

Version 1.0



**General Certificate of Secondary Education  
June 2010**

**ECONOMICS: 413011**

**Unit 11: Personal Economics**

***Mark Scheme***

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**Total for this question: 30 marks**

<b>1 (a)</b>	<i>Rachel has a bank loan. Identify <b>two</b> features of a loan.</i>	<i>(2 marks)</i>
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One mark for each feature.

(AO1)

Features include:

- fixed amount borrowed (1) over a fixed period of time (1)
- repaid in instalments
- interest has to be paid on the amount borrowed
- interest can be fixed
- final amount repaid exceeds the original amount borrowed
- credit rating
- security – secured or unsecured

<b>1 (b) (i)</b>	<i>Identify what stage in her personal lifecycle Rachel has reached.</i>	<i>(1 mark)</i>
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Young adult/early adulthood/adult

Candidates may describe a stage or state it. If described it must be accurate in relation to the stem.

(AO2)

<b>1 (b) (ii)</b>	<i>State and explain <b>one</b> need that Rachel might have in this stage of her personal lifecycle.</i>	<i>(3 marks)</i>
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Needs might include:

Office wear  
Somewhere to live  
Transport to work  
Food/water

Level	Descriptor	Marks	Assessment Objective
2	Need applied to Rachel's situation.	2-3	AO2
1	One need stated.	1	AO1
0	No valid response.	0	

<b>1 (c) (i)</b>	<i>State <b>two</b> different factors which might affect Rachel's choice of holiday.</i>	<i>(2 marks)</i>
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One mark for each factor:

- price
- destination
- type of accommodation
- duration
- age
- exchange rates
- income
- climate/weather

(AO1)

**1 (c) (ii)** Explain **two** advantages to Rachel of competition between businesses selling holidays. (4 marks)

One mark for identifying an advantage (A01)

Advantages may include:

Prices may be lower as businesses compete for customers  
Greater choice of holidays available  
Service will be better

Additional mark for explaining comment in relation to Rachel, eg if price comes down she may be able to go on holiday for longer (A02)

Apply twice

**1 (d)** Rachel is thinking of saving for a deposit on a flat, which she hopes to buy in three years' time.

Explain **two** factors Rachel needs to consider when choosing where to save her money. (6 marks)

Possible factors:

- Rates of interest offered
- The institution (how safe)
- Ease of access/flexibility of account
- Any penalties for withdrawal
- Will value of savings possibly go down (e.g. unit trusts)?
- Time frame
- Ethical considerations
- Risk

**Examiners to annotate the level selected by using L1 or L2**

Level	Descriptor	Marks	Assessment Objective
2	Factor explained in context	2-3	A02
1	Factor identified	1	A01
0	No valid response.	0	

**Apply grid twice**

Maximum of 2 marks if AER confused with APR

**1 (e)** *Having decided to save for a deposit on a flat, Rachel is aware that she still has her bank and student loans to repay.*

*Recommend to Rachel whether or not she should pay off her loans first, before starting to save for a deposit on a flat. Give reasons for your recommendation.*

*(12 marks)*

As she is paying 6% on a bank loan and is unlikely to receive 6% on her savings – it would be sensible to pay off the bank loan first. However, if she could earn more than 6% interest on her savings it would be worth delaying the repayment of her loans.

As the bank loan is for three years, there might be a charge for repaying early.

As no interest is paid on her student loan – she could delay repaying this – as she is earning £18000 a year some of that will automatically be deducted for repaying her student loan.

She might not like being in debt.

**Examiners to annotate the level selected by using L1 or L2**

Level	Descriptor	Marks	Assessment Objective
2	Accurately explains different options in context.	2–4	AO2
1	Basic understanding of the option(s) demonstrated.	1	AO1
0	No valid response.	0	

**Note:** This question assesses candidates' Quality of Written Communication. When deciding on the level to be awarded for AO3, consider the degree to which the candidate orders and communicates his/her ideas.

**Examiners to annotate the level selected by using E1, E2 or E3**

Level	Descriptor	Marks	Assessment Objective
3	Candidate offers recommendation with thorough analysis, eg relative difference in interest rates between the loans or linking the size of Rachel's salary to what is a realistic repayment strategy. Ideas are communicated with a clear structure and use of technical terms.	7-8	AO3 and Quality of Written Communication
2	Candidate offers recommendation with some analysis, eg of whether to pay off loans or save for flat first. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	4–6	
1	Candidate offers recommendation with limited reasons.	1–3	

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	Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.		
0	No valid response.	0	

**2****Total for this question: 20 marks**

**2 (a)** State **two** items that are likely to be deducted from Rachel's gross pay. (2 marks)

Any two from:

(AO1)

- income tax
- National Insurance Contributions
- pension contribution
- student loan repayment
- health insurance

Or any other valid item

Do not allow **state** pension

**2 (b)** Explain **two** possible reasons why Harry was paid less than Rachel. (6 marks)

Possible reasons:

Difference in training and qualifications as Rachel has a degree and Harry has just finished his training.

Rachel is more experienced as she has been in working for a number of years.

As a supervisor Rachel has additional responsibility.

