

0820/403

NATIONAL
QUALIFICATIONS
2010

MONDAY, 10 MAY
1.00 PM – 2.45 PM

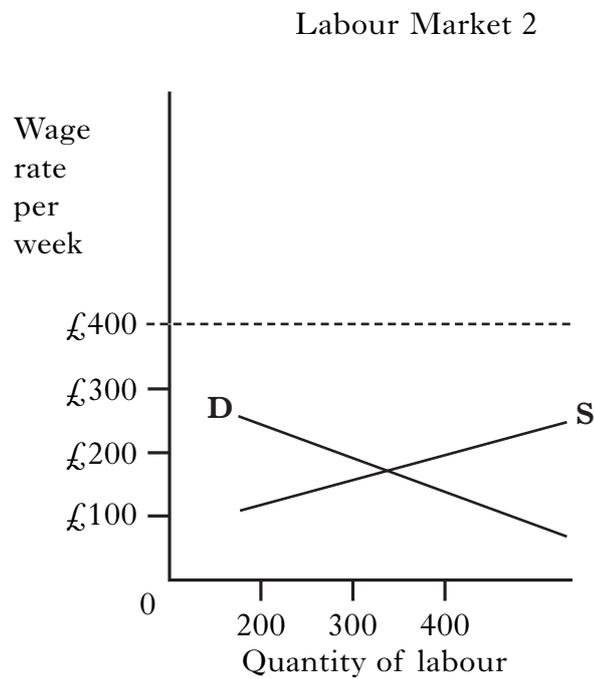
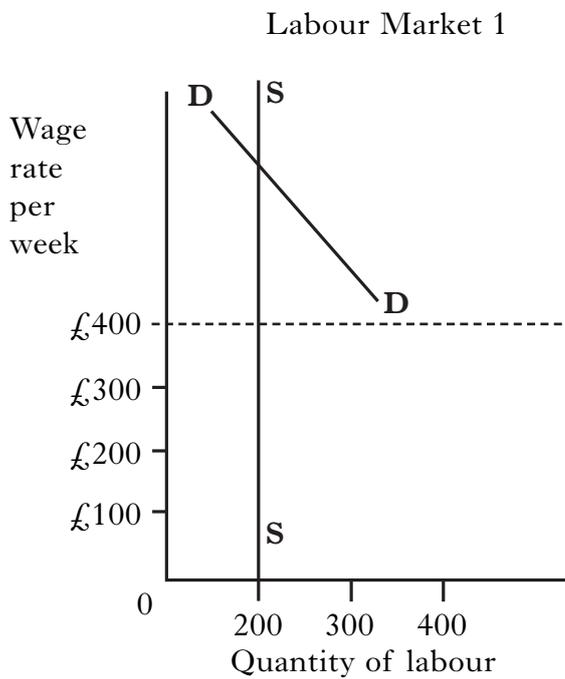
ECONOMICS
STANDARD GRADE
Credit Level

- 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 diagrams below and then answer the questions which follow.

