



National  
Qualifications  
SPECIMEN ONLY

**SQ11/N5/01**

**Economics**

Date — Not applicable

Duration — 1 hour and 30 minutes

**Total marks — 70**

**SECTION 1 — 30 marks**

Attempt ALL questions.

**SECTION 2 — 40 marks**

Attempt ALL questions.

**Before attempting the questions you must check that your answer booklet is for the same subject and level as this question paper.**

Read all questions carefully before attempting.

Write legibly and neatly in the answer booklet provided.

On the answer booklet, you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

You may use a calculator.

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.



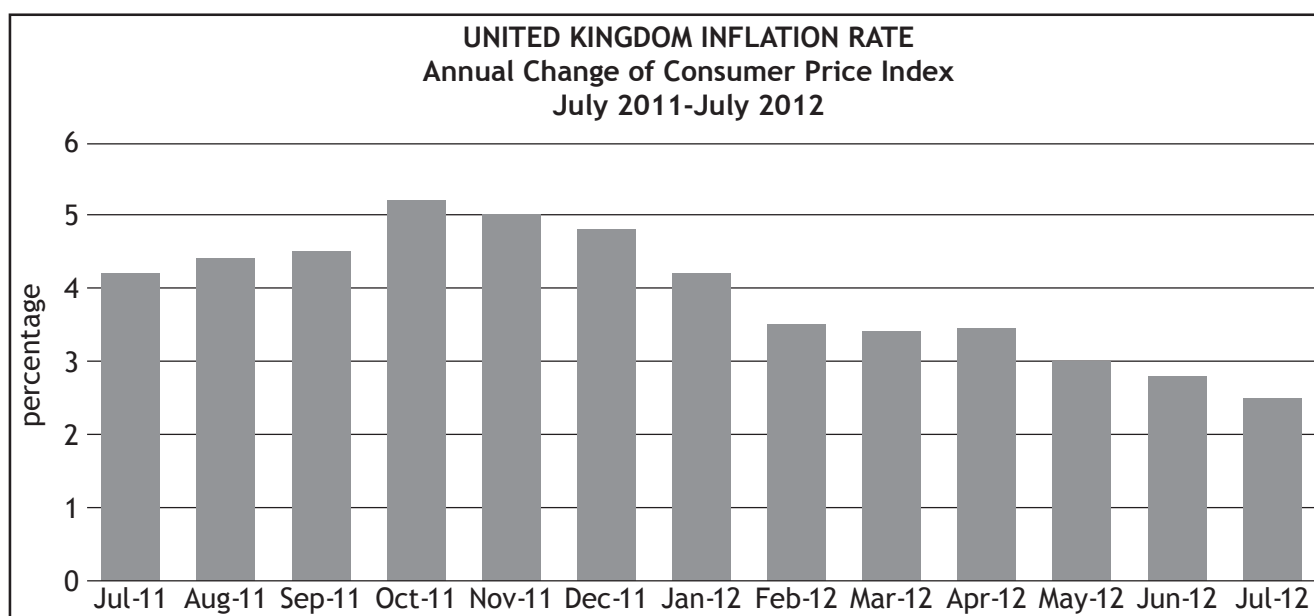
\* S Q 1 1 N 5 0 1 \*

## SECTION 1 — 30 marks

Attempt BOTH questions

1. The UK Government uses direct and indirect taxation as well as government spending to help achieve its aims of a low rate of inflation, a low rate of unemployment and sustained economic growth. It also uses Government spending to attract foreign firms to locate in Britain.

Use the UK inflation diagram below and your knowledge to answer the following questions.



Adapted from: [www.tradingeconomics.com](http://www.tradingeconomics.com), UK Office for National Statistics

- (a) (i) Describe the trend in the rate of inflation between July 2011 and July 2012. 2
- (ii) State whether prices have increased or decreased between June 2012 and July 2012? Give a reason for your answer. 2
- (b) (i) Identify one group of people that might be significantly affected by inflation. 1
- (ii) Explain one way in which inflation might affect this group. 2
- (c) (i) Describe, using an example, what is meant by indirect taxation. 2
- (ii) Explain, using a demand and supply diagram, the effect an increase in the rate of income tax would have on the price of a good. 4
- (d) Other than Government grants, outline 2 reasons a foreign firm might choose to locate in the UK. 2

**Total marks** 15

**2. UK TRADE 2012**

The UK has a finite amount of resources to make the goods and services demanded by society, so it must trade with other countries. Most of this trade is with the European Union but UK trade with emerging economies has increased in recent years.

The majority of UK exports are from the UK tertiary sector of industry. Most of the UK's imports come from the primary and secondary sectors of industry and the price of these imports can be a significant cost for UK firms. The UK's exports and imports are affected by the exchange rate of sterling.

- (a) Describe, using at least one example, what is meant by resources. 3
- (b) Describe one advantage and one disadvantage of global trade. 2
- (c) Explain how a fall in the exchange rate of sterling could affect:
- (i) UK exports;
  - (ii) UK imports. 4
- (d) Give an example of an industry in the tertiary sector. 1
- (e) Describe 2 characteristics of an emerging economy. 2
- (f) (i) Define the following 2 terms:
- fixed costs;
  - variable costs. 2
- (ii) Give one example of a variable cost 1

**Total Marks** 15

## SECTION 2 — 40 marks

Attempt ALL questions

3. Consumers and governments have to make choices in every economy and every choice results in an opportunity cost. Consumer choices affect the demand for goods and services.
- (a) Describe, using an example, what is meant by the term Opportunity Cost. 2
- (b) Explain why consumers and Governments have to make choices. 4
- (c) Describe factors that could cause the demand for a good to increase. 4
- Total marks** 10
4. All countries - developed and developing - use barriers to trade to protect their economies.
- (a) Outline 4 types of aid given to developing economies. 4
- (b) Describe barriers to trade. 2
- (c) Describe the advantages and disadvantages for the UK economy of joining the Eurozone. 4
- Total marks** 10
5. Government *current spending* on unemployment benefits increased in 2012.
- (a) Outline, using an example other than unemployment benefits, what is meant by Government current spending. 2
- (b) Describe possible causes of an increase in the level of unemployment. 4
- (c) (i) Identify 2 Scottish industries. 2
- (ii) Describe in what way one of these industries contributes to the Scottish economy. 2
- Total marks** 10

	<b>MARKS</b>
6. If UK banks increase their interest rates it will affect individuals. It will also affect firms, who will experience an increase in their costs of production.	
(a) Describe the likely effect of increasing interest rates on:	
(i) an individual who has savings with the bank;	
(ii) a home owner who has a mortgage with the bank.	<b>4</b>
(b) Other than a mortgage, identify 2 methods of borrowing available to individuals.	<b>2</b>
(c) Explain, using a demand and supply diagram, the effect that an increase in costs of production will have on the equilibrium price of a good.	<b>4</b>
<b>Total Marks</b>	<b>10</b>

**[END OF SPECIMEN QUESTION PAPER]**

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