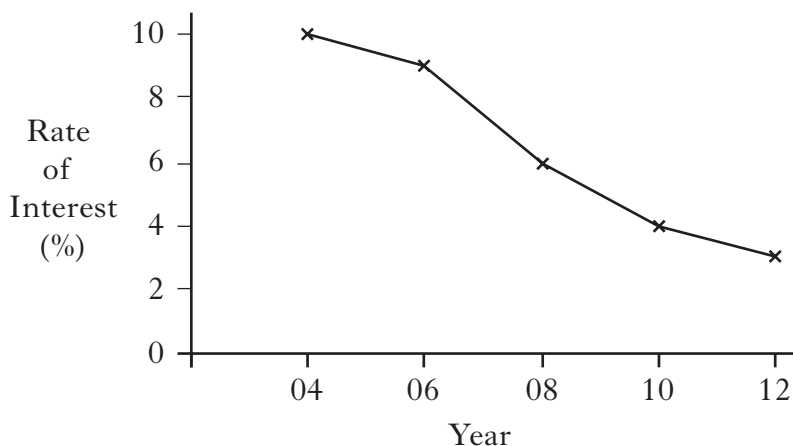
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Marks

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2		
2		
2		
1		

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

Average Interest Rates Paid by Borrowers to Financial Institutions in the UK 2004–2012



(a) (i) Describe the trend in interest rates charged to borrowers.

2

(ii) Suggest **2** effects on the UK economy of the trend described in (a)(i).

1 _____

2 _____

2

(b) Explain why financial institutions charge interest to borrowers.

2

(c) Apart from the rate of interest, suggest **one** other factor a borrower may take into account when deciding what financial institution to borrow from.

1

3. (continued)

Marks

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(d) Where do financial institutions obtain the funds they lend?

1

(e) “The biggest problem facing small firms in the UK is getting access to finance” says a Government Business spokesman. Suggest **2** actions the Government might take to solve this problem.

1 _____

2 _____

2

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Marks

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

Market for Bonzo Dog Food

Diagram 1

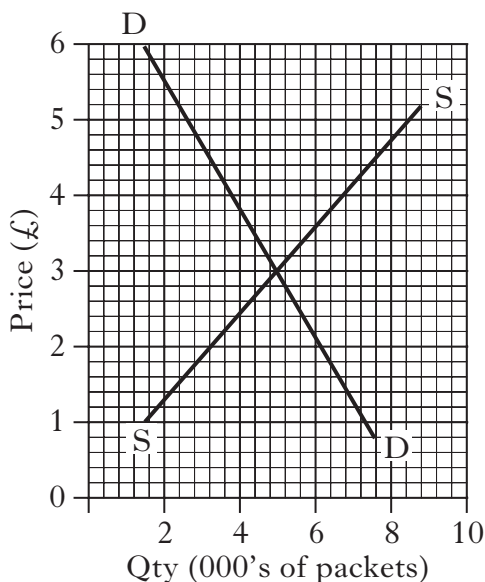
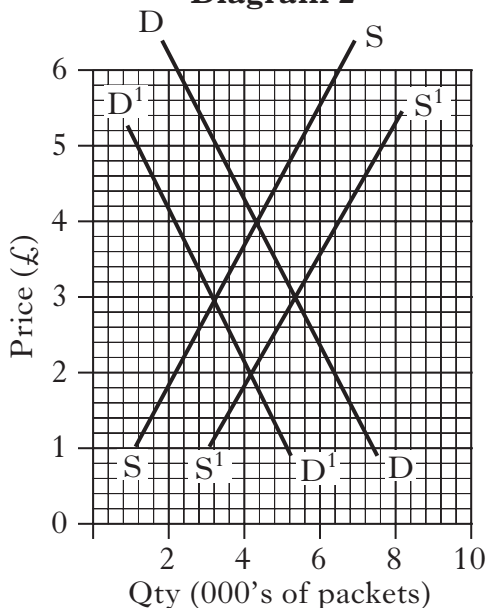


Diagram 2



(a) What is meant by the ‘Market for Bonzo Dog Food’?

