



National
Qualifications
2024

2024 Economics

National 5

Question Paper 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:
- 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

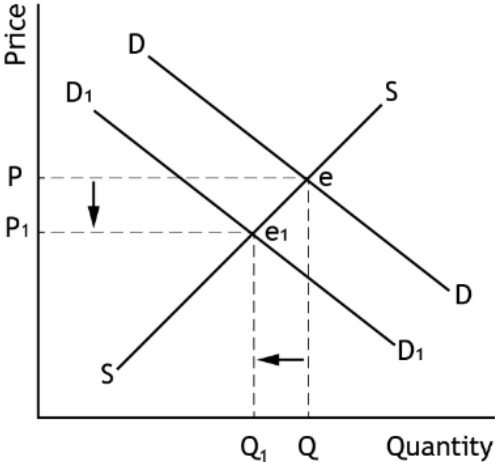
Question			Expected response(s)	Max mark	Additional guidance
1.	(a)	(i)	<ul style="list-style-type: none"> the price of one currency in terms of another (1) 	1	Award 1 mark for a valid definition.
		(ii)	<ul style="list-style-type: none"> two consecutive quarters of negative economic growth (1) 	1	Award 1 mark for a valid definition.
	(b)		<ul style="list-style-type: none"> claimant count - number of people claiming (the unemployment element of) Universal Credit/Job Seekers Allowance (1) labour force survey - samples (around 150,000) people (each quarter) and asks their employment status (1) 	2	<p>Candidates must describe 2 methods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>DNA 'claiming benefits'.</p> <p>DNA 'a survey' without reference to employment status.</p>
	(c)		<ul style="list-style-type: none"> cyclical - a downturn in the trade cycle/less demand due to recession (1) increased competition from abroad/foreign producers (1) structural - a change in the make-up of the economy/some industries no longer required (1) eg coalmining in north of England (DEV) (1) seasonal - workers are unemployed due to the nature of their job at certain times of year (1) eg strawberry pickers are unemployed in the winter (DEV) (1) frictional - workers are between jobs (1) technological - workers have been replaced by machines (1) eg self-service checkouts in supermarkets (DEV) (1) 	4	<p>Candidates must describe at least 2 causes to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Examples can be credited as developments.</p> <p>Max 1 mark for an example of any one cause.</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	<p>individuals</p> <ul style="list-style-type: none"> • reduced income (1) • fall in standard of living (1) • unable to meet spending commitments (eg mortgage, credit agreements, etc) (1) • loss of skills (1) • potential increase in crime/divorce rates/worsening mental health/lower life expectancy (1) • loss of social status (1) • fear of losing job (if others in the workplace are losing theirs) (1) <p>UK firms</p> <ul style="list-style-type: none"> • loss of sales/profits (due to less consumer spending) (1) • increase in sales of inferior goods/cheaper brands/own brands (1) • increasing business failure (due to lack of demand) (1) • potential labour becoming de-skilled (1) • increased risk of shop-lifting/pilfering (1) • increased pool of labour (1) • wage rates are kept low (1) • reduce likelihood of industrial action (1) <p>UK government</p> <ul style="list-style-type: none"> • loss of tax revenue (income tax, VAT, corporation tax, etc) (1) • increased spending on Universal Credit (1) • lower economic growth (1) 	3	<p>Candidates must describe one effect on each agent of the economy to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question		Expected response(s)	Max mark	Additional guidance
(e)	(i)	<ul style="list-style-type: none"> firms have limited resources (ID) therefore they have to produce products which have the highest profit (EXP) (1) 	1	Award 1 mark for a valid explanation.
	(ii)	<ul style="list-style-type: none"> firms could make jeans or skirts, so if it makes jeans the skirts would be the opportunity cost (1) 	1	Award 1 mark for a valid suggestion. Accept any suitable example. The response must include both the choice and the opportunity cost to gain the mark.
(f)		<ul style="list-style-type: none"> survey results show a decrease in the level of material goods/consumer goods owned by individuals (1) survey results show a decrease in consumer spending (1) statistics show a decrease in real GDP (1) statistics show a decrease in real wages (1) 	2	Candidates must suggest 2 ways to gain full marks. Award 1 mark for each valid suggestion.
(g)		<ul style="list-style-type: none"> the UK holidaymaker gets fewer € for their £ (ID) so their costs would increase/spending power has gone down (EXP) (1) therefore UK holidaymakers cannot afford to buy as many excursions/meals out/souvenirs/may have to downgrade their hotel/book a shorter holiday/may choose to go on holiday elsewhere (where the exchange rate is better) (DEV) (1) 	2	Award 1 mark for a valid explanation. Award 1 mark for a valid development.
(h)		<ul style="list-style-type: none"> tariff – a tax on imports (1) quota – limit the number/volume of imports that are allowed into a country (1) embargo – ban particular products/ban products from a particular country (1) quality standards – impose regulations/health and safety standards on imports (1) subsidy – give finance to a domestic producer (1) 	3	Candidates must describe 3 measures to gain full marks. Award 1 mark for each valid description.

