# Evidence for Question 1 (a) (i)

## Candidate 1

ENTER NUMBER OF QUESTION | DO NOT WRITE IN THIS MARGIN

1 a) i. Exporting of a good means that a country trades the surplus of the good it makes. The exporting of textiles means that Scotland has made a certain amount of textiles and has exchanged the surplus of textiles with China for money.

## Candidate 2

ENTER NUMBER OF QUESTION | DO NOT WRITE IN THIS MARGIN

Section 1

1a)i) "export texties" are the textiles from scotland being shipped out and exported to other countries. In this source to China. Scottish tweed is being exported to China.

## Candidate 3

| ENTER NUMBER OF QUESTION | | DO NOT WRITE IN THIS MARGIN |
|---|---|---|
| 1 | a) i) these are ~~clothes and~~ materials which | |
| | are sold by UK firms to ~~Chinese~~ foreign firms or | |
| | consumers for example tweed: | |
| | "Scotland sells more than two and a half | |
| | times more textiles to China..." | |

# Evidence for Question 1 (a) (ii)

## Candidate 1

| | | |
|---|---|---|
| ii. | If exports are increasing then this usually | |
| | means that the UK's balance of payments | |
| | would move closer to equilibrium as the | |
| | trade in goods is nearly ~~always~~ always | |
| | in a deep deficit. This would mean that the | |
| | UK would not have as deep a deficit in | |
| | trade, cet. par, if they increased their | |
| | exporting of textiles to China. | |

### Candidate 4

(ii) Increased sales of Scottish textiles to China will strengthen the balance of payments. The UK currently has a export/trade in goods deficit and more sales will help bring this closer to the equilibrium.

## Evidence for Question 1 (a) (iii)

### Candidate 5

iii. A strengthening of the pound will mean it appreciates in value. This will make UK exports more expensive in foreign markets, even though UK firms are recieving the same price. This will result in ~~the~~ the UK selling less exports. The price of UK imports will fall and as a result ~~was~~ the UK will import more. Both of these factors will worsen the UK's Balance of Payments.

## Candidate 1

iii If the pound appreciated against a weighted average of a basket of other currencies then ~~its~~ UKs imports would become cheaper, as the pound sterling would be able (on average) to buy more of foreign currencies than it had before, and Uk exports would become more expensive for foreign currencies to buy in order to buy our goods and services— derived demand. This would usually mean that Uk imports would rise and exports would fall, cet par. This would most likely push the Uk's balance of payments into a further deficit as the Uk usually always had a trade of goods deficit.

# Evidence for Question 1 (b)

## Candidate 1

b) • Scottish firms can increase productivity without increasing their retail prices by introducing specialisation. This is where workers and other resources of production are placed into a job in which they can specialise This would increase productivity because instead of all workers doing all the jobs in a mediocre fashion, workers can divide the labour and specialise in a job that they can become efficient in.

• Scottish firms can also increase productivity without increasing retail prices through the use of education and training. If a firm puts workers through education and training then it can increase its productivity as the workers will increase their skills and hence their occupational mobility of labour which will increase efficiency

## Candidate 2

b) They could increase avertizing by increasing avertizing more consumers are aware that the product exist and therefor could increase the demand and increase revenue/profits

They could increase new technology in the production process, this coud help the manufacturers to become more efficent and reduce their cost, helping them to recieve more profit.

# Evidence for Question 1 (c) (i)

## Candidate 2

Ci) Price elasticity of demand is how responsive demand is (in %) reacting to a change in price. If demand is price inelastic it won't be very responsive to a price change. If demand is elastic it is very responsive. inelastic goods are goods such as alcohol, ciggerettes, petrol. Elastic goods are goods you can go without, which could usually mean luxury goods, such as meals in restuarants, holidays abroad.

## Candidate 6

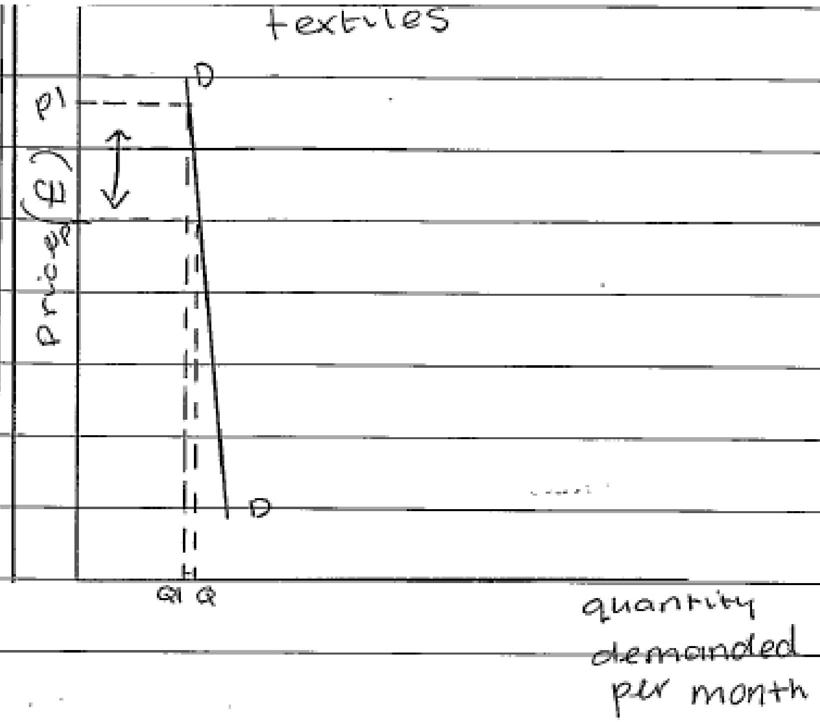
1.c) i. Price elasticity of demand is the sensitivity of the demand for a product as the price changes. Calculated by the formula:

