



National
Qualifications

X822/75/11

Economics

Duration — 2 hours

Total marks — 90

SECTION 1 — 40 marks

Attempt BOTH questions.

SECTION 2 — 50 marks

Attempt ALL questions.

You may use a calculator.

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.

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.



* X 8 2 2 7 5 1 1 *

SECTION 1 — 40 marks
Attempt BOTH questions

1. SCOTLAND'S LARGEST SOLAR FARM FORMALLY OPENED



The Scottish government has published a plan with a target of half of Scotland's heat, transport and electricity needs being met by renewable energy by 2030. As a result, there has been an increase in the **production** of renewable energy.

Paul Wheelhouse, the Scottish government's Minister for Energy, Connectivity and the Islands, formally launched Scotland's

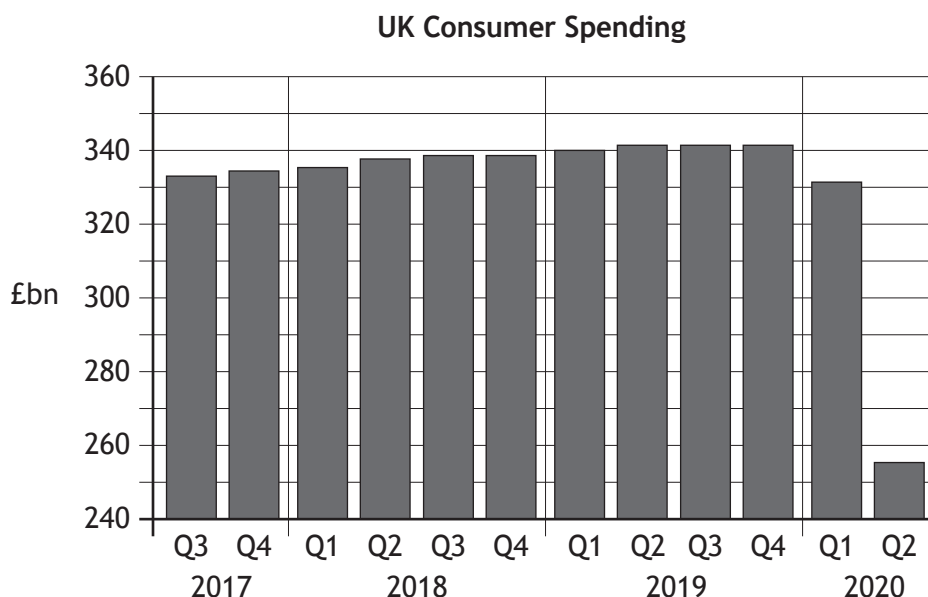
largest solar farm in May 2016 in Perthshire. The farm, made up of 55,000 solar panels, was built by Canadian Solar. This multinational company will also operate the project.

Thomas Macmillan of Savills, the global estate agents who promoted the Perthshire site for development, said that a reduction in installation costs and on-going support from the Scottish government has meant that new renewable energy sites are continuing to be developed.

- | | | |
|-----|--|---|
| (a) | (i) Define the term production. | 1 |
| | (ii) Describe what is meant by the market for renewable energy. | 2 |
| | (iii) Other than government support, describe 3 reasons why multinational companies, such as Canadian Solar, may decide to invest in Scotland. | 3 |
| (b) | (i) Other than solar farms, identify one industry in which Scotland specialises. | 1 |
| | (ii) Identify a successful Scottish entrepreneur. | 1 |
| | (iii) Explain 2 benefits of entrepreneurship to the Scottish economy. | 2 |
| (c) | Explain, using a market diagram, the effect that a reduction in installation costs will have on the market for renewable energy. | 4 |
| (d) | (i) Distinguish between fixed and variable costs. | 1 |
| | (ii) Other than installation costs, identify one fixed and one variable cost for a solar farm. | 2 |
| (e) | The Scottish government has chosen to continue to support renewable energy projects. | |
| | (i) Suggest one other area of government expenditure. | 1 |
| | (ii) Define opportunity cost. | 1 |
| | (iii) Explain why governments have to make choices. | 1 |

2. Economists continue to discuss whether or not the Bank of England should raise interest rates. Interest rates determine the level of consumer saving, borrowing and spending.

