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GCSE

# Economics

413011/ Unit 11      Personal Economics  
Mark scheme

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Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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**Total for this question: 28 marks**

- 1 (a) Adam and Claire are young adults and some of their wants are different from those they had at school. State **two** of these different wants.

**[2 marks]**

**Possible answers include**

- want their own place to live
- greater expenditure on social life
- foreign holidays and other luxuries
- a car
- aspirational want (e.g. career, family)

**MARKER'S NOTE:** Only award one mark if the two examples used are too similar, e.g. two types of socialising expenditure.

One mark for each suitable want **(AO1)**.

- 1 (b) Before a bank agrees to give Adam and Claire a mortgage, it will need financial information about them. Give **two** types of information a bank may require and give a reason why this information is important.

**[4 marks]**

**Possible answers include**

- their incomes in relation to repayments
- size of deposit/savings they have
- willingness of parents' financial support (or any other indication of a guarantor)
- are their jobs secure?
- debts/credit rating/financial history
- proof of identity
- evidence of criminal record.

One mark for correct factor **(AO1)**, plus one mark for development/description **(AO2)**  
Apply twice.

**MARKER'S NOTE:** Look at the explanation first. If this is present, then do not penalise for imprecision in naming documentation or vagueness in its use.

**Examples**

A bank will look at Adam and Claire's incomes (✓), because they want to know that they will have enough money to pay the mortgage each month (✓).

How much savings they have (✓), because it shows they are sensible with their money so will be less likely to default with their mortgage (✓).

- 1 (c) Explain **two** reasons why house prices in the city might have increased. **[4 marks]**

**Possible answers include:**

- any demand factor, eg a reason why more people want to buy a house/have become better off
- any supply factor, eg new houses not being built in the area.

One mark **(AO1)** for stating correct reason, plus 1 mark **(AO2)** for some explanation (no need for context).

**Example**

The prices have gone up because more people want to buy a house **(1)** because mortgage repayments will be low **(1)**.

Prices have gone up because few new homes are being built **(1)**.

So many people are trying to buy the same houses available in the city **(1)**.

- 1 (d) Explain **two** risks for Adam and Claire if they borrow money to buy a house.

**[6 marks]**

**Possible answers can include**

- interest rates could rise, causing increase in repayments
- being able to maintain repayments – repossession
- negative equity
- house might have expensive hidden faults that need to be remedied.
- if funds (deposit or full amount) are from family etc, failure to repay could create friction and falling out
- impact on quality of life.

**Apply grid twice**

Level	Descriptor	Marks	Assessment Objective
L2	Risk explained in the context of <b>Item A</b>	3–2	AO2
L1	Risk identified	1	AO1
L0	No valid response	0	

**MARKER’S NOTE:** The rise is associated with the borrowing money to buy a house. For example, losing their job is not a risk, but could increase the risk of repossession.

**Example**

There is a risk that the price of houses in the area might decrease in value **(L1)**. This would mean that Adam and Claire would lose money as they paid £140 000 for the house and it is only now worth say £120 000. **(L2** partial explanation 2 marks).

Adam and Claire risk having their house repossessed **(L1)**. This would happen if they stopped paying the mortgage. The couple might carry on enjoying a full social life and not budget for the mortgage. The building society would sell the house to get their money back leaving Adam and

Claire homeless with nothing to show for the money they have spent on the house. (L2 full explanation 3 marks).

- 1 (e) Adam and Claire are considering buying a house outside the city centre. Would you recommend that they buy a house or remain in their rented flat in the city centre? Use **Item A** to support your answer. [12 marks]

**Arguments for**

- get on property ladder
- money 'wasted' by renting
- house prices rising so could see capital gain.

**Arguments against**

- social life affected
- responsible for repairs etc
- would need to borrow money from parents
- additional costs (extra £100 on mortgage etc)
- house prices could fall and they could end up with negative equity
- risks associated with variable interest rate mortgage
- commuting costs/inconvenience.

Level	Descriptor	Marks	Assessment Objective
L3	Uses <b>Item A</b> to analyse the suitability of the option(s) given Adam and Claire's circumstances.	6 – 5	AO3
L2	Describes the suitability of the option(s) given Adam and Claire's circumstances.	4 – 3	AO2
L1	Demonstrates some understanding of the choices facing Adam and Claire.	2 – 1	AO1
L0	No valid response	0	

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 and E2**

**Judgement is being made in relation to the conclusion made**

A clear judgement is one that follows logically from the arguments raised elsewhere in the response. The judgment made is unambiguous and realistic with the candidate having articulated the reason(s) for this particular choice, rather than leaving it to the examiner to infer the reason(s).

