



National
Qualifications
2017

2017 Economics

National 5

Finalised Marking Instructions

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General marking principles for National 5 Economics

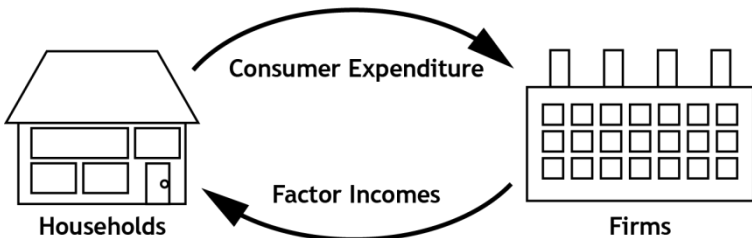
This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this paper. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

- (a) Marks for each candidate response must always be assigned in line with these general marking principles and the detailed marking instructions for the relevant question.
- (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 a 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) 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:
- 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

Marking instructions for each question

Section 1

Question			Expected answer(s)	Max mark	Additional guidance
1.	(a)	(i)	<ul style="list-style-type: none"> The CPI inflation rate generally fell (1) Inflation went from just over 5% to just over 2% (1) 	1	Percentages not required.
		(ii)	<ul style="list-style-type: none"> Prices rose/prices continued to rise (but at a lower rate) (1) 	1	DNA prices fell.
	(b)		<ul style="list-style-type: none"> Real income increased (ID) because average income overtook the CPI rate of inflation (1) 	1	
	(c)	(i)	<ul style="list-style-type: none"> Consumer purchasing power rose (1) Standard of living may increase (1) Consumers may buy more goods and services/luxuries (1) Consumers may save more (1) 	2	Award 1 mark for each description. Mark consequentially from question 1(b).
		(ii)	<ul style="list-style-type: none"> Tax revenue increases (1) GDP may increase (1) Firms take on more staff/unemployment falls (1) JSA payments fall (1) Government will have more available to spend (1) 	2	Award 1 mark for each description. Mark consequentially from question 1(b).
	(d)		<ul style="list-style-type: none"> Attractive interest rate on savings (1) Expectation of future price decreases (1) For a particular future purchase/to save for larger more expensive items (which they can't afford from weekly income) (1) For a rainy day (1) For retirement (1) 	2	Award 1 mark for each outline. DNA 'flips'

Question		Expected answer(s)	Max mark	Additional guidance
	(e)	<ul style="list-style-type: none"> Land - rent (1) Capital - interest (1) Enterprise - profits/dividends (1) 	2	<p>Award 1 mark for each identification.</p> <p>The name of the factor of production does not need to be identified.</p>
	(f)	 <p>The diagram illustrates the circular flow of income between Households and Firms. On the left is a house icon labeled 'Households'. On the right is a factory icon labeled 'Firms'. A curved arrow points from Households to Firms, labeled 'Consumer Expenditure'. A second curved arrow points from Firms to Households, labeled 'Factor Incomes'.</p> <ul style="list-style-type: none"> Households/firms (1) Correct direction of all arrows shown (1) Consumer expenditure (1) Factor incomes (1) 	4	<p>Accept any other recognised terms.</p> <p>Households/firms can be left, right, top or bottom.</p> <p>If factor incomes are shown as individual names, 3 of 4 must be present in full or as an abbreviation (eg RWIP).</p> <p>No marks for factors of production and/or goods and services if shown - but do not penalise for having them.</p> <p>No marks for injections and/or withdrawals if shown - but do not penalise for having them.</p>

