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**General Certificate of Secondary Education
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Economics 4135/ 4132 (Short Course)

Personal Economics

Unit 11

Mark Scheme

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1

Total for this question: 27 marks

1	(a) State two features of a store card.	<i>(2 marks)</i>
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One mark for each feature.

(AO1)

Features include:

- higher interest rate than many other forms of credit
- can only be used at certain retail outlets
- may qualify for certain discounts the more they are used
- regular statements
- penalties for late payment
- can take goods away without paying
- unsecured credit
- pay interest on outstanding balances.

Do not reward:

- habit forming.

1	(b) Explain why it is important to Kevin that he knows the rate of interest on his debts	<i>(3 marks)</i>
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So he can:

- compare the rates on his different debts
- see which type of debt is the most expensive
- calculate how much interest he needs to pay
- decide which debt to repay first.

To access L3 candidates should:

- refer to Kevin's circumstances, eg to his flat, difficulties in managing his finances or specific reference to his debt as outlined in the Item.

NB: do not reward reference to the savings interest rate.

Level	Descriptor	Marks	Assessment Objective
L3	Explains reason(s) why it is important to Kevin.	3	AO2
L2	Explains reason(s) why it is important.	2	AO1
L1	Gives reason(s) why it is important.	1	
L0	No valid response.	0	

Example:

Kevin should know the rate of interest on his debts so that he can work out which debt to pay off first (L1). This will help him to repay his debts in the shortest possible time (L2) so that he can start saving towards a deposit for renting a flat (L3).

1 (c) *Kevin is concerned about the size of his debts. Explain what he could do to improve his situation. (4 marks)*

Actions could include:

- reduce his spending on luxury goods so he can start repaying his debts
- he may still buy luxuries but instead buy slightly cheaper versions of items like mobile phones and TVs
- increase his income – do overtime, if available; take on a part-time job
- he may try to switch some debt (eg credit/store card into a higher overdraft and pay less interest)
- see a debt/financial advisor
- draw up a budget/plan to see where to save money.

Level	Descriptor	Marks	Assessment Objective
L3	Action(s) explained with relevance to the reduction of Kevin's debts	4	AO2
L2	One action explained.	3	AO1
L1	One or two actions identified.	1–2	
L0	No valid response.	0	

Example:

Kevin could cut back on his spending (L1). This would help him to have some money available to repay his debts (L2). For example, Kevin could cancel his gym membership and stop taking foreign holidays (L3).

1 (d) *One factor Kevin should consider when choosing where to save his money is whether the saving scheme allows him to save regularly.*

*Explain **two** other factors that he should consider when deciding which saving scheme to choose. (6 marks)*

Factors may include:

- is the scheme best for long term or short term savings?
- degree of risk – how safe is the investment?
- is the interest/return taxable?
- is it available online?
- is there a penalty for withdrawing money?
- regular or lump sum saving?
- the rates of interest offered
- ethical lending policy of the other lender.

1st mark Identifies a factor

2nd mark Explains a factor

3rd mark Explains a factor with relevance to the scenario

Apply twice

Example:

Kevin may wish to consider how much risk is associated with the saving scheme (1 mark). He might want a low risk account like the instant access account (2nd mark) because he does not want to risk losing the money he is saving towards a deposit on the flat (3rd mark).

1 (e) *Kevin wants to save for a deposit to rent a flat. He is unsure which of the following options to choose:*

- *save in an instant access bank savings account which pays 2% interest (gross) per year*
- *save a fixed amount every month in a unit trust.*

Advise Kevin which method of saving would be best for him. Give reasons for your advice. (12 marks)

Candidates can suggest using any one of the two options or a combination of the two or one which is not mentioned. Any well reasoned strategy is acceptable.

