



National
Qualifications
RESOURCE

X822/75/01

Economics

Marking Instructions

Please note that these marking instructions have not been standardised based on candidate responses. You may therefore need to agree within your centre how to consistently mark an item if a candidate response is not covered by the marking instructions.

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.

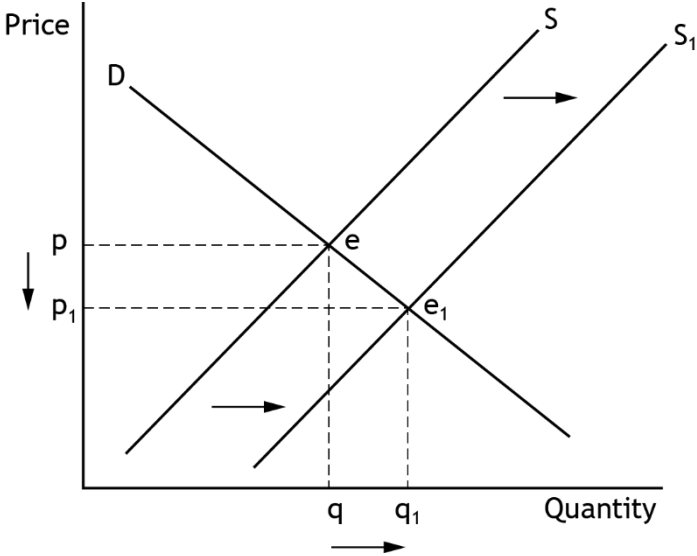
- (a) Marks for each candidate response must **always** be assigned in line with these general marking principles and the specific marking instructions for the relevant question.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration 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
- 1 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
- 1 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 response(s)	Max mark	Additional guidance
1.	(a)	(i)	<ul style="list-style-type: none"> the process of combining resources in order to create a good/service (1) 	1	Award 1 mark for a valid definition.
		(ii)	<ul style="list-style-type: none"> where buyers and sellers of renewable energy come together (1) to agree a price and make an exchange (1) 	2	Award 1 mark for a valid description. Award 1 mark for a valid development.
		(iii)	<ul style="list-style-type: none"> efficient infrastructure for example good roads and transport (1) a well-educated/skilled labour force (1) relatively cheap land (1) quality universities/research facilities (1) speak the same language (1) good facilities for staff and families coming from abroad (schools/housing/leisure etc) (1) 	3	Candidates must describe 3 reasons to gain full marks. Award 1 mark for each valid description. DNA reference to grants/subsidies.
	(b)	(i)	<ul style="list-style-type: none"> oil (1) whisky (1) tourism (1) financial services (1) computer software (1) textiles (1) fishing (1) farming (1) pharmaceuticals (1) health care (1) 	1	Award 1 mark for a valid identification. Accept any suitable industry.

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<ul style="list-style-type: none"> • Duncan Bannatyne (1) • Arnold Clark (1) • Michelle Mone (1) • Fraser Doherty (1) • Tom Hunter (1) • Tom Farmer (1) • Brian Souter (1) • Ann Gloag (1) • Tony Stone (1) • Jim McCall (1) • Stewart Milne (1) 	1	<p>Award 1 mark for a valid identification.</p> <p>Accept any successful Scottish entrepreneur.</p>
	(iii)	<ul style="list-style-type: none"> • increased employment opportunities/decrease in unemployment (ID) results in lower payments of JSA required (EXP) (1) • increase in national income/growth (ID) provides a higher standard of living (EXP) (1) • less government spending on benefits/transfer payments (ID) therefore increased revenue is available to spend on other projects (EXP) (1) • increased exports (ID) therefore improved Balance of Payments (EXP) (1) • entrepreneurs seen to be making a success (ID) therefore knock-on/positive multiplier effect to generate more entrepreneurs (EXP) (1) 	2	<p>Candidates must explain 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	 <p>Diagram</p> <ul style="list-style-type: none"> • fully labelled original market diagram (Price, Quantity, D, S, p and q or e) (1) • supply curve shifting to the right (1) • new lower equilibrium price and quantity indicated (either pq to p₁q₁ or e to e₁) (1) <p>Explanation</p> <ul style="list-style-type: none"> • a decrease in installation costs is a cut in production costs (ID) which means producers will supply more (EXP) (1). This is because producers are able to make more profit per unit (DEV) (1) 	4	<p>Award 1 mark for each valid explanation.</p> <p>Max 3 marks for diagram. Max 2 marks for explanation.</p>