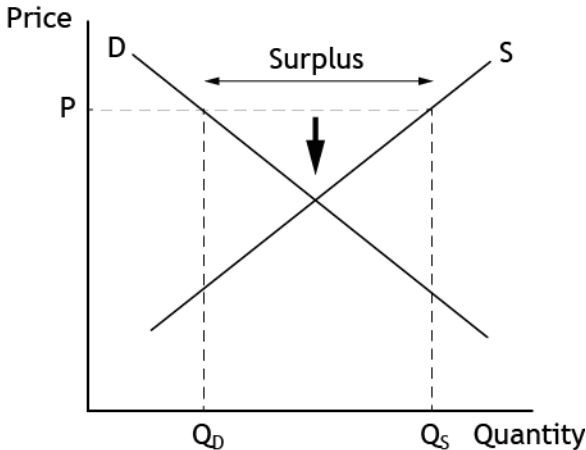
Question			Expected answer(s)	Max mark	Additional guidance
2.	(a)	(i)	<ul style="list-style-type: none"> An organisation with branches/facilities in more than one country/worldwide (1) An organisation with a headquarters in one country, but which has facilities in at least one other country (1) 	1	DNA 'sells/trades' in more than one country.
		(ii)	<ul style="list-style-type: none"> Access to inexpensive land (1) Access to inexpensive labour (1) Access to a new market (1) Closer to customers/raw materials (1) Availability of lower environmental standards (1) Access to government/tax incentives (1) Access to ASEAN trading block (1) 	3	<p>Award 1 mark for each outline.</p> <p>DNA reference to access to the EU.</p>
	(b)		<ul style="list-style-type: none"> A firm can choose to locate in Country A or Country B. If it locates in A then locating in B is the opportunity cost (1) <p>OR</p> <ul style="list-style-type: none"> A firm can choose to produce pink or blue t-shirts. If it chooses to produce pink t-shirts then blue t-shirts is the opportunity cost (1) 	1	<p>Answer must include both the choice and the opportunity cost to gain the mark.</p> <p>Accept responses not related to 'multinational'.</p> <p>Accept any suitable example of opportunity cost.</p> <p>Also award the mark for responses which refer to not producing eg 'not locating in B/not producing blue t-shirts'.</p>

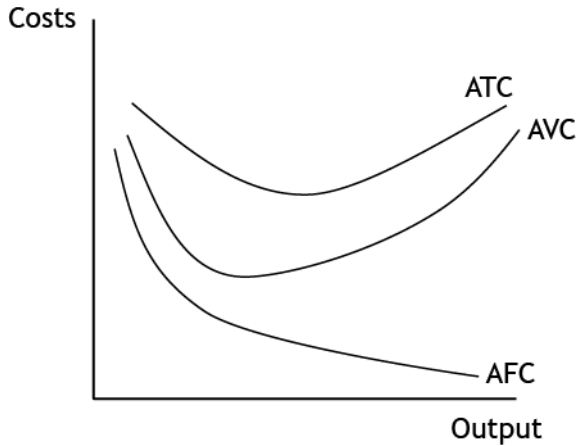
Question		Expected answer(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • (Rapidly) increasing GDP/economic growth (1) • (Rapidly) improving infrastructure (1) • Increasing export market (1) • From primary to secondary industry/increase in manufacturing (1) • Increasing FDI (1) 	2	<p>Award 1 mark for each outline.</p> <p>DNA social factors, eg falling infant mortality rate.</p>
	(d) (i)	<ul style="list-style-type: none"> • Overseas buyers now get less Sterling for their currency (ID) so this increases the price of exports (EXP) (1) • This makes exports less attractive (EXP) (1) • This reduces demand for export (EXP) (1) • This reduces revenue/profit for exporting firms (EXP) (1) 	2	<p>Award 1 mark for each explanation.</p>
	(ii)	<ul style="list-style-type: none"> • Income level (1) • Price of a substitute good (1) • Price of a complementary good (1) • Advertising/media exposure (1) • Weather/season (1) • Fashion/trend (1) • State of the economy (1) • Population level (1) 	3	<p>Award 1 mark for each outline.</p> <p>DNA change in price.</p>

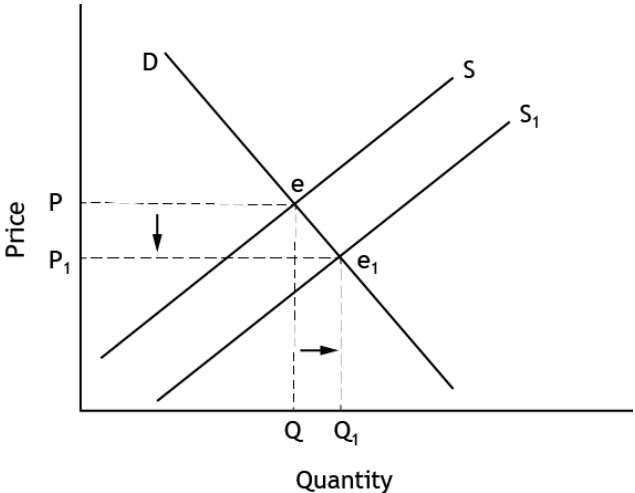
Question		Expected answer(s)	Max mark	Additional guidance
	(e)	(i)	1	
		(ii)	2	Award 1 mark for each explanation. DNA answers about the benefits of being in the EU (eg free movement).

