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Total	KU	ES

0820/402NATIONAL
QUALIFICATIONS
2011TUESDAY, 3 MAY
10.20 AM – 11.35 AMECONOMICS
STANDARD GRADE
General Level

Fill in these boxes and read what is printed below.

Full name of centre

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Town

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Forename(s)

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Surname

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Date of birth

Day Month Year

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Scottish candidate number

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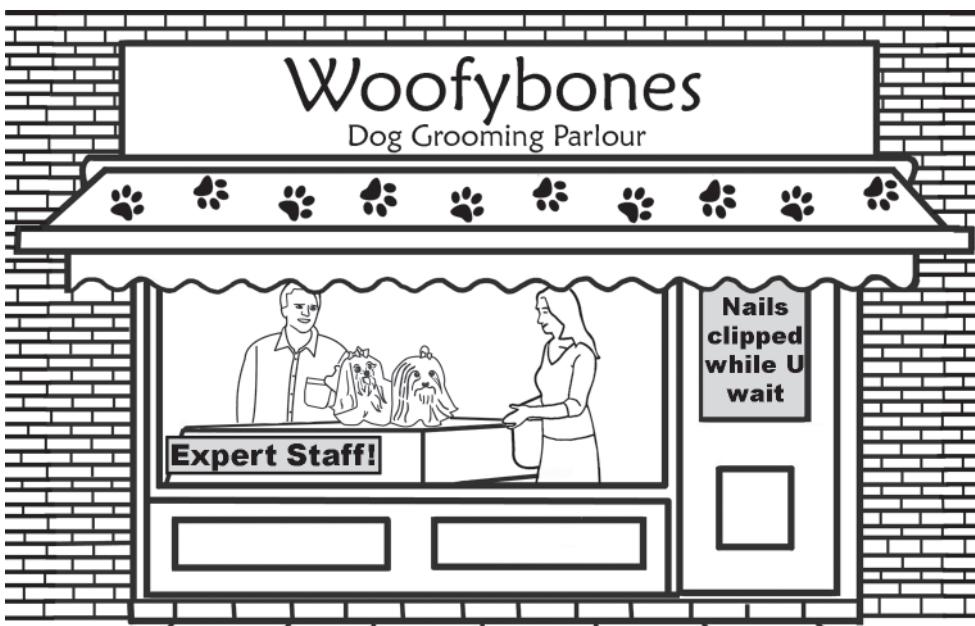
Number of seat

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- 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 picture below and answer the questions which follow.



Woofybones Total Costs and Revenue for this week	
Total Costs	Total Revenue
Fixed Costs £2000	Income from customers £3000
Shampoo £500	

- (a) (i) Woofybones had 150 customers this week. Calculate the average revenue per customer.

Answer _____

Show your working here.

1

- (ii) Does it follow from your answer to (a)(i) that each customer was charged the same price? Tick (✓) the correct box.

Yes	<input type="checkbox"/>
-----	--------------------------

No	<input type="checkbox"/>
----	--------------------------

1

- (iii) Explain your answer to (a)(ii).

1

	Marks	KU	ES
1. (continued)			
(b) Describe 2 actions that Woofybones could take to increase its weekly revenue.			
1 _____			

2 _____			
_____	2		
(c) (i) Define the terms:			
Fixed Costs;			

Variable Costs.			

(ii) What percentage of Woofybones total costs are variable?			
Answer _____			
Show your working here.			

1			
(d) Woofybones is an example of a labour intensive organisation. Explain the term “labour intensive”.			

1			

Marks		
	KU	ES
2		
1		
1		

1. (continued)

- (e) Woofybones is part of the private sector. Explain how resources are allocated in this sector of the economy.

- (f) (i) To which sector of production does Woofybones Dog Grooming Parlour belong?

Tick () the correct box.

