N5 National Qualifications 2026

X822/75/11 Economics

WEDNESDAY, 29 APRIL

9:00 AM – 11:00 AM

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.

You must leave your answer booklet on your desk; if you do not, you could lose all the marks for this paper.

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MARKS

SECTION 1 — 40 marks

Attempt BOTH questions

1. PRIME MINISTER ANNOUNCES CUT TO UK AID SPENDING

UK aid is being spent in an increasingly challenging global environment, as extreme poverty is mainly found in regions that are also struggling with conflict and the effects of climate change.

The UK's international development programme has faced sharp budget reductions, numerous global crises, and growing political instability. This comes as the Prime Minister confirmed plans to reduce the aid spending target further to redirect more funds toward defence.

In many developing economies demand for basic services such as food, healthcare and shelter exceeds local supply, further increasing reliance on foreign aid. In addition, global trade disruptions, partly caused by the introduction of tariffs by US President, Donald Trump, have pushed many governments of developed economies to cut their aid budgets. This makes it harder for them to respond to countries in need.

The countries receiving the most of UK bilateral aid have stayed mostly the same, such as Ethiopia, Afghanistan and Syria. In recent years, Ukraine has also been a top recipient.

(a) (i) Define the term bilateral aid. **1**

(ii) Describe **3** other types of aid given to developing economies. **3**

(b) Other than those mentioned in the passage, identify **one** developing economy. **1**

(c) Describe, using an example from the passage, what is meant by the term opportunity cost. **2**

(d) Describe **2** reasons the UK government might decide to increase spending on defence. **2**

(e) Tariffs are an example of a trade barrier.

Discuss advantages and disadvantages of imposing trade barriers. **5**

(f) Healthcare is an example of a merit good.

Describe, using another example, merit goods. **2**

(g) Explain, using a market diagram, how a shortage affects the equilibrium price of a good. **4**

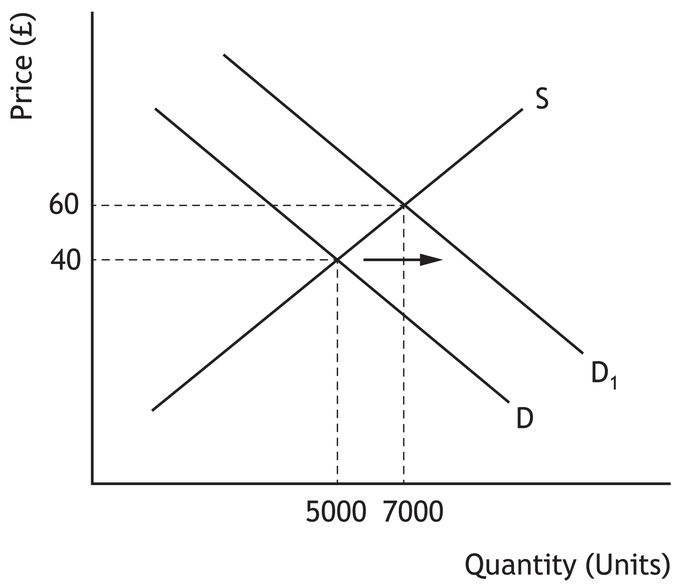
MARKS

2. UK MARKET FOR SECOND-HAND CLOTHING

The second-hand clothing market in the UK has grown significantly in the last five years, with industry revenue increasing by 10% over the same period. The UK second-hand fashion market is expected to be worth approximately £18 billion by 2030.

The following diagram shows the UK market for second-hand clothing in units per day.

UK Market for Second-Hand Clothing (per day)



(a) Define what is meant by the market for second-hand clothing. **2**

(b) (i) State the original equilibrium price and quantity in the above diagram. **2**

(ii) Calculate the change in daily total revenue for second-hand clothing following the shift in demand from D to D_1. **2**

(c) Outline **4** factors which may cause the demand curve for second-hand clothing to shift right. **4**

(d) Buy-now-pay-later schemes are becoming an increasingly popular method of borrowing, especially for retail purchases.

(i) Identify **2** further methods of borrowing. **2**

(ii) Describe the advantages and disadvantages of borrowing to an individual. **4**

(e) (i) Describe **one** UK tax paid when:

- consumers buy goods and services
- businesses sell goods and services. **2**

(ii) Explain ways in which increased UK government tax revenue may be used to support economic growth. **2**

MARKS

SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Outline **2** economic features of emerging economies. **2**

(b) Describe **3** factors of production. **3**

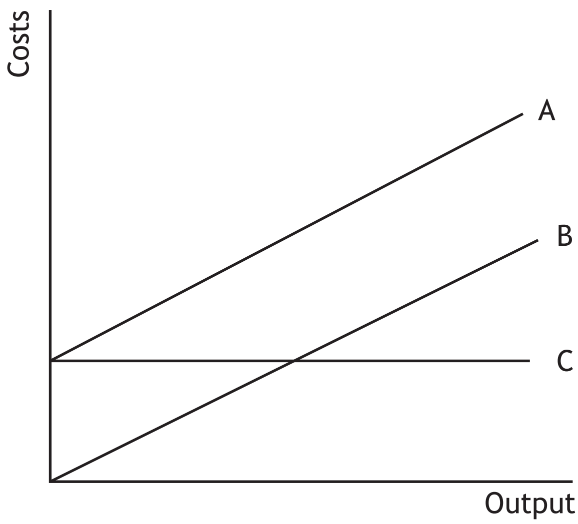
(c) Describe the way in which the Labour Force Survey measures unemployment in the UK. **2**

(d) Suggest **3** possible reasons for a rise in employment. **3**

4. (a) From the diagram below name the curves labelled:

(i) A **1**

(ii) B. **1**



(b) Describe the ways in which a private bus firm could increase its profitability. **4**

(c) Explain possible reasons for multinational companies locating in Scotland. **4**

5. (a) Identify a complementary good of a computer. **1**

(b) Explain the effects of a decrease in the exchange rate of sterling on:

- the UK tourist industry
- UK manufacturers. **4**

(c) Describe possible ways to measure standard of living. **2**

(d) Explain the impact of a cut in interest rates on individuals. **3**

MARKS

6. (a) Draw a diagram to show the circular flow of income. **4**

(b) (i) Define the term inflation. **1**

(ii) Explain a cause of imported inflation. **1**

(c) An individual has an income of £100. Their wage increases by 5% and the rate of inflation is 3% over the same time period.

Explain, in the situation above, the impact on:

- real income
- nominal income. **2**

(d) Using an example, explain **one** advantage of being a member of a trading bloc. **2**

7. (a) Explain the effect of an increase in the cost of raw materials on the supply of a product. **1**

(b) Draw a supply diagram showing an extension of supply. **2**

(c) (i) Name a successful Scottish entrepreneur. **1**

(ii) Explain the ways entrepreneurs contribute to the Scottish economy. **2**

(d) Describe, giving examples, each of the following types of government spending:

- current spending
- transfer payment. **4**

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