Question			Expected response(s)	Max mark	Additional guidance
2.	(a)	(i)	<p>Direct</p> <ul style="list-style-type: none"> • income tax (1) • national insurance contributions (1) • corporation tax (1) <p>Indirect</p> <ul style="list-style-type: none"> • VAT (1) • fuel duty (1) • tobacco and alcohol duties (1) 	2	<p>Candidates must identify one direct and one indirect tax to gain full marks.</p> <p>Award 1 mark for each correct identification.</p> <p>DNA taxes not shown in the chart.</p>
		(ii)	<ul style="list-style-type: none"> • levied upon goods and services/expenditure (1) • collected by an intermediary/third party (and sent to the tax authority/HMRC) (1) • is part of the price of the good/service paid by the consumer (1) 	2	<p>Candidates must describe 2 features to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
		(iii)	<ul style="list-style-type: none"> • council tax (1) • business rates (1) • inheritance tax (1) • sugar tax/soft drinks industry levy (1) • air passenger duty (1) • capital gains tax (1) • LBTT/stamp duty (1) • climate change levy (1) • insurance premium tax (1) 	1	<p>Award 1 mark for a correct name.</p> <p>Watch for taxes given in the diagram.</p>

Question		Expected response(s)	Max mark	Additional guidance
(b)	(i)	<ul style="list-style-type: none"> • successful advertising campaign by electric car manufacturers (1) • fall in price of electricity/lower maintenance costs for electric cars (1) • rise in the price of petrol/diesel/public transport (1) • reduction in the length of battery charging time (1) • improvements in mileage per battery charge/reduction in range anxiety (1) • more charging points being available (1) • increases in size of the driving-age population (1) • electric cars becoming more fashionable (1) • increase in income of car buyers (1) • decreases in interest rates on car finance (1) • scrappage scheme for petrol/diesel cars (1) 	3	<p>Candidates must describe 3 factors to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b) (ii)	<p data-bbox="481 215 846 247">Market for petrol/diesel cars</p>  <p data-bbox="347 790 459 821">Diagram</p> <ul data-bbox="347 829 1232 965" style="list-style-type: none"> • correctly labelled axes and diagram (Price, Quantity, D, S, P, Q, and/or e) (1) • demand shift to left plus label (D_1) (1) • new P_1 and Q_1, and/or e_1 (1) <p data-bbox="347 1005 515 1037">Explanation</p> <ul data-bbox="347 1045 1254 1244" style="list-style-type: none"> • the demand for petrol cars will fall (ID) which causes the price to fall (EXP) (1) • electric and petrol cars are substitutes (ID), therefore an increase in the demand for electric cars decreases the demand for petrol cars (EXP) (1) which lowers the price for petrol cars (DEV) (1) 	4	<p data-bbox="1377 191 1825 223">Award up to 3 marks for diagram.</p> <p data-bbox="1377 263 1870 295">Award up to 2 marks for explanation.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • impose congestion charge/tax for entering busy areas (1) • create toll roads (1) • charge (older cars) to enter low emission zone(s) (1) • extend road tax to electric vehicles (1) • have a Road Mileage Pricing Scheme (Pay Per Mile)/give people a bill for their annual mileage at MOT (1) • have charges for entering different zones of an area/country (1) • have higher charges for driving at different times (peak times) (1) • have charges for low number of passengers in cars (1) • increase parking charges (1) • increase parking violation fines (1) • introduce a tax for tourist car rental (1) • introduce a higher tax rate for second/third car ownership (1) 	2	<p>Candidates must describe 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

