

Candidate 1 unannotated evidence

The evidence for has been put together from several different 2018 question paper candidates.

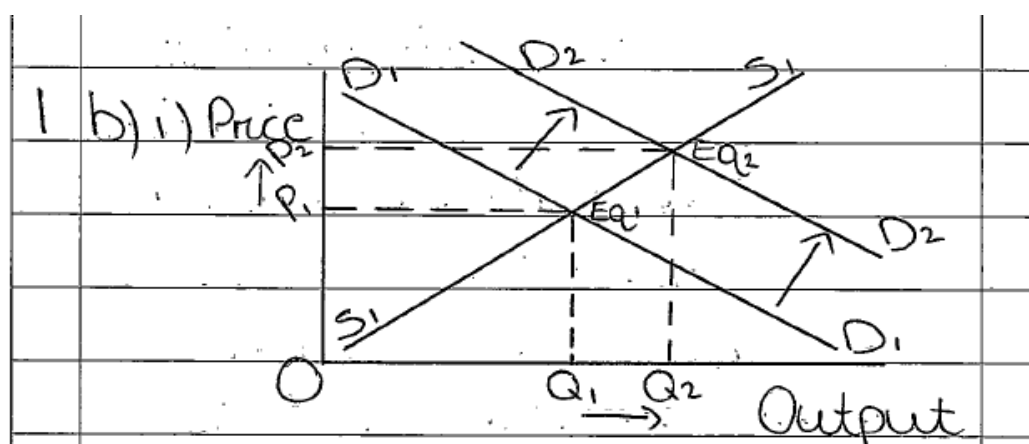
Question 1a(i)

OF QUESTION	THIS MARGIN
1a)i)	The place where buyers and sellers of bottled water come together to decide on a price and exchange goods

Question 1a(ii)

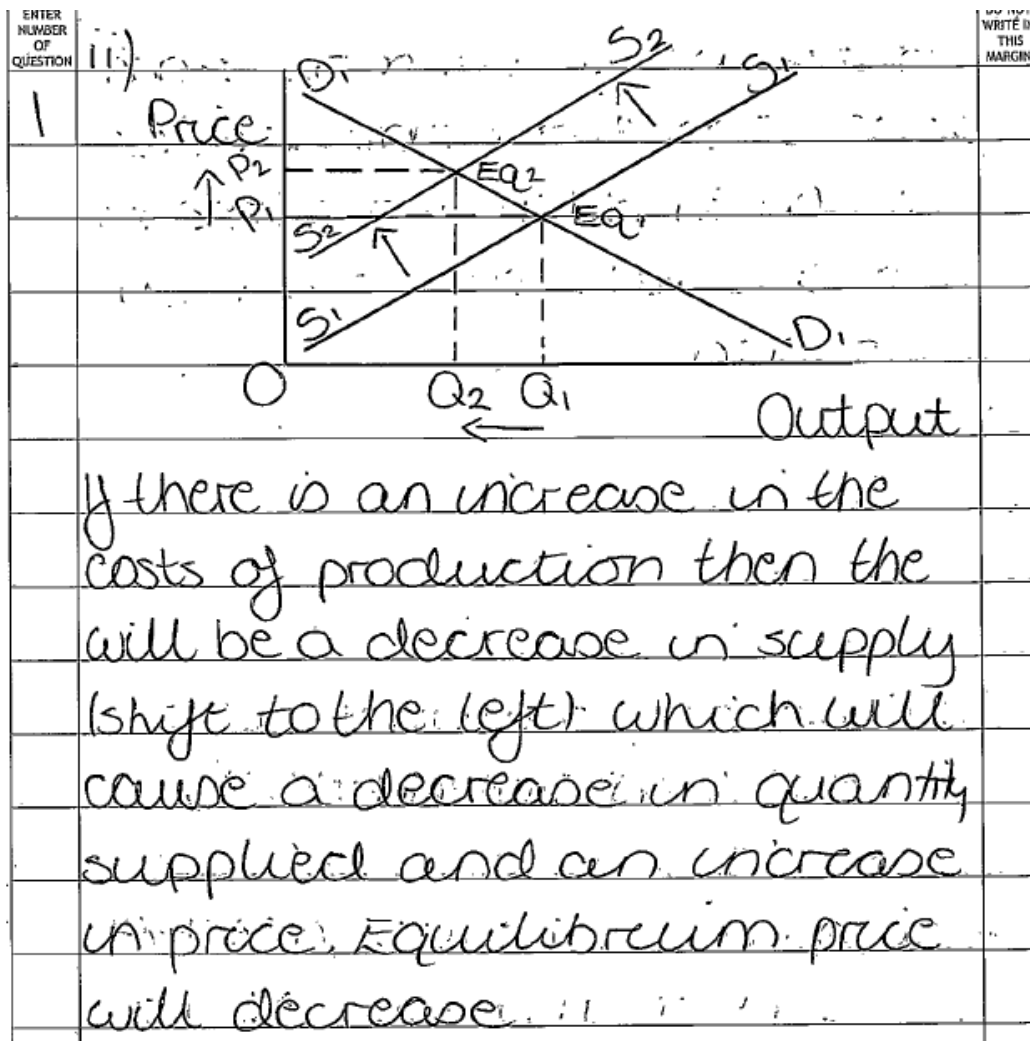
1a)ii)	The demand curve slopes downwards from left to right because of 3 reasons:
	• The income effect - As the price of a good rises a persons real income falls, so they are not able to demand the same quantity of the good.
	• The substitution effect - As the price of a good rises the rational consumer will switch to buying cheaper substitute goods which offer better value for money resulting in demand falling.
	• The law of diminishing marginal utility - As a person consumes more of a good the satisfaction they gain from each extra unit consumed falls so they are willing to pay less for the extra units.

