



National  
Qualifications  
2019

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**2019 Economics**

**National 5**

**Finalised Marking Instructions**

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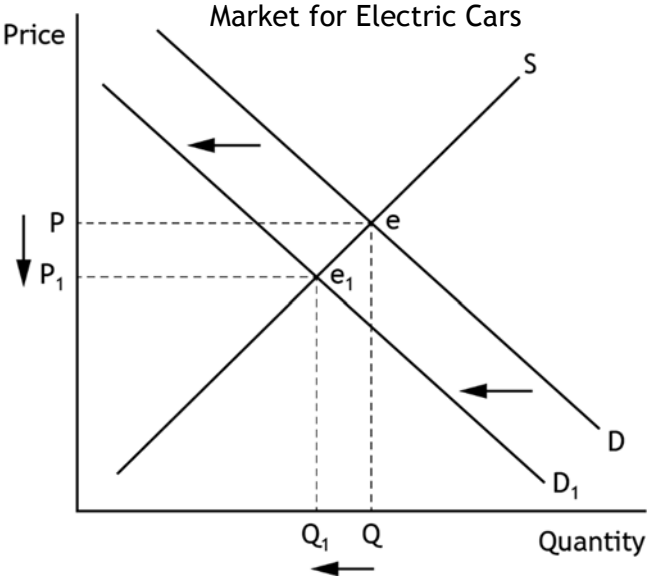
## General marking principles for National 5 Economics

*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 specific 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
- 1 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
- 1 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

Question			Expected response	Max mark	Additional guidance
1.	(a)	(i)	<p>emerging economy</p> <ul style="list-style-type: none"> <li>• moving from primary to secondary industry (1)</li> <li>• rising employment in the secondary sector (1)</li> <li>• high rates of economic growth (1)</li> <li>• high levels of FDI (1)</li> <li>• available cheap labour (1)</li> <li>• increased spending on infrastructure (1)</li> <li>• increased levels of education (1)</li> <li>• reduced poverty/growing standards of living (1)</li> </ul>	1	<p>Accept any feature of an emerging economy.</p> <p>Do not award marks for example of an emerging economy on its own.</p>
		(ii)	<p>average cost</p> <ul style="list-style-type: none"> <li>• the cost of producing each unit of output (1)</li> <li>• <math>AC = (FC + VC)/\text{no. of units}</math> (1)</li> <li>• <math>AC = TC/\text{no. of units}</math> (1)</li> <li>• <math>AC = AFC + AFV</math> (1)</li> </ul>	1	
	(b)		<ul style="list-style-type: none"> <li>• negotiating lower rent (1)</li> <li>• finding a cheaper source of finance (1)</li> <li>• finding cheaper suppliers/raw materials (1)</li> <li>• reducing the wage bill (1)</li> <li>• increasing division of labour (1)</li> <li>• using more automation/improved technology (1)</li> <li>• outsourcing component production (1)</li> </ul>	2	Candidates must outline 2 measures to gain full marks.

Question	Expected response	Max mark	Additional guidance
(c) (i)	 <ul style="list-style-type: none"> <li>• correctly labelled axes and diagram (Price, Quantity, D, S, P, Q, and/or e) (1)</li> <li>• demand shift to left plus label (<math>D_1</math>) or arrows indicating shift to left (1)</li> <li>• new <math>P_1</math> and <math>Q_1</math> (or <math>e_1</math>) (1)</li> </ul> <p>Electric and petrol cars are substitutes (ID) therefore a decrease in the price of petrol cars will cause the demand for electric cars to fall (EXP) (1) as consumers prefer to buy petrol models as they represent better value for money (DEV) (1). Consumers will prefer to buy petrol models (ID) therefore the demand for electric cars will fall (EXP) (1).</p>	4	<p>Award up to 3 marks for diagram.</p> <p>Award up to 2 marks for explanation.</p>

