



National
Qualifications
2025

2025 Economics

Higher

Question Paper Finalised Marking Instructions

© Scottish Qualifications Authority 2025

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

The information in this document may be reproduced in support of SQA qualifications only on a non-commercial basis. If it is reproduced, SQA must be clearly acknowledged as the source. If it is to be reproduced for any other purpose, written permission must be obtained from permissions@sqa.org.uk.

General marking principles for Higher Economics

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a 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.
- (c) For **describe** questions, candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points; they 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

- award **1 mark** for each accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

- (d) For **explain** questions, 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

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

- (e) For **discuss** questions, candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. They do not always need to give both sides of the debate in their response.

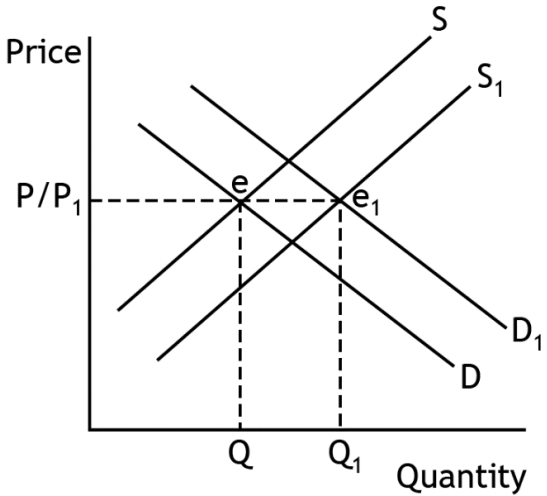
Up to the total mark allocation for this question

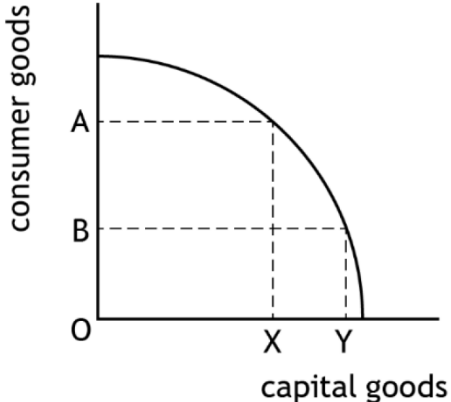
- award **1 mark** for any accurate point of knowledge that is clearly relevant
- award a second mark for any other point that is developed from the point of knowledge.

Marking instructions for each question

SECTION 1

Question		Expected response(s)	Max mark	Additional guidance
1.	(a)	<ul style="list-style-type: none"> negative spillover impacts/costs on third parties from production/ consumption (1) 	1	Award 1 mark for a valid definition.
	(b)	<ul style="list-style-type: none"> to protect infant industries (ID) to give them time to grow/experience economies of scale (EXP) (1) to retaliate politically (ID) so a foreign economy cannot export as many products and will suffer economically (EXP) (1). This could lead to economic growth in the foreign economy falling due to fewer exports being sold/the negative impact of selling fewer exports exerts economic pressure on the foreign economy to change their political actions (DEV) (1) to prevent dumping (ID) so foreign firms cannot sell goods cheaply destroying local/domestic markets (EXP) (1) to prevent a rise in unemployment (ID) as consumers are encouraged to buy domestic goods (EXP) (1) to prevent a dependence on imports (ID) which may cause a deficit in the Balance of Payments (EXP) (1) for strategic reasons (ID) to protect farming and defence industries in case of war (EXP) (1). This ensures the economy can be more self-sufficient (DEV) (1) to prevent the import of products from endangered animals (ID) to prevent species loss/extinction (EXP) (1) 	3	<p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	 <ul style="list-style-type: none"> • correctly labelled diagram (Price, Quantity, D, S, and either P and Q or e) (1) • D₁ – demand curve shifting to the right (increased advertising) (1) • S₁ – supply curve shifting to the right (subsidy) (1) • new equilibrium quantity indicated (either P₁ and Q₁, or e₁) (1) 	4	Accept a rise or fall in price, depending on the angle of the demand and supply curves and on how far apart the candidate draws the shifts in demand and supply.

