



National
Qualifications
2015

2015 Economics

National 5

Finalised Marking Instructions

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General Marking Principles for National 5 Economics

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

- (a) Marks for each candidate response must always be assigned in line with these General Marking Principles and the Detailed Marking Instructions for this assessment.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) If specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader.
- (d) Unless otherwise stated, the expected responses are not exhaustive. Award any other correct answer.
- (e) i) Questions that ask candidates to Describe . . .
Candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points. The points do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.
- Up to the total mark allocation for this question:
- One mark should be given for each accurate relevant point of knowledge.
 - A second mark could be given for any point that is developed from the point of knowledge
- ii) Questions that ask candidates to Explain . . .
Candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.
- Up to the total mark allocation for this question:
- An explain answer should be double-barrelled, eg a 'what and a why' or a 'what and a how'.
 - One mark should be given for each accurate relevant point of reason.
 - A second mark could be given for any other point that is developed from the same reason.

Detailed Marking Instructions for each question

Section 1

Question		Expected Answer(s)	Max Mark	Additional Guidance
1.	(a)	<ul style="list-style-type: none"> sacrifice of next best alternative foregone cost of next best alternative given up when choosing a good if you choose a Mars bar rather than a Snickers, the opportunity cost of the Mars bar is the Snickers 	2	<p>Award 1 mark for a description of opportunity cost and 1 mark for the example</p> <p>Need to show some understanding that a sacrifice is being made</p>
	(b)	<ul style="list-style-type: none"> family or friends a building society Wonga (or other pay day lender) an overdraft credit card 	1	Award 1 mark for identification of source of borrowing
	(c) (i)	<ul style="list-style-type: none"> savers will be rewarded (ID) because savings will increase (Exp) saving will increase (ID) giving savers more spending power (Exp) savers get more return for their saving (ID) therefore they are encouraged to save/discouraged from borrowing(Exp) 	2	<p>1 mark for each explained effect</p> <p>Candidates must refer to the economic effect on savers</p> <p>Accept development of an explanation</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(ii)	<ul style="list-style-type: none"> • borrowers will be penalised (ID) because their debt repayments will increase (Exp) • borrowers will be discouraged from borrowing further (ID) due to the increase in repayments (Exp) • borrowers have to pay back more (ID) therefore are discouraged from borrowing (Exp) 	2	<p>Award 1 mark for each explained effect</p> <p>Candidates must refer to the economic effect on borrowers</p> <p>Answers can refer to individuals or businesses</p>
	(d)	<ul style="list-style-type: none"> • specialisation and the division of labour • replace labour with capital • provide staff training • use improved technology • use staff incentive schemes 	2	Award 1 mark for each valid description
	(e) (i)	<ul style="list-style-type: none"> • David Murray • Arnold Clark • Stewart Milne • Michelle Mone • Tom Hunter • Duncan Bannantyne • Tom Farmer • Brian Souter • Ann Gloag • Tony Stone • Jim McCall • Fraser Doherty 	1	<p>Award 1 mark for identification of Scottish entrepreneur, who must be well known</p> <p>Accept any other well-known Scottish entrepreneur</p>
	(ii)	<ul style="list-style-type: none"> • increased employment opportunities/decrease in unemployment • increase in national income/growth • less government spending on benefits/transfer payments 	1	<p>Award 1 mark for a valid description</p> <p>Allow consequentiality if the name is wrong in Q1g(i)</p>

