



National
Qualifications
2018

X822/75/11

Economics

WEDNESDAY, 30 MAY

9:00 AM – 11:00 AM

Total marks — 90

SECTION 1 — 40 marks

Attempt BOTH questions.

SECTION 2 — 50 marks

Attempt ALL questions.

You may use a calculator.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



* X 8 2 2 7 5 1 1 *

SECTION 1 — 40 marks
Attempt BOTH questions

HIGHLAND SPRING RISES TO TOP OF UK MARKET

Highland Spring Ltd supplies more bottled water to the UK market than any other producer. This is mainly due to various successful advertising campaigns which have increased demand.

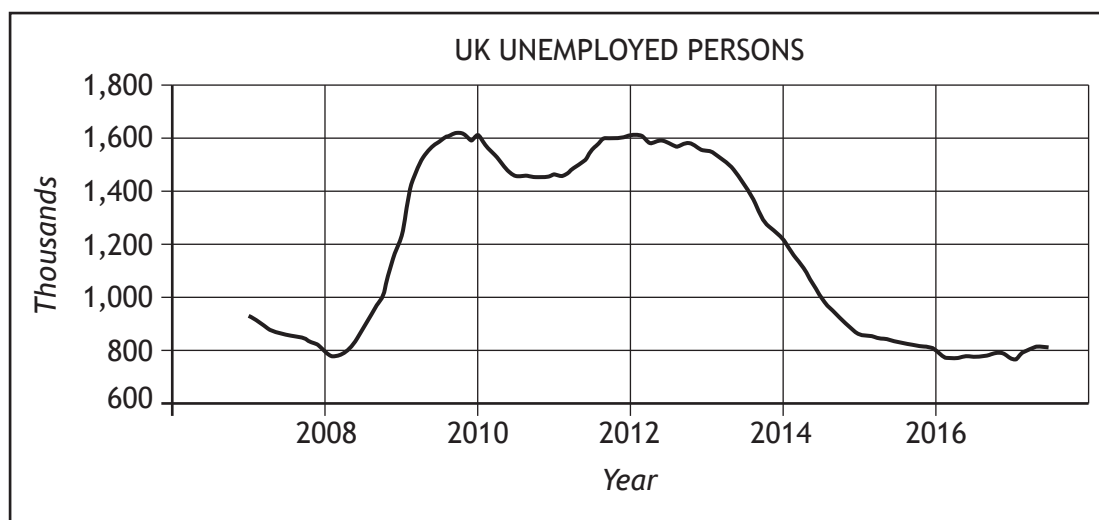
Highland Spring is also the leading British brand in the global water market. The company exports more than 11 million litres of water a year to over 30 countries worldwide.

Recently the Chief Executive indicated that increasing variable costs have had an impact on profit.



Adapted from articles at www.highlandspringgroup.com (10/3/15) and www.heraldscotland.com (20/4/2012)

1. (a) (i) Define what is meant by the market for bottled water. 2
- (ii) Describe the reasons which cause demand curves to slope downwards from left to right. 3
- (b) Draw demand and supply diagrams to show the effect on the market for bottled water of:
 - (i) the increasing popularity of bottled water 2
 - (ii) increasing costs of production 2
 - (iii) label both diagrams. 1
- (c) Give an example of a variable cost for Highland Spring. 1
- (d) (i) Describe 3 barriers to global trade. 3
- (ii) Outline 3 reasons for introducing barriers to trade. 3
- (e) Bottled water is one of the products in the basket of goods used to determine inflation. 3
- Describe the way in which inflation is measured in the UK. 3



2. (a) State the decrease in unemployment between 2012 and 2016 in figures. 1
- (b) Describe **2** ways unemployment is measured in the UK. 2
- (c) Describe **3** causes of unemployment. 3
- (d) Describe the benefits to a government of a decrease in the level of unemployment. 3
- (e) The UK has a lower rate of unemployment than many other parts of the EU. Outline a feature of the EU. 1
- (f) Explain the advantages to UK firms of being a member of the EU. 3
- (g) Explain **one** impact on UK exports of a rise in the exchange rate of sterling against the euro. 2
- (h) (i) Define the term Fixed Cost. 1
- (ii) Draw a fully labelled diagram, showing Fixed Cost, Variable Cost and Total Cost. 4

[Turn over

SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Name the following:
- (i) a direct tax 1
 - (ii) an indirect tax. 1
- (b) Government spending in 2016–2017 was £726 billion, government revenue was £667 billion. State the name that is usually used for this difference. 1
- (c) Describe, using examples, what is meant by transfer payments. 3
- (d) Distinguish between government capital and current spending. 1
- (e) Describe the 3 sectors of industry. 3
4. (a) Compare the economic characteristics of a developing country with those of an emerging economy. 3
- (b) A multinational has recently located to the UK.
Describe 2 advantages and 2 disadvantages to the UK economy of this decision. 4
- (c) (i) Define the term exchange rate. 1
- (ii) A Scottish distiller sells whisky to Italy. The exchange rate is £1:€1.10 and the price per bottle is £10.
Calculate how much the Scottish distiller will be paid per bottle in euros. 1
- (iii) If the exchange rate changes to £1:€1.20 calculate the difference in how much the Scottish distiller will be paid per bottle in euros. 1
5. (a) Explain, using a diagram, why the price of a good will eventually settle at equilibrium in a competitive market. 4
- (b) Describe 4 factors which are likely to increase the demand for holidays in a Scottish tourist area such as Loch Lomond. 4
- (c) Explain why the supply curve usually slopes upwards from left to right. 2

Questions (continued)

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|----|-----|------|---|---|
| 6. | (a) | (i) | Identify 2 different types of financial institutions that lend to individuals. | 2 |
| | | (ii) | Suggest 2 pieces of advice that a potential borrower might find useful before taking out a loan. | 2 |
| | (b) | | Explain the effects on a borrower of an increase in interest rates. | 3 |
| | (c) | | Describe why resources are scarce. | 3 |
| 7. | (a) | (i) | Name 2 causes of inflation. | 2 |
| | | (ii) | Describe the 2 causes of inflation identified in (a)(i). | 2 |
| | (b) | | Describe 2 ways, that the government could use, to increase economic growth. | 2 |
| | (c) | | Draw a fully labelled diagram to show the circular flow of income. | 4 |

[END OF QUESTION PAPER]

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ACKNOWLEDGEMENTS

Section 1 – Headline is taken from ‘Highland Spring rises to top of UK Market’ by Mark Williamson, from *The Herald*, 20th April 2012.

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