



National
Qualifications
2019

X822/75/11

Economics

FRIDAY, 24 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 *

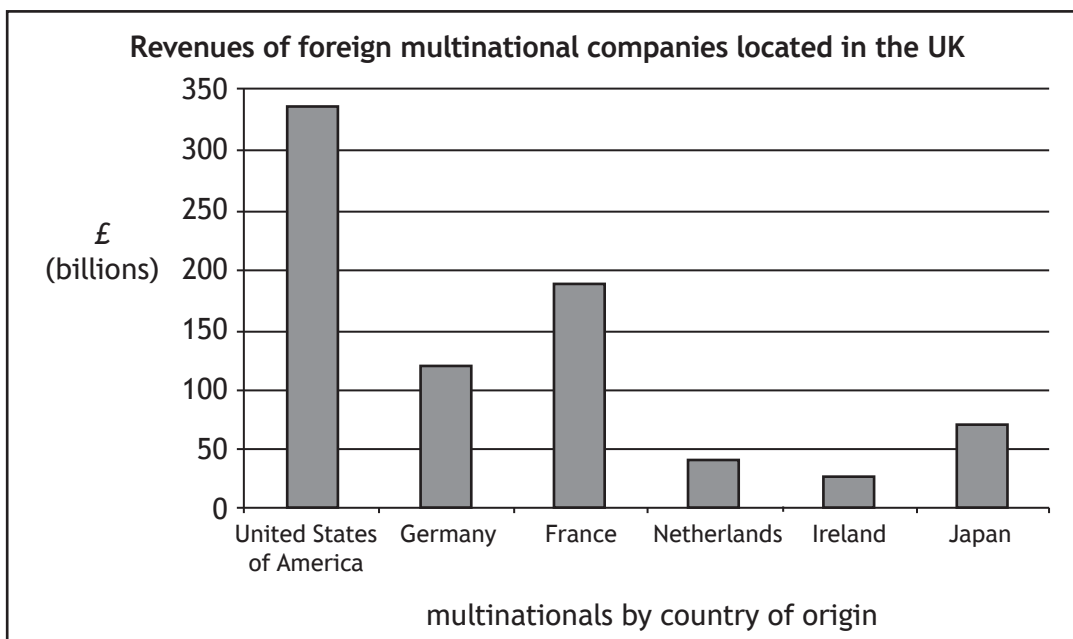
SECTION 1 — 40 marks

Attempt BOTH questions

1. When the Caledonian Car Company launched its new Ecosse electric car models onto the market, the firm was not prepared for how popular they would be. The Caledonian Car Company currently only sells its cars in the UK, but is hoping to expand into global markets. The firm hopes to relocate its production facilities to an **emerging economy**. This should help them achieve a lower **average cost** of production.

Competitors within the car industry have recently lowered the price of their petrol cars in order to compete with the new electric models. However, the success of this move may depend on how much the price of oil increases.

- (a) Describe what is meant by the terms, as used in the passage
- (i) emerging economy 1
 - (ii) average cost. 1
- (b) Other than relocating, outline **2** measures a car manufacturer might take to reduce its average cost of production. 2
- (c) (i) Explain, using a diagram, how the market for electric cars will be affected by a decrease in the price of petrol cars. 4
- (ii) Outline **3** determinants of demand for electric cars, other than a change in the price of petrol cars. 3
- (d) Describe the steps used to measure inflation in the UK. 3
- (e) Explain why rising oil prices can cause an increase in the UK rate of inflation. 2
- (f) Explain in what way a fall in the exchange rate of sterling against the euro is likely to affect UK exports. 2
- (g) Identify a significant Scottish import and a significant Scottish export. 2



Source: WAVTEQ analysis of Annual Business Survey, 2016

2. (a) (i) Describe, using an example, the term 'multinational'. 2
- (ii) Explain 2 reasons for European multinationals deciding to locate in the UK. 2
- (iii) Suggest reasons why American multinationals have high revenues in the UK. 2
- (b) Describe what is meant by the eurozone. 2
- (c) (i) Define what is meant by global trade. 1
- (ii) Describe disadvantages of global trade. 3
- (iii) Explain the effect of imposing a tariff on imports into the UK. 2
- (d) A tariff is an example of an indirect tax. Identify 2 other examples of an indirect tax. 2
- (e) Distinguish between capital and current government expenditure, using examples. 2
- (f) Suggest 2 reasons for the government spending on education. 2

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SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Describe the ways an individual may borrow. 3
- (b) Other than changes in interest rates, outline 2 factors which might affect an individual's willingness to borrow. 2
- (c) (i) Define the term opportunity cost. 1
- (ii) Suggest **one** possible opportunity cost to the Scottish Government of extending the motorway network. 1
- (d) Suggest, for a software design firm, an example of each of the following factors of production. 3
- Labour
 - Capital
 - Enterprise
4. (a) Draw a diagram showing a contraction of demand **and** a diagram showing an extension of demand. Both diagrams must be labelled. 3
- (b) Identify the effect each of the following determinants would have on the supply of potato crisps.
- (i) The UK experienced particularly hard frosts in early spring 1
- (ii) Farmers developed a potato with higher resistance to pests 1
- (iii) The price of herbs and flavourings increased 1
- (c) Explain, using a diagram, how a fall in the price of steel would affect the supply of motor cars. 4
5. (a) Describe, using examples, 2 main areas of UK Government spending. 2
- (b) Give 2 examples of a transfer payment. 2
- (c) Explain the effect on individuals of
- reduced income tax
 - reduced VAT
 - reduced corporation tax. 3
- (d) Identify, in a typical circular flow of income diagram
- (i) the **two** main agents/participants 2
- (ii) **one** of the flows between the **two** main agents/participants. 1

6. (a) Define unemployment. 1
- (b) Describe, and give an example of, what is meant by
- (i) seasonal unemployment 2
- (ii) structural unemployment. 2
- (c) Outline 2 characteristics of a recession. 2
- (d) Explain how a rise in the retirement age may affect a country's economic growth. 3
7. In recent years, the exchange rate of sterling to US dollars has fallen from £1 = \$1.70 to £1 = \$1.20. A person from the UK going to visit the USA has £1,000 to spend.
- (a) Calculate the difference in the quantity of **US dollars** that a UK traveller would receive. 2
- (b) Discuss economic advantages and disadvantages to a country of being a member of the European Union. 4
- (c) Explain measures developed countries could take to increase growth rates of developing economies. 4

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