Question	Expected response(s)	Max mark	Additional guidance
(d)	 <p>Diagram:</p> <ul style="list-style-type: none"> • diagram showing suitable axis labels and PPC (1) • opportunity cost clearly indicated by using letters/numbers and dotted lines (1) <p>Explanation:</p> <ul style="list-style-type: none"> • opportunity cost arises because as production of one good rises (ID) quantities of the alternative of the good are sacrificed (EXP) (1) • credit example from diagram - as consumer goods rise from B to A the opportunity cost is XY capital goods (DEV) (1) • points on the diagram (for example letters/numbers) demonstrate that producing more of one good (ID) requires producing less of another (EXP) (1) 	3	<p>Award a maximum of 2 marks for the diagram.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award a maximum of 2 marks for the explanation.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(e)	<ul style="list-style-type: none"> encourages free trade (1) reduces tariffs and non-tariff barriers (1) regulates world trade (1) mediates in trade disputes (1) enforces members' adherence to agreements/can impose penalties (1) 	1	Award 1 mark for a valid description.
	(f)	<p>Geographical</p> <ul style="list-style-type: none"> making it easier for people to relocate by investing in affordable/ social housing (1) provide financial help with relocation costs for public sector workers (1) ensure suitable education places are available for children (1) improve movement of resources through investment in transport infrastructure (1) ensure adequate provision of social services (1) increase numbers of Job Centres (1) provide access to language education programmes (1) streamline work visa process (1) <p>Occupational</p> <ul style="list-style-type: none"> provide retraining schemes for workers (1) improve transferrable skills through investment in education/training in line with employers' requirements (1) allow land to be put to another use by reducing red tape in planning (1) 	3	<p>Candidates must describe 3 methods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Answers can include either geographical or occupational methods, or both.</p>

Question		Expected response(s)	Max mark	Additional guidance
2.	(a)	<ul style="list-style-type: none"> recession occurs when there are two consecutive quarters of negative economic growth (1) 	1	Award 1 mark for a valid definition.
	(b)	<ul style="list-style-type: none"> hot money is attracted to the UK (ID) in search of higher returns on their savings (EXP) (1). This increases demand for sterling (DEV) (1) UK consumers reduce their imports (ID) as they are encouraged to save more due to higher returns (EXP) (1). This reduces supply of sterling (DEV) (1) 	2	<p>Award 1 mark for a valid explanation.</p> <p>Award 1 mark for a valid development.</p>
	(c)	<ul style="list-style-type: none"> UK firms get more foreign currency for every pound (ID) making imports cheaper/raw material import costs lower (EXP) (1) meaning UK firms may decrease prices/be more competitive (DEV) (1) resulting in higher profit (DEV) (1) UK exports become dearer to buy (ID) so UK export firms may lose customers/sales (EXP) (1) and may become less profitable (DEV) (1) or reduce their operations (DEV) (1). They may decrease their prices (DEV) (1) and this may result in decreased profits (DEV) (1) visits to the UK become dearer (ID) so UK hospitality firms may lose customers/sales (EXP) (1) and may become less profitable (DEV) (1) or reduce their operations (DEV) (1), and this may result in decreased profits (DEV) (1) 	3	<p>Candidates must explain at least 2 impacts to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Watch for flips.</p>

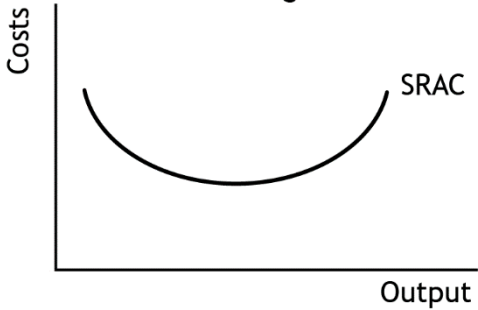
Question		Expected response(s)	Max mark	Additional guidance																	
(d)		<p>Boom/peak</p> <ul style="list-style-type: none"> • GDP above the target/trend rate/highest level (1) • highest levels of consumer spending (1) • firms have highest confidence/profits/investment (1) • unemployment is at its lowest/full employment (1) <p>Slump/trough</p> <ul style="list-style-type: none"> • GDP zero/negligible/prolonged period of low GDP (1) • lowest levels of consumer spending (1) • firms have lowest levels of confidence/profits/investment/many business failures (1) • unemployment is at its highest (1) <p>Recovery</p> <ul style="list-style-type: none"> • GDP rising/turnaround in GDP/positive GDP (1) • consumers begin to spend more/spending rising (1) • firms are more confident/profits rising/start to invest again (1) • employment starts to rise/rising (1) 	3	<p>Candidates must describe at least 2 stages of the business cycle to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Candidates do not need to name the stages of the business cycle to gain full marks. However, if labels are given, they must match the description.</p>																	
(e)		<table border="1"> <thead> <tr> <th>Capital</th> <th></th> <th>Current</th> <th></th> </tr> </thead> <tbody> <tr> <td>long-term spending</td> <td rowspan="4" style="text-align: center; vertical-align: middle;">whereas</td> <td>day-to-day spending</td> <td>(1)</td> </tr> <tr> <td>spending on non-current assets</td> <td>spending on consumables</td> <td>(1)</td> </tr> <tr> <td>building a hospital</td> <td>paying healthcare staff's wages</td> <td>(1)</td> </tr> <tr> <td>installing new equipment in the hospital</td> <td>buying bandages/medication</td> <td>(1)</td> </tr> </tbody> </table>	Capital		Current		long-term spending	whereas	day-to-day spending	(1)	spending on non-current assets	spending on consumables	(1)	building a hospital	paying healthcare staff's wages	(1)	installing new equipment in the hospital	buying bandages/medication	(1)	2	<p>Award 1 mark for a valid distinction.</p> <p>Award 1 mark for a pair of examples.</p> <p>Award a maximum of 1 mark if no examples.</p>
Capital		Current																			
long-term spending	whereas	day-to-day spending	(1)																		
spending on non-current assets		spending on consumables	(1)																		
building a hospital		paying healthcare staff's wages	(1)																		
installing new equipment in the hospital		buying bandages/medication	(1)																		