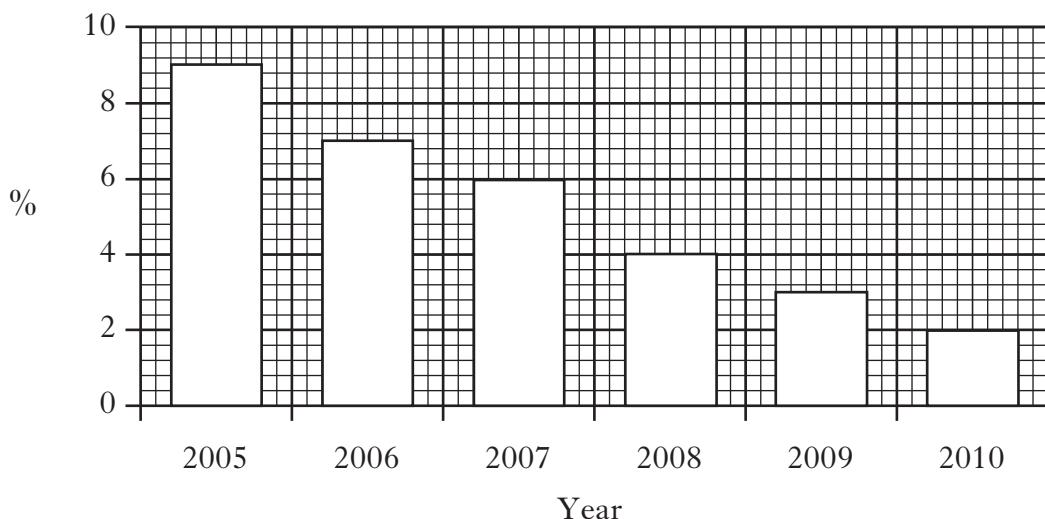
PRIMARY	
SECONDARY	
TERTIARY	

- (ii) Justify your answer to (f)(i).

[Turn over for Question 2 on *Page six*

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

Average Interest Rates Paid to Savers by UK Banks 2005–2010



- (a) (i) Describe fully the trend in interest rates paid to savers between 2005 and 2010.

2

- (ii) What effect would the trend described in (a)(i) have on investment and employment in the UK?

1 Investment _____

4

2 Employment _____

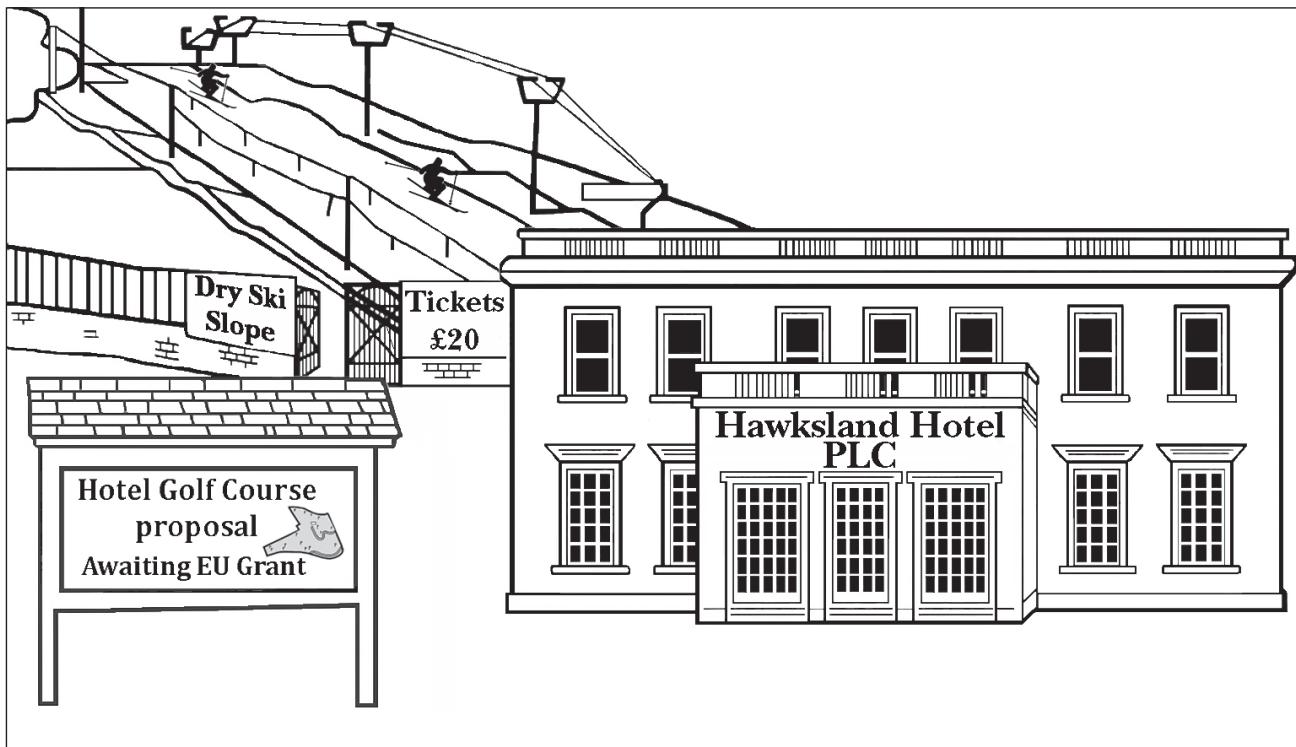
- (b) (i) Apart from adjusting interest rates, suggest 2 actions UK banks might take to attract more savers.