2

(b) **Use Diagram 1 to answer this question.**

(i) What is the equilibrium price and quantity of Bonzo Dog Food?

1

(ii) Calculate the total revenue at a price of £2.

Answer _____

Show your working here.

2

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4. (b) (continued)

(iii) What problem do the producers of Bonzo Dog Food face at a price of £5? Explain your answer.

2

(c) Use Diagram 2 to answer this question.

On the table below, indicate whether the factors given would cause a shift to D1D1, S1S1 or neither. The first one has been done for you.

		D1D1	S1S1	Neither
(i)	a tax on dog food			✓
(ii)	a successful advertising campaign for Bonzo Dog Food			
(iii)	a decrease in packaging costs for Bonzo Dog Food			
(iv)	the introduction of a dog licence			
(v)	a bonus scheme for increased productivity at Bonzo Dog Food			
(vi)	an increase in price of a major competitor			

5

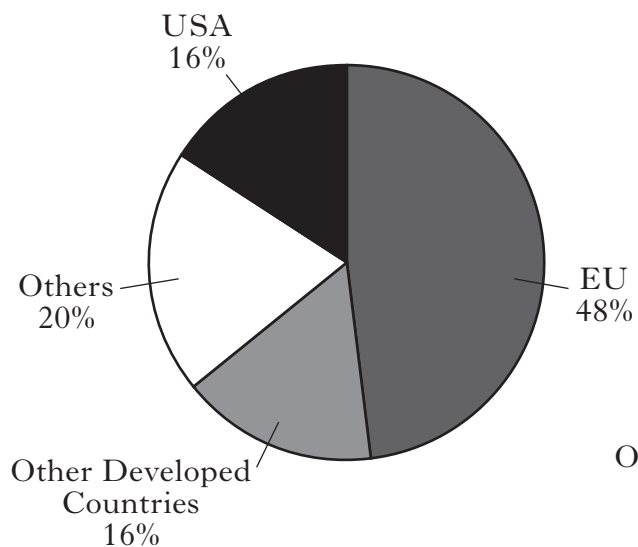
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Marks

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1	
2	

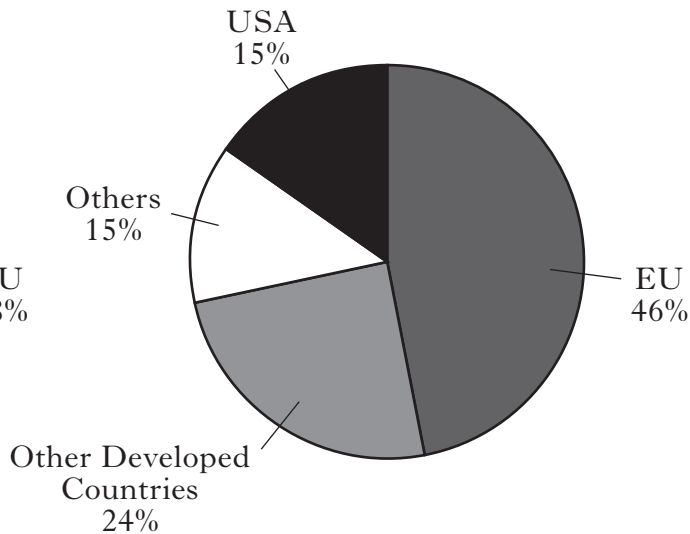
5. Study the charts below and answer the questions which follow.

UK Imports by Area – 2012



Total Imports £150 billion

UK Exports by Area – 2012



Total Exports £140 billion

(a) Which area is the UK's most significant trading partner?

1

(b) Calculate the UK's Trade Balance with the USA.

Answer _____

Show your working here.

2

5. (continued)

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(c) (i) What evidence is there that the UK's Trade Balance is in deficit?