Question		Expected response	Max mark	Additional guidance
(c)	(ii)	<ul style="list-style-type: none"> <li>• availability of charging points (1)</li> <li>• rise/fall in price of complementary good, for example electricity (1)</li> <li>• reduction in the length of charging time of battery (1)</li> <li>• change in size of the driving-age population (1)</li> <li>• increased/reduced advertising (1)</li> <li>• change in environmental awareness/becoming more fashionable (1)</li> <li>• rise/fall in consumer income (1)</li> <li>• change in interest rates (1)</li> <li>• change in income tax rates (1)</li> </ul>	3	<p>Candidates must outline 3 determinants to gain full marks.</p> <p>Do not accept (DNA) rise/fall in price of petrol cars (as it is given in question).</p>
(d)		<ul style="list-style-type: none"> <li>• complete the Living Costs and Food Survey/complete a survey to find out what average families buy (1)</li> <li>• create a basket of goods (1)</li> <li>• give a weight to each item in the basket (based on importance/proportion of household spending) (1)</li> <li>• gather prices from retailers around the country (1)</li> <li>• check prices from last time/base year (1)</li> <li>• calculate percentage change in prices (1)</li> <li>• add up all the percentage changes and calculate an average change, which is inflation (1)</li> </ul>	3	DNA definitions of the RPI/CPI/CPIH.
(e)		<ul style="list-style-type: none"> <li>• rising oil prices increases costs (for example transport costs, electricity costs, etc) (ID) which will lead to higher prices (EXP) (1) as producers wish to maintain profit margins (DEV) (1)</li> <li>• fuel is in the basket of goods (ID) so higher prices of fuel lead to inflation (EXP) (1)</li> </ul>	2	Watch for answers which refer to effect of a rise in inflation rather than a rise in oil prices (for example consumers have purchasing power/lower standard of living).

Question		Expected response	Max mark	Additional guidance														
	(f)	<ul style="list-style-type: none"> <li>the European firms/consumers gets more £ for € (ID) therefore exports are cheaper (EXP) (1) which means demand will increase/firms will sell more (DEV) (1)</li> <li>exports become cheaper (ID) which means UK firms could increase their prices and make an increased level of profit (EXP) (1)</li> </ul>	2															
	(g)	<table border="1"> <thead> <tr> <th>Scottish imports</th> <th>Scottish exports</th> </tr> </thead> <tbody> <tr> <td>Pasta/bananas (1)</td> <td>Oil (1)</td> </tr> <tr> <td>Oil (1)</td> <td>Whisky (1)</td> </tr> <tr> <td>Cars/phones/toys (1)</td> <td>Tourism (1)</td> </tr> <tr> <td></td> <td>Financial services (1)</td> </tr> <tr> <td></td> <td>Salmon/shortbread (1)</td> </tr> <tr> <td></td> <td>Tartan/tweed (1)</td> </tr> </tbody> </table>	Scottish imports	Scottish exports	Pasta/bananas (1)	Oil (1)	Oil (1)	Whisky (1)	Cars/phones/toys (1)	Tourism (1)		Financial services (1)		Salmon/shortbread (1)		Tartan/tweed (1)	2	<p>Candidates must identify one export and one import to gain full marks.</p> <p>The import and export must be different.</p> <p>Accept brand names.</p> <p>DNA generic terms, for example, 'food', 'fruit'.</p> <p>Accept any valid answer.</p>
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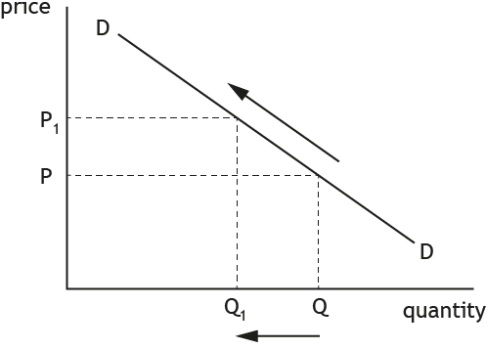
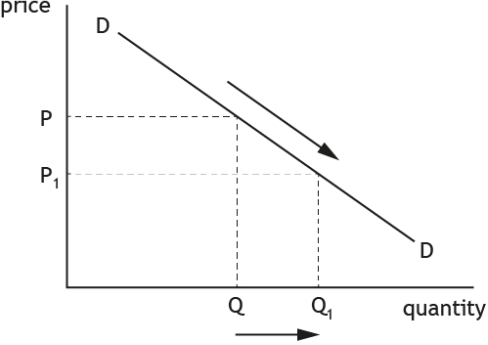
Question			Expected response	Max mark	Additional guidance
2.	(a)	(i)	<ul style="list-style-type: none"> <li>• an organisation which operates in more than one country (1)</li> <li>• examples include Coca-Cola, Nike, etc (1)</li> </ul>	2	Award 1 mark for description. Award 1 mark for example.  Accept any valid example.
		(ii)	<ul style="list-style-type: none"> <li>• the UK may have appropriate skilled staff (ID) which results in lower training costs (EXP) (1)</li> <li>• stable inflation rates (ID) which makes cost/prices easy to predict (EXP) (1)</li> <li>• educated workforce (ID) which may result in quality products being made (EXP) (1)</li> <li>• access to grants/subsidies (ID) which may reduce costs overall (EXP) (1)</li> <li>• good infrastructure (ID) which speeds up/reduces costs of production (EXP) (1)</li> <li>• lower corporation tax rates (ID) which allows for higher profits to be retained (EXP) (1)</li> <li>• the UK is part of the EU/single market (ID) so it is possible for a <u>European but not EU</u> multinational to take advantage of the single market (EXP) (1)</li> </ul>	2	Candidates must explain 2 reasons to gain full marks.  Award 1 mark for each explanation.
		(iii)	<ul style="list-style-type: none"> <li>• large number of different US multinationals (1)</li> <li>• large size for example Microsoft (1)</li> <li>• large number of outlets for example McDonalds (1)</li> <li>• effective advertising/branding/sponsorship (1)</li> <li>• provide products people want to buy (1)</li> </ul>	2	Candidates must suggest 2 reasons to gain full marks.
	(b)		<ul style="list-style-type: none"> <li>• those countries within the EU who use the Euro as their currency (1)               <ul style="list-style-type: none"> <li>○ it includes 19 of the 28 countries in the EU (1)</li> <li>○ it is a monetary union (1)</li> <li>○ the European Central Bank (ECB) determines Eurozone monetary policy (1)</li> </ul> </li> </ul>	2	Accept example of a country using/not using the euro.