Short Run Supply and Demand in two Labour Markets

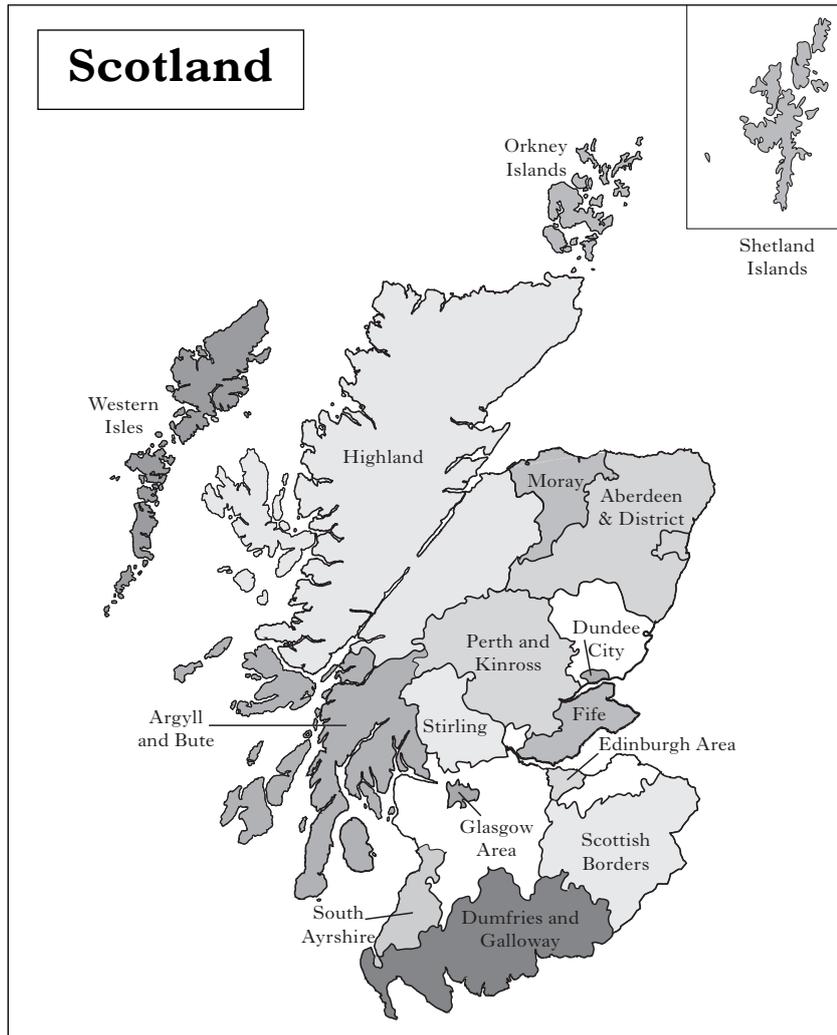


- (a) In Labour Market 1, what problem would arise at a wage of £400? 1
- (b) An economist stated that the supply of labour in Labour Market 1 is inelastic. Justify this statement. 2
- (c) The Government sets a minimum wage of £300 per week.
 - (i) Explain the term “minimum wage”. 2
 - (ii) What problems might this minimum wage cause to both workers and employers in Labour Market 2? 4
- (d) Demand for labour is a derived demand. Explain this statement. 2

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

Marks	
KU	ES

Estimated Population Changes 1999–2009 by Region



Glasgow Area	-19%	Edinburgh Area	+32%	Western Isles	-7%
Highland	+5%	South Ayrshire	-3%	Orkney & Shetland Islands	-6%
Aberdeen & District	+3%	Perth & Kinross	+8%	Fife	+5%
Scottish Borders	+6%	Stirling	+7%	Dumfries & Galloway	-3%
Argyll & Bute	-5%	Dundee City	-7%	Moray	-5%

- (a) Suggest possible economic reasons why the population has risen in some areas of Scotland but fallen in other areas. 4

- (b) Emily was an estate agent in Stirling but decided to move to Orkney to run a small hotel.
 An economist has stated that this demonstrates mobility of labour. What is meant by mobility of labour? 4