It has been predicted that a boom in exports, due to a fall in the **exchange rate** for Sterling, will lead to **economic growth**.



- (a) (i) Identify the trend in UK Consumer Spending from Q1 2018 to Q4 2019 using the graph above. 1
- (ii) Explain possible consequences of the trend in consumer spending between Q1 2020 and Q2 2020 for firms and the government. 4
- (b) (i) Identify 2 different types of saving. 2
- (ii) Suggest 2 possible reasons why individuals save. 2
- (c) Explain the effect of an increase in interest rates on borrowers. 1
- (d) (i) Define the term exchange rate. 1
- (ii) Explain the effect on UK exports of a fall in the exchange rate for Sterling. 2
- (iii) Describe 2 benefits of international trade. 2
- (e) (i) Define the term economic growth. 1
- (ii) Other than a falling exchange rate, outline 2 factors which may result in economic growth. 2
- (f) Other than increasing economic growth, outline 2 government aims. 2

SECTION 2 — 50 marks

Attempt ALL questions

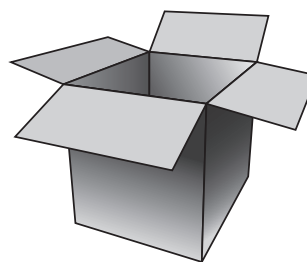
3. (a) Outline 3 economic characteristics of emerging economies. 3
- (b) Outline 4 ways in which developed countries could help developing economies grow. 4
- (c) Describe the reasons for a firm becoming a multinational. 3
4. (a) Give an example of government capital spending and government current spending. 2
- (b) (i) Define the following terms.
- Level of unemployment
 - Rate of unemployment
- (ii) Describe 2 ways of measuring unemployment. 2
- (c) Describe the following terms and give an example of each.
- Public goods
 - Merit goods
- 4
5. (a) Describe the following terms.
- The law of demand
 - Effective demand
- 2
- (b) Explain, using a market diagram, the effect of a successful advertising campaign on motorbikes. 4

5. (continued)

BARTON'S BOXES – COSTS/REVENUE PER WEEK

Total Fixed Cost – £30,000
 Variable Cost – £0.75 per unit
 Selling Price = £2.25 per unit

Weekly Output/Sales – 100,000 boxes



- (c) Calculate the
- | | |
|---------------------------|---|
| (i) Average Fixed Cost | 1 |
| (ii) Total Variable Cost | 1 |
| (iii) Total Sales Revenue | 1 |
| (iv) Total Profit | 1 |
6. After 5 years a saver withdrew savings from the bank, and was pleased to note an increase in the value of these savings.
- | | |
|---|---|
| (a) (i) Identify whether it is more important that the value of the savings has increased in monetary (nominal) terms or in real terms. | 1 |
| (ii) Explain your answer. | 1 |
| (b) Describe the effects of a rise in inflation on the economy. | 4 |
| (c) Describe the effect of unemployment on | |
| (i) individuals | 2 |
| (ii) firms in the UK economy. | 2 |
7. (a) Identify 2 significant UK imports. 2
- (b) Outline reasons for a country to introduce trade barriers. 4
- (c) A UK bread manufacturer ordered wheat from USA producers at a total cost of \$3 million, when the exchange rate was £1 = \$1.20.
- When the payment was due, sterling had become stronger as the exchange rate had risen to £1 = \$1.50.
- | | |
|--|---|
| (i) Calculate the difference in the price of wheat in pound sterling. | 2 |
| (ii) State whether this represents an increase or a decrease in the price paid by the UK bread manufacturer. | 1 |
| (iii) Suggest in what way UK bread manufacturers might react to a strengthening of the pound against US\$. | 1 |

[END OF QUESTION PAPER]

[BLANK PAGE]

DO NOT WRITE ON THIS PAGE

[BLANK PAGE]

DO NOT WRITE ON THIS PAGE

[BLANK PAGE]

DO NOT WRITE ON THIS PAGE

Acknowledgement of copyright

Section 1 Question 1, image — Kwangmoozaa/Shutterstock.com