Question		Expected response	Max mark	Additional guidance
	(c) (i)	<ul style="list-style-type: none"> <li>the import/export of goods/services across international boundaries/between countries (1)</li> <li>buying and selling of goods/services between different countries (1)</li> </ul>	1	
	(ii)	<ul style="list-style-type: none"> <li>negative effect on domestic producers/lower sales/lower profits (1) which leads to lower tax revenue (DEV) (1)</li> <li>negative effect on domestic employment/job losses (1) which leads to higher benefits payments (DEV) (1)</li> <li>loss of strategic/infant industries (1)</li> <li>negative effect on environment/more fuel required for transport/increase in pollution (1)</li> <li>unfair competition from low-wage economies (1)</li> <li>reduction in finite resources (1)</li> </ul>	3	<p>Candidates must describe at least 2 disadvantages to gain full marks.</p> <p>Accept negative effect on Balance of Payments.</p>
	(iii)	<ul style="list-style-type: none"> <li>a tariff makes imports more expensive (ID) and will be less attractive to UK consumers (EXP) (1) so they buy less imports (DEV) (1) therefore there is a reduction in the value of imports (DEV) (1)</li> <li>domestic goods/services will appear more attractive to UK consumers (DEV) (1)</li> <li>UK firms increase sales and profits (DEV) (1)</li> </ul>	2	Accept the effect on the Balance of Payments.