1 _____
2 _____

2

		<i>Marks</i>	KU	ES
2. (b) (continued)	(ii) Choose one of the actions given in (b)(i) and explain how it would be expected to work.			

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



(a) Identify who owns the Hawksland Hotel.

Tick (✓) the correct box.

A private individual	<input type="checkbox"/>
The shareholders	<input type="checkbox"/>
The Government	<input type="checkbox"/>

1

(b) It costs Hawksland Hotel £100,000 a month to operate its dry ski slope.

How many customers are needed each month for the ski slope to break even?

Answer _____

Show your working here.

1

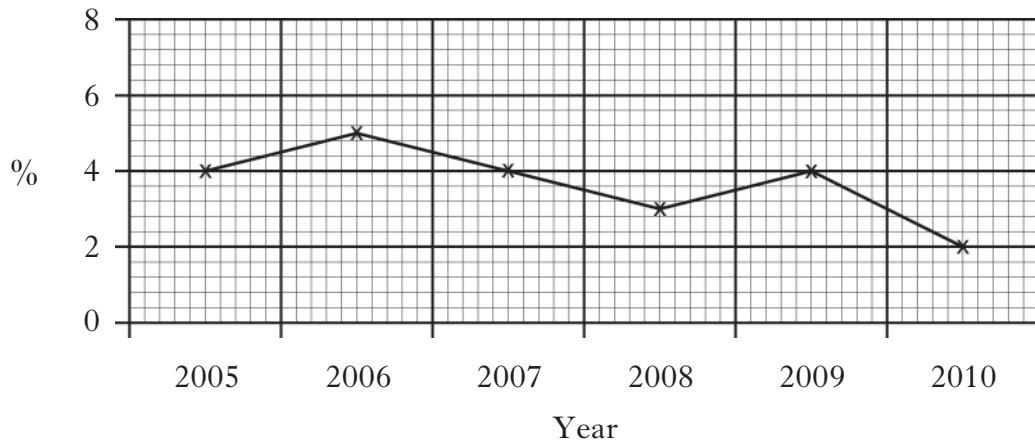
3. (continued)		Marks		
			KU	ES
(c) (i) Hawksland Hotel is considering developing a golf course beside the hotel.				
Suggest 2 economic reasons why the EU might give a grant towards this project.				
1 _____				

2 _____				
_____		2		
(ii) Name 2 other ways that Hawksland Hotel could raise finance for this project.				
1 _____				
2 _____		2		
(d) Give 2 reasons why the local community might be against the proposed development.				
1 _____				
2 _____		2		

[Turn over]

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

Annual Rate of Inflation in the UK 2005–2010



- (a) What is meant by the term “annual rate of inflation”?

1

- (b) Describe how the UK Government calculates the annual rate of inflation.