Question 1b(i)



If there is an increase in the popularity of bottled water then there would be an increase in demand ^(shift to the right) which will cause an increase in quantity supplied and an increase in price. Equilibrium price will increase

Question 1b(ii) and (iii)



Question 1c

	c) raw materials like bottle caps.	
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Question 1d(i)

	<p>d) A quota which means a limit to the number of imports</p> <p>An embargo which is the ban of an import</p> <p>A Tariff which is a tax on an import</p> <p>A subsidy is money given to domestic firms to make them cheaper</p>	
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Question d(ii)

ii)	To protect infant industries from being outcompeted.
	To limit harmful products entering a country
	To reduce a deficit in the balance of payments.

Question 1e

1e)	Inflation is measured by measuring the a 'basket' of around 700 goods / services that the typical family would buy. For CPI inflation, this excludes housing costs like rent or mortgages and
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QUESTION	MARGIN
the year that the prices are measured & off is called a base year. For example if in the base year a typical basket of goods was £100 for a family and one year later it was £105 then the inflation would be calculated at being 5%.	

Question 2a

2a)	$2012 = 1,600$, $2016 = 800$	
	\therefore decrease = 800 thousands.	

Question 2b

b) The claimant count. This involves looking at the amount of people who are claiming jobseeker's allowance.

The labour force survey. This involves taking a survey of 150,000 households across the country, and asking them what their employment status is. These figures are then extrapolated up for the rest of the population. This method has a margin of error of 50,000 people.

Question 2c

c) Technological unemployment. This means that the jobs that people used to do have been replaced by automation. If the job is now being done by a machine, for example, then it is now longer available for people to do, meaning that these people will become unemployed.

Cyclical unemployment. When the economy goes into recession, firms will try and maintain profits by laying off workers. These people that are laid off are now unemployed.

Seasonal unemployment. If the job that someone is doing is only available to them during the summer months, for example, then they will not do that job during the rest of the year, and may become unemployed throughout this period.

Question 2d

QUESTION	THIS MARGIN
2d)	<ul style="list-style-type: none">• As they are less people unemployed the government would have to spend less money on benefits like Job Seekers Allowance• The greater number of people in work means that the government will receive more money in tax revenue from income tax.• The larger workforce means that economic output can be increased thus resulting in economic growth.