Question		Expected response(s)	Max mark	Additional guidance
	(f)	<p>budget deficit</p> <ul style="list-style-type: none"> • government annual spending is greater than government tax revenue (1) • government annual outgoings are more than their incomings (1) <p>national debt</p> <ul style="list-style-type: none"> • the cumulative total amount owed by the economy/economy/government (1) • the accumulation of all of nation's annual (budget) deficits (1) 	2	<p>Candidates must describe both terms to gain full marks.</p> <p>Award 1 mark for each valid description.</p>
	(g)	<ul style="list-style-type: none"> • increased quality of resources through training (1) • better farming techniques (1) • increased quantity of resources through immigration (1) • increasing government spending by investing in infrastructure/education/healthcare/public services (1) • creating public sector jobs (1) • increase spending/investment by lowering taxes for individuals/businesses (1) • encouraging spending/investment by lowering interest rates making borrowing cheaper (1) • promoting exports by reducing tariffs/entering free-trade agreements (1) • incentives to encourage foreign direct investment (1) • increasing labour force participation through access to childcare arrangements/re-training programmes (1) 	2	<p>Candidates must describe 2 measures to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

SECTION 2

Question			Expected response(s)	Max mark	Additional guidance			
3.	(a)	(i)	scarcity and shortage		2	Candidates must make 2 distinctions to gain full marks. Award 1 mark for each valid distinction.		
			Scarcity	whereas			Shortage	
			is the problem of limited resources and unlimited wants				is the problem of too much demand compared to supply	(1)
			can never be solved, only reduced				can be solved by price mechanism	(1)
			is a permanent problem				is a temporary/short-term problem	(1)
affects all countries/universal problem	only affects particular markets at particular times	(1)						

Question		Expected response(s)			Max mark	Additional guidance	
	(ii)	planned and market economies			2	Candidates must make 2 distinctions to gain full marks. Award 1 mark for each valid distinction.	
		Planned	whereas	Market			
		decisions on production are made by government		decisions are made through the forces of supply and demand			(1)
		there are many shortages/surpluses		products reach equilibrium through the price mechanism			(1)
		have a more even income/wealth distribution		have large income/wealth inequalities			(1)
		resources are owned by the state		resources are owned by private individuals/firms			(1)
		motive is to meet needs of society		motive is profit			(1)