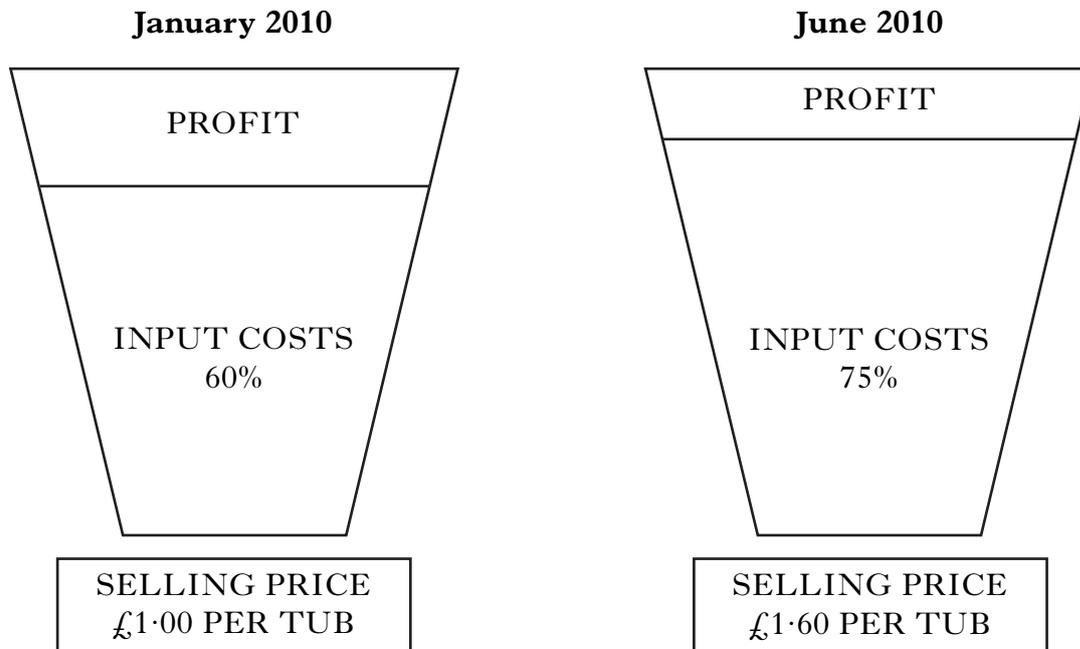
- (c) More people have decided to migrate to Scotland from the EU. Discuss the effects this might have on the Scottish economy. 4

Marks	
KU	ES

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

A spokesperson for Clever Creameries announced today, “We are pushing through a fresh round of price increases in the battle to survive rising **input costs**. We are concerned about rising oil and plastic costs which have both had a huge impact on us. The supermarket **price war** has not helped.”

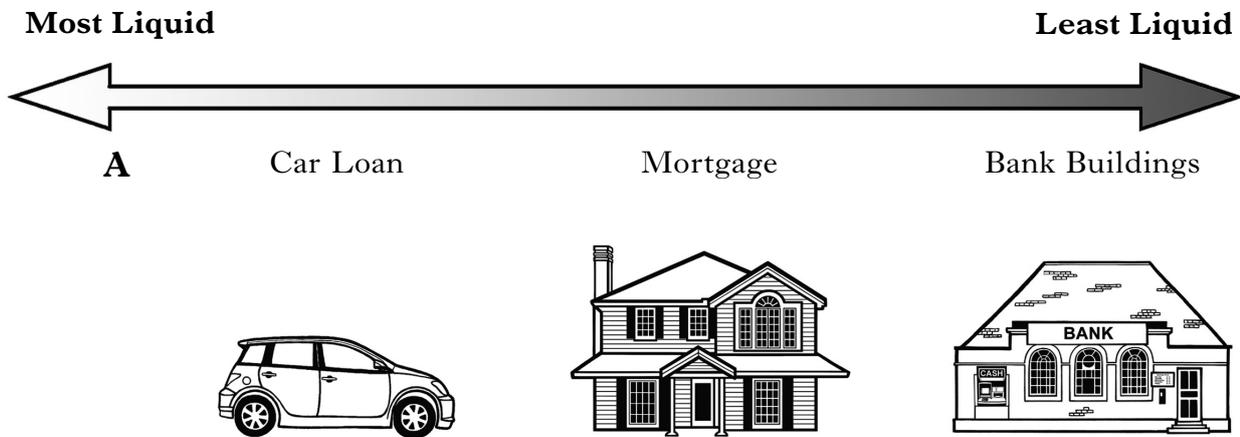
Clever Creameries Cream



- (a) Explain the terms:
 - (i) input costs; 1
 - (ii) price war. 1
- (b) (i) Calculate the Average Total Cost of cream in January 2010. Show your working. 1
- (ii) Calculate the profit on one carton of cream in June 2010. Show your working. 1
- (iii) Apart from raising the price of cream, describe **2** other actions Clever Creameries might have taken to maintain or increase profit levels. 4
- (c) Runners Shortcake, a biscuit manufacturer, proposes a merger with Clever Creameries.
 - (i) Identify the type of integration that would occur if the proposed merger took place. 1
 - (ii) Explain **2** reasons why the firms may be in favour of the proposed merger. 4
- (d) Suggest ways in which “the supermarket price war” and “rising oil and plastic costs” may have impacted upon Clever Creameries. 6

