National
Qualifications
2026

2026 Economics

National 5

Question Paper Finalised Marking Instructions

These marking instructions have been prepared by examination teams for use by Qualifications Scotland appointed markers when marking external course assessments.

Qualifications Scotland
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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

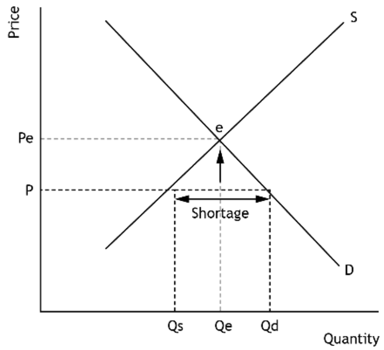
Marking instructions for each question

Section 1

Question			Expected response(s)	Max mark	Additional guidance
1.	(a)	(i)	• funds/assets given by one government to a recipient country **(1)**	**1**	Award **1 mark** for a valid definition.
		(ii)	• emergency aid – provide food/shelter/etc in flood/drought/ earthquake **(1)** • financial aid – give cash or loans **(1)** • medical aid – provide doctors/medicines/vaccinations/pop-up hospital facilities/etc **(1)** • education aid – provide teachers/teacher education/books/etc **(1)** • capital equipment – provide machinery/generators/computers **(1)** • technical expertise – provide engineers/architects/etc **(1)** • military aid – provide equipment/personnel/etc **(1)** • soft loans – loans with lower/favourable interest rates **(1)** • debt relief – allow non-payment of debt/debt interest **(1)** • tied aid – provide cash to be spent on exports of the donor country **(1)** • multilateral aid – provide cash from a group of countries, or an institution like the World Bank, to one or more recipient countries **(1)**	**3**	Candidates must describe **3** types of aid to gain full marks. Award **1 mark** for each valid description. Name of aid not required. If name is given, it must match the description. DNA bilateral aid.

Question			Expected response(s)	Max mark	Additional guidance
	(b)		• Somalia **(1)** • Pakistan **(1)** • Malawi **(1)** • Niger **(1)** • Chad **(1)** • Sudan **(1)** • Ivory Coast **(1)** • Bhutan **(1)** • Cambodia **(1)** • Yemen **(1)** • Haiti **(1)**	1	Award **1 mark** for a valid identification. DNA Ethiopia, Afghanistan, Syria and Ukraine. DNA 'Africa'. Accept any suitable economy at the time of answering.
	(c)		• the sacrifice of the next best alternative forgone **(1)** • for example, increasing defence spending resulted in the opportunity cost of reducing aid spending **(1)** • for example, providing aid to Ukraine may result in the opportunity cost of not providing aid to another country **(1)** • for example, providing aid means a government is less able to spend on schools/hospitals **(1)**	2	Award **1 mark** for a valid description. Award **1 mark** for a valid example. The example must clearly show the choice and identify the item which is the opportunity cost. Examples must be linked to the passage.
	(d)		• to maintain secure UK borders **(1)** • to deter other countries from invading **(1)** • to comply with NATO obligations/to support allies **(1)** • to protect the UK's natural resources **(1)** • in response to other countries increasing their defence spending/aggression from other countries **(1)** • to upgrade military equipment **(1)**	2	Candidates must describe **2** reasons to gain full marks. Award **1 mark** for each valid description.

Question			Expected response(s)	Max mark	Additional guidance
	(e)		**Advantages** • protects domestic/infant industries **(1)** meaning less chance of job losses (DEV) **(1)** • encourages consumers to buy from domestic suppliers **(1)** increasing domestic firm profits (DEV) **(1)** • tariffs increase government tax revenue **(1)** which can be spent on improving public services (DEV) **(1)** • prevents dumping **(1)** • prevents harmful products entering the country **(1)** **Disadvantages** • consumers may face higher prices due to rising cost of imports **(1)** reducing their spending power (DEV) **(1)** leading to a lower standard of living (DEV) **(1)** • consumers may experience a narrower choice of goods **(1)** • imported inflation may occur **(1)** • firms which import raw materials may experience an increase in cost of production **(1)** meaning they have to cut costs elsewhere (DEV) **(1)** or increase their selling price further (DEV) **(1)** • other countries may respond by imposing trade barriers **(1)** resulting in a trade war (DEV) **(1)** which may reduce the ability of domestic firms to export (DEV) **(1)** • imposing an embargo may result in black markets being created **(1)** which require time and resources to be policed (DEV) **(1)** • reduced competition may result in inefficiencies **(1)**	**5**	Candidates must discuss at least **one** advantage and **one** disadvantage to gain full marks. Award **1 mark** for each valid discussed point. Award **1 mark** for each valid development. Accept reference to Balance of Payments. Watch for repetition and flips.
	(f)		• goods which people will under-consume if they have to pay for it **(1)** • goods which are subsidised/free at the point of use (so it doesn't depend on anyone's ability to pay) **(1)** • goods which are normally under-provided by the market **(1)** • goods which provide external benefits to society **(1)** • eg education/public transport/libraries **(1)**	**2**	Award **1 mark** for a valid description. Award **1 mark** for a valid example. Candidates must provide an example to gain full marks. DNA specific healthcare examples, such as vaccines.