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p data-bbox="423 264 801 293">Short run average cost curve</p>  <p data-bbox="349 643 461 671">Diagram</p> <ul data-bbox="349 678 1093 746" style="list-style-type: none"> • fully labelled axes (Costs and Output) (1) • u-shaped curve labelled correctly (SRAC/AC/ATC) (1) <p data-bbox="349 783 510 812">Explanation</p> <p data-bbox="349 818 813 847">The curve falls initially (ID) due to:</p> <ul data-bbox="349 853 1151 1034" style="list-style-type: none"> • increasing returns (1) • benefits of specialisation/division of labour (1) • fixed costs are being spread over an increasing output (1) • output rising faster than costs (1) • $MC < AC$, pulling AC down (1) <p data-bbox="349 1070 1301 1134">• the lowest point on the curve is the point of maximum efficiency (ID) as costs are at their lowest per unit (1)</p> <p data-bbox="349 1171 824 1200">The curve begins to rise (ID) due to:</p> <ul data-bbox="349 1206 1301 1348" style="list-style-type: none"> • diminishing returns/law of diminishing marginal returns (1) • benefits of specialisation are eroded/fixed factor is 'overworked' (1) • costs are rising faster than output (1) • $MC > AC$, pushing AC up (1) 	6	<p data-bbox="1458 233 1966 296">Maximum 2 marks for diagram (ignore extraneous curves).</p> <p data-bbox="1458 336 1917 365">Maximum 5 marks for explanation.</p> <p data-bbox="1458 405 2101 469">Maximum 3 marks for explanations of either fall or rise in AC.</p> <p data-bbox="1458 509 1906 537">Maximum 1 mark for an example.</p> <p data-bbox="1458 577 2092 673">Candidates must explain at least one reason for the fall and one reason for the rise to gain full marks.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> an increase in income tax (ID) will reduce disposable income and so consumers can afford to purchase less (EXP) (1) a fall in population (ID) means there are less people to buy goods and services (EXP) (1) a fall in the price of a substitute good (PlayStation) (ID) will result in decrease in demand of its substitute (Xbox) as consumers will switch to purchase the cheaper alternative (PlayStation) (EXP) (1) a rise in the price of a complementary good (PlayStation console) (ID) will result in a fall in demand of its complementary good (PlayStation games) (EXP) (1) negative publicity/advertising/PR (ID) consumers will be deterred from purchasing the product (EXP) (1) a reduction in tastes/fashions (ID) the product is no longer desirable to consumers (EXP) (1) unfavourable weather (ID) as some products will become unusable in certain conditions (EXP) (1) an increase in interest rates for borrowers (ID) reduces discretionary income/increases savings (EXP) (1) 	4	<p>Candidates must explain 4 factors to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p>
	(d) (i)	<p>Giffen goods</p> <ul style="list-style-type: none"> a type of essential good/basic staples which we buy more of as price goes up (1) there is less income available for substitutes so more of the basic good is bought (1) examples include rice, potatoes, etc (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development, including examples.</p>
	(ii)	<p>Veblen/ostentatious goods</p> <ul style="list-style-type: none"> high-end/exclusive/luxurious goods which we buy more of as price goes up (1) as the price goes up the more exclusive they appear, so more people want them/as the price goes down, they appear less exclusive, so less people want them (1) examples include designer handbags, luxury cars, etc (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development, including examples.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	<ul style="list-style-type: none"> • the non-provision/under-provision/missing market of public goods (1) public goods are products private firms would not produce, as firms are not able to earn profits from providing them/free rider problem/public goods are products which are non-excludable and non-rival (DEV) (1) • the under-provision/under-consumption of merit goods (1). Merit goods are products/services which, if left to the free market, many people would not be able to access as they could not afford them (DEV) (1) • the over-consumption/over-provision of de-merit goods (1) which are products that have high social costs (DEV) (1) • monopoly, where one firm may dominate a market (1) and that firm can take advantage of consumers in the market (DEV) (1) • under-production or consumption of goods and services with positive externalities (1) these are products which benefit society but may be underprovided by market/these products won't be provided unless firms receive subsidies (DEV) (1) • emergence of a shadow economy (1) since consumer demand is not being met/price is too high (DEV) (1) • immobility of factors of production (1) leading to unemployed resources (DEV) (1) • inefficient allocation of resources caused by gaps in income due to income inequality (1). Some wealthier people have access to more resources than others and therefore they have more choice/they have more money to spend which makes gives them more power over the products deemed profitable by firms (DEV) (1) • lack of information/information failure (1) may lead to sub-optimal choices (DEV) (1) 	2	<p>Award 1 mark for a valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Maximum 1 mark for an example.</p>