Differences in supply and demand between the two jobs

**Examiners to annotate the level selected by using L1 or L2**

Level	Descriptor	Marks	Assessment Objective
2	Reason explained in context of Rachel versus Harry	2-3	AO2
1	Reason identified	1	AO1
0	No valid response.	0	

**Apply grid twice**

**2 (c)** As Harry is now unemployed, he is considering the following options:

- accepting a six month job as an engineer in a car factory, 200 miles away
- signing up for government benefits while looking for a job locally
- retraining at the local college as a engineer, servicing washing machines and other domestic appliances. He would receive a training allowance of £80 per week during the six months' course.

Recommend to Harry which option he should take. Give reasons for your recommendation.

(12 marks)

Likely areas of discussion:

Move away

- the job is in car manufacturing so he can use his skills – so no retraining needed.
- the work is only for six months – what then?
- It means moving away from his friends and finding accommodation. Costs of moving.

Sign Up

- It would provide an income to pay his rent
- What are the chances of obtaining work locally? Might spend a lot of time looking – lose confidence in finding a job
- Job seekers allowance lasts only six months

Retrain

- This could open more chances of employment in the future
- Does he want to work in this area
- There is no guarantee of work at the end of his training
- He could claim benefits while training

**Examiners to annotate the level selected by using L1 or L2**

Level	Descriptor	Marks	Assessment Objective
2	Accurately explains different option(s) in context.	2–4	AO2
1	Basic understanding of the option(s) demonstrated.	1	AO1
0	No valid response.	0	



**Note:** This question assesses candidates' Quality of Written Communication. When deciding on the level to be awarded for AO3, consider the degree to which the candidate orders and communicates his/her ideas.

**Examiners to annotate the level selected by using E1, E2 or E3**

Level	Descriptor	Marks	Assessment Objective
3	Candidate offers advice with thorough analysis. This advice could be based on the relative merits of all three options or a detailed analysis of just one. Ideas are communicated with a clear structure and use of technical terms.	7-8	AO3 and Quality of Written Communication
2	Candidate offers advice with some analysis. This advice could be a discussion of the advantages and disadvantages of 1-3 options. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	4-6	
1	Candidate offers advice with limited analysis ie the data is referred to but not developed. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	1-3	
0	No valid response.	0	

**3****Total for this question: 20 marks**

**3 (a)** Explain what is meant in **Item C** by the 'value of the pound had fallen against the euro'.  
(2 marks)

Possible answers:

(AO1)

You can get fewer euros for the pound. A numerical example might be given.

You have to exchange more pounds to get the same amount of euros.

You can buy less in countries which belong to the euro.

The pound is worth less – 1 mark only. The euro is worth more – 1 mark only

**3 (b)** Explain how the lower value of the pound against the euro might affect holiday makers, like Rachel, when planning their holidays.  
(6 marks)

Possible answers:

- The holiday will be more expensive so they may take shorter holidays
- It will cost more while staying in France so spend less on meals, entertainment etc
- They may decide to take holidays in England
- They may consider taking holidays outside of the Euro zone.

**Examiners to annotate the level selected by using L1 or L2 or L3**

Level	Descriptor	Marks	Assessment Objective
3	Explains fully the possible effects in context (on holiday makers) and the action/reaction taken by holiday makers.	5–6	AO2
2	Explains possible effects in context.	3–4	
1	Identifies possible effect(s)	1–2	AO1
0	No valid response	0	

**3(c)** Rachel decided to travel by train to France because she is concerned about the effects of air travel on the environment.

How might the spending decisions of people, like Rachel, affect businesses that supply transport? Give reasons for your answer. (12 marks)

Points for discussion

- If a significant number of people chose to use the train instead of the plane, airline businesses and airports would lose money. Airline businesses might have to make staff unemployed because of the fall in demand and reduce fares/prices to encourage more people to use planes and so reverse the trend.
- If a lot more people used the train, train businesses like Eurostar would need to put on more trains unless there was space on the existing ones. If they had to buy new trains they might have to put up their fares to pay for their higher costs. It might take some time to obtain the new trains which might result in overcrowded trains. This, with higher fares, might encourage people back to using planes.
- Airline businesses might try to use more energy-efficient planes to become more environmentally friendly.

**Examiners to annotate the level selected by using L1 or L2**

Level	Descriptor	Marks	Assessment Objective
2	Explains different effects in context.	2–4	AO2
1	Identifies an effect.	1	AO1
0	No valid response.	0	

**Note:** This question assesses candidates' Quality of Written Communication. When deciding on the level to be awarded for AO3, consider the degree to which the candidate orders and communicates his/her ideas.

**Examiners to annotate the level selected by using E1, E2 or E3**

Level	Descriptor	Marks	Assessment Objective
3	<p>Candidate provides a thorough discussion of the effects on businesses resulting from the spending decisions of consumers.</p> <p>Discussions consider effects on both planes and/or trains or related transport businesses <u>and</u> includes an evaluative comment/judgement as to the degree of the effect.</p> <p>Ideas are communicated with a clear structure and use of technical terms.</p>	7-8	AO3 and Quality of Written Communication
2	<p>Candidate provides some supported judgments of the effects on businesses resulting from the spending decisions of consumers.</p> <p>Discussion considers trains and/or planes or related transport businesses.</p> <p>Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.</p>	4-6	
1	<p>Candidate offers unsupported judgments or limited analysis of the effects on businesses resulting from the spending decisions of consumers. Discussion tends to be one-sided looking at the effect on planes <b>or</b> trains.</p> <p>Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.</p>	1-3	
0	No valid response.	0	