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

Commercial Bank Assets Liquidity Scale



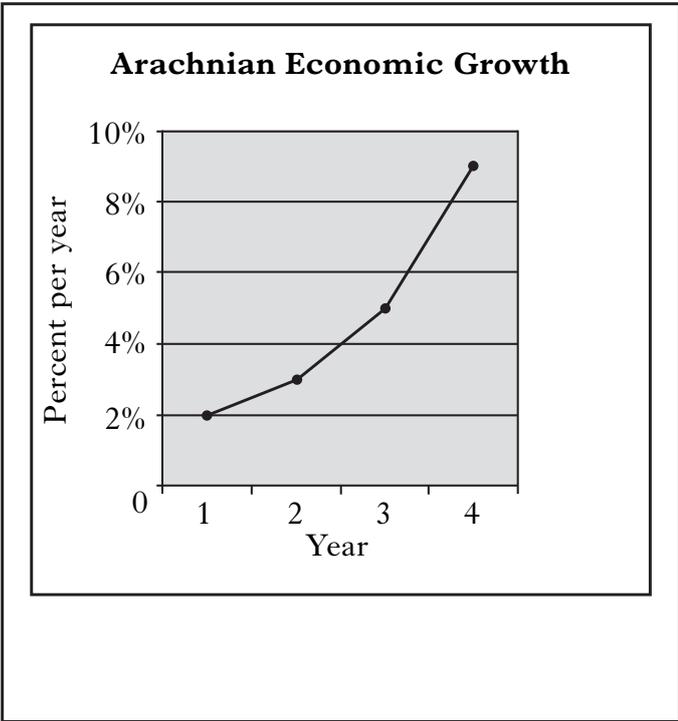
- (a) What commercial bank asset is represented by the letter **A** in the diagram? 1
- (b) (i) Explain what is meant by the term **liquidity** in economics. 2
- (ii) Why does a commercial bank consider a car loan to be more liquid than a mortgage? 2
- (c) Describe how a commercial bank makes profits. 2
- (d) Explain the possible effects of rising inflation on the demand for car loans. 4

[Turn over

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

Arachnian economy set to leap ahead!

The Prime Minister of Arachnia, on a recent visit to Scotopia, was optimistic about the prospects for the Arachnian economy. “As a producer of natural energy and railway equipment, our economy is experiencing rapid **economic growth**”, she said. “Our exchange rate is currently one Arachnian pound to one Scotopian dollar. Our Balance of Payments is in surplus and I cannot see any reason for that to change. Things could not be better!”



- (a) (i) Explain the term “economic growth”.
- (ii) Describe fully the trends in Arachnian economic growth.
- (b) Explain what is meant by a Balance of Payments surplus.
- (c) Describe the possible effects on the Arachnian Balance of Payments of:
 - (i) a weaker Arachnian pound;
 - (ii) a stronger Arachnian pound.

1	
	2
1	
	4
	4

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



(a) “Tayneath is not suffering from the recession,” the local MP stated today.

Do you agree that “Tayneath is not suffering from the recession”? Justify your answer.

3

(b) (i) Identify the type of unemployment highlighted in the Tayneath Tribune.

1

(ii) Explain your answer to (b)(i).

2

(iii) Name **2 other** types of unemployment.

2

(c) In what way would the action described in the Tayneath Mail “. . . save jobs”?

2

(d) A Giffen good is a type of consumer good. Explain the term “Giffen good”.

1

[END OF QUESTION PAPER]

[BLANK PAGE]