Section 2

Question		Expected answer(s)	Max mark	Additional guidance
3.	(a)	<ul style="list-style-type: none"> Where buyers and sellers of Christmas tree lights come together (1) in order to agree a price and make an exchange (1) 	2	Must have buyers, sellers, price and exchange for full marks.
	(b)	<ul style="list-style-type: none"> Consumers are less willing and able to buy the product (1) Consumers are less willing to buy as they get less value for money (1) Consumers are less able to buy as they have limited income (1) Consumers will substitute 'our' product for another (1) Consumers will be able to afford less with the same level of income (1) Consumers will gain less utility from each additional unit purchased (1) 	2	<p>Award 1 mark for each description and/or development.</p> <p>Watch for repetition of 'willing and able' if given as both a pair and individual descriptions.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(c)	 <ul style="list-style-type: none"> • Diagram with axes, P, Q_D, Q_S, D and S labels (1) • Surplus clearly marked (1) • Directional indication of downward price pressure (1) • A surplus (where $Q_S > Q_D$) leads to retailer having to reduce their price in order to clear stock (1) this will force the price back to a 'clearing' position of equilibrium (1) 	4	<p>Diagram 3 marks max. Description 2 marks max.</p> <p>Q_D and Q_S could be Q and Q_1 (or similar).</p> <p>If a demand and supply diagram has been drawn, eg one with a shift in supply, award the 'labels' mark, assuming the labels are all correct.</p>
(d)	<ul style="list-style-type: none"> • To reduce consumption (1) • To increase government tax revenue (1) • To reduce environmental impact (1) 	2	Award 1 mark for each suggestion.

Question		Expected answer(s)	Max mark	Additional guidance
4.	(a)	<ul style="list-style-type: none"> Total revenue is the amount of money received by a firm from the sale of its products/a product (1) Average revenue is the amount of money received by the firm from the sale of one unit/sales per unit (1) 	2	Award 1 mark for each description. Accept $TR = \text{sales} \times \text{selling price}$. Accept $AR = TR/\text{sales}$. Accept $AR = \text{price}$. DNA 'output' rather than 'sales'.
	(b)	 <ul style="list-style-type: none"> ATC (1) AFC (1) AVC (1) } and labelled axes	3	Award 3 marks for accurate diagram (including correct axes and curve labels). Accept AC instead of ATC as the curve label. Axes labels must be 'costs and/or output' not 'price and/or quantity'.

Question	Expected answer(s)	Max mark	Additional guidance
(c) (i)	 <p>The diagram shows a downward-sloping demand curve (D) and two upward-sloping supply curves (S and S₁). The initial equilibrium (e) is at the intersection of D and S, with price P and quantity Q. A shift in supply to S₁ moves the equilibrium to e₁, with a lower price P₁ and a higher quantity Q₁. Dashed lines indicate the original and new equilibrium points and their corresponding price and quantity values on the axes. Arrows indicate the shift in supply and the resulting changes in price and quantity.</p> <ul style="list-style-type: none"> • Original diagram D, S, P, Q plus axes labels (1) • Shift in supply to S₁ (1) • New P₁ and Q₁ (or new e₁) (1) 	3	Award 3 marks for accurate diagram (including correct axes and labels).
(ii)	<ul style="list-style-type: none"> • Lower costs of production (wages, raw materials, overheads, etc) (1) • Lower (corporation) tax (1) • Increased availability of resources (1) • New technology (1) • Receive a subsidy (1) • Get a grant (1) • Fall in Sterling exchange rate (1) 	2	Award 1 mark for each suggestion. Max 1 mark for costs of production. DNA change in price.