Question		Expected response(s)	Max mark	Additional guidance												
	(d) (i)	<table border="1"> <tr> <td>Fixed Costs</td> <td rowspan="2" style="text-align: center; vertical-align: middle;">whereas</td> <td>Variable Costs</td> </tr> <tr> <td>do not change with the level of output</td> <td>do change with the level of output</td> </tr> </table>	Fixed Costs	whereas	Variable Costs	do not change with the level of output	do change with the level of output	1	Award 1 mark for a valid distinction.							
Fixed Costs	whereas	Variable Costs														
do not change with the level of output		do change with the level of output														
	(ii)	<table border="1"> <thead> <tr> <th>Fixed Costs</th> <th>Variable Costs</th> </tr> </thead> <tbody> <tr> <td>rent of land</td> <td>wages of workers</td> </tr> <tr> <td>insurance</td> <td>maintenance costs</td> </tr> <tr> <td>interest on loans</td> <td>replacement solar panels</td> </tr> <tr> <td>business rates</td> <td>social distancing measures, eg hand sanitiser/PPE</td> </tr> <tr> <td>managers' salaries</td> <td></td> </tr> </tbody> </table>	Fixed Costs	Variable Costs	rent of land	wages of workers	insurance	maintenance costs	interest on loans	replacement solar panels	business rates	social distancing measures, eg hand sanitiser/PPE	managers' salaries		2	Candidates must identify one fixed and one variable cost to gain full marks. Award 1 mark for each valid identification.
Fixed Costs	Variable Costs															
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managers' salaries																
	(e) (i)	<ul style="list-style-type: none"> • health (1) • education (1) • defence (1) • infrastructure/broadband/5G/HS2 (1) • C-19 furlough support spending (1) 	1	Award 1 mark for a valid suggestion. Accept any suitable named project/scheme.												
	(ii)	<ul style="list-style-type: none"> • the sacrifice of the next best alternative (1) 	1	Award 1 mark for a valid definition.												
	(iii)	<ul style="list-style-type: none"> • governments have limited tax revenue (ID) therefore they have to decide what to spend on/what will provide the greatest benefit to society (EXP) (1) 	1	Award 1 mark for a valid explanation. Accept answers which refer to scarcity.												
2.	(a) (i)	<ul style="list-style-type: none"> • increasing a little every quarter (1) • rising for 8 consecutive quarters (1) • Rising from Q1 2018 to Q2 2019, then staying the same until Q4 2019 • going from over £330bn to just over £340bn (1) 	1	Award 1 mark for a valid identification.												