Question	Expected Answer(s)	Max Mark	Additional Guidance
(f)	<p>Advantages:</p> <ul style="list-style-type: none"> • no trade barriers • UK firms can benefit from a larger market • greater opportunities for exporting • Immigrants can fill skills gaps • greater source of skilled, well educated workers • can take advantage of cheap labour in Eastern Europe <p>Disadvantages:</p> <ul style="list-style-type: none"> • jobs may be lost if firms relocate to new entrants countries • imports increase from cheaper EU countries • increase in regulation from the EU • have to pay into EU Budget • unrestricted EU immigration • have to pay financial assistance to EU countries 	4	<p>Award 1 mark for describing each advantage or disadvantage</p> <p>Candidates must have 2 advantages and 2 disadvantages for full marks</p> <p>Candidates can describe the advantages and disadvantages for: individuals firms government</p> <p>Answer must be about EU, not trade in general</p> <p>Do not allow “flip” repeats</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
2.	(a)	<ul style="list-style-type: none"> when buyers and sellers of fizzy drinks come together to set a price and make an exchange 	2	If no mention of fizzy drinks, max 1 mark
	(b)	<ul style="list-style-type: none"> 75 pence 850,000 cans of juice 	1	Award 1 mark for accurate identification of both equilibrium price and quantity Award 0 marks for correct identification of only one part
	(c)	<ul style="list-style-type: none"> there will be a higher profit per unit new firms will enter the market 	2	Award 1 mark for each accurate description DNA demand increases
	(d)	<ul style="list-style-type: none"> original TR: $75p \times 850000 = \text{£}637,500$ new TR: $50p \times 800,000 = \text{£}400,000$ change/decrease of $\text{£}237,500$ 	2	Award 1 mark for accurately identifying the revenue for both the initial and new equilibrium points Award 1 mark for accurately calculating the change in revenue Max 1 if the process is correct but the answer is wrong If answer is $\text{£}637.50 - \text{£}400.00 = \text{£}237.50$ - 1 mark only.
	(e)	<ul style="list-style-type: none"> to discourage/decrease consumption to raise tax revenue to copy other countries who have successfully introduced a tax on fizzy drink less pressure on health care 	2	Award 1 mark for each correct suggestion Max 1 mark for healthcare (eg obesity and dentist)
	(f)	<ul style="list-style-type: none"> less spending on other areas eg education increased government spending may lead to a budget deficit 	2	Award 1 mark for each valid description

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(g) (i)	<ul style="list-style-type: none"> • reduced income by being on benefits • unable to meet spending commitments (eg mortgage, credit agreements, etc) • fall in real living standards • the longer each person is out of work, the greater the loss of skill & motivation • potential increase in crime, divorce rates, worsening health, lower life expectancy, etc • loss of social status • fear of losing job 	2	Award 1 mark for each valid description
	(ii)	<ul style="list-style-type: none"> • loss of profits due to less consumer spending • increasing business failure due to lack of demand • labour becoming de-skilled • less government funding available due to increased transfer payments • possibility of loss of money through crime • increased pool of labour • wage rates are kept low • may need to make redundancy payments 	2	Award 1 mark for each valid description

Section 2

Question		Expected Answer(s)	Max Mark	Additional Guidance
3.	(a)	<ul style="list-style-type: none"> disposable income is income after deductions eg income tax and national insurance contributions money a consumer has to spend on goods and services higher disposable income means higher spending power 	2	DNA disposable income is income after paying bills
	(b)	<ul style="list-style-type: none"> reduces disposable income (ID) therefore consumers have less to save (Exp) reduces disposable income (ID) therefore people will dip into savings to fund regular spending (Exp) 	2	Award 1 mark for each explained effect Accept development of explanation
	(c) (i)	Advantages: <ul style="list-style-type: none"> purchases can be paid for at a later date more secure if there is a problem with a retailer can pay off in instalments. Disadvantages: <ul style="list-style-type: none"> high rate of interest easy to overspend without realising 	2	Award 1 mark for an advantage and 1 mark for a disadvantage Do not allow 'flip' repeats Answers must be specific to credit cards rather than card payments in general

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(ii)	<p>Advantages:</p> <ul style="list-style-type: none"> • lower rate of interest compared to credit cards • can be paid back over time, spreading the cost • can buy items now that one cannot afford in cash • once arranged, received at once. <p>Disadvantages:</p> <ul style="list-style-type: none"> • paying back more than you have borrowed. • can be difficult for bank loans to be approved depending on your financial circumstances • can encourage unaffordable spending • penalty clause for early repayment 	2	<p>Award 1 mark for an advantage and 1 mark for a disadvantage.</p> <p>Do not allow repeats from Q3(c)(i) or 'flip' repeats</p>
	(d)	<ul style="list-style-type: none"> • a need is something that is required for survival whereas a want is something that makes life more pleasant • needs include food/water/shelter whereas wants include games console/TV/freezer 	2	<p>Award 1 mark for comparison of needs and wants</p> <p>Award 1 mark for comparison of examples</p>

