



National
Qualifications
2024

X822/75/11

Economics

WEDNESDAY, 29 MAY

1:00 PM – 3:00 PM

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. UK RECESSION AVOIDED IN FIRST HALF OF 2023

Economists regularly look at economic indicators to try to make predictions about the UK economy. Factors such as the COVID pandemic and the invasion of Ukraine by Russia have had a negative effect on the UK economy. The annual UK growth rate in May 2023 was a low 0.2%, whilst inflation was 8.7%.

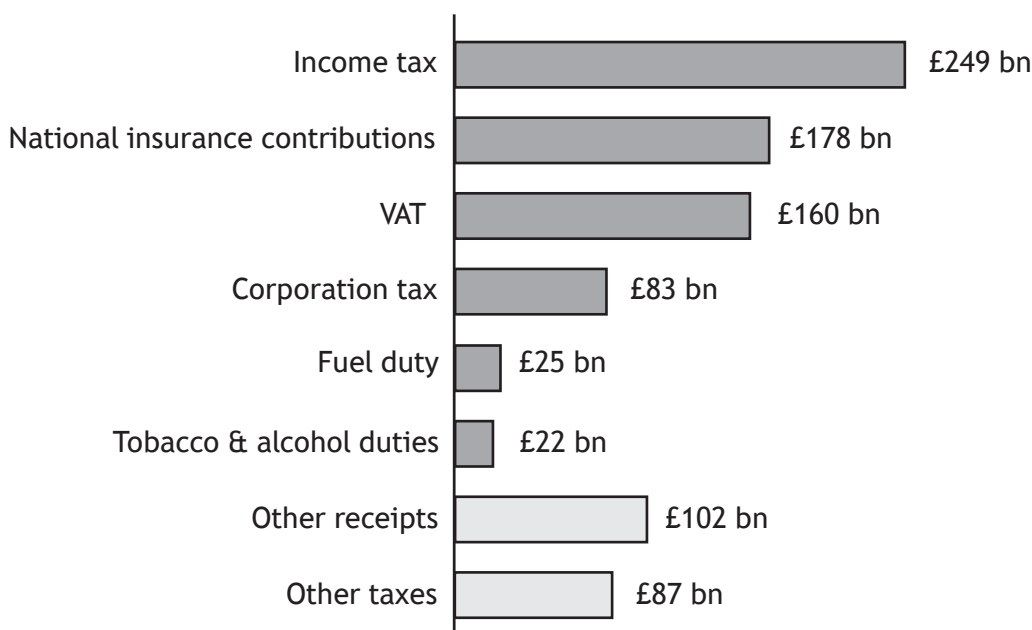
The continuing cost of living crisis has meant that UK household spending on non-essentials, including some imported goods and services, remains low. This has both weakened the **exchange rate** for sterling and negatively affected UK domestic firms.

On a positive note, UK unemployment was lower than the rate in the EU. The Bank of England predicted that the UK would avoid a **recession** in 2023 after analysing relevant data.

- (a) Define the terms as used in the passage:
- (i) exchange rate 1
 - (ii) recession. 1
- (b) Describe **2** methods of measuring UK unemployment. 2
- (c) Describe causes of unemployment. 4
- (d) Describe **one** effect of unemployment on:
- individuals
 - UK firms
 - UK government. 3
- (e) (i) Explain the reason for firms having to make choices. 1
- (ii) Suggest an example of an opportunity cost for a firm. 1
- (f) Suggest the ways in which a fall in the standard of living can be measured. 2
- (g) Explain a way in which a fall in the value of sterling against the Euro may affect a UK holidaymaker going to a Eurozone country. 2
- (h) Describe **3** measures a government could take to reduce the level of imports. 3

2. REPLACING FUEL DUTY AND ROAD TAX

Government tax receipts 2022/2023 (extract)



The UK government raises £35bn a year from fuel duty and road tax, however it faces falling tax revenue as drivers switch to electric/hybrid vehicles. As the UK government aims for 'net zero' carbon emissions, it is having to rethink how to tax motorists.

- (a) (i) From the chart, identify **one** direct and **one** indirect tax. 2
- (ii) Describe features of an indirect tax. 2
- (iii) Excluding road tax, name **one** tax that could be classified under the 'other taxes' heading. 1
- (b) (i) Other than having low carbon emissions, describe **3** factors that could increase the demand for electric/hybrid cars. 3
- (ii) Explain, using a diagram, in what way the market for petrol/diesel cars could be affected by an increase in popularity of electric/hybrid cars. 4
- (c) Describe possible ways a government could raise revenue from motorists in the future. 2
- (d) (i) Identify **one** main area of UK Government spending. 1
- (ii) Explain a possible reason for the UK Government spending on the area identified in (d)(i). 1
- (e) (i) Explain reasons for UK families being more likely to own cars than families in developing economies. 2
- (ii) Describe **2** types of aid given to developing economies. 2

SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Describe the process by which the price of a good settles at equilibrium following:
- a surplus
 - a shortage.
- (b) Suggest 3 determinants which may result in a fall in the supply of mobile phones.
- (c) Explain the reasons why the supply curve usually slopes upwards from left to right.
4. (a) Describe, using examples, fixed costs and variable costs.
- (b) Suggest measures a firm may take to increase its profit.
- (c) Define the term average cost.
- (d) Draw a diagram to show the shape of an average total cost curve.
5. (a) Draw a diagram to show the circular flow of income in a closed economy.
- (b) Explain the effects of a decrease in government spending.
- (c) Explain what causes:
- (i) demand-pull inflation
 - (ii) cost-push inflation.
6. (a) (i) Name a famous Scottish entrepreneur.
- (ii) Describe 2 benefits their business might bring to the UK economy.
- (b) Describe a reason for Scotland's:
- high level of employment in the tourism industry
 - low level of employment in the shipbuilding industry.
- (c) Define the term global trade.
- (d) Describe possible disadvantages of global trade to UK exporters.
- (e) Describe reasons for imposing barriers to trade.

	MARKS
7. (a) (i) Describe what is meant by a multinational company.	1
(ii) Give an example of a multinational company.	1
(b) Outline 3 reasons for a firm choosing to become a multinational.	3
(c) From the following list, identify 2 developing economies:	
• Sweden	
• Bangladesh	
• Australia	
• China	
• Ethiopia	
• USA.	2
(d) Outline 3 economic characteristics of developing economies.	3

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