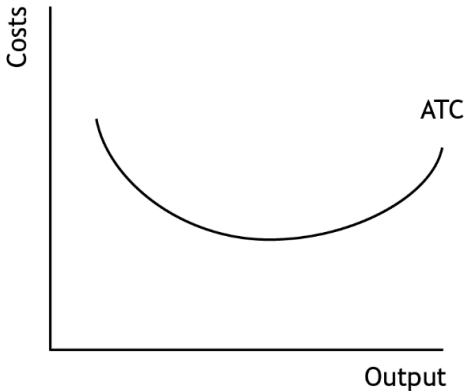
Question		Expected response(s)	Max mark	Additional guidance
(d)	(i)	<ul style="list-style-type: none"> • National Health Service (1) • education (1) • defence (1) • welfare spending/state pensions (1) • debt repayment (1) 	1	<p>Award 1 mark for a valid identification.</p> <p>Credit any other relevant area of spending.</p>
	(ii)	<ul style="list-style-type: none"> • National Health Service - to promote the healthy living agenda (ID) to increase life expectancy of the population/to have healthy working population/reduce sick days (EXP) (1) • education - to provide free schooling for those who cannot afford private education (ID) so that education is not under provided and literacy/numeracy rates increase (EXP) (1) • education - can lead to a more productive workforce (ID) which can lead to increased economic growth (EXP) (1) • defence - to provide internal security (ID) so that citizens feel safe (EXP) (1) • welfare spending/state pensions - give cash to non-economically active people (ID) to prevent destitution/impact of poverty (EXP) (1) • debt repayment - to repay previous borrowing (ID) to maintain positive credit rating (EXP) (1) 	1	<p>Award 1 mark for a valid explanation.</p> <p>Accept consequentiality from Q2d(i).</p>
(e)	(i)	<ul style="list-style-type: none"> • UK families have higher incomes (ID) therefore they can afford to spend more of their income on (luxury items such as) cars (EXP) (1) • UK families are more likely to be able to borrow (ID) and therefore are able to buy a car (EXP) (1) • the price of cars is cheaper (relative to income) in the UK (ID) therefore more people can afford them (EXP) (1) • UK has a good road network (ID) which makes it worthwhile owning a car and easier to drive (EXP) (1) 	2	<p>Candidates must explain 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Watch for flips.</p>

Question		Expected response(s)	Max mark	Additional guidance
(e)	(ii)	<ul style="list-style-type: none"> • emergency aid (disaster relief) - providing food/shelter/etc in flood/drought/earthquake (1) • medical aid - providing doctors/medicines/vaccinations/pop-up hospital facilities, etc (1) • technical aid - providing engineers/architects/economists, etc (1) • education aid/training help - providing teachers/teacher education/books, etc/ financing students to attend universities in developed economies (1) • capital equipment - providing machinery/generators/computers (1) • grants - providing finance which does not need to be repaid (although there may be conditions attached) (1) • loans/soft loans - provide finance at commercial rates/at lower rates of interest (1) • debt relief - writing off past debts/allowing non-payment of debt interest (1) • financial aid - give cash or grants (1) • military aid - provide weapons/equipment/military personnel, etc (1) • bilateral aid - given by the government of one country directly to the government of one country/given by one country to another country (1) • multilateral aid - given by a group of countries, or an institution such as the World Bank, to one or more recipient countries (1) • tied aid - cash provided to a country on the understanding that it is spent on exports of the donor country (1) 	2	<p>Candidates must describe 2 types of aid to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Section 2