1

(ii) Describe **2** actions the UK Government could take to reduce this deficit.

1 _____

2 _____

4

(d) The value of sterling falls compared to the Euro. What are the likely effects of this fall on trade between the UK and the Eurozone?

4

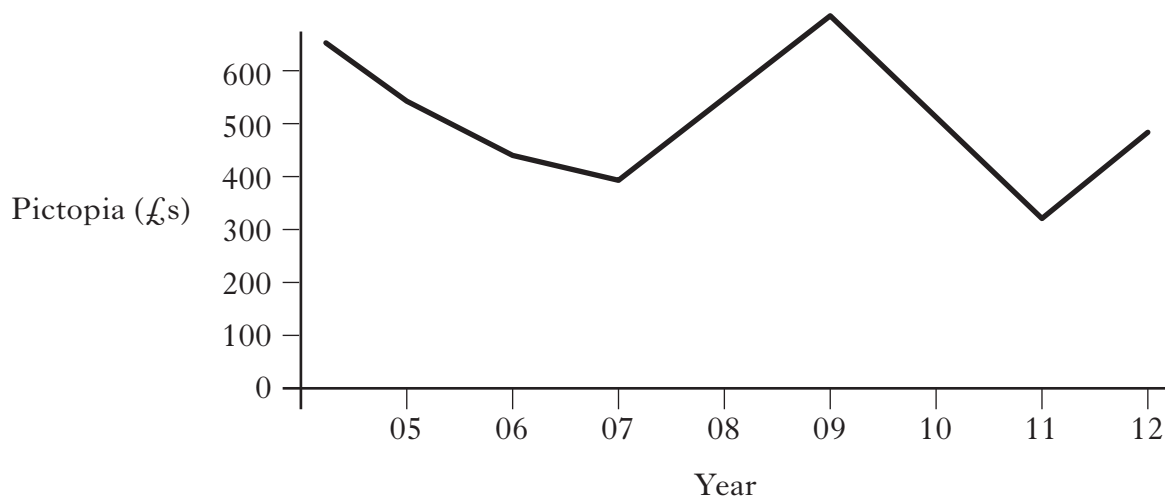
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2		
2		
2		

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

Average House Prices in Pictopia 2005–2012



(a) (i) Describe and explain how the price change shown between 2005 and 2007 may have affected the demand for houses in Pictopia.

2

(ii) Describe and explain how the price change shown between 2007 and 2009 may have affected the supply of houses in Pictopia.

2

(iii) Explain how the price change shown between 2009 and 2011 would affect:

1 the demand for workers in the Housing Industry;

2 the wages of workers in the Housing Industry.

2

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6. (continued)

(b) The Pictopian Government is concerned that many young people cannot afford to buy a house.

(i) Suggest **3** measures the Pictopian Government could take to attempt to solve this problem.

1 _____

2 _____

3 _____

3

(ii) Choose **one** of the measures given in (b)(i) and explain how it would be expected to work.

1

[Turn over

Marks

7. Ikne Sportswear produce sports clothing. Study the diagram below which shows the 4 different types of integration Ikne Sportswear could undertake and answer the questions which follow.



- (a) Complete the table below by inserting the appropriate number to indicate the type of integration shown.

Type of integration	Number
Conglomerate	
Backward vertical	
Horizontal	

3

- (b) Suggest an economic motive for each of the following:

- (i) Ikne Sportswear taking over Brumo Sportswear;

- (ii) Ikne Sportswear taking over a Sportswear Shop;

- (iii) Ikne Sportswear taking over an Internet Café.

3

Marks

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7. (continued)

(c) Give **one** example of a fixed and variable cost of Ikne Sportswear.

Fixed Cost _____

Variable Cost _____

2

(d) The Production Manager at Ikne Sportswear is concerned about rising average costs. Suggest **3** actions that Ikne could take to reduce average costs.

1 _____

2 _____

3 _____

3

[END OF QUESTION PAPER]

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