2

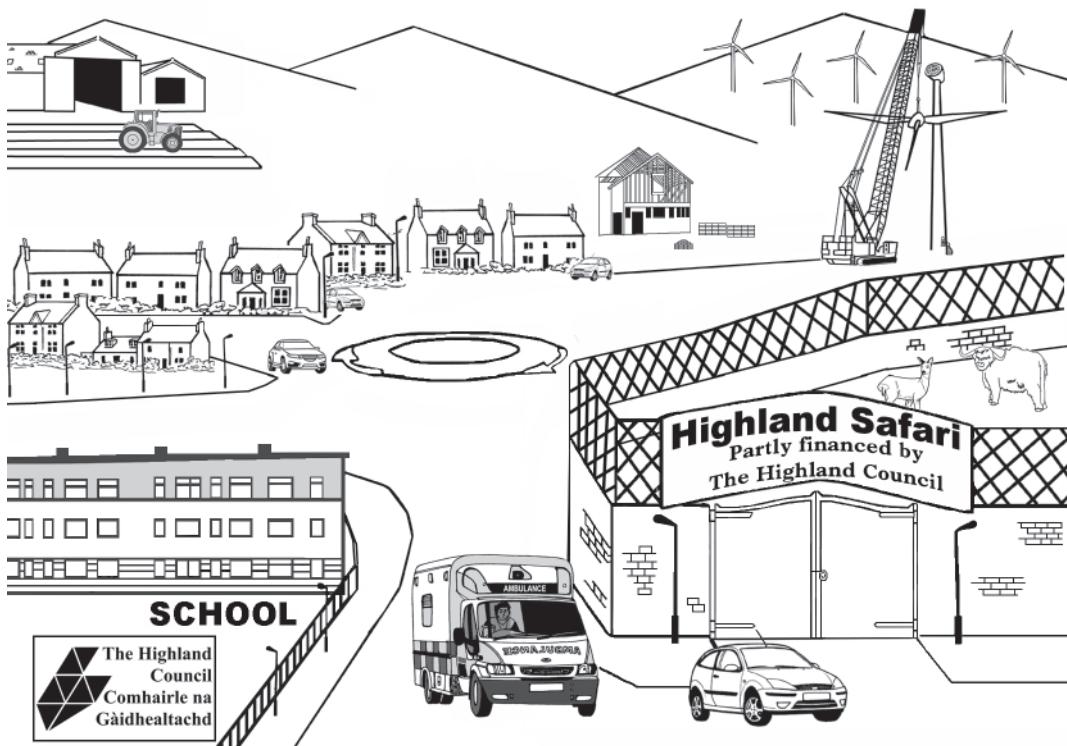
- (c) Describe what happened to prices between 2005 and 2010.

2

		Marks
4.	(continued)	KU ES
(d) In 2009, the UK Government decided to limit Public Sector wage increases to 1%.		
(i) Explain why public sector employees would be unhappy about this decision.		2
(ii) State 2 possible effects this decision might have on the private sector of the UK economy.		2
[Turn over		

5. Jamie Smith was employed as an economist in the financial sector in Edinburgh before deciding to move to the Highlands to set up a safari park.

Study the picture below and answer the questions which follow.



- (a) From the picture, identify **one** example of each of the following.

A merit good _____

A public good _____

A private good _____

3

- (b) What evidence is there in the picture that the government helped Jamie make his decision?

1

- (c) (i) In what **2** ways have Jamie's actions demonstrated mobility of labour?

1 _____

2 _____

2

Marks		
	KU	ES
5. (c) (continued)		
(ii) State 2 examples of activity carried out in the “financial sector” of an economy.	1	
	2	2
(d) From the picture, identify one example of each of the following types of production.		
Primary		
Secondary		
Tertiary		3
(e) (i) What factor of production did Jamie provide as an economist?		1
(ii) As owner of the safari park, what return will Jamie receive for his contribution to production?		1
(iii) Name one other factor of production and its return.		1

[Turn over]

6. Study the information below, which relates to the country of Gaeltopia, and answer the questions which follow.

Government Revenue and Expenditure

REVENUE	Year 1	Year 2
	£ billion	£ billion
Income Tax	500	550
Corporation Tax	300	350
VAT	300	500
Customs and Excise Duties	400	480

EXPENDITURE		
Health	390	430
Defence	290	470
Education	380	550
Others	400	450

- (a) Income tax is a progressive tax. Explain what is meant by the term “progressive tax”.

2

- (b) Calculate the percentage of total tax revenue which came from progressive taxes in Year 1.