Question		Expected response(s)	Max mark	Additional guidance
3.	(a)	<p>a surplus</p> <ul style="list-style-type: none"> • supply is greater than demand (1) • producers will reduce the price (by ‘having a sale’) (1) • as price falls, demand increases (1) • price falls continuously/in stages until it reaches equilibrium (1) <p>a shortage</p> <ul style="list-style-type: none"> • demand is greater than supply (1) • consumers will ‘bid up’ the price (1) • as price rises, demand falls (1) • price rises continuously/in stages until it reaches equilibrium (1) 	4	<p>Candidates must describe the process for both a surplus and a shortage to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(b)	<ul style="list-style-type: none"> • increase in cost of assembly worker wages/plastics/rent of factory (1) • shortage of plastic/metals/assembly workers (1) • fall in productivity at the phone factory (1) • increase in indirect taxes for phone manufacturers (1) • removal of government subsidies for phone manufacturers (1) • damage to phone factories from extreme weather/fire/etc (1) 	3	<p>Candidates must suggest 3 determinants to gain full marks.</p> <p>Award 1 mark for each valid suggestion.</p> <p>DNA price (as the question asks for determinants rather than factors).</p> <p>Max 1 mark for increasing costs of production.</p> <p>Max 1 mark for shortages of factors of production.</p>
	(c)	<ul style="list-style-type: none"> • at higher prices producers get more profit per unit (ID) so they are willing to supply more (EXP) (1) at higher prices current producers will move resources to the most profitable product (DEV) (1) • higher prices make producing more profitable (ID) so new producers might enter the market (EXP) (1) • when output rises, a firm’s production costs may rise (ID) therefore a higher price is needed to cover the extra cost (EXP) (1) 	3	<p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
4.	(a)	<ul style="list-style-type: none"> fixed costs do not change with output (1) for example rent, interest payments on loans, costs of business insurance, etc (1) variable costs do change with output (1) for example wages, raw materials, etc (1) 	4	<p>Candidates must describe one fixed cost and one variable cost, and give an example of each to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid example.</p>
	(b)	<ul style="list-style-type: none"> find a cheaper supplier of raw materials (1) reduce staff costs (1) reduce expenses (1) introduce mechanisation (1) improve efficiency/productivity (1) close unprofitable stores/locations (1) increase security in warehouses/stores (to prevent theft) (1) 	3	<p>Candidates must suggest at least 2 measures to gain full marks.</p> <p>Award 1 mark for each valid suggestion.</p> <p>Accept any method of increasing sales revenue, for example advertising, new markets, etc (no maximum).</p> <p>Accept any other method of reducing cost (no maximum).</p> <p>DNA increasing/decreasing cost without qualifying.</p>
	(c)	<ul style="list-style-type: none"> the cost of producing each unit of output (1) total cost divided by output (1) 	1	<p>Award 1 mark for the definition.</p> <p>Accept:</p> <p>$AC = (FC + VC)/\text{no of units}$ $AC = TC/\text{no of units}$ $AC = AFC + AFV$</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	 <p>Costs</p> <p>ATC</p> <p>Output</p> <ul style="list-style-type: none"> • correctly labelled axes (1) • correctly labelled U-shaped curve (AC or ATC) (1) 	2	Award 2 marks for the diagram.

Question		Expected response(s)	Max mark	Additional guidance
5.	(a)	<p>The diagram shows a circular flow between Households (represented by a house icon) and Firms (represented by a factory icon). Four arrows connect them in a clockwise cycle:</p> <ul style="list-style-type: none"> Top arrow: From Firms to Households, labeled "Goods and Services". Middle arrow: From Households to Firms, labeled "Consumer Expenditure". Bottom arrow: From Firms to Households, labeled "Factor Incomes". Left arrow: From Households to Firms, labeled "Factors of Production". 	4	<p>Award 4 marks for the diagram.</p> <p>Accept any recognised terms.</p> <p>Individual factor incomes need not be identified.</p> <p>If factor incomes are shown as individual names, at least 3 out of 4 must be present, in full or as an abbreviation (eg RWIP).</p> <p>Households/firms can be left, right, top or bottom.</p> <p>No marks for injections or withdrawals, but do not penalise for having them.</p> <p>If factors of production are shown as individual names, at least 3 out of 4 must be present, in full or as an abbreviation (eg LLCE).</p>

- households/firms (1)
- correct direction of all arrows shown (1)
- consumer expenditure (1)
- factor incomes (1)

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> reduced government subsidies (ID) may lead to reduced economic growth (1) reduced budget deficit (ID) may lead to a reduced need for government borrowing (EXP) (1) cut back on public services (ID) may lead to higher unemployment (1) reduced government grants (ID) may lead to increased chance of business failure/fewer business start-ups (1) cut in funding on capital projects (ID) may lead to a longer time to improve infrastructure (rail/telecoms/hospitals/schools) (1) reduced teacher numbers (ID) may lead to lower attainment (1) reduced health budget (ID) longer waiting lists in NHS (1) reduced local authority funding (ID) increased risk of industrial action (1) reduced social security support (ID) may lead to increased poverty/lower standard of living (EXP) (1) reduced rate of inflation (ID) as it lowers aggregate demand in the economy (EXP) (1) 	2	<p>Candidates must explain 2 effects to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p>
	(c) (i)	<ul style="list-style-type: none"> will result if AD is rising faster than AS/supply can't keep up with demand (ID) so there is a shortage (EXP) (1) which puts upward pressure on prices (DEV) (1). This is commonly known as too much money chasing too few goods (DEV) (1) 	2	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>
	(ii)	<ul style="list-style-type: none"> will result if costs of production increase (ID) and these increases are passed onto consumers as firms put up prices (EXP) (1). Firms do this to maintain profit margins (DEV) (1) increased production costs will lead to a decrease in supply (ID) which will push up prices (EXP) (1) 	2	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