Question			Expected response(s)	Max mark	Additional guidance
	(g)		 **Diagram** • fully labelled market diagram (price, quantity, D, S, P, Qs and Qd) **(1)** • shortage/excess demand clearly marked **(1)** • directional indication of upward price pressure **(1)** **Explanation** • during a shortage demand exceeds supply (ID) therefore suppliers increase their prices to maximise revenue (EXP) **(1)** or to discourage buyers (DEV) **(1)** • consumers will bid against one another for the limited supply (ID) which forces the price up until it reaches equilibrium (EXP) **(1)**	**4**	Award up to **3 marks** for the diagram. Award up to **2 marks** for the explanation. Award **1 mark** for each valid explanation.

Question			Expected response(s)	Max mark	Additional guidance
2.	(a)		• where buyers and sellers of second-hand clothing come together **(1)** • to agree a price and make an exchange **(1)**	**2**	Award **1 mark** for each part of the definition. Candidates must mention second hand clothes, buyers, sellers, price and exchange to gain full marks.
	(b)	(i)	• £40 **(1)** • 5000 units **(1)**	**2**	Award **1 mark** for correct equilibrium price. Award **1 mark** for correct equilibrium quantity.
		(ii)	• change in daily total revenue: £420,000 – £200,000 **(1)** = £220,000 **(1)** • total revenue at D = 5000 x £40 = £200,000 • total revenue at D_1 = 7000 x £60 = £420,000 **(1)**	**2**	Award **1 mark** for accurately calculating the daily total revenue for both the initial and new equilibrium points. Award **1 mark** for accurately calculating the change in daily total revenue. If no working is shown award **2 marks** for the correct answer. If correct working is shown with incorrect final answer maximum **1 mark**.

Question			Expected response(s)	Max mark	Additional guidance
	(c)		• increased popularity of sustainability/recycling **(1)** • awareness of environmental damage/unethical practices from fast fashion brands **(1)** • fall in household income/increase in income **(1)** • greater convenience due to online marketplaces (Vinted etc)/more high street vintage stores **(1)** • more celebrities/influencers wearing second-hand **(1)** • rising price of new clothing **(1)** • government campaigns promoting sustainability **(1)** • cost-of-living crisis/high interest rates forcing consumers to seek cheaper second-hand alternatives **(1)**	**4**	Candidates must outline **4** factors to gain full marks. Award **1 mark** for each valid outline.
	(d)	(i)	• overdraft **(1)** • bank loan **(1)** • mortgage **(1)** • credit card **(1)** • payday loan **(1)** • loan from friends and family **(1)** • hire purchase **(1)** • personal credit plan (PCP) **(1)** • leasing **(1)**	**2**	Candidates must identify **2** methods to gain full marks. Award **1 mark** for each valid identification. Must specify type of loan. DNA buy-now-pay-later.

Question			Expected response(s)	Max mark	Additional guidance
		(ii)	**Advantages** • will increase spending power **(1)** • may allow them to meet unexpected expenses **(1)** • may allow them to make large purchase they could not have previously afforded (new car/house) **(1)** increasing their standard of living/wealth (DEV) **(1)** • if debt repaid in full and on time this may improve credit rating **(1)** making it easier to borrow larger sums in future (DEV) **(1)** • can be used to start a business **(1)** **Disadvantages** • has to be repaid **(1)** • may need to repay more than was borrowed **(1)** • need to budget/manage their finances **(1)** • debt may accumulate if interest rates increase **(1)** • can lead to more borrowing/spiral of debt (DEV) **(1)** • missed repayments may damage credit rating **(1)** making it more difficult to borrow in future (DEV) **(1)** • long-term financial goals/saving may be delayed **(1)**	4	Candidates must describe at least **one** advantage and **one** disadvantage to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for each valid development. DNA quick/easy. Watch for flips.