They may consider the following issues:

- savings account – safe investment less risky than unit trusts
- it has easy access so Kevin can access his savings if he is short of money
- a rate of interest is paid unlike unit trusts whose value could go down
- Kevin can add to his savings anytime
- savings account pays a low rate of interest so it will take him a long time to save the deposit
- with inflation the interest could be worth very little
- as it is gross – Kevin will have to pay tax on the interest
- the interest rate is not fixed so it could go down
- as it is instant access, Kevin can easily take money out
- if he's not good at saving he may need the discipline of a regular savings account or the regular unit trust scheme
- unit trusts can potentially make a better return than savings accounts but their value could go down if the Stock Market does not do well
- he could end up losing some of his savings.

Award marks for AO1, AO2 and AO3 using the grid below.

Examiners must annotate the level selected by using L1 or L2 or L3.

Level	Descriptor	Marks	Assessment Objective
L3	Analyses knowledge of the different option(s) to Kevin's situation.	6–5	AO3
L2	Describes features of the different options.	4–3	AO2
L1	Basic understanding of the option(s) is/are demonstrated.	2–1	AO1
L0	No valid response.	0	

A descriptive list of advantages and disadvantages is limited to level 2.

In addition, separately award marks for evaluation using the grid on the next page.

Note: this question also 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 must annotate the level selected by using E1 or E2.

Level	Descriptor	Marks	Assessment Objective
E2	Candidate gives advice with clear justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	6–4	AO3 and Quality of Written Communication
E1	Candidate gives advice with limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	3–1	
E0	No valid response.	0	

2

Total for this question: 23 marks

2 (a) State **two** possible reasons why someone like Alan worked from home. (2 marks)

Possible reasons could include:

(AO1)

- he lives in the country – not near to his place of work
- more convenient, eg less commuting time
- easier to do so now due to ICT advances
- can fit work around other things that you need to do at home
- allows him to work more flexibly
- to look after the family
- may be disabled
- some types of work do not require one to be at the work place
- any other reasonable suggestion.

2 (b) Explain why Alan might have found it more difficult than other people to find employment. (4 marks)

Explanations could include:

- Alan has no formal qualifications
- he may lack the experience required by employers
- he might not be willing to accept a lower salary in order to get a job
- he has only worked for one company so his experience is limited.

Level	Descriptor	Marks	Assessment Objective
L3	Reason(s) explained with relevance to Alan.	4	AO2
L2	One reason explained.	3	
L1	One or two reasons identified.	1–2	AO1
L0	No valid response.	0	

Example:

Alan might find it more difficult to get a job because he has no formal qualifications (L1). This makes him/his CV less attractive to employers (L2) who are able to employ people who are better qualified than Alan (L3).

2 (c) *What is the likely effect on Alan's local community of him losing his job? (5 marks)*

Alan will have less money to spend, for example at local shops, the pub. These businesses will sell less and profits may fall.

Alan cannot afford to keep his gardener and cleaner so they will lose their jobs. Their spending in the local community will fall. They might need help from the local council, etc.

NB Do not reward national effects, eg changes in income tax.

Level	Descriptor	Marks	Assessment Objective
L3	Explains effect(s) with relevance to the wider local community.	5–4	AO2
L2	Explains the likely effect(s) on individuals.	3–2	
L1	Identifies one effect.	1	AO1
L0	No valid response.	0	

Example:

When Alan lost his job he had to stop employing a cleaner and a gardener (L1). This would mean that their income would also fall (L2) and they would have to cut back their spending (L2). The effect of this fall in spending would be felt by local shops and businesses (L3) who would have less sales and profits and may have to reduce their staff (L3).

2 (d) Why is it important to **the government** for people like Alan to get back to work?
Give reasons for your answer. (12 marks)

- if there are a lot of people unemployed the government will have to pay out a lot of benefits to the unemployed so their spending will go up. The government might need to raise taxes or borrow more money
- if there are a lot of people like Alan unemployed the government will receive less income from taxes so they might have to borrow more money or cut their spending
- if people are out of work for a long time they may lose their skills
- effects on health – those unemployed more likely to suffer from poor health
- those unemployed are more likely to experience family breakdown resulting from pressure of financial problems.

Award marks for AO1, AO2 and AO3 using the grid below.

Examiners must annotate the level selected by using L1, L2 or L3.

