



National
Qualifications
2025

X822/75/11

Economics

FRIDAY, 2 MAY

1:30 PM – 3:30 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. SOARING COST OF POTATOES BATTERS BRITISH CHIPPIES

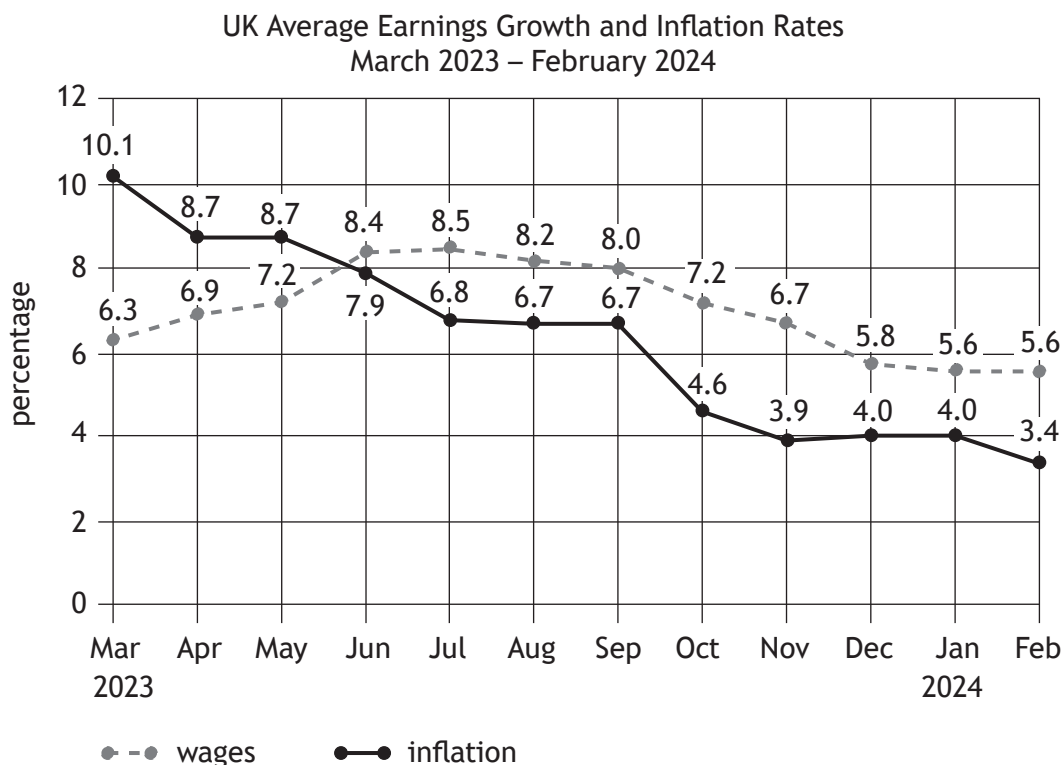
Potatoes have traditionally been a relatively cheap food, and a key part of national dishes such as fish and chips and the Sunday roast. However, potato prices have risen as potato farmers' costs have increased substantially due to factors such as Brexit (the UK's exit from the European Union), high energy costs, and poor weather conditions.

As a result, the cost of a 25 kg sack of potatoes has more than doubled. This increase is one of the costs that is hitting high street fish and chip shops hard. Andrew Crook, president of the National Federation of Fish Friers, said that some shops may be forced to close until costs fall, whilst others could close permanently.

This is particularly worrying as fish and chip shops tend to be small, independently owned businesses. A recent report predicted that 57% of the UK's small businesses are at risk of closure in the next 12 months. This is of concern to the government because of the effects these closures could have on the UK level of unemployment, government finances and UK economic growth.

- | | |
|----------------------------------------------------------------------------------------------|---|
| (a) For a fish and chip shop, give an example of a: | |
| (i) fixed cost. | 1 |
| (ii) variable cost. | 1 |
| (b) Describe a measure that a chip shop owner might take to reduce their cost of production. | 1 |
| (c) Draw a fully labelled diagram showing Fixed Cost, Variable Cost and Total Cost. | 4 |
| (d) Explain reasons why potato farmers may be affected by poor weather conditions. | 2 |
| (e) (i) Distinguish between the level of unemployment and the rate of unemployment. | 1 |
| (ii) Describe disadvantages to the government of an increase in unemployment. | 3 |
| (iii) Describe 2 ways of measuring unemployment in the UK. | 2 |
| (f) (i) Define economic growth. | 1 |
| (ii) Outline 4 ways a government may attempt to create economic growth. | 4 |

2.



The UK has an inflation target of 2%. To try to meet this target the Bank of England continued to increase the base rate of interest, reaching a high of 5.25% in August 2023. Changing interest rates has an impact on all economic agents and trade across the world.

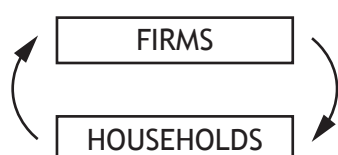
- (a) Describe the trend in the rate of inflation shown in the graph. 1
- (b) (i) State, using a calculation, what happened to real income in February 2024. 2
 (ii) Describe the effects of this change in real income on:
 - UK consumers
 - UK firms. 4
- (c) Describe the steps used to measure inflation in the UK. 4
- (d) Wages are the return to the factor of production of labour. Identify the returns to the following factors of production:
 - land
 - capital
 - enterprise. 3
- (e) Explain advantages and disadvantages of global trade. 6

[Turn over

SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Define what is meant by the market for chocolate. 2
- (b) Draw a market diagram to show the effect of a chocolate manufacturer using upgraded machinery on the market for chocolate bars. 3
- (c) Outline 2 reasons why an individual might borrow from a bank. 2
- (d) Other than changes in interest rates, describe 3 factors that may affect an individual's willingness to borrow. 3
4. (a) Distinguish, using examples, between a need and a want. 2
- (b) Describe 2 factors that impact the occupational mobility of labour. 2
- (c) Explain, using a demand diagram, the effect of a rise in the price of water bottles on the demand for water bottles. 3
- (d) Define the term supply. 1
- (e) Explain reasons for a supply curve sloping upwards from left to right. 2
5. (a) Distinguish between direct and indirect taxes, giving one example of each. 3
- (b) Describe a different reason for the government spending on each of the following areas: 3
- health
 - education
 - defence.
- (c) Describe the following terms: 2
- public good
 - merit good.
- (d) From the diagram below, outline why money flows from:



- (i) households to firms 1
- (ii) firms to households. 1

6. (a) A UK car manufacturer ordered component parts from Germany for €6 million, when the exchange rate was £1 = €1.50.
When payment was due, sterling had fallen against the Euro to £1 = €1.20.
- (i) Calculate the difference in the total price of the components in pounds sterling. 2
 - (ii) State whether this represents an increase or a decrease in the price paid by the UK car manufacturer. 1
 - (iii) Explain **one** way the UK car manufacturer might set the price of its cars in the UK in reaction to a fall in the value of sterling against the Euro. 1
 - (iv) Other than car components, identify **one** significant UK import. 1
- (b) Explain reasons why a UK manufacturer may wish to relocate production to an emerging economy. 3
- (c) (i) Define the term trading bloc. 1
(ii) Give an example of a trading bloc. 1
7. (a) Explain reasons why a country might introduce barriers to trade. 4
- (b) Describe the following types of aid given to developing countries:
- bilateral aid
 - technical expertise
 - emergency aid. 3
- (c) Define the term emerging economy. 1
- (d) From the following list, identify **2** emerging economies:
- USA
 - Angola
 - China
 - France
 - Australia
 - India. 2

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