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement with clear justification Ideas are communicated using a logical structure, with some appropriate uses of technical terms. There are occasional errors in accepted conventions of written communication.	6–4	AO3 and Quality of written communication
E1	Offers judgement 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	

### Example

#### E1 Response

I think that Adam and Claire should stay in the town centre because it is close to work. If they moved out of the area they would have to travel in each day **(E1)**.

#### E2 Response

I believe that they should buy a house. House prices have been rising rapidly in recent years and if Adam and Claire leave it too late they will not be able to get on the property ladder (E1), because they would not be able to afford the higher prices. They will have to make sacrifices travelling to work but it is unlikely they will be working at the same place in the city for all of their working lives **(E2)**.

**Total for this question: 20 marks**

- 2 (a) Explain **one** possible reason why the warehouse is able to pay low wages to its employees.

**[2 marks]**

**Possible answers include**

- large number of people wanting to work there
- flexible shifts make the job attractive to more people
- jobs are low skilled not requiring much training
- unemployment in the area
- low/no unionisation.

**Markers' Note**

Max 1 mark for using MNW as the reason with explanation, unless using MNW to explain how warehouse is **able** to pay this wage.

One mark for identifying the factor **(AO1)** and one mark for development/explanation **(AO2)**.

**Example**

Wages are low because there are a lot of people looking for jobs (✓). So the warehouse doesn't have to offer high wages to get people to move from their current jobs (✓).

- 2 (b) Explain **two** ways in which a fall in unemployment could help the people who live in the area where Karen lives.

**[6 marks]**

**Possible answers include**

- lowering of crime
- house prices rise as areas become more attractive
- appearance of properties improves as people have money to spend
- 'multiplier effect' on the local economy
- makes being employed the norm/being unemployed less socially accepted.

Responses should be directed at the area of high crime/unemployment rather than society in general for **L2**.

**Examples**

**L2 (2 marks)**

If more jobs are created, unemployed people will have more money, therefore, there will be less crime in the area making it a better place to live.

**L2 (3 marks)**

This will create more wealth in the area where Karen lives as the unemployed in the area will get more money as wages than their Job Seekers Allowance. Some of this money will be spent in local shops, which will create even more wealth for the shop owners, who will probably take on more staff reducing the unemployment even further.

Apply grid twice:

Level	Descriptor	Marks	Assessment Objective
L2	Benefit of a fall in unemployment explained in the context of <b>Item B</b> .	3–2	AO2
L1	Benefit of a fall in unemployment identified.	1	AO1
L0	No valid response	0	

- 2 (c)** Karen is considering taking a two-year break from her studies at university. Do you think that this is a sensible thing for Karen to do? Use **Item B** to support your answer.

[12 marks]

**Arguments for**

- would help reduce her costs, childminding and fares
- flexible shifts allows her to fit in work around her family
- help her to get sorted financially.

**Arguments against**

- would make it even longer before she can get a well-paid graduate job – yet she has just 18 months to go
- would she want to go back to University once she is dependent on warehouse wage?
- her child would start school soon so her costs would go down
- Karen would lose enthusiasm/impetus for studying
- lose some benefits.

Level	Descriptor	Marks	Assessment Objective
L3	Uses <b>Item B</b> to analyse the choice(s) facing Karen.	5–6	AO3
L2	Describes the choice(s) facing Karen.	3–4	AO2
L1	Demonstrates some understanding of the choice(s) facing Karen.	1–2	AO1
L0	No valid response.	0	

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 and E2****Judgement is being made in relation to the conclusion made**

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E2	Offers judgement with clear justification. Ideas are communicated using a logical structure, with some appropriate uses of technical terms. There are occasional errors in accepted conventions of written communication.	6–4	<b>AO3 and Quality of written communication</b>
E1	Offers judgement 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	

**Example****E1 Response**

I believe that it would be silly for Karen to give up her university course. She is half way through the course and when she finishes she will be able to get a good job **(E1)**.

**E2 Response**

I think Karen should remain at university until her course is completed. The warehouse job will only be low paid so she will not be able to save that much money **(E1)**, especially if she loses some of her benefits as she is now working. She would earn far more with a degree in two years' time to make up for what she has had to give up being a student **(E2)**. It seems to be a spur of the moment decision that Karen has not thought out properly and not a good idea.

