

FOR OFFICIAL USE

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	KU	ES
Total		

0820/401

NATIONAL
QUALIFICATIONS
2009

WEDNESDAY, 13 MAY
9.00 AM – 10.00 AM

ECONOMICS
STANDARD GRADE
Foundation Level

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename(s)

Surname

Date of birth

Day Month Year

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Scottish candidate number

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Number of seat

- 1 Read each question carefully.
- 2 Attempt **all** the questions.
- 3 All answers are to be written in this answer book.
- 4 Do **not** write in the margins.
- 5 Before leaving the examination room you must give this book to the invigilator. If you do not, you may lose all the marks for this paper.



1. Study the information below and answer the questions which follow.

Liz is an entrepreneur who is having difficulty deciding what type of business activity to set up.

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(a) From the picture, identify **one** business activity in each of the following sectors:

(i) Primary;

(ii) Secondary;

(iii) Tertiary.

1. (continued)

Marks

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(b) From the picture, identify **one** example of each of the following choices.

(i) What to produce?

(ii) How to produce it?

(iii) Who to produce it for?

(c) If Liz decides to open the sports shop, goods will only be sold to consumers with “**effective demand**”.

Explain what is meant by the term **effective demand**.

(d) Liz decides on her **first choice** of business activity.

(i) From the picture, identify the opportunity cost of building houses.

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

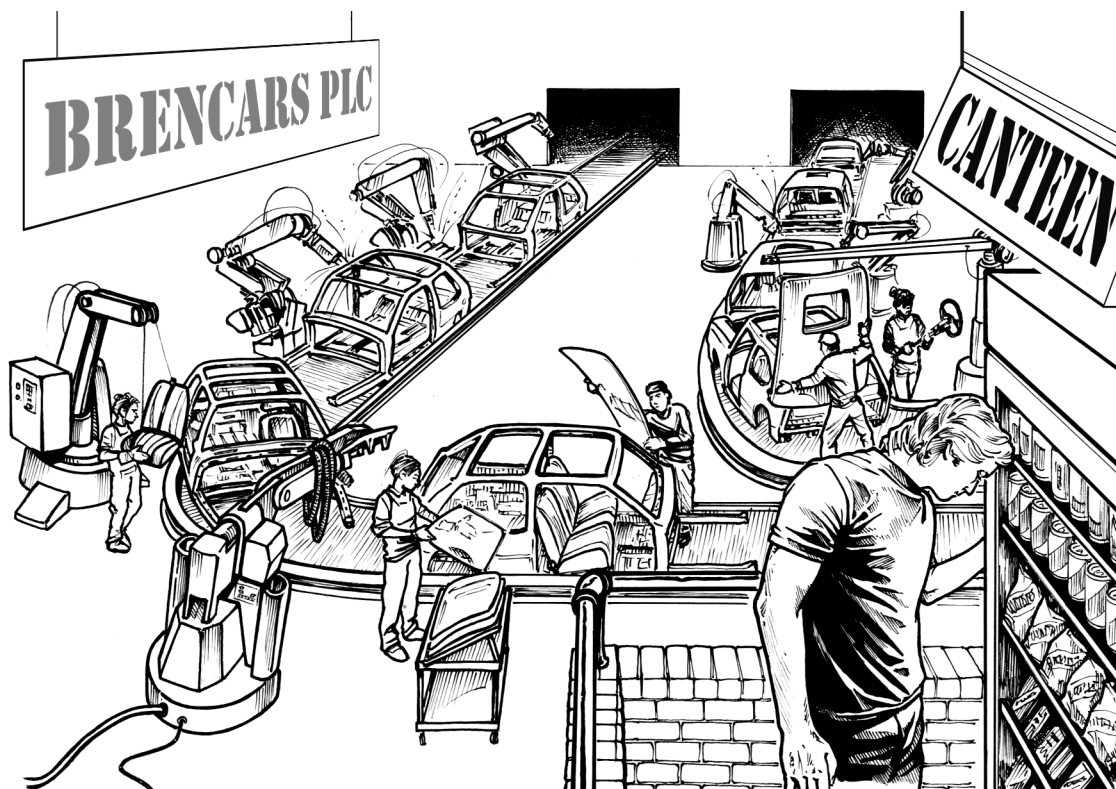
[Turn over

2. Study the picture below and answer the questions which follow.

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KU ES



- (a) Brencars plc car factory uses **division of labour** to manufacture cars.
- (i) What evidence is there in the picture that division of labour is used in the car factory?