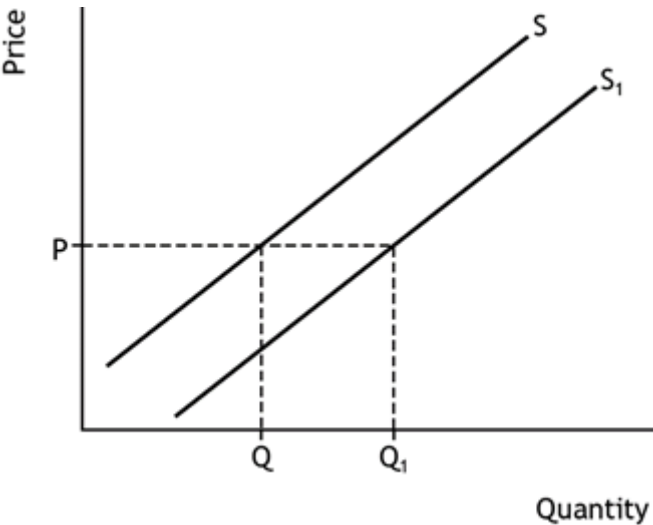
Question		Expected response	Max mark	Additional guidance												
	(d)	<ul style="list-style-type: none"> <li>• VAT (1)</li> <li>• Road Tax (1)</li> <li>• Excise duty (1)</li> <li>• Air passenger duty (1)</li> <li>• Insurance premium tax (1)</li> </ul>	2	Accept any named excise duty, for example duty on cigarettes, alcohol, gambling.												
	(e)	<table border="1"> <thead> <tr> <th>Capital</th> <th></th> <th>Current</th> </tr> </thead> <tbody> <tr> <td>long-term spending</td> <td rowspan="4" style="text-align: center; vertical-align: middle;">whereas</td> <td>day-to-day spending</td> </tr> <tr> <td>spending on non-current assets</td> <td>spending on consumables</td> </tr> <tr> <td>decommissioning old power station</td> <td>paying wages of teachers</td> </tr> <tr> <td>building a new school</td> <td>spending on bandages in NHS</td> </tr> </tbody> </table>	Capital		Current	long-term spending	whereas	day-to-day spending	spending on non-current assets	spending on consumables	decommissioning old power station	paying wages of teachers	building a new school	spending on bandages in NHS	2	
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	(f)	<ul style="list-style-type: none"> <li>• to create an employable workforce (1)</li> <li>• to improve productivity/efficiency of the workforce (1)</li> <li>• to provide free schooling for those who cannot afford private education/so that education is not under provided (1)</li> <li>• to promote the healthy living agenda (1)</li> <li>• to provide life choice opportunity for all (1)</li> </ul>	2	<p>Candidates must suggest 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid suggestion.</p>												

Question		Expected response	Max mark	Additional guidance
3.	(a)	<p>Overdraft – where the bank allows you to withdraw more cash than you have in your account (1) up to an agreed limit/for a short period of time (DEV) (1).</p> <p>Bank loan – where you borrow from the bank and pay the loan back in instalments/with interest (1).</p> <p>Mortgage – where you borrow to buy property/is secured on property (1). Can be up to 25/30 years long (DEV) (1).</p> <p>Credit card – allows the cardholder to pay for goods and then pay the credit card company later (1).</p> <p>Payday loan – where you borrow enough to ‘tide you over’ until you are next paid (1) the whole amount is expected to be repaid (DEV) (1). The interest rate charged is very high (DEV) (1).</p> <p>Loan from friends and family/where you borrow from relatives with an expectation of low or no interest (1).</p> <p>Hire purchase – allows you to use, for example a car, and pay for it in instalments (1). You own the product when the last payment has been made (DEV) (1). If you fail to make a payment the good can be re-possessed (DEV) (1).</p> <p>PCP (personal credit plan) – where you buy a car in instalments and at the end of the period either make a balloon payment to own the car (1) or hand the car back and start another plan with a new car (DEV) (1).</p>	3	Candidates must describe at least 2 ways to gain full marks.

Question		Expected response	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> <li>• an individual's financial circumstances (1)</li> <li>• an individual's employment status (1)</li> <li>• an individual's family circumstances (1)</li> <li>• an individual's attitude towards debt (1)</li> <li>• uncertainty in the economy/consumer confidence (1)</li> <li>• time taken to pay back loan (1)</li> </ul>	2	Accept any suitable specific example given.
	(c)	(i)	1	Candidates must make reference to the concept of 'sacrifice' to gain the mark.
		(ii)	1	Accept any alternative spending suggestion.  Accept if candidates say 'not building a new school' etc.  DNA 'new school' etc on its own.
	(d)	<ul style="list-style-type: none"> <li>• Labour - the software engineers designing the programmes (1)</li> <li>• Capital - the computers being used (1)</li> <li>• Enterprise - software expert who starts up the firm/the person bringing together the factors of production/the risk taker (1)</li> </ul>	3	Candidates must suggest an example for each factor of production to gain full marks.  DNA marks for generic examples - must be related to software design.

