

0820/403

NATIONAL
QUALIFICATIONS
2009

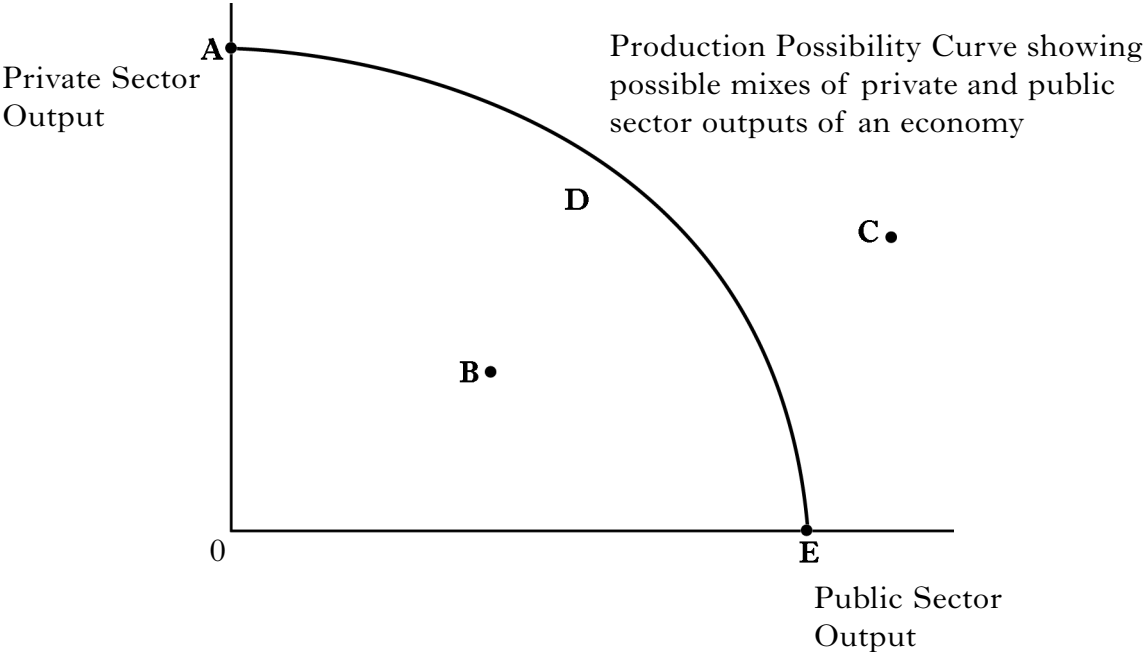
WEDNESDAY, 13 MAY
1.00 PM – 2.45 PM

ECONOMICS
STANDARD GRADE
Credit Level

- 1 Read each question carefully.
- 2 Attempt **all** the questions.
- 3 All answers are to be written in the answer book provided.



1. Study the diagram below and then answer the questions which follow.



- (a) Identify and describe the type of economy that would exist at:
 - (i) Point A;
 - (ii) Point E.
- (b) Describe how resources are allocated in a mixed economy.
- (c)
 - (i) Comment on the economic situation at Point B.
 - (ii) Suggest and explain actions the Government might take in this situation.
- (d) Describe the economic situation that exists at Point C.

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2. Study the article below and then answer the questions which follow.

SCOTOPIAN DAILY NEWS

A spokesperson for a leading retailer commented, "Retail sales were very poor in August and I put this down to rising unemployment, the bad weather and the increased costs of consumer borrowing. Unfortunately there is further evidence that the economy is experiencing a downturn. Major efforts will have to be made if we are to get rid of excess stocks and prepare for the Christmas rush!"

- (a) (i) Explain why "... the increased costs of consumer borrowing" would affect retail sales.
- (ii) Apart from poor retail sales, suggest and explain **2 other** pieces of evidence that might indicate "... that the economy is facing a downturn".
- (b) (i) Describe **2** economic costs to retailers of holding excess stocks.
- (ii) Suggest **one** action retailers might take to remove the problem of excess stocks and describe how this action would be expected to work.

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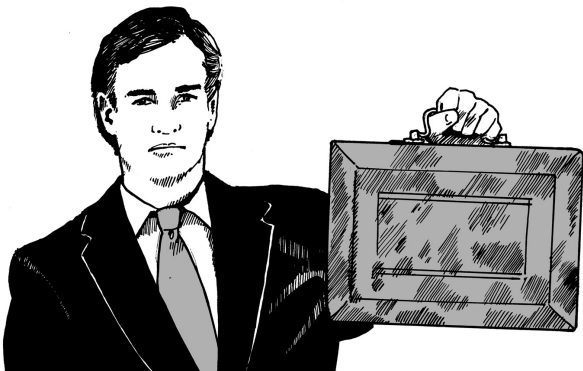
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3. Study the table below and then answer the questions which follow.