Question			Expected response(s)	Max mark	Additional guidance
	(e)	(i)	**consumers buy goods and services** • Value Added Tax (VAT) - a tax on the purchasing of goods and services/a tax on spending **(1)** • excise duty – tax levied on specific goods **(1)** • airport passenger duty – tax paid for purchasing airline tickets **(1)** **businesses sell goods and services.** • corporation tax - a tax levied on company profits **(1)** • business rates – a tax paid for occupying business premises **(1)**	**2**	Candidates must describe **one** tax for **each** situation to gain full marks. Award **1 mark** for each valid description. Accept alcohol/fuel/tobacco under excise duty. Accept customs duty for either buyers or sellers. DNA 'direct tax' and/or 'indirect tax'. DNA road tax.
		(ii)	• allows for increased spending on infrastructure/capital spending (ID) which will increase productivity/output/exports (EXP) **(1)** • allows for increased spending on education (ID) which will lead to a more skilled workforce/more innovation/higher incomes/ greater job prospects (EXP) **(1)** • allows for increased spending on healthcare (ID) which will reduce lost 'sick' days (EXP) **(1)** • may support job creation (ID) which will increase disposable income/living standards/aggregate demand (EXP) **(1)** • may be used to reduce the national debt (ID) which may increase consumer spending through lower interest rates/reduce taxation burden for future generations (EXP) **(1)** • may fund an increase in the national minimum wage (ID) which may attract more people to join the workforce (EXP) **(1)**	**2**	Candidates must explain **2** ways to gain full marks. Award **1 mark** for each valid explanation.

Section 2

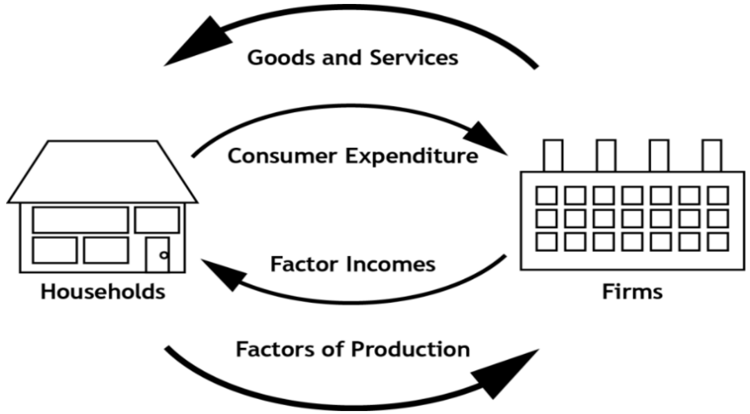
Question			Expected response(s)	Max mark	Additional guidance
3.	(a)		• (rapidly) improving infrastructure **(1)** • (rapidly) increasing GDP/economic growth **(1)** • increasing export market **(1)** • from primary to secondary industry/increase in manufacturing **(1)** • increasing level of FDI **(1)** • increased level of education/training **(1)**	**2**	Candidates must outline **2** features to gain full marks. Accept any suitable examples.
	(b)		• land – natural resources used in production **(1)** • labour – human resources/workers used in production **(1)** • capital – man-made resources/machinery used in production **(1)** • enterprise – entrepreneur/ideas person/co-ordinator of the other factors of production **(1)**	**3**	Candidates must describe **3** factors to gain full marks. Award **1 mark** for each valid description. DNA examples.
	(c)		• it samples people and asks about their employment status **(1)** • each quarter/carried out by ONS/samples approx 40,000 households/approx 100,000 individuals/the sample answer is multiplied up to reflect the size of the population **(1)**	**2**	Award **1 mark** for each valid description. Award **1 mark** for a valid development. DNA 'a survey' without reference to employment status.
	(d)		• increased rate of economic growth **(1)** • increased number of business start-ups **(1)** • moving from a recession to growth **(1)** • increased demand for UK exports **(1)** • increased demand for domestic goods and services **(1)** • increased foreign investment in the UK **(1)** • increased number of Modern Apprenticeships **(1)**	**3**	Candidates must suggest **3** reasons to gain full marks. Maximum **1 mark** for a supply side, eg skills, reduction in income tax, increase in national minimum/living wage. Award **1 mark** for each valid suggestion.