Question 2e

e) The existence of the common external tariff, which is applied to goods and services being imported into the EU from other countries.

Question 2f

f)	One advantage of firms being in the EU is that there are not trade barriers. This means that transport costs are kept low.
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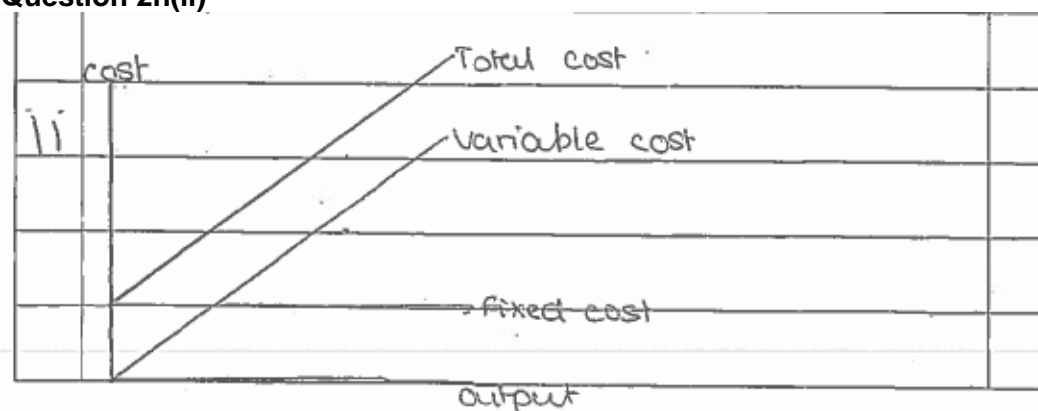
ENTER NUMBER OF QUESTION	Another advantage of firms	DO NOT WRITE IN THIS MARGIN
	being in the EU is that	
	they have a bigger	
	market to sell their	
	products in. This means	
	that firms should make	
	a higher profit	
	Another advantage of	
	being in the EU is that	
	it allows firms to expand	
	their businesses. This means	
	that more jobs become	
	available	
	Another advantage of being	
	in the EU is that firms	
	can get skilled workers	
	from abroad to the work	
	for them. This leads to	
ENTER NUMBER OF QUESTION	can increase in productivity.	DO NOT WRITE IN THIS MARGIN

Question 2g

g) UK exports are less attractive as they are more expensive. This is because you can get less sterling per euro exchanged. This means foreigners are discouraged to go on holiday to the UK.

Question 2h(i)

2h(i)) Fixed costs are costs that are the same no matter the level of output and are incurred even when output is zero. Sometimes called overheads.

Question 2h(ii)**Question 3a(i)**

3. a) i) Income tax.

Question 3a(ii)

ii) Value Added Tax (VAT)

Question 3b

b) Budget deficit.

Question 3c

3c) Transfer payments is the name given to government spending for which there is no economic return or benefit. Money is transferred from taxpayers to those who qualify for benefits e.g. Pensions and Job Seekers Allowance, and Healthcare.

Question 3d

d) Government current spending covers day to day costs e.g. wages of a teacher where as capital spending covers long term costs e.g. building a new school

Question 3e

ENTER NUMBER OF QUESTION		DO NOT WRITE IN THIS MARGIN
3	e) The the 3 sectors of industry are primary industry, secondary industry and tertiary industry. The primary industry is when natural resources are used e.g. coal mining, gas. The secondary industry is the where things are made e.g. construction. The tertiary industry is the service industry e.g. barbers, teacher.	

Question 4b

4.b)	Advantages:	
	• The multinational creates jobs and employs U.K. workers	
	• The multinational could invest in local businesses and outsource to local contractors	
	• The multinational could bring new production techniques and methods that could benefit the U.K. economy.	
	Disadvantages:	
	• The multinational could relocate after a short period of time leaving U.K. workers unemployed.	
	• MM The majority of profits will be	
OF QUESTION		MARGIN
4b)	repatriated to the home country	
	• Most of the jobs will be low payed, low skill construction jobs. i.e. 'screwdriver jobs'	

Question 4c(i)

4 c) i) The exchange rate is the value of one currency in terms of another.