2

- (ii) Suggest **one** advantage and **one** disadvantage of division of labour **to the workforce**.

Advantage

Disadvantage

2

2. (continued)

Marks

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- (b) From the picture, identify **one** example of each of the following:
a capital good;

a consumer good.

- (c) Brencars plc buys TomKat Car Retailers.

- (i) Identify this type of integration.

Tick the correct box.

Vertical integration	
Horizontal integration	

- (ii) Explain your answer to (c)(i).

- (d) (i) From the picture, identify whether Brencars plc is a capital intensive or a labour intensive business activity.

Tick the correct box.

Capital intensive	
Labour intensive	

- (ii) Explain your answer to (d)(i).

Marks

(a) At an output level of **100**, identify:

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Tick the correct box.

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Show your working here.

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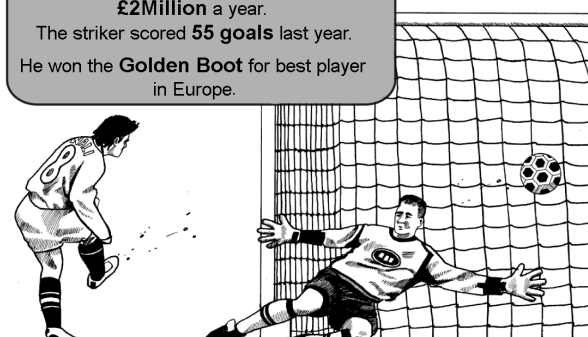
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4. Study the picture below and answer the questions which follow.

REPORTING STRACHLAND

WALI'S DEAL
 Smithtown Thistle will pay Pranav
£2Million a year.
 The striker scored **55 goals** last year.
 He won the **Golden Boot** for best player
 in Europe.



BREAKING NEWS ---- BREAKING NEWS ---- BRE
**PRANAV WALI signs record-breaking new contract
 for SMITHTOWN THISTLE FOOTBALL CLUB!**

Pranav Wali has also signed a
 sponsorship deal with Hold-A-
 Phone Ltd for £1 million a year. He
 will pay income tax of £960,000
 each year. He will pay National
 Insurance of £35,000 each year.



- (a) (i) Which type of resource is Pranav Wali for Smithtown Thistle?

Tick the correct box.

A natural resource	☐
A human resource	☐
A man-made resource	☐

- (ii) How much will Pranav Wali earn in **wages** each year?

Answer: £ _____

- (iii) How much will Pranav Wali earn in **total** each year?

Answer: £ _____

- (iv) Calculate Pranav's "take home pay" each year.

Answer: £ _____

Show your working here.

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4. (continued)

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- (b) (i) Suggest **one** reason why Smithtown Thistle are willing to pay Pranav Wali £2 million a year.

- (ii) Suggest **one** reason why Hold-A-Phone Ltd are willing to give Pranav Wali a £1 million a year sponsorship deal.

- (c) Suggest **3** rewards, other than his basic wage, which Smithtown Thistle might have offered Pranav to encourage him to sign the new deal.