$$\frac{\text{change in demand \%}}{\text{change in price \%}} \times 100.$$

# Evidence for Question 1 (c) (ii)

## Candidate 2

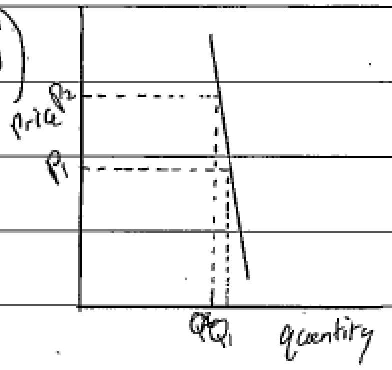
c ii)




An increase in the price of textiles ~~could~~ is likely to increase the manufacturers revenue this in due the the demand being inelastic, the small loss in quantity demanded is made up from the large increase in price, therefor they will receive more revenue.

## Candidate 4

C ii)




Scottish clothing manufacturer's revenue will increase. This is due to demand being price inelastic and consumers are still willing to pay for the produce even though the price has gone up. Due to the change in price being greater than the change in quantity demanded the supplier will recieve more money for what they produce and therefore increase revenue.

# Evidence for Question 1 (d)

## Candidate 2

d) An increase in scotland's employment can benefit the goverments finances ~~and~~ as when there is more people in work, this could mean more people are paying income tax to the goverment also ~~[illegible]~~ they could have a higher on average net disposible income which could lead to spending more on goods and services with value added tax.

This could also negatively effect the UK goverment finances with more people employed in scotland this could mean less ~~emple~~ workers in England and wales and Northern Ireland therefore less tax coming into the goverment and more social protection handed out.

## Candidate 6

| | | |
|---|---|---|
| 1.d) | As employment rises, incomes rise, this means that the government will receive more direct taxes. Consumers disposable incomes will rise and then demand for goods and services will rise. So firms profits go up meaning, the gover-nment will receive more tax ~~revenue~~ revenues (from indirect and direct methods). This in turn will stimulate the economy, causing economic growth. | |
| 1.d) cont. | As the government has greater revenues the budget deficit will fall and government spending may increase. | |

# Evidence for Question 1 (e)

## Candidate 1

e) Competition from "Chinese copycats" would increase competition within ~~the~~ Scottish firms. This usually means that Scottish firms would try to find ways to become more efficient which would benefit Scottish firms in the long run because it could potentially lead to a higher profit margin. Firms could find ways to decrease costs and, ~~as~~ if the demand for textiles is inelastic, then Scottish firms would make higher profits.

Scottish firms may also try to increase the quality of their goods to try to make them seem more attractive to foreign buyers which would increase sales, ct Par.

## Candidate 2

e) This could negatively effect the market for clothing made in Scotland, as the labour for the from the Chinese ~~[illegible]~~ could be cheaper than Scotlands therefor can be made at a cheaper price and increase the demand for the chinese clothing and decrease demand for Scotlands clothing.

## Candidate 3

e) This would act as a reduced price substitute causing the demand curve for the original Scottish good to shift left as consumers switch their demand to the cheaper fake.

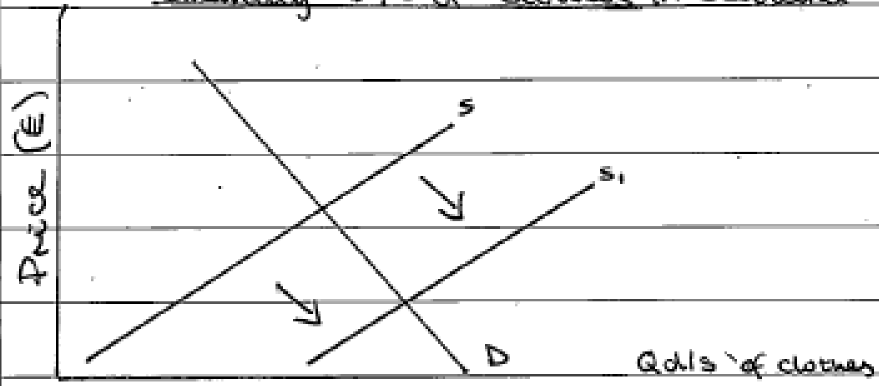
This reduction in demand may force the Scottish retailers to cut selling prices to clear the market of surplus resulting in reduced profits and a lower equilibrium price and quantity in the clothing market.

# Evidence for Question 1 (f)

## Candidate 1

f) The UK Government could offer incentives to Scottish clothing manufacturers such as subsidies as this would increase the amount of Government assistance that Scottish clothing manufacturers recieved and would therefore shift their supply curve to the right.

Quantity D/S of Clothes in Scotland




The UK Government could also offer soft loans to manufacturers which are loans with low interest rates which would also encourage supply as suppliers would have more money to spend on production.

## Candidate 2

(f) • They could improve competitivness by giving scotland's clothing manufacturers subsidies, therefor they can produce at a lower cost and offer lower prices which can increase demand.

• They could also put a tarrif which is a tax on the chinese manufacturars which can make their factor costs more expensive and can increase their prizes and decrease demand for their ~~g~~ clothing.