Answer _____

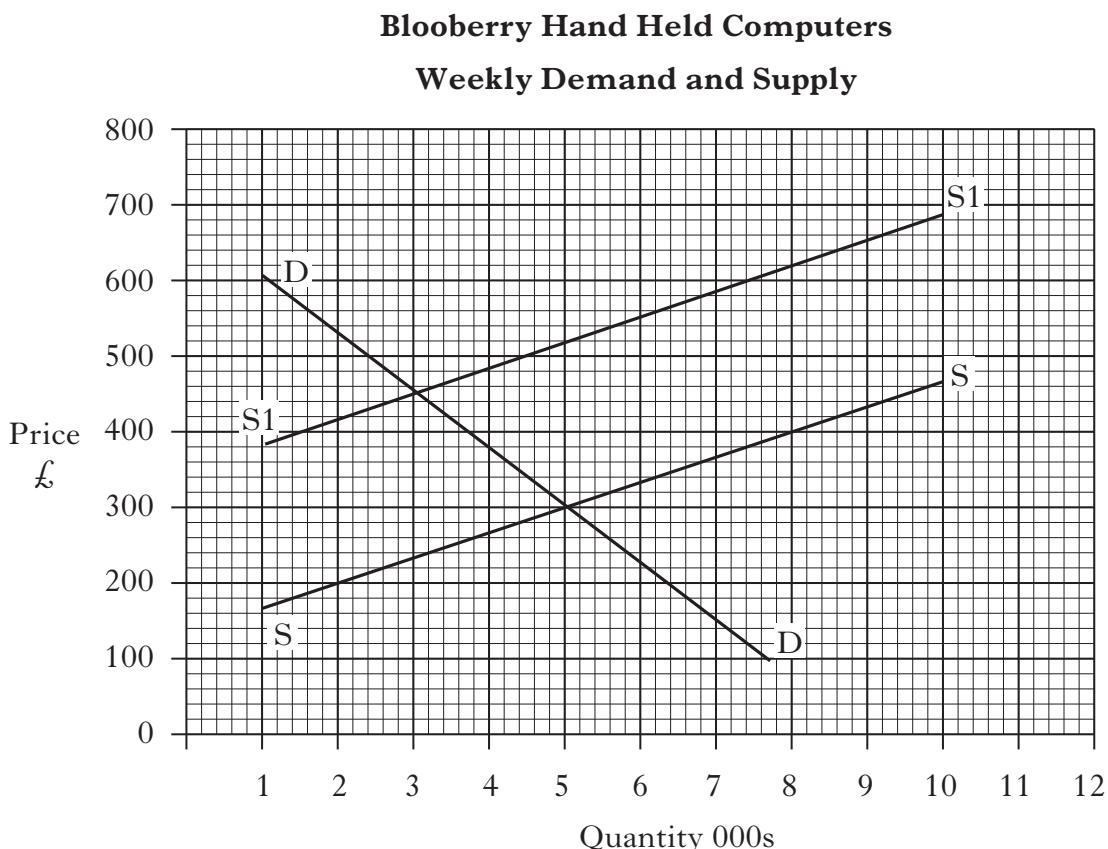
Show your working here.

2

6. (continued)		Marks	MARGIN
		KU	ES
(c)	Give one example of each of the following types of spending on Defence.		
	Capital Expenditure _____		
	Current Expenditure _____	2	
(d) (i)	In which year did the Government of Gaeltopia have a budget surplus?		
	Answer _____		
	Show your working here.		
		1	
(ii)	What was the value of that surplus?		
	Answer _____		
	Show your working here.		
		1	
(iii)	Identify one way the Government of Gaeltopia could finance a budget deficit.		
	_____	1	
(e)	Suggest 2 economic effects of increased government spending on an economy.		
1	_____		
2	_____	2	

[Turn over

7. Study the diagram below and answer the questions which follow.



(a) Explain what is meant by the following terms.

(i) Demand

(ii) Supply

2

(b) (i) State the equilibrium price and quantity when the supply is SS.

1

(ii) What problem will the suppliers of this product face when supply is SS and the price is £350?

1

Marks	KU	ES
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7. (b) (continued)

- (iii) What would the total revenue be when supply is SS and the price is £350?

Answer _____

Show your working here.

2

1

2

3

(c) Supply shifts to S1S1.

- (i) What is the new market price?

- (ii) Describe the effect this change in market price will have on the quantity demanded.

(d) Identify which 3 of the following would cause the shift in the supply curve shown on the diagram. Tick 3 boxes only.

1 A wage increase for Blooberry employees	
2 An increase in the price of screens for hand held computers	
3 A government subsidy on hand held computers	
4 An increase in price of a competitor's version	
5 An increase in corporation tax	

[END OF QUESTION PAPER]

ACKNOWLEDGEMENTS

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