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[Turn over

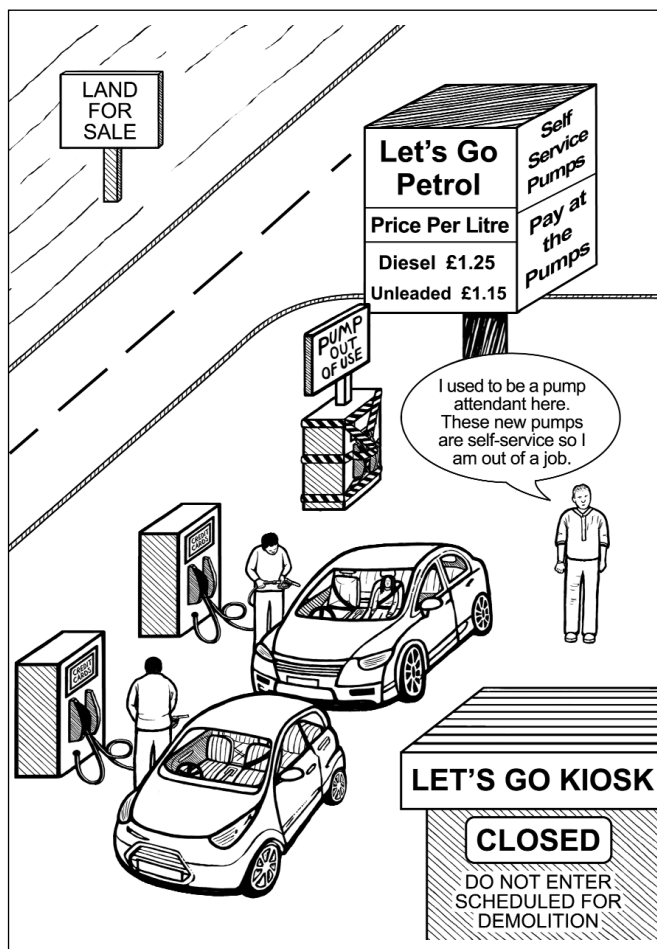
5. Study the picture below and answer the questions which follow.

Marks

KU ES

2002

2009



(a) Identify **one** example of the following:

(i) an **unused** natural resource;

(ii) an **unused** man-made resource.

(b) In 2009, pump attendants are no longer required to work at Let's Go Petrol.

(i) Which type of unemployment is this an example of?

Tick the correct box.

Residual unemployment	
Technological unemployment	
Seasonal unemployment	

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

Marks

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**FLIGHT TO
NEW YORK TODAY
COSTS \$800**

**UK
NEWS
WEEK**

**PRICE OF FLIGHTS TO USA EXPECTED
TO RISE BY 25%**

- (a) If the exchange rate is £1 = \$2.00, how much will a flight to New York cost in £ sterling, today?

Answer: £ _____

Show your working here.

2

- (b) (i) What effect might the expected rise in flight prices have on the demand for holidays to the USA?

Tick the correct box.

Rise in demand	☐	Fall in demand	☐
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1

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

2

6. (continued)

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(c) (i) Suggest **2** actions holiday companies might take to increase demand for holidays to the USA.

1 _____

2 _____

(ii) Select one of your answers from (c)(i) and explain how it would work.

(d) (i) UK citizens demand fewer holidays to the USA.

What might happen to the demand for workers in the tourist industry in the USA?

Tick the correct box.

Increase		Decrease	
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(ii) Explain your answer to (d)(i).

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Marks

A pie chart illustrating the distribution of expenditure across six sectors. The largest share is Social Protection at 30%, followed by Health and Education at 25%, Industry and Other Expenditure at 22%, Defence and Law and Order at 16%, and Transport at 7%.

Sector	Percentage
Health and Education	25%
Transport	7%
Industry and Other Expenditure	22%
Social Protection	30%
Defence and Law and Order	16%

- 1**

- 1

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Show your working here.

7. (continued)

Marks

- (c) Suggest **one** item of capital expenditure and **one** item of current expenditure in **each** of the following areas of Government spending.

	Capital	Current
Defence and Law and Order		
Health and Education		

4

- (d) State **2** ways in which the Government raises money to pay for its expenditure.

1 _____

2 _____

2

[END OF QUESTION PAPER]

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