Question			Expected response(s)	Max mark	Additional guidance
6.	(a)	(i)	<ul style="list-style-type: none"> • Stewart Milne (1) • Michelle Mone (1) • Tom Hunter (1) • Duncan Bannatyne (1) • Tom Farmer (1) • Brian Souter (1) • Ann Gloag (1) • Jim McCall (1) • Fraser Doherty (1) • Tony Stone (1) • Gordon Ramsay (1) 	1	<p>Award 1 mark for a valid name.</p> <p>Accept any suitable famous name.</p>
		(ii)	<ul style="list-style-type: none"> • decrease in unemployment (1) • increase in national income/growth (1) • less government spending on Universal Credit (1) • increased income tax revenue (1) • increased corporation tax revenue (1) • increased VAT revenue (1) 	2	<p>Candidates must describe 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(b)		<p>high level of employment in the tourism industry</p> <ul style="list-style-type: none"> • rich in history/great outdoors/tourist attractions/sporting events/golf tours/whisky tours (1) <p>low level of employment in the shipbuilding industry</p> <ul style="list-style-type: none"> • can't compete (on price/delivery) with foreign yards (1) • fewer government orders (1) 	2	<p>Candidates must describe a reason for both to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(c)		<ul style="list-style-type: none"> • the import/export of goods/services across international boundaries/between countries (1) • buying and selling of goods/services between different countries (1) 	1	<p>Award 1 mark for a valid definition.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<ul style="list-style-type: none"> • increased competition/cheaper prices/better quality offered by foreign competitors (1) • increase in transportation costs (1) • risk of global recession (1) • vulnerability to fluctuations in exchange rates (1) • vulnerability to external factors eg weather/war (1) • may need to adapt products to meet the needs of foreign markets (1) 	2	<p>Candidates must describe 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(e)	<ul style="list-style-type: none"> • to protect young/new industries (infant industries) (1) • to protect employment (1) • to prevent unfair competition/countries dumping products at cheap prices in other countries (1) • to prevent overspecialisation (1) • to protect strategic industries (1) • for conservation/environmental reasons (1) • to address health and safety concerns (chlorinated chicken/unsafe toys) (1) • to prevent crop diseases being imported (1) • to protest against political regimes/retaliation against other countries imposing trade barriers on you (1) • to raise government revenue through tariffs (1) 	2	<p>Candidates must describe 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question			Expected response(s)	Max mark	Additional guidance
7.	(a)	(i)	<ul style="list-style-type: none"> • a firm that has its HQ in one country and has production facilities/operates in at least one other (1) 	1	<p>Award 1 mark for a valid description.</p> <p>Must imply a physical presence in more than one country (rather than just exporting).</p>
		(ii)	<ul style="list-style-type: none"> • Coca Cola • Starbucks • Amazon • BP • Apple • Google • McDonald's • Tesla • IKEA 	1	Award 1 mark for a valid example.
	(b)		<ul style="list-style-type: none"> • to gain a new market (1) • to be closer to the market (1) • to grow (1) • to increase market share (1) • to avoid trade barriers (1) • to reduce production cost (1) • to gain economies of scale (1) • to take advantage of cheap labour (1) • to get closer to suppliers (1) • to reduce corporation tax liability (1) • to avoid strict health and safety legislation (1) 	3	<p>Candidates must outline 3 reasons to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Maximum 1 mark for reduced costs.</p>
	(c)		<ul style="list-style-type: none"> • Bangladesh • Ethiopia 	2	<p>Candidates must identify 2 developing economies to gain full marks.</p> <p>Award 1 mark for each valid identification.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<ul style="list-style-type: none"> • low GDP per capita/low level of economic growth (1) • poor standard of living (1) • poor infrastructure (1) • dependence on agricultural/primary products (1) • exports consist mainly of primary products (eg tea, copper, bananas) (1) • lack of capital and equipment (1) • lack of education (1) 	3	<p>Candidates must outline 3 characteristics to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Do not accept social or political characteristics.</p>

[END OF MARKING INSTRUCTIONS]