Question			Expected response(s)	Max mark	Additional guidance
4.	(a)	(i)	**A** Total costs	**1**	Award **1 mark** for a valid name. DNA TC.
		(ii)	**B** Variable costs	**1**	Award **1 mark** for a valid name. DNA VC.
	(b)		**A firm could increase its revenue by:** • increasing the price of a bus journey (with the number of journeys not falling) **(1)** this would raise more revenue per passenger (DEV) **(1)** increasing overall income (DEV) **(1)** • having a 'successful' advertising campaign/deals will make people more aware of the service **(1)** encouraging more customers to travel by bus (DEV) **(1)** increasing number of tickets sold (DEV) **(1)** **A firm could decrease its costs by:** • reducing its costs for fuel/labour **(1)** • moving to smaller premises with lower rent **(1)** would reduce fixed costs (DEV) **(1)** • finding a cheaper source of finance **(1)** would lower payments on loans (DEV) **(1)** allowing the firm to keep more of its income (DEV) **(1)**	**4**	Candidates must describe at least **2** ways to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for each valid development.

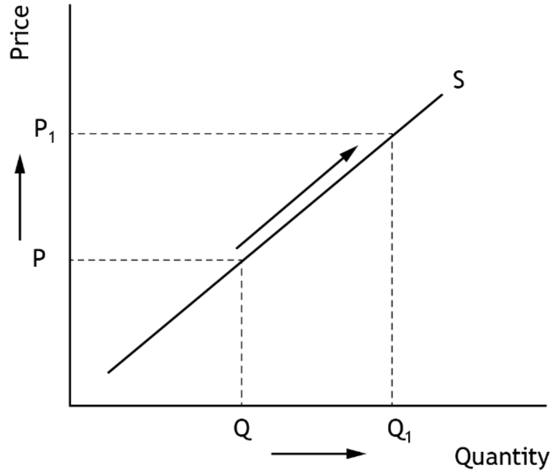
Question			Expected response(s)	Max mark	Additional guidance
	(c)		• they may have been attracted by government grants (ID) so their set up costs are lower (EXP) **(1)** • they can access major European markets (ID) because of the good transport links (EXP) **(1)** • English-speaking population (ID) therefore communicating in the common business language (EXP) **(1)** • good IT infrastructure (ID) which provides high-speed communication/data transfer (EXP) **(1)** • good universities and research facilities (ID) that provide highly trained workforce/right skills to the companies locating here (EXP) **(1)** which lowers the cost of training workers (DEV) **(1)** therefore workers in Scotland are more efficient than elsewhere (DEV) **(1)** • Scotland has experience in financial services (ID) therefore it is seen as a secure base for financial service companies (EXP) **(1)** • good facilities for staff and families coming from abroad (schools, housing etc) (ID) so key staff are willing to make the move (EXP) **(1)**	**4**	Candidates must explain at least **2** reasons to gain full marks. Award **1 mark** for each valid explanation. Award **1 mark** for each valid development.

Question			Expected response(s)	Max mark	Additional guidance
5.	(a)		• keyboard **(1)** • mouse **(1)** • computer monitor **(1)** • printer/scanner **(1)** • software **(1)**	**1**	Award **1 mark** for a valid identification. Accept any suitable examples.
	(b)		**the UK tourist industry** • foreign tourists now get more sterling for their currency (ID) so this decreases the cost of coming to the UK (EXP) **(1)** making visiting the UK more attractive to foreigners (DEV) **(1)**. This increases demand for tourism/number of tourists to the UK rises (DEV) **(1)/**increasing revenue/profit for UK hotels/tourist attractions (DEV) **(1)** **UK manufacturers** • UK manufacturers who import their raw materials now get less foreign currency per £ (ID) and this increases the price of imported raw materials (EXP) **(1)** meaning the manufacturers' total cost of production rises (DEV) **(1)** and the manufacturer makes less profit (DEV) **(1)** OR • UK manufacturers who export now get more foreign currency per £ (ID) and this decreases the price of exports (EXP) **(1)** meaning the manufacturers' total cost of production decreases (DEV) **(1)** and the manufacturer makes more profit (DEV) **(1)**	**4**	Candidates must explain at least **one** effect on the tourist industry and **one** effect on UK manufacturers to gain full marks. Award **1 mark** for each valid explanation. Award **1 mark** for each valid development.