Question		Expected response(s)	Max mark	Additional guidance
4.	(a)	<ul style="list-style-type: none"> • an increase in an injection (into the circular flow) leads to a more than proportionate increase in national income (1) • the initial injection will circulate creating additional spending (1). ‘One person’s spending becomes another person’s income’ (1). For example, a £5m government investment into a new hospital ward requires workers who are paid an income, who can then spend it on a variety of goods and services, increasing demand for firms’ output (DEV) (1) • the size of the final impact can be calculated by using a formula – $1/1-MPC$ (Marginal Propensity to Consume) or $1/MPS$ (Marginal Propensity to Save) (1) • the extent of the multiplier is determined by the size of the MPC or MPS (1) • credit a numerical example – for example, if the MPC is 0.8 then the multiplier will be 5; if there is an increase in investment of £1bn then the increase in national income will be £5bn ($£1bn \times 5$) (1) • the process continues round the circular flow until a new higher equilibrium level is reached (1) 	3	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> • could lead to more taxation revenue for government (1) which will help pay for better public services/additional infrastructure/ maximising welfare (DEV) (1) • makes the tax system more progressive creating a fairer society (1) • an increase in income tax on higher earners could be redistributed to lower earners, reducing income inequality (1) • higher tax revenues will help reduce the budget deficit/improve the public finances (1) • higher taxation may lead to lower consumer spending/lower aggregate demand (1) • could lead to lower inflation (1) • lower disposable income/standard of living (1) • higher rates of income tax can lead to disincentive effects to work (1) • may lead to higher rates of tax evasion/tax avoidance (1) • higher tax rates could affect where people/businesses choose to locate over time (1). This may result in the economy suffering a 'brain drain' of talented people (DEV) (1) 	3	<p>Candidates must describe at least 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(c) (i)	<ul style="list-style-type: none"> • frictional unemployment - due to time taken to move between jobs (1) • cyclical/demand deficient unemployment - due to downturns in aggregate demand (1) • structural unemployment - due to decline in an industry /mismatch between workers' skills and skills in demand (1) • seasonal unemployment - due to the nature of jobs at certain times of the year (1) • regional unemployment - due to areas of high unemployment occurring in certain areas of the economy when firms/industries close/decline (1) • technological unemployment - workers replaced by automation of the production process (1) 	3	<p>Candidates must describe 3 types to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept reference to classical/real wage/hidden unemployment.</p> <p>DNA seasonal unemployment occurs due to the season.</p> <p>Labels are not required. If label is used, it must match the description.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<ul style="list-style-type: none"> • reduced income (ID) leading to falling standards of living (EXP) (1) • lower spending in the economy (ID) leads to lower inflation (EXP) (1) making exports more competitive (DEV) (1) which may lead to improved BoP (DEV) (1) • economic growth may slow (ID) due to reduced AD (EXP) (1) • less tax revenue for government (ID) leading to a fall in spending on public services (EXP) (1) increasing pressure on government to postpone capital spending (DEV) (1) • increased costs for government on NHS/policing/social work (ID) due to mental health/physical health issues (EXP) (1) • increased costs for (element of) Universal Credit (ID) which may increase budget deficit (EXP) (1) • deskilling of workforce (ID) resulting from <u>long-term</u> unemployment (EXP) (1) productivity may fall (DEV) (1) • less attractive to FDI (ID) due to negative impact of national statistics (EXP) (1) • increased opportunity for entrepreneurial activity/retraining (ID) will improve long-term economic growth (EXP) (1) • increased pool of labour (ID) leading to more choice for firms when recruiting/leading to less pressure on wages (1) • fear of losing jobs (ID) leading to less pressure on wages/less industrial action (1) 	4	<p>Candidates must explain at least 2 effects to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for repetition of impact.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<ul style="list-style-type: none"> • complete the Living Costs and Foods Survey/complete a survey to find out what average households buy (1) • create a basket of goods based on the results of the survey/most commonly bought goods and services (1) • items in the basket are updated annually (1) • the costs of housing are not included in the basket (1) • give a weight to each item in the basket based on importance/proportion of household spending (1) • gather prices from retailers around the economy (1) • check prices from last time/base year (1) • calculate percentage change in prices (1) • add up all the percentage changes and calculate an average change, which is inflation (1) 	4	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Responses should be in a logical sequence.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	<ul style="list-style-type: none"> • each economy may calculate in a different way making it difficult to compare (1) • regional inequalities between economies may not be revealed (1) • income inequalities between economies may not be revealed (1) • statistics must be in real terms to be comparable (1) • inaccuracies/corruption in data produced by each economy (1) • calculation per capita/taking population into account is essential in order to compare (1) • one economy may record ‘good’ production – medicines, another economy may record demerit goods – like cigarettes, chemical weapons (1) • figures may not take account of differing levels of the shadow/black economy in different economies (1) the shadow economy can be up to 50% in developing economies DEV (1) • figures do not show differences in levels of unrecorded output between economies (for example, household productivity/DIY) (1) • figures do not show differences in levels of subsistence activity between economies, for example, crops for own consumption (1) • depletion of natural/scarce resources are ignored as one economy may be using up their assets quicker as GDP increases (1) • currency values between economies will change over time (1) 	3	<p>Candidates must describe at least 2 problems to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