Question		Expected answer(s)	Max mark	Additional guidance
5.	(a)	<ul style="list-style-type: none"> • (Sustained) economic growth (1) • Low (and stable) inflation (1) • Low unemployment/full employment (1) • Reduce trade deficit (1) • Reduce budget deficit (1) • Reducing regional disparities (1) • Redistributing income and wealth (1) • Correcting market failure/provide public and merit goods (1) 	2	Award 1 mark for each outline.
	(b)	<ul style="list-style-type: none"> • Direct tax is levied on income and wealth (1) • Direct taxes include - Income Tax; National Insurance Contributions; Corporation Tax; Capital Gains Tax; Inheritance Tax (1) • Indirect tax is levied on expenditure (1) • Indirect taxes include - VAT; Excise duties on fuel and alcohol; car tax; TV licence (1) 	4	<p>Award one mark for a description of a direct tax and one mark for an example of a direct tax.</p> <p>Award one mark for a description of an indirect tax and one mark for an example of an indirect tax.</p> <p>DNA 'direct taxes are taken directly ...' with no reference to income or wealth.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(c) (i)	<ul style="list-style-type: none"> • Oil (1) • Whisky (1) • Tourism (1) • Financial services (1) • Computer software (1) • Agriculture/fishing (1) • Food processing (1) • Electronics (1) • Pharmaceuticals (1) • Scientific equipment (1) • Textiles (1) 	1	
	(ii)	<ul style="list-style-type: none"> • There are natural resources (ID) which means high profits for oil firms (EXP) (1), which creates high quality products (EXP) (1) • There is history, heritage and landscape (ID) therefore this attracts tourists (EXP) (1) which creates export revenue (EXP) (1) • There is a highly trained workforce (ID) which brings the right skills to industry (EXP) (1) 	1	Candidate answer will depend on answer for 5c(i).
	(d)	<ul style="list-style-type: none"> • Provide subsidies/grants (1) • Provide rent free/cheap factory/office space (1) • Promote Scotland abroad as a business location (1) 	2	<p>Award 1 mark for each suggestion.</p> <p>Suggestions must relate to Scottish government measures.</p>

Question		Expected answer(s)	Max mark	Additional guidance
6.	(a)	<ul style="list-style-type: none"> • Grant - cash which does not need to be paid back (1) • Loan - cash on which interest is charged (1) • Debt relief - when rich countries write off the debts that developing countries owe them (1) • Technical aid/expertise - when experts go to help workers learn how to operate machinery, equipment etc (1) • Capital equipment - provide machinery (1) • Educational aid - when teachers and experts give education/training (1) • Medical aid - when essential medicines and vaccinations are given (1) • Food/emergency aid - provide food/shelter/etc (usually when a natural disaster occurs) (1) • Charitable aid - donations from citizens in other countries (1) • Military aid - provide equipment and personnel (1) 	2	<p>Award 1 mark for each description.</p> <p>The name of the type of aid is not required.</p> <p>Accept descriptions of tied aid, bilateral aid, multilateral aid.</p>
	(b)	<p>Advantages of international trade include:</p> <ul style="list-style-type: none"> • Wider choice (1) • Lower prices (1) • Higher quality (1) • Shortages can be met by imports (1) <p>Disadvantages of international trade include:</p> <ul style="list-style-type: none"> • Job losses (1) • Exposure to harmful products (1) • Loss of national identity (1) • Lower quality (1) 	4	<p>Award 1 mark for each advantage (max 2).</p> <p>Award 1 mark for each disadvantage (max 2).</p> <p>DNA 'flips' (eg higher quality/lower quality).</p> <p>Note it must be an advantage/disadvantage to an individual.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • To protect infant industries (ID) so that they do not face competition in their early years (EXP) (1) • To raise revenue (ID) so that the government can increase its domestic spending (EXP) (1) • To protect domestic jobs (ID) so that the government JSA payments do not increase (EXP) (1) • To prevent dumping (ID) so that there are not artificially low priced products in the UK (EXP) (1) • To protect strategic industries (ID) so home countries do not have to rely on foreign suppliers (EXP) (1) who may not be able to transport supplies (DEV) (1) • To prevent harmful products being sold (ID) so that domestic consumers are protected (EXP) (1) • To reduce imports (ID) so that the balance of trade deficit will improve (EXP) (1) 	3	<p>Award 1 mark for each explanation.</p> <p>Max 1 mark for development.</p>
	(d)	<ul style="list-style-type: none"> • Worse off (1) 	1	

[END OF MARKING INSTRUCTIONS]