Level	Descriptor	Marks	Assessment Objective
L3	Analyse reason(s) why the government wants to see people like Alan back in work.	6–5	AO3
L2	Describes why it is important for the government to see people back in work.	4–3	AO2
L1	Identifies reason(s) for why governments wish to see people back in work.	2–1	AO1
L0	No valid response.	0	

Note: ‘People like Alan’ refers to any of the following: highly skilled, lowly qualified, those in a rural location, unemployed for over a year.

In addition, separately award marks for evaluation using the grid below.

Note: this question also 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 must annotate the level selected by using E1 or E2.

Level	Descriptor	Marks	Assessment Objective
E2	Candidate offers reasons with clear justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	6–4	AO3 and Quality of Written Communication
E1	Candidate offers reasons with limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	3–1	
E0	No valid response.	0	

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

3 (a) State **two** benefits to the consumer of importing office furniture into the UK.
(2 marks)

Possible answers include:

(AO1)

- cheaper products
- wider choice
- better quality
- branded goods.

3 (b) Explain the possible **negative** effects of global trade in wooden office furniture.
(6 marks)

Reasons could include:**Negative effects:**

- encourages deforestation – leading to soil erosion – loss of habitats, environmental consequences, etc
- effects of deforestation on local people, ie they lose their homes
- cheap imports may undercut locally produced furniture – causing unemployment
- overreliance on imports – problem if supply stops – may lead to a reduction in choice and lower quality
- vulnerability to exchange rates.

Any other reasonable negative effect acceptable.

Apply grid twice

Level	Descriptor	Marks	Assessment Objective
L3	Explains effect in context* of office furniture.	3	AO2
L2	Explains effect	2	
L1	Identifies one negative effect.	1	AO1
L0	No valid response.	0	

Note: context could include local craftsmen, local businesses, local people, environmental damage etc.

Example 1:

The global trade in office furniture will damage the environment (L1). This is because resources are being used up (L2) as forests are cut down and local people lose their homes (L3)

Example 2:

Global trade may mean we rely on other countries for office furniture (L1). So if a country cannot supply the products there is less choice and we are forced to look for other suppliers (L2). This may mean we are forced to buy more expensive furniture (L3).

3 (c) Alan is not sure whether to buy:

- the cheapest imported office furniture
- the imported office furniture with the logo
- the local, hand-made office furniture.

Which office furniture do you think he should buy? Give reasons for your answer.

(12 marks)

Candidates can choose any one of the options.

Possible arguments might include:

Cheapest imported office furniture – Alan can save money which is important as he is still short of money and may need every penny to get his business set up. Office furniture is not that important.

Buying cheap imports will provide employment and income for those possibly in poorer countries.

But buying cheap imported furniture may encourage deforestation in the countries where the timber is produced.

Imported office furniture with the logo – might be the best compromise – the timber may cost more but the wood comes from managed forests. If he buys this furniture it will help to encourage responsible management of forests abroad and help the environment.

But it is more expensive – Alan has to consider the higher costs for his business.

Local, hand-made office furniture

This is the most expensive – does Alan really need such well-made furniture at home?

However, it would support local business and provide employment.

There is a smaller carbon footprint as furniture is not being imported and the wood comes from UK managed forests – which is good for the environment.

Marker's note:

The Item assumes Alan is buying furniture just for his business. Some candidates may assume that his business is buying/selling office furniture. **Either interpretation is acceptable.**

Award marks for AO1, AO2 and AO3 using the grid below.

Examiners must annotate the level selected by using L1 or L2 or L3

Level	Descriptor	Marks	Assessment Objective
L3	Analyses the different options to Alan in the context of buying office furniture.	6–5	AO3
L2	Describes features of the different options.	4–3	AO2
L1	Basic understanding of the option(s) is/are demonstrated.	2–1	AO1
L0	No valid response.	0	

In addition, separately award marks for evaluation using the grid on the following page.

Note: this question also 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 must annotate the level selected by using E1 or E2.

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E0	No valid response.	0	

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