Question	Expected response	Max mark	Additional guidance
4. (a)	<p style="text-align: center;">Contraction of demand</p>  <p style="text-align: center;">Extension of demand</p>  <ul style="list-style-type: none"> <li>• correctly labelled axes and diagrams (Price, Quantity, D, P and Q) (1)</li> <li>• diagram (with title or annotation) indicating a contraction showing <math>P_1</math> and <math>Q_1</math> (1)</li> <li>• diagram (with title or annotation) indicating an extension showing <math>P_1</math> and <math>Q_1</math> (1)</li> </ul>	3	Maximum 1 mark for correct labelling if 2 diagrams are used.

Question			Expected response	Max mark	Additional guidance
	(b)	(i)	• decrease (1)	1	
		(ii)	• increase (1)	1	
		(iii)	• decrease (1)	1	

Question	Expected response	Max mark	Additional guidance
(c)	<p style="text-align: center;">Supply of Motor Cars</p>  <p><b>Diagram</b></p> <ul style="list-style-type: none"> <li>• original diagram S, P, Q and axes labels (1)</li> <li>• shift in supply to S<sub>1</sub> (1)</li> <li>• new Q<sub>1</sub> (1)</li> </ul> <p><b>Explanation</b></p> <ul style="list-style-type: none"> <li>• reduce the cost of production (ID) therefore more will be supplied at all prices (EXP) (1) because firms will make more profit per unit (DEV) (1) and new firms may enter the market (DEV) (1)</li> </ul>	4	<p>Award up to 3 marks for the diagram.</p> <p>Award up to 2 marks for the explanation.</p> <p>DNA a market diagram.</p>

Question		Expected response	Max mark	Additional guidance
5.	(a)	<ul style="list-style-type: none"> <li>• National Health Service for example nurse's wages (1)</li> <li>• education for example new computers for schools (1)</li> <li>• welfare spending for example pensions/benefits for the unemployed (1)</li> <li>• defence for example uniforms for soldiers (1)</li> <li>• debt repayment for example paying interest on government/national debt (1)</li> </ul>	2	Candidates must describe, using examples, 2 areas to gain full marks.
	(b)	<ul style="list-style-type: none"> <li>• state pension (1)</li> <li>• child benefit (1)</li> <li>• disability allowance (1)</li> <li>• student grants (1)</li> <li>• JSA (1)</li> <li>• universal credit (1)</li> <li>• food vouchers (1)</li> </ul>	2	<p>Candidates must give 2 examples to gain full marks.</p> <p>DNA subsidies to farmers, exporters or manufacturers (as they contribute to GDP).</p> <p>DNA 'benefits' by itself.</p>
	(c)	<ul style="list-style-type: none"> <li>• reduced income tax - consumers have more disposable income (ID) therefore their standard of living goes up/consumers may increase savings (EXP) (1)</li> <li>• reduced VAT - prices fall (ID) therefore can buy more/better quality/previously unattainable goods and services (EXP) (1)</li> <li>• reduced corporation tax - firms retain more profits (ID) therefore can afford to employ more worker's/increase wages/reduce prices (EXP) (1). Firms can pay higher dividends (ID) giving shareholders increased income (EXP) (1)</li> </ul>	3	Candidates must explain the effect of all 3 tax reductions to gain full marks.
	(d)	(i) <ul style="list-style-type: none"> <li>• firms (1)</li> <li>• households/consumers (1)</li> </ul>	2	

Question		Expected response	Max mark	Additional guidance
	(ii)	<ul style="list-style-type: none"> <li>• factor incomes/RWIP/rewards to factors of production (1)</li> <li>• consumption/consumer spending (1)</li> </ul>	1	If factor incomes are given in full (ie Rent, Wages, Interest, Profit) then 3 of the 4 terms must be correct.
6.	(a)	<ul style="list-style-type: none"> <li>• unemployment is when someone of working age is seeking employment but is unable to get a job (1)</li> </ul>	1	
	(b) (i)	<ul style="list-style-type: none"> <li>• this is where people are unemployed during certain times of the year (1) for example a ski instructor (1)</li> </ul>	2	Award 1 mark for description. Award 1 mark for example.  DNA seasonal unemployment 'is due to the season'.
	(ii)	<ul style="list-style-type: none"> <li>• unemployment cause by the decline in industry (1) for example coal mining/ship building/steel work (1)</li> </ul>	2	Award 1 mark for description. Award 1 mark for example.  DNA structural unemployment is caused by a 'change in the structure' of the industry.
	(c)	<ul style="list-style-type: none"> <li>• Negative GDP/economic growth (1)</li> <li>• rising/high unemployment/fear of job loss (1)</li> <li>• uncertainty about the future (1)</li> <li>• business confidence low/falling (1)</li> <li>• inflation rate is low or prices are falling (deflation) (1)</li> <li>• AD falls (1)</li> <li>• businesses go bankrupt (1)</li> <li>• government expenditure on benefits is rising (1)</li> <li>• government tax receipts may fall (1)</li> <li>• firms make losses/make smaller profits (1)</li> <li>• slowdown in the housing market (1)</li> </ul>	2	Accept any other suitable characteristic.