5.	(a)	<ul style="list-style-type: none"> • high income/GDP per capita (1) • tertiary sector dominance (1) • well-developed infrastructure (1) • high standards of living (1) • well-developed banking facilities (1) • high levels of industrialisation (1) • well-developed education system (1) • not reliant on a single industry or resource (1) • stable political system (1) • stable economic growth (1) 	3	<p>Candidates must describe at least 2 characteristics to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(b)	(i) <ul style="list-style-type: none"> • English is the international business language making ‘doing business’ easier (1) • there is a relatively educated and skilled workforce (1) for example high ranking universities (DEV) (1) • there are useful natural resources such as oil and wind (1) • access to consumers/a new market (1) may allow for economies of scale (DEV) (1) • higher levels of discretionary income (1) • access to subsidies/regional and national government grants (1). These can reduce costs of production (DEV) (1) • good transport and infrastructure (road/rail/air/sea/broadband) (1). This provides good links to major markets in the UK and the EU (DEV) (1) • political/economic stability allows businesses to plan ahead (1) 	4	<p>Candidates must describe at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Maximum 1 mark for cultural reasons.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<ul style="list-style-type: none"> the multinational may give all the top jobs/skilled jobs to people from its own economy (1) the firm may pull out of the UK at a later date (1) increasing unemployment (DEV) (1) the profits of the company may leave the UK going to the economy where the multinational has its headquarters registered (1) the multinational may cause more environmental/social damage than a home-grown company (1) increased competition for UK firms (1) this may lead to closures/job losses for domestic firms (DEV) (1) 	3	<p>Candidates must describe at least 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(c)	<ul style="list-style-type: none"> UK exporters can sell more/charge more (ID) as the population in emerging economies have rising discretionary incomes (EXP) (1) UK firms can benefit from lower costs of production (ID) because of increased economies of scale (EXP) (1). For example, the cost of global marketing can be spread across a higher level of output (DEV) (1) UK firms can make cost savings (ID) as they benefit from cheaper land/rent/labour (EXP) (1) it is less complex for UK firms to undertake production (ID) as there is less legislation (EXP) (1) more grants/financial incentives/tax breaks may be on offer from governments of emerging economies (ID) so reduces the costs of set-up (EXP) (1) 	3	<p>Candidates must explain at least 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<p>Current Account</p> <ul style="list-style-type: none"> • trade in goods, which is the value of UK exports of goods minus the value of UK imports of goods (1). This is usually in deficit (DEV) (1) • trade in services, which is the value of UK exports of services minus the value of UK imports of services (1). This is usually in surplus (DEV) (1) • net investment income/net primary income, which is net income from interest/profits/dividends (1) • net transfers/net secondary income which could be overseas development aid (1) <p>Capital/Financial Account</p> <ul style="list-style-type: none"> • foreign direct investment, which is cross-border investment by individuals and firms in areas such as capital/land (1) • portfolio investment, which is investment in stocks and shares (1) • other investment, which is any further types of cross-border investment (for example ‘hot money’) (1) • reserve assets, which could be foreign currency managed by the Bank of England (1) • balancing item, which is used to correct net errors and omissions (1) 	4	<p>Candidates must describe at least 2 components from either/or the Current account or Capital/Financial account to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance									
(e)	<ul style="list-style-type: none"> this is when an economy is more efficient at producing some good/service than another economy (1). This could be because they have access to natural resources/a cheap labour force/a skilled labour force/sophisticated capital goods (DEV) (1) an economy should specialise and trade in the good/service in which it has the absolute advantage (1) this will lead to increased world output and improved living standards (DEV) (1) <p>Examples</p> <ul style="list-style-type: none"> Spain would have an absolute advantage over the UK in the production of oranges as it can produce these more efficiently due to its suitable climate (1) <table border="1" data-bbox="450 743 943 932"> <thead> <tr> <th>Economy</th> <th>PCs</th> <th>TVs</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>100</td> <td>100</td> </tr> <tr> <td>B</td> <td>10</td> <td>200</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Economy A has absolute advantage in PCs as it can produce more (1) and Economy B has absolute advantage in TVs (1) each economy should specialise and trade in the good they are best at (1) 	Economy	PCs	TVs	A	100	100	B	10	200	3	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Award maximum 2 marks if no example.</p>
Economy	PCs	TVs										
A	100	100										
B	10	200										

[END OF MARKING INSTRUCTIONS]