Question			Expected Answer(s)	Max Mark	Additional Guidance
4.	(a)	(i)	<ul style="list-style-type: none"> the price would rise the advert would increase demand 	2	Award 1 mark for the effect on price and 1 for the reason
		(ii)	<ul style="list-style-type: none"> the price would rise people switch from substitute to tuna and therefore increase demand 	2	Award 1 mark for the effect on price and 1 for the reason
	(b)		<ul style="list-style-type: none"> consumers are less willing to buy the product as there is less value for money consumers are less able to buy the product with their limited income Substitution effect - consumers will substitute out of the market into competitor markets Income effect - consumers will be able to afford less with the same level of income DMU - consumers get less satisfaction from each subsequent unit (1) and therefore are less willing to pay a high price (1) 	2	<p>Award 1 mark for each valid description</p> <p>Award 1 mark for any development</p>
	(c)		<ul style="list-style-type: none"> correctly labelled diagram showing original demand, supply and equilibrium supply curve shifting to the left new equilibrium overfishing now means that there will be fewer tuna in the ocean in the future supply decreases or supply curve shifts to the left leading to higher price/lower quantity 	4	<p>Max 3 if only attempted through the diagram</p> <p>Max 2 if only attempted through the narrative</p> <p>Equilibrium can be shown using price and quantity or labelled equilibrium on the diagram.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
5.	(a)	<ul style="list-style-type: none"> • fall in costs of factors of production (eg raw materials, labour) • subsidies to producers • improved technology in production • lower corporation tax • reduction in VAT 	3	Award 1 mark for each valid description Do not award marks for identification only Fall in different costs of production - maximum 2 marks DNA increase in price
	(b)	<ul style="list-style-type: none"> • fixed costs are costs which do not vary with output • variable costs are costs which do vary with output • eg rent/overheads/advertising etc • eg cost of raw materials/packaging/wages etc 	4	Award 1 mark for each valid description Award 1 mark for each example
	(c)		3	Award 1 mark for each correct cost curve Maximum 2 marks if no/incorrect axis labels (ie need costs and output - not price and quantity)

Question		Expected Answer(s)	Max Mark	Additional Guidance
6.	(a)	<ul style="list-style-type: none"> • high level of foreign direct investment • availability of cheap labour • rise in employment in secondary sector • move from primary to secondary industry • high level of exports • high rates of economic growth • increased infrastructure • increased levels of education • reduced poverty/higher standard of living • favourable tax and regulatory regimes • lower infant mortality • longer life expectancy • improved healthcare • higher literacy rates 	2	<p>Award 1 mark for each valid description</p> <p>Do not award marks for identification only</p>
	(b) (i)	<ul style="list-style-type: none"> • the tourist benefits (ID) because they get more £ for their € (Exp) • the tourist will get more £ for their € (ID) therefore the holiday will be cheaper for them (Exp) • therefore they will be able to stay longer/afford a better hotel/go on more excursions/buy more souvenirs/etc (Exp) • Tourism is a UK export which becomes cheaper (ID) so the Belgian's holiday is cheaper (Exp) 	2	Award 1 mark for each explained effect
	(ii)	<ul style="list-style-type: none"> • the firm does not benefit (ID) because it has to pay more £ for € (Exp) • the firm has to pay more £ to get the same amount of € (ID) therefore imports are dearer (Exp) • the price of imports is dearer (ID) therefore the firm has to raise its prices (to maintain profits) (Exp) • the price of imports is dearer (ID) therefore the firm has to reduce its profit margin (to maintain the price) (Exp) 	2	Award 1 mark for each explained effect

Question		Expected Answer(s)	Max Mark	Additional Guidance
	(c) (i)	<ul style="list-style-type: none"> • a tariff is a taxes on imported goods or services • a quota is a maximum limit or ceiling on the number/volume of imports • a subsidy is an amount of money given to domestic firms by governments • an embargo are a complete ban on specific goods or imports from certain countries 	2	Award 1 mark for each valid description Do not award marks for identification only Trade barriers do not need to be labelled
	(ii)	<ul style="list-style-type: none"> • tariff - raises the price (ID) therefore reduces competitiveness • subsidy - reduces production costs (ID) therefore firms can reduce prices • embargo - the product is not available in the UK (ID) therefore consumers must buy domestic products (Exp) • quota - once the limit is reached no more can be imported (ID) therefore consumers must buy domestic products (Exp) 	2	Award 1 mark for each explanation

[END OF MARKING INSTRUCTIONS]