Question		Expected response	Max mark	Additional guidance
	(d)	<p>Positive effects</p> <ul style="list-style-type: none"> <li>• if the people are employed longer (ID) output will rise (1)</li> <li>• more people will be earning an income (ID) this will increase demand (EXP) (1) therefore higher demand will encourage firms to increase their output (DEV) (1)</li> <li>• it will reduce the cost of pensions (ID) enabling the government to spend more on for example education which will lead to better qualified workforce (EXP) (1)</li> <li>• there will be more older workers (ID) who may be more experienced/skilled and so more productive (EXP) (1)</li> </ul> <p>Negative effects</p> <ul style="list-style-type: none"> <li>• could increase costs of production (ID) as employers have to pay higher wage rates/adapt the workplace for older workers (for example more eyesight tests; increase font size in documents; refresher courses for driving licences, etc) (EXP) (1)</li> <li>• fewer jobs for younger workers (ID) which increases youth unemployment (EXP) (1)</li> <li>• older workers may tire more easily (ID) which may decrease quantity/quality of output (EXP) (1)</li> </ul>	3	

Question		Expected response	Max mark	Additional guidance
7.	(a)	$\left. \begin{array}{l} \text{£1,000} \times \text{\$1.70} = \text{\$1,700} \\ \text{£1,000} \times \text{\$1.20} = \text{\$1,200} \\ \text{\$1,700} - \text{\$1,200} = \text{\$500} \end{array} \right\} (1)$	2	<p>If no working is shown, award full marks for correct final answer.</p> <p>If correct working is shown with incorrect final answer, maximum 1 mark.</p> <p>If '£' is stated in the final answer, maximum 1 mark.</p>
	(b)	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• no trade barriers (1)</li> <li>• increased trade opportunities (1)</li> <li>• firms benefit from a larger market for their goods (1)</li> <li>• ability to locate in a member country where resources are cheaper (1)</li> <li>• greater source of skilled/educated workers (1)</li> <li>• greater source of workers who are prepared to fill skill gaps/labour shortages (1)</li> <li>• free movement of capital/labour throughout EU (1)</li> <li>• greater opportunities for firms to benefit from economies of scale and specialisation (1)</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• have to pay into EU budget/Administrative costs of running EU institutions (1)</li> <li>• no control over EU immigration (1)</li> <li>• may have to pay financial assistance to EU countries (1)</li> <li>• domestic jobs may be lost (1)</li> <li>• domestic firms can't compete because of cheap imports (1)</li> <li>• EU migrant labour dampen wage growth (1)</li> <li>• EU migrants may increase pressure on housing and social services (1)</li> <li>• cannot negotiate individual trade deals with non-EU countries (1)</li> </ul>	4	<p>Maximum 3 marks for either giving advantages or disadvantages only.</p> <p>If same point used as advantage and disadvantage, different reasoning must be provided.</p>

Question		Expected response	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> <li>• provide capital equipment (ID) to increase output (EXP) (1)</li> <li>• give technical assistance (ID) so workers become more efficient (EXP) (1)</li> <li>• provide educational help (ID) to improve knowledge and skills (EXP) (1) which may increase entrepreneurial activity (DEV) (1)</li> <li>• provide medicines (ID) to improve health of workforce (EXP) (1) which may increase productivity (DEV) (1)</li> <li>• give loans for equipment/machinery (ID) to increase productivity (EXP) (1)</li> <li>• allow debt relief (ID) to improve government finances (EXP) (1)</li> <li>• free/fair trade (ID) so the developing economy gets the advantage of increasing exports (EXP) (1)</li> </ul>	4	Candidates must explain at least 2 measures to gain full marks.

[END OF MARKING INSTRUCTIONS]