



National  
Qualifications  
2014

**X722/75/01**

**Economics**

WEDNESDAY, 28 MAY

9:00 AM – 10:30 AM

**Total marks — 70**

**SECTION 1 — 30 marks**

Attempt BOTH questions.

**SECTION 2 — 40 marks**

Attempt ALL questions.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

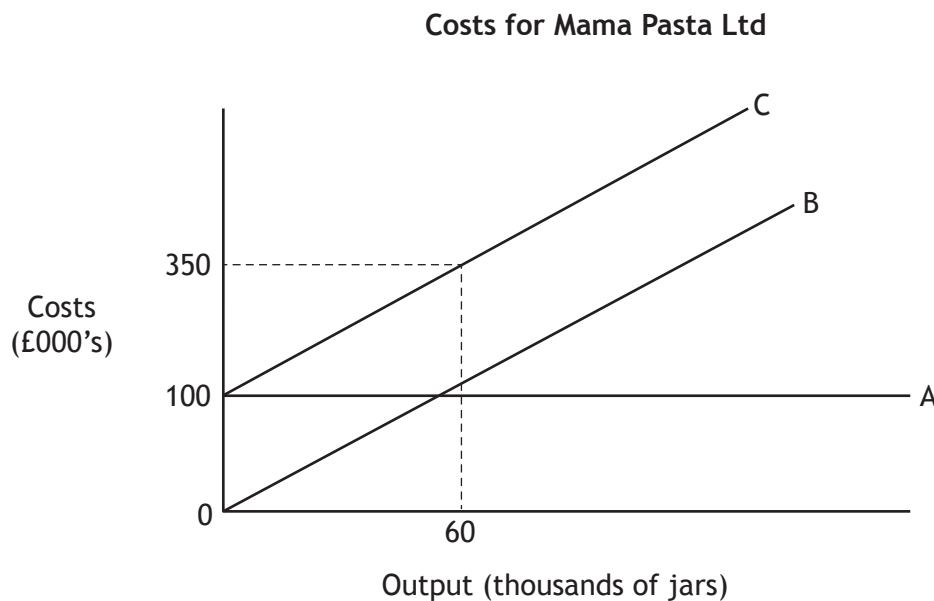
You may use a calculator.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



**SECTION 1 — 30 marks**  
**Attempt BOTH questions**

1. The UK firm, “Mama Pasta Limited”, recently launched a new range of pasta sauces. The company imports the main ingredients from Italy. It intends to export this new range to the Eurozone. In order to increase output it will need to use more factors of production which may mean an increase in costs. The exchange rate will affect how much profit will be made.



- (a) Using the diagram above:
- (i) identify the labels A, B and C; 3
  - (ii) calculate the total profit made by Mama Pasta Ltd at an output of 60,000 jars and at the price of £8. 2
- (b) Give **one** example of:
- (i) a fixed cost for Mama Pasta Ltd; 1
  - (ii) a variable cost for Mama Pasta Ltd. 1
- (c) Explain what is meant by the “Eurozone”. 2
- (d) Explain how a fall in the value of Sterling against the Euro is likely to affect:
- (i) the profit made by Mama Pasta Ltd in the Eurozone; 2
  - (ii) the price of imported ingredients for Mama Pasta Ltd. 2
- (e) Explain in what way the firm’s supply curve would be affected by an increase in the price of ingredients. 2
- Total marks** 15

2. Achieving a low rate of inflation is an economic aim of the UK Government. A high rate of inflation can have a negative effect on households and firms.

In an attempt to boost economic growth, the UK Government could increase public sector employment. This may lead to an increase in the income of workers. Some workers may save this additional income whereas others may choose to spend it on items such as tablet computers.

- (a) Explain the meaning of the term “rate of inflation”. 2
- (b) Explain the likely effect of an increase in the rate of inflation on:
- (i) households; 2
  - (ii) firms. 2
- (c) Define “economic growth”. 2
- (d) Describe **3** factors of production that might be used to produce tablet computers. 3
- (e) Explain **one** reason why the demand curve for tablet computers usually slopes downwards from left to right. 2
- (f) Other than an increase in income, suggest **2** factors that may increase the demand for tablet computers. 2

Total marks 15

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## SECTION 2 — 40 marks

Attempt ALL questions

- |    |     |  |           |
|----|-----|--|-----------|
| 3. | (a) | Explain why <b>all</b> economies face the basic economic problem.  | 4         |
|    | (b) | Identify <b>2</b> types of savings account offered by financial organisations.                                   | 2         |
|    | (c) | If the interest rate decreases, explain the effect this could have on a family budget.                           | 2         |
|    | (d) | Describe <b>2</b> economic factors that might affect consumer confidence.  | 2         |
|    |     | <b>Total marks</b>   | <b>10</b> |
| 4. |     | Due to the introduction of more efficient technology, the car industry has seen an increase in supply.           |           |
|    | (a) | Describe, using an example, what is meant by supply in the car industry.   | 2         |
|    | (b) | Explain, using a diagram, the effects of more efficient technology on a car manufacturer's supply curve.         | 4         |
|    | (c) | Other than the introduction of new technology, describe <b>2</b> ways in which a firm could increase its profit. | 2         |
|    | (d) | Other than technological unemployment, describe <b>2</b> other causes of unemployment.                           | 2         |
|    |     | <b>Total marks</b>   | <b>10</b> |
| 5. | (a) | Using an example, explain what is meant by direct taxation.  | 2         |
|    | (b) | Describe <b>2</b> main areas of UK Government spending.  | 2         |
|    | (c) | Describe <b>3</b> factors that UK businesses might consider before locating abroad.                              | 3         |
|    | (d) | (i) Identify <b>one</b> industry that Scotland specialises in.   | 1         |
|    |     | (ii) Explain why Scotland specialises in this industry.  | 2         |
|    |     | <b>Total marks</b>   | <b>10</b> |

			<b>MARKS</b>
<b>6.</b>	(a)	(i) Describe 2 economic characteristics of a developing country.	2
		(ii) Describe 2 types of aid the UK could give to a developing country.	2
		(iii) Using <b>one</b> of your answers to 6(a)(ii) above, explain in what way this type of aid would be expected to assist a developing country.	2
	(b)	Describe 2 ways in which UK consumers might benefit from international trade.	2
	(c)	Describe 2 trade barriers.	2
<b>Total marks</b>			<b>10</b>

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