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<p>Firms</p> <ul style="list-style-type: none"> • People are spending a lot less (ID) therefore sales/profits for firms will drop (EXP) (1) which may lead to firms making workers redundant/putting workers on furlough (DEV) (1) or going out of business (DEV) (1) • Less spending (ID) so firms will have stock that they cannot sell (EXP). In certain industries this cannot be stored for sale at a later date (as it will have gone 'off' or out of fashion) (DEV). <p>Government</p> <ul style="list-style-type: none"> • People are spending a lot less (ID) so the government will collect less tax (VAT/income tax/corporation) (EXP) (1) which will mean that the government has to borrow to maintain/increase its spending commitments (DEV) (1) which could lead to a lower credit rating (DEV) (1) and therefore a lower value for £ Sterling (DEV) (1) • Less spending (ID) could lead to higher unemployment (EXP) (1) and the need to pay out more in Universal Credit (DEV) (1) • Less spending (ID) will lead to firms cutting prices (EXP) (1) which will lead to a fall in inflation (DEV) (1) • Less spending (ID) therefore leading to lower output (EXP) (1) will lead to falling economic growth/recession (DEV) (1) 	4	<p>Candidates must explain at least 1 consequence for firms and 1 consequence for government to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>
(b)	(i)	<ul style="list-style-type: none"> • bank account (1) • building society account (1) • ISA (1) • credit union (1) • treasury bonds (1) • pension fund (1) • premium bonds (1) 	2	<p>Candidates must identify 2 types to gain full marks.</p> <p>Award 1 mark for each valid identification.</p> <p>Accept any named saving account.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<ul style="list-style-type: none"> • rate of interest available (1) • saving for emergencies (1) • saving for a future purchase/wedding/house (1) • future security (1) • retirement (1) • job loss/fear of job loss (1) 	2	<p>Candidates must suggest 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid suggestion.</p>
	(c)	<ul style="list-style-type: none"> • borrowers will have to pay more for their loans/mortgages/credit cards (ID) so will be worse off/have lower disposable income/less likely to borrow (EXP) (1) • borrowers have to repay more (ID) therefore may have to 'dip in' their savings for everyday spending (EXP) (1) • borrowers may no longer afford their payments (ID) therefore they may default on their repayments (EXP) (1) • borrowers might have taken a 'mortgage holiday' during C-19 which will have been added to the end of the term (ID) so will have to pay off the 'holiday' at a higher rate (EXP) (1) 	1	Award 1 mark for a valid explanation.
	(d) (i)	<ul style="list-style-type: none"> • the price of one country's currency in terms of another (1) 	1	Award 1 mark for a valid definition.
	(ii)	<ul style="list-style-type: none"> • foreigners can buy more pounds with their currency (ID) UK exports become cheaper (EXP) (1) and therefore are more attractive to foreigners (DEV) (1) therefore the quantity of exports will increase/more tourists will visit the UK/more whisky may be exported abroad (DEV) (1). However because of C-19 even a fall in the exchange rate may not be enough of an incentive to encourage foreigners to come to the UK (DEV) (1) 	2	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>
	(iii)	<ul style="list-style-type: none"> • greater choice/variety of goods/services (1) • lower prices available (1) • higher quality of goods/services (1) • shortages can be corrected (eg sourcing PPE) (1) 	2	<p>Candidates must describe 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Credit reference to economies of scale.</p>

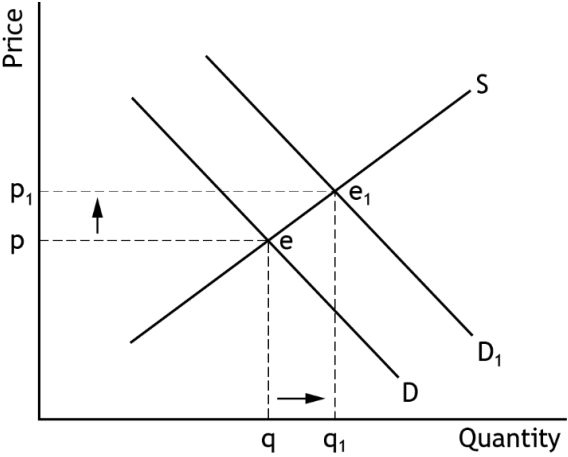
Question		Expected response(s)	Max mark	Additional guidance
	(e) (i)	<ul style="list-style-type: none"> • increase in total output over a period of time using the same or fewer resources (1) • an increase in national income/GDP/total value of goods and services produced by an economy (1) • increase in the productive potential of an economy (1) 	1	Award 1 mark for a valid definition.
	(ii)	<ul style="list-style-type: none"> • improving training/education (1) • improving productivity (1) • increase in government capital spending (1) • increase in employment (1) • increase in consumption (1) • increase in private investment (1) • increased availability of credit (1) 	2	<p>Candidates must outline 2 factors to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Award marks for factors which outline any improvement to the quantity or quality of factors of production.</p>
	(f)	<ul style="list-style-type: none"> • low/steady inflation (1) • low unemployment (1) • reduce regional inequality (1) • reduce income inequality (1) • support the economy during a pandemic (1) 	2	<p>Candidates must outline 2 aims to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Accept Balance of Payments surplus.</p>

