



2009 Economics

Standard Grade – Credit

Finalised Marking Instructions

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Marking Instructions

Question 1

- (a) (i) Laissez-faire economy – the allocation of resources is totally controlled by market forces. **2 KU**
- (ii) Planned economy – the allocation of resources is totally controlled by the Government. **2 KU**
- (b) In a mixed economy there is a combination of both private and public sectors. Resources are partly allocated by market forces with firms hoping to make profits, and partly by the Government which provides goods and services which it feels are needed by the people. **4 KU**
- (c) (i) At point B, there are unemployed resources. There may be a recession. Output is very low. **1 ES**
- (ii) The Government could introduce schemes to encourage firms to take on more workers who will spend more. They could offer grants for firms to set up. They could start spending more to stimulate demand in the economy. They could decrease the cost of borrowing to encourage investment. **4 ES**
- (d) At point C, there are insufficient resources to produce this level of output. It is outside the boundary of what is possible. **2 ES**

Question 2

- (a) (i) This is likely to make sales fall. If consumers have to pay more interest on amounts borrowed, this will increase the cost. They will be less likely to buy on credit or take out loans because they will have to pay back more over the period of borrowing. **3 ES**
- (ii) There is rising unemployment. This will mean people have less disposable income and therefore might buy less. **4 ES**
- There is excess stock which might indicate a drop in demand.
- (b) (i) The money tied up in stock cannot be used for anything else. It is losing value as it is stored. **2 KU**
- They will have to pay the costs of insurance, storage, security, etc.
- (ii) They could have a sale – reducing the cost would be likely to lead to increased demand, thereby removing the stock.
- They could offload the stock at a cheaper price to a discount store. This would clear their stockroom and give instant cash without the need for them to do their own selling.
- Accept one item described. **2 KU**

Question 3

- (a) Corporation Tax; Inheritance Tax, NIC **1 KU**
- (b) Beer – to discourage drinking to improve the health of the country
Diesel – to discourage driving to relieve congestion and help the environment
VAT – to discourage demand **4 ES**
- (c) More regressive. (1) The taxation system will affect anyone buying the items regardless of their level of income. Therefore, this system will affect the rich in the same way as the poor. **4 ES**
- (d) A progressive taxation system takes more from the rich than the poor. This is usually done by charging larger percentages of tax on those whose incomes are higher. **2 KU**

Question 4

- (a) (i) They were unable to achieve the same standard of living because their wage levels were not as high.
There were more job opportunities for them in Scotland. **2 KU**
- (ii) Lek and Anna are both qualified people who would bring skills to Scotland.
They may have brought money with them which they would spend in Scotland. **2 KU**
- (b) Lek has shown geographical mobility because he has moved to another area.
Anna has shown both geographical mobility by moving location and occupational mobility by changing her job completely. **4 ES**
- (c) There may have been greater demand for ICT consultants.
The Government have put a limit on public sector salary increases.
Increases in technology in business have meant that more consultants are needed and this is an attempt to attract people into the profession. **3 ES**
- (d) Anna's salary is being measured in percentage terms which does not say exactly how much more she is getting. Her salary may have fallen in real terms because the rate of inflation may have been higher than the rate of her increase.
Answers must address **real** income. **2 KU**

Question 5

- (a) The company may have been trying to get rid of stock. This is just after Christmas. **1 ES**
- (b) (i) Fixed costs do not change with output and will be there even if there is no production. Variable costs increase as production increases. **2 KU**
- (ii) Average cost is total cost divided by the number of items produced. **2 KU**
- (c) Total cost = 350,000 + 700,000 = 1,050,000.
- Average cost = 1,050,000/200 = 5,250 (1)
- Profit = 34,750 per unit (Award one mark for £34.75) **2 ES**
- (d) (i) Capital intensive means that they produce using more machinery, plant, etc than labour. **1 KU**
- (ii) Yes. (1) It is likely that they are because fixed costs have risen and variable costs eg direct labour, have fallen. **3 ES**

Question 6

- (a) Primary – Fishing
- Secondary – Electricity production; turbine production
- Tertiary – Tourism **3 ES**
- (b) There could be new opportunities for jobs because people will be required to operate the farms.
- Less pollution therefore increased tourism meaning more spending in Scotland.
- People will also be needed to produce the turbines, again increasing employment and GNP.
- It is likely that, if enough power is generated, some of it will be exported bringing in revenue.
- If Scotland is leading in this, the technology could be exported either as goods themselves or through consultation bringing in money to the country. **6 KU**
- (c) (i) Social costs – loss of scenery, pollution, disruption of wild life. **2 KU**
- (ii) There could be rising unemployment in the fishing and tourism industries if the farms have a detrimental effect. This will increase unemployment benefit payments.
- The Government might have to pay out money to fisherman to scrap their boats.
- More money may have to be spent clearing up any pollution or doing research into the effects of the scheme on the environment. **4 ES**

[END OF MARKING INSTRUCTIONS]