Question			Expected response(s)	Max mark	Additional guidance
	(c)		• look for changes in quality/quantity of material goods/consumer goods owned by individuals **(1)** • compare levels of GDP per capita/GDP **(1)** • compare levels of real wages **(1)** • compare levels of poverty/life expectancy/literacy levels **(1)**	**2**	Candidates must describe **2** ways to gain full marks. Award **1 mark** for each valid description.
	(d)		**borrowers** • decreases the cost of borrowing (ID) therefore people have to pay back less (EXP) **(1)** and their standard of living might rise (DEV) **(1)** • decreases the cost of borrowing (ID) therefore people may borrow more (EXP) **(1)** • decreases mortgage repayments (ID) therefore people have more to spend on other goods and services (EXP) **(1)** • decreases the cost of buying a house (ID) therefore more people may be able to afford to buy property/fewer people are likely to rent (EXP) **(1)** **savers** • decreases return on savings (ID) therefore people need to save longer to reach their goal (EXP) **(1)** which may discourage people from saving (DEV) **(1)** • may choose to purchase property/invest (ID) as this may give better returns/increase in value than savings account (EXP) **(1)** • lower income from saving (ID) so some individuals may have to go back into work to maintain same level of income (EXP) **(1)**	**3**	Award **1 mark** for each valid explanation. Award **1 mark** for each valid development. Watch for flips.

Question			Expected response (s)	Max mark	Additional guidance
6.	(a)		 • households/firms **(1)** • correct direction of all arrows shown **(1)** • consumer expenditure **(1)** • factor incomes **(1)**	**4**	Award **4 marks** for the diagram. Accept any recognised terms. Individual factor incomes need not be identified. 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). Households/firms can be left, right, top or bottom. No marks for injections or withdrawals, but do not penalise for having them.
	(b)	(i)	• sustained increase in the general level of prices of goods and services (over a period of time) **(1)**	**1**	Award **1 mark** for a valid definition.
		(ii)	• a rise in the cost of imported goods/raw materials caused by the foreign country having inflation (ID) so that products coming into the UK are more expensive (EXP) **(1)**	**1**	Award **1 mark** for a valid explanation.

Question			Expected response(s)	Max mark	Additional guidance
	(c)		**real income** • increases (ID) because increase in wages is higher than the rate of inflation (EXP) **(1)** • increases (ID) because wages rise to £105 whilst £100-worth of spending has risen to only £103 (EXP) **(1)** • increases (ID) because real income increases from £100 to £102 (EXP) **(1)** • increases (ID) because real income has increased by 2% (5%-3%) **(1)** **nominal income** • increases (ID) because nominal income rises from £100 to £105 (EXP) **(1)**	**2**	Candidates must explain the impact on **both** incomes to gain full marks. Award **1 mark** for each valid explanation.
	(d)		Examples – EU, USMCA, ASEAN **(1)** • access to a larger market (ID) which means firms within the bloc can increase their sales/profits (EXP) **(1)** • no tariffs on trade within the bloc (ID) so goods become cheaper to export/making firms more competitive/consumers benefit from lower prices (EXP) **(1)** • increased competition (ID) which encourages firms to become more efficient and innovative, improving quality for consumers (EXP) **(1)** • attracts foreign investment (ID) so foreign firms from outside the bloc may set up inside it to access the larger market (EXP) **(1)** • firms can benefit from economies of scale (ID) which means their lower average costs fall (EXP) **(1)**	**2**	Award **1 mark** for a valid explanation. Award **1 mark** for a correct example.

Question			Expected response(s)	Max mark	Additional guidance
7.	(a)		• increases the cost of production (ID) therefore the supply curve would shift to the left (EXP) **(1)** • decreases the profit per unit (ID) so less would be supplied at each and every price (EXP) **(1)**	**1**	Award **1 mark** for a valid explanation.
	(b)		 • correctly labelled axes and curve (Price, Quantity, S, P, Q) **(1)** • movement along the curve (P_1, Q_1) **(1)**	**2**	Award **2 marks** for the diagram.

Question			Expected response(s)	Max mark	Additional guidance
	(c)	(i)	• 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)** • Josh Littlejohn **(1)** • Alice Thompson **(1)**	1	Award **1 mark** for a valid name.
		(ii)	• provide more jobs (ID) which reduces unemployment (EXP) **(1)** • increase government revenue from income tax (ID) as more people are employed (EXP) **(1)** • increase output (ID) which will raise GDP (EXP) **(1)** • increase exports (ID) which will inject money into economy (EXP) **(1)** • invest in training (ID) to improve productivity (EXP) **(1)** • increase innovation (ID) therefore increase sales (EXP) **(1)** • invents new products (ID) increases consumer choice (EXP) **(1)**	2	Candidates must explain **2** ways to gain full marks. Award **1 mark** for each valid explanation.
	(d)		**current spending** • day-to-day spending **(1)** • spending on consumables **(1)** • examples: teacher wages **(1)**, bandages **(1)** **transfer payment** • when the government gives income to people without receiving economic activity/a good or service in return **(1)** • examples: Universal Credit **(1)**, State Pension **(1)**	4	Candidates must describe **both** types to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for each example.

[END OF MARKING INSTRUCTIONS]