Arachnian Government Budget Tax Plans

<i>Present Tax</i>	<i>Change in Tax</i>
Beer 75p per pint	+ 5p per pint
Diesel 60p per litre	+ 10p per litre
VAT 15%	+ 4%
Income Tax 10%	No change



- (a) Income tax is a direct tax. Name **one** other example of a direct tax.
- (b) Why might the Government of Arachnia have chosen to increase the taxes as shown in the table?
- (c) Will the proposed Arachnian Government tax plans make their tax structure more or less regressive? Justify your answer.
- (d) Describe the features of a progressive tax structure.

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5. Study the table below and then answer the questions which follow.

COSTS/REVENUES FOR JOLI PC GAMES LTD

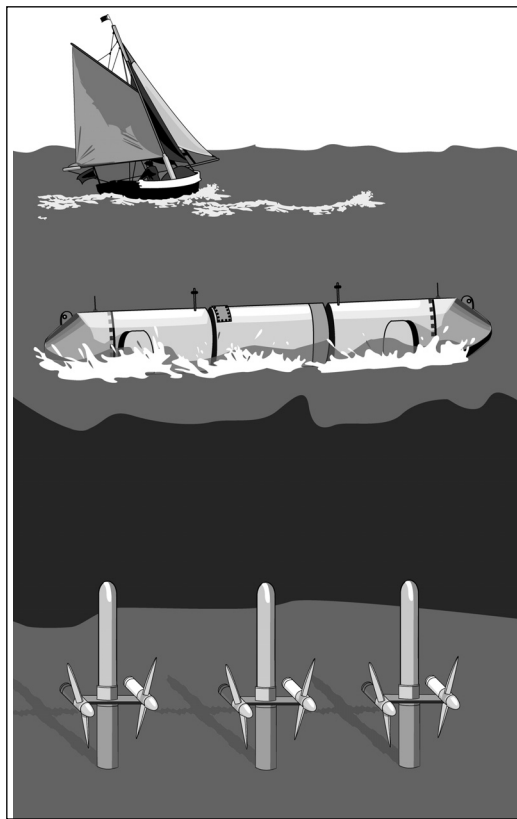
Output in Units	December				January			
	Fixed Costs (£000s)	Variable Costs (£000s)	Average Cost (£000s)	Average Revenue (£000s)	Fixed Costs (£000s)	Variable Costs (£000s)	Average Cost (£000s)	Average Revenue (£000s)
0	350	0	–		600	0	–	
100	350	350	7.00	40	600	200	8.00	30
200	350	700	?	40	600	400	5.00	30
300	350	1050	4.67	40	600	600	4.00	30
400	350	1400	4.37	40	600	1000	4.00	30
500	350	1750	4.20	40	600	1200	3.60	30

- (a) Suggest **one** reason for the change in Average Revenue between December and January.
- (b) (i) Explain the difference between fixed and variable costs.
(ii) Explain what is meant by the term “average cost”.
- (c) Calculate the profit per unit at an output level of 200 units in December.
- (d) A spokesperson for Joli PC Games Ltd stated that the company is now more capital intensive.
(i) Explain the term “capital intensive”.
(ii) Is the statement correct? Using evidence from the table, justify your answer.

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6. Study the passage below and then answer the questions which follow.

Early in 2008, the Scottish Parliament confirmed the building of 2 wave farms off the west coast of Scotland in a bid to increase green energy production. The farms, the first of their kind in the world, are expected to produce energy for up to 25 years. Produced in Glasgow, massive turbines floating on the waves and resting on the sea bed will be used to generate power. A Government spokesperson highlighted the economic benefits of the scheme. Protestors lobbied parliament stating that the scheme would not only have social costs but would be disastrous to tourism and prove to be the final blow to an already struggling fishing fleet.



- (a) From the passage, identify an example of an industry in each sector of production, stating clearly the sector to which each belongs.
- (b) Suggest and explain possible “. . . economic benefits of the scheme” to the Scottish economy.
- (c) (i) Suggest and explain **one** possible “social cost” of the scheme.
(ii) Explain in more detail, the possible economic costs of the scheme to the Scottish economy.

[END OF QUESTION PAPER]

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