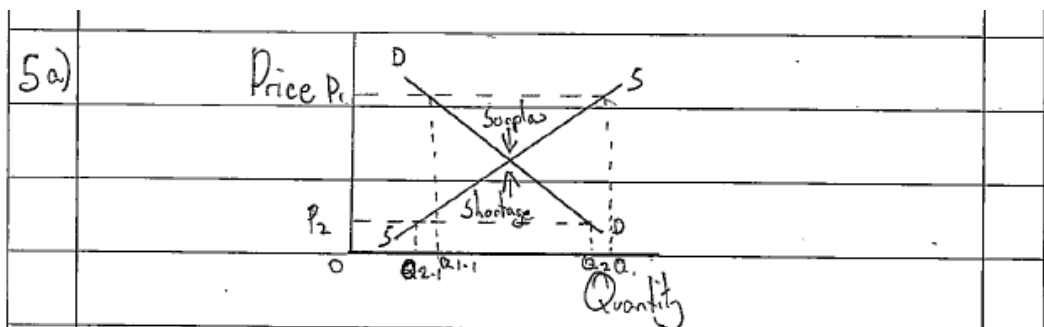
Question 4c(ii)

ii) £1:€1:10 . $10 \times 1.10 = €11$

Question 4c(iii)

iii) £1:€1:20 . $1.20 \times 10 = €12$. \therefore Difference = €1.

Question 5a



In the market if there is a surplus then suppliers will lower their prices to sell the extra stock, this moves the price back to equilibrium or the market clearing price.

If there is a shortage suppliers will raise their prices to maximise profit as consumers are willing

OF QUESTION	THIS MARGIN
5a)	to pay more as there is less available, the goods go to the highest bidder. This raises the price back up to equilibrium so the market is cleared.

Question 5b

5	b) Good weather will cause an increase in demand as people like hot weather and will go there on holiday. If there are health benefits from going to Loch Lomond (from swimming etc) then more people are likely to go and will increase demand. If there is an increase in un-
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NUMBER OF QUESTION	WRITE IN THIS MARGIN
	come there will be an increase in demand for holidays as more people can afford it now. If there is good advertising for the holiday more people will go as they will want to go due to good advertising.

Question 5c

c) Supply slope upwards from left to right because, as the price rises, firms begin to make greater profit per unit, encouraging them to make more of that product, or just put more of it onto the market, raising the quantity supplied.

Another reason is that more firms enter the market for the product at higher prices, as they see this as a better way to make profit. This raises the quantity of supply, as more firms are now making the product.

Question 6a(i)

6a(i) Online star websites e.g. Wonga	
Banks e.g. Bank of Scotland	
(Bank loan)	

Question 6a(ii)

ii) How long you get to pay	
it back.	
• How much interest is	
charged on loans.	
first Try to loan from a	
bank before going to a	
payday lender	

Question 6b

b) If interest rates rise, borrowers have to pay back more money on their loans, making loans more expensive. They may have to cut back on other spending, and they can buy less goods and services, leading to a lower standard of living. They may be discouraged from borrowing again.

Question 6c

c) Resources are scarce as human wants for goods and services are unlimited but the resources required to produce these goods and services are limited. Scarcity is when wants for a good are greater than its supply and this occurs because humans are naturally greedy.

Question 7a(i)

7a(i)

- Demand pull inflation
- Cost Push inflation.

Question 7a(ii)

7	ii) Demand - Pull inflation occurs when demand is greater than supply so the price is increased. Cost - push inflation occurs when costs of production increase and therefore price increases as well. An increase in the monetary supply (money in the economy) causes an increase in inflation as
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ENTER NUMBER OF QUESTION	there are more bank notes, coins etc moving in the economy.	DO NOT WRITE IN THIS MARGIN
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Question 7b

b)	The government could reclaim reclaim lost land using brownfield sites.
	They could offer training and better education programs, to create more skilled labour.
	They could invest in new technologies and capital.
	They could promote entrepreneurs entrepreneurs by providing grants and subsidies.

Question 7c