**Total for this question: 22 marks**

- 3 (a)** Using **Table 1** in **Item C**, calculate how much more one tonne of fairtrade cocoa costs than one tonne of non-fairtrade cocoa.

Tick **one** of the boxes next to the figure you think is correct.

£700      US\$700      £7500      US\$7500

**[1 mark]**

Answer: US\$700

- 3 (b)** Using **Table 1** in **Item C**, calculate the cost in pounds sterling of one tonne of fairtrade cocoa. Use the exchange rate of US\$1.60 = £1.

Tick **one** of the boxes next to the figure you think is correct.

£2000      £2500      £32500      £5120

**[1 mark]**

Answer £2000

- 3 (c)** Explain **one** effect on UK chocolate producers if the exchange rate of the pound rises against the US dollar.

**[2 marks]**

**Possible answers include**

- cocoa becomes cheaper for UK chocolate producers to buy for their costs fall
- might lose US sales as UK chocolate becomes more expensive.

One mark **(AO1)** for stating effect (whether good or bad), plus 1 mark **(AO2)** for some development/description in context.

**Example**

The cocoa will become cheaper in pounds to buy (✓). This will mean the chocolates makers can make more chocolate for the same costs (✓).

- 3 (d) Explain **two** possible effects of unstable cocoa prices on UK chocolate producers.

[6 marks]

**Possible answers include**

- makes it difficult for producers to plan ahead
- price of chocolate might need to be changed regularly
- production might fluctuate as customers cut back/increase demand when prices change
- producers might be less willing to buy fairtrade cocoa when prices go up.

**MARKER'S NOTE:**

- 1 If neither of the two arguments used to address the issue of unstable prices (as opposed to prices changes in general, i.e. price increases/price decreases), then no more than 4 marks can be awarded in total for 3d. When this occurs, please write 'MAX 4' in the comment box online when marking.
- 2 For unstable prices look for rapid/unexpected/large changes in prices either up or down.

**Apply grid twice**

Level	Descriptor	Marks	Assessment Objective
L2	Effect of unstable prices explained in the context of <b>Item C</b>	3–2	AO2
L1	Effect of unstable prices identified	1	AO
L0	No valid response.	0	

**Examples**

**L2 (2 marks)**

Unstable cocoa prices will mean that the price of chocolate will change (**L1**). Customers will buy less chocolate when prices rise. (**L2** partial explanation).

**L2 (3 marks)**

If the cost of cocoa is changing all the time it will make it more difficult for chocolate producers to keep their prices the same (**L1**). They might try to buy more than they need when the price is low and store it so they don't have to pass on the extra cost to their customers. (**L2** full explanation).

- 3 (e) Should UK chocolate producers make more fairtrade chocolate?  
Use **Item C** to support your answer.

[12 marks]

**Arguments that might be used:**

- using fairtrade cocoa will result in an increase in the cost of making chocolate – would consumers be willing to pay a premium for this type of chocolate
- the effect of fluctuating cocoa prices/exchange rates might amplify the increase in cocoa costs which could put chocolate makers off
- supporting the developing nations might result in closer relationships/preferential treatment in the future
- will avoid possible consumer action (eg boycotts) as behaving ethically
- the current economic downturn might lift soon and raise consumers' incomes allowing them to afford fairtrade cocoa.

Level	Descriptor	Marks	Assessment Objective
L3	Uses <b>Item C</b> to analyse issues to do with using fairtrade cocoa.	6–5	AO3
L2	Describes the issues to do with using fairtrade cocoa.	4–3	AO2
L1	Demonstrates some understanding of the issues to do with using fairtrade cocoa.	2–1	AO1
L0	No valid response.	0	

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.

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**Examples****E1 response**

I would advise producers to make chocolate with fairtrade cocoa. This is because there are more and more people who want to buy this type of chocolate even if it is more expensive **(E1)**.

**E2 response**

I would suggest that chocolate makers should not move to using fairtrade cocoa because there are already two factors that make the cost of cocoa unpredictable – the variable harvests and the exchange rate. Using fairtrade cocoa makes the price of cocoa even more difficult to manage for manufacturers and it stops the price of cocoa falling when there is a good harvest which means manufacturers cannot benefit from this happening **(E2)**.