



National  
Qualifications  
2016

**X722/75/11**

**Economics**

WEDNESDAY, 25 MAY

9:00 AM – 10:30 AM

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**Total marks — 70**

**SECTION 1 — 30 marks**

Attempt ALL questions.

**SECTION 2 — 40 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 7 2 2 7 5 1 1 \*

**SECTION 1 — 30 marks**  
**Attempt BOTH questions**

**MARKS**

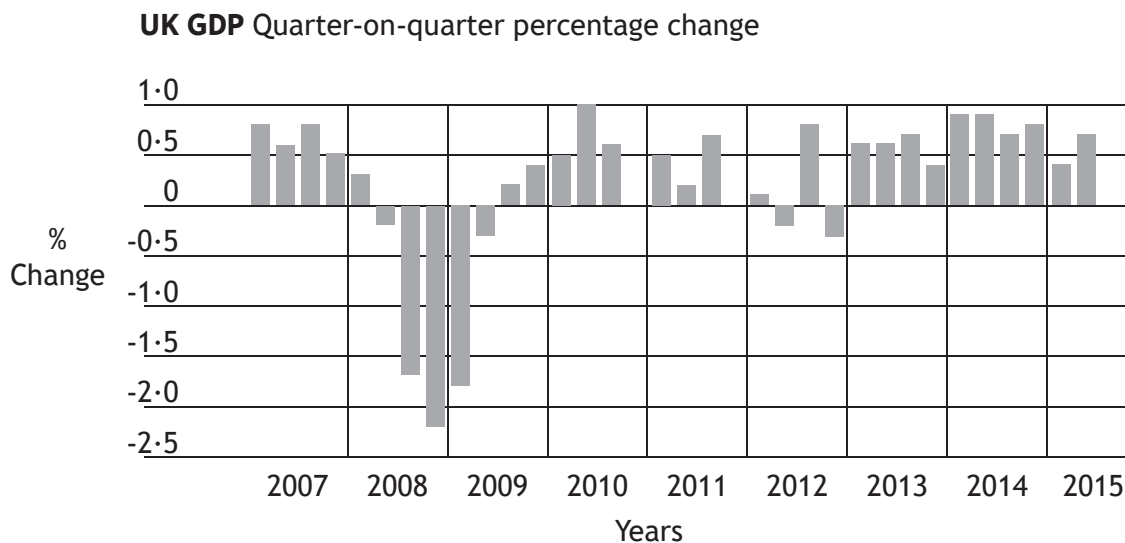
1. Global trade benefits consumers and producers. However, a global recession means that many households and businesses are more cautious with their spending.

Firms in the UK have reacted to this by attempting to reduce their costs of production. They hope that their goods and services will become more competitive in foreign markets. This should help them survive in a global recession.

- |   |   |
|---|---|
| (a) Describe the advantages and disadvantages of international trade for UK households and firms.         | 4 |
| (b) Describe 2 measures a government could take to reduce the level of imports.                           | 2 |
| (c) Explain why much of the UK's trade is with other EU countries.  | 2 |
| (d) Define what is meant by the term average revenue.   | 1 |
| (e) Draw a diagram to show the relationship between total fixed cost, total variable cost and total cost. | 4 |
| (f) Suggest 2 ways a firm might reduce its costs of production.   | 2 |

2. “UK GDP Growth: ‘we have rarely had it so good’, apparently.”

MARKS



The UK economy has now been expanding for 10 consecutive quarters. This is the third-longest spell of economic growth since 1955.

But is the improvement affecting everyone’s standard of living equally? Those who are enjoying the happy combination of virtually no inflation and a post-crisis pay rise may feel quite well off, but young people struggling to get a job may not. The truth is that while the services sector is doing well, employment in Britain’s factories and building sites is falling.

Following the publication of the GDP figures, Scotland’s First Minister stated that entrepreneurial activity will play a key role in delivering sustainable economic growth in Scotland.

*Adapted from an article from [www.theguardian.com](http://www.theguardian.com)*

- (a) (i) Identify **one** year during which the UK economy was in recession. 1
- (ii) Describe the trend in GDP between 2007 and 2010. 2
- (b) Define “economic growth”. 2
- (c) (i) Explain how “entrepreneurial activity” can help an economy achieve economic growth. 1
- (ii) Outline **2 other** ways in which a government may attempt to create economic growth. 2
- (d) Describe **3** possible causes of unemployment in the manufacturing sector. 3
- (e) (i) Identify **2** factors which affect the “standard of living” in the UK. 2
- (ii) Suggest **2** ways in which the UK government may redistribute income to help improve the standard of living. 2

[Turn over

SECTION 2 — 40 marks

MARKS

Attempt ALL questions

3. (a) Apart from labour, outline the other 3 factors of production. 3
- (b) Describe **one** possible opportunity cost for:
- (i) a firm; 1
- (ii) an individual. 1
- (c) If the rate of interest increases, explain the effects this would have on a firm. 2
- (d) Explain the effect of an increase in income tax on an individual. 1
- (e) Suggest 2 ways in which households can plan for financial uncertainty. 2
4. Extreme cold weather has caused a shortage of daffodils in Scotland.
- (a) Using a demand and supply diagram, explain in what way the cold weather would affect the equilibrium price and quantity sold of daffodils. 4
- (b) Describe what is meant by the market for daffodils. 2
- (c) Describe the factors which influence demand. 4
5. (a) Describe a method of calculating the rate of inflation in the UK. 3
- (b) Describe, using examples, the difference between government capital spending and government current spending. 4
- (c) Describe **one** way the UK Government measures unemployment. 1
- (d) Explain 2 effects of inflation on individuals. 2
6. (a) Describe, using an example, what is meant by a multinational company. 2
- (b) Describe the advantages and disadvantages to the Scottish economy of a multinational company locating in Scotland. 4
- (c) (i) Identify **one** Scottish export; 1
- (ii) Identify **one** Scottish import. 1
- (d) Describe the features of the Eurozone. 2

[END OF QUESTION PAPER]

## ACKNOWLEDGEMENT

Question 2 – Article is adapted from “UK GDP growth: we have rarely had it so good, apparently” by Katie Allen, taken from *The Guardian*, Tuesday 28 July 2015. Reproduced by permission of The Guardian. © Guardian News & Media Ltd 2016.