Section 2

Question		Expected response(s)	Max mark	Additional guidance
3.	(a)	<ul style="list-style-type: none"> • high level of foreign direct investment (1) • availability of cheap labour (1) • rise in employment in secondary sector (1) • move from primary to secondary industry (1) • high level of exports (1) • high rates of economic growth (1) • increased infrastructure (1) • reduced poverty/higher standard of living (1) • favourable tax and regulatory regimes (1) 	3	<p>Candidates must outline 3 characteristics to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(b)	<ul style="list-style-type: none"> • provide capital equipment (1) • give technical assistance (1) • give drugs and medicines (1) • remove trade barriers (free/fair trade) (1) • write off debt (1) • give low interest loans (1) • give grants which do not have to be paid back (1) • provide education and training (1) • provide military aid (1) 	4	<p>Candidates must outline 4 ways to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Do not award emergency/food aid.</p>

Question		Expected response(s)	Max mark	Additional guidance	
	(c)	<ul style="list-style-type: none"> to gain an entirely new market in which to sell its goods or services (1) to increase the potential for growth (1) to increase market share (1) to avoid trade barriers put up by other countries (1) to reduce production costs (1) by accessing cheap labour/land (DEV) (1) to reduce corporation tax liability (1) to sell surplus abroad (1) 	3	<p>Candidates must describe at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>	
4.	(a)	<p>Capital spending</p> <ul style="list-style-type: none"> building new infrastructure eg building hospitals/roads/airports/schools (1) <p>Current spending</p> <ul style="list-style-type: none"> buying PPE/hand sanitiser (1) paying wages for health care workers (1) supplying drugs/vaccines for use in the NHS (1) paying salaries for teachers (1) buying jotters for schools (1) 	2	<p>Candidates must give an example of both to gain full marks.</p> <p>Award 1 mark for each valid example.</p>	
	(b)	(i)	<p>Level of unemployment:</p> <ul style="list-style-type: none"> actual number of people unemployed (1) <p>Rate of unemployment:</p> <ul style="list-style-type: none"> unemployment level as a percentage of the working population (1) 	2	Award 1 mark for each valid definition.
		(ii)	<ul style="list-style-type: none"> claimant count - government counts the number of people claiming JSA/unemployment benefit/universal credit (1) labour force survey - samples 150,000 people each quarter and asks about unemployment status (1) 	2	<p>Candidates must describe 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>Public goods</p> <ul style="list-style-type: none"> • consumption by one person does not reduce its availability to another person (1) • goods which no one can be excluded from using (1) • examples: street lighting/defence/police service (1) <p>Merit goods</p> <ul style="list-style-type: none"> • those which the government believe everyone should have access to (1) • people will under-consume if they have to pay for it (1) • are subsidised/free at the point of use (1) • normally those that are underprovided by the market (1) • examples: health care/education (1) 	4	<p>Candidates must describe both public and merit goods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Maximum 1 mark for examples per type of goods.</p>
5.	(a)	<p>The law of demand</p> <ul style="list-style-type: none"> • when the price of a product decreases then the demand for that product increases (1) • when the price of a product increases then the demand for that product decreases (1) <p>Effective demand</p> <ul style="list-style-type: none"> • when a desire to buy a product is backed up by an ability to pay for it (1) 	2	<p>Candidates must describe both terms to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	 <p>Diagram</p> <ul style="list-style-type: none"> • fully labelled original market diagram (Price, Quantity, D, S, p and q, or e) (1) • demand curve shifting to the right (1) • new higher equilibrium price and quantity indicated (either p_1 and q_1, or e_1) (1) <p>Explanation</p> <ul style="list-style-type: none"> • a successful advertising campaign makes motorbikes more popular (ID) which means that consumers will buy more of them (EXP) (1). This will increase the price and the quantity (DEV) (1) 	4	<p>Award 1 mark for each valid explanation.</p> <p>Maximum 3 marks for a diagram. Maximum 2 marks for an explanation.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c) (i)	Average Fixed Cost $\text{£}30,000/100,000 = \text{£}0.30$ (1)	1	
	(ii)	Total Variable Cost $\text{£}0.75 \times 100,000 = \text{£}75,000$ (1)	1	
	(iii)	Total Sales Revenue $\text{£}2.25 \times 100,000 = 225,000$ (1)	1	
	(iv)	Total Profit $\text{£}225,000 - (\text{£}75,000 + \text{£}30,000) = \text{£}120,000$ (1)	1	Accept consequentiality.
6.	(a) (i)	<ul style="list-style-type: none"> real terms (1) 	1	Award 1 mark for a valid identification.
	(ii)	<ul style="list-style-type: none"> if the rate of inflation is higher than the interest rate (ID) then the value of the savings in real terms has fallen (EXP) (1) <p>OR</p> <ul style="list-style-type: none"> if the rate of interest is higher than inflation rate (ID) then the value of the savings in real terms has risen (EXP) (1) 	1	Award 1 mark for a valid explanation.
	(b)	<p>Negative effects</p> <ul style="list-style-type: none"> purchasing power falls (1) standard of living falls (1) value of savings decreases (1) non-unionised workers may not get pay rise (1) increased production costs (1) menu costs increase with frequent changes in price (1) people on fixed incomes/pensioners disproportionately impacted (1) <p>Positive effects</p> <ul style="list-style-type: none"> borrowers have lower value of repayment (1) assets (for example houses) appreciate in value (1) 	4	<p>Candidates must describe at least 2 effects to gain full marks.</p> <p>Award 1 mark or each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept reference to effect on balance of payments.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c) (i)	<ul style="list-style-type: none"> • reduced income/fall in standard of living (1) • unable to meet spending commitments (for example mortgage, credit card payments) (1) • loss of skills in the long-term (1) • loss of social status (1) • potential increase in crime, divorce rates, worsening health, lower life expectancy, etc (1) 	2	Award 1 mark for each valid description.
	(ii)	<ul style="list-style-type: none"> • fall in demand for goods and services (1) • lower profit (1) • increasing likelihood of business failure (1) • less government funding available (due to increase in transfer payments) (1) • potential labour becoming de-skilled (1) • increased pool of labour (1) • wage rates are kept low (1) • may need to make redundancy payments (1) 	2	Award 1 mark for each valid description.

Question		Expected response(s)	Max mark	Additional guidance
7.	(a)	<p>UK Imports</p> <ul style="list-style-type: none"> • machinery (1) • vehicles (1) • precious metals (1) • oil (1) • pharmaceuticals/vaccines/PPE (1) • aircraft (1) • medical equipment (1) • plastics (1) • furniture (1) 	2	<p>Candidates must identify 2 UK imports to gain full marks.</p> <p>Accept any suitable example.</p> <p>Accept specific examples, such as bananas, whisky, etc.</p>
	(b)	<ul style="list-style-type: none"> • to protect young or new industries (infant industries) (1) • to prevent unemployment (1) • to prevent unfair competition/countries dumping products at cheap prices in other countries (1) • to prevent overspecialisation (1) • to protect strategic industries (1) • for conservation/environmental reasons (1) • health and safety concerns (1) • to prevent diseases being imported (1) 	4	<p>Candidates must outline at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Award 1 mark for each valid development.</p> <p>Accept reference to improving the Balance of Payments.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c) (i)	$\$3 \text{ million} / \$1.20 = \text{£}2.5 \text{ million}$ } $\$3 \text{ million} / \$1.50 = \text{£}2 \text{ million}$ } (1) $\text{£}2.5 \text{ million} - \text{£}2 \text{ million} = \text{£}0.5 \text{ million}$ (1)	2	<p>If no working is shown award full marks for correct final answer.</p> <p>If correct working is shown with an incorrect final answer max 1 mark.</p> <p>If millions not shown max 1 mark.</p>
	(ii)	<ul style="list-style-type: none"> • Price decreased (1) 	1	
	(iii)	<ul style="list-style-type: none"> • order more wheat (to use later) (1) • diversify into scones/pastries (to use more) (1) • lower the price of final products to customers (1) • keep prices the same and increase profit margins (1) 	1	Award 1 mark for a valid suggestion.

[END OF MARKING INSTRUCTIONS]